

Document of  
The World Bank

Report No: ICR00001693

IMPLEMENTATION COMPLETION AND RESULTS REPORT  
(IBRD-79100)

ON A

LOAN

IN THE AMOUNT OF US\$100 MILLION

AND

A GRANT FROM THE  
GLOBAL ENVIRONMENT FACILITY (GEF) TRUST FUND

IN THE AMOUNT OF US\$4.265 MILLION

TO THE

PEOPLE'S REPUBLIC OF CHINA

FOR THE

SUSTAINABLE DEVELOPMENT IN POOR RURAL AREAS PROJECT

June 3, 2016

Agricultural Global Practice  
East Asia and Pacific Region

## CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2015)

Currency Unit = Renminbi

RMB 1.00 = US\$ 0.15

US\$ 1.00 = RMB 6.49

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

CASS	Chinese Academy of Social Sciences
CDD	Community Driven Development
CDF	Community Development Financing
CPIO	Central Project Implementation Organization
ERR	Economic Rate of Return
ESMF	Environmental and Social Management Framework
FIRR	Financial Internal Rate of Return
GEF	Global Environment Facility
GEO	Global Environment Objective
ICR	Implementation Completion and Results
IPRCC	International Poverty Reduction Center in China
ISR	Implementation Support Report
JSDF	Japan Social Development Fund
LGPR	Leading Group for Poverty Reduction
M&E	Monitoring and Evaluation
MOF	Ministry of Finance
MTR	Mid-term Review
NDRC	National Development and Reform Commission
O&M	Operations and Management
PAD	Project Appraisal Document
PDO	Project Development Objective
PMO	Project Management Office
PPMO	Provincial Project Management Office
PSIA	Poverty and Social Impact Assessment
SLMA	Sustainable Land Management and Adaptation

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**CHINA**  
**SUSTAINABLE DEVELOPMENT IN POOR RURAL AREAS PROJECT**

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## DataSheet

A. Basic Information			
Country:	China	Project Name:	Sustainable Development in Poor Rural Areas
Project ID:	P099751,P101844	L/C/TF Number(s):	IBRD-79100,TF-97197
ICR Date:	09/20/2010	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	PEOPLE'S REPUBLIC OF CHINA
Original Total Commitment:	USD 100.00M,USD 4.27M	Disbursed Amount:	USD 100.00M,USD 4.23M
Environmental Category: B		Focal Area: M	
Implementing Agencies: International Poverty Reduction Center in China (IPRCC)			
Cofinanciers and Other External Partners:			

B. Key Dates				
Sustainable Development in Poor Rural Areas - P099751				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	06/19/2007	Effectiveness:	10/20/2010	11/16/2010
Appraisal:	10/20/2008	Restructuring(s):		10/18/2013
Approval:	06/10/2010	Mid-term Review:		6/5/2012
		Closing:	12/31/2015	12/31/2015

Sustainable Development in Poor Rural Communities (GEF) - P101844				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	06/19/2007	Effectiveness:	10/20/2010	11/16/2010
Appraisal:	10/20/2008	Restructuring(s):		10/18/2013
Approval:	06/10/2010	Mid-term Review:		6/5/2012
		Closing:	12/31/2015	12/31/2015

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes	Satisfactory
GEO Outcomes	Satisfactory
Risk to Development Outcome	Negligible to Low
Risk to GEO Outcome	Negligible to Low

Bank Performance	Moderately Satisfactory
Borrower Performance	Moderately Satisfactory

### C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)

Bank	Ratings	Borrower	Ratings
Quality at Entry	Moderately Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Moderately Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
Overall Bank Performance	Moderately Satisfactory	Overall Borrower Performance	Moderately Satisfactory

### C.3 Quality at Entry and Implementation Performance Indicators

#### Sustainable Development in Poor Rural Areas - P099751

Implementation Performance	Indicators	QAG Assessments (if any)	Rating:
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA)	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA)	None
DO rating before Closing/Inactive status	Satisfactory		

#### Sustainable Development in Poor Rural Communities (GEF) - P101844

Implementation Performance	Indicators	QAG Assessments (if any)	Rating:
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA)	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA)	None
GEO rating before Closing/Inactive Status	Satisfactory		

### D. Sector and Theme Codes

#### Sustainable Development in Poor Rural Areas - P099751

	Original	Actual
<b>Sector Code (as % of total Bank financing)</b>		
Agro-industry, marketing, and trade	20	20
General agriculture, fishing and forestry sector	45	45
General water, sanitation and flood protection sector	20	20
Roads and highways	15	15
<b>Theme Code (as % of total Bank financing)</b>		
Other environment and natural resources management	25	25

Poverty strategy, analysis and monitoring	25	25
Rural services and infrastructure	50	50

<b>Sustainable Development in Poor Rural Communities (GEF) - P101844</b>		
	<b>Original</b>	<b>Actual</b>
<b>Sector Code (as % of total Bank financing)</b>		
Agricultural extension and research	10	10
General agriculture, fishing and forestry sector	80	80
Water supply	10	10
<b>Theme Code (as % of total Bank financing)</b>		
Climate change	20	20
Natural disaster management	10	10
Poverty strategy, analysis and monitoring	20	20
Rural services and infrastructure	30	30
Social Protection and Labor Policy & Systems	20	20

<b>E. Bank Staff</b>		
<b>Sustainable Development in Poor Rural Areas - P099751</b>		
<b>Positions</b>	<b>At ICR</b>	<b>At Approval</b>
Vice President:	Victoria Kwakwa	James W. Adams
Country Director:	Bert Hofman	Klaus Rohland
Practice Manager/Manager:	Nathan M. Belete	Ede Jorge Ijjasz-Vasquez Magda Lovei
Project Team Leader:	Wendao Cao	Alan Piazza Ulrich Schmitt
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ICR Primary Author:	Alan Piazza	

<b>Sustainable Development in Poor Rural Communities (GEF) - P101844</b>		
<b>Positions</b>	<b>At ICR</b>	<b>At Approval</b>
Vice President:	Victoria Kwakwa	James W. Adams
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## **F. Results Framework Analysis**

### **Project Development Objectives (from Project Appraisal Document)**

The Project's development objective was to explore and pilot more effective and innovative ways of providing poverty reduction assistance to the poorest communities and households in Henan Province, Shaanxi Province, and Chongqing Municipality (the Project Provinces) through CDD and participatory approaches.

### **Revised Project Development Objectives (as approved by original approving authority)**

The Project's development objective remained unchanged throughout the implementation period.

### **Global Environment Objectives (from Project Appraisal Document)**

The Global Environment objective (GEO) was to pilot sustainable land management and adaptation measures to address vulnerability to climate change in poor rural areas in the Project Provinces.

### **Revised Global Environment Objectives (as approved by original approving authority)**

The Global Environment objective remained unchanged throughout the implementation period.

The original Project Results Framework and Monitoring design (Annex 2 of the PAD) included a total of 16 PDO, GEO, and intermediate outcome indicators. These indicators were heavily revised through the 2013 Project Restructuring which added 10 new indicators and substantially revised six indicators (only two of the 16 original indicators remained unchanged). Furthermore, (a) none of the original or formally revised indicators were reported in the Bank's ISR documents until the 2014 Seventh ISR, and (b) the ICR team determined that the language of several of the formally revised indicators was ambiguous or difficult to understand. The indicators reported in the final ISR were based upon a rigorous independent evaluation undertaken by a Chinese Academy of Social Sciences (CASS) team during 2015 (and were fully consistent with the rigorous and independent CASS mid-term 2012 household survey report), and the ICR team met with the CASS team to assess the CASS methodology and the validity of their results, and to resolve the ambiguities in the language of several of the indicators. While the quality of the M&E system must be rated modest due to the failure to report the original or revised key monitoring indicators until 2015, the ICR team determined that the mid-term and final CASS impact assessments provided an excellent basis for careful evaluation of the Project's achievement of its objectives.

#### **(a) PDO Indicator(s)**

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>PDO1: Cost savings of infrastructure investments under the Project in comparison to similar Government infrastructure investments.</b>	0	N/A	20%	25.84%
<b>PDO2: % of directly benefitting poverty households in CDD and CDF activities as compared to % of poverty households in the Project villages.</b>	0	N/A	Equal	Equal
<b>PDO3: Financial rates of return of CDD investments and CDF loans.</b>	0	N/A	12%	15%
<b>Comments:</b>	<b>Successful:</b> These three indicators document that the CDD infrastructure investments and CDF loans were efficient, well targeted, and financially viable.			

**(b) GEO Indicator(s)**

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>GEO: Disseminate the improved sustainable land management approach through innovative community pilots mainstreaming the CDD model while addressing the vulnerability of poor rural areas to climate change.</b>	None	N/A	Satisfactory	Satisfactory
<b>Comments:</b>	<b>Successful:</b> As evidenced by the (a) completion of the vulnerability analysis, (b) quality of implementation of the pilot activities, (c) experience documented and disseminated in the project counties and incorporated into the CDD component design, as well as (d) policy recommendations made for consideration in the 13 <sup>th</sup> Five Year poverty reduction agenda in China.			



**(c) Intermediate Outcome Indicator(s)**

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>CDD (a): % of households participating in the CDD activities compared to the total households in the Project villages.</b>	<b>0</b>	<b>N/A</b>	<b>75%</b>	<b>92.25%</b>
<b>CDD (b): % of women participating in CDD activities compared to total women population in the Project villages.</b>	<b>0</b>	<b>N/A</b>	<b>60%</b>	<b>65.6%</b>
<b>CDD (c): Satisfaction rate by the household in the Project villages with regard to the improvement of infrastructure.</b>	<b>0</b>	<b>N/A</b>	<b>50%</b>	<b>93.89%</b>
<b>Comments:</b>	<b>Highly Successful:</b> These three indicators document that there was very strong community participation in the CDD component activities, that women in the villages played a significant role in the participatory process, and that the CDD civil works were well constructed and served the expressed needs of the communities.			
<b>CDF (a): % of poverty households benefitting from CDF compared to total poverty households in Project villages.</b>	<b>0</b>	<b>N/A</b>	<b>50%</b>	<b>71.34%</b>
<b>CDF (b): Turnover rate of CDF.</b>	<b>0</b>	<b>N/A</b>	<b>100%</b>	<b>159.8%</b>
<b>CDF (c): CDF repayment rate.</b>	<b>0</b>	<b>N/A</b>	<b>95%</b>	<b>98.99%</b>
<b>Comments:</b>	<b>Successful:</b> The percentage of poor households benefiting from the CDF is substantially greater than the target figure. This can be attributed to limitations on the size of the first and second loans (3,000 and 5,000 RMB respectively), which were not attractive to better-off households with larger investment needs. The high turnover and repayment rates indicate that activities for which borrowing was undertaken were successful. Villages visited during the ICR mission reported that no recourse was required to the group guarantee mechanism.			
<b>Core Sector (a): Intended beneficiaries that are aware of Project information and Project supported investments (%).</b>	<b>0</b>	<b>N/A</b>	<b>100%</b>	<b>100%</b>

<b>Core Sector (b): Grievances registered related to delivery of Project benefits that are actually addressed.</b>	<b>0</b>	<b>N/A</b>	<b>Not Specified</b>	<b>100%</b>
<b>Core Sector (c): Sub-projects or investments for which arrangement for community engagement in post Project sustainability and/or operations and maintenance are established.</b>	<b>0</b>	<b>N/A</b>	<b>100%</b>	<b>100%</b>
<b>Core Sector (d): Beneficiaries that feel Project investments are reflected their needs.</b>	<b>0</b>	<b>N/A</b>	<b>100%</b>	<b>96.74%</b>
<b>Core Sector (e): Share of vulnerable and marginalized people of the total Project beneficiaries.</b>	<b>0</b>	<b>N/A</b>	<b>50%</b>	<b>69.17%</b>
<b>Comments:</b>	<b>Successful:</b> These five indicators document that (a) all the beneficiaries were aware of the Project and its investments, (b) all registered grievances were successfully addressed (13 of 13 grievances), (c) O&M or other arrangements were established for all Project works and investments, (d) Project investments very closely matched the expressed needs of nearly all beneficiaries, and (e) most vulnerable and marginalized people benefitted from the Project and its investments.			
<b>SLMA (a): % of all pilot villages successfully completed village assessments and resource mapping and identified adaptation needs.</b>	<b>0</b>	<b>70%</b>	<b>70%</b>	<b>100%</b>
<b>SLMA (b): % of pilot villages implement innovative adaptation measures based on application of new assessment tools.</b>	<b>0</b>	<b>50%</b>	<b>20%</b>	<b>100%</b>
<b>SLMA (c): Carbon stock increased by 5% across all pilot SLMA villages; equivalent to an estimated total of 96,000 tons of carbon.</b>	<b>0</b>	<b>5%</b>	<b>5%</b>	<b>19.16%</b>
<b>Comments:</b>	<b>Successful:</b> The independent monitoring of this component showed the project has yielded 369,000 tons of carbon sequestered (over the project implementation period) in villages that received direct support under the SLMA component. The carbon stock increased by 19.2% across all pilot SLMA villages,			

	which substantially exceeded the target of a 5% increase.
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### G. Ratings of Project Performance in ISRs

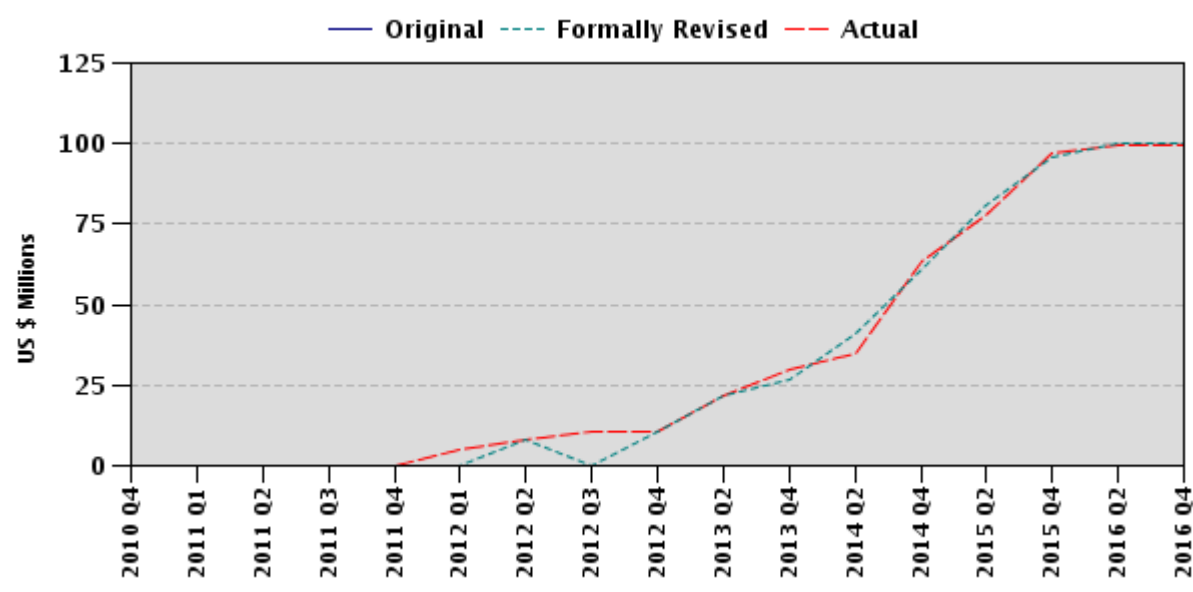
-						
No.	Date ISR Archived	DO	GEO	IP	Actual Disbursements (USD millions)	
					Project 1	Project 2
1	03/24/2011	S	S	S	0.00	0.00
2	02/12/2012	MS	MS	MS	10.49	0.00
3	10/20/2012	MU	MU	MU	17.46	0.34
4	06/24/2013	MU	MU	MU	26.95	0.53
5	12/18/2013	MS	MS	MS	32.64	0.79
6	06/21/2014	MS	MS	MS	63.27	1.32
7	12/05/2014	MS	MS	MS	75.58	1.77
8	06/11/2015	S	S	S	94.15	2.62
9	12/21/2015	S	S	S	99.75	3.67

### H. Restructuring

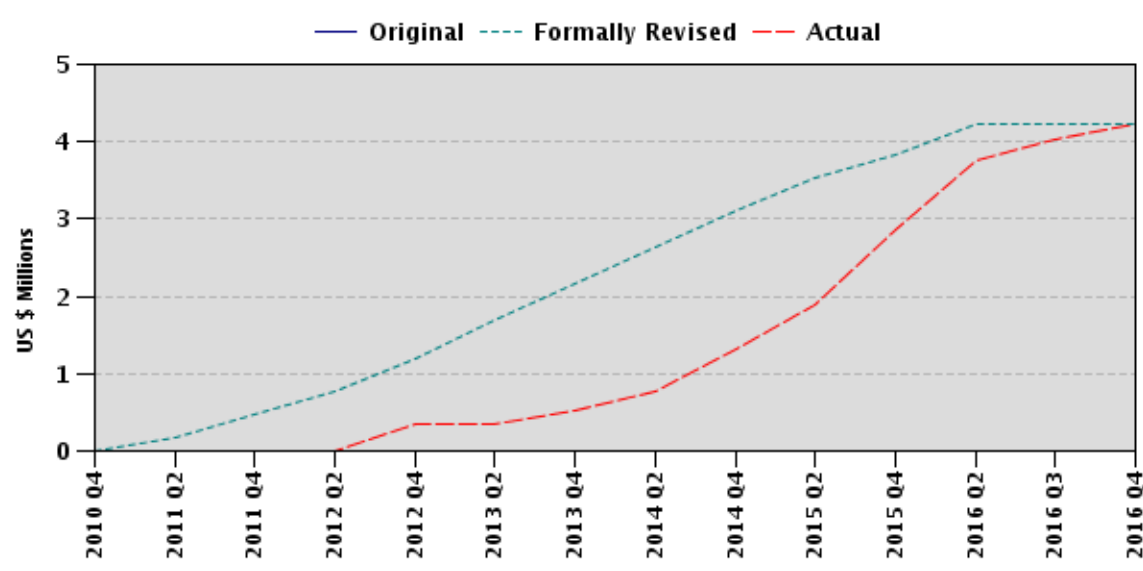
The project underwent a Level II Restructuring in 2013 with key changes of (i) cancelling the Rural Migrants Support component; (ii) simplification of the disbursement arrangements for the CDF component; (iii) Adjustments to project costs in accordance with the appreciation of the Chinese Yuan and high price inflation; and (iv) Substantial changes of project result indicators.

