

**ASIAN DEVELOPMENT BANK**

**TAR:PRC 37673**

**TECHNICAL ASSISTANCE**  
(Financed by the Poverty Reduction Cooperation Fund)

**TO THE**

**PEOPLE'S REPUBLIC OF CHINA**

**FOR**

**POVERTY REDUCTION IN GRASSLAND IMPROVEMENT PROGRAM**

**December 2003**

## CURRENCY EQUIVALENTS

(As of 30 November 2003)

Currency Unit	-	yuan (CNY)
CNY1.00	=	\$0.21
\$1.00	=	CNY8.277

The exchange rate of the yuan is determined under a managed floating exchange rate system.

## ABBREVIATIONS

ADB	-	Asian Development Bank
CCICED	-	China Council for International Cooperation on Environment and Development
DRC	-	Development Research Center
GIP	-	grassland improvement program
M&E	-	monitoring and evaluation
MOA	-	Ministry of Agriculture
PRC	-	People's Republic of China
TA	-	technical assistance
TWG	-	technical working group

## NOTES

- (i) The fiscal year coincides with the calendar year.
- (ii) In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. During the 2003 Country Programming Mission, the Government of People's Republic of China (PRC) requested the Asian Development Bank (ADB) to provide an advisory technical assistance (TA) for a study on Poverty Reduction in Grassland Improvement Program.<sup>1</sup> It was subsequently supported for funding by the Poverty Reduction Cooperation Fund. The ADB Fact-Finding Mission visited the PRC from 16 October to 17 November 2003 to formulate the TA, and reached an understanding with the Government on the TA goals, purpose, cost estimates and financing, and implementation arrangements.

## II. ISSUES

2. Worsening degradation and desertification of grasslands, particularly in the dry and highly fragile environments of the impoverished Western Region, seriously affect the welfare and livelihoods of nearly a quarter of the PRC's population. Grasslands cover about 40% (400 million hectares [ha]) of the PRC, mostly in the western region, which accounts for about 90% of total grasslands. The region includes a wide range of grassland ecosystems across a full elevation gradient, from cold alpine meadows to low-lying arid and semiarid rangelands, mostly with limited social infrastructure, poor communications, and a harsh climate. Moderate to very severe land degradation occurs in nearly half the region with 27% of the land eroded by wind and 16% by water, and 10% undergoing desertification. Latest estimates indicate that the desertified area has expanded to about 1.7 million square kilometers, or 18.2% of the total land area. The Development Research Center (DRC), the highly influential and leading PRC government think tank reporting directly to the State Council, estimates direct economic loss resulting from grasslands deterioration and desertification to be over CNY54 billion or about \$7 billion each year.<sup>2</sup>

3. Economic development of the grasslands largely depends on their unsustainable exploitation. Grasslands also have the highest number of poor people: against a national average of 11% of the population living below the poverty line of \$1 a day, poverty incidence among grassland-dependent people is estimated at 41 % in Xingjiang Uigur Autonomous Region, 35% in Qinghai, and 18% in Inner Mongolia Autonomous Region. While the primary cause for grassland deterioration is increasing human and livestock populations and the resulting overgrazing, natural disasters such as continuous droughts in 1999–2001 and locust attacks exacerbate the situation.

4. Poverty reduction and sustainable management of natural resources are key objectives in the PRC's 10th Five-Year Plan (2001–2005) and Poverty Reduction Strategy (2001–2010).<sup>3</sup> These objectives are expected to be included in the 11th Five-Year Plan (2006–2010). In June 1999 the Government officially launched the Western Region Development Strategy to (i) reduce economic disparities between the western and other regions, and (ii) ensure sustainable natural resources management. The Government started to reverse environmental deterioration by introducing, among several other measures, tenure policies in 1988, under which herdsmen

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<sup>1</sup> The TA first appeared in *ADB Business Opportunities* (Internet edition) on 1 September 2003.

<sup>2</sup> DRC is a comprehensive policy research and consulting institution under the State Council, with over 170 research fellows. DRC, with its team of qualified experts and creative work, contributed greatly to central government policymaking and has won fame at home and abroad.

<sup>3</sup> The 10-year poverty strategy aims to identify key counties (about 600) for poverty reduction and assist 30 million rural people with less than CNY625 per capita annual income, and another 60 million rural people, considered vulnerable, with per capita annual income below CNY865.

were granted 30-year lease rights; and livestock-balancing policies in 1999, to regulate the number of animals per unit of grassland and limit its carrying capacity. The grassland improvement program (GIP) 2001–2010, developed with assistance from various development partners<sup>4</sup> and supported by the 2002 Grassland Law,<sup>5</sup> introduced a number of grassland management practices, including (i) long-term closures to allow degraded grasslands to recover, (ii) replacement of free herding by stall feeding, (iii) seasonal and rotational grazing, (iv) resettlement of herdsman's households from desertified grasslands to better land where social infrastructure is accessible, (v) conversion of croplands to grasslands and forests, (vi) aerial reseedling, (vii) provision of water for drinking and irrigation, (viii) application of fertilizers, (ix) shallow or zero-tillage practices, and (x) insect pest (locust) control and other technical packages. The program also includes subsidies for fencing, construction of livestock sheds, storage facilities for hay, barns, reforestation and artificial grasslands (for forage production), and cash to affected households.

