

Project Administration Manual

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People's Republic of China: Gansu Featured
Agriculture and Financial Services System
Development Project

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM includes references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Gansu Provincial Government (GPG), the project executing agency, Gansu Department of Finance (DOF) on behalf of GPG, and the implementing agencies, including Bureaus of Agriculture and Animal Husbandry (BAAHs) of 11 project counties, and 3 financial intermediaries (FIs), i.e. Bank of Lanzhou (BOL), Bank of Gansu (BOG), and Yuzhong Shanghai Pudong Development Rural Bank are wholly responsible for the project implementation, as agreed jointly between the borrower and ADB, in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by the executing and implementing agencies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations the borrower and ADB agreed to the PAM and ensured consistency with the Loan Agreement. Such agreement is reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

ABBREVIATIONS

ADB	–	Asian Development Bank
ADBC	–	Agricultural Development Bank of China
ASME	–	agricultural small and medium enterprise
BAAH	–	Bureau of Agriculture and Animal Husbandry
BOG	–	Bank of Gansu
BOL	–	Bank of Lanzhou
CNY	–	Chinese Yuan
CPMO	–	county project management office
DAAH	–	Department of Agriculture and Animal Husbandry
DDR	–	due diligence report
DMF	–	design and monitoring framework
DOF	–	Department of Finance
DRC	–	Development and Reform Commission
EM	–	ethnic minority
EMDP	–	ethnic minority development plan
ESMS	–	environmental and social management system
FI	–	financial intermediary
FIL	–	financial intermediation loan
GDP	–	gross domestic product
GHG	–	greenhouse gas
GPG	–	Gansu Provincial Government
GRM	–	grievance redress mechanism
M&E	–	monitoring and evaluation
MCC	–	micro-credit company
MOF	–	Ministry of Finance
NCB	–	national competitive bidding
NDRC	–	National Development and Reform Commission
PPMO	–	provincial project management office
PPMS	–	project performance management system
PPTA	–	project preparatory technical assistance
PRC	–	People's Republic of China
RCC	–	rural credit cooperative
RFSP	–	rural financial service provider
RMC	–	rural mutual cooperative
SOE	–	summary of expenditures
SPA	–	subproject accounts
SPS	–	Safeguard Policy Statement
USD	–	United States Dollar
VTB	–	Village and Township Bank

I. PROJECT DESCRIPTION

1. The proposed project aims to support the production and access to market of featured agricultural products in the southeastern Gansu Province. The project will also help develop the rural financial service system, which plays a key role in agricultural development. The project proposes to adopt the financial intermediation loan (FIL) modality, which through establishing partnerships with local commercial banks, can promote the development of the agriculture and rural finance sectors in a market-oriented approach. The project is expected to help increase the income of farmer households as well as other rural residents in the project area.

2. While the People's Republic of China (PRC) has achieved remarkable economic growth since the late 1970s, rural development remains an important challenge. Rural poverty is more pervasive and persistent in the western and inland provinces than the more advanced coastal regions. Some key policy challenges include how to (i) restructure and modernize the agriculture sector toward sustainable and faster productivity growth, (ii) diversify agriculture production and create modern agricultural value chains that allow for the professionalization of farmers and support rural income growth, (iii) reform rural institutions and improve the financial institutions serving the rural sector, and (iv) protect land and water resources for food security and environmental sustainability.

3. The project area covers 11 counties in the southeastern Gansu, which have enormous demand and potential for modern agricultural development. The project area is located in one of 14 areas of national focus for poverty reduction designated in the Outline for Development-Oriented Poverty Reduction for China's Rural Areas, 2011–2020. Most people in the project area depend on agriculture and livestock, and are poor and vulnerable. The average rural per capita net income in 2013 was CNY4,122—81% of the provincial average and 46% of the national average. All the farms are very small, averaging about 2.5 *mu* per capita or 0.17 hectare.¹ About 51% of household income in the project area is from farming and livestock, and rural unemployment and underemployment are significant. Grain crop production, which accounts for about 59% of the total sown area and 33% of household income, is mainly based on small-scale and fragmented household operations with limited productive assets at the household level. Grain crop production usually only generates marginal profit, if any, since input costs have increased more than grain prices.²

4. Alternatives to grain crops include a number of cash and tree crops that are suitable in the arid and semiarid climatic and soil conditions of the project area. These include various types of vegetables such as potatoes, edible lilies, eggplants, peppers, tomatoes, and celery; medicinal plants such as angelica and Asia bell; and tree crops such as apples and pears. These cash crops, often referred to as featured agriculture, have potential for higher market value if produced efficiently on scale and with improved quality. The government has tried to promote restructuring of the sector by increasing the proportion of featured agriculture activities, mainly through financial and technical assistance to farmers and farmer cooperatives to develop large-scale production bases for these crops. The production base approach is also desirable to promote the application of environment-friendly measures such as climate-smart agriculture practices and water efficiency techniques. However, progress has been slow because of the limited financial and technical resources available to the government and farmers.

¹ A *mu* is a Chinese unit of measurement (1 *mu* = 666.67 square meters).

² Data in this section come from government statistic data provided by the provincial project management office (PMO) unless otherwise indicated.

5. Livestock production, such as sheep, dairy cow, cattle, and pig rearing, is also part of the featured agriculture and has been another main source of income for farmer households in the project area, contributing 17.6% to total household income. However, livestock and associated income growth is severely constrained by the limited scale of production and traditional technologies applied. Establishing specialized livestock farms with up-to-date technologies has become a priority for livestock development. The Gansu Provincial 12th Five-Year Plan for Animal Husbandry particularly encourages the establishment of production bases for standardized livestock farming to enhance productivity and quality of livestock sector.

6. Farmers also need to access broad markets and understand consumer demands to diversify into higher-value crops and livestock. The challenges of smallholder farmers in this regard are characterized by the small quantity and moderate or poor quality of products brought to the market. As a result, 70%–80% of vegetables produced in Gansu Province are marketed through local brokers, who go from village to village to collect the products after they have obtained contracts from the big buyers. Low levels of organization and weak marketing capacity of individual farmers give brokers strong bargaining power. Brokers thus earn a big share of profits in the supply chain when dealing with farmers at the farm gate. Although farmer cooperatives and agricultural small and medium-sized enterprises (ASMEs) have played an increasing role in linking farmers to markets, they are still at an early stage of development in the project area.³ They are generally small in scale, having limited capacity to develop a value chain or to service their members, have weak governance, and face difficulties obtaining credit. External assistance is needed for them to (i) expand operations with diversified business models; (ii) enhance capacity for grading, processing, packing, storing, and marketing; and (iii) strengthen governance and management. This would also make them more bankable.

7. Strong rural financial markets and institutions with sizable outreach is another key factor to develop featured agriculture. Although 67 traditional financial institutions or branches, mainly rural credit cooperatives and commercial banks, are present in the project counties, they fail to meet the demand, especially that of smallholder farmers and ASMEs, because both their priorities and expertise focus on industrial and commercial lending.⁴ Following recent policies for rural financial market development, rural financial service providers (RFSPs) have emerged. These include some 53 microcredit companies, six village and township banks, and 384 rural mutual cooperatives that were in the project counties by 2014. The RFSPs are generally smaller, better appreciating the potential of agricultural projects, and more accustomed to dealing with small customers. As a result, relatively small loans to agriculture have increased. However, the RFSPs are still at an early stage of development and are either prohibited by law or constrained by their short history to take deposits from the public. In addition, they are also short on capable staff and physical and technical capacity to provide more services for rural customers.

8. Previous experience of the Asian Development Bank (ADB) and other development partners in the sector in the PRC indicates that the government is generally constrained by its capacity and often assumes large credit risks acting as direct lender to agricultural borrowers. To address the issue, the project, whose target subborrowers are all from the private sector with demand for small and short-term (1–3 years) credit, proposes to adopt the financial intermediation loan modality. Active rural financial market reform since the 1990s has led to the rise of many local commercial banks in the PRC. Some of them have properly aligned interest and capacity in agricultural finance as well as sound governance and incentive systems, and

³ Agricultural small and medium-sized enterprises are those with annual sales revenue below or equal to CNY200 million, which follows the PRC's national standard issued in 2011.

⁴ Data source: China Banking Regulatory Commission.

thus can serve as good financial intermediaries to onlend to farmers, cooperatives, ASMEs, and RFSPs. Through partnerships with local commercial banks and careful implementation, the project could (i) eliminate government exposure to agricultural borrowers by onlending through financial intermediaries that are better positioned to assess and assume sub-borrower credit risk, (ii) use loan resources more efficiently by revolving loan proceeds, and (iii) mobilize additional funding resources from financial intermediaries to support agriculture.

9. The project will assist the project counties in (i) developing market-oriented production of locally featured cash crops, tree crops, and livestock products; (ii) improving market linkages for featured agricultural products by supporting profitable and promising farmer cooperatives and ASMEs; and (iii) enhancing rural financial services with increased funding, service capacity, and technical skills. The project is fully aligned with the government's agricultural development strategies and policies in the western regions, which encourage farmers to organize themselves for specialized production and call for transforming fragmented production to economic scale market-oriented production through land transfer, growth of farmer cooperatives and agro-enterprises, and enhanced rural financial services. The project is also in line with the upcoming ADB country partnership strategy for the PRC, 2016–2020, which identifies inclusive growth as one of its three pillars, supported by boosting rural livelihoods and improving access to finance, and with ADB's strategic priorities of the Midterm Review of Strategy 2020.⁵

10. The impact will be increased income of rural residents in Gansu Province, which is in line with the upcoming 13th Five Year Plan of Gansu Province, 2016–2020. The outcome will be more productive, market-oriented agricultural activities in 11 project counties.

11. **Output 1: Inclusive and environment-friendly featured agricultural production bases developed.** This output aims to address low agricultural productivity and value addition caused by fragmented production by (i) developing commercial production bases to gain economy of scale, and (ii) improving the quality of products for locally featured cash and tree crops and livestock. The production bases will be developed by farmers, farmer cooperatives, or ASMEs in various models, which will organize or engage individual farmers into more efficient and market-oriented production activities. Capacity development will be also conducted for farmers, technicians, and other stakeholders in developing the production bases.

12. **Output 2: Farmer cooperatives and agricultural enterprises financed and strengthened.** This output will improve the value chain for locally featured agricultural products with good market potential to link farmers to profitable markets. The project will support farmer cooperatives and ASMEs in (i) business development or expansion through the acquisition of packing, grading, and processing equipment; transportation, technical equipment; and building storage; (ii) market development, including information access, sales promotion, and building marketing networks; (iii) branding, including certification and trademark registration for featured products; and (iv) capacity development for the managers and key staff of cooperatives and ASMEs on business and financial management, storing and processing techniques, branding and market development, and establishing and implementing governance rules and regulations.

13. **Output 3: Rural financial service system developed and enhanced.** This output aims to promote the financial viability, coverage, and sustainability of the rural financial service system. The project will (i) onlend part of the loan proceeds to RFSPs to expand their funding resources. The RFSPs will use the loan proceeds to lend to farmers, farmer cooperatives, and ASMEs following agreed eligibility criteria of sub-borrowers; (ii) establish grassroots financial service units such as village offices to extend rural financial service coverage; (iii) develop or

⁵ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

pilot test innovative financial services and products, such as credit rating, bank–insurance cooperation, and lending with new types of collateral; and (iv) provide capacity development for loan officers and rural financial professionals to improve their lending skills to serve rural customers.

14. **Output 4: Capacity for project implementation and management strengthened.** To ensure the successful implementation of the project, the following activities will be supported under this output: (i) strengthening the management capacity of staff at provincial and county project management offices (PMOs); (ii) acquiring office equipment to enhance the physical capacity of provincial and county PMOs; (iii) holding project management workshops; (iv) project monitoring and evaluation, including guiding and supporting the implementation of the environmental and social management systems (ESMSs); (v) knowledge management; and (vi) ensuring financial capacity for daily operations of provincial and county PMOs.

15. **Special features.** The project design embodies the following innovative features:

- (i) **Promoting agricultural development with a systematic and market-oriented approach.** The project attempts to address challenges of agricultural development and rural income growth by improving productivity, market connectivity, and access to finance. Besides engaging farmers in more productive agricultural activities via production base development, the project will strengthen linkages between farmer producers and markets through cooperatives and ASMEs, and promote continuous financial support to agriculture and rural residents in the long term. Moreover, with partnership between the government and financial intermediaries, loan resources could be allocated in a more market-oriented manner to support sustainable agricultural projects. The government, through its extensive agricultural administrative and technical systems, could help identify and develop subprojects with significant market potential and apply environmentally sound practices. The financial intermediaries' screening, monitoring, and management of subloans will help ensure the subprojects are financially viable and sustainable.
- (ii) **Supporting a dynamic and competitive rural financial market.** A dynamic and competitive rural financial market is important to meet growing demand for rural financial services, in which RFSPs could play a significant role. Under the existing policy framework, commercial banks, especially those large- or medium-sized, could lend to RFSPs to increase their capital capacity and support RFSPs through knowledge sharing. This market link is currently missing. The project will help build such linkages, as financial intermediaries will onlend the loan proceeds to RFSPs together with their own resources and provide training to RFSP staff. This will be on a pilot scale, but could generate a large demonstration effect.
- (iii) **Partnership with local banks.** Three local commercial banks—the Bank of Lanzhou, the Bank of Gansu, and the Yuzhong Shanghai Pudong Development Rural Bank—are identified as project financial intermediaries. As small to medium-sized banks, they share the project's goals of promoting local agriculture and rural finance development in the project area. The financial intermediaries will onlend the majority of loan proceeds to targeted sub-borrowers for agricultural production base development under output 1 and business development or expansion under output 2, and onlend to RFSPs under output 3. They will also contribute about \$68.58 million as counterpart funds to be onlent to the targeted sub-borrowers of the project, applying the same requirements and eligibility, and to strengthen rural financial services in the project area.

II. IMPLEMENTATION PLANS

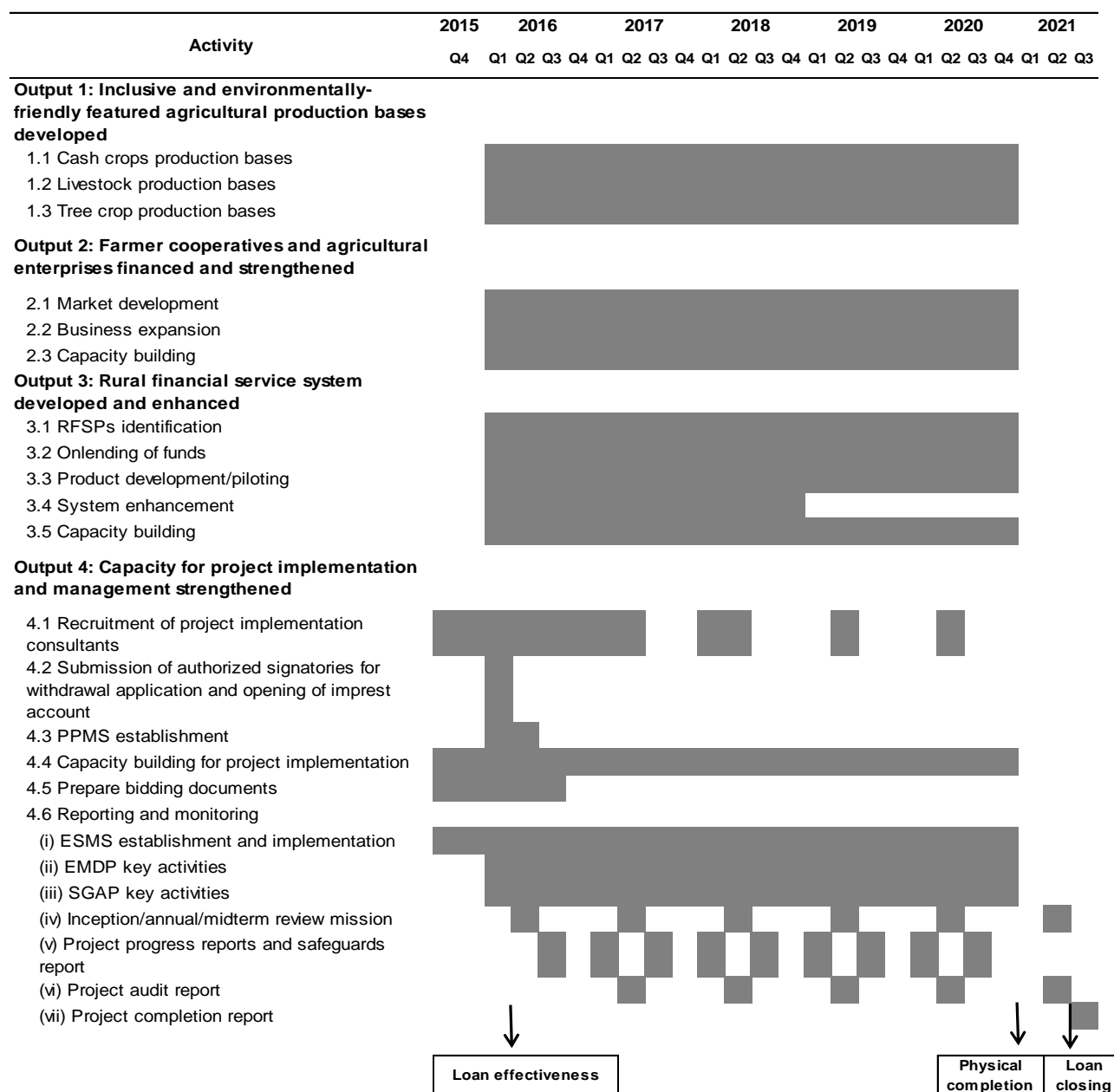
A. Project Readiness Activities

Indicative Activities	2015			2016	Responsibility
	Q2	Q3	Q4	Q1	
Approval of domestic FSR	■				GDRC, PPMO
Advance contracting actions			■	■	PPMO, FIs, ADB
Retroactive financing actions			■	■	PPMO, FIs, ADB
Loan negotiations		■			MOF, GPG, ADB
ADB Board approval			■		ADB
Government budget inclusion			■		GPG
Loan signing			■	■	MOF, GPG, and ADB
Government legal opinion provided				■	MOF, GPG
Finalization of onlending agreements				■	GPG, County Governments
Finalization of relending agreements				■	GDOF, CBOFs and FIs
Loan effectiveness				■	MOF, GPG, and ADB

ADB = Asian Development Bank, CBOF = county bureau of finance, FIs = financial intermediaries, FSR = feasibility study report, GDOF = Gansu Department of Finance, GDRC = Gansu Provincial Development and Reform Commission, GPG = Gansu Provincial Government, MOF = Ministry of Finance, PPMO = provincial project management office, FIs = financial intermediaries.