### I. Disbursement Profile

P099751



P101844



# 1. Project Context, Development Objectives and Design

## 1.1 Context at Appraisal

**1.1.1 Country and Sector Background.** China's success in reducing extreme poverty over the last 35 years has been remarkable. At the time of Project appraisal, World Bank estimates indicated that the number of poor in China consuming less than a \$1.25 per day fell from about 835 million in 1981 to 208 million in 2005. About 80% of China's poor reside in the western and central provinces. Nearly all of these poor are officially deemed to be rural inhabitants, although some poor rural migrants reside in urban areas. Despite this tremendous success in reducing poverty, China's remaining poor still account for the second largest concentration of extreme poor in the world after India. A number of assessments have concluded that as China's poverty rate has declined, it has become increasingly difficult to overcome remaining poverty.

**1.1.2** At the turn of the century, the Chinese government established ambitious plans to assist the rural poor, and reconfirmed its plans to lift 148,000 officially-designated poor villages out of poverty by 2010. Substantial poverty reduction funding, from three main channels, underpinned the implementation of these ambitious plans. However, institutional constraints attached to the use of these available poverty reduction funds severely limited the amount of funding that could actually reach the poor villages and households, and this may have hampered the realization of the national poverty reduction plans. Moreover, only a limited share of funding was available at the village level for the roads, drinking water systems, and other sorts of basic rural infrastructure needs which are most desired by the poor.

**1.1.3** In addition to these institutional constraints, new challenges for rural poverty alleviation were emerging. A large share of China's rural poor resides in remote and inaccessible mountain regions and often ecologically fragile environments. In those locations, agriculture production conditions are generally poor and alternative livelihood opportunities are typically very limited or nonexistent. The continued dependence on subsistence farming, which in addition to limited land availability is often characterized by inadequate farming techniques and land and water resource management practices, makes the remaining rural poor highly vulnerable to the expected effects of climate change, particularly in semi-humid to semi-arid transition areas. Changing seasonal weather patterns, droughts, floods and the limited knowledge of sustainable resource management, risk assessments and cropping diversification options may significantly increase livelihood risks for this segment of the population.

**1.1.4** Finally, at the time of appraisal, more than 140 million rural inhabitants had found or were seeking off-farm employment in China. Including some 100 million other family members, the total number of rural migrants in 2006 was about 230 million. While this massive labor migration has played a vital role in increasing rural incomes and reducing poverty, large numbers of these rural migrants comprise a growing "second class" population residing in urban areas. Subject, in many cases, to dismal living conditions, unsafe working conditions, and very limited access to social services for themselves and

their families, there is widespread concern that this emerging population is contributing to mounting social tensions in urban areas. There is also concern that, whether they accompany their parents to the urban areas or remain in their home villages, many of the children of these migrant laborers do not receive sufficient adult supervision and may suffer developmental challenges.

## **1.2 Rationale for Bank Involvement.**

**1.2.1 Rationale.** The rationale for Bank involvement in the Project was to assist government in overcoming the institutional and administrative barriers to the effective use of poverty reduction program funding so that (a) a greater share of available funds actually would reach the poorest communities, and (b) the villagers themselves would play a greater role in determining the poverty reduction measures and forms of assistance they adopt. Overcoming these organizational constraints was also considered to be a prerequisite to the greater adoption of participatory and Community Driven Development (CDD) approaches. Bank engagement in the Project was also expected to contribute to the accelerated development of new forms of assistance for rural migrants as they transition to small towns and urban areas in order to improve their well-being and help facilitate the continued outflow of labor from rural areas.

**1.2.2** The Bank, in partnership with the GEF, has been one of the leading agencies in supporting China in the development of innovative adaptation measures to tackle increased vulnerability to climate change. At the time of appraisal, the focus of Bank engagement had been on adaptation needs in productive irrigated agriculture. The Project would build on this experience and expand the adaptation agenda beyond lowland productive agriculture into remote areas of high rural poverty. In these areas, subsistence agriculture is the often the most important livelihood source and adaptation of current land and water management practices is critical to increasing the poor's coping range to climate change. The Project intended to develop and pilot innovative but simple adaptation measures which complement the Project's infrastructure and livelihood support activities and which could be implemented at the village level as part of the Project's community-development approach. Through piloting community-based adaptation activities, the Project would seek to support the Government in linking long-term sustainable land management, climate change risk management, and adaptation, and in integrating these aspects into the CDD approach and the national poverty reduction programs.

## **1.3 Original Project Development Objectives (PDO) and Key Indicators**

**1.3.1** The PDO was to explore and pilot more effective and innovative ways of providing poverty reduction assistance to the poorest communities and households in Henan Province, Shaanxi Province, and Chongqing Municipality (the Project Provinces) through CDD and participatory approaches. It is important to highlight that the emphasis of the PDO was to explore and pilot the CDD and participatory approaches in the Project Provinces, and to a lesser extent the primary beneficiaries' satisfaction with both (a) the CDD approach, and (b) its impact on their income levels and well-being. The PAD does

not state that the PDO was either poverty reduction or increased incomes among the primary beneficiaries. The GEO was to pilot sustainable land management and adaptation measures to address vulnerability to climate change in poor rural areas in the Project Provinces.

1.3.2 Progress towards the achievement of the PDO was to be monitored through the following two indicators: (a) the acknowledgement by Government of the importance of CDD and participatory approaches for future poverty alleviation and rural development work, (b) the satisfaction rate among beneficiaries regarding the (i) project impact on income levels and well-being, and (ii) CDD approach. For the CDD component, the intermediate outcomes had the following indicators: (a) the funds transferred to project villages and to the poorest natural villages, (b) women's participation rate in village project management groups, (c) the share of infrastructure works with satisfactory quality and specific arrangements for maintenance and management, and (d) the number of villages which have completed Community Annual Project Plans. For the CDF component, the intermediate outcomes were to be monitored on the basis of the share of poorest households which benefit from CDFs. For the GEF financed component, outcome indicators were to include: (a) the share of pilot villages which (i) successfully complete village assessments and resource mapping and identified adaptation needs, and (ii) implement innovative adaptation measures, (b) the number of adaptation innovations introduced into the CDD menu, (c) the number of indicators formulated covering land management, climate change vulnerability, adaptation and coping range, and (d) carbon stock increases across all pilot SLMA villages.

1.3.3 As reported in paragraph 1.4.2 below, these original monitoring indicators were heavily revised as part of the 2013 Project Restructuring. The revised monitoring indicators are reported in full in this ICRR's Data Sheet.

#### **1.4 Revised PDO and Key Indicators, and reasons/justification**

1.4.1 The PDO remained unchanged throughout the implementation period.

1.4.2 While there were no changes to the PDO or any of the intermediate outcomes, the original 16 PDO, GEO, and intermediate outcome indicators were heavily revised through the 2013 Project Restructuring through which 10 new indicators were added and six indicators were substantially revised (only two of the original 16 indicators remained unchanged). The Rural Migrants Support Component was eliminated as part of the Project Restructuring, and the three outcome indicators for that component were accordingly eliminated from the Results Framework at that time. Regarding the other extensive changes to the key indicators, the 2013 Restructuring Paper stated that "some to the original Project indicators are revised to be more specific, measurable, and focused on the expected results and impacts of the Project. Selected Bank core sector indicators are also included into the Results Framework." The ICR team believes that the extensive changes to the PDO, GEO and intermediate outcome indicators were excessive, and also incorrectly changed the focus of the PDO indicators from "exploring and piloting the CDD and participatory approaches in the Project Provinces" to assessing the

effectiveness of the CDD approach<sup>1</sup>. The original Results Framework from the 2010 PAD is attached to this Report as Annex 8. Since no data were ever reported for the original Results Framework, it is not possible to undertake a split evaluation of the original and restructured Results Framework. Instead, the Project is only evaluated on the basis of the restructured Results Framework which does comprise a consistent and logical means for assessing the Project's development impact.

## **1.5 Main Beneficiaries**

**1.5.1 Project Area and Beneficiaries.** The Project intended to directly improve the income levels and well-being of about 715,300 absolute poor in 25 counties and districts in Chongqing, Henan and Shaanxi. Of these 25 counties and districts, 21 were nationally designated poor counties and 3 are provincially designated poor counties. The Project area comprised 770 administrative villages at the time of appraisal, of which 673 were designated poor villages. Women comprised about 46% of the Project area population, and the CDD approach encouraged women to have a voice in the discussion of community development priorities.

**1.5.2 Indigenous People.** Shaanxi and Henan have very small numbers of ethnic minority people in the Project area. Chongqing, on the other hand, had an ethnic minority population of 44,227, or about 46.5% of the total Chongqing beneficiary population. The Tujia and Miao ethnic minority group people comprise the majority of the (a) population in Qianjiang District and Youyang County in Chongqing Municipality, and (b) ethnic minority people in the entire Project area. According to the social assessment report, the minority people in all the Project counties and communities visited have equal rights over arable land, forest and other resources. They also enjoy a number of preferential policies (such as the right to have two children and lower requirements for college-entry scores), and the CDD process sought to ensure that Tujia, Miao and other ethnic minority people enjoyed equal rights in community development and decision making.

**1.5.3 Outreach to Poorest Villages.** The principal social issue was seen to be achieving effective and appropriate outreach to the poorest and most disadvantaged villages and households in the Project area. The Project preparation process directly addressed this challenge, and an intensive social assessment was carried out to help identify the poorest communities and clarify the special characteristics of poverty and needs of the poorest people. The CDD procedures developed during Project preparation helped to empower communities to control resources and manage Project planning and implementation.

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<sup>1</sup> However, the Central Project Implementation Office, in its comments on this ICRR in Section 7 of this document, states that the revised indicators are more "feasible, operable, and could better reflect the outcome of the Project."



## 1.6 Original Components

1.6.1 At the time of approval, the Project included the following five components:

- **Component 1: Community Driven Development (CDD) (US\$96.6 million).** The CDD component was to support the development of basic rural infrastructure in poor villages through the provision of investment support and related technical assistance for the construction and improvement of village access roads, drinking water supply systems, rural sanitation infrastructure, electrification, communication infrastructure, school building construction and repair, small-scale agriculture production infrastructure, and basic housing repair.
- **Component 2: Community Development Financing (CDF) (US\$35.7 million).** The CDF component was to address the current lack of basic income sources in remote villages by providing (a) CDF financing to community cooperatives to support household-level productive activities, and (b) technical assistance and capacity building support at the village level.
- **Component 3: Rural Migrants Support (US\$10.4 million).** The rural migrant support component was to address the challenges associated with China's on-going large scale rural-to-urban migration through support to (a) improve migrant workers dormitories and service centers, provide vocational training and job placement assistance, and establish migrant community service centers to provide social services; (b) provide Migrant Laborers Microenterprise Support financing; and (c) strengthen the monitoring and evaluation system for the welfare of migrant workers, and undertake research on the linkage between migration and poverty reduction. The Rural Migrants Support component was to be undertaken only in Chongqing Municipality.
- **Component 4: Sustainable Land Management and Adaptation (SLMA) (US\$4.265 million).** The SLMA component was to support: (a) the design and implementation of SLMA pilot activities based on community participation through promoting adaptation measures in small infrastructure and agricultural improvement activities, and the provision of technical assistance to communities and township technical staff in the design, implementation, and monitoring of these SLMA activities; (b) the dissemination of experience from SLMA pilot activities and promote the integration of suitable SLMA interventions into the Project's CDD activities; and (c) policy studies analyzing the linkages between poverty, vulnerability to climate change, and adaptation, and consultation workshops to facilitate experience exchanges among relevant agencies.
- **Component 5: Project Management, Monitoring and Evaluation (US\$11.9 million).** The Project management and monitoring and evaluation component was to (a) strengthen the capacity of the Project implementation agencies at all levels in Project management, monitoring, and evaluation, and (b) support the design and implementation of a comprehensive Project management information system including physical progress, financial management, impact monitoring and evaluation, and domestic training and workshops.

## 1.7 Revised Components

- 1.7.1 The 2013 Project Restructuring eliminated the Rural Migrants Support component, simplified the disbursement arrangements for the CDF component, and adjusted Project costs in accordance with the appreciation of the Chinese Yuan and high price inflation. The Restructuring Paper explained that the Rural Migrants Support component was eliminated “due to changed government-internal institutional mandates for migrant workers’ affairs.” As part of this revision, the US\$10.4 million originally allocated to the Rural Migrants Support component was reallocated to Chongqing Municipality’s CDD component. In addition, the original allocation for the CDF component was reduced by US\$11.93 million, and this funding was also reallocated to the CDD component. As a result, the total CDD financing increased to US\$117.57 million (or from 60.7% to 74.7% of total Project cost).

## **1.8 Other Significant Changes**

- 1.8.1 In addition to the scope and scale changes specified in paragraph 1.7.1 above, the original 16 PDO, GEO, and intermediate outcome indicators were heavily revised through the 2013 Project Restructuring. These changes in the Project outcome indicators are discussed in paragraph 2.3.1 below.

## **2. Key Factors Affecting Implementation and Outcomes**

### **2.1 Project Preparation, Design and Quality at Entry**

**2.1.2 Preparation and Design.** The Project was well prepared and designed, and benefitted from closely related sector studies, a detailed social assessment (see para. 1.5.2), the trialing of the CDD and CDF approaches in earlier pilots, and a wealth of past experience with similar projects undertaken with the Leading Group for Poverty Reduction (LGPR). First, detailed China Poverty Assessments were undertaken in collaboration with LGPR in 2001 and 2009 and informed the Project design.<sup>2</sup> Second, the detailed 2007 social assessment<sup>3</sup> helped identify the poorest communities and clarify the special characteristics of poverty and needs of the poorest people. Third, the Project integrated and scaled-up experience from the earlier CDD Pilot Program supported by a Japan Social Development Fund (JSDF) Grant (TF054747) and Community Development Fund (CDF) Pilot supported by the China Economic Reform Implementation Project (TCC5; P085124). Finally, the Project was the fifth in a series of grassroots poverty reduction projects undertaken by LGPR with the support of the World

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<sup>2</sup> The two China Poverty Assessments were (a) “China: Overcoming Rural Poverty” (The World Bank, March 2001); and (b) Datt, Gaurav and Shubham Chaudhuri: “From Poor Areas to Poor People: China’s Evolving Poverty Reduction Agenda” (The World Bank, March 2009).

