

ASIAN DEVELOPMENT BANK

TAR: PRC 37675

TECHNICAL ASSISTANCE
(Financed by the Poverty Reduction Cooperation Fund)

TO THE

PEOPLE'S REPUBLIC OF CHINA

FOR

POVERTY REDUCTION IN KEY FORESTRY CONSERVATION PROGRAMS

December 2003

CURRENCY EQUIVALENTS

(As of 30 November 2003)

Currency Unit	–	yuan (CNY)
CNY1.00	=	\$0.121
\$1.00	=	CNY8.277

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

ABBREVIATIONS

ADB	–	Asian Development Bank
CCFG	–	Conversion of Cropland to Forest and Grassland Program
CCICED	–	China Council for International Cooperation on Environment and Development
DOA	–	Department of Agriculture (DOA)
LGOP	–	State Council Leading Group Office of Poverty Alleviation and Development
M&E	–	monitoring and evaluation
MOF	–	Ministry of Finance
NFPP	–	Natural Forests Protection Program
PFP	–	priority forestry program
PRC	–	People's Republic of China
SFA	–	State Forestry Administration
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 the People's Republic of China (the PRC) requested the Asian Development Bank (ADB) to provide an advisory technical assistance (TA) for a study on Poverty Reduction in Key Forestry Conservation Programs.¹ 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, financing, and implementation arrangements.

II. ISSUES

2. Forests' roles in economic development and in soil and water conservation and biodiversity protection are well recognized in the PRC. Events in recent years have focused attention on forests' important role in stabilizing the environment. In 1997 the water shortage in the Yellow River caused substantial economic losses to downstream industry and agriculture, particularly in Shandong Province. In 1998 major floods in the Yangtze and Songhua rivers caused serious loss of life and economic damage. The frequency and severity of sand and dust storms originating in the Western Region is increasing². Nearly half the Western Region suffers land degradation, with 27% of the land eroded by wind, 16% by water, and 10% by desertification, which are closely linked to poverty as they reduce productivity and increase costs. Continued degradation of natural resources aggravates poverty and constrains national poverty reduction programs. To break the cycle of continuing degradation of forests and increasing poverty, the Government has adopted a number of major policies and programs.

3. The State Forestry Administration (SFA) initiated six priority forestry programs (PFPs). Of these, the Natural Forests Protection Program (NFPP), a key program, was started in 1998 mainly to rehabilitate and develop natural forests. A key component of NFPP is a logging ban on 30 million hectares (ha) of natural forests in the upper reaches of the Yangtze and upper and middle reaches of the Yellow River. For other areas (including in the northeast, Inner Mongolia, and Xinjiang) the policy has been less dramatic and imposes only logging restrictions. These policies also involve reducing timber production by about 20 million cubic meters, developing 12.7 million ha of new plantations, maintaining 94 million ha of forests, and redeploying 740,000 state forest enterprise workers.

4. About 60 million ha of agricultural land are on slopes of over 25%. Of the 2 billion tons of silt released into the Yangtze and Yellow rivers annually, about two thirds come from sloping croplands. In 1999 the Government adopted a policy to convert steep cultivated lands into forests and grasslands, which SFA is implementing under its Conversion of Cropland to Forest and Grassland Program (CCFG). In 2000 CCFG pilot projects were implemented in 13 provinces. Other relevant SFA programs to reverse environmental degradation are (i) key shelterbelt development programs in such regions as the Three North and the middle and lower reaches of Yangtze River Forest Protection, (ii) Sandification Control Program for Areas in the Vicinity of Beijing, (iii) Wildlife Conservation and Nature Reserve Development Program, and (iv) Forest Industrial Base Development Program in Key Regions with Focus on Fast-Growing and High-Yielding Timber Plantations.

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

² The Western region covers six provinces (Gansu, Guizhou, Qinghai, Shaanxi, Sichuan, and Yunnan); five autonomous regions (Guangxi Zhuang, Inner Mongolia, Ningxia Hui, Tibet, and Xinjiang Uygur); and Chongqing municipality.

5. Planning and implementation of the CCFG are more complex than that of the NFPP because the CCFG deals with millions of smallholders, and the NFPP only with hundreds of forest enterprises. The CCFG's financial arrangement also differs from NFPP's. The NFPP is designed to ease the hardship of state-owned enterprises and facilitate their transition from traditional logging to forest stewardship. The CCFG is essentially a public payment scheme, which compensates private farmers for conversion of farmland back to tree cover or grasslands. The income of participating farmers is often increased as long as the compensation payments are applicable (5 or 8 years). However, the long-term sustainability of CCFG needs to be confirmed. Many local economies are suffering due to downsizing of agriculture and subsequent contraction of local agribusiness. Alternative jobs are often difficult to find, and local government revenue is decreasing. Some evidence shows that compensation in the form of food subsidies may be bringing down local farm-gate prices.

