China, People's Republic of: Gansu Featured Agriculture and Financial Services System Development Project

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<tr>
<th>Project Name</th>
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<td>Project Number</td>
<td>47046-002</td>
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<td>Country</td>
<td>China, People's Republic of</td>
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<td>Project Status</td>
<td>Active</td>
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<tr>
<td>Project Type / Modality of Assistance</td>
<td>Loan</td>
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| Source of Funding / Amount | Loan 3312-PRC: Gansu Featured Agriculture and Financial Services System Development Project
  Ordinary capital resources
  US$ 100.00 million |
| Strategic Agendas | Environmentally sustainable growth
  Inclusive economic growth |
| Drivers of Change | Governance and capacity development
  Knowledge solutions
  Partnerships
  Private sector development |
| Sector / Subsector | Agriculture, natural resources and rural development - Agricultural production - Agro-industry, marketing, and trade
  Finance - Inclusive finance |
| Gender Equity and Mainstreaming | Effective gender mainstreaming |
| Description | ADB's country partnership strategy for PRC (2011-2015) identifies inclusive growth as one of the three pillars in the partnership which will be supported by boosting rural livelihoods and improving access to microfinance and small and medium enterprise finance. The partnership also recognizes private sector development, knowledge solutions, capacity development, and gender equity as major drivers of change to maximize development impacts in the PRC. The proposed project will promote inclusive growth in the project area through improving rural livelihood. Agricultural productivity will be enhanced through providing financial and technical support to private agricultural enterprises and farmer cooperatives for the construction of standard production and/or processing bases and strengthening of governance and management capacity. Further development of rural financial services will expand access to finance among rural residents and agricultural enterprises. The project has significant potential for innovation and knowledge generation in agricultural and rural finance, sustainable use of water resources, poverty targeting and reduction, and scientific evaluation of development interventions. Finally, the project will promote gender equity in access to finance and management of farmer cooperatives and agricultural enterprises. |
Gansu Province, located in the northwest of the PRC, is the seventh largest province with a population of 25.6 million, of which 64% is rural population. In 2012, Gansu’s total gross domestic product (GDP) was CNY565 billion, of which agriculture accounted for 13.8%. Gansu’s GDP per capita of CNY2,037 (equivalent to about $3,500) is the second lowest in the PRC. As most of the low-income population live in the rural area, agricultural development is directly associated with rural livelihood improvement.

Although Gansu provincial government aims to modernize the agricultural sector to improve the sector’s productivity and value addition, it has been facing several constraints and challenges. The natural conditions are formidable and the land resources are limited. The annual average precipitation in Gansu is 302 mm with highly uneven spatial and temporal distribution. Natural disasters, especially drought, occur frequently, particularly in central and eastern Gansu. The arable land per capita is only 2.65 mu (or 0.18 ha) province wide. In the past decade, local people practiced featured agriculture, which is a term used to describe farming of crops and livestock that are specialized and compatible to local climatic and soil conditions. For instance, production of potato, plateau vegetables, Chinese medicinal herbs, fruit trees, and herbivorous livestock, as well as dryland farming, have been developed in central and eastern Gansu. However, there are plenty of opportunities for featured agriculture system to achieve higher agricultural productivity, resource utilization efficiency, and farmer income. On-farm infrastructure and facilities need to be built or upgraded, new varieties and breeds of crops can be introduced, and best farming practices and water conservation technology may be promoted. These call for a significant increase in the investment in the sector.

Agricultural enterprises and farmer cooperatives can develop and extend agricultural value chains to link smallholder farmers to the market. It is recognized that they could complement the government and play a crucial role in helping individual farmers to achieve better livelihood.

Another major constraint to the agricultural sector is the underdevelopment of rural financial services system in Gansu. Because of the government’s strong commitment and policy support, the rural financial sector has experienced improvements in recent years. New players like village and township banks (VTB) and microcredit companies (MCC) are joining the rural financial market; deposits and loans outstanding to agriculture and rural households have been growing; and basic financial services have reached unserved villages. Nevertheless, these achievements are to a large extent results of intensive government interventions and direct support. Overall, the rural financial services system of Gansu remains unfledged and its sustainability is unclear. The emerging rural lending institutions, including VTBs and MCCs grow slowly mainly due to difficulty of accessing capital or deposits, and the financial products and services available in the rural area are quite limited in variety and quantity. Skilled personnel in financial operation and management are largely insufficient; and the uncertainty associated with agricultural production results in a gap between financing demand and supply.

The State Council issued the Opinions on Further Support for the Economic and Social Development of Gansu in 2010, and approved the 12th Five-year Plan for Grand Development of the Western Region in 2012. Both national policy documents state the importance of developing featured industries, improving livelihood, and conserving resources for the region. The Gansu Province 12th Five-year Plan for Agricultural Development released in 2011 sets modern agriculture as the primary goal of the sector and proposes a path towards localization, specialization, standardization, and market-orientation. Identifying the financial sector as a key driver for economic prosperity, the Gansu Provincial Government (GPG) issued the Opinions of the Gansu Provincial Government on Further Promoting Financial Sector Development in December 2008 to broaden the financial sector in five priority areas, including improved financial services for agriculture, rural areas and farmers and reduced constraints on access to finance by small and medium enterprises.

In line with these guiding documents, the Gansu Provincial Agricultural and Animal Husbandry Department (GPAAHD) proposed the project, to address the main constraints to agricultural modernization in 12 counties of six cities/prefectures in central and eastern Gansu. The proposed project will support the construction of standard featured agricultural production and/or processing bases, provide technical and financial assistance to the small and medium agricultural enterprises, as well as farmer cooperatives, and further develop the rural financial services system through a market-oriented approach.

**Impact**

Income of rural residents in Gansu Province increased (The upcoming 13th Five Year Plan of Gansu Province 2016-2020)
Environmental Aspects
Involuntary Resettlement
Indigenous Peoples
Stakeholder Communication, Participation, and Consultation

During Project Design
During Project Implementation

Business Opportunities
Consulting Services
Project implementation consultants will be hired using government counterpart funds following PRC public bidding procedure.

Procurement
Procurement will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time). For subprojects funded with sub-loans made by financial intermediaries and rural financial service providers, the procurement will be undertaken by the respective sub-borrowers in accordance with established private sector or commercial practices which are acceptable to ADB.

Responsible ADB Officer
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People's Republic of China

Timetable
Concept Clearance
05 Aug 2013
Fact Finding
08 Dec 2014 to 16 Dec 2014
MRM
30 Jun 2015
Approval
12 Nov 2015
Last Review Mission
-
Last PDS Update
29 Mar 2019

Loan 3312-PRC

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<th>Approval</th>
<th>Signing Date</th>
<th>Effectivity Date</th>
<th>Closing</th>
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<tr>
<td>12 Nov 2015</td>
<td>08 Dec 2015</td>
<td>29 Mar 2016</td>
<td>30 Jun 2021</td>
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| Financing Plan |
|----------------|-----------------|----------------|
| Total (Amount in US$ million) | Date | ADB | Others | Net Percentage |
| Project Cost | 200.00 | Cumulative Contract Awards |
| ADB | 100.00 | 12 Nov 2015 | 5.06 | 0.00 | 28% |
| Counterpart | 100.00 | Cumulative Disbursements |
| Cofinancing | 0.00 | 12 Nov 2015 | 7.18 | 0.00 | 40% |

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<th>Status of Covenants</th>
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<tr>
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Project Page
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