

ASIAN DEVELOPMENT BANK

TAR: PRC 37768

TECHNICAL ASSISTANCE

(Financed by the Poverty Reduction Cooperation Fund)

TO THE

PEOPLE'S REPUBLIC OF CHINA

FOR THE

RURAL INCOME AND SUSTAINABLE DEVELOPMENT PROJECT

September 2004

CURRENCY EQUIVALENTS

(as of 15 September 2004)

| | | |
|---------------|---|------------|
| Currency Unit | – | yuan (CNY) |
| CNY1.00 | = | \$0.121 |
| \$1.00 | = | CNY 8.28 |

ABBREVIATIONS

| | | |
|-------|---|---|
| ADB | – | Asian Development Bank |
| CBO | – | community-based organization |
| CSP | – | country strategy and program |
| DOA | – | Department of Agriculture |
| GIS | – | geographic information system |
| M&E | – | monitoring and evaluation |
| MOA | – | Ministry of Agriculture |
| NGO | – | nongovernment organization |
| PCU | – | project coordination unit |
| PRC | – | People's Republic of China |
| SWPRP | – | China Southwest Poverty Reduction Project |
| TA | – | technical assistance |
| TL | – | team leader |
| TOR | – | terms of reference |

TA CLASSIFICATION

| | | |
|-------------------------------|---|-----------------------------------|
| Poverty Classification | – | Poverty intervention |
| Sector | – | Agriculture and natural resources |
| Subsector | – | Agriculture sector development |
| Theme | – | Sustainable economic growth |
| Subtheme | – | Developing rural areas |

Following the Board approval of the R-Paper, *Review of ADB's Poverty Reduction Strategy*, staff instructions to replace the PI/CPI classification with a new tracking system are under preparation, in line with para. 83 of the R-Paper.

NOTES

In this report, "\$" refers to US dollars.

This report was prepared by L. S. Adriano.

I. INTRODUCTION

1. A concept paper on farmers' income and sustainable development was included for technical assistance (TA) funding under the Poverty Reduction Cooperation Fund in the Country Strategy and Program (CSP) 2004–2006 of the Asian Development Bank (ADB) for the People's Republic of China (PRC). A Fact-Finding Mission from ADB visited the PRC from 17 May to 1 June 2004 and formulated the TA. The Mission reached an understanding with the Government on the TA goal, purpose, scope, implementation arrangements, cost estimates, financing arrangements, and terms of reference. The TA framework is in Appendix 1.¹

II. ISSUES

2. While there has been a significant decline in the overall incidence of income poverty in the PRC in the past 25 years, poverty is still pervasive in the rural areas and addressing it remains an unfinished and complex agenda. In 2002, the number of rural poor in absolute poverty (annual official poverty line being CNY627 per capita) was 28.2 million, while the number of those with low income (CNY869 per capita) and are vulnerable to sliding back into poverty was 58.3 million. A large number of the poor are found in the western region. In 2002, more than 62% of the absolute poor and 57% of the low-income poor reside in this region. Not only is the poverty situation in the western region more pronounced than that in the eastern and central regions; income inequality between the rich and poor western provinces has also widened. The worsening regional inequality has contributed in slowing down the pace of poverty reduction. A recent study showed that the growth factor as a contributor to reducing poverty in the PRC has become less effective—income in rich and poor provinces are becoming more unequal.²

3. Poverty in the western region is not homogeneous as indicated by provincial absolute poverty incidence ranging from a low of 3% in Guangxi; to 5-10% in Gansu, Ningxia, Shaanxi, Xinjiang, and Yunnan, and over 10% in Guizhou, Qinghai, and Tibet. More than one third of the absolute and low-income poor are found in Guizhou and Yunnan provinces, which also comprise the major areas of the Yungui Plateau—the main karst area in the PRC.³ Although the population in the two provinces depend mainly on agriculture, which contributes a fourth of the provincial gross domestic product, mountains and hills dominate the landscape leaving only 4% of the area as arable. Of the predominantly rural population of 131 million, 38% are from minority groups. Unlike in the past when the poor were concentrated in large administrative blocks like counties, the poor in the western region are more geographically dispersed, are located in very remote and upland villages, and are characterized by deficient natural and human resource endowments. More than 66% of the absolute and low-income poor depend on agriculture as their main source of income; this is in contrast to higher-income farmers in other regions whose income sources are more diversified (44% from farming and the rest from off-farm income).⁴ Other income features of the absolute and low-income poor are (i) lower yield—cereal outputs of the absolute and low-income poor were 216.9 and 223.8 kilograms (kg), respectively, compared with 308.5 kg for higher income farmers; (ii) lower crop stock per capita

¹ The TA first appeared in *ADB Business Opportunities* (Internet edition) on 27 April 2004.

² Using the head count poverty index as a measure of the incidence of poverty, poverty elasticity in 1985–1990 was –0.64; between 1995 and 2000, poverty elasticity was just –0.33 (Lin, Wanlong. 2003. *Economic Growth, Income Inequality, and Poverty Reduction in People's Republic of China. Asian Development Review*. Vol. 20. Manila: ADB.)

³ The Yungui Plateau covers the provinces of Guangxi, Guizhou, Hubei, Hunan, Sichuan, and Yunnan; and the municipal city of Chongqing. The PRC has the largest karst area in the world. The karst area in Guizhou and Yunnan comprises 33.5% of the Yungui Plateau. Sand and shale are brittle and have weak resistance to weathering, often lost layer by layer. Exposed tufts and basalt also have very weak weathering resistance causing landslides and debris.

⁴ Lin Wanlong. 2004. *Sector Development and Future Poverty Reduction of China: Challenges and Countermeasures*. A draft paper presented for ADB. 1994. *Technical Assistance to the People's Republic of China for Institutional Development*. Manila.

at the end of the year (405.6 kg and 482.4 kg for absolute and low-income poor versus 600.4 kg for other farmers); and (iii) lower per capita net income of CNY513.0 for the absolute poor and CNY813.1 for the low-income poor, contrasted with CNY2,733.9 for higher income farmers.

