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PROJECT CHINA 5717

(WIS No. CHA 0571700)

Integrated agriculture development in Haidong Prefecture, Qinghai Province

Duration of the project	Five years
Number of beneficiaries	260 000 persons
Total costs to WFP	12 651 000 dollars
Total government costs	17 624 200 dollars
Total IFAD costs	5 219 000 dollars
Total project costs	35 494 200 dollars

All monetary values are expressed in United States dollars, unless otherwise stated.
One United States dollar equalled 8.28 yuan in October 1996.

ABSTRACT

The integrated agriculture development project is in consonance with the country strategy for China and has a strong focus on poverty alleviation and women's development. It is concentrated in resource-poor and food-deficit areas and on minority groups, with specific targeting on women. The project aims at increasing the income levels of the poorest 49,000 households in three of the poorest counties of Qinghai province. It has been designed, and will be implemented, in collaboration with the International Fund for Agricultural Development (IFAD). WFP assistance will be used as an incentive to support the development of agriculture and rural infrastructure, participation in agricultural and other training, and strengthening of local planning and implementation structures. Food-for-work activities will include construction of dams and canals, terracing and land-leveling, forestry and soil conservation, and drinking-water supply schemes. Food-for-training will be given primarily to women to improve their agricultural skills, as well as other skills such as literacy, health, micro-enterprise management, and off-farm income-generating activities. Food-for-training will also include a human capital formation component (for the girl-child), and institutional strengthening of the All China Women's Federation (ACWF). The special focus on women is justified on grounds of efficiency, equality and empowerment, and is consistent with the priorities of WFP, IFAD, and the Government of China. IFAD assistance will be used to provide loans to farmers and for supplementing the training component.

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NOTE TO THE EXECUTIVE BOARD

This document contains recommendations for review and approval by the Executive Board.

Pursuant to the decisions taken on the methods of work by the Executive Board at its First Regular Session of 1996, the documentation prepared by the Secretariat for the Board has been kept brief and decision-oriented. The meetings of the Executive Board are to be conducted in a business-like manner, with increased dialogue and exchanges between delegations and the Secretariat. Efforts to promote these guiding principles will continue to be pursued by the Secretariat.

The Secretariat therefore invites members of the Board who may have questions of a technical nature with regard to this document, to contact the WFP staff member(s) listed below, preferably well in advance of the Board's meeting. This procedure is designed to facilitate the Board's consideration of the document in the plenary.

The WFP focal points for this document are:

Regional Director: J. Cheng-Hopkins tel.: 5228-2209

Chief Desk Officer: R. K. Ahuja tel.: 5228-2307

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Documentation and Meetings Clerk (tel.: 5228-2641).



PROBLEM ANALYSIS

1. Qinghai is the second poorest province of China and is inhabited by a large proportion of minorities (Tibetan, Hui and Sala Muslims). It is a food-deficit province, importing about 350,000 tons of grain annually. The proposed project will cover three counties of the Haidong prefecture: Pingan, Hualong and Xunhua.
2. All three counties have been identified as national poverty counties¹ by the government, with a per capita income of 438 yuan, which is 82 percent of the provincial and only 36 percent of the national per capita rural incomes. In terms of poverty status, the three counties rank 34, 36 and 39, respectively, out of the 39 counties in the province. Ethnic minorities (Hui and Sala Muslims and Tibetan) constitute 73 percent of the population in the three counties. Hualong and Xunhua have been declared as the Hualong Hui Nationality Autonomous County and the Xunhua Sala Nationality Autonomous County, respectively, because of the predominance of ethnic minorities in these counties.
3. Within the three counties, 34 out of a total of 40 townships have been selected as the project area.² The per capita income in the project area is only 315 yuan (about 28 percent less than the county average), and the estimated annual per capita grain consumption is only 144 kilograms. (about 26 percent less than the county average).
4. In the project area, only the poorest households have been targeted. The target group has been defined as those households which have a per capita annual income of less than 307 yuan. Out of a total of 54,563 households in the selected townships, about 90 percent (49,174 households) will thus qualify for WFP/IFAD assistance.
5. There are several causes of poverty for these households. Agricultural production in the area, and the scope of increasing it without assistance, is very limited. The project area is located in ecologically marginal zones with poor natural resources. It is characterized by a high altitude, sloping land susceptible to soil erosion, and nutrient deficient soils. As a result, the productivity of agriculture is very low. Harsh climate limits the growing season and restricts agricultural production to one crop per year, while the vagaries of the climate cause frequent natural disasters (e.g., drought, late rains delaying planting, early frosts and hailstorms) which affect crop yields and contribute to the vulnerability of agriculture. In addition, the resource base is being degraded by population pressure. As a consequence, grain scarcity is a severe problem within the project area, with an estimated 80 percent of the households facing grain deficits for at least two to four months a year. Constraints include: poor infrastructure (roads and drinking water supplies); few alternative employment and income-earning opportunities; limited access to productive resources (credit, marketing outlets and inputs); and the low level of skills (education, training and health).
6. While the poor face these constraints in general, women are particularly disadvantaged in several ways. They are more restricted in their access to productive resources (land,