5. These policies and the program have largely resulted in positive environmental impacts and ecological restoration of grasslands. Some socioeconomic costs, however, affect some communities' well-being. These unintended adverse impacts threatened the very premise of the policies—grassland rehabilitation leading to sustainable ecosystems and, hence, reduced poverty. For example, the grazing ban did not include creating sustainable alternative sources of income for livestock owners and herdsman, and subsequently reduced household incomes. Adverse impacts on affected communities led to further degradation of grasslands as the communities were left with few livelihood options except to continue to overexploit available resources. In Inner Mongolia, the rate of grassland degradation is estimated to be over 666,000 ha. The problems' magnitude and severity make even the large investments in GIP appear meager. The ecological and socioeconomic context of grassland ecosystems should be better understood, and the impacts of GIP and the factors that contribute to continuing deterioration appreciated. The relationship between poverty and sustainability of grassland ecosystems should also be better understood to facilitate identification of systems, cost-effective models, and enabling policies for sustainable management of grasslands to reverse their continuing degradation and benefit affected people, especially the poor. This is particularly important because the subsidy-dependent program cannot continue indefinitely. The findings of the regional TA on Prevention and Control of Dust and Sandstorms in Northeast Asia would be relevant and useful to the analysis.<sup>6</sup>

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<sup>4</sup> These include the Australian Agency for International Development (AusAID) Grasslands Rehabilitation Project; Canadian International Development Agency (CIDA) Inner Mongolia Autonomous Region Grasslands Project; World Bank Xingjiang and Gansu Grasslands Project, and poverty reduction projects in Inner Mongolia, Gansu, and Ningxia Hui; and Japan's Gansu and Inner Mongolia projects.

<sup>5</sup> This law was adopted at the Sixth National People's Congress on 18 June 1985. The law was revised to protect, construct, and ensure rational use of grasslands; improve the ecological environment; maintain biological diversity; modernize animal husbandry; and promote sustainable development of the economy and society. The law was adopted at the 9th National People's Congress on 28 December 2002, and entered into force on 1 March 2003.

<sup>6</sup> ADB. 2002. *Prevention and Control of Dust and Sandstorms in Northeast Asia (Cofinanced by the Japan Special Fund and Global Environment Facility)*. Manila. with outputs that include (i) a regional institutional framework to enable international policy and operational coordination at the regional level; and (ii) a regional master plan to reduce dust and sand storms, based on a comprehensive assessment of scientific findings.

### III. THE TECHNICAL ASSISTANCE

#### A. Purpose and Output

6. The TA purpose is to (i) assess the impact of GIP policies and implementation approaches in the Western Region, focusing on impacts on the grassland ecology and the livelihoods of grassland-dependent communities; (ii) identify systems, cost-effective models, and enabling policies to manage grasslands; reverse grasslands' continuing degradation; and benefit affected people, especially the poor, while ensuring sustainable resources and a stable environment; (iii) recommend changes in policies and programs that enhance social well-being; facilitate economic development; address the adverse fiscal situation; and ensure sustainability, implementation efficiency, and cost-effectiveness; and (iv) develop an effective monitoring and evaluation (M&E) system, linked to the provincial and national poverty reduction M&E systems. The TA will be in line with ADB's Country Strategy and Program (2004-2006) and focuses on, among other things, the growing rural-urban and east-west inequalities and environmental sustainability. The TA will lay the foundation to improve the livelihoods of the rural poor by providing the Government with a policy framework and a base to plan investments for grassland improvement. The TA framework is in Appendix 1.

7. The TA scope complements the framework of the PRC-Global Environmental Facility Partnership on Land Degradation in Dryland Ecosystems. In summary, the study outputs include (i) an overview and analysis of the linkages between poverty and degradation of grasslands to determine the impact of current policies and programs in general and GIP in particular on the ecology, sustainability, and socioeconomic well-being of affected communities; (ii) review and analysis of the objectives, policy framework, implementation arrangements, and status of GIP; identification of their strengths and weaknesses, particularly their effectiveness in achieving stated environmental and poverty reduction objectives as well as presenting their economic and social impacts and fiscal implications; (iii) an overview of experience and lessons from local and international studies and projects on poverty reduction in grassland areas to identify good practices and successful models for replication; (iv) development of a strategy and time frame to improve the livelihood of grassland-dependent communities; and recommendation of appropriate and cost-effective models for sustainable management of grasslands, including a program for research and demonstration to continue improving these models based on (i) to (iii); (v) recommendations to adjust the GIP policy framework and implementation arrangements to ensure that poverty as well as environmental and economic concerns are equally well addressed; (vi) an indication of the impact of the proposed policy changes on household incomes, economic development, and fiscal implications; (vii) a prioritized implementation schedule of the proposed policy and GIP changes, taking into account their short-, medium-, and long-term social and environmental impacts and costs, the legal and institutional changes required, and the budgets required to implement the proposed changes; and (viii) design and implementation plan for a single, efficient, and cost-effective M&E system for poverty reduction and GIP.