4. The major causes of poverty are the low output from the poor's main income source, limited livelihood opportunities, and lack of jobs from the nonfarm sector. Land degradation, desertification, deforestation, improper and unsustainable agriculture practices, and increasing population have led to widespread soil erosion—resulting in poor crop yields. Low private investments in forward and backward linkage activities related to the agriculture activities, limited access to market infrastructure and rural finance, and low labor mobility have also restricted the poor's income-generating activities. The remoteness of the poor villages coupled with weak institutions that cannot effectively harness their growth potentials at village levels exacerbate the poverty situation. With limited economic activities, local governments in the poor villages and western region in general lack the means to generate revenues, cannot undertake poverty reduction initiatives to serve as proactive catalysts of development, and thus help perpetuate the vicious circle of poverty.⁵

5. The Government places emphasis on the development of the western region. The 2002 Development Outline of Rural Poverty Reduction of China identified 592 poor counties, many of which are in the western region. In the 10th National People's Congress session (March 2004), the Government reaffirmed its commitment to western region development and the need to prioritize programs that will increase rural incomes, expand agriculture production, and address environmental concerns to achieve poverty reduction and sustainable economic development. State poverty funds and other government projects for increasing rural incomes have been earmarked for development, especially for poor counties in the western region. However, aside from the problem of targeting (within the poor county, there are non-poor villages), only 10% of the poverty funds reach the target beneficiaries (footnote 4). Realizing the changing nature of rural poverty and that its poverty reduction strategy may have become less effective in bridging the gap between the rich and poor provinces, the Government is in search of new approaches to increasing rural income and reducing rural poverty. With the assistance of international sources of aid, some paradigm shifts are gradually being put in place or tested, such as (i) recognition of the multidimensional feature of poverty, (ii) the need to bring the poor into the mainstream of development planning through the participatory process, (iii) the importance of village planning, and (iv) the need to redefine western regional development in terms of addressing environmental problems and encouraging business investment. The Government notes, however, that provinces in the western region will still need external support since (i) the region is still particularly poor, (ii) poverty in the region is closely linked with the poor natural resource base for agricultural development and complex environmental concerns, and (iii) the region remains unattractive for private sector development.⁶

6. In line with the Government's emphasis on increasing income and reducing rural poverty, ADB's CSP for 2004–2006 has identified four focal strategies: (i) promotion of equitable and inclusive growth, particularly in inland western and central provinces; (ii) development of more efficient and effective markets; (iii) regional cooperation; and (iv) promotion of environmental protection and management. Several lending and nonlending investments have been earmarked for the western region, especially to ensure pro-poor growth in poverty areas.⁷ International aid support has also moved toward assisting the poor western region. In 1995 to 2001, the World Bank implemented the China Southwest Poverty Reduction Project (SWPRP)

⁵ An ADB study identified key policy and institution-related challenges to cash-strapped local governments in undertaking effective and efficient poverty reduction activities (ADB. 2003. *Poverty Profile of the People's Republic of China*. Manila.).

⁶ Chinese Science Academy/Tsinghua University Center for China Study. 2004. *Development, Cooperation, Mutual Beneficiary, and Win-Win for All Parties*. Paper presented in the World Bank-Ministry of Finance (PRC) Global Conference on Scaling Up Poverty Reduction (25–27 May 2004, Shanghai, PRC).

⁷ For 2004–2006, the pipeline loan investments that have significant linkages with poverty reduction for the PRC amount to \$2.9 billion, while nonlending investments that are related to poverty reduction are \$11 million.

in Guangxi, Guizhou, and Yunnan, adopting a multisectoral rural development approach. The SWPRP was successful, benefiting about 2.8 million. The International Foundation of Agriculture Development has provided loan support to poor farmers in 18 provinces and more than 140 counties in the region. The Department for International Development has targeted sustainable livelihood, environmental management, education, and health projects in Gansu, Sichuan, and Yunnan. Other agencies⁸ have likewise provided grants for poverty reduction demonstration projects and strengthening development partner cooperation. Major lessons learned from these experiences especially from the SWPRP,⁹ from which this TA will build on and will pilot-test in Guizhou and Yunnan follow: (i) community-driven and participatory initiatives are appropriate and sustainable approaches for increasing rural income and reducing absolute and low-income poverty in geographically dispersed, remotely located, and resource-constrained poor areas—the idea is to harness the growth potential of poor villages; (ii) village planning based on a comprehensive and participatory analysis of the economic, social, and political context should take into consideration natural and human resource endowments of the poor and non-poor, women and men, and the local knowledge of minority groups; (iii) the poor in the village must be provided with a menu of sustainable alternative rural livelihood opportunities that are based on market and institutional analysis, and build on the forward, backward, and horizontal linkage activities at the village level; (iv) alternative rural livelihood activities at the village level must develop community-based organizations (CBOs) encourage effective mechanisms for delivering services from local and national governments, and provide an enabling policy environment; (v) least-cost and community-based monitoring and evaluation (M&E), and feedback mechanisms must be established during the planning phase; and (vi) institution building and coordination among agencies and within individual agencies responsible for poverty reduction, agriculture and rural development, and environmental management are required.¹⁰

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

7. The goal of the TA is to increase rural income in poor villages of Guizhou and Yunnan. Its purpose is to demonstrate sustainable alternative rural livelihood measures in a participatory manner for those poor villages. Its outputs are (i) participatory action plans at the village level, (ii) pilots of key sustainable alternative rural livelihood projects, (iii) policy reforms on local and national policies that directly impact on sustainable alternative rural livelihoods, (iv) capacity development and awareness program, and (v) community-based M&E system. A summary initial poverty and social analysis is in Appendix 2.

B. Methodology and Key Activities

8. With the use of participatory quantitative and qualitative approaches in phase 1, participating villages¹¹ will be comprehensively assessed in terms of livelihoods, assets, and agro-ecological conditions. Geographic information system (GIS) maps will be produced as part of the inputs to the assessments to show the poverty, agro-ecological environment, and livelihood and asset landscapes. A typology of diverse socio-agro-ecological conditions and

⁸ These include the Food and Agriculture Organization, United Nations and Development Programme, and World Food Programme.

