

PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA28162

Project Name	Guangxi Rural Poverty Alleviation Pilot Project (P153892)
Region	EAST ASIA AND PACIFIC
Country	China
Lending Instrument	Investment Project Financing
Project ID	P153892
Borrower(s)	PEOPLE'S REPUBLIC OF CHINA
Implementing Agency	Guangxi Foreign Capital Poverty Reduction Project Management Center
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	08-Sep-2016
Date PID Approved/Disclosed	11-Sep-2016
Estimated Date of Appraisal Completion	20-Sep-2016
Estimated Date of Board Approval	21-Dec-2016
Appraisal Review Decision (from Decision Note)	This is track I project, so Decision Meeting hasn't been carried out.

I. Project Context

Country Context

China's success in reducing extreme poverty during the economic reform period is widely recognized. Between 1981 and 2012, the World Bank estimates that the portion of the population consuming below the poverty line of US\$1.25 per day in 2005 PPP fell from 84.3 percent to 5.2 percent and the absolute number of poor fell from 837.5 million to 70.4 million. About 767 million people in China were lifted out of poverty; that is, roughly 80 percent of global extreme poverty reduction happened in China. Using the new international poverty line of US\$1.9 per day in 2011 PPP, the share of the population living in poverty fell from 88.3 percent in 1981 to 6.5 percent in 2012, while the absolute number of poor people fell from 877.8 million to 87.4 million. About 790 million Chinese escaped poverty during this period, representing 72 percent of global extreme poverty reduction. Based on different poverty lines, official government estimates confirm a similar sharp decline in poverty over the last three decades. Using China's rural poverty line of annual per capita net income below CNY 2,300 (at 2010 constant prices and which is slightly above the US \$1.25 per day in PPP terms), the number of poor people living in rural areas declined to 55.75 million in 2015 from 70 million in 2014. This represents continued decline of rural poverty from 17.2 percent in 2010 to 8.5 percent in 2013.

Economic growth has been a key driver for poverty reduction in China, but poverty reduction programs and institutions have also played an important role. However, the remaining poor are

increasingly dispersed and harder to target. Geographically, the remaining pockets of poverty, including chronic poverty, are largely concentrated in rural areas, especially in mountainous and remote areas in western and inland provinces of China, in upland villages, among ethnic minorities, and in households with low levels of education.

The State Council Leading Group Office of Poverty Alleviation and Development of China (LGOP) plays the lead role in orchestrating a wide range of poverty reduction programs and funding. Within the LGOP's core poverty reduction programs, the 2011 "Outline for Development-oriented Poverty Reduction for China's Rural Areas 2011-2020" has reinforced a two pronged approach which emphasizes improved access to social services and infrastructure, and market-based income generation. The latter is called "Promoting Poverty Reduction through Industrialization" which aims to promote utilization of modern agricultural technologies, nurture specialty and pillar industries, and rural tourism backed poverty reduction programs, while giving full play to ecological environment and natural resource advantages of poverty-stricken areas. It aims also to help poor households to develop agricultural production through leading enterprises and farmers' cooperatives. In 2015 the Government launched a new program called "accurate poverty alleviation" to achieve the national goal of eliminating rural poverty by 2020 and improving the targeting of existing poverty reduction programs.

There are emerging economic opportunities in poor rural areas. The situation is evolving in a context where some business-minded individuals are developing innovative rural economic initiatives or farmer cooperatives which have a potential to contribute to poverty reduction in poor areas. Increasing numbers of migrants are also returning to rural areas in search of new economic opportunities due to hukou restrictions in urban areas. These individuals have often accumulated knowledge, experience and capital from the work in urban areas and now seek to invest in rural micro enterprises or farmer cooperatives. Local governments are actively encouraging the return of such migrants through various incentives and support policies. In doing so, they seek to attract individuals with higher skills, especially business and managerial skills. There is also an active tourism development in rural areas and a growing offer of outdoor activities. Rural tourism could thus become another opportunity for poverty reduction, provided models allowing inclusion of the poor are identified.

Sectoral and institutional Context

Poverty reduction through agricultural industrialization. The poverty reduction approach through agricultural industrialization could benefit those income poor people who have necessary human capital and productive assets endowments to enable them to escape poverty through participation in cooperative income generation activities. It also requires that both relatively better off and poorer rural households join their forces to achieve their economic goals. It is thus embedded in long-term approach of self-development of the poor.

Agribusiness enterprises have an important role in linking farmers to urban markets, securing thus market access and building value chains that respond both to consumer needs and to the specific features of remote, mountainous areas. In today's food markets, new economic value will be derived less from local processing than from improved linkages to end consumers in urban areas. Dynamic agribusinesses who are already close to consumers in high-end urban markets can also shorten value chains by sourcing produce directly from producers in poor areas. Their focus is not on quantity, but on the creation of value through quality, safety of food products and innovative

marketing strategies.