6. Although the environmental benefits of the PFPs have yet to be fully evaluated, they have evidently had an impressive impact on the environment and ecology. However, a recent study by a China Council for International Cooperation on Environment and Development (CCICED) task force³ has noted potentially adverse social, economic, and fiscal consequences, including reduced livelihoods, diminishing fiscal returns, high costs of implementation, tenure insecurity, and accelerated increases in timber imports. State-owned forest enterprises suffering from serious resource depletion and the economic crisis before the logging ban welcomed the program's financial support, which included payments to redundant workers. Local authorities or implementing entities often regard the NFPP as a program to strengthen state-owned enterprises, focusing on payments to enterprise workers, rather than on funding forest conservation. Nevertheless, the logging ban has further eroded the enterprises' bottom-line. Local governments previously dependent on logging have seen a severe reduction in fiscal revenues.

7. The task force study also noted weaknesses in the policy framework for sustained protection and production in the forest-based economies in a socially acceptable manner. Key problems include insufficient local budgets required for implementation, slow implementation due to delays in approval of plans and fund appropriation, use of a top-down approach and inadequate local participation in program designs, disagreements over objectives, and management problems. The PFPs lack a proper monitoring and evaluation (M&E) system. Current M&E work focuses on implementation targets (trees planted and whether funds are properly handled) but not on whether the programs are achieving their environmental and social goals at minimal social cost.

8. The Government's commitment to sustainable resource management is reflected in the Tenth Five-Year Plan, 2001-2005, which emphasizes stronger economic restructuring to sustain natural resources management and preserve the environment. The plan gives high priority to the agriculture sector to maintain the momentum achieved under the Ninth Five-Year Plan. With specific reference to natural resources, the Government's strategic objectives are to reduce degradation of natural ecological systems and integrate environmental planning with social and economic development. The adoption of the PRC's 10-year poverty strategy in May 2001 confirms the Government's commitment to reduce poverty without compromising environmental stability.

³ China Council for International Cooperation on Environment and Development. 2002. *Implementing the Natural Forest Protection Program and the Sloping Land Conversion Program: Lessons and Policy Recommendations* (unpublished report).

9. The PRC has already invested increasing resources in the battle against forest degradation and cropland erosion. However, poverty and environmental concerns need to be better integrated. Other programs to improve the livelihoods of poor rural people need to be streamlined and strengthened. The Government, while recognizing the value of the analysis carried out earlier by (CCICED) and others, understands the need for a comprehensive and detailed analysis that establishes linkages between the programs and socioeconomic well-being of the people, especially the poor, and the need to enhance the effectiveness of these programs. This analysis, to be carried out under the proposed TA is considered particularly important since these programs have the potential to reduce poverty by enhancing income-generation opportunities, adopting conservation-oriented land-use practices, and stabilizing the rural environment for better land management. While complementing ADB's efforts to control land degradation,⁴ the TA will allow the Department of Agriculture (DOA) in the Ministry of Finance (MOF) to actively participate in analyzing and reformulating policies that integrate cost-effective means of environmental rehabilitation with poverty reduction. The analysis must be based on well-designed surveys that determine the impact of key PFPs on the socioeconomic well-being of affected people, especially the poor.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

10. The TA purpose is to evaluate the environmental and socioeconomic impact of selected PFPs on affected people in general and the poor in particular to establish a basis for policy reforms to enhance their effectiveness. The TA will recommend adjustments in the policy framework and program implementation arrangements to prevent adverse impacts on the livelihood of affected people, reduce poverty by promoting sustainable livelihoods, and enhance PFP's cost-effectiveness. To that end, the TA will assess the socioeconomic and fiscal aspects, cost effectiveness, implementation efficiency of PFPs, and establish a poverty-related monitoring and evaluation (M&E) system to guide stakeholders and decision makers. See Appendix 1 for the TA framework.

