

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC852

Project Name	Guizhou Rural Development and Poverty Alleviation Project (P133261)
Region	EAST ASIA AND PACIFIC
Country	China
Sector(s)	Crops (30%), Animal production (20%), Irrigation and drainage (20%), Agro-industry, marketing, and trade (20%), Agricultural extension and research (10%)
Theme(s)	Rural markets (40%), Rural services and infrastructure (40%), Rural policies and institutions (20%)
Lending Instrument	Specific Investment Loan
Project ID	P133261
Borrower(s)	International Department, Ministry of Finance
Implementing Agency	Leading Group of Poverty Reduction and Development of Guizhou Province
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	28-May-2013
Date PID Approved/ Disclosed	28-May-2013
Estimated Date of Appraisal Completion	20-Feb-2014
Estimated Date of Board Approval	20-Aug-2014
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

The Chinese Government has always made poverty reduction an important goal and task of national development and China's success in reducing poverty has been remarkable, an achievement that is acknowledged worldwide. In the mid-1980s, the Government started the Development-oriented Poverty Reduction Program in rural areas. Subsequently, the Government formulated and implemented the Seven-year Priority Poverty Reduction Program (1994-2000) and the Outline for Poverty Reduction and Development of China's Rural Areas (2001-2010). After three decades of strong economic growth along with successful poverty alleviation interventions that have lifted some 600 million people out of poverty, the rate of poverty reduction, however, is beginning to show signs of becoming less responsive to broad-based growth. In addition, with increasing rural-

urban disparities and diverging living standards, the Government recognized that the number of remaining rural poor was likely to be underestimated and adjustments to the previous poverty reduction policy were needed to better understand the patterns of the remaining rural poverty and to integrate traditional rural poverty reduction with rural-urban transformation and urbanization policies.

Consequently, in 2011, the Government revised the rural poverty line from CNY1,196 (2009) to CNY2,300 (US\$361) which increased the number of rural poor from 27 million in 2010 to 128 million in 2011. In addition, the State Council's Leading Group for Poverty Reduction and Development released the Outline for Development-oriented Poverty Reduction for China's Rural Areas (2011-2020) to provide a new strategic direction for addressing rural poverty. The strategy complements the traditional geographical targeting of designated poverty counties with the concept of adjacent destitute mountain areas of which 14 are prioritized for comprehensive regional development investments. The new strategy aims to eliminate hunger and elementary needs by 2020, achieve a growth rate in rural per-capita income that is above the national average, and promote the convergence of human development indicators and public services coverage across rural and urban areas. To narrow the rural-urban gap, the strategy lays out a broad approach that includes rural industrialization based on comparative advantage, infrastructure development, relocation and village consolidation, rural-urban integration, comprehensive public service provision and expansion of household-based social protection programs, such as the minimum living allowance (dibao), rural pension, and healthcare, and education, family planning, and environmental management.

Sectoral and Institutional Context

Guizhou Province is a land-locked province in southwest China with a total population of 40 million. A total of 11.5 million people are living below the new national poverty line, many of them dependent on subsistence agriculture. About 80 percent of Guizhou's land area belongs to the limestone and karst areas of the Wuling and Wumeng Mountains in which sixty-five poor counties and 85 percent of Guizhou's poor are located. Rural poverty in these areas is deep and persistent, with poverty rates often above 35 percent.

Guizhou is pursuing an integrated regional development program that focuses on infrastructure development to improve connectivity within the province and with the outside world, urban and industrial development and concentration of public services in cities and towns to attract and absorb the migrating rural population with the perspective to provide employment opportunities in the long-term, the relocation of 1.5 million people over the coming 10 years from fragile karst areas, and rural investment support and incentive policies for pillar-industry and enterprise development in areas with agricultural development potential and comparative advantage. Rural to urban migration and the integration of large amounts of rural surplus labor into the industrial and service sectors situated in urbanized areas will be critical for addressing the structural poverty in Guizhou.

At the same time, the agricultural sector remains key to provide employment and income opportunities for the rural population. Given the structural characteristics of agriculture, the dominance of very small farms, and widespread rural to urban migration, a gradual restructuring of the agricultural sector is necessary to allow productivity, efficiency and farm income to increase. Ultimately, a much smaller portion of the rural population will be able to remain engaged in agriculture if the convergence of income and income growth in rural and urban areas is to be realized. Improvements in transportation infrastructure provide new opportunities for agricultural

and rural development in Guizhou. But opportunities appear to remain un-tapped because of the limited market-driven investment into the agricultural sector itself. This underinvestment has structural and institutional causes. Market failures include outdated agricultural production systems that are characterized by uncoordinated and scattered production, limited access to capital for private investments, lack of marketing and price information, low technical and management standards, sub-standard product quality, and often a lack of a critical mass of production to attract investments in up-stream processing and marketing.

Relationship to CAS

The project would support the CPS' strategic theme two: promoting more inclusive development, by geographically focusing on lagging regions and small towns and by supporting policies and demonstration projects that address inequalities. It would contribute to the CPS outcome 2.3: enhancing opportunities in rural areas and small towns, by piloting new ways to boost rural incomes and reduce poverty under the umbrella of the new Poverty Reduction for China's Rural Areas Strategy (2011-2020) and by promoting inclusive innovation to decrease disparities.