#### B. Methodology and Key Activities

8. Intensive involvement of, and interaction with, all stakeholders during TA implementation is required. During the inception of the TA study, a seminar will be held to explain the study's purpose and proposed activities and to present the consultants' work plan. The study team will ensure that the concerns of, and the impact on, the rural poor are addressed when formulating policies, actions, projects, and programs. Particularly, the study will give attention to participatory approaches and decentralized initiatives for targeting the rural poor in the

grassland areas and enhance participatory and local planning processes, including community consultations and incorporation of minority issues and gender. National and provincial workshops and seminars will be held as required. A final seminar will present the study's findings to a wide audience.

9. About six case studies and field surveys (rapid rural appraisals) will be undertaken in Inner Mongolia Autonomous Region, and Ningxia and Gansu provinces, all in the Western Region. These areas were chosen because they are priority areas for GIP interventions and suffer severe poverty. Two counties per province will be selected based on, among other criteria, incidence of poverty, representative grassland ecosystems, predominant livelihood income from grasslands. The selected areas should cover different key GIP. Inclusion of Gansu and Ningxia provides a strong linkage between this important policy study and possible future lending. Since the two provinces are candidates for the provincial poverty reduction partnership, to be cofinanced with the Department for International Development (DFID, United Kingdom), future projects in the pipeline are possible, as are better opportunities to get more projects through the partnership. The case studies and surveys will assess the problems and issues with poverty and environmental degradation (including before and after) in important (proposed) grassland programs, and help identify policies that will better reduce poverty. The case studies and surveys will also identify the environmental impact of the GIP, as well as assess their economic and social impacts (including effect on household incomes), costs of implementation, and loss of revenue.

### **C. Cost and Financing**

10. The total cost of the TA is estimated at \$500,000 equivalent, comprising \$75,000 in foreign exchange, and \$425,000 equivalent in local currency cost. The TA will be financed on a grant basis, equivalent to \$400,000 covering the entire foreign exchange cost and \$325,000 equivalent of local currency costs by the Poverty Reduction Cooperation Fund. By providing counterpart staff, office facilities, and support facilities, the Government will finance the remaining portion of the local currency cost. Details of the cost estimates and financing are in Appendix 2.

### **D. Implementation Arrangements**

11. DRC will be the Executing Agency. It will appoint a senior official as director of the TA study. Given the need to involve other ministries and organizations in TA implementation, a steering committee (SC) will be established mainly to oversee and ensure smooth TA implementation, and coordinate and enlist support of concerned agencies. The DRC vice president will chair the steering committee. It will comprise senior officials representing DRC, State Council Leading Group Office of Poverty Alleviation and Development, National Development Reform Commission, Ministry of Finance, Ministry of Agriculture, and representatives of the provinces and autonomous region. The SC will have the option to invite representatives of other relevant agencies, concerned provincial officials, and other key stakeholders to its meetings. Individuals with expertise relevant to the study may also be invited to participate in SC meetings. Technical working groups comprising professional staff of relevant agencies such as the State Forestry Administration, State Environmental Protection Administration, Inner Mongolia Agricultural University, Gansu Grasslands Institute, and others will be constituted by the SC to provide guidance and input to the consultants, review case studies and reports, and recommend changes to strengthen policy reforms. An advance payment facility will be provided to the Executing Agency to fund seminars and workshops.

12. TA activities are described in Appendix 3. The TA will require 2 person-months international and 12 person-months domestic consulting services for policy review and formulation; and domestic expertise in (i) case studies, surveys, and rapid rural appraisal (4 person-months); (ii) grassland rehabilitation and livestock management systems (5 person-months); (iii) poverty reduction in pastoral communities (4 person-months); (iv) gender and development (2 person-months); (v) participatory development (3 person-months); (vi) institutional arrangements and legislation (3 person-months); (vii) M&E (3 person-months); and (viii) financial assessment and fiscal impact analysis (4 person-months). The international experts will help transfer knowledge and experience, specifically on environmental rehabilitation and poverty reduction policies, approaches, and techniques that may not yet be introduced to the PRC. The international consultant will also help design and implement case studies and surveys and prepare reports. The international consultant must have comprehensive experience in solving the problems to be addressed, and have adequate working experience in the PRC.

13. The consultants will be engaged as a firm in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants. The consultants will be selected on the basis of simplified technical proposals and evaluated on the basis of the quality- and cost-based selection method. Provincial universities or other suitable institutions such as World Wildlife Fund China or China Council for International Cooperation on Environment and Development, with experience in carrying out similar studies, may be contracted to undertake selected activities and/or field surveys.

14. The TA will be implemented over about 12 months, from March 2004 to March 2005. Within 3 weeks after commencement, an inception report will be presented at a national workshop with participation of the SC, technical working group, concerned development partners, consultants, and ADB. The inception report will include an implementation plan; a work program, including detailed scope of work for each consultant, and the benchmarks and milestones indicating implementation progress; budget requirements, logistics, timing, and organization of field studies, data collection, case studies, seminars, and workshops; and an updated TA framework. A midterm report will be presented at a tripartite meeting comprising the SC, consultants, and ADB, six months after services start. The draft final report will be also presented at the tripartite meeting one month before the TA's closing date (Appendix 4). The draft final report will detail the TA outcome and demonstrate how it responds to achievement of objectives. The final report will be submitted before the closing date, incorporating comments made at the tripartite meeting or otherwise communicated. Publication of the findings and recommendations in the final report in DRC's *China Development Review*, published in Chinese and English, will be considered. All reports will be translated into Chinese.