11. The TA's scope of work and outputs from the work program include the following:

- (i) analytical review of the objectives, policy framework, procedures, and implementation arrangements, and status of PFPs to determine their strengths; weaknesses; cost-effectiveness; and fiscal implications, including impacts on poverty reduction;
- (ii) analysis of the linkages between poverty and environmental degradation to identify policies and practices that can have long-term benefits for the poor;
- (iii) analytical overview of experiences and lessons from local and international studies and projects on poverty reduction (including those funded by ADB) to identify good practices and successful and replicable models;
- (iv) recommended adjustments in the policy framework and PFPs to ensure that poverty objectives are realized while addressing environmental concerns;
- (v) a prioritized implementation schedule of the proposed changes in policies, procedures, and implementation of PFPs with associated legal and institutional changes, and budgetary implications; and

⁴ As reflected in ADB. 2002. *Framework Brief: PRC-Global Environment Facility Partnership on Land Degradation in Dryland Ecosystems*. Manila.

- (vi) design for a cost-effective and feasible M&E system for poverty reduction and PFPs, with recommendations for the system's implementation.

B. Methodology and Key Activities

12. To keep the study focused and manageable, given the limited budget under the TA, six to eight representative case studies involving rapid rural appraisals and field surveys, targeted at stakeholders (including the poor), will be undertaken in Shaanxi, Sichuan, Jiangxi, and Hebei. These provinces have been selected because they are representative, and host major PFP activities that reduce poverty (Appendix 2). The case studies and surveys will assess the problems and issues associated with implementing selected programs, their linkage with poverty and environmental degradation (including before and after implementation, and the effectiveness of their management from a financial perspective). These programs will include NFPP, CCFG, Sandification Control Program for Areas in the Vicinity of Beijing, and Forest Industrial Base Development Program in Key Regions with Focus on Fast-Growing and High-Yielding Timber Plantations. The case studies and surveys will also assess the economic and social impacts (including effect on household incomes); costs (compensation, implementation, and loss of revenue); and distributional impact of the programs' benefits and costs. The case studies will help identify policies, programs, and models that are sustainable and reduce poverty.

13. During the inception of the TA study, a seminar will be held within 3 weeks of commencement to explain the study's purpose and proposed activities and to present the consultants' work plan. The TA will be carried out to address the concerns of, and the impact on, formulating policies, actions, projects, and programs. Particularly, the study will give attention to participatory approaches to target the poor in the SFA program areas; decentralize initiatives; promote private sector participation; and enhance participatory and local planning processes, including community consultations, women's involvement, and incorporation of gender and minority issues. All stakeholders will be intensively involved in TA implementation. National and provincial workshops and seminars will be held as required. A final seminar will disseminate the findings to a wide audience.

C. Cost and Financing

14. The total cost of the TA is estimated at \$500,000, comprising \$90,000 in foreign exchange and \$410,000 equivalent in local currency. The TA will be financed on a grant basis equivalent to \$400,000 by the Poverty Reduction Cooperation Fund. By providing counterpart staff, office space and facilities, and support services, the Government will finance the remaining portion of local currency costs, estimated at \$100,000 equivalent (Appendix 2).

D. Implementation Arrangements

15. DOA will be the TA Executing Agency. MOF will appoint a senior official as director of the TA study. Given the involvement of other ministries and organizations in TA implementation, a Steering Committee (SC) will be established, which will meet quarterly, will oversee and ensure smooth implementation, and coordinate and enlist support of concerned agencies. The SC will be chaired by the deputy director general of the DOA and will comprise senior officials from DOA, State Council Leading Group Office of Poverty Alleviation and Development, SFA, National Development Reform Commission, and MOF International Department as members. The SC will have the option to invite representatives of relevant agencies, concerned provincial officials, and other key stakeholders to its meetings. Individuals with expertise relevant to the study may also be invited to meetings of the steering committee. It will constitute technical

working groups comprising professional staff of relevant agencies such as the SFA, State Environmental Protection Administration, and others as appropriate to provide guidance and input to consultants, review case studies and reports, and recommend ways to strengthen policy reforms. An advance-payment facility will be provided to the DOA to fund seminars and/or workshop.

16. The TA will be implemented over about 12 months, from March 2004 to March 2005. Within three weeks after commencement, an inception report will be presented at the tripartite meeting comprising the SC, 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. 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. All reports will be translated into Chinese. East and Central Asia Department and People's Republic of China Resident Mission will closely monitor implementation.