<sup>3</sup> “Social Assessment for the SDPRAP” was undertaken by Zheng Baohua and a team of Yunnan University researchers in 2007.

Bank.<sup>4</sup> This series of projects addressed the current key issues and challenges in China's most severely affected poor areas. Key lessons learned from this extensive experience with the first four LGPR projects were the (a) importance of strong central and provincial government leadership and support, (b) power of the direct involvement of senior government staff in the analysis, design and operationalization of innovative poverty reduction measures, (c) potential for the distortion of the mix of project investments when poor local counties and poor rural households are required to provide counterpart financing and repay the World Bank loan, and (d) crucial need for effective project management capacity building given the above-average complexity of this series of projects. The Project design carefully addressed and reflected these lessons learned.

**2.1.3 Innovations.** The Project included several key innovations. First, the counterpart financing and repayment terms represented (in Shaanxi and Henan) a major breakthrough and allowed, for the first time in this series of projects, the poor's strong preference for basic infrastructure to be fully reflected in the Project design and content. (In Shaanxi, counterpart funding mobilization and loan repayment responsibility was at the provincial and prefectural government level only.) Second, while the CDD and CDF approaches had been very well established elsewhere in the world and piloted in China, the Project comprised the first large-scale trial of this innovative approach in China. Third, the original design of the Rural Migrants Support component was a highly innovative approach to a major and growing social issue in China. Lastly, the SLMA component was highly innovative in terms of extending the climate change agenda into remote areas of high rural poverty. These several innovations were driven and designed by the Borrower, and are believed to have been fully in tune with local implementation capacity.

**2.1.4 Quality at Entry.** Although the project was well prepared and designed at the time of appraisal in 2008, three issues eroded quality at entry by the time of 2010 approval. First, the effective Project preparation work was marred by a 19 month delay between the October, 2008 appraisal and the April, 2010 negotiations. This delay was due entirely to lags in the Government's internal approval procedures and, in particular, the National Development and Reform Commission's (NDRC) and Provincial DRC's approval of the three provincial feasibility studies and the Ministry of Finance's (MOF) approval of the three provincial counterpart financing commitment letters. The Bank Project preparation team actively engaged with NDRC, MOF, Central Project Implementation Organization (CPIO), and the provincial Project Management Offices (PPMO) to overcome this long delay (for example, an "Appraisal Follow-up Mission" was fielded during March 23-27, 2009 as part of the effort to expedite the timing of Negotiations).

**2.1.5** Second, while the Project's results chain was clear and there was a strong linkage between the objectives and the primary activities within the CDD, CDF and SLMA

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<sup>4</sup> This series includes the Southwest Poverty Reduction Project (SWPRP, or "Poverty 1," P003639), Qinba Mountains Poverty Reduction Project (QBPRP, or "Poverty 2," P003590), and Poor Rural Communities Development Project (PRCDP, or "Poverty 4," P071094) which began in 1995, 1997 and 2005 respectively.

components, the delay between appraisal and negotiations (see paragraph 2.1.4) allowed for a deterioration in the results chain for the Rural Migrants Support component. In particular, the component's focus on improving the well-being of rural migrants was diminished in favor of a heavier focus on job creation through the provision of Migrant Laborers Microenterprise Support financing.<sup>5</sup>

2.1.6 Third, while adequate funding for quality third party impact and monitoring work was arranged through the Project Management, Monitoring and Evaluation component, the Implementing Agencies did not adequately prepare for this key work during the Project preparation period. The key constraint was that the Implementing Agencies did not want to pay for third party impact and monitoring work. The World Bank team attempted to resolve this problem by applying for external grant funding (a request with the Korean government was pending at the time of Project approval -- see paragraph 1 of Annex 2 of the PAD), but this effort was not successful. (Indeed, the first rigorous independent impact assessment undertaken in 2012 was made possible only when the World Bank team was able to source a PSIA grant for that work -- see paragraph 2.3.1 below). The Borrower fully understood that adequate Project funding had been arranged for quality impact assessment work, but chose not to spend Project funds on this important task during the initial years of implementation.

2.1.7 The Project's most significant risks were deemed to relate to financial management of the CDD activities. The risk rating after the application of risk mitigation measures reduced these financial management risks to substantial. However, the overall Project risk rating was moderate, and there were no possible controversial aspects to the Project.

## **2.2 Implementation**

2.2.1 Initial implementation was slow and a number of problems were encountered during implementation of the CDD, CDF, Rural Migrants Support, and SLMA components due to the above-average complexity of the operation and the several innovative approaches. First, being the first large scale CDD project in China, it took time to roll out the CDD approach in the large number of very poor and remote rural communities in terms of community mobilization, set up of the Project structure, changing perceptions, empowering communities, opening bank accounts for the beneficiary administrative villages, and building institutional and community capacity. These important tasks all brought great challenges to both the communities and local Project management units. There were instances of inconsistency in the CDD procedures and apparent deficiencies in the CDD procurement process, which affected the quality of

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<sup>5</sup> The component design at the time of the 2008 appraisal did not include financing for Laborers Microenterprise Support, and was more heavily focused on support for improving migrant workers dormitories and service centers, providing vocational training and job placement assistance, and establishing migrant community service centers to provide social services. By time of negotiations, such support had been reduced to less than 10% of the component's total cost (see Annex 4 Table 2 of the PAD).

initial implementation. Second, difficulties and delays in obtaining registration approval for the CDF cooperatives as not-for-profit organizations were the key constraints to implementation of this component and were most pronounced in Henan. This was the main reason why the original allocation for the CDF component was reduced by US\$11.93 million. Another reason for this reduction was that the Government's Mutual Aid Cooperatives Program, which is similar in nature to CDFs, became operational in many Project communities after Project appraisal but before Project effectiveness. Third, full implementation of the SLMA component did not start until the second year of implementation. Great efforts were made to improve the general understanding of the scope and implementation modalities of this relatively complex and innovative component. Fourth, it was also found that some PMOs (and the Chongqing PPMO in particular) were under-staffed in the first few years of Project implementation. However, over time and particularly after Mid-Term Review, the central, provincial and county PMOs were able to successfully address and overcome each of these significant challenges. With consistent support and, in many cases, strong pressure from the Bank supervision team, each Project issue was identified, carefully examined, and satisfactorily resolved. In the end, overall Project implementation was successful, the PDO was achieved, and target values for almost all Project indicators were either met or exceeded.

2.2.2 A formal Project Mid-term Review (MTR) was conducted for the Project in July 2012. The Bank team highlighted a number of issues including changes in the implementation environment (such as outmigration and aging village populations), the shortfall in Bank loans due to changes in the exchange rate, slow implementation progress, and slow reimbursement. The Bank team provided a range of recommendations to address these issues and endorsed the government's proposal for a Project restructuring. The restructuring included the following changes: (a) elimination of Part C: Rural Migrants Support Component due to changed government-internal institutional mandates for migrant workers' affairs; (b) simplification of the disbursement schedule; (c) adjustments to overall Project cost and individual component allocations in order to address the potential financing shortfall as well as the slightly adjusted financing needs for the CDD and CDF in each province; and (d) revision of the Project Results Framework. However, the restructuring process was slow and took 18 months to complete. This was partly due to the Bank's insistence on using CostTAB for re-allocating funds between sub-components, negotiating new reimbursement rates, and amending the legal documents. The Bank and the Client share responsibility for the delay.

## **2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization**

2.3.1 The original Project Results Framework and Monitoring design (Annex 2 of the PAD) included a total of 16 PDO, GEO, and intermediate outcome indicators. These indicators were to be determined primarily by the Project's "external" independent impact assessment system and, to a lesser extent, "internal" physical monitoring and information system. The Project's internal monitoring and information system was initially hampered by software problems, but was functioning by the second year of implementation and began providing a wealth of detailed information on the Project's physical progress and

outputs. The Project's external impact assessment system was established in 2011 and a baseline survey was completed in 2012 (using 2011 data), a rigorous and independent mid-term survey was completed in 2012 by a Chinese Academy of Social Sciences (CASS) team using Poverty and Social Impact Analysis (PSIA) funding, and a final rigorous independent evaluation was undertaken by a subsequent CASS team during 2015.<sup>6</sup>

2.3.2 Together, the internal and independent external M&E systems were well designed, adequately implemented, and provided an adequate basis to assess the Project's development impact. However, despite strong efforts by the World Bank implementation support team,<sup>7</sup> the two M&E systems did not provide a consolidated report on the PDO, GEO and intermediate outcome indicators until late-2014 (that is, late in the penultimate year of Project implementation). Furthermore, the original 16 PDO, GEO, and intermediate outcome indicators were heavily revised through the 2013 Project Restructuring through which 10 new indicators were added and six indicators were substantially revised (only two of the original 16 indicators remained unchanged). None of the original or formally revised indicators were reported in the Bank's ISR documents until the final November, 2015 Eleventh ISR. In addition, the ICR Team determined that several of the formally revised indicators were ambiguous or difficult to understand. While the extensive changes to the PDO, GEO and intermediate outcome indicators appear to have been excessive, the ICR team found that the restructured results framework was nevertheless a consistent and logical means for assessing the Project's development impact.

2.3.3 The quality of the Project M&E is rated **MS**. Although the original design of the M&E system was sound and the internal and independent external M&E systems were adequately implemented, the resulting information was not systematically utilized to evaluate the achievement of the Project's objectives during the first four years of implementation. However, the wealth of rigorously determined output and outcome data certainly make possible a credible evaluation of the Project's development outcome.

## 2.4 Safeguard and Fiduciary Compliance

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<sup>6</sup> The World Bank team successfully applied for the PSIA funding which made possible the mid-term survey. The 2012 mid-term evaluation was based on survey results from 725 households in 18 project and 6 control villages. The 2015 final evaluation was based on survey results from 2445 households in 81 project and 24 control villages.

<sup>7</sup> The World Bank implementation support team's Aide Memoires consistently stressed the requirement that the CPIO provide a consolidated table reporting the PAD's 16 key monitoring indicators (a draft table was attached to the First and Second Supervision Missions' Aide Memoires, and completing these tables was identified as a top priority action), but this table was never provided in the Central or Provincial PMOs' Progress Reports.

2.4.1 Project implementation was in compliance with the Bank's safeguards and fiduciary requirements. Regular and interim supervision missions together with frequent meetings between task team members and the PPMOs and the CPIO were conducted to ensure adequate monitoring and supervision.

- (a) **Environmental safeguards** – The Project was classified as Category B and triggered safeguard policies on Environmental Assessment (OP/BP 4.01). The Environmental and Social Management Framework (ESMF) was properly implemented in all three provinces. The adverse impacts of rural infrastructure activities mostly occurred during their construction period and thus were of a temporary nature with limited scope due to their small and scattered scale.
- (b) **Social safeguards** – The Project invested more than 90% of its total funding to explore and pilot effective and innovative approaches through CDD and CDF in supporting poverty reduction to poor households in selected Project areas. Farmers had the opportunity to make decisions on the selection of Project activities, and participated in the design, implementation, and supervision of construction. This greatly improved the beneficiaries' ownership of all Project works and activities, and therefore no involuntary resettlement issues occurred as any arrangements that would potentially impact their living standard were dealt with on a voluntary basis, and any negative impact was compensated through collectively agreed arrangements. In addition, the Project made sure that ethnic minority households had equal opportunity to benefit from Project investments. The CDD approach allowed ethnic minority people to make selections that were suitable to their needs.
- (c) **Fiduciary safeguards**

**Procurement.** Based on procurement supervision and procurement post reviews, it appears that procurement procedures agreed upon in the legal agreements were well followed in the procurement processes. For the CDD component, under the instruction of county PMOs and community facilitators, the procurement procedures for community participation in procurement set out in the PAD were well followed by Project villages. For other components, procurement activities were carried out by provincial/municipal/county PMOs, and the procurement procedures agreed upon in the legal agreements were also very well followed in the procurement processes.

Since this was the first real CDD Project in China, some innovations were introduced to the Project to ensure that the communities were empowered to manage the entire process of Project implementation including procurement. In addition, the capacity of villages in procurement was a big concern during Project preparation, and the Project procurement risk was identified as high at the Project preparation stage. However, some mitigation measures were designed to address these problems, including: a) Project decision making and supervision committees were established in administrative villages, and Project implementation and supervision groups were set up within natural villages to implement and supervise Project procurement and contract management; b) a CDD Operational Manual, including detailed procurement procedures for community participation, and sample procurement documents, was prepared and disseminated to Project staff at different levels; and c) procurement training was provided regularly by the Bank and

central/provincial PMOs to Project staff at different levels and, in addition, county PMOs were required to provide hands-on training to community facilitators and villages to teach them how to manage Project procurement properly. These mitigation measures worked very efficiently during Project implementation, and no significant procurement issues were noted by the Bank supervision missions/procurement post reviews or disclosed by the external auditors.

Under the CDD component, Project villages were empowered to decide which procurement method would be used for works, goods, and consultant services. Shopping and community force account were frequently used under CDD operations. The Project decision making and supervision committees, Project supervision and implementation groups, and community facilitators had better understandings of Project procurement principles and procedures after concrete training. Community facilitators assisted the Project implementation groups to select contractors/suppliers, prepare and issue inquiry documents, evaluate quotations, and prepare/sign and implement contracts.

**Financial Management.** As the first CDD Project in China, some innovations were introduced to the Project to ensure that the communities could be empowered to manage the entire process of Project implementation. For example, the villages were required to open bank accounts to manage the funds delivered for CDD and CDF related activities. In addition, the capacity of villages in managing the funds properly was a big concern during Project preparation, and the Project financial management risk was identified as substantial at that time. However, some mitigation measures were designed to address these problems, including: a) the supervision team was set up within the villages to supervise the funds utilization; b) all expenditures were to be publically available to all community members; and c) the output-based disbursement method was set up to not only speed up the funds flow, but also to strengthen the supervision conducted by government entities at different levels. These mitigation measures worked very efficiently during Project implement, and no significant financial management issues were noted by the Bank missions or disclosed by the external auditors.

Since most PMOs did not have Bank financed project experience, a tailored financial management manual was prepared in order to strengthen the financial management capacity of the PMOs, standardize Project financial management procedures, and provide due guidance to Project financial staff. Moreover, lots of training was organized by the provincial PMOs and, as a result, the quality of work carried out by county PMOs was significantly improved and what they learned from implementing the Project will be extended to their domestic projects.

The villages were empowered to manage the CDF funds. In addition to the implementation manual designed for the CDF component, a separate financial management manual was prepared for the activities to be implemented by the villages. Furthermore, county PMOs were required to provide training to the villages in order to teach them how to manage Project funds properly. The external auditors were required to audit Project villages based on a sampling basis when they conducted the annual Project



audit. All these measures provided a concrete basis to ensure that the CDF funds could be used for the intended purposes.

Detailed fiduciary lessons learned, for both procurement and financial management are presented in Annex 7 of this report.

## **2.5 Post-completion Operation/Next Phase**

2.5.1 It is highly likely that Project financed activities (that is, village infrastructure and the CDF cooperatives) as a whole will continue to be operated in a sustainable manner after Project completion. This is basically ensured by: (a) the beneficiary households' full ownership of the Project investments; (b) transition arrangements to post-completion operations developed by Project counties and provinces; and (c) the O&M arrangements for Project financed investments. The Project's works and other activities have also received additional impetus through the adoption of the 13th Five-Year Plan (2016-2020) which vigorously strives to reduce absolute poverty in China by 2020.

2.5.2 Project O&M arrangements were carefully established. For village infrastructure, the O&M responsibilities clearly rest with the beneficiary communities supported by the relevant line agencies within the local townships and counties. In particular, the O&M responsibilities for Project financed village infrastructure are to be transferred to: (a) relevant households and village committees for drinking water supply facilities; and (b) county Transportation Bureaus, village committees, or relevant enterprises respectively for village roads according to the specific nature of different village roads.

2.5.3 The CDD approach, and in particular the community consultation process, has been integrated into the domestic poverty reduction program activities such as the new "Poverty Alleviation with Solar-Power" program in Chongqing. Chongqing also reported that Chongqing University will use case studies of the CDD and CDF methodologies as part of its Master of Public Administration program.

