



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 13-Oct-2021 | Report No: PIDC252134

**BASIC INFORMATION****A. Basic Program Data**

Country China	Project ID P177590	Parent Project ID (if any)	Program Name Green Agricultural and Rural Revitalization Program for Results
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 15-Mar-2022	Estimated Board Date 21-Jun-2022	Does this operation have an IPF component? No
Financing Instrument Program-for-Results Financing	Borrower(s) Ministry of Finance	Implementing Agency International Poverty Reduction Center in China	Practice Area (Lead) Agriculture and Food

**Proposed Program Development Objective(s)**

The Program Development Objective (PDO) is to promote green and sustainable agricultural and rural development in selected provinces.

**COST & FINANCING****SUMMARY (USD Millions)**

<b>Government program Cost</b>	5,000.00
<b>Total Operation Cost</b>	500.00
Total Program Cost	500.00
<b>Total Financing</b>	500.00
<b>Financing Gap</b>	0.00

**FINANCING (USD Millions)**

<b>Total World Bank Group Financing</b>	500.00
World Bank Lending	500.00

## Concept Review Decision

The review did authorize the preparation to continue



## B. Introduction and Context

### Country Context

1. **China's speed and scale of economic growth and poverty reduction over the past 40 years are unprecedented.** Following the opening of the economy in 1978, China's economy grew at an annual rate of almost 10 percent, and per capita gross domestic product (GDP) increased from US\$300 to US\$10,500 in 2020<sup>1</sup>. Rising agricultural productivity, structural transformation, and increasing non-farm employment significantly contributed to rural income growth and the eradication of extreme poverty. The per capita income of rural households increased by nearly 22 times in real terms during 1978–2018 period.<sup>2</sup> The number of rural people living in poverty fell from 770 million in 1978 to 551,000 in 2019, decreasing rural poverty incidence from 97.5 percent to 0.6 percent over the same period. This means that China alone accounted for three quarters of the total reduction in global extreme poverty during this period.<sup>3</sup> China declared that extreme rural poverty (at the current poverty standard) was eradicated by the end of 2020. China is the first developing country that has met the Millennium Development Goal (MDG) target of eliminating poverty by 2030, almost 10 years ahead of time. The rapid agricultural productivity growth, policy and institutional reforms, and urban-rural linkages contributed to these remarkable achievements.

2. **To improve the quality of future growth and development, China is prioritizing greening its economy through decarbonization, efficient use of natural resources, and building resilience to climate change.** China's 12th Five Year Plan (FYP, 2011-2015) highlighted the need for 'green development' and committed to building a natural resource-saving and environmental friendly society. Reorienting economic growth to reduce environmental stresses, restore degraded landscapes and ecosystems, and improve the air, water and land quality has been the government's priority since the 13th FYP (2016-2020). Optimizing the economic structure remains key to achieving green, modern, and sustainable development under the 14th FYP (2021-2025). This priority is affirmed by the concept of 'Ecological Civilization' which is a high-level vision of "sustainable development with Chinese characteristics." A green economic growth trajectory is within reach, but would require bold policy and institutional reforms. The next decade is critical and agriculture and the rural sector have a big role to play. Transformation of the agricultural and rural economy toward green, low-carbon and sustainable development will contribute to the government's ambitious action plans for achieving peak carbon dioxide emissions by 2030 and carbon neutrality by 2060. Given the size of its economy, China's performance in greening its economy will not only bring national and regional, but also global benefits.

3. **Green and modern agricultural and rural development are integral parts of the China's Rural Revitalization Strategic Plan (RRS) and the 14th FYP (2021–2025).** Since 2017, China has adopted ambitious policies, strategies, and guidelines for promoting green and modern agricultural development. The 19th Communist Party of China (CPC) National Congress Report (October 2017) sets out the Vision or Goals of the RRS as "to build rural areas with thriving businesses, pleasant living environments, good social etiquette and civility, effective governance, and prosperity." The Rural Revitalization Strategic Plan (2018-2022) developed by the CPC and State Council (SC) to implement the RRS has four key pillars: (i) building a new pattern of urban-rural integration; (ii) speeding up the pace of agricultural modernization; (iii) enhancing green rural industrialization; and (iv) building a beautiful countryside with ecological livability. The No. 1 Central Document of 2018, 2019 and 2020 set out clear milestones for the short, medium, and long-term objectives relating to

<sup>1</sup> <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CN>

<sup>2</sup> NBSC (National Bureau of Statistics of China). 2020. China Statistical Yearbook 2020. Beijing: China Statistical Press.