Source: Asian Development Bank estimates.

B. Overall Project Implementation Plan



ASMEs = agricultural small and medium enterprises, CPMO = county project management office, EMDP = ethnic minority development plan, ESMS = environmental and social management system, PPMO = provincial project management office, PPMS = project performance monitoring system, RFSPs = rural financial service providers, SGAP = social and gender action plan.

Source: Asian Development Bank estimates.

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations—Roles and Responsibilities

Project implementation organizations	Management Roles and Responsibilities
Provincial and county project leading groups (PPLG and CPLGs)	<ul style="list-style-type: none"> ➤ Provide overall guidance, coordination, supervision, and management for project preparation and implementation ➤ Coordinate project implementation activities among government agencies ➤ Resolve any institutional problems affecting project preparation and implementation
Gansu Department of Finance (DOF) and county bureaus of finance (CBOFs)	<ul style="list-style-type: none"> ➤ Establish, manage, and reconcile the imprest account (DOF) ➤ Review, approve, and submit loan withdrawal applications to ADB ➤ Manage and supervise loan repayment ➤ Ensure timely provision of government counterpart funds ➤ PPMO acts as direct counterpart for ADB and assume major responsibility for day-to-day project implementation
Provincial and county project management offices (PPMO and CPMOs)	<ul style="list-style-type: none"> ➤ Prepare the annual work plan and budget in coordination with the stakeholders ➤ For the first batch of subloans, prepare or update the long list of subprojects based on information from IAs ➤ For the subprojects financed by revolved funds, supervise FIs' subloan processing to ensure that eligibility criteria for sub-borrowers and other requirements stipulated in the relending agreement are met ➤ Supervise relending from FIs to RFSPs to ensure that eligibility criteria for RFSPs and other requirements in the relending agreement are met ➤ Support FIs and RFSPs to establish, based on the ESMS template, and implement the ESMS ➤ Recruit and manage consultants for project implementation and to assist FIs and RFSPs in implementing of ESMS ➤ Implement the project level EMDP and SGAP ➤ Establish and implement the project grievance redress mechanism ➤ Coordinate training and capacity development activities ➤ Review withdrawal applications prepared by the implementing agencies before they are submitted to DOF ➤ Prepare and submit (i) semi-annual project progress reports, (ii) annual audited project financial statements, (iii) semi-annual safeguards monitoring reports, and (iv) a project completion report in the end of loan implementation period to ADB, GPG, and other relevant government departments; ➤ Organize and assist procurement activities, particularly attend bid opening, supervise the bid evaluation process, and endorse bid evaluation reports for all procurement packages (goods and consulting services) ➤ Establish baseline data to monitor project impacts, including regular monitoring of physical and financial progress ➤ Liaise with ADB, FIs and other agencies
County bureaus of agriculture and animal husbandry	<p>(For the first batch of subloans)</p> <ul style="list-style-type: none"> ➤ Develop candidate subprojects with potential sub-borrowers under outputs 1 and 2, ensuring they contribute to project objectives as

Project implementation organizations	Management Roles and Responsibilities
(BAAHs)	<p>specified in the DMF and that they comply with the ESMS requirements</p> <ul style="list-style-type: none"> ➤ Provide detailed information on the candidate subprojects and sub-borrowers to the CPMOs to be included the long list ➤ Provide technical guidance and infrastructure investment to the subprojects financed by FIs under the project ➤ Ensure that land use rights transfer agreements are endorsed by township agricultural stations ➤ Monitor implementation of the subprojects and advise the CPMOs and FIs the implementation status of the subprojects ➤ Provide training and capacity development for farmers, cooperatives, and agro-enterprises
Financial intermediaries (FIs)	<ul style="list-style-type: none"> ➤ For the first batch of subloans, screen sub-borrowers in the long list from the government and process subloans to qualified sub-borrowers ➤ Identify candidate subprojects to supplement the long list for the first batch of subloans ➤ Provide counterpart funds for the project as agreed ➤ Recycle all principal of the onlent ADB loan proceeds that are repaid by sub-borrowers to finance the subsequent subloans ➤ Establish and implement an ESMS based on the ESMS template ➤ Work closely with PPMO and CPMO to implement the grievance redress mechanism ➤ Submit subloan appraisal and safeguard documents to ADB through the PPMO for those that need ADB prior review and approval ➤ Provide subloans in wholesale to qualified RFSPs ➤ Monitor RFSPs' lending to sub-borrowers to meet eligibility criteria for sub-borrowers of RFSPs and ESMS requirements ➤ Establish a separate ledger account to track the receipt and use of the ADB loan proceeds, as well as interest payments and principal repayments from the sub-borrowers; maintain the required project accounting and implementation records; prepare periodic financial statements on subloans ➤ Report to the CPMOs through progress reports and ESMS progress reports on subloans, lending to RFSPs, as well as RFSPs' subloans ➤ Liaise with CPMOs, PPMO, and other relevant agencies
ADB	<ul style="list-style-type: none"> ➤ Provide guidance and support to executing and the implementing agencies to ensure compliance with loan and project agreements ➤ Conduct regular loan review missions, midterm review mission, and project completion review ➤ Review and approve subloans that require prior review ➤ Review and approve procurement actions ➤ Process withdrawal applications and release loan funds ➤ Monitor the project implementation progress ➤ Review annual audit reports and follow up on audit recommendations

ADB = Asian Development Bank, BAAH = Bureau of Agriculture and Animal Husbandry, CPMOs = county project management offices, DMF = design and monitoring framework, DOF = Department of Finance, EMDP = ethnic minority development plan, ESMS = environmental and social management system, FIs = financial intermediaries, GPG = Gansu Provincial Government, IAs = implementing agencies, PPMO = provincial project management office, RFSPs = rural financial service providers, SGAP = social and gender action plan.

Sources: Asian Development Bank estimates.

B. Key Persons Involved in Implementation

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ADB

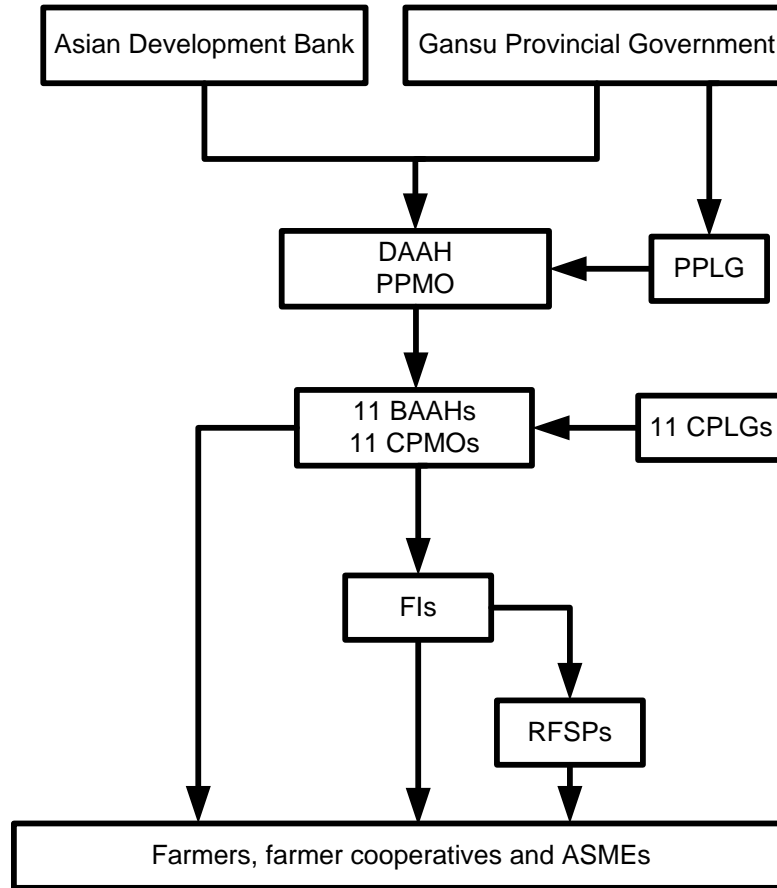
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C. Project Organization Structure



ASMEs = agricultural small and medium enterprises, BAAH = Bureau of Agriculture and Animal Husbandry, CPLG = county project leading group, CPMO = county project management office, DAH = Department of Agriculture and Animal Husbandry, PPLG = provincial project leading group, PPMO = provincial project management office, FIs = financial Intermediaries, RFSPs = rural financial service providers.

Source: Asian Development Bank.

IV. COSTS AND FINANCING

A. Cost Estimates Preparation and Revisions

16. **Preparation.** The cost estimates were prepared jointly by the PPMO and ADB with assistance from the project preparatory technical assistance (PPTA) consultant. The sources and basis for cost estimates were reviewed during the project preparation and had been confirmed by related parties. The process was facilitated by a model in excel software which enabled easy updating or revision if necessary. The model is maintained by both PPMO and ADB.

17. **Revisions.** Revision of cost estimates will be conducted when deemed necessary during implementation. The PPMO will be responsible in proposing and drafting the revision which will be subject to ADB approval.

B. Cost Categories

18. Cost categories are as follows:

Category	Description
Inclusive and environmentally-friendly featured agricultural production bases developed	Includes subloans to sub-borrowers through FIs, lending by FIs, and capacity building conducted by government.
Farmer cooperatives and agricultural enterprises financed and strengthened	Includes subloans to sub-borrowers through FIs, lending by FIs, market development and brand promotion activities by beneficiaries and the government, and capacity building conducted by government.
Rural financial service system developed and enhanced	Includes subloans to RFSPs through FIs, and establishment of grassroots financial services units, piloting of innovative financial services, and capacity building conducted by FIs.
Capacity for project implementation and management strengthened	Includes project management capacity building, office equipment, workshops, project monitoring and evaluation, knowledge management, and operations of PPMO and CPMOs.

ASMEs = agricultural small and medium enterprises, CPMOs = county project management offices, FIs = financial intermediaries, PPMO = provincial project management office, RFSPs = rural financial service providers.
Source: Asian Development Bank estimates.

C. Assumptions

19. The following key assumptions underpin the cost estimates and financing plan:

- i. Exchange rate: \$1.00 = CNY6.1412 (as of 25 November 2014).
- ii. Price contingencies based on expected cumulative inflation over the implementation period are as follows:

	2015	2016	2017	2018	2019	Average
Domestic rate of price inflation	3%	3%	3%	3%	3%	3%
Foreign rate of price inflation	1.0%	1.4%	1.4%	1.4%	1.4%	1.3%

iii. In-kind contributions were not calculated in this project.

D. Summary Cost Estimates and Financing Plan

20. The project will take the financial intermediation loan (FIL) modality for its majority of loan proceeds. The project is estimated to cost \$200.0 million (Table 1) based on the projected first batch of subprojects.⁶ Loan proceeds will be disbursed according to ADB's *Loan Disbursement Handbook* (2015, as amended from time to time), and subject to the provisions of the loan agreement. Financial intermediaries (FIs) will revolve the ADB loan proceeds to make them available for the subsequent subprojects.⁷

Table 1: Summary Cost Estimates (First Batch of Subprojects)
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Inclusive and environmentally-friendly featured agricultural production bases developed	72.77
2. Farmer cooperatives and agricultural enterprises financed and strengthened	72.19
3. Rural financial service system developed and enhanced	27.88
4. Capacity for project implementation and management strengthened	5.88
Subtotal (A)	178.72
B. Contingencies^c	13.61
C. Financial Charges During Implementation^d	7.67
Total Project Cost (A+B+C)	200.00

^a Includes taxes and duties of \$9.77 million, to be financed by the beneficiaries, government, and Asian Development Bank (ADB) loan resources. The following principles were followed in determining the amount of taxes and duties to be financed by ADB: (i) the amount is within reasonable country thresholds, (ii) the amount does not represent an excessive share of the project investment plan, (iii) taxes and duties apply only to ADB-financed expenditures, and (iv) the financing of the taxes and duties is material and relevant to the success of the project.

^b In December 2014 prices.

^c Physical contingencies are computed at 5% for works and goods. Price contingencies are computed using domestic inflation rates: 3.0% for 2015 onwards; and foreign inflation rates: 1.0% for 2015 and 1.4% for 2016 onwards.

^d Includes interest and commitment charges to be capitalized under the ADB loan. Interest during construction for the ADB loan has been computed using the 5-year US dollar fixed swap rate plus a spread of 0.50% and a maturity premium of 0%. Commitment charge is 0.15% per year to be charged on the undisbursed loan amount.

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

⁶ The first batch refers to subprojects financed by loan proceeds initially disbursed by ADB and financial intermediary (FI) funds provided in parallel during the loan implementation period. The first batch of subprojects under outputs 1 and 2 will be selected from a long list of subprojects proposed and updated by the government. Appendix 1 describes the selection and approval procedures for these subprojects.

⁷ For these subprojects, as well as loans made by the FIs to RFSPs and by RFSPs to sub-borrowers under Output 3, FIs and RFSPs will adopt the eligibility criteria in screening the sub-borrowers, which are described in Appendix 2.

21. The government has requested a loan of \$100 million from ADB's ordinary capital resources to help finance the project. The loan will have a 15-year term, including a grace period of 9 years, a straight line repayment option, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per year, and such other terms and conditions to be set forth in the draft loan and project agreements. The longer grace period is essential to make the loan proceeds available in full amount for a greater number of sub-borrowers to maximize the benefits of FIL. Based on this, the average loan maturity is 12.25 years and the maturity premium payable to ADB is zero per annum. The ADB loan will also finance taxes and duties for eligible ADB-financed expenditures, and transportation and insurance costs included in the base cost for ensuring smooth project implementation. The interest during construction and commitment charges will be capitalized. The loan will finance 50% of the project cost.

22. Three local commercial banks have been identified to serve as FIs under the project. FIs have agreed to contribute about \$68.58 million equivalent, or 34.3% of the project cost, from their own resources to the project. The counterpart funds from FIs will (i) finance a subset of subprojects for the first batch.⁸ (ii) be onlent to RFSPs together with ADB funds, and (iii) expand rural finance service units, develop innovative financial services, and strengthen capacity of rural loan officers of FIs and RFSPs. Subproject beneficiaries under outputs 1 and 2 are expected to contribute in equity about \$24.67 million equivalent, or 12.3% of the project cost, in kind or in cash. The rest of the project cost, about \$6.75 million equivalent or 3.4% of the total cost, will be financed by the GPG.

23. The summary financing plan is in Table 2. The People's Republic of China (PRC), GPG, and FIs have assured ADB that counterpart funding will be provided or secured in a timely manner, including any additional counterpart funding required for any shortfall of funds or cost overruns.

Table 2: Summary Financing Plan (First Batch of Subprojects)

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary Capital Resources	100.00	50.0
Financial Intermediaries	68.58	34.3
Beneficiaries	24.67	12.3
Gansu Provincial Government	6.75	3.4
Total	200.00	100.0

Source: Asian Development Bank estimates.

24. The PRC Government will be the borrower of the loan and re-lend the loan to the GPG. GPG will in turn re-lend the loan to the participating county governments. For the loan proceeds to be onlent to the sub-borrowers and RFSPs by FIs, each county government will relend to the FI assigned to the county in US dollar on the same terms and conditions as those of the ADB loan. The relending agreement between the government and FI will cover, among others, repayment schedule, risk management, FI's counterpart funds, and monitoring and reporting.

25. The subloans from FIs to farmers, cooperatives and ASMEs will be in local currency and interest rates will be set taking into account the cost of ADB loan, FIs' operational costs, costs to cover credit risk and exchange risk, and reasonable profit margin for FIs, and subject to a

⁸ Same terms and conditions as ADB-funded subprojects including ESMS requirements apply to these subloans expected for the interest cap (see para. 24).

maximum ceiling.⁹ The current ceiling of subloan interest rate (6.5%) falls into the range of the prevailing market rates in the project area, which range from 6.5% to 12%, and entails a spread for the FIs equivalent to what they have on their other funding resources.¹⁰ Subloan tenors will generally be coordinated with subproject needs. For loan proceeds to be re-lent to RFSPs and onlent by RFSPs to sub-borrowers, there is no ceiling on the interest rates applied.

⁹ FIs have agreed with the government that (i) when ADB loan interest rate is below or equal to 2%, the ceiling is 6.5%; and (ii) the ceiling will be increased by adding 0.5 percentage point if ADB's interest rate exceeds 2% and by adding an additional 0.5 percentage point each time ADB's interest rate increases by 0.5 percentage point thereafter. For instance, if ADB loan interest rate falls in 2+~2.5%, the ceiling is 7%, and so on.

¹⁰ The information is based on the reports by the provincial project management office, FIs, and project preparatory technical assistance team.