2.5.4 The Project transition arrangement focused on sustainable operation of the CDF cooperatives (411 in total) set up under the Project in three provinces. During the Project, significant efforts were made to build the capacity of the village groups to manage their loan funds. Following Project completion, the oversight and supervision of the CDF cooperatives will be taken up by an existing office within the Poverty Alleviation Office which is responsible for a similar government-supported revolving credit facility, and is thus a permanent office, hence contributing to the sustainability of the program.

2.5.5 The successful experience of the SLMA pilot activities has been extended to the "accurate poverty reduction" program of China's remaining 70 million poor, who are currently located in ecological fragile areas where the main barriers in sustainable land management and adaptation need to be addressed.

2.5.6 Shaanxi province has launched preparation of a new Poor Rural Areas Community Development Project funded by a US\$100 million IBRD loan. The new project is expected to improve access to livelihood opportunities and essential public services and to involve similar government agencies as this Project. Though still at the initial stage, replication of Project experience, in particular the CDD approach, is being considered in the new project.

### **3. Assessment of Outcomes**

#### **3.1 Relevance of Objectives, Design and Implementation**

3.1.1 The Project development objectives were and remain highly relevant in terms of addressing issues in China relating to poverty reduction and increasing incomes in rural areas through improving rural infrastructure, providing microfinance, managing uncertainty and building capacity. In particular, the Project's key objective was to introduce the CDD and CDF approaches in order to increase (a) the share of poverty reduction funding available at the village level, and (b) poor villagers' role in determining the use of available poverty reduction funds. This key objective is highlighted in paragraph 5 of the PAD, and also explicitly referenced in the "China Country Partnership Strategy: 2006-2010" by identifying (a) "greater community participation in poverty reduction programs" as a medium term goal, and (b) the specific intervention to be "CDD in poverty rural areas." The core design of the Project was entirely focused on achieving this objective, and Project implementation was completely successful in achieving this objective (as explained in Section 3.2 below). The Project successfully developed practice and solutions relating to the CDD approach and sustainability of the CDF cooperatives on a large scale. Further, the Project design remains highly relevant and could be easily replicated across China in other areas where the government poverty reduction program is being implemented.

#### **3.2 Achievement of Project Development Objectives**

3.2.1 **PDO.** Achievement of the PDO is rated satisfactory. The CASS mid-term and final household surveys document that the CDD and participatory approaches (a) were extensively explored and piloted throughout the three provinces' Project areas, (b) were extremely well received by the primary beneficiaries, (c) led to highly satisfactory improvements in the well-being and income levels of the primary beneficiaries (see paragraphs 3.2.2 and 3.5.1 below), and (d) were understood and seen by Project implementation and government staff at all levels to be superior to standard implementation methods. The CASS mid-term 2012 household survey report states that: "Through granting the rights to select Project activities and utilize Project funds to the community, under the CDD, the community is empowered to play a dominant role, households in the community are motivated to proactively participate in the Project, the degree of democratic participation of farmers and the organization of the community are deepened, and thus the CDD Project is widely favored by households in surveyed Project communities." The CASS final 2015 household survey report documented that 92% of Project households participated in the CDD activities, 94% of Project households were satisfied with infrastructure built or improved through the CDD component, and 100% of Project beneficiaries were aware of Project information and supported investments. Finally, the ICR team found that central, provincial and local government poverty reduction staff had taken keen notice of the improved outcomes of the CDD and participatory approach, and staff at all levels reported concrete plans for adopting "CDD-like" and participatory approaches at the provincial and county levels. This confirmed the CASS mid-term 2012 household survey report conclusion that: "Through the

implementation of the CDD sub-project, local governments and poverty reduction departments have effectively altered their original project planning and management mode, transformed their functions from commanding and controlling to providing guidance and services, and completely changed the interactions between officials and the public.”

**3.2.2 Exploring Innovative Poverty Reduction Measures through CDD.** The PAD results framework states that the intermediate outcomes for the CDD component were (a) the widespread participation of villagers in the design, implementation and management of development plans, and (b) improved access to drinking water, power, roads, safer housing (in Shaanxi), and other basic infrastructure and services. The Project was highly successful in achieving these objectives. As noted in paragraph 3.2.1, the CDD approach (a) was extensively adopted throughout the three provinces’ Project areas, (b) was extremely well received by the primary beneficiaries, and (c) led to highly satisfactory improvements in the well-being and income levels of the primary beneficiaries. In addition, the ICR team’s field visits to 17 Project area villages in January, 2016 strongly reconfirmed the CASS mid-term 2012 household survey’s observation that the CDD approach had an important community mobilization and empowerment impact: “Under the CDD Project, through reconstructing community institutions and transforming community governance structure, new democratic management and organization rules have been formulated, participation of households has been deepened, households are effectively motivated to participate in the development process, and the development of community institutions and capacity building have been promoted.” The ICR team also reconfirmed that an intensive training process had been initiated at the outset (and continued throughout the life) of Project implementation, and that village implementation staff had rigorously adhered to the 10-step CDD process identified in the Project CDD Manual. The CASS final 2015 household survey documented that (a) 97% of Project beneficiaries felt that the CDD works undertaken in their communities accurately reflected their priority needs, and (b) significant cost savings were achieved relative to standard (that is, non-participatory) implementation methods. Finally, the ICR team observed that villagers strongly felt that (a) the village access roads and bridges, drinking water systems, small scale irrigation and drainage schemes, health clinics, schools and other civil works were “their own infrastructure,” and (b) these works were making substantial contributions to their well-being and income levels. The Chongqing, Henan and Shaanxi PPMOs reported that the community consultation process has been integrated into their province-wide poverty reduction programs, and the Chongqing PPMO reported that Chongqing University will use case studies of the CDD and CDF methodologies as part of its Master of Public Administration Program.

**3.2.3 Empowering Communities through CDF.** The PAD results framework states that the intermediate outcomes for the CDF component were (a) empowering communities through managing CDF, and (b) increased farmers’ incomes through successfully utilizing assistance provided by CDF. The Project was fully successful in achieving these objectives. The external survey found that poverty households benefitted from the CDF component in a ratio greater than their representation in the village. In other words, not only were poor households not marginalized or discriminated against in

the operation of the revolving credit scheme, but they gained preferential access. This can be attributed to the facts that a low ceiling was placed on the size of the first and second loans provided, and the interest charged on loans was generally higher than the commercial interest rate. Better-off households, with a need for larger investments and access to commercial credit, were therefore not interested in utilizing the CDF facility.

3.2.4 The financial internal rate of return (FIRR) on the CDF component was estimated to be between 16-38% for the income generation activities undertaken by the beneficiary households, calculated on a sampling of some of the most common loan uses (see section 3.3 and Annex 3). There was also a high degree of complementarity between the CDF and CDD components: with improved transportation and irrigation infrastructure built through the CDD component, households were able to use CDF resources to initiate income earning activities which were previously uneconomic (see Box 1 below).

3.2.5 The turnover rate of the CDF was 159.8% and the repayment rate was 98.99%, indicating that the funds are being well used by Project beneficiaries.

***Box 1: Improving access and incomes***

Pingxi Village, in Qianjiang County of Chongqing, is located 17 km away from the nearest market at Jinxi Township. Prior to the project the market was accessible only on foot. Taking a pig to market required four men carrying it on shoulder poles. As a result, few families raised pigs as a commercial activity. Through the CDD component the villagers decided to build a road, easing the transport constraint. Once the road was built, farmers used the CDF component to invest in animal raising. Pigs can now be taken to market by vehicle. In January, 2015, it was reported that the 274 families in the village are now raising a total of 4,000 chickens, 1,100 pigs and 140 cattle.

3.2.6 In the time between Project appraisal and Project effectiveness, the central government launched a program of community-managed revolving credit funds similar to the CDF mechanism. As a result, in the mid-term restructuring the number of villages targeted for CDF was reduced from 769 to 613, a drop of 156, or 20.3%, and funding for the CDF was reduced by US\$12 million. Some counties decided to drop the CDF component entirely, in order to avoid overlap with the government run program. The parameters of the government program are not identical to the Project's, and it is the understanding of the ICR mission that the government program has not had outcomes as good as those of the Project. Anecdotal evidence received during the mission suggests that the repayment rate is on the order of 67%, the interest rate is subsidized, and there are no limits on loan size.<sup>8</sup>

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<sup>8</sup> While detailed investigation of the government program was beyond the mandate of ICR team, it was recommend that an analysis and comparative study of the two schemes be undertaken. The

**3.2.7 Rural Migrants Support Component.** The Rural Migrants Support component was dropped from the Project at the mid-term restructuring. This component was to be implemented in Chongqing only. The restructuring paper notes that the decision was “due to changed government-internal institutional mandates for migrant workers’ affairs” as the rationale for dropping the component. However, it should be noted that throughout the Project preparation period and during the first two years of Project implementation, the Chongqing PPMO was understaffed with weak capacity. The Fifth ISR in June, 2012 noted that “Chongqing may have to drop out of the Project” because of unsatisfactory progress with the pace of implementation. The ICR team believes that the deterioration of the design of the Rural Migrants Support component during 2008-2010 (see paragraph 2.1.5 above) and the failure to initiate implementation was due in largest part to the weakness of the Chongqing PMO, and in fact had nothing to do with the reported change in institutional mandates. Nevertheless, in this context, dropping the Rural Migrants Support component was a good decision, as the entire program in Chongqing might have been jeopardized by retaining this challenging component and adding significantly to the complexity of the program when the Chongqing PMO was struggling to become operational.

**3.2.8 Sustainable Land Management and Adaptation (GEF).** Despite a slow start, the GEF SLMA component was completed and the objective satisfactorily achieved.. Participatory vulnerability assessments and resource mapping exercises were carried out in all 88 pilot villages, and pilot activities such as the introduction of drought-tolerant crops, land rehabilitation measures, irrigation and water collection systems, as well as flood-control and anti-hail facilities were implemented and all served to decrease the susceptibility of Project villages to weather-related risks. Through enhanced capacity building and support by the consultants, the Project beneficiaries in Project villages gained a greater understanding of environmental issues, a heightened awareness of potential risks due to climate change and an appreciation of mitigation measures. The experience gained through the pilot activities has been documented and media and other communication products were produced and disseminated in the Project counties and incorporated into the CDD Project design. Policy studies were conducted related to poverty and vulnerability to climate change and adaptation, and policy recommendations were made for consideration in the new 13<sup>th</sup> Five Year poverty reduction agenda in China. The independent Project monitoring of this component showed that the Project has yielded 369,000 tons of carbon sequestered (over the Project implementation period) in villages that receive direct support under the SLMA component (that is, the carbon stock increased by 19.2% across all pilot SLMA villages, which substantially exceeds the targeted 5% increase).

### **3.3 Efficiency**

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ICR team is confident that a rigorous analysis would show the superiority of the Project supported CDF scheme.

**3.3.1. Economic Analysis:** The Project has generated a multitude of benefits including (a) improved food security and increased per capita income from enhanced agricultural productivity and more stable off-farm job opportunities; (b) higher standards of living and greater well-being due to improved access to markets, safe drinking water, transportation, electric power, and other basic public services; and (c) stabilization and reversal of environmental destruction through sustainable land management and natural resource conservation. Given the fact that the benefits generated under the CDD component are not readily quantifiable, a cost effectiveness analysis has therefore been adopted. Significant cost savings have been verified by the CAAS evaluation team (see paragraph 2.3.1) and PMOs for various infrastructure works (village/access roads, which were the largest investment, had cost savings of 19-34%) under CDD against other similar works built under other national and provincial programs/projects. It has been shown that beneficiaries' empowerment in the bidding process and voluntary supervision during the construction have significantly contributed to not only the cost savings but also the sustainability of the CDD component. For CDF, a cost-benefit analysis was employed to examine the economic viability of the income generation activities based on the data and samplings provided by PMOs and CASS researchers. The ERRs for livestock production, fruit trees, and vegetables are estimated at between 16-38%. As such, both the CDD and CDF components are economically viable.

**3.3.2. Financial Analysis:** As noted in the analysis in the PAD, the domestic market has now been established and it is increasingly integrated with the international market with negligible price distortions and government interventions. As such, the ERRs for the CDF component should also represent the financial internal rates of return (FIRR) of the income generation activities (16-38%), which has proven to be financially profitable for the project participating households with CDF fund annual turnover rate at 159% and repayment rate at 99%. Fiscal impact after project completion is minimal as the O&M costs of infrastructure have been covered by the beneficiaries (see Section 2.5 above) and the Bank loan service is guaranteed by both the provincial and central governments.

### **3.4 Justification of Overall Outcome Rating**

**3.4.1. Satisfactory.** The Project was and remains highly relevant for China's continuing poverty reduction efforts. It achieved and even surpassed the development objective indicators of piloting and exploring innovative ways for poverty reduction assistance through the CDD and participatory approaches. The outcomes stand out as satisfactory within the country, and in terms of the Project parameters including: (a) being fully aligned to Government's strategy and direction for poverty reduction; (b) highly influential in terms of on-going and future government and local poverty reduction programs; (c) the innovative CDD, CDF and GEF approaches which were well tested and brought with them life-changing impacts on the well-being of the poor villages and villagers; and (d) positive overall impacts on improved capacity building at all levels, improved connectivity and productive infrastructure works, and increased income generation opportunities in poverty affected and disadvantaged areas.

**3.4.2** Despite delays during the preparation and restructuring processes and the problematic status that the Project experienced in the first two years of operation, the

Project managed to accelerate implementation progress without compromising quality, and achieved and even over-achieved the Project's monitoring indicators.

3.4.3 The satisfactory overall outcome rating is justified by remarkable results in (a) more socially active and responsible communities' members, especially women, in the decision making process, monitoring, and the implementation of actions that have direct impacts on their lives; (b) high quality and low cost investments in roads, irrigation schemes, water supplies, community "cultural squares," and other works that significantly contributed to better living conditions and facilitated more income generation opportunities; and (c) happier villagers in safer, cleaner, nicer, and more desirable villages.

### **3.5 Overarching Themes, Other Outcomes and Impacts**

#### **(a) Poverty Impacts, Gender Aspects, and Social Development**

3.5.1 **Poverty Reduction Impact.** The Project had a strong focus on poverty reduction from the outset of the design stage and had a strong poverty reduction impact throughout implementation. The poverty reduction focus was mainstreamed into the Project design through the careful selection of the poorest and most disadvantaged villages and households in the Project area (see paragraph 1.5.3). The CASS final 2015 household survey report and the provincial ICR reports document a strong increase in Project area beneficiary incomes and substantial reductions in poverty rates relative to control villages and provincial rural area averages. The CASS final 2015 household survey report documents that (a) rural per capita incomes increased at an average annual rate of 20.5% during 2010-14, or more than twice the rate of the Project area control villages, and (b) the poverty rate declined in total by more than 50% during 2010-14 in the Project area villages, or by more than twice the total decline of the Project area control villages over the same period, and concludes therefore that "Project implementation has achieved a significant poverty reduction effect."<sup>9</sup> The Henan ICR reports that rural per capita incomes increased some 181% during 2009-14 from 2005 to 5631 yuan, which was much greater than the overall increase of 103% and 96% in the Henan Project counties and all of Henan Province respectively during 2009-14.<sup>10</sup>

3.5.2 **Gender Aspects.** It was found that women actively participated in the CDD and CDF activities. During Project design, it was reconfirmed that many women were largely left-behind while most men would do migrant work in urban areas. The Project provided these women with opportunities to influence decisions to select Project activities that they thought most beneficial to their family needs. It was discovered that women became

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<sup>9</sup> See Table 55 on page 55, Table 57 on page 56, and section 6.3 on page 56 of the CASS final 2015 report.

<sup>10</sup> See Table 7.1 on page 130 of the Henan ICR report.

more socially active through participating in Project activities and felt more empowered by making decisions in local communities.

**3.5.3 Social Development.** The Project is considered to be one of the more successful operations piloting CDD approaches in poverty reduction. Poor households were given full opportunity to select, design, implement, and supervise Project activities that were beneficial to their own rural infrastructure. The benefits of CDD were demonstrated by strong households ownership, better quality of construction, and reduced cost compared to conventional projects. Lessons learned from the Project would be potentially disseminated through the Master of Public Administration program delivered by Chongqing University.

