

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: Energy Division, East Asia Department

TA No., Country and Name		Amount Approved: \$300,000.00	
4680-PRC: Alternative Livelihood Options to Facilitate Coal Sector Restructuring		Revised Amount:	
Executing Agency: China National Coal Association (CNCA)		Source of Funding Poverty Reduction Cooperation Fund	Amount Undisbursed: \$35,012.00
			Amount Utilized: \$264,988.00
TA Approval Date:	TA Signing Date:	Fielding of First Consultants:	TA Completion Date
02 November 2005	16 February 2006	02 June 2006	Original: 30 April 2006
			Actual: 30 April 2007
			Account Closing Date
			Original: 30 April 2007
			Actual: 27 August 2007

Description

Coal accounts for about 63% of the primary commercial energy consumption in People's Republic of China (PRC) and almost all coal is produced domestically. In general, coal mining is undertaken in three types of mines: (i) key state-owned coal mines (KSOCMs), (ii) local state-owned coal mines (SOCMs), and (iii) town and village coal mines (TVCMs). It is estimated that in 2004, KSOCMs, which include large, mechanized coal mines, produced about 50% of the total coal production in the PRC, SOCMs produced about 17%, while TVCMs and illegal small coal mines produced about 33%. Small coal mines defined as mines that produce not more than 300,000 tons of coal a year—comprise about half of the SOCMs, most of the TVCMs, and all illegal coal mines, and employ about 2 million miners. The coal industry also contributes significantly to the nation's employment and social stability with about 8 million registered coal miners. Half of this number is relatively poor miners who work under relatively dangerous working conditions in labor-intensive coal mines, which are operated at the county level and below.

To further develop its coal resources, the Government of PRC (the Government) is giving priority to the construction of large, mechanized mines and the modernization and productivity improvement of existing large- and medium-sized coal mines. At present, the 10 largest KSOCMs account for less than 15% of the PRC's total coal production. To reduce the risk of any shortfall in coal supply, the Government aims to consolidate coal production by encouraging KSOCMs to acquire smaller and less efficient coal mines and form conglomerates with annual coal production over 100 million tons. With regard to small coal mines, the Government is pursuing the closure of mines that have failed to adopt required safety practices, operate without a license, or are considered illegal. Due to this government policy, many coal mine workers were displaced, especially from SOCMs and TVCMs, and there are emergent needs to find suitable jobs for these people. This technical assistance (TA) focused on development of alternative economic activities for displaced workers from SOCMs and TVCMs.

Expected Impact, Outcome and Outputs

The expected impact of the TA was the development of alternative economic activities, and mitigation of social and environmental impacts of closure of small coal mines in a city with decreasing coal reserves (Jiazhou city, Henan province). The outcome was to prepare the TA report and agree to the recommendations. The outputs were (i) analysis of the economic and social structure of cities, (ii) a methodology for identifying alternative economic and livelihood activities, and (iii) job creation and training programs to assist redundant miners to find alternative livelihood.

Delivery of Inputs and Conduct of Activities

The TA consisted of the following activities: (i) making a detailed analysis of the economic and social structure of Jiazhou city that is largely dependent on coal mining, and of the impact of coal mine closures on poverty incidence and the environment in those cities; (ii) evaluating the national and provincial government's efforts for economic restructuring of the cities within the framework of the PRC's overall urbanization program; (iii) identifying the most probable increases in poverty and environmental degradation over the next 5 years due to the closure of coal mines; (iv) developing a methodology for identifying alternative economic and livelihood activities; (v) assessing the required investment and support programs for this purpose; (vi) identifying past and present commitments of the national and provincial governments vis-à-vis those cities; (vii) identifying policy options of the national and provincial governments for mitigating social and environmental impacts in the cities due to closure of the coal mines, including suitable job creation mechanisms and training programs; (viii) formulating possible economic restructuring strategies for the cities; (ix) developing model job creation and training programs to assist displaced miners, particularly, unskilled ones, to find alternative livelihood following closure of the mines; and (x) disseminating the results of the TA at the national level to promote their application in formulating corresponding national and provincial policies.