#### **IV. THE PRESIDENT'S DECISION**

15. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$400,000 to the Government of the People's Republic of China to be financed on a grant basis by the Poverty Reduction Cooperation Fund for Poverty Reduction in Grassland Improvement Program, and hereby reports this action to the Board.

## PROJECT FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p><b>Goals</b></p> <ul style="list-style-type: none"> <li>Contribute to the Government's goal of reducing poverty among herders and grassland-dependent communities through sustainable grassland improvement program (GIP) management</li> </ul>	<p>Degree of achieving the targets of the following:</p> <ul style="list-style-type: none"> <li>Western Region Development Strategy</li> <li>The People's Republic of China's (PRC's) 10th and 11th Five-Year Plans</li> <li>Ten-Year Strategic Plan for Poverty Reduction</li> <li>The Ministry of Agriculture's (MOA's) Ecological Environmental Plan for reversing ecological and environmental degradation of grasslands</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring and evaluation (M&amp;E) systems</li> <li>Poverty monitoring programs</li> <li>Satellite imagery and surveys</li> <li>Government statistics</li> <li>Incidence of sandstorms, desertification, and improvement of grassland ecology</li> </ul>	<ul style="list-style-type: none"> <li>The Government's commitment is sustained.</li> <li>Institutional capacity is limited at the county, township, and village levels.</li> <li>Budget allocations and local counterpart funds are insufficient.</li> <li>Technology to improve grasslands is not readily available.</li> <li>The community is involved in planning and implementation.</li> </ul>
<p><b>Purpose</b></p> <ul style="list-style-type: none"> <li>Assess the impact of current policies and implementation approaches of GIP in the Western Region, focusing on impacts on the grassland ecology, with specific reference to the livelihoods of grassland-dependent communities</li> <li>Identify systems, cost-effective models, and enabling policies for management of grasslands, which not only reverse their continuing degradation but also benefit affected people, especially the poor, while ensuring sustainability of the resources and stability of the environment</li> </ul>	<p>By the end of technical assistance (TA) implementation:</p> <ul style="list-style-type: none"> <li>Recommended measures consistent with the TA study findings; adjust the policy framework and implementation arrangements of GIP to prevent adverse impacts on the livelihood of affected people, realize GIP poverty reduction potential, and enhance their cost-effectiveness; and ensure sustainability of grassland ecosystems, acceptable to the stakeholders, for adoption by the Government</li> </ul>	<ul style="list-style-type: none"> <li>Policy changes adopted by the Government that are consistent with the TA's recommendations</li> <li>Minutes of the tripartite meetings</li> <li>Reports and feedback generated by the M&amp;E system</li> <li>Proceedings of seminars and workshops and case study reports</li> <li>TA completion report and review missions</li> </ul>	<ul style="list-style-type: none"> <li>The Government's commitment is sustained.</li> <li>Coordination between various government agencies is improved.</li> <li>The TA is completed on time.</li> <li>Adequate financial resources are made available to implement the study recommendations.</li> <li>TA study recommendations are widely accepted and will be implemented.</li> </ul>

<b>Design Summary</b>	<b>Performance Indicators/Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
<ul style="list-style-type: none"> <li>• Recommend changes in policies and programs that enhance social well-being, facilitate economic development, and address the adverse fiscal situation; and ensure sustainability, implementation efficiency, and cost effectiveness</li> <li>• Develop an effective M&amp;E system, linked to poverty reduction M&amp;E system at the provincial and national level</li> </ul>	<p>Recommendations for a better M&amp;E system for GIP, which includes M&amp;E of poverty impacts and is linked to a poverty reduction M&amp;E system at the provincial and national level, accepted by the Government</p>		<ul style="list-style-type: none"> <li>• Affected communities are inadequately involved in planning, design, and implementation; and lack ownership.</li> <li>• The M&amp;E system is accepted and made operational.</li> </ul>
<p><b>Outputs</b></p> <ul style="list-style-type: none"> <li>• An analysis and impact of the policy framework for grassland improvement, and a proposal for policy revisions</li> <li>• An assessment of the policymaking process, and recommendations for improved coordination in policymaking</li> <li>• Proposals for increased participation of stakeholders in design and implementation of the policy framework and GIP</li> <li>• An institutional and legal assessment relevant to the implementation of the policy framework for improvement of grasslands, and a proposal for changes</li> <li>• A proposal for M&amp;E, linked to poverty provincial and national M&amp;E systems</li> <li>• Road map/schedule for implementation of recommendations, in order of priority</li> </ul>	<ul style="list-style-type: none"> <li>• Final report completed and submitted within 12 months after the TA starts</li> <li>• Seminar held to present the outcome of the TA study</li> <li>• Accepted proposal for an improved M&amp;E system</li> <li>• Case studies and survey data and information available for distribution</li> </ul>	<ul style="list-style-type: none"> <li>• Proceedings of the tripartite meetings</li> <li>• Reports and feedback generated by the M&amp;E system</li> <li>• Seminars and workshop proceedings and case study reports</li> <li>• TA progress and completion reports</li> </ul>	<ul style="list-style-type: none"> <li>• Consultants are well qualified and perform well.</li> <li>• Data and information are provided on time to the consultants.</li> <li>• Institutional barriers do not inhibit revision of the policy framework, grassland programs, and the policymaking process.</li> <li>• The steering committee ensures effective interdepartmental coordination.</li> <li>• Changing legislation is time-consuming.</li> </ul>
<p><b>Activities</b></p> <ul style="list-style-type: none"> <li>• Inception seminar to present the TA purpose and proposed activities, and consultants' work plan</li> </ul>	<ul style="list-style-type: none"> <li>• Participation and responses in the inception seminar</li> <li>• Work plan submitted</li> </ul>	<ul style="list-style-type: none"> <li>• TA inception, interim, draft final, and final reports</li> </ul>	<ul style="list-style-type: none"> <li>• Adequate, usable data is available on time.</li> <li>• TA budget allocation</li> </ul>