**(b) Institutional Change/Strengthening**

**3.5.4** The Project brought about significant institutional changes and strengthening. The introduction of the CDD approach gave poor rural communities the opportunity to collectively manage Project resources and take ownership of development. A number of community level groups, such as Project decision making committees and supervision committees, and implementation and monitoring groups at the natural village level, were established and are functioning well. Networks and institutional linkages among community and government line agencies (e.g. planning, finance, agriculture, transport, forestry and rural energy, universities and research institutes) were also established. Project community and institutional capacity and staff skills were greatly improved through intensive capacity development programs, hands-on training, and Project implementation practices.

**(c) Other Unintended Outcomes and Impacts**

**3.5.5** The Chongqing PPMO contracted the Chongqing University to prepare its end-of-Project report. It was the first time for the Chongqing University group to gain exposure to the Project. As a result of their detailed survey of Project achievements, the group compiled a series of case studies (including 17 related to CDD, 11 related to CDF, and 6 related to the GEF component) to be used in the university's Master of Public Administration program. The Master of Public Administration program is popularly taken through correspondence by in-service government officials to upgrade their educational achievements. The use of Project examples as case studies in this program promises to enhance the dissemination of lessons learned and increase Project impact well beyond the Project areas.

**3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops**

**3.6.1** The 2015 beneficiary survey, undertaken by a team from the Rural Development Institute of the Chinese Academy of Social Sciences as part of the external Project evaluation, compares Project villages to the control group of non-Project villages. The survey results document significantly greater increases in Project villages' income growth and sharper declines in poverty rates relative to non-Project control villages. These results are summarized in paragraph 3.5.1 above and detailed in Annex 5 of this Report.



## 4. Assessment of Risk to Development Outcome

4.1.1 **Rating -- Negligible to Low.** The external evaluation and the ICR mission found that systems have been put in place for operation and management of rural infrastructure built through the CDD and GEF activities. The infrastructure facilities generally are not technically complicated. Through participating in the supervision of construction communities have acquired the technical knowledge and skills necessary for maintenance. Moreover, the fact that the communities demonstrated a strong sense of ownership of the civil works investments suggests that there is a strong likelihood that O&M will be sustained. The ICR mission also noted that supervision of construction by villagers has resulted in a high quality of construction, thereby reducing maintenance requirements. O&M systems for ordinary maintenance should be adequate. However in the case of severe damage due to large disasters such as earthquakes, landslides or floods, external financial support for recovery and rehabilitation may be needed.

4.1.2 Prospects for sustainable operation of the CDF component are considered good. The national program for “Mutual Help Financial Groups”, which is similar to the CDF component, is ongoing. Responsibilities for the supervision of CDF activities are being transferred to the offices supervising the national program. This group includes not just representatives from the Poverty Alleviation and Development Office but also representatives from agencies such as the Finance Bureau, Audit Bureau, and the Bank of China. There is some risk that, when supervision authority is transferred, there may be pressure to harmonize CDF procedures with the procedures of the national program, and county and provincial PMO’s should intervene to ensure the integrity of the project-supported CDF program. There is also some risk that villagers may have difficulty keeping financial records without the support of Project community facilitators. However, oversight by the “Mutual Help Financial Group” program should mitigate this risk.

4.1.3 The prospects for the sustainability and dissemination of the CDD approach introduced by the Project appear favorable. The Poverty Alleviation and Development Offices in each of the Project provinces have endorsed the approach and stated their intention to continue applying the methodology in their ongoing activities. They have noted that community participation is appropriate to the new national policy of “precise targeting.” Case studies of the CDD methodology are being incorporated into the Master of Public Administration program at Chongqing University.

4.1.4 There are two main risks facing the sustainability and continued use of CDD approaches. First is the need for qualified community facilitators to fully implement the approach. Second is the pressure from higher levels of government to achieve quick results with poverty alleviation efforts. The first risk is mitigated somewhat with the existing programs of assigning university graduates to work in villages and government agencies allocating staff to work in designated poverty villages for extended periods. These programs provide personnel resources which can be used to fill the role of community facilitators if appropriate training and guidance can be provided. Mitigating the second risk will require acknowledgment by senior levels of government that CDD

approaches, while taking longer to implement, ultimately produce more effective and sustainable poverty alleviation achievements.

## **5. Assessment of Bank and Borrower Performance**

### **5.1 Bank Performance**

**(a) Ensuring Quality at Entry -- Moderately Satisfactory.** The Project's preparation started in early 2007 with strong commitment from the Government side for advanced preparation and rapid implementation of the innovations that were piloted under the (then) on-going Poor Rural Community Development Project. The preparation process benefited from a strong and experienced World Bank Team, which comprised diverse specialists, operations consultants and advisors, with all the technical skills required to guide and shape the Project design. At the same time, the Project design was based on rich and rigorous lessons learned from the predecessor poverty reduction operations, detailed Chinese Poverty Assessment series by LGPR, and several pilot and analytical works. As such, the Project design was well informed for the various innovations introduced to the project. The preparation team came up with a very strong, simple, but powerful PDO that helped to position the Project with a very good start. However, after the Project's appraisal mission in October – November 2008, the Project preparation process came to a halt for more than a year before the two sides entered negotiations in April 2010. The delay, caused entirely by the lengthy approval processes from the client side for the Project documents, undermined the timeliness of the Project design, especially the innovative Rural Migrants Support component (which was cancelled through the 2012-13 MTR due to Chongqing PMO's lack of proper staffing and understanding of the component's objective). The Task Team conducted several Discussion Missions afterwards to keep the process on track, but it still took almost 18 months before it was possible to proceed to Negotiations. In addition to the long delay in the preparation process, the Restructuring of the Project reached a decision to drop the Rural Migrant Support component. In addition, the third party monitoring and evaluation work suffered from improper attention and willingness to pay for this by the Implementing Agency, despite its being fully budgeted and designed in the Project's Management and Monitoring and Evaluation component. These can be considered to have been shortcomings of the 2009 re-design of the component since, by the time the Project became effective, national policy for migrants had changed and the planned activities for this component were no longer considered to be relevant. Because of these several shortcomings, the rating for bank performance of ensuring quality at entry is rated at Moderately Satisfactory. Otherwise, it could have been fully satisfactory.

**(b) Quality of Supervision – Moderately Satisfactory.** The task team comprised the core preparation team and some additional members throughout the Project implementation period and provided effective implementation support, with relentless follow-up on the details of implementation of the numerous and diverse activities in the three provinces. The decentralized structure of the Project required extensive engagement with the provinces which were not sufficiently familiar with CDD and CDF at the early design and initial implementation stages. It is a testament to the commitment and inventiveness

of the World Bank's task team that the Project's ambitious targets were achieved and many were exceeded, despite many challenges in a decentralized operation and implementation in vast and scattered areas of the three provinces. The financial management and procurement teams were continuously engaged in supporting Project activities. Similarly, the social and environmental safeguards specialists assisted with achieving compliance and participated in reviews. All activities financed by the World Bank and GEF were completed successfully without the Project being extended.

The ICR mission noted two shortcomings during the supervision by the Bank team. Firstly, the key monitoring indicators data were not provided in the ISRs until end-2014. The ICR team understood that with some PSIA trust funds, the Project managed to arrange a very good report at mid-term review. (A baseline survey, though late, was conducted in 2011, and results from the baseline survey became available in 2012.) However, several monitoring indicators in the ISRs were not updated during the first 3.5 years of the Project. This might be due to the changing of the World Bank Task Team Leader three times during the lifespan of the Project, as well as the lengthy restructuring process at the Mid-term Review (MTR) – 18 months long – which is considered to be the second shortcoming of World Bank supervision support.

At the MTR, a decision was reached to drop the Rural Migrant Support component. Together with this, some doubts were raised regarding the feasibility of the CDFs. Consequently, the Project undertook a reallocation of funds across the components and categories using Cost-TAB. The process of reallocation of funds itself took a long time, and converting all the Project costs to the outdated Cost-TAB format added extra delays to the whole process. At the same time, further delay occurred due to poor communication and coordination between LGOP and MOF during the Restructuring process. Due to these shortcomings, the quality of supervision by the Bank team is rated Moderately Satisfactory.

Despite these initial and mid-term problems, the Project performance improved significantly during the last two years of implementation during which an enormous amount of work was completed and the quality of monitoring and implementation support improved greatly under the leadership of the third World Bank Task Team Leader.

### **(c) Justification of Rating for Overall Bank Performance**

**Rating: Moderately Satisfactory.** The Bank's performance was strong during the preparation phase (which set the stage for piloting the innovative CDD and CDF approaches to poverty reduction, and decentralization down to the villages). The Bank continued to play a very important role in the introduction of several innovative approaches to poverty reduction in rural poor areas in China, considering this was the fifth poverty reduction operation that the Bank engaged with China Government. The Bank also worked closely and actively with the client to resolve implementation challenges, most notably at the beginning and toward the end of the operation. Yet, specific shortcomings in Project design and at mid-term restructuring lowered the impact of some elements of the Project.

## 5.2 Borrower Performance

### (a) Government Performance

**Rating: Moderately Satisfactory.** The Project has achieved and even exceeded all of its outcome targets of piloting and exploring innovative approaches to poverty reduction. These new approaches are fully aligned to the Government's long term commitment to poverty reduction and reflected well in the on-going efforts to scale-up these good practices. Coordination has been well managed by the LGPR system at all levels. Project beneficiaries are highly satisfied with the Project's activities and their development outcomes have been very positively achieved. The local government authorities and agencies have been very supportive and paid adequate attention to the Project's implementation and scaling up.

However, the ICR team noted that the Project encountered some serious delays at the beginning of the Project preparation (between appraisal and negotiations) and implementation due to (a) the lengthy internal approval process, and (b) some staffing issues most notably in Chongqing. There was no consolidated ICR for the Project available at the time of the ICR mission, despite the fact that a comprehensive and detailed external independent assessment report for the Project was completed and shared with ICR mission. Also, all Project provinces have managed to develop their detailed completion reports which provided the ICR mission with rich and in-depth analysis. Due to these two shortcomings, the rating is at Moderately Satisfactory.

### (b) Implementing Agency or Agencies Performance

**Rating: Moderately Satisfactory.** The Project was designed and implemented through a decentralized approach and mechanism, in the vast areas of three provinces. As such, there have been many challenges in coordination and implementation. However, the Project successfully addressed the difficulties and challenges of a decentralized project with wide ranges of activities and actors/agencies involved. The Project also managed to start off with comprehensive capacity building efforts to ensure Project staff and direct beneficiaries were well informed of Project approach and guiding principles. These actions helped to put the Project on the right course for rolling out. In Chongqing, despite having a weak PMO at the beginning (as insufficient resources were not allocated at the beginning) and the innovative Rural Migrant Support pilot component was not implemented, the Project activities there have been quite successful by the time of Project completion. The ICR mission also noted that delivering the core CDD operation typically involves a slow start-up period and then picks up at a later stage (the J curve phenomenon), and this Project was no different. However, the key achievement here involved widespread positive impacts from the piloting of innovative ways for participatory planning and implementation of development investments without any compromise of quality despite encountering difficulties at the beginning.

Major shortcoming as assessed by the ICR team centered on the repeated long delay at the Restructuring and improper attention to the third party monitoring and evaluation

work<sup>11</sup>. The latter was really unfortunate since it did not do justice for a project piloting various innovations that would require rigorous and systematic arrangements for measuring progress, performance and results. Despite various efforts by Bank team at several intervals to fill the gaps of monitoring and evaluations, this had major implications for the Project's accounting for piloting of innovations such as this one. Due to these shortcomings, the rating for Implementation Agency is Moderately Satisfactory.

#### **(c) Justification of Rating for Overall Borrower Performance**

**Rating: Moderately Satisfactory.** The Project is an obvious success thanks to the strong leadership and commitment of the government side at all levels. Effective coordination and flexibility in addressing problems encountered helped the Project to deliver and achieve and even exceed its development objectives. Building on these achievements, the good practices developed in the Project are now being scaled-up and applied in wider provincial and government programs. However, it was not without some unfortunate shortcomings from both Government side during preparation, implementation and wrapping up, and from the Implementation Agency during restructuring and overall M&E work. As such, the rating of Moderately Satisfaction is justifiable.

## **6. Lessons Learned**

6.1.1 The following lessons could help to inform future poverty reduction operations which employ the CDD approach:

- **CDD Approach.** The CDD approach was successfully rolled out on a large scale in all three Project Provinces, and was convincingly shown to be a superior means of poverty reduction in the Chinese context. The implementing agencies' strong capacity building campaign and the implementers' careful adherence to rigorous procedures resulted in quality implementation throughout the Project area. The third party household surveys documented that (a) the primary beneficiaries were highly satisfied with the CDD approach and its impacts on their increased income levels and overall well-being, and (b) government staff at all levels acknowledged the superiority of the CDD and participatory approaches for future poverty reduction and rural development work in China.
- During the ICR mission many provincial and county level project staff as well as village facilitators noted that, at the beginning of the project, the preparation and planning procedures for the CDD component seemed to be unnecessarily complicated and time consuming. However in retrospect at the end of the project they could appreciate the rationale underlying the procedures, and recognized that

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<sup>11</sup> Importantly, the CPIO, in its comments on this ICRR in Section 7 of this document, states that (a) the lengthy restructuring process was due to the heavy workload required for restructuring, and (b) the original results framework was "difficult for monitoring and data collection" and that improved indicators were agreed upon at Restructuring.

rigorous implementation of the procedures was an important factor contributing to the success of the component. An important lesson for future projects is that the temptation to simplify and fast-track procedures should be avoided if robust results are to be achieved by the end of the project.

- **An effective M&E system right from the beginning is critical.** For an innovative CDD operation such as this Project, with multiple indicators, aspects, and involved agencies, it goes without saying that having a rigorous and timely impact evaluation arrangement and a user-friendly monitoring system is critically important to informing the Project managers and implementers where the Project is going and what should be modified. Although the independent third party household surveys undertaken for the Project evaluations at mid-term and completion were excellent, it was most unfortunate that the implementing agencies' initial reluctance to spend any funds on this work directly led to the initial failure of independent monitoring. This reluctance to cover the costs of independent third party evaluation is difficult to understand since (a) highly capable national experts were readily available to undertake this work, and (b) the total costs of independent evaluation represented less than 0.5% of total Project cost.
- **Community facilitators**, contracted by the Project to work with villagers and support Project implementation, played a critical role in the success of the Project. Facilitators, generally young people with a post-secondary level of education, fulfilled a number of critical functions, including: mobilizing villagers; liaising between the Project office, local government and village groups; maintaining Project records, including financial records to the standards required by government and the Bank; and ensuring the transparency of Project activities. In the current environment where village youth have generally migrated to the cities for employment and few educated people remain in the villages, the facilitators filled a vitally important role.
- The Project has demonstrated that it is possible to **reverse the traditional top-down leadership and decision-making style of poverty alleviation programming while at the same time achieving more effective and sustainable poverty alleviation results**. The Project has developed and demonstrated specific methods to involve beneficiaries throughout the entire process of identifying and selecting activities, contracting, supervising implementation, and finally operation and maintenance. According to the testimony of village officials and Project beneficiaries, the Project has demonstrated that, by adopting a CDD process, the relationships between the "officials and the masses" were greatly improved.
- **CDF Component.** The CDF program design which required borrowers to start with small loan sizes and pay interest at rates slightly higher than those available through commercial financial institutions helped avoid elite capture of CDF resources and ensured that poor households were well served by the program. This is contrary to the common tendency of providing large loans and subsidized interest rates as had been practiced in earlier Chinese poverty alleviation programs.
- **Rural Migrants Support remains a critically important issue for China** and it was most unfortunate that (a) this component was dropped from the Project, and

(b) LGOP and (b) Chongqing Municipality did not take this opportunity to test innovative solutions to this ongoing and very large scale social challenge. The original (that is, 2008) component design is still relevant today, and its implementation by LGOP or by some other government agency could usefully inform the current landscape of policy dialogue for addressing the many challenges faced by poor rural migrants in China.

## **7. Comments on Issues Raised by Borrower/Implementing Agencies**

7.1.1 The ICR team received comments from CPIO under IPRCC to the draft ICRR. The detailed comments from CPIO are presented in full in the Annex 7 of this document. Briefly, CPIO considered the ICRR was comprehensive summary and evaluation of the project design, preparation, implementation, outcome, as well as the performance of all involved parties. It appreciated that the ICR team recognized the project achievements as well as pointed out the issues to pay attention to. In general, it agreed with the conclusions made in the ICR, except the ICRR's views and assessment of the M&E work and the long delay in the Restructuring process, and suggested for some reconsiderations in terms of rating for these aspects.