¹ Counties with the majority of households living in absolute poverty (i.e., below the official poverty line of net per capita income of 530 yuan) are classified as “National Poverty Counties”; they are eligible for assistance from national funds.

² The selected townships are those which have an average per capita annual income of less than 440 yuan.



capital, technology and off-farm income-earning opportunities) and support services (education and health etc.).¹ Women participate extensively in all operations involved in crop production and in livestock-related and forestry activities. While they share labour with men in most work, women are often exclusively responsible for: weeding; all (or major) work related to livestock, collecting manure and making manure fuel; collecting fuelwood; carrying water often over distances of two to three kilometres; and all household chores.

7. While women are heavily involved in agricultural work, their productivity is low because they do not have access to agricultural extension. They have generally had less education and training. Similarly, women's access to credit for on-farm and off-farm activities is limited because of their inability to offer collateral, as land title is not in their name, and because of social-cultural constraints, especially among the Hui and Sala communities, whereby men act as links between women and the outside financial, commercial and business world. It is thus very important, from the point of view of economic efficiency alone, to devise ways to increase women's productivity through increasing access to training and credit and reducing workload through easier access to drinking water. Again, while the project area in general is characterized by very poor education facilities and low attendance rates the girl-child is particularly disadvantaged.
8. The proposed project seeks to overcome these constraints of limited access to resources for the poor in general and for women in particular through its focus on poverty alleviation and women's development. In view of the acute poverty, unemployment and food insecurity at the household "project" and provincial levels in the rural areas, food-for-work and food-for-training will be the most appropriate means of providing assistance to the project participants. This, combined with IFAD loans for agricultural inputs and other supplementary income-generating activities, will lead to sustainable longer-term increases in food security, income and employment.

PREVIOUS WFP ASSISTANCE

9. Two previous projects (China 2708 and 3557) were implemented in Qinghai province (though not in the same areas) in the late eighties and early nineties. Representatives of the Executive Board, who in 1996 visited some of the sites of project No. 2708, commented favourably on the project impact, especially the sustainability aspects. The proposed project which was specifically foreseen in the Country Strategy Outline (CSO) for China, submitted to the Committee on Food Aid Policies and Programmes (CFA) at its Fortieth Session, builds on the tested integrated agricultural development model, with the additional features of IFAD collaboration and mainstreaming of women in socio-economic development.

¹ The illiteracy rate for women is 65 percent in Pingan, 69 percent in Hualong and 73 percent in Xunhua to corresponding rates of 30 percent, 30 percent and 32 percent for men. The proportion of girls to boys in the schools is 42 to 58 percent. In the project counties, the school attendance rate for girls ranges from 54 to 75 percent against that of boys, which ranges from 87 to 94 percent. The girls' drop-out rate is also high; for instance, in Hualong county it is 29 percent compared to seven percent for the boys.



PROJECT OBJECTIVES AND OUTPUTS

Long-term objectives

10. The long-term objectives of the project are to increase food security and income levels, as well as to improve the living conditions of the target population through more sustainable agriculture, forestry, infrastructure development, and income-generating and social development activities.

Immediate objectives

11. By combining WFP, IFAD and government inputs, the immediate objectives of the project are:
- a) to increase agricultural production through: i) the improvement and extension of irrigation; ii) soil conservation measures; and iii) land-levelling and terracing;
 - b) to increase forested areas for the production of fuelwood, as well as for protection purposes;
 - c) to improve transport facilities for better access to input supply and the marketing of produce;
 - d) to provide drinking water to the population which has no access to it, and to reduce women's workload in this regard;
 - e) to enhance project sustainability and promote income-generating activities, through training and loans; and
 - f) to mainstream women in economic and social development by: (i) increasing the productivity of their current agricultural activities through training in crop and livestock production and forestry; (ii) enhancing their off-farm income-earning opportunities by training in these skills and micro-enterprise skills; (iii) improving their living standards by training in literacy and healthcare; (iv) ensuring human capital development for the girl-child by providing primary education; and (v) strengthening the institutional capability of the government by giving incentives to literacy trainers and training to midwives and village-level representatives of the All China Women's Federation (ACWF).