⁹ Supplementary Appendix A.

¹⁰ For example, divisions within the Ministry of Agriculture should have a venue to discuss each division's programs and policies (related to poverty reduction, agriculture and rural development, and environmental management) and benefit from synergies among these and at the same time avoid conflicts and duplication.

¹¹ Low-income villages with a high number of core poor and have already undertaken the government's participatory planning methodology will be selected. To the extent possible, villages receiving external assistance similar to TA activities will not be selected. Where there is external assistance not directly related to TA activities, mechanisms for complementation will be explored. Other criteria such as the presence of minority groups, and representative features of the village for possible scaling up of good practices emanating from the TA will be taken into account and discussed during the inception of TA implementation.

poverty groupings, which are sensitive to gender and minority groups' concerns, and livelihood strategies will be developed in participatory assessments. Institutional and policy evaluations that directly impact on farmers' income, rural poverty, and sustainable development will likewise be undertaken.

9. Following the assessments, village stakeholders will develop sustainable alternative rural livelihood action plans, which will include a sustainable alternative rural livelihood matrix and investment requirements, funding methods, capacity-building requirements, and policy and institutional requirements. The plan will serve as the basis for phase 2, which include pilot testing and demonstration of sustainable alternative rural livelihood projects in the villages. Some of the projects¹² will be funded under the TA through mechanisms such as microfinance activities administered by nongovernment organizations (NGOs). The M&E and feedback mechanisms will also be put in place.

10. From the policy and institutional assessments, a policy and institutional strengthening agenda will be developed and selected for TA implementation. About 6 policy studies (4 local-level and 2 national),¹³ 10 training programs, and 4 public awareness programs will be undertaken. Before the end of the TA, an exit strategy will be developed in consultation with village stakeholders. Lessons and experiences will be evaluated, and recommendations made to the Government for scaling up or adapting successful TA experiences at the provincial level, Yungui Plateau, or the karst area for dissemination. The Government has expressed its commitment to scaleup successful experiences that will ensure sustainable rural income in poor villages.

C. Cost and Financing

11. The total cost of the TA is estimated at \$1,125,000 equivalent, comprising \$268,000 in foreign exchange and \$857,000 equivalent in local currency. ADB will administer the TA, which will finance \$900,000 equivalent comprising the entire foreign exchange cost and \$632,000 equivalent of the local currency cost. The TA will be financed on a grant basis by the Poverty Reduction Cooperation Fund. The Government, through the provision of office accommodation and transport, remuneration and per diem of counterpart staff, and participation in project management will finance in kind the remaining portion of the local currency costs equivalent to \$225,000. Details of the cost estimates and financing plan are in Appendix 3.

D. Implementation Arrangements

12. The Executing Agency for the TA will be the Ministry of Agriculture (MOA). MOA will serve as the overall coordinator of the TA. It will liaise with ADB on TA-related matters; establish project coordination functions in two provinces; provide regular feedback on the status and progress of the TA to the steering committee,¹⁴ and advocate good practices, lessons learned, and policy and institutional reforms gained from the TA. MOA will appoint a senior staff member as full-time project director to serve as the focal point for the TA. Through the project director, MOA will establish project coordination units (PCUs) at the provincial level to be housed at the Department of International Cooperation of the provinces' Department of Agriculture (DOA). Each provincial PCU will develop advisory teams.¹⁵ The PCUs will coordinate and oversee TA

¹² Alternative livelihood projects can include processing of agricultural products, handicrafts for the tourism industry, and small-scale infrastructure for improving agricultural productivity such as water storage systems or improving environmental quality such as biogas applications.

¹³ Examples of policy issues are in Supplementary Appendix A.

¹⁴ The steering committee comprising directors of key departments in MOA and the Ministry of Finance will provide overall policy guidance in TA implementation; address coordination problems among departments in MOA and other ministries to improve delivery of related services; and provide mechanisms for advocating policy and institutional recommendations, and scaling up successful experiences to other low-income western provinces.

¹⁵ The advisory team will comprise, on a needs basis, representatives from key departments of DOA; the Poverty Alleviation Office; the Environmental Protection Bureau; and farmers, women, and minority groups. PCUs will initiate regular meetings with the advisory teams to update and discuss the progress of TA implementation at the village level, and provide quick resolutions that will improve their delivery of services to the village.

activities, advocate policy and institutional recommendations, and disseminate information. PCUs will also provide logistical support to experts engaged, including adequately furnished office space and access to communication facilities. ADB will field TA review missions to review and discuss the overall progress of implementation.

13. The TA will be implemented over 24 months and is anticipated to begin in November 2004 and to be completed by December 2006. In phase 1, the first 8 months will be devoted to assessment and survey work, and the succeeding 2 months to action planning activities. The rest of the 14 months (phase 2) will be used for pilot-testing sustainable alternative rural livelihood activities, capacity building and institutional strengthening, policy studies, advocacy, and public awareness programs.

14. A team composed of an international consultant and domestic consultants will implement the TA. Implementation will require 4 person-months of international and 44 person-months of domestic consultants with core expertise in rural development, sustainable livelihood, development economics, social development, agro-ecology, institutional strengthening, public policy, and capacity building and training. An unallocated 18 person-months of consulting services will accommodate extension of experts for phase 2 and recruitment of experts (such as technical specialists in pilot projects to be undertaken) identified during the course of the assessment and planning. Details will be decided before the end of phase 1. Consultants will be recruited through a domestic firm in accordance with ADB's *Guidelines on the Use of Consultants* using the quality- and cost-based selection method and full technical proposals. The domestic firm will be engaged initially for phase 1. The requirement to engage the same firm for phase 2 for continued progress of the achievements of phase 1 will be determined toward the end of phase 1. The rural development specialist and sustainable livelihood specialist will act as team leader and deputy team leader, respectively. The team leader must have experience in undertaking participatory rapid appraisal and other community-based planning and problem solving based on participatory methodologies. Integral to the assessment in the first phase will be GIS mapping. Because of its comparative advantage in this area, the China Agriculture University (CAU) will be subcontracted to provide the GIS mapping inputs.¹⁶ Pilot projects, policy studies, and training and coordination programs will be designed in phase 1 and will be subcontracted to domestic experts, academic institutions, or NGOs during phase 2. Equipment will be procured in accordance with ADB's *Guidelines for Procurement*.