Agricultural transformation process. China's agricultural sector has performed well over the past several decades. Agricultural GDP has increased in real terms at the average annual rate of 4.6% from 1978 to 2013, four times the rate of population growth, and average per capita rural income has grown in real terms at an annual rate of about 6.5% between 1980 and 2010. China has been able to produce much more food than expected given its land and water endowments. On the other hand, China's agriculture sector faces many challenges such as rapidly rising production costs, higher price of its agricultural commodities than the international market, and increased difficulty in ensuring adequate supply of agricultural products. The diminishing land and water resources, and soil and water pollution from industrial sources, will continue to increase pressures on safety and sustainability of food systems in China. In order to meet these challenges China's agriculture and food production systems would need to provide more and better quality food at a time when the natural resource base is becoming progressively more fragile, weather and temperature patterns are shifting, and food safety is increasingly being called into question. This transformation process is further driven by rapid urbanization, which will continue to shape food consumption patterns in China.

Emerging economic opportunities for poor farmers. The above trends could offer new opportunities for poverty reduction in remote mountainous areas, which possess unique agro-ecological conditions and are less exposed to industrial pollution, provided that producers are able to meet consumer preferences and quality standards. The relative remoteness means that farmers in such areas could differentiate themselves from lower cost, bulk commodity producers in high potential areas. Poor farmers in remote mountainous areas may have an opportunity to turn the geographical disadvantages into advantages by producing agricultural and food products which meet demand for assured clean produce from urban-based consumers who are willing to pay prices needed to compensate for higher cost of production.

Farmer cooperatives too can have an important role in agricultural transformation process. The majority of farmer cooperatives in China provide their members with marketing services, purchasing inputs and technical training, and a significant share of cooperatives have been able to obtain various food safety certificates or have registered trademarks for their products. These cooperatives have played a useful role in enabling farmers to engage with rapidly changing market for agricultural products, improving production efficiency through increased scale, extending new technologies and standardizing agricultural production. The legal framework for farmer cooperatives in China has recently been upgraded.

II. Proposed Development Objectives

The Project Development Objective is to increase income generation opportunities through demonstration of value chain development models in selected poverty counties of Guangxi.

III. Project Description

Component Name

Improvement of Pro-Poor Value Chains

Comments (optional)

This component aims to address market failures in the development of agricultural and non-agricultural value chains and key industries in the project areas with a particular focus on increasing

the value of economic activities of targeted farmer cooperatives. Component 1 comprises the following two sub-components: (A) Cooperative Development Fund (CDF); and (B) Matching Grants for Enterprises.

Component Name

Improving Public Infrastructure and Services

Comments (optional)

This component would support the establishment and strengthening of productive public infrastructure and service systems in support of value chain/key industry development under Component 1 and would include two subcomponents: (A) Rural Infrastructure; and (B) Risk management.

Component Name

Enhancing Investments in Poor Areas

Comments (optional)

This component would improve and facilitate investments in poor areas by existing and new micro-entrepreneurs and business entities, such as Small and Medium Enterprises (SMEs), migrant returnees, or farmer cooperatives and would include two activities: (A) Business Incubation; and (B) Improved Access to Financing.

Component Name

Project Management, M&E and Learning

Comments (optional)

This component would aim to strengthen and develop the administrative and technical capacity of staff of the Project Management Offices at the county, prefecture and regional levels. The component would establish a rigorous M&E and impact evaluation system in order to enable learning from the pilot nature of the project. The component would also support regular supervision, progress monitoring, acceptance checks, and safeguards implementation monitoring.

IV. Financing (in USD Million)

Total Project Cost:	177.00	Total Bank Financing:	100.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			77.00
International Bank for Reconstruction and Development			100.00
Total			177.00

V. Implementation

Institutional and Implementation Arrangements. Project implementation arrangements have been set up at regional, municipality, and county levels. The project institutional arrangements include the following:

Project Leading Groups. Project Leading Groups at regional, municipal and county levels, comprising of the representatives from the Reform and Development Commissions, Finance Bureaus, Poverty Reduction Offices, Auditor-General's Offices, Civil Affairs Bureaus, Ethnic Affairs Commissions, Women's Federation, and other departments will provide leadership, policy guidance, and direction for project implementation within their respective jurisdictions.

Project Management Offices. A Regional Project Management Office (RPMO) has been established in the Guangxi Regional Poverty Alleviation Office to be responsible for the overall project coordination and management. Municipal-level PMOs will provide technical guidance to counties, supervise implementation, and assist the regional PMO in acceptance checks. County PMOs (CPMOs) will have the primary responsibility for the project management at the local level.

Administrative Village Committees. Village Committees will be responsible for local public information dissemination, cooperative mobilization, planning and implementation of public infrastructure investments assigned to the administrative village level, and for the coordination of any land requisition for infrastructure construction, as needed.

Professional Farmer Cooperatives. Farmer cooperatives will be established as economic entities and registered under China's Farmer Professional Cooperative Law. They will have implementation responsibility for all activities under the CDF. They will organize cooperative members; prepare the Cooperative Annual Investment Plans (CAIPs); and administer cooperative development funds in accordance with approved plans and project regulations.

Farmer Cooperative Advisors will be recruited and trained by the county PMOs to assist in the establishment and operationalization of new cooperatives; provide guidance to cooperatives in the formulation and implementation of productive investments and CAIPs; and assist the CPMOs in the monitoring and reporting of cooperative activities, and complaints handling.

Technical Advisory Groups (TAGs). Each county will set up a TAG comprising representatives from government, cooperatives, and relevant industries and private sector entities to provide advisory services for the cooperative value chain investments.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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

Comments (optional)

VII. Contact point

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