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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$ 400 MILLION

TO THE

PEOPLE'S REPUBLIC OF CHINA

FOR A

GUANGXI POVERTY REDUCTION PROGRAM FOR RESULTS

P163138

June 1, 2018

Agriculture Global Practice
East Asia And Pacific Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 27, 2018)

Currency Unit = Renminbi (RMB)

US\$ 1.00 = RMB 6.33

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ACG	Anticorruption Guidelines
AFUP	Annual Fund Use Plan
CPRF	Consolidated Poverty Reduction Fund
CPRP	Consolidated Poverty Reduction Program
DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Results
DOF	Department of Finance
DRC	Development and Reform Commission
ESSA	Environment and Social Systems Assessment
FCO	Funds Consolidation Office
FM	Financial Management
GHG	Greenhouse Gas
GRPRP	Guangxi Rural Poverty Reduction Program
GRS	Grievance Redress Service
IBRD	International Bank for Reconstruction and Development
LGO	Leading Group's Office
MDG	Millennium Development Goal

MIS	Management Information System
MOA	Ministry of Agriculture
NPRS	National Poverty Registration System
PAP	Program Action Plan
PCO	Program Coordination Office
PDO	Program Development Objective
PFM	Public Financial Management
PforR	Program for Results
PRLEs	Poverty Reduction Leading Enterprises
RAs	Result Areas
RDCC	Regional Disease Control Center
RDOA	Regional Department of Agriculture
RDRC	Regional Development Reform Committee
RMB	Renminbi
RPRO	Regional Poverty Reduction Office
TOR	Terms of Reference
VA	Verification Agency
5YP	5-Year Plan

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CHINA
Guangxi Poverty Reduction Program for Results

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PAD DATA SHEET

China

**GUANGXI POVERTY REDUCTION PROGRAM FOR RESULTS (P163138)
PROGRAM APPRAISAL DOCUMENT**

*East Asia and Pacific Region
0000009239*

BASIC INFORMATION

Is this a regionally tagged project?		Financing Instrument
No		Program-for-Results Financing
Bank/IFC Collaboration	Does this operation have an IPF component?	
No	No	

Proposed Program Development Objective(s)

The program development objective is to enhance the impact and efficiency of the Guangxi Consolidated Poverty Reduction Program (CPRP) in the Targeted Counties.

Organizations

Borrower : PEOPLE'S REPUBLIC OF CHINA
Implementing Agency : Guangxi Poverty Alleviation Office
Guangxi Agriculture Department

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	5,129.00
Total Operation Cost	400.00
Total Program Cost	400.00
Total Financing	400.00
Financing Gap	0.00

Financing (USD Millions)

International Bank for Reconstruction and Development (IBRD)	400.00
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Expected Disbursements (USD Millions)

Fiscal Year	2018	2019	2020
Absolute	100.00	200.00	100.00
Cumulative	100.00	300.00	400.00

INSTITUTIONAL DATA**Practice Area (Lead)**

Agriculture

Contributing Practice Areas

Governance

Poverty and Equity

Climate Change and Disaster Screening

Yes

Private Capital Mobilized

Yes

Public Private Partnership

No

Gender Tag

Does the program plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Low
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Low
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary No Fiduciary Risk rating has been completed to date	● Moderate
7. Environment and Social Environmental Risk rating from IRT: ● Moderate as of 03-Apr-2018 Social Risk rating from IRT: ● Moderate as of 03-Apr-2018	● Moderate
8. Stakeholders	● Moderate
9. Overall	● Substantial

COMPLIANCE

Policy

Does the program depart from the CPF in content or in other significant respects?

Yes No

Does the program require any waivers of Bank policies?

Yes No

Safeguard Policies Triggered

Safeguard Policies	Yes	No
Projects on International Waterways OP/BP 7.50	✓	
Projects in Disputed Areas OP/BP 7.60		✓

Legal Covenants

Sections and Description

Program Institutions

Program Agreement (PA), Schedule, Section B.1: the Program Implementing Entity shall maintain, and cause to be maintained, the following entities with composition, powers, functions, staffing, facilities and other resources acceptable to the Bank: (a) at the regional level: (i) the Regional Leading Group, responsible for providing leadership, policy guidance and coordination in the preparation and implementation of the Program; (ii) the Program Coordination Office, responsible for supporting the coordination, management, reporting, and supervision of the Program, including coordination with the line departments and the Targeted Counties on Program implementation. (b) at the county level: (i) a leading group in each Targeted County, responsible for providing overall policy, financial and institutional guidance on Program implementation and facilitating coordination among different implementing agencies within its respective jurisdiction; (ii) a coordination office in each Targeted County, responsible for implementation of the Program at the county level, and coordinating day-to-day activities with the Program Coordination Office and other agencies, monitoring Program implementation within the county concerned; and (iii) an advisory committee in each Targeted County, responsible for providing technical support to the Program activities within the county concerned.

Sections and Description

Program Action Plan

PA, Schedule, Section I.B.2: The Program Implementing Entity shall, and shall cause the Targeted Counties to: (a) undertake the actions set forth in the Program Action Plan; (b) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of the Program Action Plan, or any provision thereof, without the prior written agreement of the Bank; and (c) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the Program Action Plan.

Sections and Description

Excluded Activities

Loan Agreement, Schedule 2, Section II/ PA, Schedule, Section II: The Borrower and the Program Implementing Entity shall ensure that the Program shall exclude any activities which: A. in the opinion of the Bank are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or B. involve the procurement of: (1) works, estimated to cost \$115 million equivalent or more per contract; (2) goods, estimated to cost \$75 million equivalent or more per contract; (3) non-consulting

services, estimated to cost \$75 million equivalent or more per contract; or (4) consultants' services, estimated to cost \$30 million equivalent or more per contract.

Sections and Description

Verification Agency

PA, Schedule, Section III.3: The Program Implementing Entity shall not later than December 31, 2018, hire, and thereafter maintain, throughout the period of Program implementation, verification agents having experience and qualifications in the relevant technical fields, acceptable to the Bank, and under terms of reference, including a time-table and adequate budget for its activities, acceptable to the Bank, to monitor and verify the achievement of the Disbursement Linked Results (DLRs).

Conditions

TASK TEAM

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I. STRATEGIC CONTEXT

A. Country Context

1. China's success in reducing extreme poverty since the economic reform period is widely recognized as an event of global significance. Based on the international poverty line of US\$1.90 per day (expressed in 2011 purchasing power parity), the World Bank estimates that the incidence of poverty in China declined from 877.8 million in 1981 to 87.4 million in 2012 (or from 88.3 percent to 6.5 percent of the total population). These World Bank estimates indicate that about 790 million Chinese escaped poverty during this period, representing about 72 percent of global poverty reduction. These estimates of declining poverty have been matched by broad-based improvements in nutritional status, educational attainment, longevity and other health outcomes, as well as other indicators of well-being. In fact, China was the first country to achieve the Millennium Development Goal (MDG) of halving the number of people living in poverty by 2015, and it did it ahead of schedule. This highlights the country's leading role in global poverty reduction.

2. In its Thirteenth Five Year Plan (13th 5YP), Chinese government made an ambitious commitment to eliminating rural poverty by 2020, ten years before the WBG's target of 2030. The Plan includes an explicit poverty eradication goal: "*All rural residents falling below China's current poverty line will be able to lift themselves out of poverty*" and underlines the importance of focusing poverty efforts: "*We will identify and register those living in poverty throughout the country ...(and) will strengthen dynamic statistical monitoring of these populations....*". Poverty eradication in China refers not only to help people earn more than a minimum income threshold, but also have access to basic goods and services. Consequently, the plan includes a list of anti-poverty programs in eight fields: locally viable industries, labor services, finance, relocation from inhospitable areas, transportation, ecological conservation, education, health care and social security.

3. The Chinese government has established a comprehensive poverty reduction strategy to achieve the goals of the 13th 5YP. Central to this strategy are two institutional innovations which have the potential to provide important global lessons to other countries. The first is accurately targeting poverty households and villages through the establishment of the National Poverty Registration System in 2013. The NPRS is a census of poor villages and people in China (about 70 million at its inception), which timely tracks characteristics of the poor and their main causes of poverty. The database is closely integrated into the reporting, prioritization, and accountability lines running upward from the village, county, region, and national levels. It provides critical information from the annual assessments of which households or villages have exited poverty, are at risk of falling back into poverty, or face challenges exiting from poverty. It thus plays a key role in both the identification of the remaining poor and the monitoring of programs to eradicate poverty.

4. Secondly, since 2016, China has introduced the concept of decentralization of poverty reduction efforts with the aim to empower county governments to achieve their poverty targets. It consolidates a large number of earmarked poverty reduction funds into a program-based budgeting system tailored to local context. The designated poverty counties have now been put fully in the driver's seat for achieving poverty reduction goals. Nevertheless, the program development and implementation remains to be a challenge for the county governments, which face human resources capacity constraints.

5. The proposed Program for Results operation (PforR) enhances these institutional advancements through connecting planned activities more closely to poor households and villages in

the NPRS database, and aligns fiscal inputs with results by introducing improved planning, budgeting and monitoring systems for poverty programs in Guangxi. It also aims to help to improve the monitoring of poverty reduction programs in one of the most impoverished regions of the country. The lessons from adopting these innovations in Guangxi can serve as learning experience to similar complex settings in the rest of the world and will help the WBG in supporting other countries eradicate extreme poverty by 2030.

B. Sectoral (or multi-sectoral) and Institutional Context

6. Guangxi poverty reduction program is a continuing success, which is supported by strong government leadership, substantial and increasing funding, and broad assistance from society. In the areas of more intense poverty, it has brought about 18 percent annual reduction in rural poverty from 4.68 million poor in 2013 to 2.61 million poor in 2016.¹ However, Guangxi is still one of the 10 provinces in China with rural poverty rates above the 7 percent and, given its population size, is one of the six provinces with more than 3 million rural poor (as of 2016), partly due to low soil fertility in the karst mountain areas and low levels of infrastructure and connectivity to other regions in China.² Moreover, as of 2013, the poor in Guangxi represented approximately 0.8 percent of the global poor. In this regard, helping the region to achieve its poverty eradication goal would have a noticeable contribution to global poverty eradication.

7. The Guangxi 5YP aims at achieving poverty eradication not only through households having a regular source of income above the minimum poverty threshold, but also in terms of access to housing, basic health care, compulsory education, appropriate roads to villages, safe drinking water, access to electricity and access to telecommunications. This is akin to a multi-dimensional definition of poverty, and is defined in Guangxi as the 8+1 “haves”³. Despite of rapid poverty reduction in recent years, projections indicate that, to achieve poverty eradication, poverty reduction rates for the period 2016-2020 will have to be faster than the ones experienced in 2013-2016. Analysis of data indicates that poverty reduction is closely linked to rural net incomes, and that agricultural activity is the main driver of growing rural incomes. Moreover, data from the NPRS shows that when asked about the main cause of poverty, lack of income was the cause mentioned more often by interviewees. Nevertheless, in some counties, other gaps such as lack of access to roads or safe drinking water can be the significant cause of poverty.

8. Mountainous areas of Guangxi are exposed to extreme events, such as heavy rains and floods and to a lesser extent longer dry spells on a seasonal basis, as well as climate variability. In addition, Guangxi is also classified with high river flood risks and with medium water scarcity risk, especially in karst mountain areas where majority of the rural poor are located. Areas with medium water scarcity could potentially transition to more adverse condition with climate-induced drought, affecting crops and/or resulting in agriculture competing with drinking water requirements. Mountainous conditions combined with average annual rainfall of 1,500-2,000 mm could result in floods and landslides, which could cause damages to rural roads. Guangxi’s present hazard level may increase in the future due to the effects of potential climate change. For example, rainfall intensity (which is already above the

¹ Data provided by Guangxi Autonomous Region Poverty Reduction Office, referring only to the 54 poverty-stricken counties using the eight Plus one Guangxi poverty definition.

