



China, People's Republic of: Hunan Xiangxi Rural Environmental Improvement and Green Development Project

Project Name	Hunan Xiangxi Rural Environmental Improvement and Green Development Project	
Project Number	53050-001	
Country / Economy	China, People's Republic of	
Project Status	Active	
Project Type / Modality of Assistance	Loan	
Source of Funding / Amount	Loan 4046-PRC: Hunan Xiangxi Rural Environmental Improvement and Green Development Project	
	Ordinary capital resources	US\$ 200.00 million
Operational Priorities	OP1: Addressing remaining poverty and reducing inequalities OP2: Accelerating progress in gender equality OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability OP5: Promoting rural development and food security OP6: Strengthening governance and institutional capacity	
Sector / Subsector	Agriculture, natural resources and rural development / Agricultural production - Agriculture research and application - Agro-industry, marketing, and trade - Forestry - Rural sanitation - Rural solid waste management	
Gender	Effective gender mainstreaming	
Description	The project will demonstrate environmental improvement and green development in rural areas, by (i) improving rural waste and sanitation management facilities and services with innovative technologies and arrangements; (ii) developing local featured agricultural and forestry products; and (iii) adding values to agricultural and forestry products through improvement of value chains and integration with tourism. The project is envisaged to (i) play a demonstrative role for rural vitalization; (ii) promote regional public goods by reversing the negative impacts of pollution; (iii) reduce the risk of future epidemics, which is strongly required after the pandemic of coronavirus disease (COVID-19); and (iv) promote recovery from COVID-19 through inclusive rural economic development.	

Project Rationale and Linkage to Country/Regional Strategy

As one of the three key economic growth engines in the People's Republic of China (PRC), the Yangtze River Economic Belt (YREB) and its nine provinces and two specially administered municipalities account for more than 40% of the population and freshwater resources, and 45% of the country's economic output. While the YREB has benefited from extensive development since the 1980s, economic growth in the middle and upper reaches of the Yangtze River Basin significantly lags the coastal areas and face particular challenges from: (i) weak institutional coordination; (ii) increasing pollution and pressure on natural resources; (iii) slow transformation into green development; and (iv) limited integration of waterways, ports, and intermodal logistics. To manage these challenges, the Government of the PRC formulated the YREB development plan 20162030. The Asian Development Bank and the government have agreed to adopt a framework approach to support the plan, with a focus on: (i) institutional strengthening and policy reform; (ii) ecosystem restoration and environmental protection; (iii) green industrial transformation; and (iv) construction of an integrated multimodal transport corridor.

In many rural areas of the YREB, agricultural production and rural livelihoods have lagged behind industrial production and urban livelihoods and income inequality and poverty are still persistent, with the majority of rural wastewater and wastes directly discharging to waterways. Against this backdrop, the government of the PRC formulated a rural vitalization strategy to promote poverty reduction, rural development, and green and inclusive growth, which focuses on agriculture modernization, rural wastewater and wastes management, rural-urban integration, ecosystem services protection, rural health and education services development, and rural governance reform.

Xiangxi Tujia and Miao Autonomous Prefecture is located in Hunan Province in the YREB, and between the Yangtze River and special economic zones. It is also at the border between the central and western PRC and is the only part of Hunan targeted for China Western Development. Xiangxi has one city and seven counties, with a land area of 15,462 square kilometers, of which the urban area is 556 square kilometers. The land area is dominated by mountains. 70.2% of the mountainous area is forest, making Xiangxi one of the designated green cities. At the end of 2018, the total registered population of Xiangxi is 3.0 million, 54% are rural residents; with ethnic population mainly Tujia and Miao people accounts for 80% of the total population of Xiangxi. The total production value in Xiangxi is CNY58.3 billion, of which CNY8.4 billion is by the primary industry, CNY17.9 by the secondary industry, and CNY31.9 billion by the tertiary industry; and the per capita gross domestic product (GDP) is CNY22,094.

Xiangxi is one of the poorest regions in the PRC. All of its seven counties are designated as national poor counties. At the end of 2018, rural and urban poverty incidences in Xiangxi are 5.2% and 4.3%, respectively. In Xiangxi, of 49.2 million cubic meters per year of wastewater, only 7.4 million cubic meters per year is treated, 24.7% of villages do not have solid waste collection or processing facilities, and 48.2% of households do not have sanitary toilets. Inadequate wastewater and solid waste management and unsanitary toilets severely affect rural residents' living environment and increase their health risk.

The mountainous landscape in Xiangxi makes farming less suitable and profitable. Arable land is 135,000 hectares, only 8.7% of total land area. The region boasts of a rich list of local featured vegetation and livestock species. Agricultural GDP is CNY14 billion, or 14.4% of the total GDP. About 60% of the agricultural GDP is from local featured products given its unique climate and biosphere. These include citrus, kiwi fruit, camellia, tea, and herbal medicine. However, low quality of seeds and seedlings, inadequate modern agricultural production and management system, and inadequate cold chains make the yields highly variable with low value.

The unique combination of natural and cultural diversity gives Xiangxi high conservation value with national significance. The PRC central government designated Xiangxi as a Tujia and Miao cultural and ecological protected area and a key national ecological function area. There are three national nature reserves, three national forest parks, three national geological parks, two national scenic spots, one national wetland park, and one UNESCO world heritage site (Laosicheng Site in Yongshun County). All of these provide very high ecological and cultural value, attracting 44.9 million visitors in 2017. Seven expressways connecting local cities and counties have been opened successively in Xiangxi. Jishou City has become one of the 18 highway expressway cities in the PRC. By being involved in the 'four-hour economic circle of Changsha, Chongqing, Guilin, and Guiyang, with the construction of new Zhang-Jihuai highspeed railway and Xiangxi Airport, Xiangxi will enter the 'high-speed rail era and 'aerospace era'. Xiangxi also has zones for the integration of the primary, secondary, and/or tertiary industries such as a national agricultural technology zone in Huayuan County and a national primary, secondary, and tertiary industry integration pilot zone in Yongshun County. Xiangxi plays a leading role in industrial integration in the PRC.