<b>Design Summary</b>	<b>Performance Indicators/Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
<ul style="list-style-type: none"> <li>• Establishment of a steering committee</li> <li>• Desk study, discussions, and analyses on the policy framework</li> <li>• Desk study, discussions, and analyses on the MOA program for grasslands</li> <li>• Desk study, discussions, and analyses on the institutional aspects</li> <li>• Desk study, discussions, and analyses on the legal aspects</li> <li>• Field trips, interviews, and community/stakeholder consultations</li> <li>• Design and implementation of case studies and field surveys for representative locations</li> <li>• Review and analysis of M&amp;E systems for GIP implementation and poverty reduction</li> <li>• Central, provincial, and local workshops to present tentative findings on policy framework, and the institutional and legal framework, and to obtain feedback</li> <li>• Identification and estimate of economic, social, and fiscal costs and benefits of implementing key recommendations</li> <li>• Finalizing of findings and recommendations for the policy framework</li> <li>• Finalizing of findings and recommendations for key grassland programs</li> </ul>	<ul style="list-style-type: none"> <li>• Composition of steering committee, number of meetings held, and recommendations made</li> <li>• Number of case studies prepared and carried out</li> <li>• Number of central, provincial, and local workshops</li> <li>• Positive response to the final seminar</li> </ul>	<ul style="list-style-type: none"> <li>• Review missions</li> <li>• TA workshops</li> <li>• Tripartite meetings</li> <li>• Finalized case study and survey reports</li> <li>• Final seminar</li> </ul>	<p>is limited.</p> <ul style="list-style-type: none"> <li>• Key stakeholders participate keenly in design and implementation of the policy framework and GIP.</li> <li>• Consultant recruitment and counterpart staff appointment are delayed.</li> </ul>

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Poverty Reduction Cooperation Fund<sup>a</sup></b>			
1. Consultants			
a. Remuneration and Per Diem			
i. International: 2 person-months	45	0	45
ii. Domestic: 40 person-months	0	160	160
b. International and Local Travel	15	10	25
c. Reports, Translation and Editing, and Communications	0	10	10
2. Workshops and Seminars	0	45	45
3. Miscellaneous Administration and Support Costs <sup>b</sup>	0	10	10
4. Survey and Case Study Contracts	0	60	60
5. Representatives for Contract Negotiations	5	0	5
6. Contingencies	10	30	40
<b>Subtotal (A)</b>	<b>75</b>	<b>325</b>	<b>400</b>
<b>B. Government Financing</b>			
1. Office Accommodations and Administration	0	30	30
2. Remuneration and Per Diem of Counterpart Staff	0	50	50
3. Others <sup>c</sup>	0	20	20
<b>Subtotal (B)</b>	<b>0</b>	<b>100</b>	<b>100</b>
<b>Total</b>	<b>75</b>	<b>425</b>	<b>500</b>

<sup>a</sup> Administered by Asian Development Bank.

<sup>b</sup> Including vehicle rental, interpretation, and administration.

<sup>c</sup> Including transportation, translation costs, and provincial logistics support

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE

### A. Management of the Consultants' Team

1. The terms of reference for the consulting firm include assigning a team leader, preferably the policy review and formulation specialist. The Team Leader, among other things, will liaise with the Development Research Center (DRC) and the ADB on matters related to implementation, prepare various reports, supervise and coordinate the work of consultants, participate as key resource person in the various seminars and workshops to present the findings of the technical assistance (TA) study, and ensure that reports are prepared on time, widely disseminated and that the findings and recommendations are published in DRC's *China Development Review* published monthly in Chinese and English.

