

## Ex Post-Evaluation Brief

### People's Republic of China: Poverty Reduction in Sichuan



<b>Sector</b>	Rural development (CRS marker 311)	
<b>Programme/Client</b>	Poverty Reduction in Sichuan BMZ No. 2001.65.027	
<b>Programme executing agency</b>	Sichuan Department of Foreign Trade and Economic Cooperation (SDoFTEC)	
<b>Year of sample/ex post evaluation report: 2012*/2012</b>		
	Appraisal (planned)	Ex post-evaluation (actual)
<b>Investment costs (total)</b>	EUR 3.5 million	EUR 0.36 million
<b>Counterpart contribution (company)</b>	EUR 0.9 million	N/A
<b>Funding, of which budget funds (BMZ)</b>	EUR 2.6 million EUR 1.5 million	EUR 0.36 million (dto.)

\* random sample

**Project description:** This project supported by Financial Cooperation (FC) was conceived and implemented jointly with Technical Cooperation (TC) through GTZ. It was originally planned for three counties in Sichuan Province (Meigu, Pingchang and Yilong). Project activities in Meigu focused on integrated, sustainable cultivation in catchment areas. However, these activities were terminated prematurely in June 2004, due to serious capacity constraints from the project agency's side; Yilong was deleted at an early stage, as there were already too many donors active in the area. In Pingchang, limited funds were used for tree planting and small-scale water supply; final inspection of this project took place in mid-2008.

**Objective:** The overall objective (impact) of the project was to improve living conditions for poor rural households in the Pingchang area, with household income serving as key indicator. The project objective (outcome) was to safeguard and sustainably increase production potential, principally through the cultivation of productive trees (fruit, walnuts, timber). Average yields and timber tree survival rates were to serve as project objective indicators.

**Target group:** Proportion of the affected rural population with an income below the official poverty line (not quantified in greater detail at project appraisal). According to latest information, 7,571 households benefited, most of them living below the poverty line).

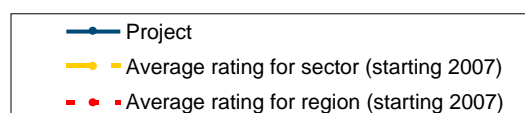
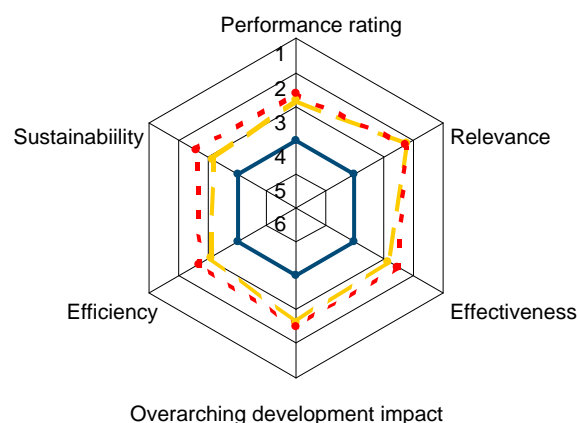
#### Overall rating: 4

The overall outcome is unsatisfactory, as, in particular, there is little evidence of sustainability and efficiency. The project component in Meigu remained without success. However, this was realised in good time, and the project component was terminated. Results in Pingchang also stayed significantly below expectations. However, the project has provided useful reference experience for projects of a similar nature.

#### Of note:

- Income-based incentives (e.g. from agricultural measures) must be sufficiently to have a direct impact and meet demand; possible alternative (non-farming) sources of income must be taken into account.
- Crops and product lines must be suitable to local conditions.
- The project implementing agency must be accepted and viewed as sufficiently legitimised by the target group.

#### Rating by DAC criteria



## SUPPLEMENTARY INFORMATION TO THE PROJECT DESCRIPTION

In Meigu, an integrated programme of sustainably managing small water catchment areas was to contribute to erosion protection as well as to poverty reduction. In addition, a multitude of measures was planned for Pingchang and Meigu at the start of the project. These included afforestation with protection forest in Meigu; planting fodder grass and shifting to stabled cattle farming in Meigu; protective terracing of slopes (Meigu); the construction of biogas facilities (Pingchang) and energy-saving stoves (Meigu); building irrigation cisterns (Pingchang) and supplementary channels (Meigu); the construction of new access roads (Pingchang); as well as the provision of office equipment and vehicles for the project agency at Provincial, Prefecture and County levels.