II. Proposed Development Objective(s)

Key Results (From PCN)

The achievement of the Project Development Objective would be measured through the following key performance indicators: (a) generation of incremental net value of agricultural production through project investments; (b) fair and equitable distribution of the net production value among the various stakeholders in the value chain; and (c) viability and sustainability of the project models measured by additional private sector investments from outside the project. Additional indicators, including the Bank's new core sector indicators may be formulated during project preparation

III. Preliminary Description

Concept Description

The proposed project seeks to assist Guizhou in advancing the agriculture restructuring and modernization agenda. The focus of the project would be on income generation in rural areas through agriculture sector restructuring, modernization of agricultural pillar industries, commercialization and value-chain development, and institutional development and capacity building of poor rural households. The project would be implemented in 11 counties of three prefectures, including Bijie, Zunyi, and Tongren, covering a total population of 6.6 million and 2.4 million registered rural poor. Within the selected counties, project areas would cover 122 townships, 547 administrative villages, 256,000 households, 1.02 million people (of which 355,000 are registered as poor), which would directly benefit from project interventions.

The project would seek to achieve the development objective through the implementation of the following components and activities:

- Component 1: Restructuring of agricultural sub-sectors. The objective of this component would be to develop more efficient agricultural production systems focusing on 2 to 4 key agricultural pillar industries (or sub-sectors) in each project county. This would be achieved through the restructuring of the current production patterns and by supporting the enabling

institutions. This restructuring would aimed at creating or supporting larger, economically more viable and long-term sustainable production units, which are capable to use better technologies and can capture value added in the up-stream processing and marketing value chains.

The component would support socially acceptable models of cooperative development, farmland consolidation, company-farmer and company-farmer cooperative organizational models using a market and business-driven approach. Project financing would be provided for investments to: (a) develop new and improve existing farmer cooperatives; (b) introduce new or improved production systems, pre-processing/processing technologies for agriculture products, storage and marketing facilities; and (c) strengthen farm-to-market linkages, including up-grading of quality standards, labeling and certification, branding, product tracing, logistics, food safety and others.

The establishment and strengthening of farmer cooperatives would include the financing of: (a) training in management and business operation; (b) management facilities for farmer cooperatives and technical training, and (c) start-up productive/pre-processing investments for new and innovative technologies. Agro-enterprises that can provide public goods would be supported through public-private-partnership investments. Such investments would include (d) activities which are directly supportive to poor farmers, such as the provision of technical services, training, and (e) incremental costs related to sourcing their raw material from targeted poor areas and targeted poor households.

- Component 2: Public infrastructure and services support. The objective of this component would be to improve public infrastructure and other public services in order to enable and facilitate restructuring of the agricultural sub-sectors under Component 1. Specifically, the component would support investments in production road infrastructure (for example, tractor roads, field tracks or access to processing and marketing facilities), irrigation, drainage, communications, public market facilities, electricity supply and other infrastructure, which is necessary to facilitate and complement farmer and private sector investment under the first component. In addition, the component would provide investment in other supporting public services, such as food safety testing and control, public extension and training services, marketing systems and agriculture research and technology transfer as well as market studies for business development.
- Component 3: Training and capacity building. The objective of this component would be to improve the understanding of the roles and responsibilities of public sector institutions, enterprises, and farmers in poverty alleviation through the development of value chains, including improved benefit sharing mechanisms. The investment would include analytical studies, policy guidelines, and the development of appraisal guidelines for public sector support in rural areas. Training would be provided for government officials in relevant line agencies, entrepreneurs, and a wide range of public sector institutions.
- Component 4: Project management, monitoring and evaluation (M&E). The objective of this component would be to establish an effective project management and M&E system, to ensure that coordination between project implementation agencies at all levels as well as coordination with other government programs and institutions in the sector, and to capture of implementation lessons from the project. This component would provide support to the project management offices at all implementing levels, including office equipment, transportation and technical assistance services. It would also include support to establishing and operating the project's progress and impact M&E system.

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:	140.00	Total Bank Financing:	100.00
Total Cofinancing:		Financing Gap:	0.00
Financing Source			Amount
Borrower			40.00
International Bank for Reconstruction and Development			100.00
Total			140.00

VI. Contact point**World Bank**

Contact: Ulrich K. H. M. Schmitt
 Title: Sr Natural Resources Econ.
 Tel: 5788+7681 /
 Email: uschmitt@worldbank.org

Borrower/Client/Recipient

Name: International Department, Ministry of Finance
 Contact: Mr. Licheng Yao
 Title: Director
 Tel: 86 10 68551174
 Email: yaolicheng@mof.gov.cn

Implementing Agencies

Name: Leading Group of Poverty Reduction and Development of Guizhou Povice
 Contact: Mr. Shu Yu
 Title: Deputy Director General

Tel: 86-851-6832615
Email: nsl6687@163.com

Public Disclosure Copy

VII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: <http://www.worldbank.org/infoshop>

Public Disclosure Copy