<sup>3</sup> World Bank 2018a.



the implementation of the RRS. The short-term objectives (2020) include alleviating extreme poverty and improving rural productivity and agricultural products supply. The medium-term objectives (2035) include achieving significant progress toward agricultural modernization, rural access to basic public services, and urban-rural integration. And the long-term objectives (2050) include the all-around revitalization of rural areas.

4. **In February 2021, the Committee of the CPC and SC issued the “Opinions on Comprehensively Promoting Rural Revitalization and Accelerating Agricultural and Rural Modernization”**—which is the Central Document No. 1 of 2021, highlighting four priority areas: (i) promoting green agriculture development; (ii) developing modern agricultural and rural industries; (iii) expanding the provision of rural infrastructure and public services; and (iv) strengthening the governance of rural areas. Subsequently, the Guidelines for Implementing the RRS and Accelerating Agricultural Transformation defined the following five areas of focus: (i) boosting agriculture through quality improvement and branding; (ii) improving agricultural competitiveness and farmers’ incomes; (iii) improving agricultural sustainability through green production; (iv) deepening reforms and innovations (e.g., digital agriculture initiatives such as Internet + Agriculture, Internet of Things (IoT), Big Data, Artificial Intelligence (AI), Machine Learning); and (v) improving the provision of rural public services.

#### Sectoral (or multi-sectoral) and Institutional Context of the Program

5. **China is now one of the largest agricultural economies in the world.** In 2020, China’s agricultural gross domestic product (GDP) amounted to US\$1.13 trillion (constant 2010 US\$), equivalent to 7.7 percent of the national GDP. In the past 40 years, the inflation-adjusted average annual growth rate of China’s agricultural output value and agricultural GDP were 5.3 percent and 4.5 percent, respectively. This growth was driven mainly by higher total factor productivity (TFP), technological changes and large producer subsidies provided mainly for rice, wheat and maize production. China has now surpassed both EU and the US in terms of its agricultural support. Despite its limited natural resource endowment, China produces 18 percent of the world’s cereal grains, 29 percent of the world’s meat, and 50 percent of the world’s vegetables. China also plays an important role in agricultural international trade. The country is the largest importer of soybean and maize, the key ingredients in animal feed production, beef and aquatic products, and largest exporter of chemical fertilizers. Therefore, as both a large producer, consumer and trader, China’s producer support and international trade policy decisions have huge implications globally.

6. **China’s past notable achievements in agriculture growth have come at the cost of increasing environmental degradation and natural resource depletion.** It is estimated that the cost of environmental degradation and resource depletion in China amounts to about 9 percent of its GDP, 10 times higher than corresponding levels in Korea and Japan. In 2018, China was ranked 120th out of 180 countries for environmental performance across 24 indicators in ten categories, including: air quality, water and sanitation, heavy metals, biodiversity and habitat, forests, fisheries, climate and energy, water resource and agriculture. The environmental performance index (EPI) shows that China is lagging many other upper middle-income countries, such as Brazil, Mexico, Russia, and Turkey, with comparable per capita incomes.

7. **China’s intensive farming operations are a major source of water, soil, and air pollution.** The intensification of China’s agriculture has frequently been characterized by improper farm management practices related to both inputs and outputs of crop and animal production systems. These include: (i) excessive or improper fertilizer and pesticide use; (ii) poor livestock waste management and aquaculture water treatment; (iii) use and improper disposal of agricultural plastics; (iv) improper use of feed, drugs, growth enhancers, and other chemicals in aquaculture and livestock production systems; and (v) the open burning of crop residues. Land use changes due to agricultural expansion and inefficient irrigation water use are adding to the environmental footprint – especially on landscapes and ecosystems degradation. These and other unsustainable agricultural practices have given rise to significant environmental pollution, with the breadth and severity of problems varying among provinces and landscapes and ecosystems.