### B. Policy Review and Formulation (international, 2 person-months; domestic, 12 person-months)

2. International expertise is being proposed to help transfer knowledge and experience, with specific reference to grassland rehabilitation and poverty reduction policies, approaches, and techniques that may not yet have been introduced to the People's Republic of China (PRC). The international consultant will also help design and implement case studies and surveys and prepare reports. The terms of reference comprise designing case studies and surveys to assess the economic and social impacts (including effect on household incomes); costs (cost of compensation, implementation, and loss of revenue); and distributional impact of the benefits and costs of grasslands improvement programs (GIP). The case studies will help identify policies, programs, and models that reduce poverty in a sustainable manner. The terms of reference include the following:

- (i) Review the poverty profile for GIP. Provide a brief overview of the Government's policy framework on environmental and ecological restoration and rural poverty reduction to identify linkages and interactions and assess government commitment to improve grassland policies, programs, and approaches.
- (ii) Provide the historical context of grassland development programs and policies, and their relation and interaction with other related policies and strategies, and assess the commitment of all levels of government to improve related policies, programs, and approaches.
- (iii) Analyze the GIP policy framework, objectives, implementation arrangements, and experience to date. Identify strengths and weaknesses of policies and GIP in achieving ecological and environmental and socioeconomic objectives for grassland-dependent communities. Analyze grassland ownership models, tenure systems (arrangements), rights of access to grassland resources by the poor, and assess how these have been influenced by implementation of GIP. Provide insights into the need for reform or changes based on impacts of past practices, and lessons learned.
- (iv) Summarize grassland development assistance provided by external aid agencies that focus explicitly on environmental and poverty concerns. Assess grassland rehabilitation and improvement activities within and outside the PRC, including those funded by ADB and other donors, and recommend ways to improve coordination in policymaking. Include a brief overview of lessons from relevant local and international programs and projects for poverty reduction in grassland

areas. Identify good practices and successful models, and how they could apply to the PRC. Assess various ADB-funded studies and projects.<sup>1</sup>

- (v) Recommend policy changes that will enhance poverty reduction impacts of GIP, reduce its social and economic costs, improve its cost-efficiency, and reduce direct and indirect fiscal costs. Prioritize implementation of the proposed policy changes, taking into account social and environmental impacts, legal and institutional changes, budgets, staffing, and institutional capacity.

**C. Case Studies, Surveys, and Rapid Rural Appraisal** (domestic, 4 person-months)

3. Taking into consideration ADB's *Handbook on Poverty and Social Analysis 2001* and other relevant publications, identify the type of data and information required, and specify by whom and how the collected data will be used, processed, and presented. In addition:

- (i) Establish criteria to select sites for representative case studies: socioeconomic conditions, geographic location, agro-ecological conditions, type of grassland, nature of grassland leases/tenure, incidence of poverty, and type of GIP. Identify the need and the type of quantitative and qualitative data required.
- (ii) Ensure that the proposed data collection and survey methodologies are sound, but highly cost-effective and requiring minimal logistics, labor, and time. Design and pretest questionnaires, interview checklist, and guidelines for case studies.
- (iii) Identify local institutions to implement case studies and surveys. Advise on organization and implementation of the case studies, household surveys, and stakeholder interviews in selected regions. Ensure participatory approaches.
- (iv) Organize a workshop to explain the purpose and methodology for the study, data processing, and preparation of final survey and case study reports.

**D. Grassland Rehabilitation and Livestock Management Systems** (domestic, 5 person-months)

4. The work involves the following:

- (i) Provide an overview of the main grassland resources, their spatial and temporal variability, and function and productivity of the grassland ecosystem; farming and grazing practices and their impact on the environment, particularly water quality and flow, soil quality and movement, natural vegetative cover, and biodiversity.
- (iii) Identify the impact of modernization and transformation on traditional pastoral cultures and consequences for environmental degradation and poverty.
- (iv) Based on fieldwork, identify key environmental and ecological hazards in grasslands, including natural factors (such as infestation by rodents and insects and climatic factors); human factors (such as inappropriate land-use policies, inadequate grassland management, overgrazing, and over-harvesting of grassland products); and their socioeconomic and environmental impacts.
- (v) Evaluate current private and community-based grassland management practices and their impact on the environment. Assess the indigenous pastoral knowledge system and response mechanism to environmental changes, disputes over grazing, grassland resource management, and livestock grazing practices.

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<sup>1</sup> For example, ADB. 2002. *Technical Assistance for Prevention and Control of Dust and Sandstorms in Northeast Asia*. Manila (TA 6068-REG, for \$500,000 JSF financing and \$500,000 under GEF grant, approved on 11 December 2002).

- (vi) Based on data, case studies, expert opinions, and estimations, the ecological and environmental effectiveness and impacts of GIP on poor households. Identify best practices and models for sustainable grassland development and livestock production.
- (vii) Compare direct and indirect costs and savings of alternative proposals and of the ongoing GIP. Recommend ways to implement the alternative solutions, including policy adjustments, incentive structures for stakeholders at various levels, institutional changes, need for interagency cooperation, acquisition of technology, research, and field demonstration or extension.

**E. Poverty Reduction in Pastoral Communities** (domestic, 4 person-months)

5. The work involves assessing the nature of poverty and the livelihoods system of the poor in grassland areas, and analyzing the magnitude, dimension, causes, effects, and projections of poverty and its interaction with environmental degradation. In addition:

- (i) Provide a brief overview (table format) and assessment of key national and local poverty reduction programs in grassland areas in terms of effectiveness, efficacy, and impact on the poor, covering socioeconomic and environmental aspects (short- and long-term, direct and indirect impacts).
- (ii) Based on surveys, interviews, and group discussions, analyze and assess the impact of GIP on the poor in terms of economic and social aspects (short- and long-term, direct and indirect impacts). Propose policies and strategies that will meet rural poverty and grassland improvement objectives.
- (iii) Recommend changes in GIP' policy framework and implementation arrangements to better reduce poverty in a sustainable manner.