17. TA activities are described in Appendix 3. The TA will require 3 person-months of international and 12 person-months of domestic consulting services for policy review and formulation; and domestic consulting services for (i) case studies, surveys, and rapid rural appraisal (4 person-months); (ii) natural resource management (5 person-months); (iii) poverty reduction (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, with specific reference to policies, approaches, and techniques for environmental rehabilitation and poverty reduction not yet introduced to the PRC. The international consultant will also help design and implement case studies and surveys and prepare reports. The consultants will be selected and engaged through a firm in accordance with *Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers*, and other arrangements satisfactory to ADB for selecting and engaging domestic consultants. The consultants will be selected on the basis of simplified technical proposals, evaluated on the basis of quality- and cost-based selection method. Provincial universities or other suitable institutions such as World Wildlife Fund China or CCICED, with prior experience in carrying out similar case studies and/or surveys, may be identified by the consultants at inception in consultation with the DOA, and contracted to undertake field surveys.

IV. THE PRESIDENT'S DECISION

18. 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 the purpose of a study on Poverty Reduction in Key Forestry Conservation Programs, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goals</p> <ul style="list-style-type: none"> Help the Government reduce rural poverty through sustainable forestry program management 	<p>Degree of achieving the targets of</p> <ul style="list-style-type: none"> the priority forestry programs (PFPs), the People's Republic of China (PRC) Eleventh Five-Year Plan, and the Ten-Year Strategic Plan for Poverty Reduction 	<ul style="list-style-type: none"> Monitoring and evaluation (M&E) systems Periodic surveys Satellite imagery and/or surveys Government statistics Incidence of floods and drying up of river flows, and other similar environmental ills associated with degraded forest cover 	<ul style="list-style-type: none"> The Government's commitment is sustained. Institutional capacity at the county, township, and village levels is limited. Budget allocations are insufficient, and local counterpart funds are short.
<p>Purpose</p> <ul style="list-style-type: none"> Evaluate the socioeconomic impact of selected PFPs on affected people in general and the poor in particular to establish the basis for policy reforms to realize their poverty reduction potential and enhance their cost-effectiveness Improve and strengthen PFPs' M&E system and ensure M&E of impacts on poverty. 	<p>By the end of technical assistance (TA) implementation:</p> <ul style="list-style-type: none"> Recommended measures consistent with the TA study findings and for adjustments in the policy framework and implementation arrangements of the PFPs to prevent adverse impacts on the livelihood of affected people, realize PFP's poverty-reduction potential, and enhance PFP's cost-effectiveness, acceptable to the stakeholders for adoption by the Government. Recommendations for an improved and strengthened PFP M&E system that also covers poverty impacts acceptable to the Government. 	<ul style="list-style-type: none"> Policy changes adopted by the Government that are consistent with the TA recommendations. Proceedings of the tripartite meetings Reports and feedback generated by the M&E system Seminars and workshop proceedings and case study reports TA completion report and review missions Feedback on policy changes adopted by the Government 	<ul style="list-style-type: none"> The Government's commitment is sustained. Coordination between various government agencies is improved. Adequate financial resources are available to implement the study recommendations. The M&E system is acceptable and operational. Communities not adequately involved in planning, design, and implementation, and lack ownership.
<p>Outputs</p> <ul style="list-style-type: none"> An analysis and impact assessment of the policy framework and 	<ul style="list-style-type: none"> Final report completed and submitted within 12 months after the TA starts 	<ul style="list-style-type: none"> Proceedings of the tripartite meetings 	<ul style="list-style-type: none"> Data and information are provided to the consultants' team on