OUTPUTS

WFP-assisted activities

12. The project covers all 34 townships in the three counties, with a total of 49,174 households. However, some components of the programme which depend on the physical location of irrigation facilities are concentrated in townships of the command area (14 townships). The rest of the components are extended to all 34 counties and include the programme for women (e.g., beneficiary training, girls' primary education, and institution-building), training for men, rural water supply, and forestry.
13. **Construction of dams/reservoirs** (3,482,000 workdays, or 23 percent of total workdays).



The project will support three earthen dams for irrigation development. The dams at Liutai in Pingan county and Yongfen in Xunhua county will be new, while the dam at Hougou in Hualong county will comprise the rehabilitation and completion of structures commenced earlier and postponed due to technical and financial constraints. The total capacity of the dams is 7 million m³ (2.6 million m³ in Liutai, 2.1 million m³ in Hougou and 2.3 million m³ in Yongfeng). The height of the dams ranges from 24 to 54 metres.

14. **Construction of canals** (2,859,000 workdays, or 19 percent of total workdays).

Construction of 62 kilometres of main-lined canals, and 83 kilometres of branch canals and related works will be undertaken to irrigate 4,200 hectares of land, which will benefit 18,636 households.

15. **Land improvement** (5,094,000 workdays, or 33 percent of total workdays).

Land-levelling and terracing will develop 3,227 hectares of irrigated land. In conjunction with land-levelling and terracing, on-farm development of 3,454 hectares will also be undertaken.

16. **Dryland management** (220,000 workdays, or 1.4 percent of total workdays)

The dryland, mainly located in Hualong county, will be developed through land-levelling and terracing near the catchment areas of the irrigation schemes. Moreover, demonstration plots will be part of the 200 hectares of land development proposed under this activity.

17. **Forestry and soil conservation** (945,000 workdays, or six percent of total workdays).

The proposed works include: the establishment of a total of 700 hectares of village woodlots for fuelwood in all 34 townships; 133 kilometres of canal-side plantations; 85 hectares of catchment protection plantations; the planting of 125,000 trees on irrigated lands; the establishment of nurseries to produce 4.3 million seedlings of various species; and the construction of 300 small check dams for gully plugging to reduce soil erosion. The species used will be mainly Buckthorn (i.e., fuelwood) and Qinghai Poplar.

18. **Rural roads** (568,500 workdays, or 3.7 percent of total workdays).

Some 37 kilometres of village roads and 99 kilometres of farm roads will be constructed to serve about 10,500 households.

19. **Rural water supply** (501,000 workdays, or 3.3 percent of total workdays).

About 70 kilometres of drinking-water pipelines will be built for villages located near the reservoirs. Supplementary drinking-water supplies (wells/hand pumps) will be established in all 34 townships. The activity will benefit about 1,400 households with wells/hand pumps and another 1,400 households with piped water.

20. **Training** (1,676,000 workdays, or 10.9 percent of total workdays).

The actual training days will be approximately double this figure.

A. **Women's development programme** (1.4 million workdays, or 9.1 percent of total workdays).

A programme targeted especially at women in the project areas is planned, in addition to women's participation being linked to other project activities. The programme will cover all 34 townships; some of its components, such as training in agricultural skills, will cover all of the 49,174 households in the project area. The women's development



programme is the only component in the WFP/IFAD assistance that covers all households. The following specific activities have been identified:

1. Beneficiary training.

Beneficiary training to women includes the following five types:

- a) training in agricultural skills will cover crop production, livestock, and forestry activities and is meant to partly overcome poor women's traditional lack of access to agricultural extension and current information on such areas as improved seed varieties, fertilizer usage, cultural practices, animal healthcare and feeding, and compost production. The crop production/livestock training will require 123,000 workdays and benefit all the 49,174 households in the project area, whereas the forestry training will benefit some 10,000 households;
- b) training in non-agricultural skills (e.g., embroidery, tailoring, weaving and food processing) will benefit 10,440 households;
- c) training in micro-enterprise skills, including training in group formation, credit management, financial basics, will benefit 14,000 households;
- d) literacy training in basic reading and numeracy skills will benefit 20,000 households; and
- e) health training will concentrate on imparting primary healthcare knowledge and practices to women and will benefit 20,000 households.