² Data from National Bureau of Statistics of China (2017) *Poverty Monitoring Report of Rural China*.

³ The 8+1 “haves” is akin to multi-dimensional definition of poverty, which is related to access to housing, basic health care, compulsory education, appropriate roads to villages, safe drinking water, access to electricity, access to telecommunications, having a regular source of income and such income being above the minimum poverty threshold.

national average) is expected to increase across a range of climate scenarios (Ying et al, 2014 and Wang et al 2015, respectively)⁴. Knowledge about, and adoption of, climate resilient and climate smart agronomic practices and technologies among Guangxi farmers and farmer cooperatives needs to be strengthened to address these climate change vulnerability issues in rural areas.

C. Relationship to the CAS/CPF and Rationale for Use of Instrument

9. The proposed PforR is fully aligned with the World Bank's Country Partnership Strategy (Report 67566-CN) for China (FY2013–2016), discussed by the Board on November 6, 2012. This PforR responds to the call for strengthening skills, enhancing economic opportunities and improving transport connectivity in rural areas, all of which support the CPS pillar of promoting more inclusive development. The PforR is also in line with FY13-16 CPS PLR (Report No. 95709-CN), which confirms the WBG's efforts to promote inclusive development by supporting demonstration projects to reduce poverty and by focusing on lagging regions. Finally, the PforR supports two of the five main priorities outlined in the recently released China Strategic Country Diagnostics: (i) Reduce the disparity in access to quality public services; and (ii) Improve farm productivity and efficiency.

10. The World Bank and the Government of China have a long history of cooperation in poverty reduction that goes back over 25 years. This extensive collaboration includes three major poverty assessments, six national-level poverty reduction projects, and three on-going provincial-level poverty reduction projects. This cooperation introduced a wide array of innovative approaches, which have been subsequently integrated into government poverty reduction programs and shared with other countries. Innovations include: (i) moving from sector policies to targeting of poor counties, first, and poor villages and households more recently; (ii) introduction of more participatory poverty reduction approaches; and (iii) moving poverty reduction programs from a single sector focus and one-year planning horizon to multi-sector focus and multi-year planning horizon. The proposed PforR builds on the extensive knowledge the Government and the WBG have gained over the last 25 years in rural poverty reduction efforts in China.

11. Elevating Bank's engagement in rural poverty reduction to a PforR instrument is thus consistent with our long-term strategy in the sector, which has contributed to the shaping of the government's own programs, as well as the Chinese government's own increasing focus on public expenditure performance and results. Hence the proposed PforR offers an opportunity to leverage Bank financing to provide additional incentives for Guangxi to enhance the impact and efficiency of government's own poverty reduction programs through supporting improvements in its public expenditure performance and results enhancements of its program-based budgeting systems. Furthermore, the proposed PforR would provide incentives for strengthening institutional delivery mechanisms to ensure a sharper focus on the poverty reduction results and more efficient implementation of the government programs.

12. At the national level, a gender gap in vocational schools exists. Moreover, according to the Chinese women's social status survey, the gender pattern of labor skill procession is differentiated in rural area in China. Fewer women possess farm skills than men, only 24 percent of rural women have planting management skills, 6 percentage lower than that of men, and there are about 1.5 percentage

⁴ See <https://www.sciencedirect.com/science/article/pii/S1674927814500111> and <https://www.hindawi.com/journals/ddns/2015/172919/> for study on drought.

gender gap in the possession of stockbreeding skills. The proposed PforR will establish necessary mechanisms to ensure that female and male farmers equally benefit from the services offered by the Program⁵.

II. PROGRAM DESCRIPTION

A. Government program

13. The Guangxi's 13th 5-Year Plan (5YP), sets a target of lifting all rural people out of poverty by 2020. Specifically, the 5YP sets its main goals to lift: (i) all 4.52 million registered rural poor people out of poverty (end-2015 figure); (ii) some 5,000 remaining poor villages out of poverty status; and (iii) 54 poverty counties out of poverty status. Guangxi Rural Poverty Reduction Program (GRPRP) is summarized in the document: "Guangxi Tackling Poverty Thirteen Five Year Plan", issued in December 2016. It defines the poverty reduction strategy for the region to achieve the poverty eradication objectives of the National 13th 5YP (see Technical Assessment for further description of the GRPRP).

14. GRPRP is supported by 10 core actions which help the poor achieve the above mentioned 8+1 dimensions of poverty. The program provides a detailed information about specific activities, expected results and indicative targets around the following actions: (i) poverty reduction through industrialization (*Chanye Fupin*); (ii) off-farm employment; (iii) ecological resettlement; (iv) improved education and training; (v) improved health and medical care; (vi) ecological protection and compensation; (vii) rural social safety net; (viii) border trade and border areas development; (ix) rural poverty reduction through social and corporate donations; and (x) livelihood and production infrastructure improvement. These actions are not linked to specific budget government budget allocations. Their implementation requires concentrated efforts from all stakeholders including government agencies (financed from budget), financial institutions and even the private sector.

15. Within the GRPRP lies the Guangxi Consolidated Poverty Reduction Program (CPRP). The CPRP represents a sub-set of the GRPRP in the following ways: (i) it covers 54 designated national and provincial level poverty counties; (ii) over 40 earmarked funds from national, regional, municipality and county sources are pooled together to constitute the Consolidated Poverty Reduction Fund (CPRF); (iii) expenditures are prioritized by the counties in conformance with the 13th 5YP Poverty Reduction Plan priorities; and (iv) program activities are targeted at poverty households and villages identified in the national poverty registration system. At the heart of the CPRP's more integrated and locally-driven approach is an annual mechanism of bottom-up budgeting in the designated poor counties for meeting their poverty reduction targets, coupled with transparent and accountable financing, monitoring and evaluation support from higher levels of government.

B. Program Development Objective (PDO) and key results

16. The PforR development objective (PDO) is to enhance the impact and efficiency of the Guangxi Consolidated Poverty Reduction Program (CPRP) in the targeted counties. The proposed PforR contributes to the achievement of Guangxi's poverty reduction targets through more efficient

⁵ In 2010, 16.6 percent of women aged 18-64 participated vocational training programs over past 3 years, which is 2.7 percent lower than male counterpart. In 2012, girl's proportion was less than 50 percent in vocational schools, and less than 30 percent in technical schools (Source: Chinese women's social status survey).

systems that: (i) improve the poverty targeting of agricultural development and related skills training programs to raise incomes of poor households; (ii) improve poor households access to rural infrastructure and enhance investment management systems to develop quality infrastructure; and (iii) develop poverty reduction program budgeting and monitoring systems, which enables better alignment of budget allocation with the expected program outputs/outcomes.

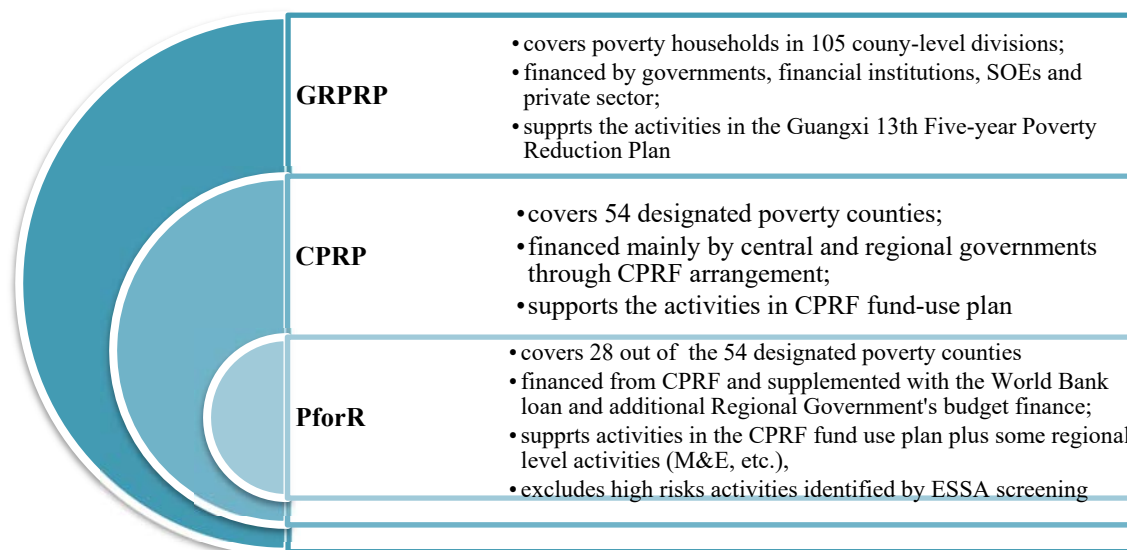
17. There are three PDO indicators selected to measure the expected results:

- Indicator 1: Production income of registered poor households in targeted counties.
- Indicator 2: Percentage of registered households with access to selected infrastructure assets according to 8+1 poverty criteria in targeted counties for rural roads and safe drinking water.
- Indicator 3: Integrated Consolidated Fund Program-based Performance Monitoring Report.

C. PforR Program Scope

18. The proposed PforR will support a sub-set of the activities funded under CPRF, with some exclusions and in targeted counties. It will also support enhanced expenditure monitoring efforts that Guanxi will be able to report on budget allocation and execution by its major subprograms (e.g., agricultural industrialization program, rural infrastructure, etc.). Figure 1 illustrates the scope of the proposed PforR within Guangxi’s government poverty reduction programs.

Figure 1: Government Program (GRPRP AND CPRP) and Proposed PforR



19. The timeline of the proposed PforR is 2018 – 2021, which are the remaining years of the 13th 5YP, and one additional year for verifying results.

20. The geographic boundary of the proposed PforR is circumscribed to 28 selected counties out of 54 poverty designated counties. The subset of 28 counties have high poverty rates (above 11 percent) or large poverty headcounts (above 60,000) and is representative of the rural poor in Guangxi. As of 2016, the selected 28 counties account for 12.6 million rural population (some 30 percent of rural population); and for 1.8 million rural poor, approximately 52.5 percent of the rural poor in the region.

Among the 28 counties, there are 20 so called “deep poverty” counties, with poverty incidence rate of about 18 percent in 2016. There are also 9 autonomous counties (which sit specific ethnic minorities) and the proportion of ethnic minorities among the poor is 67.6 percent, slightly higher than in non-selected counties, 63.9 percent. The age and gender distribution is like in the rest of the poverty-stricken counties in the region (i.e., lower share of adult females and higher share of elderly than the region’s average).

21. To ensure the sharper focus on achieving the Government 2020 poverty reduction targets, the Result Areas (RAs) of the proposed PforR cover a key subset of the Government program activities, which are to the extent feasible, aligned with the government’s own targets. The RAs were selected considering that they: (i) make a strong contribution to achieving the government’s 2020 poverty alleviation targets; (ii) must be linked to specific measurable results; (iii) provide “value added” in terms of interventions that are innovative, scalable or expand upon on-going and planned piloted initiatives; and (iv) incentivize behavioral changes. Technical Assessment report provides a detailed analysis of the activities supported under the selected RAs.

22. **Results Area 1: Improved Income Generation for Rural Poor.** This Results Area aims to increase the direct impact on the incomes of the targeted poor households through enabling rural poor to engage in agriculture-related economic activities and skills development. The current government program combines both the short-term income support measures (i.e. subsidies and grants) with longer-term agriculture-based local economic development approaches. The “agricultural industrialization” approach supports the development of local agriculture industries, with an aim to raise income through the development of economic opportunities for rural poor households and their farmer cooperatives in partnership with various stakeholders in the value chain. Technical assessment shows that agricultural activity is the main driver of rural net incomes and is expected to have sustained impact on poverty reduction. The longer-term agricultural industrialization activities seem to be currently under-funded in the CPRF budgets which allocate only about 2.6 percent of their funding to cooperative and enterprise development support activities. Furthermore, the current support to farmer cooperatives and agricultural enterprises does not come with explicit poverty targeting requirements.

