

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC24540

Project Name	Shaanxi Poor Rural Areas Community Development Project (P153541)
Region	EAST ASIA AND PACIFIC
Country	China
Sector(s)	General agriculture, fishing and forestry sector (45%), Rural and Inter-Urban Roads and Highways (30%), Agro-industry, marketing, and trade (25%)
Theme(s)	Rural services and infrastructure (60%), Rural markets (40%)
Lending Instrument	Investment Project Financing
Project ID	P153541
Borrower(s)	People's Republic of China
Implementing Agency	Shaanxi Provincial Office of Poverty Alleviation and Development
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	06-Sep-2015
Date PID Approved/ Disclosed	21-Sep-2015
Estimated Date of Appraisal Completion	23-Nov-2015
Estimated Date of Board Approval	09-Feb-2017
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

China's economic and social development over the past three decades (1980-2013) has been remarkable. China's average annual Gross Domestic Product (GDP) growth of about 10 percent and rapid process of industrialization and urbanization have lifted more than 600 million people out of poverty. Past poverty reduction and rural development strategies and policies targeted at poor rural areas have been very successful in reducing extreme rural poverty, which has dropped from 17.2 percent in 2010 to 8.5 percent in 2013. China's per capita income grew from RMB 332 in 1980 to RMB 18,311 in 2013 and urbanization rate rose from 20 percent in 1980 to 53.7 percent in 2013. China has now become the second largest economy and the largest exporter in the world.

Yet, China is still home to the second largest number of poor in the world. Measured by China's national poverty line of RMB 2,300 per year (US\$ 375 per year), there were still an estimated 70

million people living in poverty by the end of 2014. Poverty is mainly a rural phenomenon and most severe in China's western regions, in upland villages, among ethnic minorities, and in households with low levels of educational attainment.

China Poverty Reduction Strategy 2010-2020. The Leading Group of Poverty Reduction system (LGOP) has published national poverty reduction assessment and strategy documents in 1989, 1993, 2003, and 2011. While maintaining the core approach of development-oriented poverty reduction, the new 2011 document "Outline for Development-oriented Poverty Reduction for China's Rural Areas 2011-2020" (2011 Outline) advances several new approaches to overcoming poverty and directly addresses the above emerging challenges. First, the 2011 Outline highlights targets for (a) completing and upgrading poor area rural infrastructure including, access to safe drinking water, which remains a crucial pressing issue, as well as transport, power, farmland, irrigation, and housing; (b) social protection including (i) further improvements in access to education, health care, and culture and (ii) upgrading the rural welfare and pension systems; and (c) environmental protection and green poverty reduction.

Within the LGOP's core poverty reduction programs, the 2011 Outline introduces the concept of "Promoting Poverty Reduction Through Industrialization", which states that: The Government will promote utilization of advanced and practical agro-techniques, nurture specialty and pillar industries, and advanced tourism backed poverty relief program while giving full play to ecological environment and natural resource advantages of poverty-stricken areas. It will endeavor to promote industrial restructuring, help poor households develop production through leading enterprises, farmers' specialty cooperatives and mutual fund organizations, and guide and encourage enterprises to invest in poor areas so as to help poor households increase income.

In an effort to overcome increased disparities in both service gap and income gap between rural and urban areas, China's 12th Five Year Plan (FYP, 2011-2015) paid particular attention to balanced development, giving greater prominence to urbanization in inland regions and development of small cities and towns recognizing their role in linking the cities and rural areas and their potential to accommodate rural-urban migration. Launched in 2013, China's National Plan on New Urbanization (2014-2020) placed stronger emphasis on the balanced rural-urban development, equalization of basic urban services provision and social protection to all residents, including those "left behind" in rural areas. This policy priority is consistent with the key findings and recommendations from the study of "Urban China: Toward Efficient, Inclusive and Sustainable Urbanization", including: (a) enhancing opportunities in rural areas and small towns, and improving transport connectivity for more balanced regional development; and (b) promoting coordination among city clusters and improving infrastructure in third- and fourth-tier towns to manage congestion in first- and second-tier cities.

Sectoral and Institutional Context

Located in Northwestern China, with a geographic area of 205,800 km² and a population of about 37.6 million in 2013, Shaanxi province has a total of 56 national level poverty-stricken counties ranking second only to Yunnan province. In 2013, the average annual per capita income in Shaanxi was RMB 22,858 for urban residents (85 percent of the national average) and RMB 6,502 for rural residents (73 percent of the national average), with an urban-rural income disparity of 3.5 against the national average of 3.0. Based on the national rural poverty line of RMB 2,300, Shaanxi province in 2013 had a remaining rural poverty population of about 4.1 million which brought Shaanxi's rural poverty incidence to 15.1 percent against the national average of 8.5 percent.

To address rural poverty challenges, Shaanxi government has implemented a series of ambitious and effective poverty alleviation strategies, programs and projects which have achieved notable results in reducing poverty in the province. From 2011 (when the new national level poverty line was defined) until the end of 2014, a total population of 2.42 million have been lifted out of poverty. Still, about 3.5 million people are living in poverty, mostly distributed across the contiguous poverty-stricken areas of Baiyu mountain area, hilly areas along the Yellow River and dry highland area in north of Weishui River. All these areas are a part of the nationally designated lagging regions.