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>implementation arrangements for key PFPs, and a proposal with recommended revisions</p> <ul style="list-style-type: none"> • An assessment of the policymaking process, and recommendations for improved coordination in policymaking for PFPs • Proposals for increased participation of key stakeholders in the design and implementation of the policy framework and PFPs • An institutional and legal assessment relevant to the formulation and implementation of the policy framework for PFPs, and a proposal for changes • A proposal for a single, cost-effective M&E system for PFPs' environmental and poverty impact • Road map/schedule to implement the recommendations, in order of priority 	<ul style="list-style-type: none"> • Seminars that present the outcome of case studies under the TA, which, among other things, demonstrate cost-effectiveness and poverty reduction potential of PFPs • Final report made available to a wide audience • Accepted proposal for an improved M&E system • Case studies and survey data and information available for distribution 	<ul style="list-style-type: none"> • Reports and feedback generated by the M&E system • Seminars and workshop proceedings and case study reports 	<p>time.</p> <ul style="list-style-type: none"> • Institutional barriers do not inhibit revision of policy framework, PFPs, and policymaking. • Changing institutional arrangements and legislation is time-consuming. • High-quality consultants are available and their reports are of good quality.
<ul style="list-style-type: none"> • Inception seminar to present the TA's purpose and proposed activities, and consultants' work plan • Establishment of a steering committee and technical working group (TWG) • Desk study, discussions, and analyses on the policy framework and implementation of the PFPs • Desk study, discussions, and analyses to document lessons 	<ul style="list-style-type: none"> • Participation and responses in the inception seminar • Work plan submitted • Composition of the steering committee and TWG, number of meetings held, and recommendations made • Number of case studies prepared and carried out • Documentation of experience and lessons learned 	<ul style="list-style-type: none"> • TA inception seminar held, and response • TA reports, inception, interim, draft final, and final reports • Desk study reports and review missions • TA workshops and proceedings • Tripartite meetings • Desk and case study and survey reports finalized 	<ul style="list-style-type: none"> • Adequate, usable data are made available on time. • TA budget allocation is limited. • Key stakeholders participate in the design, and implementation of the policy framework and PFPs is effective. • Recruitment of consultants and appointment of

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>learned and replicable models and practices to promote sustainable livelihoods for the poor</p> <ul style="list-style-type: none"> • Desk study, discussions, and analyses on the policy framework and implementation of poverty reduction programs • Desk study, discussions on the institutional and legal aspects for the PFPs • Field trips, interviews, and community/stakeholder consultations • Designing and pre-testing case studies and field surveys, and selecting representative locations where they will be carried out • Implementing the case studies and field surveys in selected locations • Reviewing M&E systems for poverty reduction and PFPs, and developing a proposal for a simple and effective unified system • Organizing seminars/workshops at central, provincial, and local levels to present tentative findings on policy for PFPs, the institutional and legal framework, stakeholders' participation and implementation arrangements, and to obtain feedback • Qualifying and quantifying economic, social, and fiscal costs and benefits of implementing key recommendations • Finalizing findings and recommendations for the 	<ul style="list-style-type: none"> • Number of workshops convened at central, provincial, and local levels • Well-attended final seminar and recommendations accepted 	<ul style="list-style-type: none"> • Proceedings of seminars and workshops • Proceedings of final seminar and recommendations 	<p>counterpart staff are delayed.</p> <ul style="list-style-type: none"> • Field surveys and case studies are delayed.

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
policy framework and PFPs			
Inputs <ul style="list-style-type: none"> • Consultants <ul style="list-style-type: none"> International (3 person-months) Domestic (40 person-months) • Counterpart staff, support facilities, and logistics • Surveys and case studies • Workshops and seminars • Reports, translation/editing, communications, and other inputs • Contingencies 	<ul style="list-style-type: none"> • \$75,000 • \$170,000 • \$100,000 • \$60,000 • \$30,000 • \$25,000 • \$40,000 	<ul style="list-style-type: none"> • Timely fielding of consultants • TA progress reports • TA review missions 	<ul style="list-style-type: none"> • Consultants are highly qualified and available on time. • Appropriate qualified counterpart staff are available. • Counterpart funding, provision of counterpart staff, logistical support, and access to relevant data and reports are adequate and timely.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Poverty Reduction Cooperation Fund Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International: 3 person-months	65	0	65
ii. Domestic: 40 person-months	0	160	160
b. International and Local Travel	10	10	20
c. Reports, Translation/Editing, and Communications	0	10	10
2. Workshops and Seminars	0	30	30
3. Miscellaneous Administration and Support Costs ^b	0	10	10
4. Surveys/Case Study Contracts	0	60	60
5. Representative for Contract Negotiations	5	0	5
6. Contingencies	10	30	40
Subtotal (A)	90	310	400
B. Government Financing			
1. Office Accommodation and Transport	0	30	30
2. Remuneration and Per Diem of Counterpart Staff	0	50	50
3. Others ^c	0	20	20
Subtotal (B)	0	100	100
Total	90	410	500

^a Administered by the Asian Development Bank.

^b Including vehicle rental, interpretation, and administration.

