



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
INTEGRATED MODERN AGRICULTURE DEVELOPMENT PROJECT
APPROVED ON DECEMBER 27, 2013
TO
PEOPLE'S REPUBLIC OF CHINA

AGRICULTURE

EAST ASIA AND PACIFIC

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ABBREVIATIONS AND ACRONYMS

CBE	Center of Budget Evaluation
CSA	Climate-smart Agriculture
DA	Designated Account
DL	Disbursement Letter
FM	Financial Management
IMAD	Integrated Modern Agriculture Development
MARA	Ministry of Agriculture and Rural Affairs
MOF	Ministry of Finance
PDO	Project Development Objective
PMO	Project Management Office
SOCAD	State Office of Comprehensive Agriculture Development



BASIC DATA

Product Information

Project ID P125496	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 27-Dec-2013	Current Closing Date 31-Dec-2019

Organizations

Borrower People's Republic of China	Responsible Agency Center of Budget Evaluation
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Project Development Objective (PDO)

Original PDO

The project development objective is to develop sustainable and climate resilient agricultural production systems in selected areas of Gansu, Hunan, Jiangxi, and Liaoning provinces; Xinjiang Uygur Autonomous region; and Chongqing municipality.

This will be achieved by investing in (i) irrigated agriculture infrastructure improvement, (ii) enhanced climate smart agricultural practices, and (iii) institutional strengthening and capacity building.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-83210	27-Dec-2013	27-Feb-2014	21-May-2014	31-Dec-2019	200.00	153.17	46.83

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. The US\$200 million loan for the Integrated Modern Agriculture Development (IMAD) Project was approved by the Bank's Board on December 27, 2013 and was signed on February 27, 2014. The loan became effective on May 21, 2014 and has a closing date of December 31, 2019. The project had the 1st restructuring (level 2) in December 2017, after the Mid-Term Review. The project is in compliance with all legal covenants, as well as Bank fiduciary and safeguard policies. There are no overdue audit reports and no outstanding issues raised by the auditors in the audit reports.

2. The IMAD Project has been one of our most innovative and successful agriculture projects. It was the first effort to implement climate-smart agriculture (CSA) on a large scale in China, covering six provinces across the country. The project has long been rated Satisfactory on both "Progress towards achievement of PDO" and "Overall Implementation Progress," and was selected as one of two finalists for the best CSA project in the Bank at the 2018 Agriculture GP Forum. The project was also on track to meet all of the indicators in the Results Framework. As of October 2018, the cumulative completed project investment accounted for 82% of the planned total, and the disbursement of the loan had reached US\$153.17 million (77% of the total).

3. Due to the reorganization of the Chinese government that began in early 2018, the functions of the Responsible Agency for the project, the State Office of Comprehensive Agriculture Development (SOCAD) under the Ministry of Finance (MOF), were transferred to the Ministry of Agriculture and Rural Affairs (MARA). The government decided that the responsibility for implementation of the IMAD Project should remain with MOF, but under another MOF institution. The government reorganization at the national and sub-national levels has created uncertainty and delays in project implementation. However, reportedly, some agreed and planned project activities have continued to be implemented over the past year to varying degrees in different project provinces and counties, and there are no indications of any decline in support for implementing the project.

4. As a result of the changes, the project Loan Agreement and the Disbursement Letter (DL) should be amended to reflect the new Responsible Agency for project implementation at the central level: The Center of Budget Evaluation (CBE) under MOF. In addition, the project Designated Account (DA) was closed in December 2018 due to the changes. A new DA will have to be opened and managed by the CBE after the amendments. MOF has submitted a formal request to amend the Loan Agreement and the DL, in accordance with agreements reached with the Bank during discussions with relevant authorities.

5. The CBE is an institution of the MOF established in 1999 and has a total of 45 staff. After the amendment request was received, the Bank fiduciary team carried out financial management (FM) and procurement capacity assessments. It was found that the CBE has recent experience implementing an Asian Development Bank-financed project. The staffing arrangements for management of IMAD are expected to be similar to those under the former SOCAD, and the CBE staff have been working closely with the former SOCAD staff during the transition. MOF has already designated specific staff to be responsible for procurement and FM. Through reviewing their CVs and interviewing relevant staff, the Bank fiduciary team thinks the staff assigned to the central Project Management Office (PMO) could meet the minimum requirements for project implementation and management. The international department of MOF agreed that they would provide additional support to the central PMO as needed. There will be an Implementation Agreement between the CBE and MOF that needs to be signed and shared with the Bank for the amendment to take effect. The project work program and changes to the procurement plan for 2019 had already been completed by SOCAD and had received the Bank's No Objection.



6. The reforms at the provincial and county levels are more complex, and have not been completed yet (this does not affect the Responsible Agency at the central level). The PMOs’ functions have either been kept in the finance bureaus or moved to the agriculture and rural affairs bureaus. In many locations, project staff were transferred to new positions and PMOs’ responsibilities taken by new staff, while in other places the PMOs have mostly remained intact. The Bank fiduciary team recommended that the central PMO conduct a survey to understand the institutional and staffing changes, and capacity-building needs, in each project province and county. Based on the results, the Bank will provide the necessary fiduciary training.

7. The task team has been monitoring the situation and would provide continuous and strong support to ensure that project implementation is put back on track as soon as possible. An Implementation Support Mission of the full Bank Task Team is planned for June 2019 to provide training to PMO staff at all levels (including fiduciary), and to agree on necessary next steps, including an extension of the closing date (which the client did not want to do before completing the current amendment).

II. DESCRIPTION OF PROPOSED CHANGES

8. It is proposed to amend the Loan Agreement and the DL to replace SOCAD with the Center of Budget Evaluation under the Ministry of Finance as the project implementing entity responsible for the implementation of Parts 3(a), (d) and (e) and Part 4 of the Project at the central level and to exercise rights and perform obligations accordingly, and to establish and manage a new DA.

I. SUMMARY OF CHANGES

	Changed	Not Changed
Implementing Agency	✓	
Disbursements Arrangements	✓	
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursement Estimates		✓
Overall Risk Rating		✓



Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

IMPLEMENTING AGENCY

Implementing Agency Name	Type	Action
State Office of Comprehensive Agriculture Development	Implementing Agency	Marked for Deletion
Center of Budget Evaluation	Implementing Agency	New