15. The consultants will produce (i) an inception report, (ii) a midterm report, (iii) a draft final report, and (iv) a final report. Each quarter, consultants will submit a progress report describing progress to date against an agreed upon work timetable, problems encountered and action taken, and anticipated problems or delays in the conduct of the TA. The outline terms of reference is in Appendix 4.¹⁷

IV. THE PRESIDENT'S DECISION

16. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$900,000 to the Government of the People's Republic of China to be financed on a grant basis by the Poverty Reduction Cooperation Fund for the Rural Income and Sustainable Development Project, and hereby reports this action to the Board.

¹⁶ Discussions have been held with the CAU for access to existing GIS systems and facilities for the TA. This will lower the cost of GIS mapping to the TA, resulting in large benefits in terms of livelihood assessment at a small incremental cost. Cofinancing options are also being explored.

¹⁷ Indicative staffing and implementation schedules are given in Supplementary Appendixes B and C, respectively.

TECHNICAL ASSISTANCE FRAMEWORK

| Design Summary | Performance Indicators/Targets | Monitoring Mechanisms | Assumptions and Risks |
|---|--|---|--|
| Goal Increased rural income in Guizhou and Yunnan | Increased rural real per capita income by 20% in pilot areas after 5 years of project completion | Provincial statistical censuses and yearbooks | |
| Purpose Demonstration of sustainable alternative rural livelihood measures in poor villages of Guizhou and Yunnan that are within the karst area of the Yungui Plateau | Expanded productive and sustainable income-generating activities for the rural poor in selected villages Scaled-up sustainable alternative rural livelihood pilots at the provincial level Improved policies linking rural income and sustainable environment | Project baseline, benefits monitoring and evaluation (M&E) reports, periodic reports, review missions, and stakeholder dialogue | Macroeconomic environment is stable. |
| Outputs 1. Participatory action plans approved by village stakeholders 2. Pilots of key sustainable alternative rural livelihood projects 3. Policy reforms on local and national policy that directly impact sustainable alternative rural livelihood activities 4. Capacity development and awareness program 5. Community-based M&E system | Six village-level development action plans for sustainable alternative rural livelihoods At least two pilot projects in each village, which demonstrate sustainable alternative rural livelihoods Scale-up strategy with time-bound action plan for implementation of the strategy Local and national policy reforms (e.g., government resolutions, government policy statements, etc.) on rural income, sustainable use of environment, and poverty reduction Empowered stakeholders and community-based organizations (CBOs) that can undertake the assessment and planning exercise as well as initiate village-level livelihood projects with minimal external support Strengthened coordination of local institutions, particularly the agriculture, environment, and poverty agencies so that there are less duplication of and higher impacts from initiated projects and policies An M&E system that is tailor-made at village level | Strategy formulation workshops, reports and work plan for implementing the plan, periodic reports, review missions, and stakeholder dialogue Monitoring and evaluation reports, quarterly reports, monthly village progress reports, review missions, and stakeholder dialogue Policy studies, policy briefs, advocacy materials and program, periodic reports, review missions, and stakeholder dialogue Training and awareness program materials, M&E reports, quarterly reports, review missions, and stakeholder dialogue Stakeholder dialogues during phase 1 planning | Local governments participate and cooperate in the planning process, and concerned local governments have a sense of ownership of the action plans . Local governments coordinate the provision and delivery of their services to the villages in an efficient and effective manner, and natural calamities do not adversely affect impact of livelihood activities Government is receptive to policy reforms. Local government is committed to supporting technical assistance activities, there is effective cooperation among agencies involved, and major stakeholders participate in the programs. Local government participates in |

Continued on next page

| Design Summary | Performance Indicators/Targets | Monitoring Mechanisms | Assumptions and Risks |
|---|---|---|--|
| | A local institution or village group taking charge of maintaining M&E | stage Assessment reports at village level discussed during stakeholder dialogues in phase 2 | M&E. |
| <p>Activities</p> <p>1.1 Conduct sustainable alternative rural livelihood assessment</p> <p>1.2 Prepare village-level participatory action plans</p> <ul style="list-style-type: none"> • Disseminate assessment results • Conduct strategy formulation workshops • Prepare action plans for implementation <p>2.1 Set up structures and roles of major stakeholders and mechanisms for demonstration</p> <p>2.2 Implement pilot projects</p> <p>2.3 Monitor and evaluate pilot projects</p> <p>3.1 Conduct local and national policy studies on focal areas validated by stakeholders</p> <p>3.2 Design an advocacy or public awareness plan and identify and undertake advocacy activities</p> <p>4.1 Set up design and structures for skills development of stakeholders and training activities of CBOs and local governments</p> <p>Implement skills and institutional training and monitoring and evaluation activities</p> <p>4.3 Devise a strategy for scaling up sustainable alternative rural livelihood at</p> | <p>Phase 1 - Months 1–8: Consolidated, systematic and participatory analysis of findings through a report, which includes conceptual framework, survey results and analysis, qualitative assessment results and analysis, geographical information system (GIS) maps, and policy and institutional assessments with recommendations</p> <p>Phase 1 - Months 9–10: Consensus on strategy plans for each village identifying projects for pilot-testing, training requirements or institutional strengthening of grassroots organizations, and identification of priority policy issues</p> <p>Phase 2 - Months 11–24: Work plan for implementing pilot projects including a strategy for M&E, and at least 12 village-level pilot projects being implemented</p> <p>Phase 2 - Months 11–24: Six policy study reports and policy briefs, advocacy plan, advocacy (e.g., policy forums) and public awareness activities (e.g. web site, newsletter, awareness visits)</p> <p>Phase 2 - Month 11–24: At least 10 training activities and 4 capacity development programs completed, CBOs trained and strengthened, and advisory teams of local government agencies meeting regularly to address, not just project concerns, but also other issues that require their coordinated efforts</p> <p>Phase 2 - Months 19–23: Strategy plan, and recommended advocacy and</p> | <p>Periodic reports, review missions, and stakeholder dialogue</p> <p>Village plans, periodic reports, review missions, and stakeholder dialogue</p> <p>Quarterly reports, M&E reports, review missions, and stakeholder dialogue</p> <p>Policy study reports, quarterly reports, and review mission, and stakeholder dialogue</p> <p>Quarterly reports, M&E reports, review mission, and stakeholder dialogue</p> <p>Strategy report, draft final report</p> | <p>Required information is available.</p> <p>Stakeholders, particularly local governments participate and cooperate in the planning process.</p> <p>Stakeholders and local governments have time to participate in most of the training activities.</p> <p>The provincial governments accept the plan.</p> |