8. **China's intensive agricultural production systems have contributed significantly to carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) emissions.** In 2018, the agriculture sector accounted for about 11 percent of China's total GHG emissions—the third largest source after energy and industry. In 2016, China's agriculture sector CO<sub>2</sub> equivalent emissions were almost 700 million tons. Currently, China's agriculture sector emits an estimated 828 million tons of CO<sub>2</sub> equivalent per year. Climate models estimate that without serious national mitigation efforts, agricultural GHG emissions in China will rise to 1,350 million tons per year by 2050. Also, at 13 percent, China has the largest share of the global agricultural GHG emissions. The main sources of China's agricultural GHG emissions include enteric fermentation from ruminant animals (28.7 percent), excessive or improper synthetic fertilizer use (21.8 percent), paddy rice cultivation (16.0 percent), and poor livestock waste (urine and manure) management (10.5 percent).

9. **China is now the largest producer and user of synthetic fertilizer globally, both in absolute terms and per unit of land.** The exponential growth in subsidies in China has led to overuse of inorganic fertilizers by more than 220 kg/hectare. According to the China Statistical Yearbook, chemical fertilizer use increased from 28.05 million tons in 1991 to 60.22 million tons in 2015, an increase of about 92.6 percent. Most of these fertilizers are not taken up by the targeted plants, instead disperse through the air, soil, and water. Excessive use of fertilizers as one of the major sources of non-point source pollution remains a major environmental challenge. In 2015, the Ministry of Agriculture and Rural Affairs (MARA) issued the *Action Plan for Zero Growth in Fertilizer Use by 2020*. As a result, the amount of fertilizer used in China began to decline but still accounted for about a third of the world's total consumption in 2018.

10. **China also uses large quantities of pesticides which are harmful to the environment and ecosystems.** The quantity of pesticides used in China more than doubled from about 800,000 tons in 1991 to 1.8 million tons in 2013. During the same period the intensity of pesticide application also increased from about 5.1 to 11.0 kg per hectare. Using pesticides to control pest outbreaks not only increases agricultural production costs, but also pollutes the environment and poses a tremendous threat to food safety.<sup>4</sup> Like fertilizer, MARA issued the *Action Plan for Zero Growth in Pesticide Use by 2020*. As a result, the use of pesticide declined rapidly, reaching 1.39 million tons in 2019, and the intensity of pesticide application also declined to 8.4 kg per hectare in 2019. However, compared to developed countries (especially US and EU nations), the use and application intensity are still high.

11. **Dumping of untreated manure and feces laden waste and wastewater from large livestock and aquaculture operations into the environment (land and water) is rampant, and often uncontrolled.** In China, the collection and separation of animal wastes (dung from urine), proper disposal of treated solids and liquids, and recycling (e.g., circular economy – composting, waste to energy conversion) are not widely practiced in intensive livestock production systems. In 2017, China's total Chemical Oxygen Demand (COD), Total Nitrogen (TN), and Total Phosphorus (TP) were 21.44, 3.04 and 0.32 million, respectively; with the livestock subsector accounting for 50 percent, 47 percent, and 67 percent of these pollutants. Most intensive aquaculture systems use inputs (e.g., fertilizer and feed), yet only a small proportion of these nutrients are utilized, and the rest are lost to bacterial degradation, potentially causing nutrient and methane pollution.

12. **China has become the largest producer and user of agricultural plastic mulch in the world.** This is mainly due to its rapid expansion of fruit and vegetable production in response to dietary diversification locally and abroad. Over the last two decades, the area under plastic film in China grew more than 150-fold, reaching over 20 million hectares. The annual use of plastic mulch has now exceeded 2.0 million tons<sup>5</sup> which is equivalent to the combined use in Europe, United States and Japan. However, the recycling rate of plastic mulch in China is less than 60 percent. As a result, residual mulch gradually accumulates in the soil, causing environmental pollution. Large quantities of plastic film mulch have ended in streams, rivers and ultimately oceans—endangering marine life. While the policy framework with respect to plastic

<sup>4</sup>Huang, J., Qi, L., & Chen, R. 2008. Technical information knowledge, risk preference and farmers' application of pesticides. *Management World* (05): 71–6.