7.1.2 The ICR team noted that IPRCC's comments are very well stated and should be included in the ICRR without any changes, as shown in Annex 7. The ICR team has made some adjustments to the ICR with some clarifications through some footnotes to acknowledge IPRCC/s views. However, the ICR team considered that the ICR has done a balanced job of recognizing the successes of the Project, whilst also candidly and honestly identifying some shortcomings in the preparation and implementation of the Project. Important lessons have been brought out from the assessment to help informing both the Bank and the Borrower in avoiding those same issues/problems in the future and/or improve our joint work. The ICR is constructively critical of the Bank's shortcomings in project preparation and implementations. Likewise, it flagged the similar shortcomings from Borrower's side in (a) not giving adequate attention to M&E, (b) taking too long to restructure the project, and (c) should not have dropped the Rural Migrants Support component. As such, the ICR team believes that the ratings in the ICR are properly set in doing justice for the thorough and frank assessment of the project. Also, the ICR team believes that those ratings should be adequately seen and placed in the specific context of the project through its growth phases and processes, instead of one-off snap-shot view. The ICR Team, therefore, acknowledges and records Borrower's view to the ICRR due diligently whilst maintains the objective and candid assessments of project success and initial impacts, as well as pointing out of rooms for further attention and improvements.

## Annex 1. Project Costs and Financing

### (a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Revised at Mid-Term-Review (USD million)	Actual/Latest Estimate (USD millions)	Percentage of Revision
1. CDD Grants	96.6	117.6	120.9	102%
2. CDF	35.7	23.8	22	92.4%
3. Rural Migrants Support	10.4	0	0	n/a
4. SLMA	4.3	4.3	4.2	97.7%
5. Project Management and M&E	11.9	11.7	9.4	80%
<b>Total Project Costs</b>	<b>158.8</b>	<b>157.3</b>	<b>156.5</b>	<b>98.5%</b>
<b>Interest during Construction</b>				
<b>Front-end Fee</b>	<b>0.25</b>		<b>0.25</b>	<b>100%</b>
<b>Total Financing Required</b>	<b>159.1</b>	<b>157.6</b>	<b>156.8</b>	<b>98.5%</b>

### (b) Financing

Source of Funds	Type of Co-financing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower		54.88	52.57	96%
International Bank for Reconstruction and Development		100	100	100%
Global Environment Facility (GEF)		4.27	4.23	99.1%
<b>Total</b>		<b>159.15</b>	<b>156.80</b>	<b>98.5%</b>



## Annex 2. Outputs by Component

The actual values achieved for village and poor population participation in the project were fully in line with the levels anticipated in the PAD. Since the CDD and CDF components were programmatic in nature, no targets were anticipated in the PAD for the quantities of civil works to be completed by the Project. However, the quantity and quality of the village civil works and the number of CDF cooperatives actually established through the Project are considered exemplary.

Output Indicator	Unit	Actual Achieved Value (ICR)
<b>Component 1: Community Driven Development (CDD)</b>		
Total villages participated in the project	No.	776
Henan		251
Shaanxi		471
Chongqing		54
Total village sub-projects completed	No.	3487
Henan		1358
Shaanxi		1446
Chongqing		683
Population (the poor) benefited from CDD activities	No.	1.76 (0.55) million
Henan	No.	1.23 (0.44)million
Shaanxi	No.	0.28(0.07)million
Chongqing	No.	0.25 (0.05)million
Roads newly constructed or rehabilitated within the project villages	km	4467.52
Roads newly constructed or rehabilitated btw the project villages	km	1160.92
Field roads	km	259.56
Bridges/culverts constructed or rehabilitated	No.	432
Cisterns/water tanks constructed or rehabilitated	No.	1520
Irrigation wells	No.	149
Flood protection embankment	Km	641.449
Drinking water supply schemes	No	425
Wells for drinking water	No.	144
Water tanks built for drinking water	M <sup>3</sup>	60599
Village dust collection houses	No.	253
Village beatification activities	No.	1235
Household level biogas digesters	Set	115
Community library constructed	M <sup>2</sup>	7970
Community cultural square constructed	M <sup>2</sup>	65522

Output Indicator	Unit	Actual Achieved Value (ICR)
Village school built/rehabilitated	M <sup>2</sup>	3084
Village clinic built	No.	29
Public toilet built	No.	52
Public lump installed	No.	2450
Tree planted	No.	37,425
Component 2: Community Development Financing (CDF)		
Total community cooperatives established and registered	No.	411
Henan		153
Shaanxi		241
Chongqing		17
No. of households joined the cooperatives	HH	28720
Henan		12681
Shaanxi		13861
Chongqing		2178
No. of population benefited from CDF activities	No.	92355
Henan		36420
Shaanxi		49059
Chongqing		6876
Component 3: Sustainable Land Management and Adaptation (SLMA)		
Total pilot project counties	No.	24
Total pilot project villages		134
Total villages completed resource mapping		134
Total villages completed vulnerability assessment		134
No. of villages adopted SLMA concept		769
Training received	person. time	10396
Component 4: Project Management, Monitoring and Evaluation		
Training received	person. time	102363
Henan		81703
Shaanxi		6113
Chongqing		14547

## Annex 3. Economic and Financial Analysis

### A. Economic Analysis

1. **Project Impact:** Significant economic, social, and environmental benefits are observed for this series of poverty reduction projects (that is, SWPRP, QBPRP and PRCDP) implemented in similar areas from mid-1990s to the present. The State Statistical Bureau's (SSB) independent monitoring reports show that project villages in SWPRP and QBPRP achieved remarkable benefits, as reflected by declining poverty, increased per capita income, reduced grain deficits, more development opportunities for the beneficiaries, better access to market, and improved natural environment. SSB's reports also demonstrated that project villages, in many aspects, outperformed the non-project villages which generally enjoyed better initial conditions than that of the project villages. The participatory monitoring and evaluations conducted in PRCDP confirm that the increasing degree of beneficiaries' participation in the project cycle brought about noteworthy social benefits, including a stronger sense of project ownership, more equal status between different social groups, and enriched social capital.
2. **Project Benefits:** The Project has generated the following benefits: (a) improved food security and increased per capita income from enhanced agricultural productivity and more stable off-farm job opportunities; (b) higher standards of living and greater well-being due to improved access to markets, safe drinking water, transportation, electric power, and other basic public services; (c) strengthened ability to smooth risks due to improved access to applied technology and capacity building activities; and (d) stabilization and reversal of environmental destruction through sustainable land management and natural resource conservation.
3. **Methodologies and Data Source.** For CDD component, given the fact that the benefits generated are not readily quantifiable, a cost effectiveness analysis has therefore been adopted to compare the unit cost savings (if any) of activities under CDD with those similar activities under parallel government projects/programs. For CDF component, a conventional cost and benefit approach has been used to conduct the economic analysis. The data for cost savings under CDF and for calculating the ERRs for CDF were collected by the PMOs and CASS team in 2015 from project sample counties.
4. **CDD Component.** The CDD component comprised 75% of total Project expenditure. As noted in the main report (paragraph 3.2.1), the CDD approach (a) was extensively adopted throughout the three provinces' Project areas, (b) was extremely well received by the primary beneficiaries, and (c) led to highly satisfactory improvements in the well-being and income levels of the primary beneficiaries. The key objectives and outcomes of the CDD component were to give poor rural communities: (a) the opportunity to improve access to local infrastructure and public services; collectively manage and be accountable for project financial resources; and take ownership of development; (b) more effective community organization and management capacity and esteem; and (c) an improved

relationship with local government agencies to become more responsive to a community's priorities.

5. The economic viability of the CDD component has been well justified by the cost effectiveness analysis. Based on the data and samplings from project sites provided by PMOs and CASS team, the cost savings in village/access roads (which was the largest investment under the CDD component, accounting for between 60-70% of total investment) in comparison with other similar works are estimated by CASS team as high as 20-39%.<sup>12</sup> Other infrastructure works under CDD also registered substantial cost savings as shown by the sample survey below by Shaanxi Province PMO.<sup>13</sup>

Works		WB Project cost (Yuan)	Gvmt Projects(Yuan)	Cost Savings
Foot bridge	Unit	14,794	20,500	28%
Water Supplying System	Unit	14,972	17,000	12%
Pumping Station	Unit	18,645	25,000	25%
Water pool	Unit	6,548	10,000	35%
Water harvesting pond	Unit	4,100	6,230	34%
Terracing	Ha.	1,923	2,000	4%

6. In probing the reasons for the cost savings, the “participatory approach” has been singled out for cultivating the sense of “ownership” of the works among beneficiaries. In addition, their empowerment in the bidding process, voluntary supervision during the construction and O&M, has significantly contributed to the cost savings and sustainability of the CDD component. Indeed, the ICR team observed that villagers strongly felt that the village access roads and bridges, drinking water systems, small scale irrigation and drainage schemes, health clinics, schools and other civil works were “their own infrastructure.”
7. **CDF Component.** The CDF component financed household level income generation activities covering mostly livestock raising, and cash-crop and tree crop farming. Based on the data collection and household samplings by the CAAS team, ERRs were calculated for the activities of livestock raising and tree crops using crop budgets and livestock models. The analysis has been done on a conservative basis, as lower range prices for agricultural produce have been used to factor in the price fluctuation in the past years. The results (see table below) show that activities under livestock and crop/tree crop production generated ERRs ranging from 16-38%, indicating the economic viability of the CDF component.

Activities	ERR (percent)
Pig Raising	16
Cattle Raising	24
Goat Raising	38
Apple trees	31

<sup>12</sup> Government Project Completion Report (page 38).

<sup>13</sup> Performance Evaluation Report (page 56) submitted by Shaanxi PMO to Ministry of Finance (2015).

Mushroom	29
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8. No sensitivity test is conducted as the ERRs (under CDF) were the lower bound of the calculations.

#### **B. Financial Analysis:**

9. **Financial Analysis:** As noted in the analysis in the PAD, the domestic market has now been established and it is increasingly integrated with the international market with negligible price distortions and government interventions. As such, the ERRs for the CDF component should also represent the financial internal rates of return (FIRR) of the income generation activities (16-38%), which has proven to be financial profitable for the Project participating households with CDF fund annual turnover rate at 159% and repayment rate at 99% (see immediate outcome indicators). Fiscal impact after Project completion is minimal as the O&M costs of infrastructure have been covered by the beneficiaries (see main text Section 2.5) and the Bank loan service is guaranteed by both the provincial and central governments.

## Annex 4. Bank Lending and Implementation Support/Supervision Processes

### (a) Task Team members

Names	Title	Unit
Alan Piazza	Task Team Leader	SDV
Guo Li	Co-Task Team Leader	AFTAR
Ulrich Schmitt	Co-Task Team Leader	EASCS
Chaogang Wang	Senior Social Development Specialist	SDV
Guzman Garcia-Rivero	Operations Adviser	EASER
Jinan Shi	Senior Procurement Specialist	EAPPR
Yuan Wang	Procurement Analyst	EAPPR
Xiaowei Guo	Senior Procurement Specialist	EAPPR
Yi Dong	Senior FM Specialist	EAPFM
Haiyan Wang	Finance Officer	CTRDM
Yiren Feng	Environment Specialist	EASCS
Chu Junxue	Senior Finance Officer	CTRFC
Robert O'Leary	Senior Finance Officer	CTRFC
Mei Wang	Senior Counsel	LEGES
Syed I. Ahmed	Senior Counsel	LEGES
Marta Molares-Halberg	Lead Counsel	LEGES
Bruce Trangmar	Agriculturalist	Consultant
Johanna Pennarz	Gender Equity Specialist	Consultant
Bai Nansheng	M&E Specialist	Consultant
Scott Rozelle	M&E Specialist	Consultant
Zhang Jiabao	Agriculturalist	Consultant
He Yupeng	Small Town Development Specialist	Consultant
Bai Xue	ICT Specialist	Consultant
Richard Chisholm	Senior Agriculturalist	EASTS
Robert Chase (peer reviewer)	Lead Economist	AFTSP
Nathan Belete (peer reviewer)	Senior Rural Development Economist	SASDA
Minhnguyet Khorami	Program Assistant	EASER
Lourdes Anducta	Program Assistant	EASER
Zijing Niu	Program Assistant	EACCF
Chunxiang Zhang	Senior Program Assistant	EACCF

Wendao Cao	Team Leader	GFA02
Yuan Wang	Procurement Specialist	GGO08
Yi Dong	Financial Management Specialist	GGO20
Aimin Hao	Team Member	GSU02
Chaogang Wang	Safeguards Specialist	GSU05
Yiren Feng	Safeguards Specialist	GEN02

Yunqing Tian	Team Member	EACCF
Son Thanh Vo	Rural Development Specialist	GFA02
Wenyan Dong	Operations Analyst	GSU08
Ulrich K.H.M. Schmitt	Program Leader	SACSL
Patricia Maria Fernandes	Senior Social Development Specialist	GSU02
Haiyan Wang	Sr. Finance Officer	WFALN
Tim Zachernuk	Consultant	GFA02
Xueming Liu	Consultant	GFA02
Alan Piazza	Consultant	GFA02
Josef Ernstberger	Consultant	GFA02
Bruce Trangmar	Consultant	GFA02

**(b) Staff Time and Cost**

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
<b>Lending</b>		
FY07	11.49	58.50
FY08	35.43	209.42
FY09	33.5	147.81
FY10	13.87	92.95
<b>Total:</b>	<b>94.29</b>	<b>508.68</b>
<b>Supervision/ICR</b>		
FY11	21.7	134.89
<b>FY12</b>	11.32	59.22
<b>FY13</b>	12.36	64.81
FY14	15.88	90.41
FY15	10.68	34.41
FY16	6.84	27.82
<b>Total:</b>	<b>78.78</b>	<b>411.56</b>

## Annex 5. Beneficiary Survey Results

A beneficiary survey was undertaken as part of the external Project evaluation conducted in 2015. Comparing Project villages to the control group of non-Project villages it found that, at the completion of the Project, Project villages had better all-weather road access (66.5% of villages compared to 36.6%), better access to piped drinking water in their homes (55.85 compared to 40.5%) and cleaner and healthier environments (78.1% rated as “good” by beneficiaries as compared to 59.5% in control villages). In the Project villages, 20% of the survey respondents reported building a new house within the previous 5 years, compared to 13.4% in the control villages.

The survey also found that in the 4 years between 2010 and 2014 beneficiaries from Project villages reported an increase of 943% in their average household earnings from migrant labor, as compared to an increase of 320% in the control villages. This difference is attributed to better access to transportation, improved skills resulting from training provided through the Project and improved access to credit. It is also suggested that, with improved conditions in the villages, migrants could leave home for longer periods of time with less worries about the welfare of their families in the villages.

Table 1: Changes in per capita net income (RMB)

Year	Project Village	Control Village
2010	2898	3005
2014	7367	4774
Annual rate of increase	20.5%	9.7%

The external survey found that in 2010 per capita incomes in Project villages were slightly lower than in the control villages, but at the end of the Project were 54% higher (**Error! Reference source not found.**). When disaggregated by province, the survey found that in Chongqing per capita incomes actually declined between 2010 and 2014 in the control group, while increasing at an annual rate of 23% in the Project villages.

As detailed in Table 2, the increased incomes came from cropping and horticulture activities, animal husbandry, migrant work and other income. Most notably, while income from animal husbandry activities in the control villages declined by 5% over the period, income from animal husbandry activities in Project villages increased by 11%. The improved incomes through animal raising can be attributed to both the CDD and CDF components (See Box 1). Under the heading “other income” is included income from non-agricultural sideline activities such as transport, trading and processing. The CDF component was an important factor enabling households to undertake such activities.



Table 2: Increase in per capita income 2010 – 2014 by source of income (%)

Source of Income	Project Village	Control Village
Cropping/horticulture	8.1	0.34
Animal Husbandry	11.4	-5.4
Migrant work	22.9	10.8
Other income	36.5	27.5

(data external survey report (Chinese version) p. 55) CASS

The survey also found that between 2010 and 2014, the poverty rate in the Project villages declined by 23%, compared to a drop of 6% in the control villages. At the start of the Project the poverty rate in Project villages was 7% higher than the control villages, while at the end of the Project it was 11% less than the control villages. The same trends hold true if the poverty rate is measured in terms of poor population rather than poor households.