2. Girls' primary education/human capital formation

The human capital investment for the girl-child consists of primary education for girls from five years old. About 2,000 girls will be supported by this component, which will benefit an equal number of households.

3. Institution-building.

Institution-building will include the following components:

- a) training of new midwives (one for each administrative village) in order to reduce the burden on existing midwives, who are typically also members of four committees. This will benefit 522 households;
- b) incentives to literacy trainers; and
- c) incentives to ACWF representatives at the village level (three for each administrative village), which will benefit 1,566 households.

In addition, the fuelwood plantations (including nursery development) are also classed as women's activities because of the heavy involvement of women in such work. Similarly, the construction of wells will reduce the workload on women; it is one of their perceived needs and should therefore be included in the women's development programme. In this context, the women's development programme constitutes 2,168,640 working days, or 14 percent of the total workdays in the WFP project.

B. **Training for men** (276,000 workdays or 1.8 percent of total workdays).

Training for men will improve the skills of project participants in the following areas: forestry; irrigation-water management; agricultural/livestock-related activities; operating rural enterprises; and functional literacy.



IFAD-supported main activities

21. **Loans for agricultural production** (3.5 million dollars) for improved seeds, fertilizers and pesticides will be provided to 15,840 new irrigation households, 12,740 existing irrigated land households, 500 households for dryland terraces in Hualang county, and 9,210 households for improved dryland farming. In addition, some 1,500 households in Xunhua county will benefit from loans for Chinese prickly ash (spice) planting, and some 750 households close to county towns will benefit for establishing vegetable greenhouses. IFAD will also provide medium-term loans for agricultural and processing equipment to individuals (or small groups) and support new technology trials for fertilizer and water use, as well as demonstration plots, extension and training.
22. **Livestock development** (400 000 dollars).
IFAD will support livestock mainly as supplementary income-generating activities, particularly for dryland farming families. Some 8,850 families will be provided with loans for sheep and pig fattening, and pig breeding.
23. **Women's development and rural enterprises** (800 000 dollars).
IFAD will support training of various kinds through the following: learning materials; women's credit (usually with a ceiling of 600 yuan) to those who have attended the micro-business skills course; strengthening the All China Women's Federation (ACWF); and loans for those rural enterprises associated with agriculture.

ROLE AND MODALITIES OF FOOD AID

Functions

24. Food assistance will serve: a) as an incentive and income substitute for farmers to participate in project activities; b) as part-payment of wages for the skilled workers; c) as an incentive to poor farmers to send girls to primary schools; d) for institution-building at the village level; and e) as a catalyst for attracting government funding for development schemes.

Food input and commodity justification

25. Wheat is an appropriate commodity; it is most acceptable in the project area, even in the ethnic Tibetan areas where it is a very significant part of the daily diet. For food-for-work activities, a daily family ration of 3.25 kilograms of wheat will be provided. This amount has a local market value of 5.8 yuan, which is in the range of the prevalent daily wage rate for unskilled workers, established at between 5.5 and 6.2 yuan. The daily ration will be an adequate incentive for farmers' participation in the food-for-work project activities. In addition to the family ration, a cash supplement of 7.2 yuan will be provided to the skilled workers. For training activities (4 hours daily), the ration has been established at half a workday ration. Girls' primary education will be supported by 50 rations of food per girl a year. This ration is calculated to be able to cover school fees as well as the compensation for the loss of the girl's labour to the family. In order to reduce any resourcing pressure of the single commodity, viz wheat, the exchange mechanism of other commodities (e.g., edible fat and canned fish) through government departments will be explored.



Savings

26. Savings to the Government (e.g., relief assistance and resold grain) as a result of WFP assistance will be used in consultation with the WFP country office, mainly for health, multipurpose construction (especially of training centres) and strengthening women's groups at the village level. These savings have been estimated for the first year at 140 000 dollars on the basis of a five-year average of relief grain distribution at current prices. The wheat prices will be reviewed every year jointly by the government and the WFP country office. The generation and use of the savings will similarly be monitored by the government and the WFP country office.