23. The proposed PforR would encourage: (i) increased allocation of the CPRF funding towards development of farmers cooperatives and poverty reduction leading enterprises (PRLEs) as a way to ensure more sustainable outcomes of the government income support spending activities; and (ii) enhance the institutional mechanisms associated with these two programs for improved poverty targeting and fund-use efficiency through introducing poverty reduction accreditation mechanisms for the enterprises, improved operational and governance standards and poverty targeting of farmer cooperatives.

24. In addition, the proposed PforR would support skills training activities through significantly scaling up the selected vocational training activities and improving poverty and gender targeting of these programs. Since 2017, Guangxi has carried out the training activities for women farmers. Women account for about 40 percent of total poor in 28 targeted counties. Currently, the share of female participants in the New Professional Farmer Development Program is 25 percent. The key reason is a relatively distant location of training centers which is a significant constraint for rural women participation, who are often care givers for children and elders. The proposed PforR aims to reduce gender gap in vocational training by encouraging female participation in the New Professional Farmer Development Program.

25. This Result Area would contribute to climate co-benefits through incentivizing Poverty Reduction Leading Enterprises (PRLEs) to utilize climate-smart technologies in crop and livestock production systems. This aims to help increase resilience of the agriculture sector to potential climate variability-induced floods and water scarcity conditions, and to contribute to greenhouse gases (GHG) emission reductions through reduced use of nitrogen fertilizers, improved manure management and increased vegetation cover (especially through planting tree crops on presently barren hill slopes). This Result Area would also encourage the adoption of these technologies by farmers and farmer cooperatives from whom the PRLEs purchase agricultural raw materials and livestock products through contractual relationships and provision of climate-resilient operations advice to farmers. It will also encourage adoption of climate smart agriculture technologies and practices in cooperative operational standards (i.e. proper cropping patterns and optimized planting dates, intercropping -- especially for tree crop plantations -- and the use of drought-tolerant new varieties, among others). Finally, it would incentivize the inclusion of climate smart agriculture and livestock practices and technologies into New Professional Farmer Development Program training curricula.

26. **Results Area 2: Improved Infrastructure for Rural Poor.** This results area supports the delivery of basic rural infrastructure for the designated poor villages in the targeted poverty counties under the CPRP funding arrangements. The goal is to ensure that the registered poor households have access to adequate rural drinking water supply and rural roads, which are required to meet Guangxi “8+1” “haves”, multi-dimensional poverty eradication criteria needed to graduate households from poverty.

27. The proposed PforR would focus its support on upgrading and/or renovation of village-level drinking water supply infrastructure and upgrading of the roads to natural villages and the related infrastructure (i.e; small bridges, road safety facilities, etc.). Although the 13th 5YP for Poverty Alleviation includes a wide range of investments for the water resources management in Guangxi, only drinking water supply has been included in the PforR boundary as the funds for other water sector activities are allocated through the earmarked sectoral funds and are thus not part of the CPRF arrangements. Poor population in mountain areas are already facing drinking water scarcity, at least during part of the year, and climate variability is likely to exacerbate this. This Results Area would enable targeted poor household to adapt to the increasing climate risk through expanding availability and safety of drinking water in response to potential water scarcity resulting from climate variability, as well as, encouraging water conservation through improved technical standards for water supply systems.

28. The current road connectivity rate of natural villages in the 28 targeted counties is about 95 percent. The road investments are already well funded, reaching 25 percent in the 2017 CPRF budgets in the targeted counties. As such, the government does not need extra incentives from the proposed PforR to meet its rural roads targets. However, there are some areas which require improvement of the qualitative aspects of rural roads, which will be addressed through the PAP action. The mountainous conditions combined with seasonal rainfall patterns could result in floods and landslides, which could cause damage to rural roads. Although there is no rural roads related Disbursement Linked Indicators (DLIs), the proposed PforR would incentivize the government of Guangxi to prepare improved technical standards which could be adopted for rural road segments in high risk areas to mitigate this climate related risk.

29. Given high levels of the infrastructure spending through CPRF (57 percent) the proposed PforR would support improved project selection, preparation and management process to enhance the efficiency of infrastructure investment projects for sustained poverty reduction results. Under the

CPRF, the total funding available for rural infrastructure investment has significantly increased. Nevertheless, the designated poverty counties face challenges to solicit and prepare infrastructure sub-projects, which are critical for absorbing the increased funding available from the CPRF. The proposed PforR would strengthen Guangxi infrastructure project management capacity with an aim to improve the efficiency and effectiveness of CPRF expenditures, and thus their poverty reduction impact through developing and adopting the IT-based project management system. This activity is expected to enhance the management efficiency, strengthen project quality control and monitoring, institutionalize the public consultation and disclosure, and allow more informed decision-making process to better align infrastructure projects with the poverty reduction needs and priorities.

30. **Results Area 3: Cross-cutting Issues for Enhanced Program Implementation.** This Result Area supports the improvement of institutional arrangements and capacity through the introduction of poverty reduction program budgeting and enhanced monitoring and evaluation systems, with an aim to enable the governments to better align budget allocation with the expected output/outcomes and timely monitor the progress, efficiency and effectiveness of program implementation. While the expenditure framework of the CPRF is broadly adequate, the current budget system is not structured in a way that provides adequate information about the fiscal inputs for expected results. At the same time the M&E system focuses mostly on the final outcomes—the households, villages and counties being lifted out of poverty. The proposed PforR aims to strengthen the full cycle program implementation monitoring by linking budget outlays, activities and expenditures with the expected output/outcomes, through the so-called “program-based budgeting”.

31. The key activities included in this Result Area are clustered around two themes. First is the introduction of program-based budgeting, which requires (i) Automated pooling of CPRF at county level; (ii) Preparing annual fund use plan (AFUP) of CPRF with outlays being classified in line with poverty reduction outputs/sub-programs; (iii) Strengthening of the annual planning process for use of CPRF by poor counties with potential for extending it over a 3-year period; (iv) Automated generation of CPRF implementation report; and (v) Capacity building for the improved CPRP implementation. Secondly, this Result Area would enhance the monitoring and evaluation of the implementation of poverty reduction activities through better utilization of various Guangxi's poverty databases and by encouraging thus the more effective use of the information recorded in the NPRS database for improved real-time analysis. It would encourage the region to integrate the relevant datasets from various line agencies into its newly established data platform; improve the compliance with quality standards for data access, integration and preservation; as well as to improve the definition of roles and protocols for its use by main stakeholders of the poverty alleviation program at various levels of the public administration.

32. In summary, the proposed PforR complements the CPRP's activities in the targeted poverty designated counties in a manner that enhances the impact and efficiency of the program implementation. First, the proposed PforR encourages allocation of the CPRF budget towards activities that stress longer-term and sustainable income generation for rural households through supporting partnerships between farmers and agribusiness enterprises, strengthening farmer cooperatives and skills training and improving poverty targeting of these activities. Secondly, the proposed PforR would encourage better delivery of key infrastructure assets which are part of the 8+1 poverty reduction criteria in Guangxi and incentivize the targeted counties to strengthen infrastructure project quality control and more informed decision-making process to better align these investments with the poverty reduction priorities. Thirdly, the proposed PforR creates institutional capacities that enable the government to continuously improve program efficiency and effectiveness through the introduction of

program budgeting and enhanced M&E. One aspect of this M&E system would be to monitor the adaptation and mitigation actions proposed under the PforR for improved results.

33. The total amount of the Program financing over 2018-2021 period is expected to be US\$5.53 billion, of which 93 percent will be financed by the Government and 7 percent by an IBRD loan. The Government will fund US\$5.13 billion equivalent whereas the IBRD loan will fund US\$400 million (Table 1). The proposed PforR will exclude activities with potentially significant adverse impacts that are sensitive, diverse or unprecedented on the environment and/or affected people. In addition, it will also exclude activities which involve the procurement of: (i) works, estimated to cost US\$115 million equivalent or more per contract; (ii) goods, estimated to cost US\$75 million equivalent or more per contract; (iii) non-consulting services, estimated to cost US\$75 million equivalent or more per contract; or (iv) consulting services, estimated to cost US\$30 million equivalent or more per contract.

Table 1: Program Financing, 2018-2021

Source	Amount (US\$ billion)	% of Total
Government	5.13	93
IBRD	0.40	7
Total	5.53	100

34. **Role of Development Partners.** There are no areas for cooperation with other development partners identified for this operation in Guangxi.

D. Disbursement Linked Indicators and Verification Protocols

35. **Results Area 1: Improved Income Generation of the Poor.** This Result Area would contribute to the continuing economic growth and self-development in the targeted counties, which would consolidate and sustain the poverty alleviation results. It focuses on strengthening the presence of poverty reduction leading enterprises (PRLEs) and farmer cooperatives that are most likely to induce income linkages for the poor. This RA includes four DLIs designed to address the above issues. The first two DLIs and related PAP actions, albeit located upstream the results chain, aim to establish institutional mechanisms for the selection and development of enterprises and farmer cooperatives, which is expected to enhance poverty targeting and more sustained poverty reduction outcomes of these programs. They will also encourage counties to allocate larger share of their CPRF budgets on these improved programs to broaden their coverage.

36. The PRLE accreditation process supported under the first DLI would also make contribution to MFD through leveraging a substantial amount of private sector investments in the targeted counties. It is expected that the accreditation of PRLEs would leverage the PforR funds by at least a factor of 1-to-10 using various forms of commercial co-funding schemes from commercial banks and enterprises themselves. This accreditation process would encourage “high quality investments” by awarding enterprises, which demonstrate clear and quantified poverty outreach and benefit sharing mechanisms, with various incentive mechanisms (i.e. grants, interest rate subsidies, favorable tax policies, etc.). The PRLEs in turn are expected to integrate their accreditation status into their corporate social and environmental responsibility schemes and marketing strategies.

37. The third DLI, which is associated with first two DLIs, is expected to translate the institutional enhancements into increased procurement of agricultural produce from farmers and their cooperatives by accredited PRLEs. The fourth DLI would encourage scaling up New Professional Farmer Development Program, which is expected to increase their ability to benefit from agricultural industrialization activities, as well as enhance the poverty targeting of this program (see Technical Assessment Report for verification details).

38. ***DLI 1: Number of Enterprises accredited as Poverty Reduction Leading Enterprises (PRLEs)***. The DLI is defined as number of enterprises accredited following the process described in the Working and Implementation Plan for the Accreditation and Management of Poverty Reduction Leading Enterprises to be adopted by Guangxi, acceptable to the Bank. The PRLEs means enterprises duly established and operating under the laws of the Borrower that receive accreditation, in accordance with the Borrower's *Circular on Improving the Certification and Management System of Poverty Reduction Dragonhead Enterprises* (Document No. 62) dated January 2018, and the Accreditation and Management Work Plan. The DLI would generate climate co-benefits by providing incentives, through the PRLE accreditation criteria, for integrating climate change preparedness and mitigation into enterprise operations, through PRLE scoring system. This includes scores for: (a) introduction of, and access to, climate-smart agriculture technologies by those farmers and farmer cooperatives supplying to the PRLE, which will enable adaptation and/or result in mitigation through adoption of actions such as water conservation, recirculation of resources, reduced use of chemical fertilizers and pesticides, investments which increase vegetative cover, and other sustainable agriculture/livestock practices and technologies in their operations; and (b) provision of adaptation- and mitigation- related (and other) technical advice to contracted farmer cooperatives supported under the second DLI.