E. Detailed Cost Estimates by Expenditure Category

Item	(CNY million)			(\$ million)			% of Total Base Cost
	Foreign Exchange	Local Currency	Total Cost	Foreign Exchange	Local Currency	Total Cost	
A. Base costs^b							
1. Inclusive and environmentally-friendly featured agricultural production bases developed	314.28	132.64	446.92	51.18	21.60	72.77	41.0
1.1 Subprojects by Subloans through FIs	314.28	43.45	357.74	51.18	7.08	58.25	33.0
1.2 Subprojects by Lending of FIs	0.00	85.18	85.18	0.00	13.87	13.87	8.0
1.3 Capacity building	0.00	4.00	4.00	0.00	0.65	0.65	0.0
2. Farmer cooperatives and agricultural enterprises financed and strengthened	187.37	255.96	443.33	30.51	41.68	72.19	40.0
2.1 Subprojects by Subloans through FIs	139.00	34.75	173.75	22.63	5.66	28.29	16.0
2.2 Subprojects by Lending of FIs	0.00	215.90	215.90	0.00	35.16	35.16	20.0
2.3 Market development	8.01	0.00	8.01	1.30	0.00	1.30	1.0
2.4 Brand promotion	40.36	0.00	40.36	6.57	0.00	6.57	4.0
2.5 Capacity building	0.00	5.31	5.31	0.00	0.86	0.86	0.0
3. Rural financial service system developed and enhanced	51.50	119.73	171.23	8.39	19.50	27.88	16.0
3.1 Subloans to RFSPs through FIs	51.50	28.16	79.66	8.39	4.59	12.97	7.0
3.2 Grassroots financial services units	0.00	78.16	78.16	0.00	12.73	12.73	7.0
3.3 Pilot innovative financial services	0.00	11.00	11.00	0.00	1.79	1.79	1.0
3.4 Capacity building	0.00	2.41	2.41	0.00	0.39	0.39	0.0
4. Capacity for project implementation and management strengthened	13.88	22.24	36.12	2.26	3.62	5.88	3.0
4.1 Project management capacity building	8.38	1.94	10.32	1.36	0.32	1.68	1.0
4.2 Office equipment	5.50	0.55	6.05	0.90	0.09	0.99	1.0
4.3 Project management workshops	0.00	2.23	2.23	0.00	0.36	0.36	0.0
4.4 Project monitoring and evaluation	0.00	1.32	1.32	0.00	0.22	0.22	0.0
4.5 Knowledge management	0.00	3.20	3.20	0.00	0.52	0.52	0.0
4.6 Operations of PPMO and CPMOs	0.00	13.00	13.00	0.00	2.12	2.12	1.0
Subtotal (A)	567.04	530.56	1097.60	92.33	86.39	178.73	100.0
B. Contingencies^c							
1. Physical	0.00	55.16	55.16	0.00	8.98	8.98	5.0
2. Price	0.00	28.42	28.42	0.00	4.63	4.63	3.0

Item	(CNY million)			(\$ million)			% of Total Base Cost
	Foreign Exchange	Local Currency	Total Cost	Foreign Exchange	Local Currency	Total Cost	
Subtotal (B)	0.00	83.57	83.57	0.00	13.61	13.61	8.0
C. Financial Charges During Implementation^d	47.08	0.00	47.08	7.67	0.00	7.67	4.0
Total Project Cost (A+B+C)^e	614.12	614.13	1228.25	100.00	100.00	200.00	112.0

Note: Numbers may not sum precisely because of rounding.

^a Includes taxes and duties of \$9.77 million, to be financed by the government and Asian Development Bank (ADB) loan resources. The following principles were followed in determining the amount of taxes and duties to be financed by ADB: (i) the amount is within reasonable country thresholds, (ii) the amount does not represent an excessive share of the project investment plan, (iii) taxes and duties apply only to ADB-financed expenditures, and (iv) the financing of the taxes and duties is material and relevant to the success of the project.

^b In December-2014 prices.

^c Physical contingencies are computed at 5% for works and goods. Price contingencies are computed using domestic inflation rates: 3.0% for 2015 onwards; and foreign inflation rates: 1.0% for 2015, and 1.4% for 2016 onwards.

^d Includes interest and commitment charges to be capitalized under the ADB loan, computed using the 5-year US dollar fixed swap rate plus a spread of 0.50% and a maturity premium of 0%. Commitment charge for the ADB loan is 0.15% per year to be charged on the undisbursed loan amount.

^e Annual audit of the project will be conducted by government auditor and will not incur any cost to the project.

Source: Asian Development Bank estimates.

F. Allocation and Withdrawal of Loan Proceeds

Category		Total Amount Allocated for ADB Financing		ADB Financing Percentage and Basis for Withdrawal from the Loan Account
No.	Item	Category	Subcategory	
1	Subloans through financial intermediaries	82,196,000		
1A	Establishment of production bases		51,176,000	100% of expenditures claimed
1B	Support to cooperatives /agricultural small and medium enterprises		22,634,000	100% of expenditures claimed
1C	Rural financial service system		8,386,000	65% of expenditures claimed
2	Market development and project management support ^a	10,138,000		100% of expenditures claimed
3	Interest and commitment charges	7,666,000		100% of amount due
Total		100,000,000		

^a ADB financing part will be on a front-loading basis and ADB will disburse in 100% up to the specified amount.
 Note: Subject to the condition for withdrawal in para. 8 of Schedule 2 of Loan Agreement

G. Detailed Cost Estimates by Financier (\$ million)

Item	ADB		FIs		Beneficiaries [†]		Government		Total Cost Amount
	Amount	%	Amount	%	Amount	%	Amount	%	
A. Base costs^b									
1. Inclusive and environmentally-friendly featured agricultural production bases developed	51.18	70.0	12.19	17.0	8.76	12.0	0.65	1.0	72.77
1.1 Subprojects by Subloans through FIs	51.18	88.0	0.0	0.0	7.08	12.0	0.0	0.0	58.25
1.2 Subprojects by Lending of FIs	0.0	0.0	12.19	88.0	1.68	12.0	0.0	0.0	13.87
1.3 Capacity building	0.0	0.0	0.0	0.0	0.0	0.0	0.65	100.0	0.65
2. Farmer cooperatives and agricultural enterprises financed and strengthened	30.51	42.0	27.57	38.0	12.55	17.0	1.56	2.0	72.19
2.1 Subprojects by Subloans through FIs	22.63	80.0	0.0	0.0	5.66	20.0	0.0	0.0	28.29
2.2 Subprojects by Lending of FIs	0.0	0.0	27.57	78.0	6.89	20.0	0.69	2.0	35.16
2.3 Market development ^g	1.30	100.0	0.0	0.0	0.0	0.0	0.0	0.0	1.30
2.4 Brand promotion ^g	6.57	100.0	0.0	0.0	0.0	0.0	0.0	0.0	6.57
2.5 Capacity building	0.0	0.0	0.0	0.0	0.0	0.0	0.86	100.0	0.86
3. Rural financial service system developed and enhanced	8.39	30.0	19.50	70.0	0.0	0.0	0.0	0.0	27.88
3.1 Subloans to RFSPs through FIs	8.39	65.0	4.59	35.0	0.0	0.0	0.0	0.0	12.97
3.2 Grassroots financial services units	0.0	0.0	12.73	100.0	0.0	0.0	0.0	0.0	12.73
3.3 Pilot innovative financial services	0.0	0.0	1.79	100.0	0.0	0.0	0.0	0.0	1.79
3.4 Capacity building	0.0	0.0	0.39	100.0	0.0	0.0	0.0	0.0	0.39
4. Capacity for project implementation and management strengthened	2.26	38.0	0.0	0.0	0.0	0.0	3.62	62.0	5.88
4.1 Project management capacity building ^g	1.36	81.0	0.0	0.0	0.0	0.0	0.32	19.0	1.68
4.2 Office equipment ^g	0.90	91.0	0.0	0.0	0.0	0.0	0.09	9.0	0.99
4.3 Project management workshops	0.0	0.0	0.0	0.0	0.0	0.0	0.36	100.0	0.36
4.4 Project monitoring and evaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.22	100.0	0.22
4.5 Knowledge management	0.0	0.0	0.0	0.0	0.0	0.0	0.52	100.0	0.52
4.6 Operations of PPMO and CPMOs	0.0	0.0	0.0	0.0	0.0	0.0	2.12	100.0	2.12
Subtotal (A)	92.33	52.0	59.25	33.0	21.31	12.0	5.83	3.0	178.73

Item	ADB		Fls		Beneficiaries ^f		Government		Total Cost
	Amount	%	Amount	%	Amount	%	Amount	%	Amount
B. Contingencies^c									
1. Physical	0.0	0.0	6.16	69.0	2.22	25.0	0.61	7.0	8.98
2. Price	0.0	0.0	3.17	69.0	1.14	25.0	0.31	7.0	4.63
Subtotal (B)	0.0	0.0	9.33	69.0	3.36	25.0	0.92	7.0	13.61
C. Financial Charges During Implementation^d	7.67	100.0	0.0	0.0	0.0	0.0	0.0	0.0	7.67
Total Project Cost (A+B+C)^e	100.00	50.0	68.58	34.0	24.67	12.0	6.75	3.0	200.00

Note: Numbers may not sum precisely because of rounding.

^a Includes taxes and duties of \$9.77 million, to be financed by the government and Asian Development Bank (ADB) loan resources. The following principles were followed in determining the amount of taxes and duties to be financed by ADB: (i) the amount is within reasonable country thresholds, (ii) the amount does not represent an excessive share of the project investment plan, (iii) taxes and duties apply only to ADB-financed expenditures, and (iv) the financing of the taxes and duties is material and relevant to the success of the project.

^b In December-2014 prices.

^c Physical contingencies are computed at 5% for works and goods. Price contingencies are computed using domestic inflation rates: 3.0% for 2015 onwards; and foreign inflation rates: 1.0% for 2015, and 1.4% for 2016 onwards.

^d Includes interest and commitment charges to be capitalized under the ADB loan, computed using the 5-year US dollar fixed swap rate plus a spread of 0.50% and a maturity premium of 0%. Commitment charge for the ADB loan is 0.15% per year to be charged on the undisbursed loan amount.

^e Annual audit of the project will be conducted by government auditor and will not incur any cost to the project.

^f Contributions from beneficiaries will be in kind and/or in cash depending on the nature of the subprojects.

^g These items correspond to Category 2 Market Development and Project Management Support in the loan allocation table (Attachment to Schedule 2) of the Loan Agreement. ADB financing part will be on a front-loading basis and ADB will disburse in 100% up to the specified amount.

Source: Asian Development Bank estimates.

H. Detailed Cost Estimates by Outputs/Components (\$ million)

Item	Total Cost	Inclusive and environmentally-friendly featured agricultural production bases developed	Farmer cooperatives and agricultural enterprises financed and strengthened	Rural financial service system developed and enhanced	Capacity for project implementation and management strengthened
A. Base Cost^b					
1. Subprojects by subloans through FIs	99.52	58.25	28.29	12.97	0.00
2. Subprojects by lending of FIs	49.03	13.87	35.16	0.00	0.00
3. Capacity building and other supports	24.30	0.65	8.74	14.91	0.00
4. Project management	5.88	0.00	0.00	0.00	5.88
Subtotal (A)	178.73	72.77	72.19	27.88	5.88
B. Contingencies^c					
1. Physical	8.98	3.66	3.63	1.40	0.30
2. Price	4.63	1.88	1.87	0.72	0.15
Subtotal (B)	13.61	5.54	5.50	2.12	0.45
C. Financial Charges During Implementation^d	7.67	3.12	3.10	1.20	0.25
Total Project Cost (A+B+C)	200.00	81.44	80.78	31.20	6.58

Note: Numbers may not sum precisely because of rounding.

^a Includes taxes and duties of \$9.77 million, to be financed by the government and Asian Development Bank (ADB) loan resources. The following principles were followed in determining the amount of taxes and duties to be financed by ADB: (i) the amount is within reasonable country thresholds, (ii) the amount does not represent an excessive share of the project investment plan, (iii) taxes and duties apply only to ADB-financed expenditures, and (iv) the financing of the taxes and duties is material and relevant to the success of the project.

^b In December-2014 prices.

^c Physical contingencies are computed at 5% for works and goods. Price contingencies are computed using domestic inflation rates: 3.0% for 2015 onwards; and foreign inflation rates: 1.0% for 2015, and 1.4% for 2016 onwards.

^d Includes interest and commitment charges to be capitalized under the ADB loan, computed using the 5-year US dollar fixed swap rate plus a spread of 0.50% and a maturity premium of 0%. Commitment charge for the ADB loan is 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

I. Detailed Cost Estimates by Year (\$ million)

Item	Total Cost	2016	2017	2018	2019	2020
A. Base costs^b						
1. Featured agricultural production bases established	72.77	19.97	27.92	21.74	1.91	1.23
1.1 Subprojects by subloans through FIs	51.18	13.88	19.98	15.58	1.20	0.54
1.2 Subprojects by lending of FIs	20.95	5.97	7.75	5.97	0.63	0.63
1.3 Capacity building	0.65	0.13	0.19	0.19	0.09	0.06
2. Farmer cooperatives and agricultural enterprises supported	72.19	15.13	21.68	18.15	10.76	6.48
2.1 Subprojects by subloans through FIs	35.18	9.30	12.82	10.56	1.26	1.26
2.2 Subprojects by lending of FIs	28.26	5.64	8.40	5.68	5.68	2.87
2.3 Market development	1.30	0.00	0.26	0.39	0.39	0.26
2.4 Brand promotion	6.57	0.00	0.00	1.33	3.27	1.97
2.5 Capacity building	0.86	0.18	0.20	0.19	0.16	0.13
3. Rural financial service system developed	27.88	7.94	9.09	7.88	1.42	1.55
3.1 Subloans to RFSPs through FIs	12.97	3.91	5.21	3.85	0.00	0.00
3.2 Grassroots financial services units	12.73	3.60	3.44	3.59	0.97	1.12
3.3 Pilot innovative financial services	1.79	0.36	0.36	0.36	0.36	0.36
3.4 Capacity building	0.39	0.07	0.08	0.08	0.09	0.07
4. Capacity for project implementation and management strengthened	5.88	2.06	0.94	0.97	0.94	0.98
4.1 Project management capacity building	1.68	0.40	0.32	0.33	0.32	0.32
4.2 Office equipment	0.99	0.99	0.00	0.00	0.00	0.00
4.3 Project management workshops	0.36	0.10	0.06	0.06	0.06	0.08
4.4 Project monitoring and evaluation	0.22	0.05	0.03	0.05	0.03	0.05
4.5 Knowledge management	0.52	0.10	0.11	0.11	0.11	0.11
4.6 Operations of PPMO and CPMOs	2.12	0.42	0.42	0.42	0.42	0.42
Subtotal (A)	178.73	45.10	59.64	48.73	15.03	10.24

Item	Total Cost	2016	2017	2018	2019	2020
B. Contingencies^c						
1. Physical	8.98	2.27	3.00	2.45	0.76	0.51
2. Price	4.63	1.17	1.54	1.26	0.39	0.26
Subtotal (B)	13.61	3.43	4.54	3.71	1.14	0.78
C. Financial Charges During Implementation^d	7.67	0.44	1.11	1.78	2.13	2.21
Total Project Cost (A+B+C)	200.00	48.97	65.28	54.22	18.30	13.22

Note: Numbers may not sum precisely because of rounding.

^a Includes taxes and duties of \$9.77 million, to be financed by the government and Asian Development Bank (ADB) loan resources. The following principles were followed in determining the amount of taxes and duties to be financed by ADB: (i) the amount is within reasonable country thresholds, (ii) the amount does not represent an excessive share of the project investment plan, (iii) taxes and duties apply only to ADB-financed expenditures, and (iv) the financing of the taxes and duties is material and relevant to the success of the project.

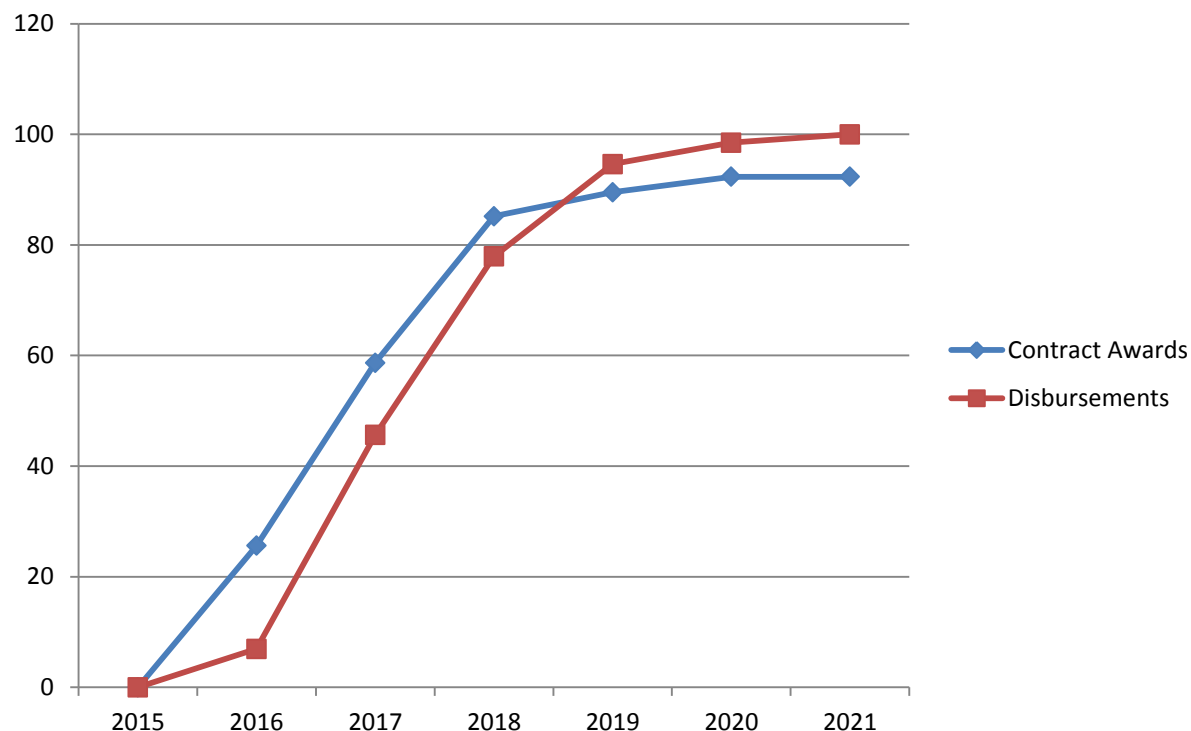
^b In December-2014 prices.

^c Physical contingencies are computed at 5% for works and goods. Price contingencies are computed using domestic inflation rates: 3.0% for 2015 onwards; and foreign inflation rates: 1.0% for 2015, and 1.4% for 2016 onwards.

^d Includes interest and commitment charges to be capitalized under the ADB loan, computed using the 5-year US dollar fixed swap rate plus a spread of 0.50% and a maturity premium of 0%. Commitment charge for the ADB loan is 0.15% per year to be charged on the undisbursed loan amount.