An international consulting firm (the Consultant) from India (associated with national experts) was engaged in accordance with the ADB's *Guidelines on the Use of Consultants* to carry out the TA. The international consulting team comprised two specialists (total of 4 person-months) and the national consulting team comprised four specialists (total of 22 person-months). The consulting services inputs were adequate to achieve the TA objectives and the tasks were carried out as outlined in the Terms of Reference (TOR). However, there was a delay in TA implementation, which led to an extension of the TA implementation period by 12 months. The delay was caused by the late signing of TA letter and the longer time taken for consultant recruitment. Despite the delay, the Executing Agency (EA) and Jiazhou municipal government (JMG) were satisfied with the implementation. The performance of the Consultant was satisfactory.¹ The seminar and the field visit were well organized and efficient. The Final Report was submitted in March 2007. The EA and JMG performance was also satisfactory, particularly in providing office, communication and transportation facilities, and assigning counterpart staff who were fully involved in the study. Asian Development Bank (ADB) provided supervision through regular correspondence and review missions and its performance was considered satisfactory.

Evaluation of Outputs and Achievement of Outcome

The TA was completed within the approved budget. The quality of outputs was satisfactory. Alternative economic activities, and an approach for mitigating the social and environmental impacts of closure of coal mines in cities with decreasing coal reserves were developed under the TA. Analysis of the economic and social structure of cities was completed, a methodology for identifying alternative economic and livelihood activities was developed (Sustainable Livelihoods Approach),² and job creation and training programs to assist redundant miners to find alternative livelihood were identified. The TA findings were disseminated through a seminar on 6 September 2006, to which international and domestic experts were invited to present papers and participate in discussions. An international field study visit to the United Kingdom was conducted for 7 days from 1–7 April 2007 to expose selected personnel to the latest trends and international best practices in alternative economic activities after coal mine closure. At the end of the field study, the participants submitted to ADB a report summarizing their findings and recommendations.

The EA and JMG expressed that the TA outputs generally met the expectations and the TA results were useful in supporting the Government's objective to develop alternative economic activities and mitigate social and environmental impacts of closure of coal mines. The TA implementation took about 17 months instead of the planned 5 months because of the delay in arranging the field study visit. The TOR was met and the main objective was achieved.

The TA contributed in formulating the policy for unemployment issue in Henan province. Henan Provincial Government (HPG) issued administrative order number 81 in August 2007 to assist with reemployment of unemployed persons which includes, (i) absorption of unemployed person in medium and large enterprises, (ii) encouragement for participating in national social security scheme, (iii) provision of special assistance to poor family members to attend vocational training, (iv) provision of small credit for opening small business and training, and (v) establishment of business incubators.

Overall Assessment and Rating

The TA was assessed as successful. The TA was relevant because it identified alternative economic activities associated with small mine closures in Henan province. The physical TA implementation was efficient, it was implemented within the budget and reasonable timeline. The TA is likely to be sustainable because the EA and JMG have a high level of ownership of the TA.

Major Lessons

The high level of ownership by the EA and JMG contributed to successful TA implementation. The social expert contributed considerably to the understanding of impacts of coal mine closure. Further, close cooperation between the EA, JMG and the Consultant and flexibility during TA implementation has provided better TA results.

Recommendations and Follow-Up Actions

The study showed that around 60% of displaced coal mine workers are below the age of 39, majority (70%) have only 9 years of formal education, their average annual salary had been about CNY10,000, and wages from the mines contributed to around 70–75% of household income. The growing industries in Jiazhou city are non-ferrous metals, agro-processing, energy, chemicals, auto ancillaries. Based on these observations, it is recommended that JMG provide vocational training programs to displaced workers in welding, fitting, basic mechanical and electrical, and agro-processing skills. It is also recommended that ADB continue the dialogue with China National Coal Association (CNCA), JMG, and HPG during the review of the ongoing TA.³

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¹ ADB Consultant Performance Evaluation report classified the consultant as "satisfactory".

² This approach is to understand the existing livelihoods conditions by assessing five dimensions of capitals (financial, human, social, physical, and natural capitals).

³ ADB. 2006. *Technical Assistance to the People's Republic of China for Coal Mine Safety Study*. Manila (T4849-PRC, approved on 17 October 2006, for \$600,000).