| Design Summary | Performance Indicators/Targets | Monitoring Mechanisms | Assumptions and Risks |
|---|---|---|---|
| <p>the province level</p> <p>5.1 Conduct training on community-based M&E system and promote awareness among stakeholders on importance of M&E</p> <p>5.2 Develop the institutional arrangement for M&E system and stakeholder discussion on monitoring indicators</p> <p>5.3 Gathering of information for M&E and training on the making of simple evaluation studies and progress reports out of M&E information</p> | <p>public awareness and dissemination activities acceptable to the provincial and national governments</p> <p>Phase 1: Month 8: training activities</p> <p>Phase 1: Month 9: local group/institution identified for M&E; monitoring indicators</p> <p>Phase 1: Months 9–10: data for M&E; 1 training on how to make evaluations and progress reports for the village</p> <p>Phase 2: Month 18: first evaluation</p> | <p>Quarterly reports and review mission</p> | <p>Local government representatives participate in the M&E formulation process.</p> |
| <p>Inputs</p> <p>Consulting services</p> <p>Other inputs</p> <p>Total cost</p> <p>Financing</p> | <p>International consulting services for 4 person-months, and domestic consulting services for 44 person-months</p> <p>Surveys, GIS mapping, pilot activities, capacity-building packages, and policy studies</p> <p>Estimated total cost of \$1,125,000 comprising \$264,600 in foreign exchange and \$852,400 in equivalent local currency</p> <p>ADB will finance \$900,000 equivalent on a grant basis. Government's contribution is \$225,000 equivalent</p> | <p>Quarterly reports, M&E results, and review mission</p> | <p>There is timely delivery of inputs.</p> <p>Counterpart funds are available to meet local currency costs.</p> |

SUMMARY INITIAL POVERTY AND SOCIAL ANALYSIS

A. Linkages to the Country Poverty Analysis

| | |
|---|---|
| Sector identified as a national priority in country poverty analysis? Yes | Sector identified as a national priority in country poverty partnership agreement? Yes |
| <p>Contribution of the sector/subsector to reduce poverty in the People's Republic of China (PRC):</p> <p>Addressing poverty through agricultural development and sustainable management of natural resources is a priority concern in the western region where rural poverty persists. The Government places emphasis on the development of the western region, particularly on issues related to increasing rural incomes, expanding agriculture production, and addressing environmental concerns. It also stresses the need to increase stakeholder participation in policymaking and governance. The sector can contribute substantially to poverty reduction provided that sustainable alternative rural livelihood assessments and participatory action plans lead to the demonstration of sustainable alternative rural livelihood projects, policy studies lead to policy reforms on local and national policy that directly impact sustainable alternative rural livelihoods, and capacity building and awareness lead to a strategy for scaling up sustainable alternative rural livelihood at provincial levels.</p> | |

B. Poverty Analysis

Proposed Poverty Classification:¹ Poverty Intervention

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| <p>What type of poverty analysis is needed?</p> <p>The overall incidence of income poverty has significantly declined in the People's Republic of China (PRC) in the past 25 years. The downward trend was the overall pattern regardless of what poverty line is used. Based on the PRC's official poverty line of CNY625 per person per annum, the number of the rural poor (often referred to as the absolute poor) declined from 250 million in 1978 to 28.2 million by 2002. It should be noted that, for the first time since 1990, the number of those in absolute poverty rose to 29.0 million from 2002 to 2003. The proportion of the absolute poor to total rural population fell from 30.7% in 1978 to less than 3% in 2003. Assuming the Government's low income definition of CNY869 per capita per annum (which is almost equivalent to an income-based poverty line of \$1 per person a day), the number of the rural poor has gone down from about 250 million in 1990 to 86.5 million in 2002. If the poverty threshold is the consumption-based \$1 a day, the number of the poor would be about 300 million in 1988 declining to 161 million in 2002. Yet poverty remains pervasive in the rural areas and addressing it remains an unfinished and complex agenda.</p> <p>The western region of the PRC experienced the highest levels of poverty. The proportion of the absolute poor population in the western rural region increased from 51% in 1993 to 61% in 2000. In contrast, poverty declined in the eastern and central regions from 10% and 39%, respectively, in 1993 to 25% and 34%, respectively in 2000. In 2002, poverty incidence was 10.6% in Guizhou and 8.7% in Yunnan, using the official poverty line of CNY627 per capita per year. The two provinces are home to 37% of the western region's poor. There is a large proportion of those with low income in the two provinces (those above the poverty line but with incomes less than CNY869 per capita per year). The vulnerable low-income population in the two provinces constitute 17.4% and 16.7% of the population, respectively. An estimated 34% of the western region's low-income population reside in the two provinces. Of 592 Government-identified poverty-stricken counties, eligible for state support, the largest number is in Yunnan (72) followed by Guizhou (50). Poverty analysis using quantitative and qualitative sustainable livelihood assessments will be undertaken during implementation of the technical assistance (TA).</p> |
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C. Participation Process

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|---|
| <p>Is there a stakeholder analysis? Yes</p> <p>Stakeholders include rural residents at the village level, village-level community-based organizations (CBOs), farmers', women's, minority, youth, and other groups; village, township, county, and province local governments; local-level government agencies including relevant divisions of the Poverty Alleviation Office, Department of Agriculture, Environmental Protection Bureau, and other agencies; local and national policymakers; nongovernment organizations; Ministry of Agriculture; and the Ministry of Finance. Roles, responsibilities, and interests will be examined in detail</p> |
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¹ Following the Board approval of the R-paper, Review of ADB's *Poverty Reduction Strategy*, staff instructions to replace the PI/CPI classification with a new tracking system are under preparation, in line with para. 83 of the R-paper.

during TA implementation.