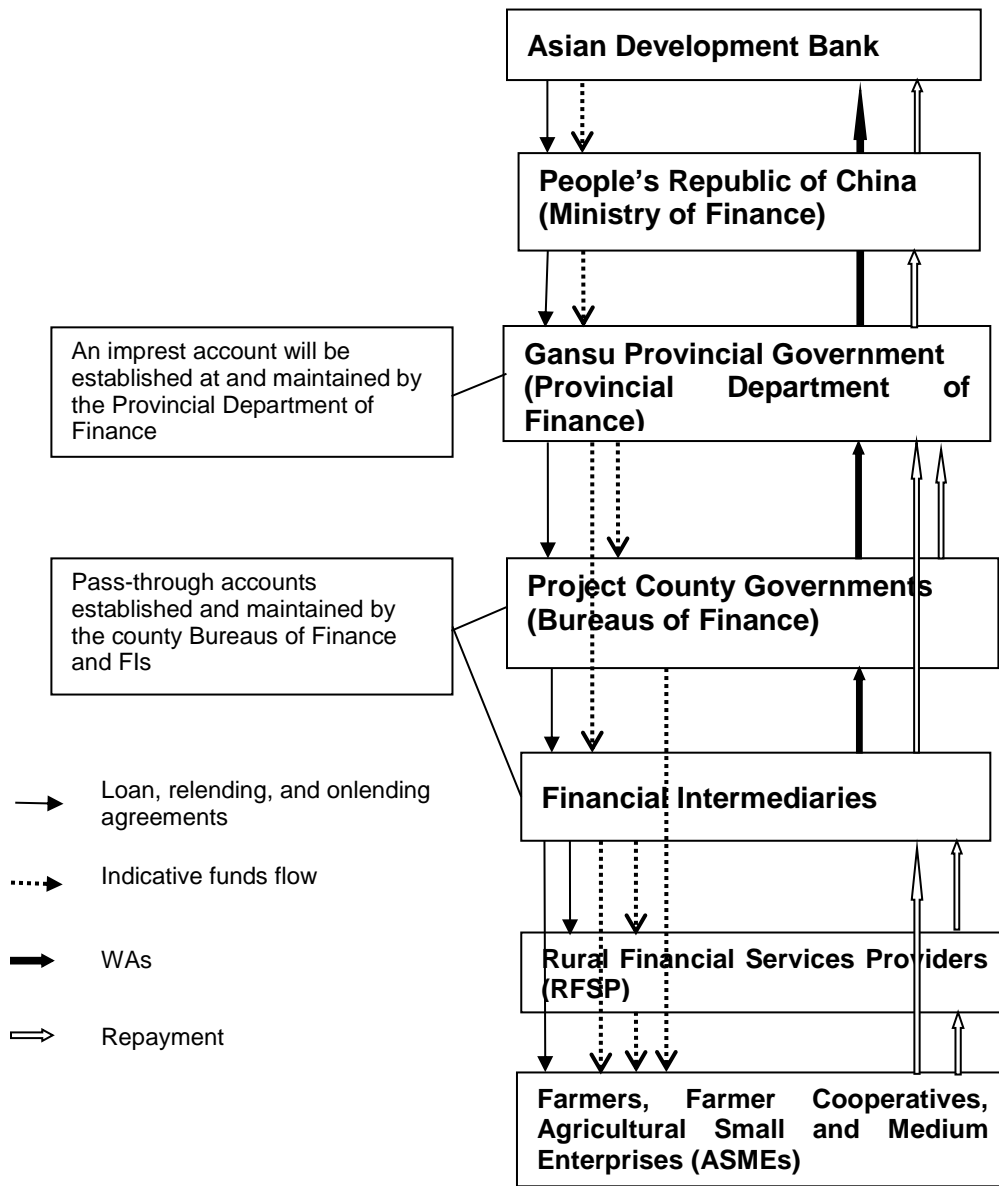
Source: Asian Development Bank estimates.

J. Contract and Disbursement S-Curve (In \$ million)



YEAR	Contract Awards (\$ million)					Disbursements (\$ million)				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2015	0	0	0	0	0					
2016	0.00	6.40	9.60	9.60	25.59	0.00	0.00	0.00	6.93	6.93
2017	8.27	8.27	8.27	8.27	33.09	10.40	10.40	8.96	8.96	38.71
2018	6.62	6.62	6.62	6.62	26.50	8.96	8.96	7.18	7.18	32.27
2019	1.08	1.08	1.08	1.08	4.34	7.18	7.18	1.18	1.18	16.70
2020	0.70	0.70	0.70	0.70	2.81	1.18	1.18	0.76	0.76	3.87
2021					0.00	0.76	0.76			1.52
TOTAL					92.33					100.00

K. Fund Flow Diagram



Source: Asian Development Bank estimates.

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

26. The financial management assessment (FMA) was carried out in accordance with ADB's Guidelines for the *Financial Management and Analysis of Projects*,¹¹ and *Financial Due Diligence: a Methodology Note*,¹² to assess the financial management capacity of the executing agency: GPG (involving Department of Finance (DOF), Department of Agriculture and Animal Husbandry, and bureaus of finance); implementing agencies, i.e. bureaus of agriculture and animal husbandry (BAAHs) in 11 project counties (Jingchuan, Kongtong, Zhenyuan, Hezheng, Jishishan, Yongjing, Yuzhong, Huan, Min, Lintao and Lingtai) and three FI banks (Bank of Gansu, Bank of Lanzhou, and Yuzhong Shanghai Pudong Development Rural Bank). The FMA includes funds-flow arrangements, staffing, accounting policies and procedures, internal and external auditing arrangements, reporting and monitoring, and financial information systems.

27. The assessment indicated that (i) there are established accounting and financial management policies and procedures in the PRC, which are strictly followed by the executing agency and implementing agencies; and (ii) the executing agency and implementing agencies have sound accounting and financial management capability and are experienced in managing projects of similar type and scale. However, the implementing agencies) have very limited experience in implementing foreign-funded projects, and the managers and financial personnel have limited knowledge and experience of ADB policies and procedures. It is concluded that the overall pre-mitigation financial management risk of the implementing agencies is moderate.

28. It was agreed that the implementing agencies will strengthen their financial management capability to manage the project, including (a) appointing full time financial management staff in PPMO and project accountants in all CPMOs and minimizing the turnover of staff; (b) undertaking training on ADB disbursement and financial management requirements to all financial management staff; (c) developing an uniformed FM guidelines for the budgeting, accounting, internal controls, reporting and auditing arrangements in line with project activities; (d) streamlining of approval processes and following the same financial reporting system in all concerned agencies to ensure accurate and timely reporting of the use of the loan proceeds; (e) streamlining of approval processes in terms of budgeting and disbursement at all levels; (f) close monitoring of loan covenants and compliance status during project implementation; and (g) developing internal auditing system at county level agencies. Along with the credit lines to be provided to ASMEs and farmer cooperatives, dedicated training program will be conducted to strengthen their capacity in financial management and corporative governance in line with the Law of the People's Republic of China on Specialized Farmers Cooperatives and other regulations.

29. To ensure that the FIs continue to meet the prudential regulatory requirements of the China Banking Regulatory Commission (CBRC) during the project implementation, the PPMO will review the annual prudential regulatory rating for each FI promptly as it is produced and shall advise ADB if any FI's rating falls below grade C (or the equivalent if the scale is changed) in the CBRC rating scale for commercial banks. Necessary remedial actions may include an

¹¹ ADB. 2005. *Financial Management and Analysis of Projects*. Manila.

¹² ADB. 2009. *Financial Due Diligence: A Methodology Note*. Manila.

agreed action plan to improve performance, acceleration of the loan to the FI or other actions until the FIs' rating returns to above the minimum acceptable grade.

30. To mitigate the specific risk that ADB loan proceeds are commingled with other funds being administered by FIs, a separate ledger account that tracks the receipt and use of the ADB loan proceeds, as well as interest payments and principal repayments from the sub-borrowers will be established and maintained in each of the FI banks. This will also ensure that the proceeds utilized under the project will be kept distinct from FIs' own assets and provide protection against adverse results from other financial operations of the FIs.

B. Disbursement

i. Disbursement Arrangements for ADB Funds

31. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.¹³

32. The Gansu provincial DOF has the primary responsibility for the administration of the overall disbursement arrangements of the project. The imprest account is to be used exclusively for ADB's share of eligible expenditures. The GPG, through DOF, who establishes the imprest account in its name, is accountable and responsible for proper use of advances to the imprest account.¹⁴ The government may request for initial and additional advances to the imprest account based on 6 months estimated expenditures to be financed through the imprest account. The imprest account will be established, managed, and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed by the government and ADB. The currency of the imprest account is US dollar. The handbook describes (i) which supporting documents should be submitted to ADB, and (ii) which should be retained by the government for liquidation and replenishment of an imprest account.

33. The implementing agencies will be responsible for the disbursement arrangements for each of the subprojects, including (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) collecting supporting documents, and (iv) preparing withdrawal applications. The county bureaus of finance will review and verify the withdrawal applications from the respective BAAHs and FIs through CPMOs and submit to DOF through PPMO for review and consolidation before the withdrawal application is sent to ADB.

34. The minimum value per withdrawal application is \$100,000 equivalent. Individual payments below this amount should generally be paid from the imprest account or by the executing agency (or the implementing agency) and subsequently claimed to ADB through reimbursement, unless otherwise accepted by ADB.

35. For loan amount used by the government directly, direct payment, reimbursement, and imprest fund procedures may be used to withdraw funds from the loan account. To expedite the flow of funds and simplify document processing, the statement of expenditures (SOE) procedure may be used to reimburse, replenish, and liquidate eligible expenditures for any individual payment not exceeding \$200,000 equivalent for project activities other than those financed by subloans. SOE records should be maintained and made readily available for review by ADB's

¹³ <http://www.adb.org/documents/loan-disbursement-handbook>

¹⁴ The bank charges in the operation of the imprest account may be financed from the loan proceeds.

disbursement and review mission, or upon ADB's request for submission of supporting documents on a sampling basis and for independent audit.¹⁵ Before the submission of the first withdrawal application, GPG should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person.

36. For the ADB loan proceeds that will be onlent via FIs, the withdrawal application will follow the procedures for financial intermediation loans as specified in section 11 of the Loan Disbursement Handbook.¹⁶ The basis of disbursement will be the signed subloan agreement. The SOE procedure will be used in view of the anticipated voluminous documentation for numerous and small amounts of individual payments for subloans. The SOE ceilings for the non-submission of full supporting documentation are the free limits agreed for the FIL.¹⁷ The withdrawal application should include a statement from the PPMO that all listed subloans satisfy the terms and conditions specified in the relending agreements between the government and FIs.

37. For subloans for retroactive financing, subloans above the free limit, and the first subloan in each county, subloan proposals need to be submitted by the FIs, through PMO to ADB for prior review and approval. This enables ADB to satisfy itself on the quality of the FIs' appraisal of projects and advise on appraisal techniques and methodology.

38. Except as ADB and GPG otherwise agree, the Relending Agreement will provide for the FIs to relend the loan proceeds on repayment by sub-borrowers on the following terms (all terms as defined in the Loan Agreement):

- (i) At all times, each FI should endeavor to have a percentage, as agreed between ADB, GPG, and FI, of the amount it has borrowed under its relending agreement outstanding in subloans to qualified sub-borrowers for qualified subprojects;
- (ii) Each FI will report to the PMO the outstanding amount of its subloans as of the last date of each calendar quarter and the PMO shall report this information to ADB in each semiannual project progress report; and
- (iii) Where an FI has failed to meet the percentage target for two consecutive calendar quarters it will immediately repay to GPG the difference between the target above and the average actual outstanding amount at the end of such two quarters.

39. Where repayments are made to GPG as provided above, GPG will report that to ADB, and ADB and GPG will discuss how best to immediately commence using such repaid amounts for project purposes.

ii. Disbursement Arrangements for Counterpart Fund

40. For counterpart funds of FIs for outputs 1 and 2, FIs will use their own resources to make subloans, applying the same requirements, except for the interest cap and eligibility. The

¹⁵ Checklist for SOE procedures available in Chapter 9 and formats in Appendix 9B of the Loan Disbursement Handbook (<http://www.adb.org/sites/default/files/institutional-document/33606/files/loan-disbursement-handbook.pdf>)

¹⁶ Section 11: Financial Intermediation Loans and Policy-Based Loans, para. 11. 11.1-11.9 of the Loan Disbursement Handbook. SOE form for FIL loans is available in Appendix 9C of the handbook.

¹⁷ Free limits are defined as (i) in the case of enterprises and cooperatives, the CNY equivalent (at the time of making the subloan) of US\$1,000,000 (one million USD) and, (ii) in the case of farm households, the CNY equivalent (at the time of making the subloan) of US\$100,000 (one hundred thousand USD).

contract awards and disbursement plan should include the subloans to be made with FIs' own funding. For each calendar year, FIs need to provide detailed information on these subloans for government and ADB's review. ADB will continue to disburse for the subloans under outputs 1 and 2 in the next year only if evidence shows that sufficient counterpart funds have been provided by FIs in the past year. For subloans to the RFSPs, ADB will disburse 65% of the total subloan amount and FIs finance the remaining 35%. FIs will also use their own resources to establish grassroots financial services units, pilot innovative financial services or products, and conduct capacity building for loan officers of FIs and RFSPs. The information on these activities and expenditure should be reported to the government and ADB timely.

41. Subproject beneficiaries will be required to provide counterpart funds in equity when they receive subloans from FIs. The government is responsible for providing government counterpart funds timely from their fiscal budgetary sources and uses the funds following domestic regulation and requirements on use and management of public funds.

C. Accounting

42. The GPG will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project. Consolidated project financial statements will be prepared annually in accordance with the government's accounting laws and regulations, which are consistent with international accounting principles and practices.¹⁸

43. Each FI bank will maintain and cause any RFSPs that they onlend to maintain a separate ledger account that tracks the receipt and use of the ADB loan proceeds, as well as interest payments and principal repayments from the sub-borrowers.

44. The project financial statements also include a statement of subloans which indicate:

- (i) the opening balance;
- (ii) the name of financial intermediaries;
- (iii) details of subloans (committed lines of credit and amounts disbursed);
- (iv) closing balance (gross and net amounts);
- (v) comparative figures for prior year; and
- (vi) cumulative amount to date (gross).

45. The statement will be also accompanied by adequate explanatory notes. These notes include the basis of preparation, reporting currency, undrawn external assistance, and details of subloans such as amounts committed, disbursed up to the previous year, disbursed during the current reporting period, cumulative disbursement, undisbursed commitments, percentage of loan utilized, etc. The formats of project financial statements are provided in Appendix 3.

D. Auditing and Public Disclosure

46. The GPG will cause the detailed consolidated project financial statements to be audited in accordance with International Standards on Auditing and the Government Auditing Standards of the PRC (where these are consistent with International Standards on Auditing), by an auditor acceptable to ADB. The audited project financial statement will be submitted in the English language to ADB within 6 months of the end of the financial year by the executing

¹⁸ Applicable laws, regulations, and guidelines include: (i) *The Accounting Law of the PRC (2000)*, (ii) *State-owned Construction Enterprise Accounting Control Regulations*, (iii) *Capital Construction Financial Control Regulations*, and (iv) *Accounting Methods for Projects Financed by the World Bank*.

agency.

47. The annual audit report for the project will include an audit management letter,¹⁹ and auditor's opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan proceeds were used only for the purposes of the project or not; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project; (iv) use of the imprest fund procedure; and (v) use of the SOE procedure certifying to the eligibility of those expenditures claimed under SOE procedures, and proper use of the SOE and imprest procedures in accordance with ADB's Loan Disbursement Handbook and the project documents.

48. The GPG shall ensure that each FI shall (i) prepare entity annual financial statements in accordance with accounting principles acceptable to ADB; (ii) have such financial statements audited by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iii) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements); (iv) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, and audit report, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

49. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

50. The government has been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements. ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

51. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).²⁰

52. After review, ADB will disclose the financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The Audit Management Letter will not be disclosed.

¹⁹ A management letter means formal communications from the auditor to the client management in accordance with the International Standard on Auditing 265 (communicating deficiencies in internal control to those charged with governance and management), which is not required to be provided separately as it is equivalent to the Audit Findings and Recommendations prepared by the project auditor and submitted to ADB.

²⁰ Available from <http://www.adb.org/site/disclosure/public-communications-policy> .

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting and Retroactive Financing

53. GPG and FIs have requested for advance contracting and retroactive financing to enable early commencement of procurement of goods and training by the government and issuance of subloans by FIs. The details of activities to be financed and their justification will be set out in a written request to ADB. The executing and implementing agencies have been advised that (i) approval of advance contracting and retroactive financing does not commit ADB to financing the project, and (ii) retroactive financing may only apply up to 20% of the amount of ADB loan in respect for expenditures incurred before loan effectiveness, but not earlier than 12 months before the date of the loan agreement. All advance contracting and retroactive financing will be undertaken in conformity with ADB's Procurement Guidelines (2015, as amended from time to time)²¹ and ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).²² The issuance of invitations for bids, bidding documents, bid evaluations, recommendation of contract awards, and subloan contracts under advance contracting and retroactive financing will be subject to ADB approval. ESMS should be established by FIs and approved by ADB before FIs start to review subloan applications. Disbursement for the retroactive financing can be paid through the imprest account in accordance with ADB's disbursement guidelines.

B. Procurement of Goods, Works and Consulting Services

54. All procurement fully or partly financed out of the loan proceeds will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time). For subloans through FIs and RFSPs, the procurement will be undertaken by the respective sub-borrowers in accordance with established private sector or commercial practices, which are acceptable to ADB. The GPG will, through the relending agreement, ensure that the sub-borrowers use procurement practices acceptable to ADB. Sub-borrowers will be encouraged to procure through competitive bidding or shopping when such procurements are most appropriate in the interest of economy and efficiency.

55. The Government will use a portion of loan funds (below \$1 million equivalent) for procurement of small contracts below \$100,000 equivalent for office equipment and furniture under ADB's shopping procedures.

56. A procurement plan of 18 months, indicating contract value, procurement method, threshold and review procedures, goods, works, and consulting services contract packages, and national competitive bidding guidelines, is in subsection C.

57. All 28 person-months consulting services required for the project will be financed by the counterpart funds, and will follow the government procedures and regulations on the use of the consulting services. The terms of reference for the consulting services will be developed, and the consultants will be recruited by the PPMO.