<sup>5</sup> NBSC (National Bureau of Statistics of China). 2020. *China Statistical Yearbook 2020*. Beijing: China Statistical Press.



collection and recycling, and the use of micro-thin plastics in agriculture, has recently tightened, enforcement in rural areas remains patchy at best.

13. **Food losses and wastes (FLW) are attracting growing public attention in China.** The country's annual food loss in production, storage, transportation, and processing is estimated to be 35 million tons, while the annual food waste in urban catering is roughly 17-18 million tons. The annual total food loss along the grain value chain (mainly rice, wheat, and maize) is about 12 percent. The decomposing food wastes generates methane, which leads to pollution and contributes to global warming. FLW also negatively impacts food security and exacerbates the strain on scarce land and water resources. Poor storage contributes the most to postharvest losses for all types of food (e.g., 5.7-8.6 percent for grain, 2.5-3.7 percent for meats, and 10-15 percent for perishable food). China has established a regulatory framework to deal with wastes in general. However, the framework is not adapted to FLW, and the relevant government ministries and agencies are currently mainly working independently.

14. **China's industrial aquaculture and animal production rely heavily on the use of antibiotics, feeds, and supplements, which give rise to pollution in several ways.** Nutrient pollution has become particularly problematic in the open systems that have come to dominate aquaculture, because they entail the release rather than the recycling of excess nutrients. The use of prophylactic and growth-enhancing drugs and hormones is now a standard practice in the aquaculture and livestock industries. China has also become the largest producer and user of antibiotics in the world, and animals' share is more than half of the total consumption in China. It is estimated that up to 90 percent of antibiotics consumed by animals are excreted—releasing them into the natural environment for dispersal in ground and surface waters. The Chinese government has made a series of efforts to control antibiotic use in animals. For example, it has released a prohibited list of antibiotics not to be used in farming, banned antibiotic use during withdrawal periods, classified management of prescription drugs and over-the-counter drugs, and required farmers to record their antibiotic use. Despite these regulations the use of antibiotics in food animals is still alarming.

15. **In many parts of China, maize, rice, and wheat crop residues are systematically burned for the sake of expedience and labor savings.** Time and labor scarcity, the lack of market channels for straw and husks, and certain agronomic beliefs are among the factors thought to contribute to this practice. China burns more crop biomass than any other country in the world. It is estimated that 24 percent of crop residues were burned or improperly discarded in 2018. Incomplete combustion of crop straw releases nitrogen oxide, sulfur dioxide, hydrocarbons, and fumes, which adversely impacts the air quality causing health problems. By reacting with sunlight, these chemicals may produce secondary pollutants such as ozone, which increases global warming and contributes to climate change. The black carbon not only has impacts on human health, but it also affects visibility, harms ecosystems, reduces agricultural productivity and exacerbates global warming.

16. **Land conversion due to agriculture expansion is a key driver of loss of biodiversity and productive forest land, degradation of watersheds, and fragmentation of ecologically sensitive areas.** China's total forest cover stands at around 21 percent, and after decades of decline, it is now increasing. However, the productive and biodiversity value of many forests is poor, with large areas of monoculture forest, with poor resilience to storms and pests, and with low biodiversity value. Almost half of China's terrestrial vertebrates have vanished in the last 40 years and agricultural expansion is partly to blame for the loss of species. Also, at risk are pollinators critical for agricultural production, including fruits, nuts, and vegetables. The degraded forest ecosystem, with diminished productivity and biodiversity also weakens their effects on climate regulation, water conservation, and wind-proofing and sand-setting. The State Council issued a *Plan for the Protection and Restoration of Natural Forests (PPRNF)*, but its implementation under the National Forest Protection and Restoration Program (NFPP) just started in 2021, though with a long-term vision until 2050.