In 2013, about 51.3 percent of Shaanxi's population was living in cities and towns, lower than the national average of 53.7 percent. Shaanxi expects a migration of over 2.1 million people moving from rural areas to cities and towns during the 12th FYP period to have an urban population ratio of 57 percent by the end of 12th FYP. Despite accelerated rural-to-urban migration, however, approximately 40% of Shaanxi's population is expected to continue to live in rural areas, including all non-migrants and those migrants choosing to move to province-designated key towns and various small towns still located geographically in rural areas. Therefore, Agriculture remains a key sector and income sources for rural residents, in particular, the rural poor who will remain engaged and dependent on agriculture. Un-tapping the potential of the agriculture sector to promote agricultural economics and stimulate further rural transformation and modernization has become a new strategic direction for addressing rural poverty in Shaanxi.

The proposed project aims to adopt the pro-poor value chain approach to capture the opportunities for poverty reduction that arise from China's growing domestic urban market. It aims to enable participation of the small-holder farmers in such value chains and improve their access to markets through investments in the development of farmer cooperatives and related economic infrastructure and partnerships with agribusinesses. The project will also help to improve connectivity between the central small towns to the surrounding poor villages through encouraging the development of the relevant logistical and business services.

The proposed project would strengthen the links between local and regional economic development strategies and plans with government's efforts to eliminate remaining hunger and ensure basic needs in the country by year 2020, but also aims to improve the overall livability of the selected poor rural communities in Shaanxi province.

Relationship to CAS

The proposed project is consistent with Bank's Country Partnership Strategy (CPS) for 2013-2016 (Report No. 67566-CN) dated October 11, 2012. The CPS focuses on two strategic themes: support greener growth and promote more inclusive development. The proposed project supports the CPS theme two: promoting more inclusive development by focusing on lagging regions and small towns and by supporting policies and demonstration projects that address inequalities. It could contribute to two outcomes: enhancing opportunities in rural areas and small towns, and improving transport connectivity for more balanced regional development.

The project is also aligned with the World Bank Group's twin goals of ending extreme poverty and boosting shared prosperity. As all eleven project counties are designated national-level poverty counties, the project is well targeting the extreme poverty areas in China including poorest rural population with average income less than US\$1 per day. The project will assist the GOC in its

efforts to end extreme poverty for these vulnerable groups, address rural-urban disparity and boost shared prosperity in these selected project areas.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The proposed Project Development Objective (PDO) is to increase income opportunities in selected poor rural communities of Shaanxi province.

Key Results (From PCN)

The PDO level results indicators, subject to refinement throughout project preparation, are: (a) the number of farmer cooperatives established under the project; (b) the number of rural poor who are members of farmer cooperatives (disaggregated by gender); (c) people in rural areas provided with access to economic infrastructure (disaggregated by gender); and (d) representatives in community based decision making and management structure that are from the poor (disaggregated by gender).

III. Preliminary Description

Concept Description

The proposed project would consist of the following three components with a preliminary cost estimate of US\$155.19 million (RMB966.35 million equivalent) including a Bank loan of US\$100 million, to be implemented in five years.

(a) Component A: Livelihood Improvement Interventions. The component aims to support county and town-level development strategies with the aim to strengthening their links with capacity building of rural cooperatives and associations as the primary vehicle for rural poor households to engage in commercial farming and to be linked to dynamic markets; (ii) development of farmer cooperatives, with farmer cooperatives identifying partnering entrepreneurs, targeting and tailoring investments for these intended beneficiaries to support various livelihood improvement activities (these may include farming and non-farming income-generation activities, depending on available natural resources and the applicable local development strategies). The project will establish Farmer Cooperative Development Fund (CDF) and Enterprise Fund to provide financial support to project farmer cooperatives and encourage private sector engagement; and (iii) strengthened entrepreneurship through training and capacity building.

(b) Component B: Economical Infrastructure Services Improvement. This component aims to improve the economic network infrastructure connecting the villages to the large value chains. It would provide investment for (i) improving connectivity between villages, central small towns and regional transport networks; and (ii) upgrading production infrastructure, including construction of irrigation and drainage infrastructure; establishment of communications and information infrastructure; provision of green house, cold storage and other post-harvest facilities, market facilities, etc.

(c) Component C: Capacity Building, Monitoring and Evaluation (M&E), Project Management. The component aims to support (i) training for Project Management Office (PMO) staff for project implementation and management; skill development for participating farmers; training for out-migration farmers; training for local handcraft skills development; and awareness raising campaigns; (ii) monitoring and evaluation of project activities including, project physical progress

monitoring, environmental and social safeguards compliance monitoring, project impact monitoring; and (iii) project implementation and management.

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IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09			x
Physical Cultural Resources OP/BP 4.11			x
Indigenous Peoples OP/BP 4.10			x
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	155.19	Total Bank Financing:	100.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			55.19
International Bank for Reconstruction and Development			100.00
Total			155.19

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Implementing Agencies

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