C. Procurement Plan

a) Basic Data

²¹ <http://www.adb.org/sites/default/files/institutional-document/31482/procurement-guidelines-april-2015.pdf>

²² <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

Project Name: Gansu Featured Agriculture and Financial Services Development Project	
Project Number: 47046-002	Approval Number:
Country: People's Republic of China	Executing Agency: Gansu Provincial Government (GPG)
Project Procurement Classification: B	Implementing Agencies:
Procurement Risk: Low	
Project Financing Amount: US\$ 200,000,000.00	BAAHs of 11 Counties: 1-Huan County (HN), 2-Hezheng County (HZ), 3-Jingchuan County (JC), 4-Jishishan County (JSS), 5-Kongtong County (KT), 6-Lintao County (LO), 7-Lingtai County (LT), 8-Min County (MN), 9-Yuzhong County (YZ), 10-Yongjing County (YJ) and 11-Zhenyuan County (ZY);
ADB Financing: US\$ 100,000,000.00	Financial Intermediaries: Bank of Lanzhou (BOL); Bank of Gansu (BOG); and Yuzhong SPD Rural Bank
Co-financing (ADB Administered): \$0	
Non-ADB Financing: US\$ 100,000,000.00	Loan Closing Date: 30 June 2021
Date of First Procurement Plan: 20 November 2014	Date of this Procurement Plan: 25 September 2015

b) Procurement Methods and Thresholds

58. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works fully and partly financed out of ADB loan proceeds.

Procurement of Goods and Works		
Method	Threshold	Comments
Shopping for Works	Up to US\$100,000	Post review
Shopping for Goods		
Other Procurement Method/Arrangement – Procurement in Subloans onlent via financial intermediaries	\$0	The procurement will be undertaken by the respective sub-borrowers in accordance with established private sector or commercial practices, which are acceptable to ADB.

Consulting Services	
Method	Comments
Consulting Services financed by the Government	Based on Government procedure

c) 18-Month Procurement Plan

59. **Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts).** The following table groups smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Goods and Works								
Package Number	General Description	Estimated Value (USD)	Number of Contracts	Procurement Method	Review (Prior/Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments

Goods and Works								Comments
Package Number	General Description	Estimated Value (USD)	Number of Contracts	Procurement Method	Review (Prior/Post)	Bidding Procedure	Advertisement Date (quarter/year)	
E01-1- E01-11	Computer and office equipment	491,048.39	11	Shopping	Prior	N/A	Q1/2016	First shopping contract
E02-1- E02-11	Imaging and Sound equipment	185,459.68	11	Shopping	Post	N/A	Q2/2016	
E03-1- E03-11	Office furniture	116,370.97	11	Shopping	Post	N/A	Q2/2016	
E04	Communications and navigation equipment	19,354.84	1	Shopping	Post	N/A	Q2/2016	
E05	Daily office supplies	17,806.45	1	Shopping	Post	N/A	Q2/2016	

d) Non-ADB financing

Goods and Works							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Review (Prior/Post)	Bidding Procedure	Comments
PPMO-E01	Office equipment	88,709.68	lots	PRC standard	N/A	N/A	

Consulting Services							
	General Description	Estimated Value in USD (cumulative)	Estimated Number of Contracts	Procurement Method			Comments
PPMO-S01	Project Implementation Consultants	106,451.61	3	PRC standard	N/A	N/A	PPMO-S01

VII. SAFEGUARDS

A. Environment and Social Management System

60. The project is classified as financial intermediary (FI) for safeguards. A template environmental and social management system (ESMS) has been prepared following ADB's Safeguard Policy Statement (2009) (SPS) and with the involvement of the three project FIs and PPMO. This describes the roles and responsibilities of the FIs and PMOs, procedures for screening, improving, categorization, assessment, monitoring and reporting, and integration with FI business procedures. All project FIs and RFSPs will establish and implement an ESMS, which is based on the template and is acceptable to ADB. The ESMSs for the RFSPs will be appropriately simplified to reflect the smaller subloans they will make. All subprojects to be supported by onlending from FIs and RFSPs will be subject to the procedures described in the template ESMS. The FIs will be responsible for implementing, and requiring RFSPs to implement, the ESMSs. Each FI will have an ESMS established and operational, at least three months before disbursement from government to the FIs. The PPMO will provide oversight and coordination with the FIs and other stakeholders, and recruit project implementation consultants to provide assistance and training to FI staff for ESMS implementation, and ensure that key agencies possess a copy of the ESMS and understand their roles and responsibilities.

B. Environment

61. The project will encourage and favor loans which promote agricultural innovation, efficiency, and the sustainable use of natural resources, especially water, soil, and energy. Agricultural and environmental issues in the project area include inefficient and/or outdated farming technology, limited water resources, severe drought, and excessive use of agricultural chemicals and plastic mulch. Project funds will support a range of agricultural activities, including cash crops, fruit trees, and greenhouse and livestock production. These may result in impacts to surface water, groundwater, soil, air quality, noise levels, ecology, communities, physical cultural resources, and land use rights transfer. The identification, screening, and management of such impacts are key objectives of the ESMS.

62. **ESMS implementation.** ESMS implementation comprises six steps, to be conducted for each loan application: A–screening, B–improving, C–categorization, D–assessment, E–safeguard implementation, and F–monitoring and reporting. Steps A to D are to be conducted as part of the due diligence before a subloan is approved. Steps E to F are to be conducted during implementation of a subproject. All steps are to be conducted by the FI or RFSP loan officers and, working with the sub-borrower, with the assistance of the PPMO and CPMOs environment and social officers, and loan implementation consultants. Information disclosure, public consultation, and the participation of communities which may be impacted by a subproject, are a key requirement under PRC laws and the ADB SPS. Steps A to F need to be integrated into the business procedures of each FI or RFSP.

C. Involuntary Resettlement

63. The project is classified as category FI treated as C in terms of involuntary resettlement. FIs will not finance any subproject that will involve physical displacement or involuntary resettlement. FIs will utilize Worksheet 2 in the ESMS to screen out any subprojects with potential involuntary resettlement issues.

D. Land Use Rights Transfer Agreements

64. Many of the subprojects that are on the government's initial list of proposed subprojects involve pre-existing or new land use rights transfer agreements which involve large amounts of land and impact many households.²³ For existing land use rights transfer agreements, a due diligence report has been prepared and it concluded that (i) all the land use rights transfer agreements were in accordance with national, provincial, and local policies and regulations; (ii) the land use rights transfer rents were paid timely; (iii) livelihoods of households who had transferred land were not negatively affected; and (iv) all households who transferred land are satisfied with the land use rights transfer procedures, contract conclusion, and compensation payments.

65. To guide the land use rights transfer agreements during the implementation of the project, a Land Use Rights Transfer Framework (LURTF) has been prepared (Appendix 6 of the ESMS). The policy framework of the LURTF incorporated current PRC and Gansu provincial and local policies, ADB's SPS requirement for negotiated settlement, as well as the best practices in the project area as concluded in the due diligence report.²⁴

66. The staff of FIs and the social safeguards officers of PPMO and CPMOs will ensure that (i) new LURT agreements will follow the LURTF; and (ii) all LURT agreements will be well documented and reported. The loan implementation consultant will help PPMO and FIs end-borrowers to develop an appropriate annual documentation and reporting mechanism to the FIs, PPMO, and ADB. Subproject with potential LURT issues will need to be monitored more closely.

E. Ethnic Minorities²⁵

67. The project will target Han as well as ethnic minorities (EM) in the project counties. Specifically, the project will target three distinct EM groups of Dongxiang, Bao'an, and Salar in Hezheng County and Jishishan Autonomous County.²⁶ The project will also target many Hui people. This is consistent with ADB's policy for social inclusive development. The Dongxiang and Bao'an are unique and only exist in Gansu; while the Bao'an and Salar are small EMs eligible for special central government policy assistances.²⁷ The Hui have economic systems similar to the Han, but they have different religious and social customs and in some areas may be poor. Consequently, a project level ethnic minority development plan (EMDP) has been prepared for strengthening the project's positive effects and for mitigating any likely negative impacts on these three distinct EM groups in Hezheng and Jishishan counties. PPMO and CPMOs, with support from the county governments, will be responsible for implementing the project level EMDP actions. The social safeguards officer of PPMO will be responsible for internal monitoring of the EMDP implementation, with the assistance of the loan implementation social consultant (LISC), and will submit a consolidated social monitoring report to ADB semi-annually.

²³ It is farmland use right leasing without change of ownership and agricultural usage.

²⁴ There are (i) mutual consultation and negotiated settlements between land use rights transferor and transferee; (ii) land use rights transfer duration of 5-10 years; (iii) land use rights transfer rates were equivalent to output values of grains; and (iv) endorsement of land use rights transfer contract by a third party.

²⁵ Ethnic minority groups are covered by ADB's indigenous peoples' policy requirements.

²⁶ Full name is Jishishan Bao'an, Dongxiang and Salar Ethnic Minority Autonomous County.

²⁷ An ethnic minority with population below 0.3 million by 2010 is defined as small EM group, enjoying special assistance by the outline of supporting small EM development.
http://www.seac.gov.cn/art/2011/7/1/art_149_129390.html.

68. For the FI subprojects, FIs will need to screen loan proposals for potential EM impacts (see Worksheet 4 in the ESMS). Subprojects will be categorized as A, B, or C. The category A subprojects will be excluded or redesigned; category B subprojects will require the end-borrower to prepare an EMDP in accordance with the Ethnic Minority Development Framework in Appendix 7 of the ESMS; and category C requires no ethnic minority specific actions but measures in the social and gender action plan (SGAP) (see Appendix 8 in the ESMS) will be applied and monitored. Some subprojects that require no specific ethnic minority actions may still require monitoring of results. The end-borrowers will be responsible for implementing the actions set out in the subproject EMDP and SGAP, and for semi-annual reporting to the FIs and PPMO. Should unanticipated impacts be identified (e.g., during monitoring or through the grievance redress mechanisms), the relevant BAAH will either resolve the issue directly or agree on correction actions with the relevant enterprise or cooperative. Further follow-up and monitoring will be carried to ensure the issue has been adequately resolved.

F. Capacity Development and Training

69. The PPMO will assist the FIs and RFSPs to establish and implement their ESMSs. Assistance will be provided through the PPMO environmental and social officers and loan implementation environment consultant (LIEC) and LISC (see terms of reference in Appendix 5 of the ESMS). Most of the hands-on support from the PPMO will be provided in the first two and a half years of the project. The roles of the LIEC and LISC are especially important in the first year of project implementation, since the FIs do not have technically-qualified environmental and social staff at this stage. It is anticipated that from year two onward, as support from the PPMO is reduced, such staff will be in place at the FIs to operate the ESMS. As FI capacity is strengthened, and the ESMS becomes firmly integrated into business procedures, the FIs will play a larger role to support the RFSPs implement the ESMS.

70. The current capacity of the FIs for environmental and social safeguard management is inadequate. The project includes a training program to strengthen FI capacity, and includes principles and practice of environmental and social impact assessment in the agriculture sector, ESMS implementation, and the efficient use of natural resources.

G. Grievance redress mechanisms

71. The project includes grievance redress mechanisms (GRM) to identify, address, and resolve any public concerns for safeguard issues of the project activities. The GRMs need to be separate to address different types of issues, e.g. environment versus social. The GRMs comprise a series of steps to receive, document, and address the concerns of any affected persons. The GRMs will be made accessible to all members of the community. Multiple entry points will be made available, including face-to-face meetings, written complaints, telephone conversations, e-mail, and social media (see Section IV in the ESMS). The GRMs will be implemented by the PPMO and CPMOs, with the support of the BAAHs, FIs, and RFSPs.

H. Monitoring and Reporting

72. Each FI will develop and maintain internal monitoring systems to record the safeguard procedures undertaken for each subloan application. The reporting procedure is as follows: (1) semi-annual ESMS reports covering SGAP implementation (related to FI responsibilities) will be provided by the FIs to the CPMOs; (2) the CPMOs will provide semi-annual Safeguard Monitoring Reports, covering the ESMS, GRMs, SGAP (related to government responsibilities), training, and other safeguard-related issues, to the PPMO for review and consolidation. These

reports will include the results of the FI semi-annual ESMS reports. The PPMO will guide the CPMOs in preparing county-level Safeguard Monitoring Reports and consolidate them into project-level Safeguard Monitoring Reports with support of LIEC and LISC; and (3) the PPMO will submit semi-annual project Safeguard Monitoring Reports to ADB for review and disclosure. ADB will check and verify all the safeguard documents periodically, such as ESMS worksheets, and may request additional supporting information. See Step F in Section III of the ESMS for further details.

VIII. GENDER AND SOCIAL DIMENSIONS

73. A social, poverty, and gender analysis was undertaken in accordance with ADB's policies on Gender and Development in ADB Operations (Operations Manual Section C2), and Incorporation of Social Dimensions into ADB Operations (Operations Manual Section C3). The analysis collected information to assist in the design of the project by identifying the poor, examining causes of poverty, and recommending poverty reduction measures within the project scope.

74. **Social and poverty dimensions.** The project will implement socially inclusive interventions and will target benefits to EM people, women, and the poor to the extent possible.²⁸ Of the total beneficiary households in the government's initially proposed subprojects, 29.6% are poor, almost the same as the overall poverty incidence of 30.4% of the project area in 2012.²⁹

75. **Gender dimension.** Of the 122,000 beneficiaries in the government's initially proposed subprojects, 59,170 (48.5%) are women. Women will benefit more from the project as more female laborers are engaged given that women are the major labor force for agricultural production.³⁰ The project is classified by ADB as effective gender mainstreaming and the SGAP was developed to enhance gender inclusive development.

76. **Social and gender action plan.** The SGAP prepared for the project, shown in Table 1, will ensure that social and gender activities are implemented and monitored at regular intervals. The purpose of the SGAP is to ensure that salient social and gender issues are addressed during the project implementation, and its implementation mitigates likely negative impacts and enhances project benefits for these vulnerable groups. The SGAP will ensure suitable avenues will be available for participation of all beneficiaries including women and the poor, and it includes measures for maximizing their participation in local decision-making. The SGAP also provides details of the target indicators and responsibilities for implementation.

77. **Institutional responsibilities.** PPMO and CPMOs, with support from the county governments, will be responsible for implementing the project level SGAP actions. The end-borrowers and BAAHs, with assistance of CPMOs and other county government agencies, PPMO, and FIs, will implement the subproject SGAP actions. The social safeguards officer of the PPMO will be responsible for overall SGAP monitoring and reporting to ADB.

78. **Monitoring and Reporting.** FIs will monitor SGAP implementation related to FI responsibilities and report in the ESMS reports. CPMOs will monitor SGAP implementation related to government responsibilities and report in the Safeguard Monitoring Reports. The PPMO social Safeguard Monitoring Officer will review and consolidate the SGAP implementation status in the semi-annual Safeguard Monitoring Reports and submit to ADB for review. The LISC will help the PPMO to develop monitoring and reporting mechanism in detail.

²⁸ The FIs and RFSPs will lend based on financial capacity for repayment. For this reason, some support actions will be implemented by local government through PPMO and CPMOs and some actions will be implemented by end-borrowers for FI subprojects.

²⁹ The rural poverty level is based on CNY 2,300 net income per capita per year.

³⁰ According to PPTA household surveys, 60.4% of female laborers are engaged in agriculture, while only 48.4% are male labourers.

Table 1. Social and Gender Action Plan^a

Project Component	Social and Gender Outputs/ Activities	Targets / Indicators	Budget	Responsibilities
Output 1: Inclusive and environmentally-friendly featured agricultural production bases developed	Training of 14,130 farmers	<ul style="list-style-type: none"> ● 50% of participants are women ● 30% of participants are poor 	Project budget	BAAHs, PMOs
	Training of 450 technicians	<ul style="list-style-type: none"> ● 30% are female ● 30% are poor 	Project budget	BAAHs, PMOs
	Inclusive beneficiaries of the production base development			BAAHs, PMOs, sub-borrowers
	Women's equal access to project subloans	<ul style="list-style-type: none"> ● 50% of loans from the FIs to individual farmer household with women's signature 	Part of the routine operations of FIs and PMOs	FIs, BAAHs, PMOs
	Women's signature on land use rights transfer agreement	<ul style="list-style-type: none"> ● 70% land use rights transfer agreement signed during the project implementation period with women's signatures 		FIs, BAAHs, PMOs, sub-borrowers (cooperatives and ASMEs)
Output 2: Farmer cooperatives and agricultural enterprises financed and strengthened	At least 50 government staff trained in water conservation and resource monitoring	<ul style="list-style-type: none"> ● 30% are female 		BAAHs, PMOs
	Training of 6,510 members	<ul style="list-style-type: none"> ● 50% of participants are women ● 30% of participants are poor 	Project budget	BAAHs, PMOs, cooperatives and ASMEs
	Training of 868 technicians and managers	<ul style="list-style-type: none"> ● 30% are technicians are females 	Project budget	BAAHs, PMOs
	Priority to women and the poor for new job opportunities in enterprises and farmer cooperatives	<ul style="list-style-type: none"> ● 40% for women ● 30% for the poor 	Routine operations of the project	ASMEs, farmer cooperatives, PMOs
Output 3: Rural financial service system developed and enhanced	Training of 270 staff of FIs and 35 staff of RFSPs	<ul style="list-style-type: none"> ● 30% of females 	Project budget	FIs, RFSPs and PMOs
	Establishment of 29 grassroots financial service units	<ul style="list-style-type: none"> ● 30% of female staff ● All female staff trained 	FIs' counterpart costs	FIs

Project Component	Social and Gender Outputs/ Activities	Targets / Indicators	Budget	Responsibilities
Output 4: Capacity for project implementation and management strengthened	PMO staff training on gender and development: (i) concepts and practices of gender and development, (ii) ADB's gender policies; (iii) SGAP	<ul style="list-style-type: none"> All staff of PPMO and CPMOs Staff of FIs operating the Project 	Project budget	PMOs, FIs
	Gender disaggregated data collection for project documentation, M&E	<ul style="list-style-type: none"> Assigning responsible persons for documentation and M&E in PPMO, CPMOS and FIs Establishment of gender disaggregated database 	Routine operation costs	PMOs and FIs
	PPMO and 11 CPMOs established and operational with adequate budgetary resources	<ul style="list-style-type: none"> At least 35% of the staff are women 	Project budget	PMOs
	76 PMOs staffs trained on project management, financial management, and implementation of ESMS, EMDP and SGAP, and M&E	<ul style="list-style-type: none"> At least 35% are women 	Project budget	PMOs

^a Anticipated time frame: 2016-2020

ASMEs = agricultural small and medium enterprises, BAAHs = bureaus of agriculture and animal husbandry, CPMOs = county project management offices, ESMS = environmental and social management system, FIs = financial intermediaries, M&E = monitoring and evaluation, PMOs = project management offices, PPMO = provincial project management office, RFSPs = rural financial service providers, SGAP = social and gender action plan.