Is there a participation strategy? Yes

The TA is designed to undertake all components in a participatory manner, involving the rural poor at the center of sustainable development.

D. Gender and Development

Strategy to maximize impacts on women: The TA targets poor households headed by females in the project area. In the assessment and planning phase, the role of women's CBOs will be examined. Particular attention will be given to women's CBOs for capacity building and training.

Has an output been prepared? Yes

E. Social Safeguards and Other Social Risks

| Item | Significant/ Nonsignificant/ None | Strategy to Address Issues | Plan Required |
|---------------------------------|---|---|------------------|
| Resettlement | None | | None |
| Indigenous Peoples | Significant | The project area has high concentrations of minority groups. In all phases of the TA, minority groups will be targeted, with training and capacity building specifically taking such groups into consideration. | Yes |
| Labor | Significant | Labor-based appropriate technology will be applied in the pilot tests. Capacity building and training will also be provided to increase access to labor-based off-farm opportunities. | Yes |
| Affordability | None | | No |
| Other Risks/ Vulnerabilities | None | | No |

COST ESTIMATES AND FINANCING PLAN
(\$)

| Item | Foreign Exchange | Local Currency | Total Cost |
|--|---------------------|-------------------|------------------|
| A. Poverty Reduction Cooperation Fund Financing^a | | | |
| 1. Consultants | | | |
| a. Remuneration and Per Diem | | | |
| i. International Consultants | 68,000 | 0 | 68,000 |
| ii. Domestic Consultants | 0 | 243,000 | 243,000 |
| b. International and Local Travel | 20,000 | 12,000 | 32,000 |
| c. Reports and Communications | 5,000 | 5,000 | 10,000 |
| 2. Equipment ^b | 0 | 21,000 | 21,000 |
| 3. Training, Seminars, and Conferences | | | |
| a. Awareness-Raising Programs | 0 | 32,000 | 32,000 |
| b. Training Programs | 0 | 62,000 | 62,000 |
| 4. Surveys/Mapping | 30,000 | 30,000 | 60,000 |
| 5. Pilot Activities and Policy Studies | 50,000 | 200,000 | 250,000 |
| 6. Miscellaneous Administration and Support Costs | 7,000 | 5,000 | 12,000 |
| 7. Contingencies | 88,000 | 22,000 | 110,000 |
| Subtotal (A) | 268,000 | 632,000 | 900,000 |
| B. Government Financing | | | |
| 1. Office Accommodation and Transport | 0 | 75,000 | 75,000 |
| 2. Remuneration and Per Diem of Counterpart Staff | 0 | 100,000 | 100,000 |
| 3. Others | 0 | 50,000 | 50,000 |
| Subtotal (B) | 0 | 225,000 | 225,000 |
| Total | | | |
| | 268,000 | 857,000 | 1,125,000 |

^a Administered by the Asian Development Bank.

^b Includes office hardware (desktop computers and printers) and computer software (word processing and spreadsheet analysis) for provincial coordination units to be transferred to the participating villages upon project completion.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will be implemented over 24 months. Phase 1 will comprise 8 months for assessment and analysis, and 2 months for village planning. Phase 2 will comprise the last 14 months for pilot-testing alternative rural livelihood activities, capacity building and institutional strengthening, policy studies, and advocacy and public awareness programs. A team of domestic consultants with a multidisciplinary background will be deployed in phase 1 to conduct assessment, analysis, and action-planning phase at the village level, and initiate plans for phase 2.

A. Phase 1

1. Rural Development Specialist (international, 4 person-months)

2. The specialist's tasks are as follows:

- (i) Serve as team leader (TL) to design the needs assessment and action plans, oversee and coordinate consulting services during strategic stages of phases 1 and 2, and oversee the livelihood, capacity building, and policy studies and advocacy program of Phase 2.
- (ii) Assess the multilateral and bilateral support provided in Guizhou and Yunnan related to poverty reduction, agricultural development, and environmental improvement, identifying (a) similarities and differences with TA activities, and (b) potential for collaboration and cooperation. The assessment will be included in the inception report to facilitate finalizing the project design.
- (iii) In consultation with other experts and key stakeholders, finalize the conceptual framework for the assessment phase, providing detailed terms of reference (TOR) and work plan, and criteria for selecting the participating villages. Using the criteria and in consultation with the steering committee, select the participating villages and document the selection process in the inception report.
- (iv) Review the consolidated assessment reports for each participating village and in consultation with other experts, provide strategic directions on the design and development of action plans.
- (v) Review the action plans and, in discussion with experts and the steering committee, provide a detailed work plan for phase 2.
- (vi) Ensure that an appropriate monitoring and evaluation system (M&E) at the village level is designed and implemented in a participatory fashion.
- (vii) Make an assessment report on the sustainable livelihood activities, capacity building activities, and policy-related activities in the midstream of phase 2 implementation.
- (viii) Finalize an exit strategy in consultation with stakeholders, identifying the role of stakeholders and requirements, and propose implementation arrangements.