**F. Gender and Development** (domestic, 2 person-months)

6. The work will consist of providing inputs to the methodologies of surveys, case studies, and rapid rural appraisals so that differentiated voices are collected from women and men. At least one case study should be picked to demonstrate the gender-disaggregated impacts of GIP. Based on surveys, case studies, rapid rural appraisals, etc., and literature review, assess how GIP affect men and women differently, especially in terms of the burden of poverty, time spent to deal with its impact, distribution of GIP benefits, and other relevant issues on the interface between GIP, poverty, and gender. In addition:

- (i) In consultation with the participatory development specialist, recommend women-inclusive community and stakeholder participation models.
- (ii) In consultation with the Team Leader, poverty reduction specialist, and other specialists recommend ways to address gender and poverty concerns in a sustainable manner by changing the GIP policy framework and implementation.

**G. Participatory Development** (domestic, 3 person-months)

7. The work includes an assessment of the depth and breadth of community participation in GIP, projects, and activities. In addition:

- (i) Collect and analyze stakeholder opinions on GIP. Assess communities' interest ability, willingness, resources, and attitude to participate in GIP, with an explicit

- reference to involvement of women, ethnic minorities, and vulnerable groups.
- (ii) Propose approaches and mechanisms to increase participation of key stakeholders in planning, design, implementation, and monitoring and evaluation (M&E) of GIP. In particular, ensure that marginalized groups, the poor, women, and ethnic minorities are heard to improve the match between GIP and community needs.
  - (iii) Assess the proactivity and readiness of the central Government and provincial and subprovincial agencies to ensure community participation, as well as their effectiveness in targeting the poor and other key rural population groups.

#### **H. Institutional Arrangements and Legislation** (domestic, 3 person-months)

8. The work involves reviewing the institutional framework and administrative systems and procedures for grassland development; and assessing their strengths and weaknesses in planning, formulation and design, implementation, and M&E. In addition:

- (i) Identify the need for capacity building at all levels of institutions that are involved in formulating and implementing GIP; and for decentralized policy formulation, program formulation, and implementation of GIP.
- (ii) Analyze at all levels the incentive structures that support or inhibit efficient and effective GIP implementation and poverty reduction.
- (iii) Review government laws, regulations, and directives that apply to grassland leases, which are subject to GIP, and identify potential areas for conflict. Review the 2002 Grasslands Law and the corresponding regulatory framework for grassland management, and various provincial regulations to determine whether they can achieve the objectives, and the need for reform, if any.
- (iv) Propose an integrated approach to address multidimensional complexity of the issues of poverty, grassland resource management, and livestock production.
- (v) Assess the availability and quality of support services such as extension service, research, technical and skill training, information dissemination, and credit system and marketing services, and suggest innovative ways to improve them.
- (vi) Assess subprovincial institutional capability and staff's knowledge, skills, and performance to ensure proper management of grasslands. Provide an overview of interactions, relevant to GIP, between key agencies, (the central Government, local governments at all levels, village committees, community-based organizations, and private stakeholders), and identify procedures that need improvement. Propose recommendations and practical measures to improve sustainability and accountability, and reduce the costs of program implementation.

#### **I. Monitoring and Evaluation** (domestic, 3 person-months)

9. The work includes:

- (i) Review and assess the current poverty reduction M&E system in grassland areas and identify the system's strengths and weaknesses. Review and assess the current M&E system (institutional arrangements, effectiveness and efficiency, capacity, transparency) for GIP and identify its strengths and weaknesses. Investigate the possibility of integrating poverty reduction aspects, as well as impacts of other major government poverty reduction programs, into the current GIP M&E system.

- (ii) Propose a framework to disseminate M&E information, taking into account the type of information needed by different agencies, together with simple and measurable indicators that monitor and evaluate project processes and impact on poverty reduction and GIP implementation, and that reflect stakeholders' opinions and expectations of government interventions.
- (iii) Design an efficient and cost-effective (preferably unified) M&E system to reduce poverty and achieve related GIP objectives. The design should include key indicators; a data collection, processing, and reporting system; and the institutional arrangements and budget requirements to implement and operate the M&E system.

**J. Economic, Financial, and Fiscal Aspects** (domestic, 4 person-months)

10. The economic and financial assessment includes the following:

- (i) Prepare an overview of the total annual budget expenditure for GIP and total expenditures so far, and extrapolate them, assuming stated targets and implementation periods for GIP.
- (ii) Analyze the distribution of GIP investments, focusing on which share directly benefits poor households affected by GIP.
- (iii) Based on case studies, qualitatively and quantitatively assess GIP' short- and long-term income and employment impacts on the poor.
- (iv) Qualify and quantify the direct and indirect costs of GIP in a representative county, including, but not necessarily limited to, cost of implementation (at all levels), annual and total cost of compensation (where applicable), reduction in livestock production, and reduction/increase of income by households that are directly and indirectly affected by the program.
- (v) Carry out a cost-benefit analysis for major GIP in a selected county based on case studies and extrapolated as appropriate, following ADB's guidelines.