Source: Asian Development Bank estimates.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

Impact of the Project is Aligned with Income of rural residents in Gansu Province increased (The upcoming 13th Five Year Plan of Gansu Province, 2016–2020)			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Outcome More productive, market-oriented agricultural activities in 11 project counties enhanced</p>	<p>By 2020^a (first-batch subprojects^b): a. Sales of featured agriculture in project area reach CNY968 million (2014 baseline: CNY 745 million) b. Sales of rural farm product marketed through project-supported farmer cooperatives and ASMEs increase by 50% (2014 baseline: 0) c. Financial intermediaries' lending to farmers, farmer cooperatives, and ASMEs with their own resources increases by 50% (2014 baseline: 0)</p>	<p>a. Annual statistics of the Department of Agriculture and Animal Husbandry b. Project completion report by provincial PMOs c. Official banking statistics from the People's Bank of China</p>	<p>Natural disaster and market fluctuations increase agricultural production costs significantly</p> <p>Slowdown of the economy reduces overall demand growth for featured agricultural products</p>
<p>Outputs 1. Inclusive and environment-friendly featured agricultural production bases developed</p>	<p>By 2020 (first-batch subprojects) 2014 baseline 1a. At least 145 featured agricultural production bases developed (2014 baseline: 0) 1b. Each production base applies at least one water-saving and/or climate-smart farming practice (2014 baseline: 0) 1c. 50% of financial intermediary loans to individual farmer households with women's signature (2014 baseline: 0) 1d. 30% of beneficiaries of the production base development are from poor households (2014 baseline: 0) 1e. At least 20,000 farmers trained in the development and management of featured agricultural bases and cooperatives and ASMEs, with women trainees not less than 50% and the poor not less than 30% (2014 baseline: 0) 1f. At least 450 technical agents trained with up-to-date knowledge and technologies on featured agriculture, with women not less than 30% (2014</p>	<p>1a–b., 1d. Semiannual project progress reports by provincial PMO 1c. Project financial statements by provincial PMO 1e–g. Training workshop registration documents by provincial and county PMOs</p>	<p>Financial intermediaries are unwilling to lend to sub-borrowers in the long list proposed by the government</p> <p>Weak financial management and governance of cooperatives and ASMEs</p> <p>Financial intermediaries are unwilling to lend to RFSPs because of perceived high risk</p> <p>Market demands decrease for some featured agriculture products</p> <p>Animal diseases occur and spread</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	baseline: 0) 1g. At least 50 persons from two or more departments trained in water conservation and resource monitoring, with women not less than 30% (2014 baseline: 0)		
2. Farmer cooperatives and agricultural enterprises financed and strengthened	2a. At least 217 farmer cooperatives and ASMEs supported with subprojects to enhance business and with capacity building on governance, branding, and market development (2014 baseline: 0) 2b. At least 33 ASMEs and 45 farmer cooperatives obtain product certification (2014 baseline: 0)	2a–b. Semiannual project progress reports by provincial PMO	
3. Rural financial service system developed and enhanced	3a. Each financial intermediary makes loan to at least one RFSP (baseline: 0) 3b. At least 29 grassroots financial service units built by financial intermediaries, with women staff recruited by these units not less than 30% (2014 baseline: 0) 3c. 270 staff of financial intermediaries and 35 staff of RFSPs trained, with women not less than 30% (2014 baseline: 0)	3a–b. Semiannual project progress reports by provincial PMO 3c. Training workshop registration documents by financial intermediaries	
4. Capacity for project implementation and management strengthened	4a. At least 76 PMO staff trained in project management, financial management, and implementation of ESMS, EMDP and SGAP, and monitoring and evaluation, with women not less than 35% (2014 baseline: 0) 4b. ESMS implementation mechanism is established with relevant staff trained within the financial intermediaries and RFSPs (2014 baseline: 0)	4a–b. Semiannual project progress reports by provincial PMO 4a–b. Asian Development Bank's annual review missions	

Key Activities with Milestones

- 1. Inclusive and environment-friendly featured agricultural production bases developed**
 - 1.1 Prepare initial long list of subprojects and provide to financial intermediaries by Q4 2015 (provincial and county PMOs)
 - 1.2 Establish ESMS and screen subprojects for safeguard issues accordingly by Q4 2015 (financial intermediaries)
 - 1.3 Receive subloans from financial intermediaries to develop production bases from 2016 up to 2020 (farmers, farmer cooperatives, and ASMEs)
 - 1.4 Provide capacity building for farmers from 2016 to 2020 (county PMOs)

<p>2. Farmer cooperatives and agricultural enterprises financed and strengthened</p> <p>2.1 Prepare initial long list of farmer cooperatives and ASMEs to be supported by Q4 2015 (provincial and county PMOs)</p> <p>2.2 Screen long list in accordance with ESMS and provide subloans to farmer cooperatives and ASMEs from 2015 up to 2020 (financial intermediaries)</p> <p>2.3 Provide capacity building for farmer cooperatives and ASMEs from 2015 up to 2020 (county PMOs)</p> <p>2.4 Obtain product certification by 2020 (at least 33 ASMEs and 45 farmer cooperatives)</p> <p>3. Rural financial service system developed and enhanced</p> <p>3.1 Identify RFSPs satisfying eligibility criteria for relending, and government, financial intermediaries, and RFSPs reach agreement on relending terms, eligibility criteria of sub-borrowers, and safeguards by Q2 2016 (financial intermediaries)</p> <p>3.2 Disburse loan proceeds to financial intermediaries for onlending to selected RFSPs with established ESMS. RFSPs onlend to farmers, ASMEs, and farmer cooperatives from 2015 up to 2020</p> <p>3.3 Establish at least 29 grassroots financial service units by 2020 (financial intermediaries)</p> <p>3.4 Organize training for at least 300 loan officers and staff of financial intermediaries and RFSPs by 2020 (financial intermediaries)</p> <p>3.5 Develop or pilot innovative rural financial services and/or products from 2015 to 2020 (financial intermediaries)</p> <p>4. Capacity for project implementation and management strengthened</p> <p>4.1 Provide training to staff from provincial and county PMOs, BAAHs, and financial intermediaries on project implementation covering financial management, implementation of ESMS, EMDP, SGAP, and project monitoring and evaluation by Q2 2016</p>
<p>Inputs</p> <p>Asian Development Bank: \$100.00 million</p> <p>Financial intermediaries: \$68.58 million</p> <p>Beneficiaries: \$24.67 million</p> <p>Government: \$6.75 million</p>
<p>Assumptions for Partner Financing</p> <p>Not applicable.</p> <p>ASMEs = agricultural small and medium-sized enterprises, BAAH = bureau of agriculture and animal husbandry, EMDP = ethnic minority development plan, ESMS = environmental and social management system, PMO = project management office, Q = quarter, RFSP = rural financial service provider, SGAP = social and gender action plan.</p> <p>^a The three indicators measure how much more production, marketing and credit will be achieved by the project, respectively. Farmers are direct participants of production and marketing and direct recipients of credit.</p> <p>^b The first batch refers to subprojects financed by loan proceeds initially disbursed by the Asian Development Bank and financial intermediaries' own funds during the loan implementation period.</p> <p>Source: Asian Development Bank.</p>

A. Monitoring

79. **Project performance monitoring.** The PPMO will be responsible for monitoring and reporting on project performance. The basis for project performance monitoring and reporting will be the design and monitoring framework, which identifies performance targets for the outcomes and outputs of the project. The PPMO will establish and maintain a project performance monitoring system (PPMS), which will be designed to permit adequate flexibility to adopt remedial action regarding project design, schedules, activities, and development impacts. The PPMS will cover, but is not limited to, the following aspects of the project implementation: (i) project physical and financial progress, (ii) results of capacity development programs, (iii) establishment of grassroots financial units and introduction of innovative rural financial services/products, (iv) detailed information on beneficiaries of the project, (v) implementation of EMDP and SGAP, and compliance with the loan and project covenants (policy, financial,

economic, sector, and others). The PPMO agreed and confirmed that they will (i) establish the PPMS framework at the start of project implementation (within 6 months after loan effectiveness), (ii) confirm that targets are achievable, and (iii) develop systematical data generation and collection procedures or arrangements.

80. With inputs from the CPMOs, implementing agencies and other stakeholders, the PPMO will collect and analyze the data, and prepare project progress reports semi-annually. Disaggregated baseline data for output and outcome indicators gathered during project preparation will be updated and reported in the semi-annual project progress reports and after each ADB review mission. They will provide information necessary to update ADB's project performance reporting system.³¹

81. Safeguards and social dimensions monitoring are elaborated in sections VII and VIII.

B. Evaluation

82. In addition to regular monitoring, project performance will be reviewed at least once a year jointly by ADB and GPG. The review will assess implementation performance and achievement of project outcomes and outputs, assess financial progress, identify issues and constraints affecting implementation, and work out a time-bound action plan for their resolution. ADB will undertake annual project reviews during the project period. Within the third year of project implementation, ADB and GPG will undertake a midterm review of the project, covering all institutional, administrative, organizational, technical, environmental, social, poverty reduction, economic, financial, procurement, and other relevant aspects that may have an impact on the performance of the project and its continuing viability. Within 6 months of completion of the project (i.e. end of the loan implementation period), GPG will submit a project completion report to ADB.³²

C. Reporting

83. The GPG will provide ADB the following reports:

Report	Timing	Reference
Project progress report	Semi-annually, within 2 months after the end of each reporting period	Project agreement, schedule
Audit Report	Not later than 6 months after the end of fiscal year	Project agreement, schedule
Safeguard Monitoring Report (covering ESMS reports from FIs)	Semi-annually, within 2 months after the end of each reporting period	Project agreement, schedule
Project completion report	Not later than 6 months after the physical completion of the project (i.e. at the end of the loan implementation period)	Project agreement, schedule

³¹ ADB's project performance reporting system is available at:
<http://www.adb.org/Documents/Slideshows/PPMS/default.asp?p=evaltool>

³² Project completion report format is available at:
<http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

D. Stakeholder Communication Strategy

84. Project information will be communicated through public consultation, information disclosure mechanism in ADB's and government's website, meetings, interviews, focus group discussions, community consultation meetings, and capacity development training, in accordance with ADB's requirements of information disclosure policy. The farmers, RFSPs, and ASMEs participating in the project will be informed culturally appropriate and gender-sensitive about the project benefits and potential project risks prior to the start of project activities. In the consultative meetings, participants—including male, female, and the poor and vulnerable residents, and other significant stakeholders—will be consulted about concerns or complaints raising mechanisms, information needs, and further consultation expectations.

85. FIs, RFSPs, and ASMEs will also help convey opinions and advise from the subloans through the implementation and monitoring of ESMS.

X. ANTICORRUPTION POLICY

86. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.³³ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.³⁴

87. To support these efforts, relevant provisions are included in the loan and project agreements and the bidding documents for the project. The project design and implementation arrangements provide for mitigating corruption risks. Risks associated with project management will be mitigated by (i) training of the executing and implementing agencies' staff in the procurement of civil works, goods, and services under the project; and (ii) periodic inspection of contractors' activities related to fund withdrawals and settlements by the executing agency's staff.

88. Selection of consultants fully or partly financed out of ADB loan proceeds will adopt ADB's Guidelines on the Use of Consultants (2013, as amended from time to time), and disbursement will be made in accordance with ADB's disbursement policies, guidelines, practices, and procedures.

³³ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

³⁴ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

XI. ACCOUNTABILITY MECHANISM

89. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department (in this case the ADB East Asia Department – Environment, Natural Resources, and Agriculture Division). Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.³⁵

³⁵ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

XII. RECORD OF PAM CHANGES

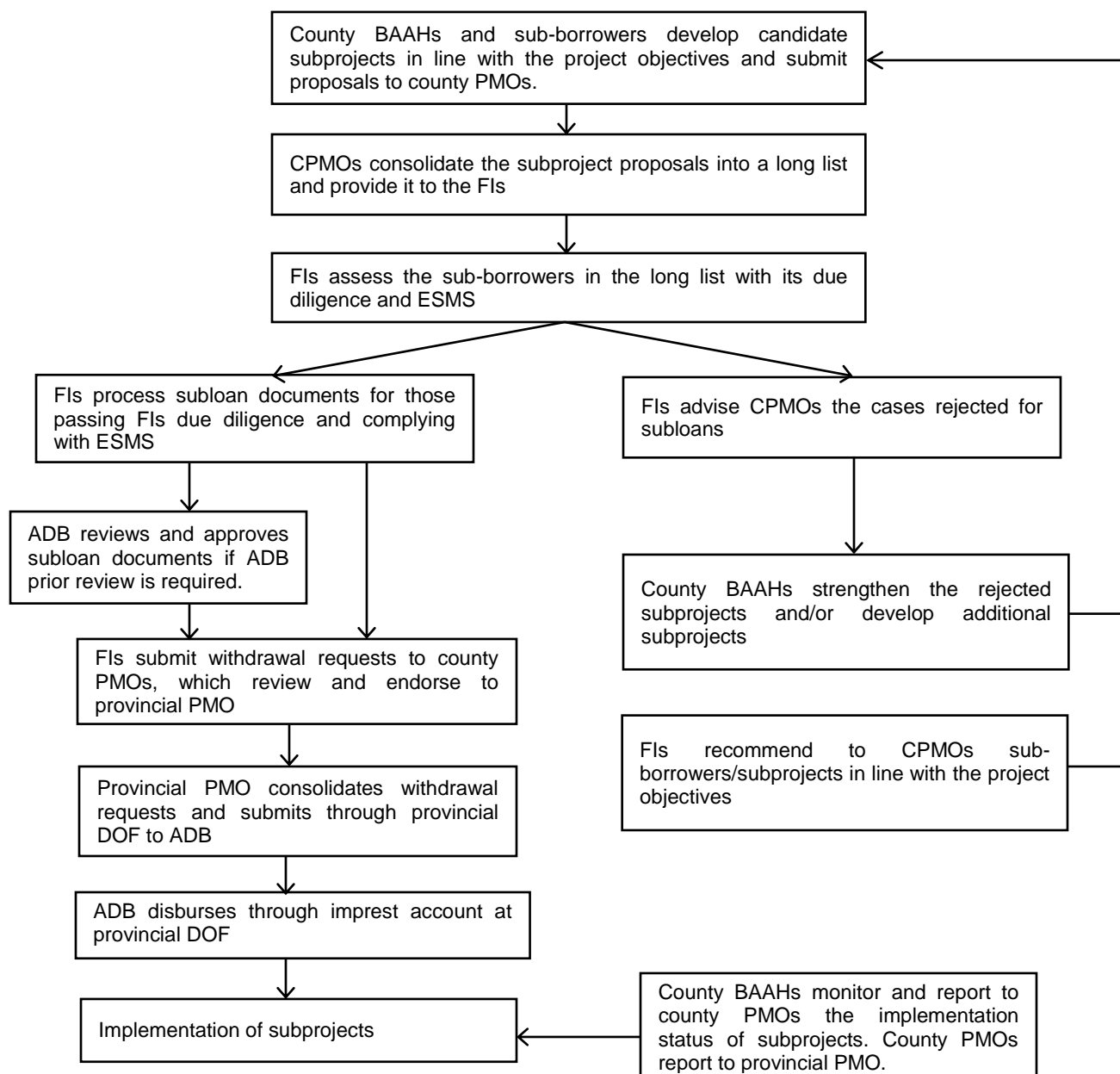
90. All revisions/updates during the course of implementation will be retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the PAM.

No.	Description of Revision	Date
<hr/>		

APPENDIX 1: SELECTION AND APPROVAL PROCEDURE FOR THE FIRST BATCH OF SUBLOANS UNDER OUTPUTS 1 AND 2

1. For the first batch of subloans under outputs 1 and 2, the government will prepare and provide a long list of candidate subprojects for financial intermediaries (FIs) to consider. The FIs will then decide which subprojects on the list to finance based on their assessment regarding sub-borrowers' creditworthiness and compliance with ADB safeguards requirements. The long list is a key vehicle used by the government to achieve sector project objectives as specified in the design and monitoring framework through the first batch of subloans. The long list will be updated regularly within the loan implementation period until the loan proceeds from ADB are fully disbursed. FIs may also identify subprojects which the government will review and include in the long list if they contribute to project goals.

2. The following diagram illustrates how the first batch of subloans will be selected and approved:



3. A preliminary long list of subprojects has been identified by the government, which consists of 145 production base subprojects for output 1 and 151 farmer cooperatives and 66 ASMEs as potential sub-borrowers for output 2. The following conditions were taken into consideration in making the preliminary list: (i) willingness to develop the production bases that produce locally featured cash crops, tree crops or livestock; (ii) engaged in business on the development of locally featured agriculture and playing a leading role on production, processing or market development; (iii) capacity and potentials for demonstrating advanced technologies and bringing along agricultural development of local farmers; (iv) strong demand for business expansion and lack of capital inputs; and (v) capacity on financial management and self-governance. These candidate subprojects will be provided to the FIs for assessment when the project commences.

APPENDIX 2: ELIGIBILITY CRITERIA

1. **Eligibility criteria of rural financial service providers (RFSPs):** A portion of loan funds are intended to be onlent by the financial intermediary banks through wholesale lending structures to eligible rural financial service providers (RFSPs), such as village and township banks (VTBs), microcredit companies (MCCs), and rural mutual cooperatives (RMCs). Eligibility requirements of RFSPs include a clearly stated commitment to the rural financial service business and an institutional culture, structure, capability, operating system, and financial position that can support the sustained delivery of rural financial services to farmers, farmer cooperatives, and agricultural small and medium enterprises (ASMEs) in the project areas. The basic principles for selecting eligible RFSPs include (i) RFSPs must have a local presence in the project county with a commitment to provide financial services to farmers, farmer cooperatives and ASMEs; (ii) RFSPs are financially sound with acceptable credit and risk management systems and procedures; and (iii) RFSPs have commitment to develop and adhere to basic ESMS requirements in accordance with Asian Development Bank's (ADB's) Safeguard Policy Statement (2009). The specific eligibility criteria of RFSPs would also include:

- (i) Legally registered within the project counties;
- (ii) A stated commitment to cooperate with executing agency, implementing agencies, provincial project management office, and county project management offices to achieve the project objectives;
- (iii) More than one year operating history, no violation of regulatory requirements, and no noted financial irregularities in the past year;
- (iv) For VTBs, they must have a non-performing loan ratio not more than 4%, and a "Shenong"¹ loan ratio not less than 50%;
- (v) For RMCs, they must have a non-performing loan ratio not more than 5%, and a "Shenong" loan ratio not less than 60%; and
- (vi) For MCCs, they must have a non-performing loan ratio not more than 8%, and a "Shenong" loan ratio not less than 30%.