^c Including transportation, translation costs, and provincial logistics support.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE

A. Policy Review and Formulation (international, 3 person-months; domestic, 12 person-months)

1. The consultant will do the following:

- (i) Design case studies and surveys to assess the economic and social impacts (including effect on household incomes); costs (compensation, implementation, and loss of revenue); and distributional impact of program benefits and costs. The case studies will help identify sustainable policies, programs, and models that reduce poverty.
- (ii) Review the poverty profile for the People's Republic of China (PRC) and various reports under ongoing and/or completed technical assistance (TA), provide a brief overview of the Government's policy framework on environmental and ecological degradation and the policy framework for rural poverty reduction, and identify the linkages and interactions of the Priority Forestry Program (PFPs) policy framework to the overall policy framework for environment and rural poverty reduction.
- (iii) Summarize (in table format) forestry sector development assistance provided by external aid agencies that focus explicitly on the environment and poverty. Include nature (TA, investment, grant or loan); amount; implementation area; and scope of the assistance.
- (iv) For each PFP, analyze the policy framework, objectives, and implementation arrangements; and identify the strengths, weakness, and areas for improvement for each PFP to provide insights into lessons learned, good practices, and successful models, including work carried out in the PRC by (i) the Government of the Netherlands; (ii) World Wildlife Fund, China; and (iii) international studies and projects on poverty reduction, including those funded by the Asian Development Bank (ADB).
- (v) Assess the policymaking process for PFPs, and recommend improvements for coordination in policymaking. Assess the commitment of all levels of government to change policies, programs, and approaches. Recommend policy changes to PFPs to make poverty reduction programs more effective, reduce their social and economic costs, improve cost-efficiency, and reduce direct and indirect fiscal costs. Prioritize implementation of proposed policy changes, taking into account their short-, medium-, and long-term social and environmental impacts; and required legal and institutional changes, budgets, staffing, and institutional capacity.
- (vi) Transfer international best practice, knowledge, and experience, with specific reference to policies, approaches, and techniques that may not yet be introduced to the PRC for environmental rehabilitation and poverty reduction. Help design and implement case studies/surveys and reports.

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

2. The consultant will do the following:

- (i) Taking into consideration ADB's *Handbook on Poverty and Social Analysis 2001* and other relevant publications and, in consultation with the team leader and other team members, identify the type of data and information required

- (quantitative or qualitative, etc.). Also consider limitations on time, human resources, and budget. Specify by whom and how the collected data will be used, processed, and presented.
- (ii) Establish the criteria for choosing sites for representative case studies in terms of socioeconomic conditions, geographic location, agro-ecological conditions, type of forest, nature of forest tenure, incidence of poverty, and type of PFP. Design questionnaires, interview checklists, and guidelines for case studies and pretest them before the formal surveys. Identify local institutions to implement case studies and surveys. Advise on organizing and implementing household surveys and stakeholder interviews. Organize a training workshop for those who will undertake the case studies and field surveys, to their explain purpose and methodology. Ensure that the case studies and interviews are participatory.
 - (iii) Conduct rapid rural appraisals and train those who will undertake the interviews and field surveys to use a participatory approach.

C. Natural Resource Management (domestic, 5 person-months)

3. This work will be of a technical nature and clearly establish poverty-environment linkages and how environmental mitigation efforts can reduce poverty by creating jobs, improving land use, and promoting conservation farming. The consultant will identify alternative measures that address the Government's environmental, social, and fiscal concerns. Specific tasks include the following:

- (i) Provide a brief overview of national projects and programs of other ministries, various government agencies, international and bilateral donors, and nongovernment organizations involved in natural resource protection (forest and agriculture land); and identify these projects' and programs' applicability to areas covered under PFPs, such as the United Nations Development Programme/Food and Agriculture Organization (UNDP/FAO) demonstration project (mid-1990s) on the introduction of zero and minimum tillage.
- (ii) Based on focused fieldwork, review and analyze environmental impacts where PFPs are being implemented to mitigate potential environmental hazards. Assess the appropriateness of the present techniques and investments to mitigate these hazards.
- (iii) Based on the case studies, (expert opinions and estimations; first- and second-hand data) assess the ecological/environmental achievement of each relevant PFP. Draw on domestic and international experience, models, and good practices. Identify and evaluate low-cost, innovative alternatives to present techniques/technology implemented under the PFPs and that fully consider the TA purpose. Based on this evaluation, determine PFPs' potential to reduce poverty in the target areas while reversing environmental problems. Identify direct and indirect costs of alternative proposals as compared to present PFPs. Recommend ways to implement alternative solutions, including policy adjustments, incentive structures for stakeholders at various levels, institutional changes, interministerial and interagency cooperation, acquisition of technology, research, and field demonstration or extension.