2. Sustainable Livelihood Specialist (domestic, 8 person-months)

3. The specialist will undertake the following activities:

- (i) Assist the TL in coordinating experts as deputy TL.
- (ii) Assist the project director by (a) providing summary briefs on lessons learned from the TA, (b) developing an M&E system for the TA, and (c) ensuring timely provision and delivery of inputs at the local level.
- (iii) Manage the TA, overseeing administrative and logistical requirements in coordination with the project director, during phase 1, be in charge of day-to-day activities of the TA in coordination with other experts, project coordination units and other stakeholders.

- (iv) With assistance from the rural development specialist and social development specialist, be primarily responsible for assessing participating villages in terms of livelihoods, assets, and agro-ecological conditions, employing participatory quantitative and qualitative approaches and make reports on the assessments made.
- (v) Oversee the work of consultants in assessing the participating villages, employing participatory quantitative and qualitative approaches.
- (vi) Write a report on the assessment findings and participatory discussions with stakeholders in preparation for the development of action plans, and identification and selection of the sustainable alternative rural livelihood measures and mechanisms for support at the village level,
- (vii) Facilitate the development by the communities of their respective village-level sustainable alternative rural livelihood action plans, which will include a sustainable alternative rural livelihood matrix and investment requirements, methods of funding (which may include community-based, public-private partnerships, farmers' or women's or minority groups, other local networks, and nongovernment organizations (NGOs), capacity building requirements, and policy and institutional requirements.
- (viii) Lay down the detailed implementation arrangements for the sustainable alternative rural livelihood activities.
- (ix) Disseminate assessments and plans to stakeholders. Design and implement a mechanism for stakeholders particularly community-based organizations (CBOs), NGOs, and academic institutions particularly at the local level to develop sustainable alternative rural livelihoods based on the assessments and plans.
- (x) Make reports on all assessments and plans developed. Distribute reports and plans to villages and other local stakeholders, the province coordinating unit, the Ministry of Agriculture, and the Asian Development Bank (ADB).

3. Development Economist (domestic, 4 person-months)

4. The specialist's tasks are as follows:

- (i) Provide technical expertise to support the work of the TL and deputy TL.
- (ii) Write a background report on economic development issues in the project areas. The report will be used as part of reports generated by the TA and will be distributed to all experts and stakeholders as a synthesis of social development issues in the project area at the beginning of TA implementation. The report should give an economic development brief, identifying key constraints and other issues.
- (iii) In coordination with the sustainable livelihood specialist, and based on village-level sustainable alternative rural livelihood assessments and action plans, draw up the criteria for selecting pilot models for sustainable alternative rural livelihoods. Alternative livelihood projects can include processing of agricultural products, handicrafts for the tourism industry, and small-scale infrastructure for improving agricultural productivity such as water storage systems or improving environmental quality such as biogas applications.
- (iv) During the action plan development activities, take the lead in identifying and setting up a structure for institutions and their roles, funding mechanisms and cost recovery, feasibility and budgets, roles of beneficiaries and groups, and sustainability of pilot projects.
- (v) Based on (iii) and (iv), assist the sustainable livelihood specialist in developing TORs and criteria for selecting stakeholders (CBOs, NGOs, and academic institutions) to implement the pilot projects. With the social development specialist, conduct village consultations on how to select implementing groups.

Facilitate selection of implementing groups and write a report on the criteria and selection process for ADB approval.

- (vi) Oversee pilot tests in 1–2 villages per province, using participatory approaches.
- (vii) Design implementation and M&E mechanisms for these activities and implement the designs.
- (viii) Submit reports on all pilot tests conducted.

4. Social Development Specialist (domestic, 4 person-months)

5. The specialist's tasks are as follows:

- (i) Provide technical expertise to support the work of the TL and deputy TL.
- (ii) Write a background report on social development issues in the project areas. The report will be used as part of reports generated by the TA and will be provided to all experts and stakeholders as a synthesis of social development issues in the project area at the start of TA implementation. The report should give a social development brief identifying key poverty, gender, and minority issues in the project area. The report should also give an analysis of lessons learned from relevant past and existing projects on community-driven development and participatory approaches, exploring the issue of matching funds as a policy area.
- (iii) Provide expert guidance and participate in assessing participating villages in terms of livelihoods and assets, employing participatory quantitative and qualitative approaches.
- (iv) Give training on participatory methodologies to other consultants and local-level stakeholders.
- (v) With inputs from other specialists, develop a typology of poverty features by various socio-livelihood-environmental features and localize these innovative typologies at the village level.
- (vi) Identify opportunities for involving stakeholders particularly CBOs (farmers', women's, and minority groups), other local networks, and NGOs in assessment, capacity building, training, policy advocacy, awareness raising, and M&E.
- (vii) With directions from the sustainable development specialist, lead strategy formulation workshops in villages when developing the village-level action plans.
- (viii) Assist the social development economist in conducting village consultations for selecting implementing groups for pilot projects.

5. Agro-Ecology Specialist (domestic, 3 person-months)

6. The specialist will have the following tasks:

- (i) Provide technical expertise to support the work of the TL and deputy TL.
- (ii) Write a background report on agricultural, livelihood, and minority groups' practices and their impact on the environment, and other environmental issues in the project areas. The report will be used as part of reports generated by the TA and will be distributed to all experts and stakeholders as a synthesis of agro-ecological issues in the project area at the start of TA implementation. The report should give an environmental brief identifying key agricultural, livelihood, and indigenous practices that impact on the area's environment and natural resources.
- (iii) Coordinate the identification, selection, and generation of data that will be included in the geographic information system (GIS) maps. Provide GIS maps and associated analysis as inputs to the assessments to show the poverty, agro-ecological environment, and livelihood and asset landscapes. Province-based NGOs or academic and research institutions will be undertake the mapping in partnership with Beijing-based technical experts to maximize the learning-by-doing process. Consultation with stakeholders will validate the maps.

- (iv) Provide expert guidance and participate in assessing participating villages in terms of environmental sustainability of livelihoods.
- (v) Identify relevant stakeholders for protecting natural resources, and determine opportunities for the environmental protection bureau and environmental NGOs to participate in all aspects of the TA.