Contrary to initial plans, the project was suspended prematurely in Meigu; for Pingchang, the concept was significantly modified: access roads were only built with local funds (in the framework of the national poverty reduction programme), and the construction of biogas facilities was dropped due to lacking interest by the local population. Ultimately project activities focussed on tree planting, some irrigation cisterns and the supply of office equipment and vehicles.

## EVALUATION SUMMARY

**Overall rating:** Based on the assessments of the individual DAC criteria (relevance: 4; effectiveness 4; efficiency 4; impact 4; and sustainability 4), we have rated the overall project results as unsatisfactory. **Rating: 4**

**Relevance:** At project appraisal, the core problem was identified as the seriously poor living conditions of the rural population in the project region. Main causes identified were (1) low income levels from agriculture – itself a consequence of small farm sizes; a low level of productivity, combined with a poorly diversified production structure; a lack of technical skills; climatic factors and soil erosion - and (2) a lack of infrastructure. Those problems still persist. It remains to be questioned, however, whether the project concept chosen was best suited for addressing the constraints identified. The multiplicity of measures originally planned - combined with the comparatively limited amounts available, seem impractical with hindsight. The suitability of some product lines also appears questionable – at least in part: supporting pear cultivation, e.g. (relatively sophisticated in terms of production and marketing) without systematically and simultaneously promoting market access only offers limited prospects of success. Besides, migrant labour opportunities started to open up – offering competing (and higher) sources of income; apparently, those were barely given consideration at planning stage. Admittedly, the full extent of this development could not be foreseen initially.

In particular, the existing self-help potential was to be enhanced by working with a local project agency and actively involving the target population - who was expected to deliver significant contributions of their own. Even today, this approach seems sensible and correct in principle. Considering the resources ultimately available, efforts to additionally promote the conservation of natural

resources through the project now appear too ambitious. Furthermore, historically rooted ethnic tensions in Meigu county (i.e. the marginalisation of the autochthonous Yi minority by the Han Chinese), were either given inadequate consideration or simply ignored; the project agency in Meigu was Han Chinese, whereas the target group largely belonged to the Yi minority.

In essence, the core problem was recognised and the target group correctly chosen; however, expectations were over-optimistic, accompanied by shortfalls in the project design.

According to reports, donor coordination took place both before and during the project period to the necessary degree (note that, e.g., the exclusion of Yilong county due to already ongoing interventions by other donors).

At the time of project appraisal, the project was in line with the development priorities agreed between the German and Chinese Governments.

In summary, project relevance must be rated as no longer satisfactory. Concentrating on a single intervention package (poverty reduction), would have made the project better suited to contribute to solving a problem which had, for the most part, been correctly identified. However, the points mentioned above have prevented the award of a better rating. Sub-rating: 4.

**Effectiveness:** With the Meigu project component, conflicts between the project agency and the target group led to a lack of acceptance on the part of the latter (the project agency was unable to reach people in the target group due to differences in language and culture). Furthermore, an on-site evaluation carried out in 2004 revealed that invoices submitted for payment by the project agency contained falsified seedling prices. In addition, the complete lack of documentation made it impossible to assess the actual state of completion/ execution of project measures; accordingly, reimbursements from FC funds could not be effected. As a consequence, it was ultimately decided to discontinue both TC and FC support. Therefore, objectives set could not be attained. On a positive note, problems were identified quickly; this allowed for timely project termination, which avoided misappropriation of funds (at that point in time, only three vehicles had been procured, which were transferred to the *Provincial Project Office* in Pingchang County after discontinuation of this component).

In 2004, the indicators previously set for Pingchang County were reduced from 10,000 households to 7,000 and from 50 irrigation cisterns to 11. The project measures reached a total of 7,571 households. All cisterns were built, and at the time of final review their condition conformed to specification. On the other hand, the survival rate of the trees was lower than expected (78% of the trees still alive three years after planting, compared to 85% as planned); the trees were poorly tended (the proportion of well-tended trees achieved was just 56%, instead of the hoped-for 70%), and thus gave much lower yields than anticipated; and furthermore, the overall number of fruit and timber trees planted fell below target (408,495 trees planted against 448,000 planned). At project completion, the increase in household incomes resulting from the project was barely discernible (just 2% against 15% planned). Even at final review it

was estimated that, in the medium term, no more than 30-40% of the households supported by the project would be able to generate significant additional income from growing trees. Considering the plantations' poor condition and lack of care, even those estimates may prove difficult to achieve; hence the Pingchang project component must also be classed as unsatisfactory.