11. The fiscal impact assessment includes the following:

- (i) Evaluate GIP performance, with specific reference to impacts on fiscal revenues at various levels of government (province, county, township), especially loss of local and central government revenue, and implications for the budget.
- (ii) Prepare an overview of the total annual budgetary expenditure for GIP to determine the impact on overall budgets for the province/county and impacts on other related welfare and development programs.
- (iii) For each case study in a representative county, qualify and quantify GIP' short- and long-term, direct and indirect impacts on the Government's budgeting processes, extrapolated to the county and provincial levels, resulting from loss of local and central government revenue.

12. Overall:

- (i) Extrapolate the above findings for each program to province and nationwide scale, specifying the costs and benefits of the programs incurred, and future fiscal costs if the GIP is not changed.
- (ii) Based on the analysis, help draft recommendations and changes in GIP policy and implementation arrangements, quantifying and qualifying the changes in costs and benefits for each proposed change, in financial and fiscal terms.

**PEOPLE'S REPUBLIC OF CHINA: DEPARTMENT FOR INTERNATIONAL DEVELOPMENT -  
POVERTY REDUCTION COOPERATION FUND: POVERTY REDUCTION IN GRASSLAND  
IMPROVEMENT PROGRAM**

**Draft Outline for the Final Report**

**Executive Summary**

**I. Introduction and Background**

- A. Background and Rationale for the Technical Assistance (TA) Study
- B. Objectives and Scope of the TA Study
- C. Design and Methodology adopted for Analysis (including the criteria for selection of study areas for surveys and case studies)

**II. Key Priority Forestry Programs**

- A. Rationale, Objectives, and Scope of the Grassland Improvement Program (GIP)
- B. Intended Benefits for the Environment and People's Socioeconomic Well-Being
- C. Historical Perspectives in GIP Implementation (technical, financial, institutional, policy)
- D. Current GIP Policies (with specific reference to budgets and institutional capacities for implementation, including monitoring and evaluation [M&E])
- E. Geographic Distribution and Coverage of GIPs

**III. Poverty and Poverty Reduction in the People's Republic of China**

- A. Poverty in Grassland Dependent Communities
- B. Linkage between Poverty and Sustainability of Grasslands
- C. Key Gender and Poverty Issues in Grassland Dependent Communities

**IV. Analysis and Evaluation of Impact Consequent to Grasslands Improvement Programs**

- A. Analysis of the Environmental Impacts of GIPs
  - A.1. Positive Impacts
  - A.2. Negative Impacts
- B. Analysis of Socioeconomic Impacts of GIPs
  - B.1. Positive Impacts
  - B.2. Negative Impacts
- C. Distribution of Benefits and Costs
  - C.1. By Household Income Level
  - C.2. By Gender
  - C.3. By Ethnicity and Age
- D. Constraints on Implementation (technical, financial, institutional)

- E. Significance of Existing Policies and Programs to GIP Impacts
- F. Coordination with Other Poverty Reduction Programs
- G. Need for Change in Policies, Strategies, and/or Programs

**IV. Recommendations for Implementation of Grassland Improvement Program to Realize their Socioeconomic and Environmental Objectives**

- A. Technical Aspects
- B. Economic Aspects
- C. Fiscal Aspects
- D. Institutional Aspects (technical capacity of concerned institutions, collaboration and coordination, M&E, and supervision)
- E. Social, Poverty, and Gender Aspects (including participation and social organizations)
- F. Distributional Aspects (addressing regional disparities and imbalance)
- G. Income and Employment Generation (promoting employment and sustainable livelihoods for the poor)
- H. Improved Targeting of Benefits to the Poor
- I. Establishing Positive Linkages with Related Sectors (social infrastructure, markets, others for enhanced benefits for the poor)
- J. Role of Microfinance and Access to Credit
- K. Time Frame and Strategy to Implement Recommendations

**V. Recommended Monitoring and Evaluation System**

- A. M&E System (for GIP environmental and socioeconomic impacts on affected people, disaggregated by location, gender, and ethnicity)
- B. Inter-institutional Coordination through M&E Infrastructure (hardware and software)
- C. Policy Recommendations to Create an Enabling Environment for Effective Enforcement of the Recommended M&E System

**Appendixes**

- A. An Analysis of the Positive and Adverse Impacts of GIPs on the Environment and Socioeconomic Well-Being of the People
- B. An Evaluation and Analysis of Experience and Lessons Learned from Within and Outside the People's Republic of China (and recommended packages to enhance effectiveness of GIPs in poverty reduction, sustainable grassland development, and environmental stabilization)
- C. Detailed Description of the Policy Recommendations to Ensure Effective Implementation of GIPs to Realize their Socioeconomic and Environmental Objectives (along with an appropriate basis including a rationale and justification for such recommendations)
- D. Detailed Description of the M&E System (for GIP environmental and socioeconomic impacts on affected people, disaggregated by location, gender, and ethnicity).
- E. Detailed Description of Case Studies and Analysis

**References**

**Notes**