2. **Guiding eligibility criteria of sub-borrowers for Output 3:** Sub-borrowers for output 3 will take subloans from the RFSPs participating in the project. These sub-borrowers in general are a broad group, and their needs for credit are more diverse qualitatively and quantitatively. In many cases, the sub-borrowers would take the loans in a shorter term due to the high available interest rate, which could be up to four times of the benchmark rate determined by the People's Republic of China. Actual eligibility criteria for these sub-borrowers could be specified by each RFSP based on their understanding of their existing and potential clients following guiding criteria which include:

- (i) Capacity and commitment in carrying out commercially profitable activities related to agriculture and livestock production, agro-processing, transportation, and marketing;
- (ii) Willingness to adopt new technologies for enhancing business in a commercially sustainable manner and to take part in associated training programs;
- (iii) Meeting environmental and social management system (ESMS) requirements of the RFSPs, and commitment to adopt environment-friendly practices and measures in the activities to be supported including use of fertilizer, chemicals,

¹ "Shenong" refers to loans to farmers and agricultural activities and in rural areas, which are official defined by the People's Bank of China.

- integrated pest management and water saving technologies that meet ESMS requirements; and
- (iv) Livestock farmers to understand and meet at least minimum animal welfare standards with respect to housing, feeding, health requirements and general animal care and handling.
3. Preference would go to: (i) those who meet all other criteria and who are willing to become “demonstration” farms for the training and sharing of information with other farmers; and (ii) economically active vulnerable groups such as the poor, women and ethnic minorities, for the development of sufficiently profitable income generation activities through the use of micro-credit in the project area.
4. **Eligibility criteria of sub-borrowers for subloans financed by revolved ADB loan proceeds:** FIs will be responsible to recycle all principal of the first-batch subloans repaid by sub-borrowers to finance additional subloans. The government will not provide long-list of subprojects or sub-borrowers for these subloans. In this case, the selection of sub-borrowers will be guided by the following eligibility criteria as well as FIs’ due diligence on the loan applicants.
5. Specific eligibility criteria of farmer cooperatives and ASMEs as sub-borrowers include:
- (i) Legally registered in local government agencies and engaged in commercially oriented business in the project area;
 - (ii) Subproject to be supported meets the screening criteria set up in ESMS, no category-A subproject classified under the ESMS would be supported;
 - (iii) Demand and adequate capacity of carrying out activities linking directly with featured agriculture development, such as production, post-harvest processing or marketing;
 - (iv) Capacity and commitment to contribute sufficient cash or other assets in kind to the proposed subproject;
 - (v) Sound business strategy and corporate governance; and
 - (vi) Commitment to adopt environment-friendly practices and measures in production, processing and marketing wherever applicable.
6. Specific eligibility criteria of individual farmers as sub-borrowers include:
- (i) Subproject to be supported meets the screening criteria set up in ESMS, no category-A subproject classified under the ESMS would be supported;
 - (ii) Demand and adequate capacity of carrying out activities related to featured agriculture development in a commercially sustainable manner, with a preference given to those who are engaged in the establishment of project-supported production bases;
 - (iii) Commitment to adopt environment-friendly practices and measures in production, including use of biological fertilizers and chemicals and adoption of improved technologies wherever applicable, such as integrated pest management, water-saving irrigation technologies, and waste management; and
 - (iv) Under same/similar conditions, priority would be given to the economically-active vulnerable groups, such as the poor, women and ethnic minorities for the development of sufficiently profitable income generation activities in the project area.

APPENDIX 3: FORMAT FOR FINANCIAL REPORTING

附件1:

资金平衡表
BALANCE SHEET
20 年12月31日 (as of 12/31/20)

表1
Statement 1

项目名称: Project Name:	单位: 人民币元 Currency Unit: RMB Yuan		
资金占用 Application of Fund	行次 Line No.	期初数 Beginning Balance	期末数 Ending Balance
一、项目支出合计 Total Project Expenditures	1		
1、交付使用资产 Fixed Assets Transferred	2		
2、待核销项目支出 Construction Expenditures to be Disposed	3		
3、转出投资 Investments Transferred-out	4		
4、在建工程 Construction in Progress	5		
二、应收生产单位投资借款 Investment Loan Receivable	6		
其中: 应收生产单位亚行贷款 Including: ADB Investment Loan Receivable	7		
三、拨付所属投资借款 Appropriation of Investment Loan	8		
其中: 拨付亚行贷款 Including: Appropriation of ADB Investment Loan	9		
四、器材 Equipment	10		
其中: 待处理器材损失 Including: Equipment Losses in Suspense	11		
五、货币资金合计 Total Cash and Bank	12		
1、银行存款 Cash in Bank	13		
其中: 专用帐户存款 Including: Special Account	14		
2、现金 Cash on Hand	15		
六、预付及应收款合计 Total Prepaid and Receivable	16		
其中: 应收亚行贷款利息 ADB Loan Interest Receivable	17		
应收亚行贷款承诺费 ADB Loan Commitment Fee Receivable	18		
应收亚行贷款资金占用费 ADB Loan Service-Fee Receivable	19		
七、有价证券 Marketable Securities	20		
八、固定资产合计 Total Fixed Assets	21		
固定资产原价 Fixed Assets, Cost	22		
减: 累计折旧 Less: Accumulated Depreciation	23		
固定资产净值 Fixed Assets, Net	24		
固定资产清理 Fixed Assets Pending Disposal	25		
待处理固定资产损失 Fixed Assets Losses in Suspense	26		
资金占用合计 Total Application of Fund	27		

资金平衡表
BALANCE SHEET
20 年12月31日 (as of 12/31/20)

表1(续)
Statement I (continued)

项目名称:

Project Name:

单位: 人民币元 Currency Unit: RMB Yuan

资金来源 Sources of Fund	行次 Line No.	期初数 Beginning Balance	期末数 Ending Balance
一、项目拨款合计 Total Project Appropriation	1		
二、项目资本与项目资本公积 Project Capital and Capital Surplus	2		
三、项目借款合计 Total Project Loan	3		
1、项目投资借款 Total Project Investment Loan	4		
(1) 国外借款 Foreign Loan	5		
其中: 亚洲开发银行 Including: ADB	6		
(2) 国内借款 Domestic Loan	7		
2、其他借款 Other Loan	8		
四、上级拨入投资借款 Appropriation of Investment Loan	9		
其中: 拨入亚行贷款 Including: ADB Loan	10		
五、企业债券资金 Bond Fund	11		
六、待冲项目支出 Construction Expenditures to be Offset	12		
七、应付款合计 Total Payable	13		
其中: 应付亚行贷款利息 Including: ADB Loan Interest Payable	14		
应付亚行贷款承诺费 ADB Loan Commitment Fee Payable	15		
应付亚行贷款资金占用费 ADB Loan Service Fee Payable	16		
八、未交款合计 Other payables	17		
九、上级拨入资金 Appropriation of Fund	18		
其中 Including:	19		
	20		
	21		
十、留成收入 Retained Earnings	22		
资金来源合计 Total Sources of Fund	23		

附件2:

项目进度表

SUMMARY OF SOURCES AND USES OF FUNDS BY PROJECT COMPONENT

本期截至 20 年12月31日 (For the Period Ended 12/31/20)

表2-1

项目名称:

Statement II-I

Project Name:

单位: 人民币元 Currency Unit: RMB yuan

	本期			累计		
	Current Period			Cumulative		
	本年计划额	本期发生额	本期完成比	项目总计划额	累计完成额	累计完成比
资金来源合计 Total Sources of Fund						
一、国际金融组织贷款 International Financing						
1、亚洲开发银行 ADB						
2、其他国际金融组织贷款 Other International Financing						
其中 Including: (1)						
二、配套资金 Counterpart Financing (注一)						
1、国债资金 State Bond						
2、省 Province						
3、国内银行 Domestic Bank						
4、县级及企业自筹 County and Enterprise Self-raised						
5、其他 Others						
资金运用合计 Total Application of Funds						
(按项目内容 by Project Component) (注二)						
差异 Difference						
1、应收款变化 Change in Receivables						
2、应付款变化 Change in Payables						
3、货币资金变化 Change in Cash and Bank						
4、其它 Other						

项目进度表

SUMMARY OF SOURCES AND USES OF FUNDS BY PROJECT COMPONENT

本期截至 2000年12月31日 (For the period ended 12/31/20)

表2-2

Statement II-II-1

项目名称:

单位: 人民币元

Project Name:

Unit: RMB Yuan

序号 Project Component	项目内容 Project Component	项目支出 (Project Expenditure)							
		累计支出 Cumulative Amount	已交付资产 Assets Transferred				在建工程 Work in Progress	待核销项目支出 Construction Expenditures to be disposed	转出投资 Investments Transferred-out
			固定资产 Fixed Asset	流动资产 Current Ass	无形资产 Intangible	递延资产 Deferred Asse			
01F									
01H									
02A									
02B									
02D									
02E									
02F									
02H									
02I									
3									
4									
	总计 Total						-		

附件3:

贷款协定执行情况表
STATEMENT OF IMPLEMENTATION OF LOAN AGREEMENT

本期截至 20 年12月31日

(For the period ended 12/31/20)

表3

项目名称:

Statement III

Project Name:

单位: 人民币元 Currency Unit: RMB yuan

类别 Category	核定贷款金额 Loan Amount 美元USD		本年度提款数 Current-Period Withdrawals		累计提款数 Cumulative Withdrawals	
	美元USD	折合人民币RMB	美元USD	折合人民币RMB	美元USD	折合人民币RMB
	01F					
01H						
02A						
02B						
02D						
02E						
02H						
02I						
6						
99						

附件4:

专用账户表:

本期截止 20 年12月31日

SPECIAL ACCOUNT STATEMENT

(For the Period Ended 12/31/20)

表4
Statement IV

项目名称:

Project Name:

亚洲开发银行贷款号:

ADB Loan/Credit No:

开户银行名称/账号:

Depository Bank/Account No:

货币种类: 美元

Currency:

A部分: 本期专用账户收支情况

Part A-Account Activity for the period

金额
Amount

期初余额

Beginning balance (month/day/year)

增加 Add:

本期亚洲开发银行回补总额

Total amount deposited by ADB

本期利息收入总额(存入专用账户)

Total interest earned this period if deposited in Spicial Account

本期不合格支出归还总额

Total amount refunded to cover ineligible expenditures

减少 Deduct:

本期支出总额

Total amount withdrawn

本期未包括在支付额中的服务费支出

Total service charges if not included in above amount withdrawn

期末余额

Ending balance (month/day/year)

B部分: 专用账户调节

Part B-Account Reconciliation

1. 亚洲开发银行首次存款总额

Amount advanced by ADB

减少 Deduct:

2. 亚洲开发银行回收总额

Total amount recovered by ADB

3. 本期期末专用账户首次存款净额

Outstanding amount advanced to the Special Account at month/day/year

4. 专用账户期末余额

Ending balance of Special Account at month/day/year

增加 Add:

5. 截止本期期末已申请报账但尚未回补金额

Amount claimed but not yet credited at month/day/year

申请书号

金额

Application No.Amount

6. 截止本期期末已支付但尚未申请报账金额

Amount withdrawn but not yet claimed

7. 服务费累计支出(如未含在5和6栏中)

Cumulative service charges (if not included in item 5. or 6.)

减少 Deduct:

8. 利息收入(存款专用账户部分)

Interest earned (if included in Special Account)

9. 本期期末专用账户首次存款净额

Total advance to Special Account accounted for at month/day/year

APPENDIX 4: TRAINING PLANS

Training Plans (Gansu Featured Agriculture and Financial Services System Development Project)			
No.	Type of training	Topics and contents	Objectives
1.Capacity building for featured agriculture production bases:			
1)	1.1.1 Farmers' training of cash/tree crops production bases	Topic: cash/tree crops safety standardized cultivation techniques. Contents: cultivation, pest and diseases control, harvesting and management, moisture conservation, water-saving and scientific fertilization, etc.	Objective: make the producers understand advanced cultivation and management technologies,strengthen awareness of standardized production,enhance cash/tree crops products quality and productivity. Outcome: enhanced technical capacity of farmers.
2)		Topic: greenhouse water and fertilizer-saving high yield and high efficiency cultivation techniques. Contents: seedlings culture, cultivation, water-saving irrigation, scientific fertilization, pest and diseases control, harvesting and management, etc.	Objective: make the subborrowers/producers understand advanced cultivation and management technologies,strengthen awareness of standardized production,enhance cash/tree crops products quality and productivity. Outcome: enhanced technical capacity of farmers.
3)		Topic: risk control and agricultural insurance Contents: ways of risk control for modern agriculture, introduction of major agricultural insurance products.	Objective: etrengthen awareness of agricultural insurance and risk control, subborrowers reduce risks through purchasing agricultural insurance. Outcome: enhanced awareness of subborrowers on agricultural insurance and risk control.
4)	1.1.2Training for technicians on cash/tree crops production bases	Topic: cash/tree crops safety standardized cultivation techniques. Contents: cultivation, pest and diseases control, harvesting and management, moisture conservation, water-saving and scientific fertilization, etc.	Objective: enhance technical agents' ability in technical services. Outcome: enhanced capacity of technical service providers, ensure appropriate technical services to subborrowers.
5)		Topic: greenhouse water and fertilizer-saving high yield and high efficiency cultivation techniques. Contents: seedlings culture, cultivation, water-saving irrigation, scientific fertilization, pest and diseases control, harvesting and management, etc.	Objective: enhance technicians' capacity to provide as-required services. Outcome: enhanced capacity of technical service providers, ensure appropriate technical services to subborrowers.
6)	1.1.3 Specialists for cash/tree crops production bases	Topic: cash/tree crops safety standardized cultivation techniques. Contents: cultivation, pest and diseases control, harvesting and management, moisture conservation, water-saving and scientific fertilization, etc.	Objective: recruit specialists to train trainers of technicians and introduce advanced technologies Outcome: form a local trainer team providing technical guidance and effective training to field level technicians who provide improved technical services to subborrowers.
7)		Topic: greenhouse water and fertilizer-saving high yield and high efficiency cultivation techniques. Contents: seedlings culture, cultivation, water-saving irrigation, scientific fertilization, pest and diseases control, harvesting and management, etc.	Objective: recruit specialists to train trainers of technicians and introduce advanced technologies Outcome: form a local trainer team providing technical guidance and effective training to field level technicians who provide improved technical services to subborrowers.
8)		Topic: construction of standardized cattle/sheep pens/houses. Contents: site selection, partitioning, health facilities, waste disposal facilities and management, etc.	Objective: build standardized livestock farm with appropriate layout to meet the requirements of scientific production and epidemic prevention. Outcome: enhanced productivity of livestock and increased quality of beef, mutton and milk.

9)	1.2.1 Training for farmers and specialized households on livestock production	Topic: epidemic and diseases control Contents: vaccination, normal diseases treatment, farm sterilation and health management, dead animal disposal and treatment, etc.	Objective: master the techniques of epidemic prevention and control. Outcome: reduced mortality of livestock.
10)		Topic: breeding and feeding technologies Contents: selection of productive animal breeds, artificial insemination, pregnant cow/sheep and calves feeding and management, fattening techniques, etc.	Objective: master the techniques of livestock breeding and fattening. Outcome: increased the success rate of artificial insemination and enhanced survival rate and marketing rate of livestock, enhanced quality of livestock products.
11)		Topic: construction of standardized cattle/sheep pens/houses. Contents: site selection, partitioning, health facilities, waste disposal facilities and management, etc.	Objective: foster trainers of farmers, enhance technical agents' ability in technical services. Outcome: enhanced capacity of technical service providers, ensure appropriate technical services to subborrowers.
12)		Topic: epidemic and diseases control Contents: vaccination, normal diseases treatment, farm sterilation and health management, dead animal disposal and treatment, etc.	Objective: foster trainers of farmers, enhance technical agents' ability in technical services. Outcome: enhanced capacity of technical service providers, ensure appropriate technical services to subborrowers.
13)		Topic: breeding technologies Contents: selection of productive animal breeds, artificial insemination, pregnant cow/sheep and calves feeding and management, fattening techniques, etc.	Objective: foster trainers of farmers, enhance technical agents' ability in technical services. Outcome: enhanced capacity of technical service providers, ensure appropriate technical services to subborrowers.
14)	1.2.2 Training for technicians on livestock production	Topic: waste disposal and utilization of livestock farm. Contents: fermentation and composting of livestock wastes, biogas production, use of sewage and slurries of biogas digesters.	Objective: enhance the awareness of environmental protection while promoting effective use of livestock waste. Outcome: contributing to improving environment while increasing the livestock production.
15)		Topic: forage production Contents: quality maize and alfalfa production techniques, feed processing, forage storage and amination, etc.	Objective: improve the technologies of forage production, forage storage and amination, and feed processing. Outcome: enhanced efficiency of forage and feeds.
16)		Topic: livestock farm management and records filing. Contents: Annual budget, expenditures on feed, labour, electricity and epidemic control, cost control, financial account establishment and management.	Objective: standardize and systemize livestock farm management through enhanced files and records management. Outcome: enhanced management of livestock farm for production of high quality products.
17)		Topic: design and construction of standardized livestock bases/farms Contents: site selection, function partitioning, epidemic prevention facilities, waste disposal arrangement and construction, etc.	Objective: recruit specialists to foster trainers of technicians, enhance technical agents' ability in technical services. Outcome: local trainer team formed, providing technical guidance and training to local technicians who will provide appropriate technical services to subborrowers.
18)	1.2.3 Specialists for livestock production bases	Topic: epidemic prevention and control and management. Contents: Vaccine innovation, normal diseases treatment, farm sterilation, and dead animal disposal, etc.	Objective: recruit specialists to foster trainers of technicians, enhance technical agents' ability in technical services. Outcome: local trainer team formed, providing technical guidance and training to local technicians who will provide appropriate technical services to subborrowers.