Table 3: Poverty Rate (% of households)

Year	Project Villages	Control Villages
2010	52.8	45.6
2014	29.5	40.4

Table 4: Change in Poverty Rate 2010-2015 (% of households)

Year	Project Villages	Control Villages
Chronically poor	18.0	17.5
Escaped from poverty	34.8	28.1
Fell in to poverty	11.6	22.8

Survey data also provide evidence that the Project has contributed to the resilience of households to withstand risk. The incidence of chronic poor (those in poor health, or otherwise lacking labor or resources to work their way out of poverty) was similar in both the Project villages and the control villages at 18.0% and 17.5% respectively. During the 2010-2014 period in the Project villages 35% of the poverty households worked their way out of poverty, compared to 28% in the control villages. However in Project villages only 12% of the households fell into poverty while in the control villages 23% of the households fell into poverty. This increased resilience against falling into poverty can be attributed to factors such as better infrastructure (for example, such as irrigation and drinking water systems) and improved access to credit for household emergencies such as accidents or illness.

## **Annex 6. Summary of Borrower's Implementation Completion Report (ICR) and Comments on the Bank's ICRR**

### **I. Summary of Borrower's Implementation Completion Report (ICR)**

The World Bank financed China Sustainable Development Project in Poor Rural Areas (the Project) was implemented in Henan Province, Chongqing Municipality and Shaanxi Province. It involved 25 project counties, 142 townships and 776 administrative villages with 951,100 people benefiting, including 454,200 poor population.

The project objective was to explore and initiate a more effective approach for poverty alleviation using participation and community driven development for the poorest communities and farmers in Henan, Chongqing and Shaanxi. The Project funds were appropriated directly to the project communities enabling communities and farmers to make their own decisions on the use of the money. In addition, the project also used funds from the Global Environment Facility (GEF) to carry out Sustainable Land Management and Adaptation (SLMA) pilots aimed at managing vulnerability induced by climate change, of poverty villages in the project areas.

#### ***A. Assessment of quality of Project implementation***

According to the project monitoring data, the quality of project implementation was outstanding, mainly reflected in the following aspects:

- (i) the quality of infrastructure and services in the project communities was improved. Through active publicity and mobilization, the awareness rate in terms of project information and investment activities was 100%, the participation rate of rural households in project areas was 92.55%, and the participation rate of women was 65.60%. The survey shows that 96.04% of the beneficiaries felt that the project reflected their needs. The satisfaction rate with infrastructure improvement was 93.89% and the project acceptance checking found that the completed infrastructure projects were all up to standard. The satisfaction rate of community members with financial and procurement management was over 90%. Operation and Maintenance systems have been established in project areas.
- (ii) The management capacity of community development funds improved. The CDF component used RMB 94.30 million to set up 411 mutual-help groups. 28,505 households participated in cooperatives, among whom 18,468 households (including 9,496 poor households) borrowed RMB 112.12 million in 25,250 loans. 93,291 people benefited from the project implementation, including 47,439 poor. CDF satisfied the cash needs of rural households, especially poor households and enabled them to undertake income generating activities. Through community mobilization, of awareness of CDF was 100% and the poor households benefiting from the project account for 71.34% of all poor households in villages. In terms of CDF operation and management, the annual turnover rate of CDF was 85.10%, the turnover rate during the whole Project period was 251.25% and the turnover rate for the total fund was 159.8%. The CDF repayment rate was 98.99%.

- (iii) capacity for sustainable land management and adaptation has improved. Under the SLMA component village-level vulnerability assessment and resource mapping was successfully completed in all project pilot villages and 100% of pilot villages that identified adaptation needs implemented innovative adaptation measures based on the assessment tools. At project completion, the carbon stock increased by 19.2% across all pilot SLMA villages, substantially exceeding the targeted 5% increase.

## ***B. Outcome Assessment***

The Project has generated ecological, environmental, and socio-economic benefits, and made a remarkable contribution to poverty alleviation. According to the external assessment, the poverty status in project villages has been ameliorated significantly through integrated socio-economic development, where the living standards, especially for poverty households, have markedly improved by increasing development opportunities. Details are as follows:

- (i) Infrastructure conditions in project communities have improved significantly. The newly constructed or improved roads in the project villages have greatly improved accessibility. In the project villages 93.6% of roads are concrete and 95% of villages groups have road access. 66.52% of the houses in the project villages are situated on cement roads, 30% higher than the control villages. More households in project villages have access to tap water or cistern water through improved drinking water systems. The ratio of households with tap water in project villages is 16% higher than in control villages.
- (ii) per capita net income increased significantly in Project villages. The per capita net income of the surveyed households increased from RMB 2,898 in 2010 to RMB 7,367 in 2014, an annual increase of 20.52%, whereas the control households reported an increase from RMB 3,005 to RMB 4,774, a 9.7% annual increase. The poverty incidence rate fell from 54.3% in 2010 to 26.8% in 2014.
- (iii) Employment opportunities increased. The project has provided more favorable opportunities for farmers to work outside to earn more income. According to the survey on average households now have 1.54 labors working outside, 1.18 times more than before the project and 18% more than in the control villages. Income from migration employment in the sampled households increased from RMB 1,163.75 to RMB 12,137.91 an increase of 9.4 times, whereas in the control households the increase was 3.2 times.
- (iv) Community's awareness of and capacity for sustainable land management and adaptation was enhanced. In the 84 villages selected as pilots of SLMA, the farmers now have a clearer appreciation of how their livelihood and production is being impacted by climate change after piloting special tools such as vulnerability assessments and resource mapping exercises, implementing pilot activities and through capacity building and experience sharing activities.
- (v) Communities have been put in the driver's seat of development. Through the use of community driven and participatory approaches, the Project has enhanced farmers' capacity for self-management, self-organization, decision-making, and self-supervision, creating favorable conditions for farmers to increase productivity and

- incomes.
- (vi) First, the project achieved its target that in CDD and CDF activities the percentage of directly benefitting poverty households compared to the percentage of poverty households in the Project villages were equal. The coverage for poor households joining the CDF component was over 60%. Second, the Project attached importance to increasing female participation in the whole process of project design and implementation. More than one third of members in community groups are female.
  - (vii) A high satisfaction rate. About 80.4% of the interviewees in project villages feel satisfied or very satisfied with their life, exceeding that in control villages by 15%. 5.5% of the interviewees in project villages felt unsatisfied or very unsatisfied with their life, 9% less than in control villages.
  - (viii) The project interventions were designed and implemented on the basis of an integrated approach and adopted environmentally friendly technologies, which produced positive environmental impacts.
  - (ix) The innovative management mechanisms of the Project provided successful experiences for others to learn from. First, the CDD approach gave communities decision-making rights in the project. All project resources were provided to communities in a transparent manner and the communities selected specific sub-projects by themselves, strengthening the sense of ownership and accountability, and promoting democracy and capacity building. Consequently, the quality of project implementation and sustainability was improved and limited funds achieved maximum impact; Second, innovative fund management practices such as opening project accounts at community level improved fund utilization efficiency; Third, through adopting innovative mechanisms of integrating poverty reduction with ecological construction, the GEF SLMA strengthened the consciousness of project communities on the linkages of vulnerability, climate change and adaptation, which has also offered an innovative experience to the Chinese government; Fourth, through innovative capacity building and support service, PMOs at all levels improved their capacity to manage projects; Fifth, through the implementation of disclosure policies and grievance mechanisms, and through innovative arrangements of supervision and post project management, project communities were motivated to take care of project outputs with a strengthened sense of ownership.

### ***C. Project Management Performance***

The Central Project Coordination Office (CPCO) was responsible for leading project design and preparation, providing support and supervising the project offices at provincial level (PPMO), coordinating between WB and the relevant ministries and commissions and PPMOs. The governments at all levels attached importance to project preparation, appraisal and implementation, in addition to providing policy guarantees and coordinating among line departments, as well as ensuring availability of human, material and financial resources. The governments at all levels did their best to support project implementation, set up project leading groups and PMOs, supervised and urged the release of the counterpart funds, appointed project staff and addressed important issues occurring in the process of implementation. Project institutions at all levels allocated staff to be responsible

for implementation, financial management, procurement and so on. Community facilitators were hired and played an important role in consultation, communication and assistance in training.

At community level, it was the project communities/villagers who made decisions on projects and who were involved in the process of self-management, self-development, self-discipline and self-benefit. The CDD project component incentivized the project villagers to participate in community construction and manage project funds in a more accurate and efficient way so as to benefit more rural poor households. In the CDF subcomponent a management system was developed to ensure that the project was conducted in compliance with various rules and norms.

The project management systems included: (i) procurement systems to standardize purchasing procedures; (ii) project funds managed by special community accounts following standard fiscal management procedures and operational approaches; (iii) a detailed payment procedure formulated to meet the requirements of CDD and CDF as innovative approaches to poverty alleviation. An operation manual for each subcomponent was prepared to instruct the project offices at community level how to apply for payment and reimbursement. The safeguard policies were implemented according to the impact assessments on environment, biodiversity, pest management, physical cultural resources, involuntary resettlement, indigenous people, forest, and dam security; (iv) entrusted by the National Auditing Administration, the audit bureaus at provincial levels undertook complete audits on project finances, procurement and payment, project implementation and other project activities and documents, in compliance with the project regulations, operation manuals, procurement procedures, national laws and regulations and audit standards. The audit bureaus issued annual audit reports, addressing problems found in the project areas and promoting project implementation; (v) complaint and appeal mechanisms were established to redress problems arising during project implementation.

Several mechanisms for project inspection and approval, grievance redressing and monitoring and evaluation were established to improve project implementation. Community facilitators, supervision committee members from administrative and natural villages constituted community project assessment groups to lead a preliminary project assessment using community participatory assessment. The project inspection and approval was an important procedure for project implementation, and project monitoring was a vital means for project management.

Henan, Chongqing, Shaanxi PMOs paid attention to project document management by assigning special persons to keep the project files, ensure the transparency of project implementation, and increase the level of public trust in project decision-making and the supervision committees.

#### ***D. Post-Project Management***

The Project established comprehensive post-project management systems, especially for projects implemented at community level, which play an important role ensuring sustainability. Follow-up management involves the following four aspects:

- (i) Public facilities maintenance and management. A large number of public infrastructure facilities were constructed through the project, such as rural roads, drinking water supply, and irrigation systems. There are rules and regulations, management plans and implementation rules developed for these facilities according to the principle of “whoever gains maintains”. Formalities were completed for the constructed public facilities making clear the property rights, and strengthening management, so as to ensure the public facilities serve the villagers as long as possible.
- (ii) Capacity building of households in project communities. The project households take responsibility for follow-up management. Sustainable development relies heavily on the capacity of the households. A series of activities and trainings were carried out to improve the capacity of households, mobilize their enthusiasm and initiative, and enhance their sense of responsibility, which is beneficial to improving community organizations and ensuring sustainable follow-up management.
- (iii) Ensure sound financial management. Timely repayment and recycling of funds plays a key role in the use of CDF loans. In order to get timely repayment of CDF loans, each PMO has taken measures to intensify propaganda, improve the awareness of repayment obligations, strengthen capital management, ensure the use of recovered funds, meet the development needs of project households, and highlight the project’s poverty reduction effectiveness.
- (iv) PMO staff. Use will be made of the established PMOs and qualified staff at all levels to guarantee the project follow-up management.

### ***E. Project Impact Assessment***

The positive impacts mainly include three aspects:

- (i) greater community harmony. Implementation of the project has made the relationships between villagers more harmonious; it has also promoted enhanced community management structures and coordination of relations between villagers. In the four aspects of villagers’ relations, conflicts and disputes, mutual-aid and a feeling of security, the proportion of positive responses from project households is higher than that of households in control villages. 90.5% of households interviewed stated that the relations between villagers is good, exceeding by 5% the responses from control villages; 96% of project households interviewed felt that that conflicts and disputes have declined, 90% percent of project households interviewed said that villagers would help each other when they are in difficulties, both of these proportions are higher than the responses of households in the control villages; 90% percent of those interviewed in project villages stated that they were satisfied with security in their village, which is significantly higher than in control villages. Based on the survey for 63 project villages, the villagers that comply with village rules increased by 5%, and the community security cases decreased by 79.2%. Project implementation also enhanced community management structures, the participation rate of villagers improved, more than 84% of interviewed households said that

villagers should take part in village meetings, which is 2% higher than in control villages; the attitudes with regard to public transparency is better, 82% of interviewed households agree that the public know information regarding villagers' interests, exceeding by 12% the response from control villages; the degree of democratization of community decision-making improved, 86% of households interviewed said that important decisions, which have bearing on villagers' interests, should be approved by collective decision-making, exceeding by 14% in the responses from households in control villages; moreover, 88% of households interviewed said that they have opportunities to take part in decision-making, 12% higher than that of households in control villages; more than three-fourths of interviewed households gave positive comments on public supervision and financial information disclosure, exceeding by 15% the control villages; 62% of interviewed households agreed that women should take part in public affairs.

- (ii) Promote construction of grassroots organizations through project implementation. First, project villages fully participate in project construction through self-managed institutions, which significantly improve decision-making and management abilities of village organizations. 80% of villagers stated that the management ability of village committees improved. Second, strengthening the capacity of project management staff at all levels and enhancing the abilities of communities and villagers by providing sufficient training. By participating in project construction and training, the practice of democratic community management was promoted and the self-management ability of the community was improved, establishing a foundation for the management of community affairs. The improved management ability strengthens the village committee's working ability, enhances the ability of the village committee to provide services for the public, and intensifies the creation of organizations at a village level. Farmers and village cadres also gained a deeper understanding by participation in the selection, implementation and monitoring of the project, which strengthened community cohesion. The degree of satisfaction of villagers toward village cadres is over 70%, a significant increase compared with the initial stage of the project. The service awareness and leadership ability of village cadres was also improved: they organize collective activities, communicate actively with villagers, and collect suggestions from villagers, giving priority to solving the practical needs of villagers. The self-sufficiency of the community increased and the participation in village elections is also enhanced.
- (iii) Social management ability of government is improved. The cadres at township level understand the practical needs of villagers' and communicate with them, reducing the uncertainty of villagers, promoting smooth project implementation, and improving the relationships between the public and officials. Project implementation provided a platform for communication with villagers, promoted solidarity between villagers and reduced neighborhood disputes. As a result the relationship between villagers is better and the relation between villagers and cadres is more harmonious. Over 80 percent of interviewed households agreed that the relationship between the public and cadres is improved. In addition the satisfaction degree of villagers toward community assistants is more than 70%.

#### ***F. World Bank Performance***

During the project preparation and implementation stage the WB Task Team Leaders and consultants played important roles in project design, supervision and implementation, introducing advanced concepts of poverty reduction and scientific management methods. Considering the project innovation in terms of financial management, disbursement, procurement, etc., WB financial and procurement specialists conducted many trainings, adjusted the finance and procurement management procedures in a reasonable and flexible way based on project needs, which helped ensure that finance, disbursement and procurement were done in accordance with norms. However, there are some factors during project implementation, including the frequent changes of task manager on the World Bank side and the long duration of the interim adjustment period, which had a negative influence on project implementation.

### ***G. Project Financial Benefit Analysis***

**CDD sub-component.** (i) Cost savings on road construction. According to project monitoring and surveys, the cost of road construction in the project areas is less than estimated, in Henan about 20.14% was saved, 39.17% in Shaanxi, and 24.11% in Chongqing, averaging 25.84% saved in all project areas. (ii) Water conservancy. CDD invests 15.12% of component funds into water conservancy construction, including drinking water supply systems, irrigation, flood control and others. Water supply systems solved the problem of drinking water in project areas, improved the irrigation conditions, and played an important role promoting agricultural productivity and increasing rural incomes. The average rate of return of irrigation construction was more than 20%. (iii) Land consolidation and development projects involved terracing, wetland drainage, and farmland improvement. These activities have a significant ecological impact. The rate of return of investment on terracing was more than 10%.

**CDF sub-component.** CDF created community mutual funds to directly support income generating activities of villagers in project communities. According to the survey, above 70% of CDF funds were invested in agriculture and animal husbandry activities, with the internal rate of return exceeding 15% (with the exception of pig breeding). The rate of return for goat breeding and vegetable cultivation was 15%, and more than 30% for sheep, cattle and greenhouse pepper cultivation. The overall return rate on CDF investment was more than 15%.