39. **Verification protocol**. The verification would cover all accredited PRLEs to confirm the achievement or non-achievement of a DLI. RPRO carries out and reports the number of accreditations on an annual basis to verification agency (VA) acceptable to the Bank⁶. The data about accredited enterprises and their poverty reduction commitments will be recorded in a database what will be set up by the RPRO. A third-party VA verifies the reported accreditations through enterprise visits, and stakeholder interviews. Disbursements are scalable and will be made against the number of accredited firms in given time period which meet the standards specified in the guidelines (Working and Implementation Plan for the Accreditation and Management of Poverty Reduction Leading Enterprises in Guangxi) to be prepared by RPRO (PAP action).

40. ***DLI 2: Number of Pro-poor Farmer Professional Cooperatives Meeting the Operational Standards***. The DLI is defined as the number of pro-poor farmer cooperatives, registered in the Industry and Commercial Bureau under the Cooperative Law, meeting defined operational standards, which means a set of standards related to a pro-poor farmer professional cooperatives' registration, membership, financial management, decision-making arrangements, acceptable to the Bank. Pro-poor farmer professional cooperatives mean cooperative which are duly established under the laws of China and the DOA, and at least 30 percent of its members are registered poor households or 40 percent of all registered poor households in each of the covered administrative villages are members of said cooperative. The operational standards, which in addition to improved governance and benefit sharing arrangements, encourage climate adaptation and mitigation activities. It is expected that about one-

⁶ The Verification Agency (VA) will be recruited by the Project Coordination Office, and will be maintained throughout the period of the PforR implementation. The VA(s) may be a third-party audit/consulting firm, a NGO, or a government agency. The main role of the VA(s) is to carry out independent verification of the achievement of the DLIs in accordance with the agreed verification protocol detailed in the VA TOR satisfactory to the Bank.

third of cooperatives supported under this PforR would be engaged in livestock production activities. Climate co-benefits would be generated through the related PAP action 7, which requires regional and county livestock bureaus to prepare prototype livestock manure management designs and provide training to livestock cooperatives supported under this PforR on specific livestock waste management techniques, which would reduce methane emissions, such as anaerobic digestion of the waste into biogas for larger farms and aerobic treatment of waste to produce compost (which produces only CO₂ rather than CH₄) for smaller farms. It is also expected that another one-third of cooperatives supported under the PforR would be engaged in planting tree crops in currently vacant slope land, which is expected to increase vegetative cover (fruit trees, bamboo, oil tea, etc.). Planting such tree crops is expected to contribute to mitigation of climate change through carbon sequestration.

41. **Verification protocol.** The verification would cover a sample of cooperatives based on the set of criteria to confirm the achievement or non-achievement of a DLI. Disbursements are scalable and will be made against the number of cooperatives meeting the agreed eligibility criteria as recorded the computerized MIS (PAP action). Third-party VA will conduct a random verification of 20 percent of all cooperatives from a DLI disbursement period deemed to meet the agreed operational standards. If 10 or less than 10 percent verified cooperatives fail to meet agreed operational standards, the sample would be considered sufficient for the achievement of the respective target, but the uncompliant cooperatives within the sample will be excluded from DLI disbursement calculations. If more than 10 percent of the verified cooperative fail to meet agreed operational standards, the DLI for a given year will be considered as “not achieved” and a new random verification sample of cooperatives will be selected in the following year.

42. ***DLI3: Value of annual purchases of agricultural products by accredited PRLEs from farmers and farmer professional cooperatives.*** The DLI is defined as aggregated annual purchases (in RMB) of agriculture produce from farmers and farmer cooperatives by accredited PRLEs in the targeted counties. Climate co-benefits under this DLI are generated through its linkage to first two DLIs, which incentivizes PRLEs to integrate climate smart agriculture and livestock production practices and technologies into their operations and those of farmers and farmers cooperatives with which they have agricultural produce purchase arrangements. It is expected that a share of produce purchased annually by the PRLEs from its farmers members and cooperatives would have been generated through the incorporation of climate resilient practices and technologies into their operations.

43. **Verification Protocol.** Disbursements are scalable and will be made against annual purchases (in RMB) accredited PRLEs, which are recorded in the computerized MIS (PAP action) from farmers and farmer cooperatives in the targeted counties. Verification that a DLI target has been achieved would be through a letter of confirmation to the Bank. The independent VA will verify the data provided by the RPRO annually. The VA verifies the purchases reported by enterprises accredited under DLI 1 through visits of such enterprises, review of their files and accounts checking and farmer/cooperative interviews.

44. ***DLI4: Number of farmers completing the New Professional Farmer Development Training Program.*** The DLI is defined as number of farmers who complete the New Professional Farmer Development Program in the targeted project counties, where the New Professional Farmers Development Training Program” means the training program managed by Guangxi’s Regional Department of Agriculture, in accordance with the guidelines jointly issues by Guangxi’s Regional Department of Agriculture and Regional Department of Finance on August 24, 2017, and the training plan adopted by Guangxi’s Regional Department of Agriculture on April 24, 2018, and designed to

scale up the program for skilling rural farmers on job opportunities creation and income generation. Climate co-benefits would be generated through broadening the farmer skills training curricula to include technical training to disseminate knowledge about enhancing climate resilience of agricultural and livestock activities. Specifically, the PforR supports transfer of knowledge about climate smart agriculture and livestock practices and technologies, adaptation to weather-related natural disasters including flood and landslides; and prevention of pest and insect-related plant diseases that could result from climate variability.

45. The proposed PforR will reduce the gender gap in access to the New Professional Farmer Development Program. Currently, the share of female participants in this skills training program is 25 percent. The key reason is a relatively distant location of training centers which is a significant constraint for rural women participation, who are often care givers for children and elders. The DLI would support the following activities to enhance women's participation in the farmer skills development program: (i) organize training programs specifically targeting at rural women together with China Women Union for reaching out to more rural women; and (ii) provide follow-up technical support to rural women who have already completed skills training programs to ensure their continued learning. It is expected that the share of female participation in supported farmer skills training activities would increase to 30 percent by 2020.

46. **Verification Protocol:** The data will be annually collected by the RDOA. Based on this data the RDOA compiles the annual report which will be confirmed by the third-party VA. The verification review will be done against Program Guidelines approved by RDOA on August 24, 2017. It will require the review of relevant training documents randomly selected in 3 counties, which will be repeated for each disbursement year. In each of the randomly selected counties, the verification will then randomly select 50 percent of households who participated in the training program in a given year. The share of registered poor and woman participating in the skills training program will be monitored through related RF indicators.

47. **Result Area 2 Improved Infrastructure for Rural Poor.** Effective transitions out of poverty will depend on improving the quantity and quality of key basic infrastructure services, particularly for water and road connectivity. Access to electricity is almost universal, and investments are being made outside of the consolidated mechanism. Strengthening upstream project preparation and management is thus critical to ultimately delivering on priority projects. In the case of water, the challenge is in also securing this pipeline of projects, but moreover ensuring the access to piped drinking water. This RA includes two DLIs designed to improve the delivery of the infrastructure services in the targeted counties.

48. **DLI 5: Number of Registered Poor Persons with New Piped Drinking Water Connections.** The DLI is defined as number of registered rural poor persons with new piped drinking water connections, which are defined as: (a) new (or rehabilitated) connections to drinking water supply schemes that supply water to rural households from a single water source to water stands within less than 800 m from the respective rural household; or (b) new (or rehabilitated) connections to drinking water through distribution pipelines in rural residential areas (or natural villages of at least 20 people). The PforR would enable targeted rural poor to adapt to the increasing climate risk through expanding availability and safety of drinking water in response to potential water scarcity resulting from climate variability induced drought. It would also improve water conservation through enhancing operational and distributional efficiency of these water supply systems, which is addressed by the associated PAP action. It would also obviate the need to take conflicting allocative decisions on use of water (between

agriculture and drinking purposes) which could either decimate crop production volumes or require reduction in drinking water.

49. **Verification Protocol.** The data will be collected by staff of the local PROs during the final inspection of each water supply facility and report this data to the RPRO on annual basis. The DLI targets will be verified by the qualified third-party VA. Verification process will randomly select 3 counties (10 percent of targeted poor counties) which will be repeated for new counties in each disbursement year (2018, 2019, and 2020). In each randomly selected county, the verification will randomly select 20 percent schemes built in each year or at least 3 schemes per county whatever number is larger. Within each selected scheme, the verification will review the connectivity of registered rural poor who were newly connected to the piped water supply. If less than 10 percent of the schemes fail to provide water to households, the sample would be considered sufficient for the achievement of the respective target, but such schemes and associated registered poor households will be excluded from DLI disbursement calculations. If more than 10 percent of the verified schemes fail to provide water to households the DLI for a given year is considered as "not achieved" and a new random verification sample of connections will be selected in the following year.

50. ***DLI 6: Number of Targeted Counties with an IT-based infrastructure project management system.*** The DLI is defined as number of counties that adopt an IT-based infrastructure projects management system. Targeted counties shall install and use this system for the infrastructure projects management.

51. **Verification Protocol.** The RPRO will recruit a third-party VA to verify the installation of this system in targeted counties through on-site review. The evidence of successful installation is that the county can maintain the full project database in the system and generate aggregated report according to the province guideline.

52. **Result Area 3 Cross-cutting Issues for Enhanced Program Implementation.** Timely and effective resource prioritization will be critical to meeting 2020 poverty reduction targets. With the consolidation of funds reform, effective resource allocation and implementation hinges largely on the counties, as reflected in their annual budget prioritization processes. This RA includes two DLIs which encourage more effective prioritization and planning of CPRF budgets across different sub-sectors and programs, and strengthening of the M&E data systems for improved monitoring and prioritization of the poverty reduction activities.

53. ***DLI 7: Number of Targeted Counties with Annual Program-based Budgeting Plans and Annual Program-based Expenditure Reports.*** The DLI is defined as number of targeted counties that produce AFUP and expenditure report of CPRF according to the new guidelines issued by the regional government. The guidelines specify a new expenditure classification approach based on the expected outputs/outcomes and require all poverty counties to adopt this approach in preparing AFUP and expenditure reports, where AFUP means each of the rolling plans setting forth the values of budgets, planned sources of funds, planned expenditures of sub-programs for the CPRF for the fiscal year of Guangxi to be prepared or updated by each of the Targeted Counties on an annual basis. Annual program-based expenditure reports means each of the reports setting forth values of budgets, overall fund utilization, actual expenditures of sub-programs incurred and payment progress thereof, if any, per sub-programs for the CPRF, and summarizing budget allocations, expenditures type and utilization of the CPRF, covering the period from the beginning of each fiscal year of Guangxi, to be prepared or updated by each of the targeted counties on an annual basis.

54. **Verification protocol.** Guangxi Audit Office will carry out the verification during annual financial audit process through reviewing the counties' AFUP and implementation reports against the requirements in terms of expenditure classification and reporting frequency specified in the regional government's guidelines.

55. **DLI 8: Establishment of poverty data platform for Monitoring and Evaluation of poverty reduction programs in Guangxi.** The poverty data platform will be developed and curated at the Information Technology office of the RPRO according to the agreed quality standards, which mean a set of technical standards related to data preservation, integration, security and dissemination, acceptable to the Bank. An aspect of the M&E system would be collection of data and information, and monitoring performance of the PRLs and professional farmers cooperatives, the New Professional Farmer Development training program, and the drinking water component on adaptation and mitigation actions taken.

56. **Verification Protocol.** The timeline for DLI disbursements is in one tranche and includes three components. First, the data platform is available and operative for use by authorized staff. Second, the data platform includes four additional databases to enhance the monitoring and evaluation capabilities of the users. Thirdly, in order to guarantee functionality and long-term sustainability, the data platform should comply with international or Chinese-equivalent best practices for data preservation. The validation protocol consists in a Third-Party Verification Agency which prepares a report that confirms a set of conditions in terms of access, integration and preservation (see Technical Assessment Report for verification details), and describes how these conditions are implemented according to best practices in the industry.