19)		Topic: breeding and feeding Contents: selection of productive animal breeds, artificial insemination, pregnant cow/sheep and calves feeding and management, fattening techniques, etc.	Objective: recruit specialists to foster trainers of technicians, enhance technical agents' ability in technical services. Outcome: local trainer team formed, providing technical guidance and training to local technicians who will provide appropriate technical services to subborrowers.
2. Support to farmer cooperatives and ASMEs			
20)	2.1 Training for cooperatives' member farmers	Topic: marketing knowledge for cooperatives and ASMEs Contents: contracting with farmers, members management, packaging, and marketing, etc.	Objectives: enhance the awareness of members for value addition of products and access to markets. Outcome: enhanced product quality for premium prices and markets with improved management.
21)		Topic: cooperative and ASME management. Contents: laws and regulations, food safety, financial management (accounting, budgeting, cost control), etc.	Objective: standardize the operation and management of cooperatives and ASMEs. Outcome: enhanced and standardized operation and management of cooperatives and ASMEs, particularly in standing to laws and regulations and financial management.
22)	2.2 Training for managers and staffs of cooperatives and ASMEs	Topic: marketing strategies for cooperatives and ASMEs. Contents: branding, product certification, marketing, strategies and modalities of linking production with markets, and e-commerce, etc.	Objective: enhance the capacity of cooperatives and ASMEs on branding, market development, linking the producers to markets effectively. Outcome: developed marketing channels and strengthened linkage between farm producers and markets.
23)		Topic: livestock products' market and value chains. Contents: management and quality control of livestock products, value chain, risks and control, strengthening of product quarantine and monitoring, slaughtering techniques, etc.	Objective: enhance the awareness of cooperatives and ASMEs on the importance of product quality and quarantine, reducing the risks in the value chains and enhancing competitiveness of products in markets. Outcome: quarantine and monitoring systems established and products quality enhanced.
24)		Topic: cooperatives and ASMEs management Contents: laws and regulations, food safety, financial management (accounting, budgeting, cost control), etc.	Objective: enhance the awareness of management personnel on laws and regulations and as well as the ability of management. Outcome: financial management systems established and functioned appropriately following the laws and regulations.
25)		Topic: marketing strategies for cooperatives and ASMEs. Contents: branding, product certification, marketing, strategies and modalities of linking production with markets, and e-commerce, etc.	Objective: enhance the capacity of cooperatives and ASMEs on branding, market development, linking the producers to markets effectively. Outcome: developed marketing channels and strengthened linkage between farm producers and markets.
26)	2.3 Specialists for	Topic: livestock products' market and value chains. Contents: management and quality control of livestock products, value chain, risks and control, strengthening of product quarantine and monitoring, slaughtering techniques, etc.	Objective: enhance the awareness of cooperatives and ASMEs on the importance of product quality and quarantine, reducing the risks in the value chains and enhancing competitiveness of products in markets. Outcome: quarantine and monitoring systems established and products quality enhanced.

28)	cooperatives and ASMEs	Topic: animal nutrition and feed processing. Contents: quality maize and alfalfa production techniques, feed processing, forage storage and amination, etc.	Objective: foster trainers for livestock production bases, improve the technologies of forage production, forage storage and amination, and feed processing. Outcome: enhanced efficiency of forage and feeds.
29)		Topic: waste disposal and utilization of livestock farm. Contents: fermentation and composting of livestock wastes, biogas production, use of sewage and slurries of biogas digesters.	Objective: foster trainers of technicians for cooperatives and ASMEs and enhance technicians' ability. Outcome: waste disposal technologies improved in cooperatives and ASMEs
30)		Topic: grassroots level business training on agricultural insurance Contents: ways of risk control for modern agriculture, introduction of major agricultural insurance products, compensation procedure, effective communication with clients, data processing, and appeal procedure, etc.	Objective: enhance the capacity of insurance brokers on policies and business to improve their communication with clients for enhancement of farmers' awareness on insurance. Outcome: capacity of insurance brokers enhanced and insurance coverage increased.
31)		Topic: efficient use of water resources in crop and livestock production. Contents: extension of water-saving technologies in crop and livestock production.	Objective: update the technologies for technical personnel on water-saving. Outcome: water-saving technologies applied.
3. Rural financial services			
32)	3.1 Training for FIs and RFSPs staffs	Topic: ESMS implementation of ADB project Contents: ADB's requirements for FIs and RFSPs, environment and social management (ESMS), etc.	Objective: establish the systems for FIs and RFSPs on environment and social safeguards while providing lending services. Outcome: ESMS implementation systems established in FIs and RFSPs.
33)	3.2 Training for FIs and RFSPs staffs	Topic: sustainable development of MCCs. Contents: current status of MCCs development, policies, management, risk assessment and control, and commercial and financial sustainability, etc.	Objective: enhance the capacity of FIs and RFSPs staffs on lending, management for sustainable development.
		Topic: building of rural credit system Contents: lending assessment, communication with clients, and measures for establishing credit system, etc.	Objective: improve rural credit systems and lending environment.
		Topic: "Sannong" lending business. Contents: experiences on "Sannong" lending, risk control, and insurance, etc.	Objective: reduce overdue rate of "Sannong"-related loans and build up a sustainable rural financial system.
34)	3.3 Specialists for rural financial services	Topic: sustainable development of MCCs. Contents: current status of MCCs development, policies, management, risk assessment and control, and commercial and financial sustainability, etc.	Objective: enhance the capacity of RFSPs staffs on lending, management for sustainable development.
		Topic: building of rural credit system Contents: lending assessment, communication with clients, and measures for establishing credit system, etc.	Objective: improve rural credit systems and lending environment.

		Topic: "Sannong" lending business. Contents: experiences on "Sannong" lending, risk control, and insurance, etc.	Objective: reduce overdue rate of "Sannong"-related loans and build up a sustainable rural financial system.
4. Project management			
35)	4.1 Project management training	Topic: project management and financial management. Contents: project management, financial management (accounting, flow of funds, disbursement, withdrawal, etc), M&E, and knowledge management, etc.	Objective: enhance the capacity of PMOs and IAs staffs on project management, financial management (accounting, flow of funds, disbursement, withdrawal, etc), M&E, and knowledge management, etc. Outcome: project well implemented and managed.
36)		Topic: ESMS implementation and management Contents: classification and screening of subprojects following the ESMS procedure, documentation and reporting, etc.	Objective: ensure appropriate implementation of project ESMS. Outcome: ESMS implemented and no significant negative environment and social impact during project implementation.
37)		Topic: implementation of SGAP and EMDP of the project. Contents: gender and ethnic minority sensitive in project implementation following the SGAP and EMDP.	Objective: enhance the capacity of PMOs and IAs staffs to ensure that the project implementation is social, gender and ethnic minority sensitive, benefiting the poor, women and ethnic minorities. Outcome: SGAP and EMDP are well implemented as well as the poor, women and ethnic minorities benefit well from the project.
38)	4.2 Specialists for project management	Topic: Procurement and payment management Contents: Procurement and payment procedure training about ADB and writing the related report.	Objective: recruit specialists to train key personnel of PMOs and IAs on project management, financial management (accounting, flow of funds, disbursement, withdrawal, etc), M&E, and knowledge management, etc. The trainees will be the trainers of other personnel of PMOs and IAs. Outcome: project well implemented and managed.
39)		Topic: ESMS implementation and management Contents: classification and screening of subprojects following the ESMS procedure, documentation and reporting, etc.	Objective: recruit specialists to train key personnel of PMOs and IAs to ensure appropriate implementation of project ESMS. Outcome: ESMS implemented and no significant negative environment and social impact during project implementation.
40)		Topic: implementation of SGAP and EMDP of the project. Contents: gender and ethnic minority sensitive in project implementation following the SGAP and EMDP.	Objective: recruit specialists to train key personnel of PMOs and IAs to ensure that the project implementation is social, gender and ethnic minority sensitive, benefiting the poor, women and ethnic minorities. Outcome: SGAP and EMDP are well implemented as well as the poor, women and ethnic minorities benefit well from the project.

41)	4.3 Project management training	Topic: project management and financial management. Contents: project management, financial management (accounting, flow of funds, disbursement, withdrawal, etc), M&E, and knowledge management, etc.	Objective: enhance the capacity of PMOs and IAs staffs on project management, financial management (accounting, flow of funds, disbursement, withdrawal, etc), M&E, and knowledge management, etc. Outcome: project well implemented and managed.
42)		Topic: ESMS implementation and management Contents: classification and screening of subprojects following the ESMS procedure, documentation and reporting, etc.	Objective: ensure appropriate implementation of project ESMS. Outcome: ESMS implemented and no significant negative environment and social impact during project implementation.
43)		Topic: implementation of SGAP and EMDP of the project. Contents: gender and ethnic minority sensitive in project implementation following the SGAP and EMDP.	Objective: enhance the capacity of PMOs and IAs staffs to ensure that the project implementation is social, gender and ethnic minority sensitive, befitting the poor, women and ethnic minorities. Outcome: SGAP and EMDP are well implemented as well as the poor, women and ethnic minorities benefit well from the project.

9)	1.2.1 Training for farmers and specialized households on livestock production	Sheep bases: plot management 2 persons/base, household base 2 person/household.	County BOA, PMO	8047	1471	2190	2015	1288	1083	40	321.9	Govt
10)		Sheep bases: plot management 2 persons/base, household base 3 person/household.	County BOA, PMO									
11)	1.2.2 Training for technicians on livestock production	Trainers: base technician 1 person, county technician 1 persons per 50 households	County BOA, PMO	275	55	70	70	45	35	380	104.5	Govt
12)		Trainers: base technician 1 person, county technician 1 persons per 51 households	County BOA, PMO									
13)		Trainers: base technician 1 person, county technician 1 persons per 52 households	County BOA, PMO									
14)		Trainers: base technician 1 person, county technician 1 persons per 53 households	County BOA, PMO									
15)		Trainers: base technician 1 person, county technician 1 persons per 54 households	County BOA, PMO									
16)		Trainers: base technician 1 person, county technician 1 persons per 55 households	County BOA, PMO									
17)	1.2.3 Specialists for livestock production bases	Above trainers		60	12	12	12	12	12	1500	90.0	Govt
18)		Above trainers		73	16	16	16	13	12	1500	109.5	Govt

19)		Above trainers		72	16	16	16	12	12	1500	108.0	Govt
2. Support to farmer cooperatives and ASMEs												
20)	2.1 Training for cooperatives' member farmers	Members' training: averagely 30 households per cooperative/enterprise, training for 3 times/days.		19530	4140	4500	4410	3690	2790	40	781.2	Govt
21)	2.2 Training for managers and staffs of cooperatives and ASMEs	Enterprise/cooperative management and financial management personnel 1 person each, county BOA and CPMO 4 persons	PPMO, county BOA, CPMO.									
22)		Enterprise/cooperative management personnel and technician 1 person each, county BOA and CPMO 4 persons		5208	1104	1200	1176	984	744	380	1979.0	Govt
23)		Enterprise/cooperative management personnel and technician 1 person each, county BOA and CPMO 5 persons										
24)	2.3 Specialists for	Enterprise/cooperative management personnel and technician 1 person each, county BOL and CPMO 2 persons, livestock farm management personnel 1 person/farm	PPMO, county BOA, CPMO.	81	18	18	15	12	18	2000	162.0	Govt
25)		Enterprise/cooperative management personnel and technician 1 person each, county BOA/BOL and CPMO 2 persons	PPMO, county BOA, CPMO.	40	7	9	9	9	6	2000	80.0	Govt
26)		Enterprise/cooperative management personnel and technician 1 person each, county BOA and CPMO 2 persons, slaughter management and technician 2 persons/base, county epidemic prevention station technician 2 persons/county.	PPMO, county BOA, CPMO.	36	-	12	12	12	-	2000	72.0	Govt

28)	cooperatives and ASMEs	Enterprise/cooperative management personnel and technician 1 person each, county BOA/BOL and CPMO 2 persons, base management personnel 2 persons/base	PPMO, county BOA, CPMO.	30	6	6	6	6	6	2000	60.0	Govt
29)		Livestock farm technician 2 persons/farm, enterprise/cooperative 2 persons each, county BOL technician 2 persons/county	PPMO, county BOA, CPMO.	12	6	6	-	-	-	2000	24.0	
30)		Insurance broker 5 persons/county, CPMOs 2 persons/PMO	PPMO, CPMO	24	6	6	6	6	0	2000	48.0	
31)		Enterprise/cooperative management personnel and technician 1 person each, county BOA/BOL and CPMO 2 persons, cash/tree crop base technician 1 person/base	PPMO, county BOA, CPMO.	30	6	6	6	6	6	2000	60.0	
3. Rural financial services												
32)	3.1 Training for FIs and RFSPs staffs	FIs 5 persons/year, county bank staff 15-20 persons/year, integrating with training for clients and RFSPs staff.	FIs	5450	925	1100	1150	1175	1100	380	2071	FIs
33)		FIs 5 persons/year, county bank staff 15-21 persons/year, integrating with training for clients and RFSPs staff.	FIs									
	3.2 Training for FIs and RFSPs staffs	FIs 5 persons/year, county bank staff 15-22 persons/year, integrating with training for clients and RFSPs staff.	FIs									
		FIs 5 persons/year, county bank staff 15-23 persons/year, integrating with training for clients and RFSPs staff.	FIs									
34)	3.3 Specialists for rural financial services	MCC-related business bank staff, PMO staff	FIs	66	14	14	14	14	10	2000	132.0	FIs
		MCC-related business bank staff, PMO staff	FIs	60	12	12	12	12	12	2000	120.0	FIs

		MCC-related business bank staff, PMO staff	FIs	101	24	24	24	18	11	2000	202.0	FIs
4. Project management												
35)	4.1 Project management training	Provincial training includes PPMO, DOF, CPMO, CBOF, FIs, etc; training includes agriculture, livestock, water resources and forestry, etc.	PPMO									
36)		Provincial training includes PPMO, CPMO, FIs; training includes agriculture, livestock, water resources and forestry, etc.	PPMO	3360	672	672	672	672	672	380	1277	Govt
37)		Provincial training includes PPMO, CPMO, FIs, nationality and religion commission, women federation; county training includes agriculture, livestock, nationality and religion commission, women federation, etc	PPMO									
38)	4.2 Specialists for project management	Provincial training includes PPMO, DOF, CPMO, CBOF, FIs, etc.	PPMO	150	60	30	30		30	30000	150	Govt
39)		Provincial training includes PPMO, CPMO, FIs, etc.	PPMO	300	60	60	60	60	60	30000	300	Govt
40)		Provincial training includes PPMO, CPMO, FIs, nationality and religion commission, women federation, etc.	PPMO	210	60	30	30	30	60	30000	210	Govt

No.	Type of training	Estimated number of persons to be trained													Remarks
		Kongtong	lingchuan	Lintai	Huanxian	Zhengyuar	Lintao	Mingxian	Yuzhong	Yongjing	Hezheng	Jishishan	Province	Total	
1.Capacity building for featured agriculture production bases:															
1)															
2)	1.1.1 Farmers' training of cash/tree crops production bases	814	914	450	700	472	1382	4729	1256	225	1014	416	0	12372	1 day
3)															
4)	1.1.2 Training for technicians on cash/tree crops production bases	17	22	15	14	10	28	97	29	7	23	14	-	276	5 days
5)															
6)	1.1.3 Specialists for cash/tree crops production bases	17	22	15	14	10	28	97	29	7	23	14	0	276	In 4 regions: plant protection experts 56 mandays, crop cultivation and dryland agriculture experts 56 mandays, tree crop experts 48 mandays.
7)															In 4 regions: horticulture experts 47 mandays, agricultural architecture experts 39 mandays, agro-extension experts 39 mandays, soil and fertilizers experts 30 manday.

8)															
9)	1.2.1 Training for farmers and specialized households on livestock production	2	6	22	700	472	104	121	22	20	54	66		1589	1 day
10)															
11)															
12)	1.2.2 Training for technicians on livestock production														
13)															
14)		1	3	5	14	10	3	5	5	1	4	4		55	5 days
15)															
16)															
17)															In 4 regions (pinliang, Qinyang, Dingxi & lanzhou, Linxia): Agro-architecture experts 60 mandays.

18)	1.2.3 Specialists for livestock production bases	1	3	5	14	10	3	5	5	1	4	4	-	55	In 4 regions (pinliang, Qinyang, Dingxi & lanzhou, Linxia): veterinary experts 73 mandays.
19)															In 4 regions (pinliang, Qinyang, Dingxi & lanzhou, Linxia): livestock rearing experts 72 mandays.
2. Support to farmer cooperatives and ASMEs															
20)	2.1 Training for cooperatives' member farmers	330	330	330	330	330	330	330	330	330	330	330		6,510	3 days
21)															
22)	2.2 Training for managers and staffs of cooperatives and ASMEs	66	66	66	66	66	66	66	66	66	66	66		1302	4 days
23)															
24)															In 4 regions (pinliang, Qinyang, Dingxi & lanzhou, Linxia): rural finance and financial files management experts 42 mandays, farmer cooperative experts 39 mandays.
25)		66	66	66	66	66	66	66	66	66	66	66	-	1,302	In 4 regions (pinliang, Qinyang, Dingxi & lanzhou, Linxia): marketing experts 40 mandays.

34)	3.3 Specialists for rural financial services						12	12		12			5	41.0	Provincial training: risk control experts 30 mandays, banking business and lending experts 24 mandays, enterprise management consultants 12 mandays.
															Provincial training: rural finance experts 30 mandays, lending experts 30 mandays.
		95	95	110	95	95	98	103	105	98	98	98	-	1,090	Provincial training: agricultural experts 24 mandays, livestock experts 24 mandays, insurance brokage experts 29 mandays, agriculture-related lending experts 24 mandays.
4. Project management															
35)	4.1 Project management training														Province 12 sessions
36)													336	336	
37)															
38)		6	6	6	6	6	6	6	6	6	6	6	13	79	Procurement and payment experts 150 mandays.