PROJECT STRATEGY

27. The project will be implemented under the overall supervision of the provincial government of Qinghai and the direct leadership of the Vice-Governor (Agriculture). At the central level, the Ministry of Agriculture (MOA) will be the main channel of communication between the government, WFP and IFAD. Project leading groups and project management offices (PMOs) have been established at provincial, prefecture, county and township levels to ensure the smooth and effective implementation of the WFP/IFAD project. The project leading groups include representatives of the departments of Finance, Agriculture, Water Resources, Health, Education, Forestry, the Planning Commission, ACWF and the Food Bureau and the Poverty Alleviation Group. Expert advice will be sought (as necessary) from the provincial technical and research institutions and government-affiliated bodies.
28. IFAD credit will flow from the provincial finance department, which will assume the foreign exchange risk for the loan, to the provincial PMO credit unit, to the county PMO credit unit, and then to the township PMO credit unit before finally arriving at the Rural Credit Cooperatives (RCCs).
29. Wheat from WFP will be shipped to Lianyungang port, which is the nearest port to the project area. However, WFP and the government are in the process of finalizing arrangements for swapping WFP wheat with local wheat, in order to reduce long-distance transportation, losses and cost. Adequate storage facilities exist in the project areas. Beneficiaries will receive their entitlements from the nearest township grain station or distribution point, usually once a month.
30. The annual work plan for each activity and an area schedule of the project has been elaborated. The project implementation schedule for main activities has been prepared in order to avoid any overlap with peak agricultural activities.
31. Project implementing groups at the village level will be set up to ensure beneficiary participation in decision-making. These groups will work under village leadership and include representatives of ACWF. They will assist in the identification of beneficiaries for loans, training, education and the mobilization of the labour force for various activities.

BENEFICIARIES AND BENEFITS

32. It is expected that 49,174 households (about 90 percent of the 54,563 households in the project townships covered by the WFP/IFAD project) will benefit from the project. About 77 percent of the beneficiaries will be minority groups. The total labour force is expected to be around 108,000. Women will constitute about 50 percent of this workforce.



33. The target households will benefit from the project in several ways. Firstly, as immediate beneficiaries of food-for-work and food-for-training activities, they will overcome food insecurity. Over a period of five years, 15.345 million rations of 3.25 kilograms of wheat each will be available to each of the households in the target area (13,669 million from food-for-work schemes and 1.676 million from training schemes). Secondly, the intermediate benefits of the project will be the training acquired by poor men and women in agricultural and non-agricultural skills, and literacy and healthcare, which will enable them to increase their incomes. It has been planned that one woman from every household will receive training in crop production/livestock activities, four out of every 10 households will receive literacy and health training, seven out of every 10 households will receive forestry/ non-agricultural skills/micro-enterprise skills training, and four women in every administrative village will receive 'institutional' training, either as ACWF implementers of the programme or as midwives. Similarly, there will be 68,610 male trainees, implying 1.4 trainees per household. Thirdly, poor men and women will ultimately benefit from the increase in their incomes brought about by: the increased availability of irrigation water (through construction of reservoirs and canals); land improvement of irrigated and dryland; forestry and soil conservation; and the provision of credit for input supply and related activities.
34. Financial analyses of various activities indicate returns to family labour ranging from 11 to 30 yuan per workday, compared with the average current wage rate of 5.8 yuan for off-farm work. The incremental income generated varies from 400 to 1,000 yuan on a household basis.
35. Soil fertility and fuelwood availability will be improved by: increasing areas under tree cover (fruit trees, canal/road side plantations, catchment area plantations); the constructing small structures to reduce soil erosion; and controlling grazing in a sustainable manner in catchment areas.
36. The project is expected to generate an annual incremental production from the fifth year of 22,694 tons of wheat, 1,530 tons of rapeseed and 10,849 tons of oats for fodder. This represents an increase of 35 percent on the current level of production in the project counties.
37. Out of the 49,174 target households, 29,636 (60 percent) will benefit from the development of agriculture and irrigation.
38. About 10,500 households (55,541 beneficiaries) will benefit from 37 kilometres of new village roads and 99 kilometres of farm roads which will serve 79 villages. About 1,400 households will be provided with safe drinking -water from wells/handpumps, and another 1,400 from piped water schemes. Around 24,850 men and women will benefit from the literacy programme, 4,850 pupils from improvements in their school facilities and 2,000 girls will be able to complete their primary education. About 125,728 women and 68,600 men will benefit from different types of training, including literacy.
39. Women will benefit from the project in several ways. As participants in the food-for-work activities, they will account for about 50 percent of all workdays. As household members benefiting from agricultural development, they will share these advantages with men. As trainees, women will be major participants (75 percent) of different types of training, in addition to benefits from women's institution-building and girls' training. Ten percent of IFAD credit has been targeted for income-generating, on-farm and off-farm activities for women. Women will be able to take loans under their own signatures and invest in small enterprises, livestock development, and farm inputs. Women will be direct recipients of food rations, and the project will strengthen and enhance their position in the management structures.