D. Poverty Reduction (domestic, 4 person-months)

4. The consultant will do the following:

- (i) Review the PRC's poverty reduction policies and programs and identify approaches that could be applied to PFPs. Analyze poverty in forestry areas and how it affects PFP implementation and sustainability. Review the poverty profile for the PRC as well as the final reports for TAs 3150-PRC, 3610-PRC, and 5894-REG;¹ and identify the interaction between each PFP and poverty.
- (ii) Based on surveys, interviews, and group discussion, analyze and assess the impacts of PFPs on poor people, their families, and communities in terms of economic and social aspects (short- and long-term, direct and indirect impacts). Ensure that surveys and case studies account for ethnic minorities and gender differences. Design and implement a time allocation case study to see how the time pressure on women in obtaining non-timber products and even fetching water (which is related to environmental degradation) has changed after the program. Recommend ways to reduce poverty in a sustainable manner by changing the PFP policy framework and implementation arrangements.

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

5. The consultant will do the following:

- (i) Provide inputs to the methodologies of surveys, case studies, and rapid rural appraisals so that the differentiated voices are collected from women and men. At least one case study should be picked to demonstrate PFPs' gender-disaggregated impacts.
- (ii) Based on surveys, case studies, rapid rural appraisals, etc., and literature review, assess how the selected PFPs have affected livelihoods of men and women differently, especially in terms of the burden of poverty, time spent to deal with PFP impact, distribution of PFP benefits, and other relevant issues on the interface between PFPs, poverty, and gender. In consultation with the participatory development specialist, recommend women-inclusive community and stakeholder participation models.
- (iii) In consultation with other specialists, recommend measures to address the gender and poverty concerns in a sustainable manner through changes in the PFP policy framework and implementation arrangements.

F. Participatory Development (domestic, 3 person-months)

6. The consultant will do the following:

- (i) Review the PRC poverty profile as well as the final reports for TAs 3150-PRC, 3610-PRC, and 5894-REG. Undertake stakeholder analysis for each PFP, including identification of key stakeholders and their degree of interest in PFP implementation, emphasizing the involvement of women, ethnic minorities, and

¹ ADB. 1998. *Technical Assistance to the People's Republic of China for the Study on Ways to Support Rural Poverty Reduction Projects*. Manila; ADB. 2000. *Preparing a Methodology for Development Planning in Poverty Blocks under the New Poverty Strategy of PRC, People's Republic of China*. Manila; and ADB. 1999. *Technical Assistance for Facilitating Capacity Building and Participatory Activities II*. Manila.

other marginalized groups. Assess the current level of community participation in PFP identification, design, and implementation. Assess the adequacy of compensation and the measures for sustainable livelihood provided by the Government to the affected people to determine (a) nature of relocation, (b) degree of consultation, (c) adequacy of information provided to affected people, (d) mechanisms to address grievances, and (e) consultations to ensure that people could interact with officials. Based on these findings, develop guidelines to ensure that social programs are better prepared and managed, and that appropriate social safeguard policies are in place.

- (ii) Examine the mechanisms for, and efficacy of, the community voice regarding preferences/social acceptability of various policy and technology options and how well these mechanisms protect the environment. Assess the pro-activity and readiness of the central, provincial, and subprovincial governments and forestry agencies to involve community participation, as well as their effectiveness in targeting the poor and other key rural population groups in the PFPs. Define the roles of administration of local governments and foresters in assessing and addressing community needs.
- (iii) Collect and analyze poor people's opinions on the implementation of PFPs and suggestions on how to improve them. Propose practical measures to let rural residents, particularly the poor, more actively participate in preparation, planning, implementation, and monitoring and evaluation (M&E) of PFPs.

G. Institutional Arrangements and Legislation (domestic, 3 person-months)

7. The consultant will do the following:

- (i) Analyze each PFP's institutional arrangements for policymaking, program formulation, and implementation, including decentralization. Provide an overview of the interactions relevant to PFPs between key agencies, (i.e., the central and all levels of local governments at all levels, village committees, community-based organizations, and private stakeholders). Identify procedures that need improvement.
- (ii) Encourage decentralization of PFP policy formulation, program formulation, and implementation, emphasizing the needs of rural areas and considering countrywide and regional climatic, topographic, social, and cultural diversity; poverty; and innovative local approaches. Analyze incentive structures that support or inhibit efficient and effective PFP implementation and poverty reduction from the central Government to the villages.
- (iii) Summarize the strengths and weaknesses of PFP institutional arrangements and recommend ways to improve PFP sustainability and accountability and reduce PFP implementation costs. Identify capacity-building needs of institutions implementing PFPs.
- (iv) Review various government levels' laws, regulations, and directives that apply to land leases, which are subject to PFPs, and identify potential areas for conflict.
- (v) Recommend ways to improve natural resource management and poverty reduction, such as using an integrated rather than sector approach. Propose ways to enhance cooperation and coordination among different government agencies in implementing PFPs, including assuring the participation of poverty reduction offices in PFP design and implementation.

