

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC27800

<b>Project Name</b>	Guangxi Rural Poverty Alleviation Pilot Project (P153892)
<b>Region</b>	EAST ASIA AND PACIFIC
<b>Country</b>	China
<b>Sector(s)</b>	General agriculture, fishing and forestry sector (100%)
<b>Theme(s)</b>	Other rural development (20%), Rural services and infrastructure (40%), Rural markets (40%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P153892
<b>Borrower(s)</b>	PEOPLE'S REPUBLIC OF CHINA
<b>Implementing Agency</b>	Guangxi Foreign Capital Poverty Reduction Project Management Center
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	29-Jun-2015
<b>Date PID Approved/ Disclosed</b>	30-Jun-2015
<b>Estimated Date of Appraisal Completion</b>	30-Jun-2016
<b>Estimated Date of Board Approval</b>	15-Dec-2016
<b>Concept Review Decision</b>	Track I - The review did authorize the preparation to continue

## I. Introduction and Context

### Country Context

Background. China's success in reducing extreme poverty during the economic reform period (1978-2014) is widely recognized. Over the last three decades, China has lifted over 750 million people out of poverty, which represents 89 percent of global poverty reduction during that period. World Bank estimates show that the number of absolute poor (that is, those people consuming less than \$1.25 per day in PPP terms) in China declined from 84 percent in 1981 to 6.3 percent in 2011. Based on different poverty lines, official government estimates confirm a similar sharp decline in poverty over these years, and the number of the people who lived on less than US\$2 per day was approximately 367 million or 27.2 percent of the total population. Using China's rural poverty line of annual per capital net income below CNY 2,300 (2010 constant process and which is slightly above the 1.25US\$/day in PPP terms), the number of poor people living in rural areas declined to 70.2 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. From 1981 to 2011, real GDP per capita grew at average annual rate of 9.1 percent. The relationship between annualized GDP growth and poverty reduction during this period suggests that poverty headcount index (measured by US\$ 1.25 per capita PPP line) fell annually by 0.99 percentage points for each percentage point increase of the GDP per capita. Improvements in access to public services, such as education and health, has been another driver of poverty reduction. All levels of education, employment in non-agricultural activities, and migration have been identified as critical forces driving poverty reduction.

Geographically, the remaining pockets of poverty, including chronic poverty, are largely concentrated in rural areas, especially in mountainous and remote areas in western provinces of China with ethnic minorities. These areas are usually characterized by challenging natural environment with water scarcity, low soil fertility and poor endowment with natural resources. The Government has classified 14 zones (crossing provincial boundaries) as the focus for its poverty alleviation efforts. The 14 zones contain 680 nationally designated poverty counties which benefit from special financial support under the government's rural poverty alleviation programs. Majority of these poverty counties are concentrated in mountainous areas of central and western China and among ethnic minority and other disadvantaged groups, including people with disabilities and elderly.

### **Sectoral and Institutional Context**

Guangxi ranks the fifth province in the nation in terms of the absolute poor numbers. Out of its total population of 52.4 million in 2013 there were 6.3 million poor people Guangxi which gives poverty incidence rate of 14.9 percent. Majority of these poor live in rural areas and over 80 percent of the poor people are from ethnic minority groups. Some 17.1 million people belong to various ethnic minority groups, making it a largest ethnic minority population in China. The province has 28 national level designated poverty counties and it is a recipient of a significant portion of national poverty reduction funds from the central government. In 2013, the net income per capita in these counties remained 59.6 percent of the national average. The main causes of the poverty are low levels of human capital (poor education attainment levels and lack of skills needed to participate in modern economy) in particular in mountainous rural areas; poor natural resources base and limited infrastructure (roads, water and electricity).

China has seen a rapid growth in the number of farmer cooperatives since the Law on Specialized Farmer Cooperatives promulgated in 2006. In March 2015 there were about 1.3 million specialized cooperatives in China. In some of the proposed project counties, formally registered cooperatives were almost non-existent before 2009. Their numbers are now growing rapidly and cooperatives are allowing both enhanced presence of the agribusiness sector and small entrepreneur initiatives. However, while most cooperatives are now recognized as economic entities, they are often small-scale and lack management skills. The project is expected to benefit from the national legal framework for farmer cooperatives, which is expected to be updated in 2015.

### **Relationship to CAS**

The proposed project is consistent with the Country Partnership Strategy (CPS), approved in 2012. The project would support the CPS's 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)

### Proposed Development Objective(s) (From PCN)

The proposed PDO is to increase income opportunities for rural households in selected poverty counties of Guangxi.

### Key Results (From PCN)

The achievement of the PDO would be measured by: (a) the number of project beneficiaries joining a new organizational arrangement decomposed by poverty levels and gender; and (b) the number of project supported cooperatives making profit.

## III. Preliminary Description

### Concept Description

**Project Area:** The proposed project areas are located in the rural areas of the Dian Gui Mountain Degraded Area. Within this area 10 project counties under the two cities of Baise and Hechi are proposed. These include: Tiandong, Tianlin, Leye, Donglan, Bama, Fengshan, Dahua, and Pingguo County, and Yizhou City. All of the selected counties/city are characterized by a particular high level of poverty combined with poor natural resource conditions, difficulties in water management, limited availability of farm land, low levels of technology and a high percentage of ethnic minorities.

**Proposed Project Components:** The proposed project would consist of the following four components with a preliminary cost estimate of US\$182 million including a Bank loan of US\$100 million and counterpart funding of about US\$82 million equivalent implemented over five years:

- a) **Component 1: Improvement of Pro-Poor Value Chains.** The component aims to address market failures in the development of agricultural and non-agricultural rural value chains and key industries with a particular focus on linking poor rural households with higher value markets. The component would finance the Cooperative Development Fund (CDF), which would provide grant financing to newly or existing cooperatives. It would also aim to establish Competitive Grant Fund for Enterprises which would provide matching grants to finance enterprise investments in order to demonstrate linkages and benefit sharing with poor farmers/households.
- b) **Component 2: Improving Public Infrastructure and Services.** The component would support the establishment and strengthening of public infrastructure and service systems in support of value chain/key industry development under the Component 1. It would provide financing for rural infrastructure such as rural roads, small-scale irrigation and drainage infrastructure, small water storage facilities, land levelling, IT infrastructure, public market facilities, etc. The component would also support public services, such as product certification, developing and registration of local/regional brands, branding and protection of ethnic minority product features, market and production risk management as well as strategic product marketing and promotion.
- c) **Component 3: Enhancing Investments in Poor Areas.** The component would improve and facilitate investments in poor areas by existing and new entrepreneurs and business entities such as Small and Medium Enterprises (SMEs), migrant returnees, or cooperatives through establishing

business incubation centers and risk management instruments.

d) Component 4: Project Management and M&E. The component would strengthen and develop the administrative and technical capacity of staff of the Project Management Offices. It would aim to establish a monitoring and evaluation and impact evaluation 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:	182.00	Total Bank Financing:	100.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
Borrower			82.00
International Bank for Reconstruction and Development			100.00
Total			182.00

#### VI. Contact point

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