E. Capacity Building and Institutional Strengthening

57. The GRPRP spans responsibilities across provincial, county, and village level actors. The success of the CPRP will hinge on the success of the integrated and locally-driven approaches. There is an annual mechanism of bottom-up budgeting in the designated poor counties for their poverty reduction activities, coupled with transparent and accountable financing, monitoring and evaluation support from higher levels of government. These will also need to work in tandem with revealed capabilities by enterprises, cooperatives, and training providers integral to the program. While capabilities in Guangxi are robust, including as demonstrated by good track record of implementation of the previous Bank funded agricultural and poverty reduction projects, the PforR is ambitious, and straddles multiple sectors of the regional government.

58. The government of Guangxi has devoted major resources to the poverty reduction program, but capabilities can be strengthened across the different levels to ensure that results are achieved across the targeted counties in a more efficient and effective manner. With the core responsibility of achieving most DLIs lying at the level of counties, capacity gaps remain with how to design and implement specific activities under the CPRF arrangements to enhance their poverty impact, how to effectively monitor the results, and how to strengthen the linkages between inputs, outputs, and outcomes. While improved public finance systems have been established, many project management steps are still manual, making it labor intensive. Key capacities for success at all levels include the effective selection of poverty reduction leading enterprises, strengthened agricultural cooperatives, and project and budget prioritization. The regional government focuses on the accurate monitoring and evaluation of poverty outcomes, and related inputs (financing). As such, it has a greater role to improve the efficiency and impact of poverty reduction activities by providing countries with support to better align these with intermediate outputs and outcomes.

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

59. The PforR would rely on existing structures and mechanisms used for the implementing and monitoring the Guangxi rural poverty reduction program. In general, there is an adequate capacity and commitment in place to implement the PforR. Guangxi has a comprehensive institutional structure, which supports the implementation of their poverty reduction activities at the regional, municipal/prefectural, county, township and village levels. The highest-level leadership of the regional government provides overall guidance for the implementation of the CPRP, while its execution is led by sectoral agencies and county governments in a coordinated manner.

60. Given the cross-disciplinary nature of the poverty reduction activities, the institutional structure includes more than 20 agencies within the regional government's structure. As the PforR works through the country systems, the assignment of data collection is aligned with the mandates of responsible government agencies. The three agencies accountable for the achievement of DLIs and related PAP actions, and collection of the relevant data include Regional Poverty Reduction Office (RPRO), Regional Department of Agriculture (RDOA) and Guangxi Department of Finance (DOF).

61. To mitigate the risk of miscoordination of project implementation and data collection responsibilities, Guangxi has set up institutional arrangements with a strong focus on central leadership and coordination. The Regional Development Reform Committee (RDRC) will be responsible for the overall coordination of the PforR activities and for the submission of the evidence on the DLI achievement to the Bank through Guangxi DOF. The overall strategic guidance is provided by the Regional Leading Group comprised of the governor (the Group Leader), the vice governors responsible for sectors covered in the plan (Deputy Leaders), and director generals of relevant departments. The Leading Group's Office (LGO) has been established within the Guangxi RPRO serving as the secretariat to the Leading Group for day-to-day management and coordination of the CPRP data collection efforts. At the municipal level, the Party Committees and mayors have overall responsibility for poverty reduction work within their jurisdictions, link their counties with the regional level plans, undertake supervision and inspection work, and oversee their counties' graduation from poverty.

62. Program implementation takes place at the county level, who bear the main responsibility for the day-to-day poverty reduction work. Institutional arrangements involve thus both horizontal coordination and vertical structures where each line agency is mirrored at the municipal/prefecture level and down to the county level. The county Poverty Reduction Leading Groups and PROs undertake the detailed planning of poverty reduction activities, organize the delivery of specific projects, and orchestrate funding use and manpower deployment. Each county sets up Funds Consolidation Office (FCO), which directly reports to the county Poverty Reduction Leading Group. County Finance Bureaus and FCOs develop annual fund use plan (AFUP) for allocating the annual CPRF. Each activity defined in the annual fund use plan is assigned to a specific line agency which leads implementation of the activity.

63. The Ministry of Finance will be the signatory of the IBRD Loan Agreement on behalf of the Peoples' Republic of China (the Borrower), while Guangxi Regional Government will be the signatory of the Program Agreement (i.e. Chairman or Vice Chairman). The Leading Group of Guangxi Utilization of Foreign Loans will address the additional coordination and support required by the PforR. This Leading Group is chaired by vice regional chairman overseeing DRC and consisting of vice chief secretary of regional government, Commissioner of DRC and Director-Generals of DOF,

PRO and DOA as vice chairmen, and deputy Director-Generals of 17 line-agencies as group members. A Coordination Office for the PforR is established with designated staff from RPRO and RDOA to liaise with the respective line departments involved in the implementation of the PforR. The Program Coordination Office (PCO) will monitor the implementation of the PforR, periodically report to the Leading Group about the Program progress, and facilitate the Bank's supervision missions. The PCO will periodically convene meetings of all member departments as needed, and report the decisions of the steering committee to the Leading Group for approval. All targeted counties shall make similar institutional arrangements.

B. Results Monitoring and Evaluation

64. The backbone of Guangxi's poverty reduction Monitoring & Evaluation system is the National Poverty Registration System (NPRS). The NPRS provides a detailed information for: (i) identifying and registering China's poor population and designated poor administrative villages and poor counties (ii) analyzing the causes of poverty; (iii) confirmation of households, villages, and counties' exit from poverty; (iv) poor households' satisfaction rate with the work of village poverty reduction work teams and the poverty reduction assistance received; and (v) financial performance of the targeted poverty reduction funds.

65. The authorities use the term "big data" to refer to the digital combination in a data management platform of this foundational database - the NPRS - with other sectoral data to gain insights into the poverty eradication processes in Guangxi. The proposed PforR is serving to demonstrate the functionality of this better integration and analysis of key data under the results framework. The analysis can be conducted at a highly granular level, including down to the household or natural village level, and across counties. Beyond household level incomes, the M&E framework and its data portal will include digital report of accreditation commitments made by PRLEs, farmer cooperatives, and vocational training. The basic water and roads access indicators from the NPRS will be complemented with natural village location specific data on infrastructure accessibility attributes (e.g., piped drinking water and weather/climate resilient roads). Several counties have already established strong management information system (MIS) platforms for their project management and budgeting. The technical assessment has deemed the existing data sources to be adequate for most of the M&E of the results chain -data on quality of roads being an exception. Engagement by the Bank, including through sharing of targeted international experience, will support the authorities in using this wide range of information for robust poverty reduction analytics and potential impact assessments, as well as evidence-based policy and management responses.

C. Disbursement Arrangements

66. The Bank will advance to the Borrower US\$100 million of the total PforR financing. When the DLI against which an advance has been disbursed, is achieved, the amount of the advance will be deducted from the total amount due to be disbursed under such DLI. The Bank will record an amount of the advance as disbursed for an achieved Disbursement Linked Result ("recovered") after it has notified the Borrower of its acceptance of the evidence of achievement of the result for which the advance was provided. The amount so reclassified will become available for further advances in accordance with the preceding paragraph. In addition, an amount up to US\$20 million is provided for results achieved prior to the Signature Date of the Loan Agreement but on or after January 1, 2018 under DLIs #4 through #7, until Guangxi has furnished evidence in accordance with the provisions of the verification protocols and acceptable to the Bank showing that such prior results have been achieved.

67. Three participating agencies (RPRO, RDOA, RDOF) will be responsible for verifying the achievements of the DLIs under its purview, through independent third-party VAs, based on the agreed verification protocols. There is a risk of identifying qualified third-party VAs. The risk mitigation measures include: (i) consolidation of DLI verifications protocols under a single or limited number of VAs; (ii) Bank review and provide feedback on the VA TORs; and (iii) the selected VA must be acceptable to the Bank.

68. The Guangxi DRC will be responsible for collecting the reports from each provincial agency participating in the PforR and respective independent verifications and will periodically submit a consolidated report to Guangxi DOF. The Guangxi DOF will prepare disbursement applications and submit them to the Bank. Disbursements will be made upon verification of the results of the DLIs. The actual disbursed amount will depend on the verified results as all DLIs are scalable except DLI 8. The annual DLIs targets are indicative, except for DLI #7. The Guangxi DOF can apply for disbursements as soon as it meets targets, provides the necessary documentation and the Bank accepts evidence of achievements in a formal notice to the Borrower with the disbursement amounts. The Guangxi DOF can also ask to be reimbursed for any results achieved beyond the indicative annual target up to the total PforR target and amount allocated for the respective DLI. Bank disbursements in USD will be deposited in a bank account designed by the borrower and acceptable to the Bank.

69. Guangxi has indicated that it would like to apply for the 25 percent advance payment (i.e. \$100 million) under the proposed PforR. The rationale for this is to complement the CPRF under which some sub-programs including skills trainings and the income generation through the development of local agriculture-based industries are under-funded. The proposed advance of the IBRD loan will help the implementation and achievement of these results.

IV. ASSESSMENT SUMMARY

A. Technical (including program economic evaluation)

70. The technical assessment has established sound PforR boundary and expenditure framework. The medium-term budget forecasts suggest that targeted countries will be adequately resourced in line with the 2020 targets. The “8+1” poverty criteria indicators at household level (basic infrastructure/services access and incomes), which is anchored in the NPRS provides a clear and ambitious orientation for the government’s program. The geographic boundary definition for the PforR to focus on 28 high poverty counties in Guangxi, with an emphasis on productive agricultural income growth and access to select key infrastructure services in drinking water and roads, provides for a robust rationale for indicator selection in the results chain. The contribution of World Bank PforR financing has been to accentuate the strengthening of governance structures, institutional arrangements, and information requisites to meet these results objectives.

71. While Guangxi has made impressive gains over the past few years in poverty alleviation, the poverty reduction rates would need to significantly increase to meet 2020 targets. The authorities have ensured that there are no disincentives for households and villages for formally exiting from the poverty by ensuring that medium-term support continues to be provided after the initial graduation, and that on-going monitoring is conducted to assist households that are at risk for falling back into poverty. The authorities also recognize that the marginal challenges of securing productive income increases and key services access for certain groups will become more challenging. Owing to health or ageing conditions, certain households will likely depend on welfare payments (*Dibao*) to remain above the poverty line. The safety nets are outside the boundaries of the PforR, but are clearly part of the

government's integrated thinking about expenditure prioritization over the medium to long-term. For the case of drinking water and roads access, the authorities recognize that sustained benefits are not just about "box ticking", but ensuring that water quality is adequate, as is the environmental resilience of basic access roads. The measures supported under the proposed PforR make tangible contributions to productive income gains (through market linkages and skills training), basic infrastructure access (through projects standards, project preparation, selection, and budgeting), as well as timely monitoring through a subset of "big data" M&E.

72. The expenditure framework presents an adequate basis for this PforR. The consolidation of a range of different agriculture-related funds at the county level in 2017 provides a strong impetus of achieving the government's 2020 poverty eradication targets. Fiscal resources being channeled to the Guangxi's designated poverty counties continue to be scaled up to achieve China's commitment to poverty eradication at the highest level. Budgets in general appear adequate and aggregated fiscal sustainability issues were not identified as a core concern associated with the expenditures. Some sub-programs, including agriculture industrialization and skill trainings, however, seem to be underfunded. The program implementation is generally efficient, with budget execution rate at 95 percent in 2017, far above the requirement of the central government or national average.

73. Economic and social analysis suggests that the "net present value" of public resource allocation for poverty reduction are positive, especially if benchmarked against a hypothetical scenario of long term welfare payment alternatives. The assessment notes that productive income channels for poverty income reductions hinge on both demand side market linkages, but above all complementary supply side responses by poor households. Basic infrastructure provision is efficient on a unit cost basis, although the main contribution of the operation will be to enhance the prioritization and quality of expenditures.