H. Monitoring and Evaluation (domestic, 3 person-months)

8. The consultant will do the following:

- (i) Review and assess the poverty reduction M&E system (poverty reduction offices, state statistic bureaus, and Ministry of Finance and identify its strengths, weaknesses, and relevance to the PFP M&E system).
- (ii) Investigate the possibility of integrating into the PFP inspection system poverty reduction aspects and impacts of other major government poverty reduction programs, with simple and measurable indicators to monitor and evaluate project processes and impact on poverty reduction and PFP implementation.
- (iii) Design a single, efficient, cost-effective Monitoring and Evaluation system to reduce poverty and achieve PFP objectives. The design should include key indicators; a data collection, processing, and reporting system; and the institutional arrangement and budget requirements to implement and operate this M&E system.

I. Financial Assessment and Fiscal Impact Analysis (domestic, 4 person-months)

9. The consultant will do the following:

- (i) For the analyses, document all underlying assumptions. Evaluate programs' financial performance and appropriateness of the budget. Prepare an annual overview of the total budget expenditure for each PFP, analyze the actual budget performance, and extrapolate the findings, assuming PFPs' stated targets and implementation periods.
- (ii) In consultation with the poverty and gender specialist, ensure that surveys, case studies, and rapid rural appraisal methodologies reflect gender differences and ethnic diversities. Analyze the distributional impacts of the benefits of PFP investments, focusing on benefits shared directly by the rural households affected by PFPs.
- (iii) For each PFP in a representative county, qualify and quantify the direct and indirect costs of the program, including, but not necessarily limited to, cost of implementation (at all levels), annual and total cost of compensation (where applicable), reduction in logging/timber output, reduction in agricultural output, reduction/increase of income by households that are directly and indirectly affected by the program, and loss of local and central government revenue.
- (iv) Assess the short- and long-term income and employment impacts on poor people based on the case studies (qualitatively and quantitatively). Conduct a cost-benefit analysis for each PFP in the selected county.
- (v) Extrapolate the above findings to nationwide scale, specifying the programs' costs and benefits, and fiscal costs if the programs are not changed.
- (vi) Based on the TA study's recommendations for changes in PFP policy and implementation, quantify and qualify for each program the changes in costs and benefits for each major and relevant change in the PFP.

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 Key Priority Forestry Programs (PFPs)
- B. Intended Benefits for the Environment and Socioeconomic Well-Being of the People
- C. Historical Perspectives in Implementation of the PFPs—Technical, Financial, Institutional, Policy
- D. Current Policies vis-à-vis PFPs with Specific Reference to Budgets and Institutional Capacities for Implementation including Monitoring and Evaluation (M&E)
- E. Geographic Distribution and Coverage of the PFPs

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

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

IV. Analysis and Evaluation of Impact Consequent to Priority Forestry Programs

- A. Analysis of the Environmental Impacts of PFPs
 - A.1. Positive Impacts
 - A.2. Negative Impacts
- B. Analysis of Socioeconomic Impacts of PFPs
 - 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 in Implementation—Technical, Financial, Institutional
- E. Significance of Existing Policies and Programs to the Impacts of PFPs
- F. Coordination with Other Poverty Reduction Programs
- G. Need for Change in Policies, Strategies, and/or Programs

V. Recommendations for Implementing Priority Forestry Programs 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; Monitoring, Evaluation, 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

VI. Recommended Monitoring and Evaluation System

- A. An M&E System for environmental and socioeconomic impacts of the PFPs on affected people, disaggregated by Geography (Location), Gender, and Ethnicity
- B. Interinstitutional 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 PFPs 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 the Effectiveness of PFPs for Poverty Reduction and Environmental Stabilization.
- C. Detailed Description of the Policy Recommendations to Ensure Effective Implementation of PFPs 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 monitoring and evaluation of the environmental and socioeconomic impacts of the PFPs on affected people, disaggregated by Geography (Location), Gender, and Ethnicity.
- E. Detailed Description of Case Studies and Analysis

References

Notes