**GEF sub-component.** It incorporates sustainable land management, climate adaptation, poverty reduction, and rural income improvement, aiming at generating economic benefits as well as improving climate adaptation in project pilot villages. The rate of return for land consolidation, adjusting the planting structure, and drought control with rainwater exceed 10%.

### ***H. Project Risk Assessment and Influence Factors***

Factors influencing project implementation included: (i) exchange rate fluctuations resulted in less overall investment than planned, delayed capital replenishment, insufficient money



in community accounts, as well as fund coverage ratio; (ii) long duration for project preparation. The RMS sub-project in Chongqing had to be cancelled; (iii) changes to project management personnel. Personnel changes in the WB management team, in project offices and in county and town governments affected the project implementation schedule; (iv) WB management procedures. Especially WB requirements for community procurement left some negative impact on achieving the full play of the community-directed functions; (v) influence from community participation, project management officers, and construction environment in project area.

Risk assessments: (i) Financial risk, which was controlled by budget control, business accounting, internal financial analysis, capital flow analysis, financial reporting and auditing; (ii) Technical risk, which was controlled by technical training, technical assistance and demonstrations, and capacity building; (iii) Environmental risk, which was prevented by infrastructure construction, agricultural plantation and cultural activities.

### ***I. Project Experience and Lessons***

The project has gained experience in the practice of continuous innovation as follows. First, strong leadership ensures the successful implementation of the project. Second, sound management organizations and cooperation between them ensures the implementation of the project. Third, standard project management procedures ensure the quality of project implementation. Fourth, CDD promotes community participation and inspires the enthusiasm of villagers. Fifth, CDF, project financial supervision, and annual fiscal reporting ensure that the project funds are used precisely for poverty alleviation. Sixth, the precision poverty alleviation model for poor communities and poor farmers has been explored. Seventh, prospects for project sustainable development are considered to be high.

The project lasted ten years from preparation to the completion of implementation. The project cycle was so long that it was difficult to adapt to rapid social changes. Frequent staff changes also affected the continuity of project implementation. A portion of domestic counterpart fund was not allocated in a timely way, resulting in some delays.

It is recommended that (i) further research and analysis be carried out of the comprehensive results of innovative project models including CDD and CDF; (ii) further research be undertaken on the design ideas, implementation process and the sustainability of each sub-project under the framework of poverty alleviation to strengthen the post-project management and to promote project sustainability; (iii) project experiences should be summarized and publicized. It is necessary to strengthen and consolidate the project results, and disseminate its successful experience and good methods.

### ***J. Conclusion***

The World Bank financed China Sustainable Development Project in Poor Rural Areas was a comprehensive poverty reduction project, which adopted an innovative approach of participatory and community-driven development. During the 10 years of preparation and implementation, with strong leadership of the Chinese government, multi-sectoral

cooperation, the great effort of project management offices (PMOs) and the active participation of farmers, the project has made significant achievements in poverty alleviation and comprehensive development. By the end of 2015, all the project components have been completed on schedule, and the design targets of the project have basically been realized. Its successful implementation not only plays a great role in promoting the comprehensive development of the three project provinces of Henan, Chongqing and Shaanxi, but also has explored a more effective mechanism for poverty alleviation and development, cultivated a project management team up to international standards and demonstrated a high degree of innovation.

## II. Comments on ICR of Sustainable Development in Poor Rural Areas Project from IPRCC

IPRCC appreciate the efforts made by the World Bank ICR team for completing the draft ICR. The current ICR has made a comprehensive summary and evaluation of the project design, preparation, implementation, outcome, as well as the performance of all involved parties, based on field visits and thorough review of relevant documents. IPRCC also appreciate that the ICR team positively recognized the achievement made by the project, and pointed out the issues that deserves much attention to be paid to. In general, IPRCC agrees with the conclusions made in the ICR, though the following points are raised out for the further considerations of the ICR team:

### A. Monitoring and Evaluation Design, Implementation and Utilization

According to the drafted ICR, the original results framework and indicators were “heavily revised during the 2013 project restructuring”, “incorrectly changed the focus of PDO indicators” and “were ambiguous or difficult to understand”. On the other hand, the ICR admits that “the restructured Results Framework does comprise a consistent and logical means for assessing the Projects’ development impact”, and also provides the evaluation conclusion based on the revised results framework, which is self-contradicting to some extent.

From the perspective of IPRCC as well as of provincial implementing agencies, the original indicators were difficult for monitoring and data collection, to which the World Bank working team also agreed, as was illustrated in the World Bank’s 5<sup>th</sup> supervision mission Aide Memoire.<sup>14</sup> Therefore, as discussed with the then TTL, the indicators were

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<sup>14</sup> The revision was carried out because of 1. The PDO indicator of beneficiary satisfaction provides only insufficient information to assess the PDO achievement; 2. the indicators relevant for measuring the outcome of the Rural Migrant Workers Support Component are no longer relevant as this component will be cancelled; 3. a number of intermediate indicators are poorly formulated and not in support of assessing PDO achievement; 4. the GEO relevant indicators need revision to be more realistic; 5. there are

not reported until restructuring the results framework (although the indicators were not reported, internal monitoring work and data collection have been done based on the monitoring system developed by CPCO, and this monitoring system was confirmed by the World Bank team in its 3<sup>rd</sup> supervision mission Aide Memoire). Based on the thorough discussion and consensus with the World Bank working team, provincial PMOs, we revised the results framework during the MTR. In our point of view, the revised indicators are much feasible, operable, and could better reflect the outcome of the project. IPRCC considered the revising of the results framework as a good example showing good collaboration between implementing agencies with the World Bank in timely identifying problems that may hinder the project management and solving the problems based on common efforts.

For the reasons above, we suggest ICR team reconsider the rating of project M&E.

## **B. Performance of Implementing Agencies/Borrower**

The ICR team rated “Moderately Satisfactory” to the performance of implementing Agencies and the Overall Borrower Performance , mainly due to long delay at the Restructuring and improper attention to the third party monitoring and evaluation work.

IPRCC does admit that the duration of Restructuring lasted a long time. However, the long delay mainly resulted from the heavy workload of restructuring work, in particular, the repeated discussions, preparation work, especially the revision of results framework through all parties’ discussion, revision of legal documents from the World Bank side, and costing calculations from PMOs at each level, etc. The long delay has nothing to do with lack of communication with relevant government departments or with the approval procedures taking a long time. In fact, it only took 2 months from the CPCO’s formal submission of Restructuring plan to getting the approval of NDRC and MOF, which is actually a relatively fast approval compared to other loan projects. In fact, NDRC and MOF provided a huge support to accelerate the project preparation and Restructuring process.

With regard to the third party monitoring and evaluation work, though fund was a major difficulty at the very beginning, CPCO together with the Provincial PMO, have attached great attention to the issue and have actively sought many sources to carry out independent surveys and evaluation work. We allocated budget from the originally earmarked fiscal fund to carry out the baseline survey in 2011 and applied special fund to carry out the final independent evaluation. Although the external M&E started late and turned out to be less-than-satisfactory, implementing agencies at each level have made every effort to overcome the difficulties and achieve the current external M&E results.

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inconsistencies in the way the project objectives and indicators are formulated in the legal documents, the project appraisal document and the project manuals.

In addition, in spite of the innovations and complexities of the Project, and the fact that the project work were mainly implemented in the remote and scattered rural communities, as well as the challenges brought by suiting the CDD approach in the Chinese context where traditional top-down working approach prevails, the quality of the project was not compromised and received the comment of “successful” on the achievement of PDO and other indicators from the ICR team. This should be mostly attributed to the tremendous efforts made by PMOs at all levels during the project implementation and huge support from financial departments and other departments at all levels. Otherwise, the project arrangements which required breakthrough at the current policy and institutional level, e.g. opening bank account at community level, introducing innovative procurement and financial management would have been failed and the CDD approach would never be piloted and extended.

IPRCC believes the implementation of the Project proves the good collaboration between the World Bank, PMOs at various levels and relevant government departments, and it also shows the capacity of each party in solving problems in project implementation and pushing the project forward as it is designed.

For the above reasons, we think the implementing agencies, the borrower as well as the World Bank side deserves a higher rating for their performance.

## **Annex 7. Fiduciary Lessons Learned**

This Annex presents the compiled lessons learned related to procurement and financial management in Project implementation

For procurement management, the lessons learned include:

- Some advance procurement activities under retroactive financing and procurement activities during first year of Project implementation were not carried out properly due to communities' lack experience with implementing a Bank financed project. Early Bank procurement staff engagement and early procurement training is critical to successful procurement.
- The community facilitators played an important role in Project procurement. They were young and most of them were college or high school graduates, and they brought new ideas and were able to use IT technology. With sufficient training, they helped communities to successfully carry out procurement activities.
- The stability of community facilitators was also critical to Project implementation. In some of the Project counties, due to low salary, community facilitators changed very frequently, and this adversely affected Project procurement.
- The community could play an important role in Project procurement. The feeling of ownership provides an incentive to manage Project procurement with a greater degree of competition. During first year of Project implementation, some contracts were signed at the predetermined value of county PMO approval (rather than the lowest quotation price proposed by the contractor/supplier) because the community did not know how to manage the savings from competition. After the Bank's advice that the savings could be used for the maintenance of the completed works or the next batch of Project civil works, this problem was significantly improved. Furthermore, under some circumstances, the self-supervision done by the community was much more efficient than that carried out by government entities.
- Publishing Project procurement results to the public and the complaints handling and following-up system provided a transparent and efficient environment to ensure that Project procurement could be carried out openly and fairly.
- Government agencies' guidance and technical support is quite critical in strengthening the capacity of all stakeholders involved in Project implementation.

For financial management, the lessons learned include:

- The community could play an important role in Project implementation. The feeling of ownership provides an incentive to manage Project funds properly. Under some circumstances, the self-supervision done by the community is much more efficient than that carried out by government entities. Unfortunately, some government entities were concerned about the safety of Project funds, and the method of two-tranche funds delivery to the communities (which was established

during the Project preparation stage) was not implemented in some places, so the effect of empowering the community to manage Project funds was diluted.

- Making all Project expenditures publically available, and the complaints follow-up system, provided a transparent and efficient environment to ensure Project funds could be used for the intended purposes.
- Government entities' guidance and technical support is quite critical in strengthening the capacity of all stakeholders involved in Project implementation.

## Annex 8. Original Results Framework and Indicators

<b>Results Framework and Indicators PDO</b>	<b>Project Outcome Indicators</b>	<b>Use of Project Outcome Information</b>
<i>Explore and pilot more effective and innovative ways of providing poverty reduction assistance to the poorest communities and households in Henan Province, Shaanxi Province and Chongqing Municipality (the Project Provinces) through CDD and participatory approaches.</i>	<ul style="list-style-type: none"> <li>Chinese Government acknowledges importance of CDD and participatory approaches for future poverty alleviation and rural development work.</li> <li>80% satisfaction rate among beneficiaries regarding (a) project impact on income levels and well-being, and (b) CDD approach.</li> </ul>	Determine whether project has been successful in (a) influencing national policy, (b) empowering project communities' to determine their own development, and (c) improving the income levels and well-being of beneficiaries.
<b>Intermediate Outcomes</b>	<b>Intermediate Outcome Indicators</b>	<b>Use of Intermediate Outcome Monitoring</b>
<b>Component One: CDD</b> <ul style="list-style-type: none"> <li>Widespread participation of villagers in design, implementation and management of development plans.</li> <li>Improvement in access to drinking water, power, roads, and other basic infrastructure and services.</li> <li>Poorest households' dangerous housing (or cave dwellings) improved.</li> </ul>	<ul style="list-style-type: none"> <li>Funds transferred to project villages as % of available approved funds.</li> <li>Funds transferred to the poorest natural villages at least equal to the average for all natural villages in the community.</li> <li>Women as % of participants in village project management groups.</li> <li>% of infrastructure works found to be satisfactory in the "yanshou" quality review.</li> <li>% of project activities with specific arrangements for maintenance and management.</li> <li>Villages which have completed their multiyear development plans as % of all project villages.</li> </ul>	<ul style="list-style-type: none"> <li>Determine whether there is a need to adjust procedures or plans for participatory approach and planning or encourage increased participation.</li> <li>Assess and evaluate whether project is in accordance with the needs and desires of the communities and villagers.</li> <li>Assess the quality of construction.</li> </ul>
<b>Component Two: CDF</b> Empowered communities (better capacity of self-governance and self-development) through managing CDF and increased farmers' income through successfully utilizing assistance provided by CDF.	70% of poorest households benefit from CDF.	<ul style="list-style-type: none"> <li>Evaluate whether CDF is operating successfully.</li> <li>Evaluate whether poor farmers have benefited from CDF assistance.</li> <li>Evaluate whether the training plan and capacity building program are feasible and practical.</li> </ul>
<b>Component Three: Rural Migrants Support</b> <ul style="list-style-type: none"> <li>New and innovative approaches targeted at providing better services to rural migrants are introduced, piloted, and ready for scaling-</li> </ul>	<ul style="list-style-type: none"> <li>Number of vocational trainings completed (person/times).</li> <li>Employment rate after vocational training.</li> <li>Two Migrant Workers Service Centers established, and annual increase in provision of</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate the performance of the "integrated" approach to migrant service provision and identify areas for improvement.</li> </ul>

up.	services to members.	
<b>Component Five: Management and M&amp;E</b> <ul style="list-style-type: none"> <li>Establish the project management and M&amp;E system at all levels.</li> <li>Increase staff capacity and training at all levels, and improve project implementation performance.</li> </ul>	<ul style="list-style-type: none"> <li>Effective and comprehensive project management and M&amp;E system established within 6 months of project effectiveness.</li> </ul>	<ul style="list-style-type: none"> <li>Determine whether institution building program has helped establish sufficient capacity for successful project management and M&amp;E.</li> </ul>
<b>GEF Global Objective</b> <i>To pilot sustainable land management and adaptation measures to address vulnerability to climate change in poor rural areas in the Project Provinces.</i>		
<b>Component Four: Sustainable Land Management and Adaptation (GEF global objective)</b> <ul style="list-style-type: none"> <li>Increased capacity of local governments and communities to implement sustainable land management and adaptation activities.</li> <li>Pilot indicators for sustainable land management, climate change vulnerability, and adaptation formulated for consideration in national poverty monitoring.</li> <li>Improved carbon sequestration in SLMA pilot villages</li> </ul>	<ul style="list-style-type: none"> <li>70% of all pilot villages successfully completed village assessments and resource mapping and identified adaptation needs.</li> <li>50% of pilot villages implement innovative adaptation measures based on application of new assessment tools.</li> <li>Number of adaptation innovations introduced into CDD menu.</li> <li>Number of indicators formulated covering land management, climate change vulnerability, adaptation and coping range.</li> <li>Carbon stock increased by 5 percent across all pilot SLMA villages; equivalent to an estimated total of 96,000 tons of carbon (or 400,000 tons of carbon for total project area).</li> </ul>	<ul style="list-style-type: none"> <li>To determine whether adjustments are needed in village assessment tools and to identify – through evaluation of pilot implementation – suitable adaptation activities for inclusion into the menu of CDD eligible activities project wide.</li> <li>To strengthen inter-sector coordination and facilitate recognition of poverty-vulnerability-adaptation linkage in national poverty agenda.</li> </ul>



## **Annex 9. List of Supporting Documents**

### **By the Borrower:**

1. Project Feasibility Study Report
2. Social Assessment
3. Environmental Impact Assessment
4. Procurement Plans
5. Terms of Reference and Methodology Note for Monitoring and Evaluation
6. ICR Report by IPRCC March 2016
7. Semi-Annual Progress Reports, 2010-2015

### **By the Bank:**

1. Loan Agreement, Project Agreement, and Grant Agreement, August 25, 2010
2. Project Concept Note
3. PCN Review Meeting Minutes
4. Mission Aide Memoires, 2010-2015
5. Financial Management System Assessment
6. Procurement Capacity Assessment
7. Detailed Cost Tables
8. Cost & Benefit Analysis Excel Files
9. Project Appraisal Document, Report No: 53283-CN, May 10, 2010
10. Restructuring Paper on October 18, 2013
11. Implementation Status & Results Report, 2010-2015

## **Annex 10. Project Map-CHN36701**