6. Public Policy Specialist (domestic, 3 person-months)

7. The specialist will carry out these tasks:

- (i) Review and assess the national policies that have direct impact on farmers' income, agriculture or rural development, poverty reduction, and sustainable use and management of natural resources especially as these have an important bearing on the development of the western region, also review studies¹ that have been done or are currently being undertaken to address such national policies.
- (ii) After (i) and in consultation with stakeholders and the steering committee, identify the priority policy agenda (national and local issues) that will have significant implications for the sustainable development of the western region using Guizhou and Yunnan as case studies to serve as basis for other policy studies to be undertaken in the TA.
- (iii) In consultation with other experts' consulting team and stakeholders, identify the process for selecting of policy issues at national and local levels, draft the TORs for specific areas of concern and design a policy advocacy plan for (a) disseminating of policy and institutional recommendations and (b) scaling up and replicating successful experiences in sustainable development approaches and processes of the TA.
- (iv) Develop criteria for selecting appropriate experts or institutions to be involved in policy studies. Oversee the policy studies of the TA that will examine national and local policy concerns.
- (v) Undertake a study of one of the identified national policy concerns by identifying the key issues, assessing their impact on ensuring sustainable development, agriculture and rural development, and poverty reduction on a national level and in particular in Guizhou and Yunnan provinces; and provide pragmatic policy recommendations.
- (vi) Conduct policy forums and dialogues with local and national policymakers on the findings of the study.
- (vii) Assist the Ministry of Agriculture and the Ministry of Finance in drafting policy briefs that emanate from the study and from the TA's policy studies that can serve as basis for policy reforms.
- (viii) Assist the steering committee in designing a policy advocacy plan for disseminating the finding of the policy studies and ensure that appropriate policy reforms and actions are undertaken.

7. Institutional Strengthening Specialist (domestic, 2 person-months)

8. The specialist will have the following tasks:

- (i) Provide technical expertise to support the work of the TL and deputy TL.
- (ii) Write a background report on institutional issues in the project areas. The report will be used as part of reports generated by the TA and will be distributed to all experts and stakeholders as a synthesis of issues in the project area at the start of TA implementation.

¹ For example, there is an ADB-funded technical assistance that will examine agriculture taxation reform in the People's Republic of China.

- (iii) Undertake institutional evaluations that directly impact on farmer's income, rural poverty, and sustainable development. Start at the village level during the assessment phase by identifying stakeholders, analysis of roles of institutions (strengths, weaknesses, opportunities and threats analysis) and capabilities. Relate the evaluations to county, township, province, and national institutional issues. Identify institutional strengthening needs at the village level.
- (iv) In consultation with other experts, assess the coordination requirements for poverty, agriculture, environment, NGOs, women's and minority and other groups in village, county, township, and province agencies.
- (v) Develop an institutional strengthening agenda for TA implementation. Determine guidelines for institutional strengthening programs to be undertaken. Develop criteria for selecting appropriate experts or institutions to be involved in the programs.
- (vi) In consultation with the public policy specialist and considering the outcome of the policy studies, design public awareness activities to increase awareness of TA activities at the local levels and determine implementation mechanisms.
- (vii) Write reports on all institutional strengthening activities conducted.

8. Capacity Building/Training Specialist (consultant, 2 person-months)

9. The specialist will undertake these tasks:

- (i) Provide technical expertise to support the work of the TL and deputy TL.
- (ii) Write a background report on institutional capacities and related issues in the project areas. The report will be used as part of reports generated by the TA and will be distributed to all experts and stakeholders to give a synthesis of issues in the area at the start of TA implementation.
- (iii) In consultation with other experts, assess capacity building and training requirements at the village level for farmers, women's groups, minority groups, the youth, and other groups of stakeholders. Consider training in improved agriculture practices that take into account local environmental conditions; other community-based agricultural extension and marketing mechanisms; farmer-to-farmer extensions and field visits; organizational training for farmers', women's and minority groups; and technicians' training for improving agricultural productivity in the local dialect or sustaining environment-improving activities such as identifying and training a village expert in maintenance and repair of biogas equipment.
- (iv) Facilitate periodic dialogues between local governments and the village-based stakeholders to institutionalize the participatory process.
- (v) Develop a mechanism for training program packages and coordination programs to be undertaken during the TA including TORs. Develop criteria for selecting appropriate experts or institutions to be involved in the packages and programs. Develop mechanisms for M&E.
- (vi) Write reports on all training activities conducted.

B. Phase 2

10. In addition to the consulting services to be engaged in phase 2, there will be the equivalent of unallocated 19 person-months of domestic consulting services to accommodate extensions of the above expertise or to recruit expertise identified during assessment and planning for phase 2. Details will be decided during Phase 1.

C. Reporting and Review

11. The consultants will produce (i) an inception report within 1 month of the start of the TA; (ii) a midterm report after phase 1 and beginning months of phase 2, or 11 months after the start in a form suitable for publication as an ADB document; (iii) a draft final report within 23 months;

and (iv) a final report. Each quarter, the TL or Deputy TL will submit a progress report describing progress to date against an agreed-upon work timetable, problems encountered and action taken, and anticipated problems or delays. The inception report, to be discussed at the first tripartite meeting, will give background studies, confirm the approach and methodology for the assessments, propose participating villages, and identify key issues. The midterm report, to be discussed at the second tripartite meeting, will present the results of phase 1: assessment and survey work, and action planning activities. The report will discuss the detailed work plan for pilot-testing the sustainable alternative rural livelihood activities identified in phase 1, capacity building and institutional strengthening, policy studies, and advocacy and public awareness programs. The report will identify mechanisms and expertise required for phase 2 and draft the TOR for the unallocated specialist services. The draft final report, to be discussed at the third tripartite meeting, will identify the conclusions of the TA including results and lessons from sustainable alternative rural livelihood activities, capacity building and institutional strengthening programs, policy studies, and advocacy and public awareness programs. The report will draft a policy advocacy plan for disseminating of policy and institutional recommendations and scaling up and replicating of successful experiences in sustainable development approaches and processes of the TA. The final report will integrate comments from stakeholder consultation.