B. Fiduciary

74. **Adequateness of Program's Fiduciary Systems.** The Bank's fiduciary team assessed the Program's financial and procurement system and concluded that the system is broadly adequate to meet the requirements set in the Bank's PforR Policy and Directive.

75. **Procurement Overview.** The Government of China accounts with a robust Procurement legal framework which includes the Tendering and Bidding Law of 1999, the Government Procurement law of 2003, several regulations, and numerous orders issued at national, provincial, and county levels. Although the laws, could be modernized and aligned to modern principles such as value for money, and fit for purpose, both offer a fair play field for bidders, and promote transparency and competitiveness. The Government has recently encouraged the use of electronic bidding. All open bidding competitive processes are conducted by the Public Resources Transaction Centers, which provide facilities and modern platforms for processing electronically procurement activities. The proposed PforR involves principally construction or upgrading of small roads, construction of simple drinking water systems, acquisition of out of shelves goods, like water pipes and furniture for farmer field schools, and selection of engineering firms and vocational school for farmer skills training. No high value contract will be financed by this program.

76. **Key Procurement Risk and Mitigation Measures:** The team has identified 3 major risks: (i) due to the small size and location of the works there limited interest of contractors to participate in the bidding process, consequently a great number of contracts have been awarded on direct contracting basis, the team suggested to adopt as far as possible community participation for the procurement of

small works as it has successfully done in one county, (ii) as many agencies are involved in procurement transactions, there is a risk that they might not be informed about the requirements of the Bank's Anticorruption Guidelines (ACG), and contracts might be awarded to suspended or debarred firms, as such the Program's progress report should indicate whether a contract has been awarded to such firms, the TOR of the auditors should include a requirement to check on randomly basis contracts to see that they complied with the Banks ACGs and the Guanxi Regional Government will issue instructions to all agencies to comply with the Bank ACG and (iii) to avoid delays in payment to contractors because final completion settlement audit takes 12 months or more from contract finalization, agencies should accelerate the final completion settlement audit or to proceed with the final payment upon successful completion of the contract.

77. **Financial Management Overview.** The Government of China has well defined policies on how poverty alleviation funding can be spent. Public Financial Management (PFM) policies and procedures are largely defined at the national and provincial levels and relatively consistently adhered to at lower levels of government. PFM systems, including planning, budgeting, accounting, financial reporting, internal control and external audit function reasonably well and provide adequate control over program expenditures. External audit and internal inspection/audit coverage is high compared to other government programs, reflecting poverty alleviation as a national priority and a long tradition of control over this program. Community participation is a key control at the local level where most program expenditures are made. Notwithstanding this, PFM is largely focused on budget execution (how much did you get, how much did you spend?) and program reporting is in an early and rudimentary stage of implementation. As the only financial statement prepared is the program budget execution report, external audit is limited to audits of a compliance nature. Opportunities exist to improve the quality of financial reporting. The provincial government has taken initiatives in this direction and the Bank and government have agreed on additional actions to enhance the quality, reliability and value of program financial reporting. Program Expenditures are those expenditures incurred by Guangxi at the regional or county level under the CPRF and the expenditures financed out of the Loan proceeds, but excluding any expenditures associated with the Excluded Activities as defined in the Loan Agreement. Annual audit of the Program Expenditures will be submitted to the Bank no later than nine (9) months after the end of each fiscal year.

78. **Key Financial Management Risks and Mitigation Measures:** Program investment projects are relatively small in scale and spread across 28 counties and many implementing agencies. The risk of significant, large scale misuse of funds is therefore deemed low. The financial system assessment also identified funds flow and reporting risks: (i) appropriations of higher level earmarked grants are sometimes received late in the fiscal year reducing funding visibility and potentially jeopardizing implementation quality, given the somewhat seasonal nature of investments. This risk is mitigated by a strong pipeline of substantially ready projects that are small and can be implemented in a short period of time. Policy also allows the budget and implementation to be rolled over into the following year, and (ii) the Program monthly report lacks strong managerial content and the method by which counties prepare their respective reports is inconsistent producing a risk that the monthly report is not fully reliable and does not support value for money decision making. This risk is mitigated by agreed upon design changes to the report and agreement to provide counties instructions for preparing the monthly report.

C. Environmental and Social

79. The Environment and Social Systems Assessment (ESSA) finds that, in general, the existing legal and regulatory framework of environmental, health and safety, and social in China, and in

Guangxi are consistent with the World Bank's PforR Policy and Directive. During the PforR preparation, initial environmental and social screening was conducted based on the whole 13th 5YP in order to provide insights for the definition of the PforR boundary. Activities with potential significant adverse environmental and social impacts were excluded from the PforR boundary. These include ecological resettlement, major infrastructure construction projects (i.e. class 4 and higher roads), extractive activities, disaster relief and preparedness, and returning farmlands to forests. In addition, there are some activities subject to limitations, such as rural tourism development, which is limited to guest rooms, catering and agri-tourism, without involving physical cultural resources. In addition, the PforR excludes any activity subject to EIA Report, especially those located in natural forests; in or near physical cultural resources at/above county level; or in or near significant natural habitats.

80. The proposed PforR is expected to benefit about 1.74 million poor people (0.42 million households) from 28 poor counties, among which, 68 percent are ethnic minorities and 40 percent are women. Guangxi has formulated a series of policies on ethnic minority development, including respecting for minority views, safeguarding the political equality of ethnic minorities, respecting the customs of ethnic minorities, supporting the development of ethnic minorities, and planning the economic and social development of ethnic communities.

81. Some activities supported under the PforR may have potential negative impacts or risks. Pest management and livestock waste management are considered the main issues from an environment, health and safety perspective. Guangxi is promoting livestock farms to be established and run by farmers' cooperatives under the context of poverty reduction. Livestock waste management is handled by individual farmers, who often have inadequate capacity of livestock raising. The ESSA thus recommends enhancing the technical capacity of staff in county livestock bureau and enhance technical training and support to farmers (PAP action). The current pest management system is aligned with the international good practices. The key aspects in the pest management system, such as mandatory system for production and sales permits for pesticides, pest disease monitoring and forecasting, and trainings for farmers, are satisfactorily performed by relevant institutions.

82. The assessment of social risks of the activities to be supported under the PforR, concluded that there would not be significant social conflicts caused by its activities. However, the PforR would have limited social risks in terms of land acquisition or voluntary land donations and land transfers, effective participation and consultation, and grievance redress mechanism. The ESSA recommends developing a community participation and consultation manual, which will be the PAP action.

83. *OP 7.50 on International Waterways* is triggered as the Program activities could potentially involve water extraction for rural water supply systems and irrigation from the Pearl River Basin, which is regarded as an international waterway, as certain tributaries of the basin originate or flow through Vietnam. China is the downstream riparian of the Pear River Basin. In addition, in two out of the 28 counties under the Program, namely Jinxi and Napo county under Baise City, there are the following international waterways: Pingmeng River, Yandong River, Kuilan River, Baidu River and Lingai River (in Napo county); Nantan River, Podou River, Qilong River and Longbang River (in Jingxi county). These rivers are the most upstream tributaries of the Pearl River.

84. By supporting rural water supply activities (and without precluding the potential occurrence of irrigation activities within the CPRF), the PforR will greatly improve existing schemes for higher efficiency of irrigation and safer drinking water for rural population. The ESSA confirmed that impact on the transboundary basin and any associated water pollution from the proposed Program activities is minor. This is because the estimated increment use of water as a result of the water supply activities

under the PforR would be about 0.002% of the water resources available under the basin. Furthermore, the targeted counties are located in the downstream of the Pearl River Basin. Therefore, the proposed investments will not affect the water quality or flow in the upstream riparian countries. It is thus assessed that the PforR falls within the riparian notification exception under paragraph 7(a) of OP 7.50. In addition, with the exception of the international waterways in Napo and Jingxi county, the remaining portion of the Pearl River Basin within the PforR geographical scope consists only of tributaries of a transboundary basin, and said tributaries run exclusively within China, which is also the lowest downstream riparian. As the proposed investments will not affect the water quality or flow in the upstream riparian countries, the PforR activities within counties, which are located in Pearl River Basin (except Napo and Jingxi counties), fall also within the riparian notification exception under paragraph 7(c) of OP 7.50. The riparian notification exception was approved by the Regional Vice President, as required under OP/BP 7.50.

85. Consultations and information disclosure. Between November 2017 and January 2018, meetings were held with representatives from Guangxi region, and three counties government institutions to discuss policies and procedures on land acquisition and resettlement, land use right transfer, ethnic minority development, among others. Formal public consultation meetings were held during April 14-15, 2018, in Nanning and in Du'An county. An electronic copy of the draft ESSA report was uploaded on Guangxi government official website and hardcopies were made available together with the consultation announcement to key stakeholders prior to formal consultations.

86. Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org

D. Risk Assessment

87. The overall risk is Substantial. The assessments undertaken by the Bank have identified few institutional areas that require capacity building. However, this is one of the first poverty reduction PforRs in China implemented by a sub-national entity and while mitigation measures have been proposed, Guangxi might face some challenges in implementing them. The primary focus of this PforR is on poverty reduction through agricultural industrialization, which make up the majority of the DLIs. Technical assessment identified number of risks associated with these activities, such as interest and ability of leading enterprises to achieve poverty reduction accreditation status, and ability of local governments to identify and develop targeted number of farmer cooperatives who meet the specified standards related to their governance and operational structures. The technical design risk of the PforR is therefore rated Substantial. The main risk associated with the institutional capacity for implementation is related to the identification of a qualified third-party verification agency. As such, this risk is rated as Substantial (see section III-C for mitigation measures).

88. The fiduciary risk is rated *Moderate*. Section IV-B presents the key procurement and financial management risks and their mitigation measures. The fiduciary assessment report provides additional detailed analysis of the procurement and financial management systems, key risks and mitigation measures.

89. The environmental and social risks are rated *Moderate* because as the rules and regulations in Guangxi are consistent with the Bank's PforR Policy and the Bank's PforR Directive, and the PforR excludes activities with potentially negative impacts. There is a need to enhance the capacity of some aspects related to implementation of existing rules and regulations, such as livestock water management and community participation and consultation practices, as well as standardize the community consultation and compensation procedures for voluntary land donations. The ESSA provides detailed suggestions for the enhancement of these practices, some which will be addressed through PAP actions.

90. To address the risks mentioned above, the capacity building needs have been identified during the assessments and will be mitigated through actions included in the PAP. The Bank team will provide implementation support and technical assistance to monitor and support PforR implementation.