17. **Despite infrastructure and water management improvement in the last decade, China's irrigation water use efficiency is still low.** The current coefficient of irrigation efficiency is 0.559, a significant improvement<sup>6</sup> over 2004 level at 0.44, but it is still lower than that of developed countries (ranging 0.7-0.8)—especially US and EU nations. Around half of China's farmland is irrigated, more than double of the global average of 21 percent. At 61.1 percent, irrigation consumed the largest proportion of China's total water available in 2019. Irrigated farmlands produce 75 percent of China's grain and over 90 percent of cash crops such as cotton and vegetables. Securing water for irrigation will likely become more challenging due to increasing irrigated areas, relatively low irrigation efficiency, and competition for water from industry and urban sectors. This would be exacerbated by global warming and climate change, which are expected to increase the severity and frequency of droughts, especially in the north and northeastern regions of China.

#### Relationship to CAS/CPF

18. **The proposed PforR is fully aligned with the World Bank's Country Partnership Framework (CPF) for China (FY2020-2025, Report No. 11785-CN).** The China-World Bank Group (WBG) partnership has entered a new era following 40 years of close collaboration. Thus, the CPF is focusing on closing the remaining institutional gaps and supporting interventions that generate significant global public goods. This shift is consistent with China's own new development strategy of promoting green growth to achieve *ecological civilization*.<sup>7</sup> Specifically, the proposed PforR is directly linked to the Engagement Area 2 (EA2) of the CPF—Promoting Greener Growth. Under EA2, the Bank aims to support government's efforts to: (i) reduce air, soil, water, and marine plastics pollution; (ii) demonstrate sustainable agricultural practices and improve agro-food products quality and safety; and (iii) strengthen sustainable natural resource management.

19. **The PforR would make significant contributions to the achievement of efficient, low carbon and sustainable agricultural and rural development in China, through:** (i) reductions in GHG emissions (e.g., CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O and others); (ii) reduction in agricultural plastics and point and non-point source pollution (e.g., COD, COB, TN, TP, and Nitrogen-Ammonia); (iii) restoration of degraded agricultural landscapes and ecosystems and improvement in natural resource management (especially increasing use efficiency of land and water); and (iv) improvements in food safety and mitigation of risks associated with emerging infectious diseases. These will generate significant climate co-benefits and contribute to the mitigation of and adaptation to impacts of climate change in China and globally.

#### Rationale for Bank Engagement and Choice of Financing Instrument

20. **The proposed PforR is in response to the government's request for the World Bank's support for the implementation of RRS during the five year transition period (2021-2025).** Following the achievement of eradicating extreme rural poverty by end of 2020, China is now shifting to sustaining, consolidating, and expanding the gains by promoting rural revitalization—focusing on the “Three rurals”: agriculture, rural areas, and farmers. As mentioned earlier, the main government's priorities include developing green and modern agriculture and rural industries; developing rural infrastructure and public services; and strengthening the rural governance systems.

21. **The government has put in place sound policies, strategies and plans for transitioning to green agricultural and rural development.** The 14th FYP articulates the need to “*promote green development to achieve harmonious coexistence of man and nature.*” Articles 35-38 emphasize the need to: (i) Accelerate green and low-carbon development; (ii) consistently improve environmental quality; (iii) improve quality and stability of the ecosystem; and (iv) improve efficiency of resource utilization. Essentially, the 14th FYP emphasizes that economic and social development should be based upon sound management of the environment and ecosystems and sustainable utilization of the natural resources. Similarly, the

<sup>6</sup>Ministry of Water Resources of China. 2020. Announcement on the publication of the assessment results of the implementation of the strictest water resources management system in 2019 [EB/OL].

[http://www.mwr.gov.cn/zwgk/gknr/202007/t20200730\\_1441256.html](http://www.mwr.gov.cn/zwgk/gknr/202007/t20200730_1441256.html),2020-7-22.

<sup>7</sup> The concept of ‘Ecological Civilization’ has become one of the government's highest policy priorities; it includes a high-level focus on resource efficiency, environmental sustainability and ecological conservation.



Strategic Plan for Rural Revitalization (2018-2022) emphasizes that harmonious coexistence of man and nature is the foundation of rural revitalization and states that: “*we shall adhere to the concept that lucid waters and lush mountains are invaluable assets.*” The National Sustainable Agricultural Development Plan (2015-2030) supports these goals by emphasizing green agricultural development, targeting zero growth of fertilizer and pesticides; establishing standards and regulatory frameworks for livestock waste discharge and agriculture pollution; putting in place economic incentives for improving environmental performance (including through eco-compensation); and promoting circular economy (e.g., recycling of crop and livestock waste, bio-energy generation). In addition, the “Three Red Lines” established in 2012 set specific targets for water withdrawals, water use efficiency, and water quality.