The project objectives and indicators selected (see above) appear to have been chosen appropriately. Based on available knowledge at appraisal – and assuming project execution according to plan – an increase in production and actual income for participating households may well have been possible. This, in turn would have required more intensive field extension services than have been provided by the project agency. With hindsight, the measures were not sufficiently competitive compared with traditional agricultural activities. In particular, regular and continuous additional incomes from fruit trees only materialise after a several years; at the very least, initial target values should have been called into question. Furthermore, increased migrant labour opportunities offering competing (and considerably higher) sources of income further raised opportunity costs. Sub-rating: 4.

**Efficiency:** According to project documentation, the seedlings were procured at normal market prices, as were office equipment and vehicles. Moreover, consultancy costs, at 19%, were reasonable for projects of this type.

On the other hand, allocative efficiency must be viewed critically, since the project's impact on incomes proved to be minimal and could not compete with that available from migrant labour. Furthermore, the level of acceptance by the target group was very low.

Halting the project component in Meigu - which prevented misappropriation of funds - is viewed in a positive light; at the same time this also excluded certain beneficial impacts. Taken altogether, efficiency has been ranked as no longer satisfactory. Rating: 4.

**Overarching developmental impact:** Since no measures were implemented under the project in Meigu, there has been no overarching developmental impact here.

In Pingchang, the increase in household incomes achieved through the project was too small to permit any significant, sustainable contribution to reducing poverty and improving living conditions to be deduced. The trees' condition - together with the poor care - suggests that the majority of households will not receive any significant additional income in the future either.

Since the target group itself has been unable to benefit from the project measures to the extent desired, indirect benefits are even less likely with the population that was not directly affected. Overarching impacts in environmental terms were not achieved, as the Meigu project (focusing on erosion control) was aborted (with no environmental protection measures foreseen in Pingchang).

The experience gained from this project (including the need for greater care in “calibrating” incentive systems and development approaches used – see above, under “Points to note”) continues to be useful in achieving better results with subsequent, similar concepts. Sub-rating: 4

**Sustainability:** Initial yields from tree cultivation were far below expectations. This considerably diminished the appeal of these activities for the target group; hence, even as early as the project final review, the number of well-tended trees was lower than had been hoped. This further reduces the trees’ potential yield – as well as, to some extent, product quality. Moreover, the level of effort required to tend the plantations is not receiving adequate consideration; The financially more attractive migrant labour option as well as a lack of specialist knowledge will most likely lead to a continuously declining interest by the local population. It has been observed that, in some villages, the trees that were planted have been removed. Hence sustainability – especially in terms of a lasting, project-related increase in incomes – does not seem to be adequately safeguarded.

There was also only partial success with regard to the active participation of the target population and the strengthening of self-help capacity. Overall, the project could not convince farmers of the economic advantages of tree cultivation. This can be attributed in part to the fact that respective – limited – extension services did not have the desired effect: reportedly only a few of the farmers felt that they were in a position to tend the trees on their own at the end of the project. Equally, the competition by migrant labour opportunities for migrant work is expected increase rather than decrease – as a result of increasing urbanisation. Potential supplementary income resulting from the project measures has clearly been unable to compete with such income sources. By the beginning of 2008, around 40% of the inhabitants of the project region (in effect, almost all men and women capable of work) were engaged in migrant labour - even if only temporarily. The significance of agriculture for household incomes continues to fall; in addition to migratory work, permanent migration to the major cities continues to increase.

At final project review, the eleven cisterns that had been built were well maintained by the user groups and were used to irrigate the tree plantations. Since the local population is losing interest in the trees, it appears possible that these cisterns will also no longer be maintained as needed. Nevertheless, a certain degree of sustainability can be expected, as other uses for those cisterns (e.g. irrigating other fields) can be developed.

In summary, the majority of the above outcomes in Pingchang cannot be rated as sustainable. Sub-Rating: 4.

## Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being relevance, effectiveness, efficiency and overarching developmental impact. The ratings are also used to arrive at a final assessment of a project's overall developmental efficacy. The scale is as follows:

- |   |   |
|---|---|
| 1 | Very good result that clearly exceeds expectations  |
| 2 | Good result, fully in line with expectations and without any significant shortcomings   |
| 3 | Satisfactory result – project falls short of expectations but the positive results dominate                                     |
| 4 | Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results |
| 5 | Clearly inadequate result – despite some positive partial results, the negative results clearly dominate                        |
| 6 | The project has no impact or the situation has actually deteriorated  |

Ratings 1-3 denote a positive or successful assessment while ratings 4-6 denote a not positive or unsuccessful assessment

### **Sustainability is evaluated according to the following four-point scale:**

Sustainability level 1 (very good sustainability) The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The overall rating on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Ratings 1-3 of the overall rating denote a "successful" project while ratings 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (rating 3).