PROJECT SUPPORT

40. The project will be co-financed with IFAD credit. WFP's contribution will amount to 12.651 million dollars and IFAD input to 5.219 million dollars. The government's commitment to meet counterpart obligations of WFP and IFAD will amount to 16.924 million dollars. In addition, 700,000 dollars will be available for savings resulting from the expected withdrawal of relief grains after commencement of the project. Funds from the UNDP Umbrella Project will be available for any necessary technical support.
41. Monitoring and evaluation (M&E) of project activities will include annual and technical reviews, updating of beneficiary socio-economic profiles and the tracking of key project-specific indicators. Both WFP and IFAD will define a set of performance indicators prior to the implementation of the project.
42. In addition to performance indicators regarding physical achievements (e.g., utilization of workdays by the type of activity, the physical completion of infrastructure, the number of trainees by type of training, and the number of loans by size and purpose of loan), additional indicators will be used to measure the socio-economic impact of the project and organizational changes. These changes include: the cultivation area, the yield per hectare of major crops, the cropping pattern, changes in income from farm and off-farm work; women's workload; foodgrain availability; the economic status of women with greater access to resources such as credit, inputs, marketing, income opportunities; and the social status of women with increased decision-making within the household and the village. Moreover, organizational changes will need to be monitored, such as the representation of ACWF at all levels with the recommended strength, and the status of the selected women within the PMO.
43. Project staff at various levels will receive training in data collection, reporting, food management, storage and the monitoring of the project. Part of this training will be financed by WFP, out of M&E funds (15,000 dollars a year). An IFAD/WFP workshop on M&E will be conducted before the commencement of the project. The provincial government has also earmarked funds for the training of field workers, village leaders and officials in project implementation.

PROJECT FEASIBILITY

44. The project has gone through a long and intensive period of preparation and analysis by the government, WFP and IFAD. In October 1995, a WFP/IFAD mission carried out a pre-appraisal of the proposals prepared by the provincial multi-disciplinary teams. This was followed by a household survey, an environmental evaluation report and studies of water quality and siltation. In July 1996, IFAD prepared a detailed post formulation (i.e., appraisal) report with the participation of WFP at the country office level.
45. This is the second of the two projects in China which have been designed in collaboration between WFP and IFAD. The first project, WFP CHA 5652 - Sichuan, was approved by WFP's Executive Board in May 1996. IFAD approved the Sichuan and Qinghai project loans in the Board Meeting of September 1996.
46. A two-member WFP appraisal mission, including a rural sociologist-cum-gender specialist recruited through FAO, carried out a supplementary appraisal of the project from WFP's perspective, and with the objective of strengthening women's participation in the project. The mission found the project well designed and well targeted with its focus on the poorest areas



and households, ethnic minorities and women, and considered the proposed WFP- and IFAD-funded activities mutually supportive and well integrated. The government was deeply committed at all levels to the aims and objectives of the project and had the capacity for satisfactory implementation. While the mission generally followed the programme of activities during the IFAD post-formulation, a few adjustments were made, of which the following are most important: a) the component of farm roads (99 kilometres), inadvertently omitted in the post-formulation report matrices (although referred to in the text), was re-instated; b) the dryland management component was reduced from 600 to 200 hectares. The resultant savings of the 440,000 workdays will be utilized to increase the extension of fuelwood plantation and drinking water supply schemes (wells/hand pumps) to the project areas outside the irrigation schemes. These activities in combination with various types of training will help to unify and interlink government, WFP and IFAD inputs more closely in the project areas, outside the command areas of the irrigation schemes; and c) the women's development programme has been expanded in terms of the target number of beneficiaries (i.e., one woman in every household), the intensity and variety of training, the increase in components directly benefiting women (water supply and forestry) and the greater participation of women in project management at all levels.