22. **There is also strong political will and leadership on transitioning to green economic development.** Opinions of the Central Committee of the CPC and the SC on the implementation of the Rural Revitalization Strategy issued in January 2018 emphasize on, among others, improving the quality of agricultural development, nurturing new drivers of growth of the rural economy, promoting green rural development (i.e., *harmonious development between man and nature*), and building new system of rural governance. The report of the 19th CPC National Congress further elaborated the concept that *lucid waters and lush mountains are invaluable assets*. It emphasized that China needs to deepen institutional innovation on green development in an all-rounded way by improving system design for the green industry and market for green technology innovation, green consumption, green finance, and by reforming the eco-environmental regulatory system and improving eco-environment management.

23. **China has a legal and institutional framework for implementing the RRS.** The Rural Revitalization Promotion Law (RRPL) of the People's Republic of China (PRC) was adopted at the 28th meeting of the Standing Committee of the 13th National People's Congress on April 29, 2021. This law was formulated to fully implement the RRS, including to promote the overall upgrading of agriculture, progress of the countryside, and development of farmers; to accelerate the modernization of agriculture and rural areas; and to comprehensively build a modern socialist country. The law is promulgated based on the following principles: (i) prioritizing the development of agriculture and rural areas; (ii) adhering to the dominant status of farmers; (iii) adhering to the harmonious coexistence of man and nature; and (iv) persevering in reform and innovation and promoting high-quality development on the agricultural supply side.

24. **The proposed PforR presents an opportunity for the World Bank to support China's efforts to successfully implementation the RRS to achieve its intended goals.** A priority area for Bank's support will be institutional strengthening, especially by helping put in place the governance frameworks for the RRS, both at the national and subnational levels, by focusing on transparency, accountability, and participation; thereby enhancing development impact and sustainability. The frameworks will include mechanisms for resource mobilization (e.g., transfers from the central government and provincial and county own budgets, through consolidation, pooling, or tagging, and targeting); monitoring and evaluation (e.g., tracking expenditures and assessing impacts); and coordination across multi-sectoral (e.g., Agriculture, Water Resources, Rural Roads, Ecology and Environment) and between national and subnational (province and counties) agencies. Once piloted in the PforR provinces, these frameworks can be rolled out to all provinces in China. In addition, the Bank can bring in best practice international experiences to help China to operationalize the RRPL (2021), including developing regulations, standards, and guidelines for its effective and efficient implementation.

25. **The Bank is well-positioned to help China reform its agricultural support policies and repurpose public expenditures to support green development.** The proposed PforR aims to support results-based fiscal transfers from both the central and subnational governments to rural areas to finance green agricultural and rural revitalization activities. These include monitorable and verifiable activities that: (i) reduce air, water, and land pollution; (ii) increase efficiency of natural resource use (especially land and water); and (iii) protect the environment and restore degraded landscapes and ecosystems. Therefore, the proposed PforR will contribute to global public goods by reducing GHG emissions through both mitigation and adaptation measures. The proposed PforR will ensure that it supports agricultural and rural development that is green (low-carbon), resilient and sustainable.





### C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

#### Program Development Objective(s)

26. **The PDO is to promote green and sustainable agricultural and rural development in the selected provinces.** The Program is expected to contribute to the achievement of the government's RRS<sup>8</sup> targets, through more efficient results-based fiscal transfers system aimed at: (a) reducing agricultural pollution and greenhouse gas (GHG) emissions; (b) improving efficiency of natural resource use (especially land and water); (c) improving agricultural productivity, resilience to climate change and food security (including quality and safety of agricultural products); (d) improving rural infrastructure and access to basic public services (such as production roads, irrigation and drainage, water and sanitation, and rural wet markets); and (e) strengthening rural institutions (especially farmer cooperatives (FC) and water user associations (WUA), and farmer associations (FA)).