ANNEX 1. RESULTS FRAMEWORK MATRIX

PDO Indicators by Objectives / Outcomes	DLI	CRI	Unit of Measure	Baseline	End Target
To enhance the impact and efficiency of the Guangxi CPRP in the targeted counties					
Production income of registered poor households in targeted counties (in RMB)			Number	11,041.00	15,000.00
Percentage of registered households with access to selected infrastructure assets according to 8+1 poverty criteria in targeted counties (1) Rural roads			Percentage	96.00	98.00
(2) Safe drinking water			Percentage	78.60	85.40
Integrated Consolidated Fund Program-based Performance Monitoring Report			Number	0.00	3.00



Intermediate Results Indicators by Results Areas	DLI	CRI	Unit of Measure	Baseline	End Target
Results Area 1: Improved Income Generation for Rural Poor					
Number of enterprises accredited as Poverty Reduction Leading Enterprises	DLI 1		Number	0.00	100.00
Number of targeted counties with newly accredited poverty countries with poverty reduction leading enterprises			Number	0.00	28.00
Number of Pro-poor Farmer Professional Cooperatives meeting the Operational Standards	DLI 2		Number	0.00	500.00
Farmers reached with agricultural assets or services		Yes	Number	0.00	100,000.00
Farmers reached with agricultural assets or services - Female		Yes	Number	0.00	30,000.00
Pro-poor Farmer Professional Cooperatives membership (% registered poor)			Percentage	0.00	30.00
Pro-poor Farmer Professional Cooperatives membership (% female)			Percentage	0.00	30.00
Value of annual purchases of agricultural products by Poverty Reduction Leading Enterprises from farmers and farmer cooperatives (in RMB)	DLI 3		Number	0.00	2,000,000,000.00
Number of farmers completing New Professional Farmer Development training program	DLI 4		Number	4,291.00	40,000.00
-% of female			Percentage	25.00	30.00
% of registered poor			Percentage	10.00	18.00



Customers satisfied with the services provided by the New Professional Farmer Development training program			Percentage	0.00	70.00
Results Area 2: Improved Infrastructure for Rural Poor					
Number of Registered Poor Persons with New Piped Drinking Water Connections	DLI 5		Number	95,400.00	210,000.00
Customers satisfied with the drinking water supply services			Percentage	0.00	70.00
Number of Targeted Counties with an IT-based infrastructure project management system	DLI 6		Number	0.00	28.00
Paved road connectivity rate in large (=> 20 hhs) natural villages			Percentage	81.30	85.00
Results Area 3: Cross-cutting Issues for Enhanced Program Implementation.					
Number of Targeted Counties with Annual Program-based Budgeting Plans and Annual Program-based Expenditure Reports	DLI 7		Number	0.00	28.00
Poverty data platform for monitoring and evaluation of poverty reduction	DLI 8		Number	0.00	1.00
Number of additional datasets integrated from key institutional entities into Big Data platform			Number	0.00	4.00



Monitoring & Evaluation Plan: PDO Indicators	
Indicator Name	Production income of registered poor households in targeted counties (in RMB)
Frequency	Annual
Data Source	Regional poverty registry (NPRS) database of registered poverty households
Methodology for Data Collection	The indicator is measured for those registered households whose production income is equal or more than 50 percent from total household net income.
Responsibility for Data Collection	County governments
Indicator Name	Percentage of registered households with access to selected infrastructure assets according to 8+1 poverty criteria in targeted counties (1) Rural roads
Frequency	Annual
Data Source	Administrative records from Water Bureau and PRO. Data on registered households from NPRS database
Methodology for Data Collection	Guangxi PRO collect and aggregate the data from poor villages with road infrastructure investments and estimates the number of people in those villages
Responsibility for Data Collection	Regional PRO with inputs from Transport and Water Bureaus
Indicator Name	(2) Safe drinking water
Frequency	Annual
Data Source	Administrative records from Water Bureau and PRO. Data on registered households from NPRS database
Methodology for Data Collection	NPRS data for Guangxi administered by RPRO. The RPRO will collect data on water supply infrastructure investments and estimates the number of beneficiary persons.
Responsibility for Data Collection	Regional PRO with inputs from Transport and Water Bureaus



Indicator Name	Integrated Consolidated Fund Program-based Performance Monitoring Report
Frequency	Annual
Data Source	Reports prepared by RDOF with inputs from line agencies and 28 targeted counties
Methodology for Data Collection	Reports
Responsibility for Data Collection	Guangxi DOF, line departments and 28 targeted counties.

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Number of enterprises accredited as Poverty Reduction Leading Enterprises
Frequency	Annual
Data Source	Computerized data base maintained by Regional PRO
Methodology for Data Collection	Reporting by Regional PRO
Responsibility for Data Collection	Regional PRO
Indicator Name	Number of targeted counties with newly accredited poverty countries with poverty reduction leading enterprises
Frequency	Annual
Data Source	Computerized data base maintained by Regional PRO
Methodology for Data Collection	Reporting by Regional PRO
Responsibility for Data Collection	Regional PRO
Indicator Name	Number of Pro-poor Farmer Professional Cooperatives meeting the Operational Standards
Frequency	Annual
Data Source	Computerized data base maintained by Regional DoA
Methodology for Data Collection	Field evaluation by county agriculture department staff.
Responsibility for Data Collection	County and Regional DoA
Indicator Name	Farmers reached with agricultural assets or services
Frequency	Annual
Data Source	Computerized data base maintained by Regional DOA and RPRO
Methodology for Data Collection	This is core results indicator which measures the number of farmers who benefit from cooperative and enterprise activities. Data will be verified through field evaluations by county agriculture department staff.
Responsibility for Data Collection	County and Regional DOA, RPRO



Indicator Name	Farmers reached with agricultural assets or services - Female
Frequency	Annual
Data Source	Computerized data base maintained by Regional DOA and RPRO
Methodology for Data Collection	This is core results indicator which measures the number of farmers who benefit cooperative and enterprise activities. Data will be verified through field evaluations by county agriculture department staff.
Responsibility for Data Collection	County and Regional DOA, RPRO
Indicator Name	Pro-poor Farmer Professional Cooperatives membership (% registered poor)
Frequency	Annual
Data Source	Computerized data base maintained by Regional DoA
Methodology for Data Collection	Field evaluation by county agriculture department staff.
Responsibility for Data Collection	County and Regional DoA
Indicator Name	Pro-poor Farmer Professional Cooperatives membership (% female)
Frequency	Annual
Data Source	Computerized data base maintained by Regional DOA
Methodology for Data Collection	Field evaluation by county agriculture department staff and independent third-party agency
Responsibility for Data Collection	County and Regional DOA and independent third-party agency
Indicator Name	Value of annual purchases of agricultural products by Poverty Reduction Leading Enterprises from farmers and farmer cooperatives (in RMB)
Frequency	Annual
Data Source	Computerized data base maintained by Regional PRO
Methodology for Data Collection	Recorded by DHEs
Responsibility for Data Collection	DHEs and Regional PRO



Indicator Name	Number of farmers completing New Professional Farmer Development training program
Frequency	Annual
Data Source	Administrative records of training institutes and Guangxi poverty registry
Methodology for Data Collection	Guangxi DoA aggregate the data from targeted counties with the support and data from RPRO Additional data/information will be provided by VA.
Responsibility for Data Collection	Guangxi DoA and their offices in 28 targeted counties.
Indicator Name	-% of female
Frequency	Annual
Data Source	Administrative records of Guangxi DOA
Methodology for Data Collection	Guangxi DOA aggregate the data from targeted counties. Additional data/information will be provided by VA.
Responsibility for Data Collection	Guangxi DOA and their offices in 28 targeted counties.
Indicator Name	% of registered poor
Frequency	Annual
Data Source	Administrative records of Guangxi DOA
Methodology for Data Collection	Guangxi DOA aggregate the data from targeted counties. Additional data/information will be provided by VA.
Responsibility for Data Collection	Guangxi DOA and their offices in 28 targeted counties.
Indicator Name	Customers satisfied with the services provided by the New Professional Farmer Development training program
Frequency	Annual
Data Source	Beneficiary surveys
Methodology for Data Collection	This is Citizen Engagement indicator. The data will be collected as part of DLI verification process by VA from the sample of beneficiary interviews
Responsibility for Data Collection	VA agency to provide this data to Guanxi DoA



Indicator Name	Number of Registered Poor Persons with New Piped Drinking Water Connections
Frequency	Annual
Data Source	Administrative records from Water Bureau. Data on registered households comes from NPRS database
Methodology for Data Collection	Guangxi PRO aggregate the data from 28 targeted counties on registered poor households with piped drinking water system
Responsibility for Data Collection	Guangxi Water Bureau and Poverty Reduction Office
Indicator Name	Customers satisfied with the drinking water supply services
Frequency	Annual
Data Source	This is citizen engagement indicator. Beneficiary surveys
Methodology for Data Collection	The data will be collected as part of DLI verification process by VA from the sample of beneficiary interviews
Responsibility for Data Collection	VA agency to provide this data to Guanxi PRO
Indicator Name	Number of Targeted Counties with an IT-based infrastructure project management system
Frequency	Annual
Data Source	System maintained by Guangxi Poverty Reduction Office
Methodology for Data Collection	Reports generated from the system
Responsibility for Data Collection	Poverty Reduction Office of program counties and Guangxi
Indicator Name	Paved road connectivity rate in large (=> 20 hhs) natural villages
Frequency	Annual
Data Source	Administrative records and Guangxi poverty registry database
Methodology for Data Collection	Guangxi PRO to aggregate the data from 28 targeted counties on designated natural poor villages with access to roads
Responsibility for Data Collection	Guangxi Poverty Reduction Office



Indicator Name	Number of Targeted Counties with Annual Program-based Budgeting Plans and Annual Program-based Expenditure Reports
Frequency	Annual
Data Source	Individual reports prepared by project counties and consolidate reports maintained by Guangxi DOF
Methodology for Data Collection	Reports
Responsibility for Data Collection	Finance Bureau of program counties and Guangxi DOF
Indicator Name	Poverty data platform for monitoring and evaluation of poverty reduction
Frequency	September 2019
Data Source	Guangxi Poverty Reduction Office databases
Methodology for Data Collection	Report produced by third-party verification entity
Responsibility for Data Collection	Guangxi Poverty Reduction Office
Indicator Name	Number of additional datasets integrated from key institutional entities into Big Data platform
Frequency	September 2019
Data Source	Poverty Reduction Office of project county and Guangxi
Methodology for Data Collection	Report produced by third-party verification entity
Responsibility for Data Collection	Third party verification agency



ANNEX 2. DISBURSEMENT LINKED INDICATORS, DISBURSEMENT ARRANGEMENTS AND VERIFICATION PROTOCOLS

Disbursement Linked Indicators Matrix				
DLI 1	Number of enterprises accredited as Poverty Reduction Leading Enterprises			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	100,000,000.00	25.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
N/A	100.00		100,000,000.00	1,000,000.00
DLI 2	Number of Pro-poor Farmer Professional Cooperatives meeting the Operational Standards			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number	80,000,000.00	20.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
N/A	500.00		80,000,000.00	160,000.00



DLI 3				
Value of annual purchases of agricultural products by Poverty Reduction Leading Enterprises from farmers and farmer cooperatives in the Targeted Counties (in RMB)				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number	40,000,000.00	10.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
N/A	2,000,000,000.00		40,000,000.00	\$20,000 per each RMB1,000,000
DLI 4				
Number of farmers completing the New Professional Farmer Development Training Program				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	40,000,000.00	10.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	4,291.00			
Prior Results			0.00	
On the basis of DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$20,000,000 may be made on the basis of DLRs	40,000.00		40,000,000.00	1,000.00



under Categories (4) through (7) achieved prior to this date but on or after January 1,2018				
DLI 5	Number of Registered Poor Persons with New Piped Drinking Water Connections			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number	42,000,000.00	10.50
Period	Value		Allocated Amount (USD)	Formula
Baseline	95,400.00			
Prior Results			0.00	
On the basis of DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$20,000,000 may be made on the basis of DLRs under Categories (4) through (7) achieved prior to this date but on or after January 1,2018	210,000.00		42,000,000.00	\$200 per each 1 Poor Person
DLI 6	Number of Targeted Counties with an IT-based infrastructure project management system			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount



Output	Yes	Number	39,900,000.00	9.98
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
On the basis of DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$20,000,000 may be made on the basis of DLRs under Categories (4) through (7) achieved prior to this date but on or after January 1,2018	28.00		39,900,000.00	1,425,000.00
DLI 7	Number of Targeted Counties with Annual Program-based Budgeting Plans and Annual Program-based Expenditure Reports			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	40,600,000.00	10.15
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
On the basis of DLRs achieved prior to the	28.00		40,600,000.00	Y1: \$500,000; Y2: \$500, 000; Y3: 450, 000 per county