47. The economic analysis of the entire project has been assessed over 20 years. The Economic Rate of Return (ERR) for the overall project, including recurrent costs, is 16.1 percent. A sensitivity analysis shows that the project is able to sustain adverse movements in costs and benefits and yet still generate acceptable rates of return. If benefits are reduced by 10 percent, the rate of return falls to 14.1 percent. An increase in the investment costs of 10 percent reduces the ERR to 14.3 percent. A one-year lag in benefits reduces the rate of return to 13.4 percent.
48. In the "without project" situation, a typical household lives below subsistence, producing about two-thirds of its grain requirement. In the "with-project" situation, the impact analysis shows that households in the command area receiving irrigation for part of their land would find their income increase by 870 yuan and would become more than self-sufficient (112 percent) in food grains. For households engaging in dryland terrace cultivation on part of their land, income is estimated to increase by 429 yuan and the households would be almost self-sufficient (96 percent) in food grains. For households benefiting from improved dryland farming, household income and food production would increase by 381 yuan and 105 kilograms, respectively, but these households would attain only 82 percent food self-sufficiency. Such households, therefore, also need to take advantage of livestock or other income-generating activities.
49. A considerable labour surplus exists in the project area, even during most of the agricultural season. During the period of March-October, only 25-35 percent of the households have a member engaged in off-farm employment, which represents 15 percent of the total labour force (given 2.2 workers per household). Thus, apart from making a small adjustment for about 15 days for the harvesting, which varies in September/ October, labour is readily available for construction works without impinging on agricultural production.
50. The findings and recommendations of the WFP appraisal mission have been built into this document. Some of the recommendations relating to the women's development programme are as follows: a) ACWF should be represented at the provincial and prefecture levels of the PMO, as it is at the county and township levels; b) there should be two representatives of ACWF at each relevant level - one reporting to the Project Leading Group, and the other to the Project Implementation Group; c) ACWF representation at the administrative village level should be strengthened. There should be at least three women, one from each natural



village, responsible for the programme. As an incentive, these women should receive food rations for a 10-day training (i.e., one ration per day) from WFP and a cash payment from IFAD. The Government should consider the possibility of using its funds saved from food relief to augment the cash incentives to them; and d) the PMO should ensure that every village committee has at least five members before the commencement of the project.

51. Each of the main irrigation schemes, consisting of the reservoirs and the irrigation works down to the branch canals, will be managed by a separate water conservancy body. Below the branch canals, the operation and maintenance will be the responsibility of the water conservancy management groups. In addition to the contributory labour provided by beneficiary farmers, water charges (6 to 12 kilograms/mu) will be collected from them to encourage water saving and recover operation and management costs. All village roads will be constructed to Grade 4 specifications, thus ensuring their maintenance by the county transport bureaux. The farmers will look after the trees and have usufruct rights over them.

ENVIRONMENT

52. The Environment Evaluation Report has concluded that the overall impact of the project is favourable. The design of the three dams accords fully with the Chinese National Specifications for Class IV (small earth dams). Terracing, construction of check dams and planting of trees will have a favourable impact in reducing erosion. The drinking water supplies will be from hand-dug, covered, hand-pumped wells and from supplies piped from protected sources, which meet the Chinese standards for portable water and will be of a much higher quality than the existing sources. All construction sites, borrow pits and quarries will be rehabilitated. Training in health and hygiene will be an important aspect of the project.

DISINCENTIVES, DISPLACEMENT AND DEPENDENCY

53. WFP annual wheat supplies under this project will be 9,975 tons. Added to shipments planned under other WFP projects, the total annual WFP wheat supplies to China will amount to 70,000 tons, representing less than 0.1 percent of the average wheat production (100 million tons) and less than one percent of average wheat imports (10 million tons). Therefore, there is little risk that the implementation of the project will have any adverse effects on either production or trade.
54. Qinghai is deficit in cereal production. The project counties import 45,000 tons of grain annually. The per capita net availability of grain from local production in the project areas is 144 kilograms. WFP assistance in the project area, which averages about 38 kilograms of wheat annually per capita, is not expected to create any disincentive to local production, since will fill the gap between requirement and availability to a large extent assistance. There is also minimal risk of creating dependency on food aid as the project is strictly limited in time, with no expansion foreseen.