#### PDO Level Results Indicators

43. **The following are the proposed preliminary PDO level indicators:**

- i. Governance frameworks for implementing RRS in place
- ii. Annual targets for reducing agricultural pollution achieved
- iii. Annual targets for sustainable land and water management practices achieved
- iv. Annual targets for population accessing improved rural infrastructure and public services achieved
- v. Annual targets for strengthening and linking rural institutions to markets achieved

27. **The choice of Disbursement Linked Indicators (DLIs) will be based on four factors:** (a) the importance of the indicator that signals a critical action/output along the results chain, critical to achieving the PDO; (b) assessed need to introduce a strong financial incentive to deliver the result; (c) practical aspects of verifying achievement; and (d) capacity of the Borrower to achieve the DLI during the implementation period of the Program. Other indicators will be absorbed into the Program Action Plan (PAP) and others into the Program's Results Framework (RF).

### D. Program Description

#### PforR Program Boundary

28. **The proposed PforR aims to support the government's Rural Revitalization Program (RRP, 2018-2035), which was adopted by the SC in 2017.** The RRPL (2021) provides the legal framework for implementing the RRP. The government's RRP (the Program) has 14 sub-programs, which are also included in the 14th FYP (2021-2025). The Rural Revitalization Strategic Plan (RRS) operationalizes the RRP (the Program). The RRS budget for 2022-2025 transition period is US\$960 billion for Mainland China (i.e., 22 Provinces, 4 Municipalities, and 5 Autonomous Regions), which is about US\$240 billion per year. Out of the 14 sub-programs of the government's Program, the proposed PforR will support those contributing to its three Results Areas (RAs): (i) RA1 -Strengthening institutional capacity for governance; (ii) RA2 - Promoting green agricultural value chains; and (iii) RA3 - Increasing access to rural infrastructure and public services.

29. **The RA1 is focusing on strengthening the institutions (closing the institutional capacity gaps) for governance,** including for program-based budgeting (pooling or tagging resources) and expenditure tracking and reporting system; results-based fiscal transfers targeting green agricultural and rural development interventions; third-party M&E and results verification systems; and multi-sectoral coordination framework. The RA2 is focusing on sustaining and consolidating the poverty alleviation gains (closing the urban-rural income gap), especially by increasing farm and non-farm incomes (e.g., through green and sustainable value chains development) and has the greatest potential for

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<sup>8</sup> This has four priority areas: (i) promoting green agriculture development; (ii) developing modern agricultural and rural industries; (iii) expanding the provision of rural infrastructure and public services; and (iv) strengthening the governance of rural areas.



generating significant global public goods (e.g., agricultural pollution reductions and environmental protection). Finally, RA3 is focusing on improving access to rural infrastructure (e.g., production/access roads, wet/healthy markets, irrigation and drainage, water and sanitation, livestock waste treatment, conventional and cold storage, etc.) and public services (e.g., green technical skills and business advisory services to members of rural institutions—FC, WUA and FA), hence closing the urban-rural public services gap. The proposed PforR will only support low-carbon (e.g., energy efficient, reducing GHG emissions, conserving resources), climate change resilient (e.g., built to withstand climate shocks), and service oriented (e.g., providing logistical support to RA2 activities—VC development) infrastructure.

30. **At the national level, the PforR will be implemented by the National Rural Revitalization Administration (NRR) and at provincial level by Guangxi (21 counties), Guizhou (20 counties) and Gansu (5 counties).**<sup>9</sup> The ministry of finance (MOF) is expected to borrow from the World Bank and allocate the IBRD loan to NRR as a grant. Guangxi, Gansu and Guizhou provinces will borrow and repay their IBRD loans through MOF. NRR will only implement activities under RA1, while the three provinces will implement RA1 (customizing national frameworks to fit local context), RA2 and RA3. The specific DLIs to be achieved by the NRR and the common (i.e., applicable to all provinces for easy of aggregation, verification, reporting and reimbursements processing) participating provinces will be identified and agreed during the PforR preparation stage between the Bank and respective implementing agencies.