Signature Date, except that withdrawals up to an aggregate amount not to exceed \$20,000,000 may be made on the basis of DLRs under Categories (4) through (7) achieved prior to this date but on or after January 1,2018				
DLI 8	Poverty data platform for monitoring and evaluation of poverty reduction			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Number	14,300,000.00	3.57
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
N/A	1.00		14,300,000.00	Not applicable



Verification Protocol Table: Disbursement Linked Indicators

DLI 1	Number of enterprises accredited as Poverty Reduction Leading Enterprises
Description	Number of leading enterprises accredited as ‘poverty reduction leading enterprises’ by the Guangxi Regional PRO. PROs carries out and reports a number of accreditations on an annual basis. The data about accredited enterprises and their poverty reduction commitments will be recorded in a database managed by RPRO.
Data source/ agency	Computerized data base/ RPRO
Verification Entity	Third party verification agency
Procedure	RPRO carries out and reports number of accreditations on an annual basis to independent third-party verification agency (VA) acceptable to the Bank. The data about accredited enterprises and their poverty reduction commitments will be recorded in a database what will be set up by the RPRO. The accredited PRLs are expected to regularly update their information in the data base as part of the accreditation agreement. A third-party VA verifies all reported accreditations through enterprise visits, and stakeholder interviews. This verification will include key data, files and commitments provided by enterprises, and is based on the accreditation documentation. Verification that a DLI target has been achieved would be through a letter of confirmation to the Bank. Disbursements are scalable and will be made against the number of accredited firms in given time period which meet the standards set in the Accreditation and Management Workplan, based on the agreed unit values. The verification would cover all accredited PRLs to confirm the achievement or non-achievement of a DLI.
DLI 2	Number of Pro-poor Farmer Professional Cooperatives meeting the Operational Standards
Description	This DLI is defined as number of demonstration professional farmer cooperatives, which are pro-poor as defined as "at least thirty percent (30%) of its members are Registered Poor Households or forty percent (40%) of all Registered Poor Households in each of the covered administrative villages are members of said cooperative", registered in the Industry and Commercial Bureau under the Cooperative Law, meeting defined operational standards. The relevant cooperative data and operational parameters will be recorded in a database to be set up by the Regional Department of Agriculture.
Data source/ agency	Computerized data base/ Regional DoA
Verification Entity	Third party verification agency



Procedure	The Agricultural Bureaus or the Economic and Management Bureaus of agricultural departments at the county levels will record the cooperative information in the data base on a regular basis and take responsibility for the accuracy of the information. Cooperatives meeting all the agreed eligibility requirements will be reported to the World Bank for disbursement on an annual basis. The verification will be done through random field survey by checking records and files of not less than 20 percent of the reported cooperatives and conducting interviews with a random set of at least 10 members of a cooperative, of which 5 should come from registered poor households. If 10 or less than 10 percent verified cooperative fails to meet agreed operational standards, the uncompliant cooperatives will be excluded from DLI disbursement calculations. If more than 10 percent of the verified cooperative fail to meet agreed operational standards the DLI for a given year is considered as “not achieved” and a new random verification sample of cooperatives will be selected for the next year.
DLI 3	Value of annual purchases of agricultural products by Poverty Reduction Leading Enterprises from farmers and farmer cooperatives in the Targeted Counties (in RMB)
Description	The DLI is defined as a value of annual purchases (in RMB) by accredited PRLEs from farmers and farmer cooperatives in 28 targeted counties.
Data source/ agency	Computerized data base/ RPRO
Verification Entity	Third party verification agency
Procedure	The independent VA will verify the data provided by the Regional PRO annually. Given the close inter-linkages, it is expected that there will be just one VA responsible for the verification of DLIs 1 to 3. Verification that a DLI target has been achieved would be through a letter of confirmation to the Bank. The verification will involve enterprise visits, files and accounts checking and farmer/cooperative interviews. Disbursements are scalable and will be made against the value of purchases based on the agreed unit values.
DLI 4	Number of farmers completing the New Professional Farmer Development Training Program
Description	The DLI is defined as number of farmers who complete the New Professional Farmer Development Program in 28 targeted project counties.
Data source/ agency	Administrative records of Guangxi DOA
Verification Entity	Third party verification agency



Procedure	Disbursements are scalable and will be made against the number of farmers who participate in the New Professional Farmers Development Program. The data will be annually collected by the Guangxi Agriculture Department, which will be confirmed by the VA. The verification will be done against Program Guideline approved by Guangxi Agriculture Department on August 24, 2017. It will include the review of relevant training documents in randomly selected 3 counties (10 percent of targeted poor counties) which will be repeated for each disbursement year for new set of counties. In each county the verification will then randomly select 20 percent farmers and of which 20 percent are registered poor farmers who participated in the New Professional Farmers Development Program in a given year.
DLI 5	Number of Registered Poor Persons with New Piped Drinking Water Connections
Description	The DLI is defined as: (a) new (or rehabilitated) connections to drinking water supply schemes that supply water to rural households from a single water source to water stands within less than 800 m from the respective rural household; or (b) new (or rehabilitated) connections to drinking water through distribution pipelines in rural residential areas (or natural villages of at least 20 households).
Data source/ agency	Administrative records and Guangxi poverty registry database / Regional Water Bureau and RPRO
Verification Entity	Third party verification agency
Procedure	Verification process will randomly select 3 counties (10 percent of targeted poor counties) which will be repeated for new counties in each disbursement year (2018, 2019, and 2020). In each randomly selected county, the verification will then randomly select 20 percent schemes built in each year or at least 3 schemes per county whatever number is larger. Within every scheme, the verification will review the connectivity of registered rural poor who were newly connected to the piped water supply. If less than 10 percent of the schemes fails to provide water to households, such schemes and associated registered poor households will be excluded from DLI disbursement calculations. If more than 10 percent of the verified schemes fail to provide water to households the DLI for a given year is considered as “not achieved” and a new random verification sample will be selected for next year.
DLI 6	Number of Targeted Counties with an IT-based infrastructure project management system
Description	The DLI is defined as number of counties that adopt an IT-based infrastructure projects management system. Guangxi PRO will take major responsibility of the system development. The TOR of this system shall be agreed with the Bank. Guangxi PRO will issue the software, users’ manual and guideline to the county governments. Program counties shall install and use this system for the infrastructure projects management.



Data source/ agency	System maintained by Guangxi Poverty Reduction Office
Verification Entity	Third party verification agency
Procedure	Third-party VA will verify the installation of this system in targeted counties through on-site review. The evidence of successful installation is that the county can maintain the full project database in the system and generate aggregated report according to the province guideline. The baseline at the end of 2017 is zero and the estimated targets in 2018 and 2019 are 10 and 18 counties.
DLI 7	Number of Targeted Counties with Annual Program-based Budgeting Plans and Annual Program-based Expenditure Reports
Description	The DLI is defined as number of program counties that produce program-based budgeting plans and Annual Program-based Expenditure Reports. The plans and reports that adopts program-based expenditure classification shall be agreed with the Bank, and be specified in the provincial government’s guidelines.
Data source/ agency	Individual reports prepared by project counties and consolidate reports maintained by Regional FB
Verification Entity	Guangxi Audit Office
Procedure	Program counties shall prepare Annual Program-based Budgeting Plans and Annual Program-based Expenditure Reports using the agreed template. The baseline at the end of 2017 is zero and the end target at end of 2020 is that all 28 program counties. The DLI disbursements (scalable) will be made annually against reached targets. The estimated targets in each of 2018 through 2020 are 28 counties. Guangxi Audit Office will carry out the verification during annual financial audit process through reviewing the counties’ AFUP and implementation report against the template specified in the provincial government’s guideline.
DLI 8	Poverty data platform for monitoring and evaluation of poverty reduction
Description	The poverty data platform will be developed and curated at the Information Technology office of the Guangxi Region Poverty Reduction Office.
Data source/ agency	Report prepared by RPRO
Verification Entity	Third party verification agency
Procedure	DLI disbursements will require meeting the following conditions: (1) data platform is available and operative for use



by authorized staff for both consultation as well as production of statistical reports and yearbooks; (2) data platform includes additional databases to enhance the monitoring and evaluation capabilities of the users (Information from PRLEs and cooperatives; information on budget and beneficiaries from training programs; information from Infrastructure Project management system; information on budget expenditures by county as per new expenditure categories), and (3) data are preserved. The independent VA will confirm that the data platform concurs with agreed quality standards in terms of data preservation, integration, security and dissemination.

ANNEX 3. SYSTEMATIC OPERATIONS RISK RATING (SORT)

CHINA: Guangxi Poverty Reduction Program-for-Results

Stage: Appraisal

Risk Category	Rating (H, S, M, L)
1. Political and Governance	L
2. Macroeconomic	M
3. Sector Strategies and Policies	L
4. Technical Design	S
5. Institutional Capacity for Implementation and Sustainability	S
6. Fiduciary	M
7. Environment and Social	M
8. Stakeholders	M
OVERALL	S

ANNEX 4. PROGRAM ACTION PLAN

Action Description	DLI#	Responsibility	Recurrence	Frequency	Due Date	Completion Measurement
Issuance of the Working and Implementation Plan for the Accreditation and Management of Poverty Reduction Leading Enterprises (PRLE) in Guangxi under Document 62.	Number of enterprises accredited as Poverty Reduction Leading Enterprises	Guangxi Poverty Reduction Office	No		30-Nov-2018	Adoption working and Implementation Plan for PRLEs by official regional government document and notification of the Bank about the adoption by RPRO
Prepare and install a computerized Management Information System (MIS) for farmer cooperatives	Number of Pro-poor Farmer Professional Cooperatives meeting the Operational Standards	Guangxi Department of Agriculture	No		30-Sep-2018	Report the installation to the Bank by RDOA
Prepare and install a computerized Management Information System (MIS) for PRLEs	Value of annual purchases of agricultural products by Poverty Reduction Leading Enterprises from farmers and farmer cooperatives in the Targeted Counties (in RMB)	Guangxi Poverty Reduction Office	No		30-Nov-2018	Report the installation to the Bank by RPRO
Prepare short Technical Primer on Engineering Design for Rural Water Supply and conduct the training to county design engineers.	Number of Registered Poor Persons with New Piped Drinking Water Connections	Guangxi Water Bureau	No		31-Dec-2018	Guidelines issued by RPRO and training result assessment report submitted by RPRO
Upgrade the technical standard specifications for natural village roads, with an emphasis on road		Guangxi Poverty Reduction Office and DRC	No		31-Oct-2018	Notice No.62 upgraded and issued by RPRO and training result materials submitted by RPRO



delivery quality, climate resilience factors and maintenance; and conduct the related trainings to counties.						
Issue new guidelines requiring Program counties to prepare AFUP and implementation report in a template with expenditure classification in alignment with Guangxi poverty reduction major sub-programs	Number of Targeted Counties with Annual Program-based Budgeting Plans and Annual Program-based Expenditure Reports	Department of Finance	No		30-Jun-2018	Guidelines issued to targeted 28 counties by Department of Finance
Enhance the capacity to manage livestock waste through training and technical support to farmers.		Regional and county Agriculture Dep	Yes	Yearly		Training materials including prototype design, and training result assessment report, submitted by RDOA
Develop a community participation and consultation manual		Guangxi Poverty Reduction Office	No		31-Dec-2018	Manual issued by the RPRO
Exchange of experiences of adopting community participation in procurement by organizing workshops and issue a manual on community participation in procurement		Guangxi Poverty Reduction Office	No		31-Mar-2019	Workshops once a year Workshops conducted and reported to the Bank; Manual issued by RPRO and a copy sent to the Bank

Notes:

1. This is an indicative template. Task teams may adapt this template to meet the specific requirements of their operation.
2. * This column should indicate the reference, if any, to one of the Program DLIs as appropriate.
3. ** This column should indicate the agreed basis to determine if the action has been satisfactorily completed.



ANNEX 5. MAP 43638