PROJECT COSTS

55. The cost breakdown for the project is as follows:

PROJECT COST BREAKDOWN			
	Quantity (tons)	Average cost per ton (dollars)	Total value (dollars)
WFP COSTS			
A. Direct operational costs			
Commodity ¹			
– Wheat	49 873	200	9 9
– Ocean transport			997 5
– Superintendence			10 0
Subtotal direct operational costs			10 9
B. Direct support costs			
– Monitoring and evaluation (M&E)			75 0
– Gender-related and technical studies			50 0
Total direct costs			11 1
C. Indirect support costs (13.9 percent of total direct costs)			1 5
TOTAL WFP COSTS			12 6
IFAD COSTS			
– Agriculture and forestry			3 4
– Livestock			393 0
– Rural enterprises			94 0
– Women's development			681 0
– Social support services			49 0
– Project and credit management			536 0
TOTAL IFAD COSTS			5 2
GOVERNMENT COSTS			
– Unloading and clearance at port			1 7
– Internal transportation			2 0
– Storage and food handling cost			103 6
– Distribution and management			103 6
– Materials and equipment			6 5
– Wages of skilled workers			1 8
– Survey, design and others			1 9
– Women's activities			714 3
– Technical training			575 0
– Contingencies			1 2
– Savings			700 0
TOTAL GOVERNMENT COSTS			17 6
TOTAL PROJECT COSTS (WFP and others)			35 4
WFP costs as a percentage of total project costs: 36 percent			

¹ This is a notional food basket used for budgeting and approval purposes. The precise mix and actual quantities of commodities to be supplied to the project, as in all WFP-assisted projects may vary over time depending on the availability of commodities to WFP and domestically within the recipient country.



COORDINATION AND CONSULTATION

56. The project has been prepared in close collaboration with IFAD and FAO/UNDP. It has also drawn experience from a similar, though cash-for-work, AUSAID project in Qinghai. Staff of various Chinese institutions were involved in project preparation. Comments from the concerned United Nations agencies have been sought. CSD clearance will also be sought.

RECOMMENDATION OF THE EXECUTIVE DIRECTOR

57. The project is recommended for approval by the Executive Board.



ANNEX I

**PROJECT CHINA 5717 - INTEGRATED AGRICULTURE DEVELOPMENT
IN HAIDONG PREFECTURE, QINGHAI PROVINCE**

Project Outputs and Workdays					
Components and activities	Unit	Average worknom per unit	Outputs	Workdays	Percentage of total
FOOD-FOR-WORK ACTIVITIES					
1. Construction of reservoirs	no.	1 160 t	3	3 48	22.69
2. Construction of irr. canals/channels				2 85	18.63
- main canals	km	35 800	62	2 21	
- branch canals	km	7 700	83	639 10	
3. Land improvement				5 09	33.20
- terraces and levelling for irr. land	ha.	1 100	3 22	3 54	
- on-farm development	ha.	450	3 42	1 54	
4. Dry land management					
- terraces and land levelling	ha.	1 100	200	220 00	1.43
5. Forestry and s. conservation				945 09	6.16
a. - Canalside plantations (tree)	no.	0.35	157 40	55 09	
- plantations on irr. land (tree)	no.	0.05	125 00	6 25	
- catchment plantations	ha.	730	85	62 05	
- catchment scrub plantations	ha.	50	45	2 25	
- fuelwood plantations	ha.	985	700	689 50	
- nursery (tree seedlings/1000)	no.	0.02	1 22	24 42	
- nursery (fuelwood/1000)	no.	0.005	3 10	15 53	
b. - Checkdams (1mx3m)	no.	300	300	90 00	
6. Rural roads construction				568 50	3.70
- village roads	km	5 960	37	220 52	
- farm roads	km	3 515	99	347 98	
7. Drinking water supply				501 00	3.26
- water pipe	km	6 400	70	448 00	
- wells	no.	53	1 00	53 00	
TRAINING					
8. Training for men				276 12	1.80
- forestry	pers.	2.5	12 92	32 37	
- irrigation	pers.	2.5	22 40	56 00	
- agriculture/livestock	pers.	2.5	27 90	69 75	
- rural enterprises	pers.	20	500	10 00	
- literacy	pers.	20	4 82	97 00	
- teacher in centres	no.	50	220	11 00	



Project Outputs and Workdays					
Components and activities	Unit	Average worknom per unit	Outputs	Workdays	Percentage of total
9. Women beneficiary training				841 80	5.49
a. - Literacy	pers.	20	20 00	400 00	
b. - Agricultural skills					
- crop production/livestock	pers.	2.5	49 20	123 00	
- Forestry	pers.	2.5	10 00	25 00	
c. -Non-agricultural skills	pers.	20	10 40	208 80	
d. - Micro-enterprise skills	pers.	2.5	14 00	35 00	
e. - Health	pers.	2.5	20 00	50 00	
10. Girls Primary Education	pers.	250	2 00	500 00	3.26
11. Institution Building for Women Programme				58 39	0.38
a. - Literacy training incentives	pers.	50	750	37 50	
b. - ACWF village level strengthening	pers.	10	1 50	15 66	
c. - Midwifery training	pers.	10	522	5 23	
Total				15 34	100