31. **The Program will spend about US\$5.0 billion to support NRR and the three participating provinces to achieve results for the agreed DLIs.** A large proportion of NRR budget will finance RA3 activities, which it is mandated. The Bank's will provide IBRD loan amounting to US\$500 million to finance the agreed PforR outputs and outcomes generated by the NRR and the three provinces. The bulk of the IBRD loan proceeds will be used to finance outputs and outcomes under RA2. In addition, the PforR will leverage on the fiscal transfers received by the provinces and counties from sectoral ministries (e.g., MARA, MWR, MEE, etc.) to finance sector-specific green agricultural and rural development activities (e.g., agriculture, drinking water, environmental protection etc.). For example, MARA's budget for FY21 is RMB555.15 billion (US\$85.4 billion), including general support RMB392.39 (US\$60.4 billion) and agricultural producer support or subsidies RMB162.76 (US\$25 billion). These budgets can be leveraged to finance RA2 activities. Furthermore, each province and county sets aside own budgets to finance the 14 sub-programs. The PforR will also leverage these provincial and county resources to finance results-based green agricultural and rural development.

#### E. Initial Environmental and Social Screening

32. **The government's Program investments to supported by the PforR are not expected to induce any long term or irreversible environmental or social impacts.** The Program outcomes are intended to reduce air, water, and land pollution; increase efficiency of natural resource use (especially land and water); and protect the environment and restore degraded landscapes and ecosystems in the participating provinces and so have net positive impacts. Any potential activity with significant adverse impacts will be excluded during the PforR preparation. Activities with potentially adverse environmental or social impacts are expected to be limited in scope and be site specific; and specific mitigation measures can be planned for and implemented.

33. **An Environmental and Social System Assessment (ESSA) will be prepared, consulted upon, and disclosed prior to the PforR appraisal mission.** The ESSA will examine the scope, context and potential impacts of the PforR from an environmental and social perspectives. It will entail the review of environmental and social management systems and the implementing capacities of the respective government agencies that will participate in the PforR; and evaluate their consistency with the core principles and attributes specified in the Bank Policy/Directive on Program for Results Financing. It will also include assessment of governments' systems addressing labor and working conditions, community health, and cultural heritage. Recommendations will be made to address issues that are identified. These will be included in the

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<sup>9</sup> The task team has reviewed proposals from the NRR and nine provinces: Guangxi, Guizhou, Gansu, Shaanxi, Sichuan, Qinghai, Yunnan, Hebei and Hunan



Program Appraisal Document (PAD). Necessary DLIs and/or PAPs will be included in the PAD if there are gaps identified in the government’s system. Activities identified as high risk will be excluded from the PforR.

34. **The content of the ESSA will include, but not be limited to a brief description of:** (i) the PforR , including the development objectives, relationships between government’s Program and the Bank-financed PforR; (ii) potential environmental and social risks, impacts and benefits, including any potential issues related to land acquisition; (iii) assessment of the institutional arrangements and mechanisms for dealing with the potential environmental and social risks; (iv) gaps in the risks management systems and measures for enhancing the capacity of implementing entities; (v) meaningful consultation held with the key stakeholders; and (vi) inputs to the integrated risk assessment.

35. **The PforR investments will be screened to assess if any E&S high risk interventions are included.** Such investments will be excluded from the proposed PforR, as stipulated in the Bank Policy/Directive on Program for Results Financing. In addition, the task team will ensure that planned investments do not cause any significant adverse environmental or social impacts that are sensitive, long-term or irreversible; and that such impacts are site-specific, mostly reversible and can be effectively mitigated with locally and readily available resources.

36. **OP 7.50 International Waterways.** This safeguard policy is preliminary triggered because the Program activities in Guangxi province could potentially involve water abstraction from the Pearl River basin for rural water supply systems and irrigation. The Pearl River is regarded as an international waterway because some of its tributaries originate from Vietnam, while China is the downstream riparian country. However, the PforR will mainly focus on improving existing rural water supply to provide safer drinking water for the rural population and increasing efficiency of water use in the existing irrigation schemes to better manage the natural resource.

37. **Excluded activities.** Based on the limited available information and experience with project implementation, the following activities are among those recommended to be excluded: permanent-basic-farmland acquisition; large scale farmland acquisition; adverse impacts on ethnic minority; livelihood impact arising from the restriction of access or transfer of user rights; large scale household relocation; and the closure of enterprises.

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