However, value addition to agricultural and forestry products is still low in Xiangxi and the poverty ratio is still high. Women comprise an increasing proportion of agriculture population in the rural areas due to out-migration of men. There are limited job opportunities for women. To enhance rural industrial productivity in Xiangxi to reduce poverty and inequality between urban and rural areas and to empower women and enhance gender equality, Xiangxi is required to improve socially-inclusive agricultural value chain (production, processing, and marketing) that increases jobs for women and the poor, by fully utilizing its unique tourism resources and environmental and transportation advantages and integrating the primary, secondary, and tertiary rural industries.

The Xiangxi Tujia and Miao Autonomous Prefectural Government (XPG) takes rural vitalization as core of its development agenda. The Xiangxi Tujia and Miao Autonomous Prefecture Rural Vitalization Strategy adopts a targeted poverty alleviation approach. The Xiangxi Autonomous Prefecture Accelerated Three Year Action Plan to Improve Rural Environment and Build Beautiful Villages 20182020 outlines rural environmental improvement as its basic principle. The key growth engines are high value agricultural products and ecotourism backed with research, technology, and value chain development. The XPG has set up detailed targets to improve the living environment, grow special industries, and enhance service delivery for comprehensive rural vitalization. Key interventions are agricultural modernization and integration with ecotourism.

Xiangxi is an appropriate demonstration area for rural vitalization and special industry development, since it (i) is one of the poorest regions in the PRC; (ii) is an important area to connect the central and western regions of the PRC and Yangtze River and special economic zones in south provinces; (iii) has local featured agricultural products which have potential for further development; (iv) has unique tourism resources and environmental and transportation advantages; and (v) plays a leading role in industrial integration in the PRC, with the two national-level industrial integration zones.

Impact Rural vitalization in the Yangtze River Economic Belt realized (Rural Vitalization Plan, 20182022 and Yangtze River Economic Belt Development Plan, 20162030)

Project Outcome

Description of Outcome Rural living environment and value of agricultural and forestry products in Xiangxi enhanced

Progress Toward Outcome

Implementation Progress

Description of Project Outputs Rural waste and sanitation management facilities and services improved
Local-featured ecological agricultural and forestry products developed
Value added to local products through value chains and ecotourism

Status of Implementation Progress (Outputs, Activities, and Issues) A minor change in scope (withdrawal, addition and minor adjustments on subprojects, changes in financing sources, and revised cost estimates) was approved by ADB on 14 February 2022. The updated initial environmental examination and resettlement plan reflecting the proposed changes in the project was disclosed on the ADB website on 17 and 24 January 2022, respectively. The semi-annual environmental monitoring report for the period June to December 2021 and for the period January to June 2022 were disclosed on the ADB website on 13 April 2022 and 19 August 2022, respectively. The second internal social monitoring report was disclosed on the ADB website on 3 May 2022. As of 31 August 2022, 11 contract packages (3 goods, 2 works and 6 consulting services) were awarded. The latest updated procurement plan was disclosed on the ADB website on 12 July 2022. Several rounds of training have been provided to staff of the PMO, local PMOs, and other relevant government agencies on the EMP, RP, EMDP, SDAP, and GAP. Training/workshops on (i) financial management held on 27-28 April and 21-218 December 2021; (ii) loan disbursement and foreign capitalization held on 20 July and 3 November 2021; and (iii) loan withdrawal applications and accounting held on 24-25 February 2022.

Geographical Location Nation-wide, Xiangxi Tujia Miao Zuzhi Zuzhi

Safeguard Categories

Environment	B
Involuntary Resettlement	B
Indigenous Peoples	B

Summary of Environmental and Social Aspects

Environmental Aspects	An initial environmental examination, including an environmental management plan (EMP) and grievance redress mechanism, has been prepared and disclosed on ADB's website. The initial environmental examination is based on domestic feasibility studies and environmental assessments, site visits, and stakeholder consultations. The EMP will be applied to all project components. The XPG, through its PMO, will be responsible for implementation of and compliance with the EMP, including mitigation measures, monitoring, and reporting. Qualified full-time environment officers will be assigned to the XPG PMO and local PMOs, and a training program has been included in the EMP. The project will contribute to the XPG's targets for environmental improvement, including afforestation and improved water quality. Risks include soil erosion and temporary disturbance to nearby residents (e.g., from dust and noise) during works; and air, soil, and/or water pollution during operations because of inadequate O&M of the project facilities. The outbreak and global spread of COVID-19 presents a risk to the health of workers and residents. The EMP includes (i) mitigation measures to address the risks; and (ii) procedures for (a) erosion control and safe treatment and disposal of sewage and solid waste, and (b) preparation of a COVID-19 health and safety plan based on best practices.
Involuntary Resettlement	The project will use 11,634.10 mu of land, including state-owned land occupation of 535.10 mu, permanent land acquisition of 98.59 mu, land use rights transfer of 9,860.00 mu, and land use for rural public infrastructure of 1,140.50 mu. ²⁶ In addition, the project will temporarily use 9.00 mu of land during construction. The project will not involve any physical house relocation. A total of 61 households with 261 persons will be affected permanently by land acquisition, of which 34 households with 151 persons will be significantly affected. A resettlement plan has been prepared in accordance with ADB's Safeguard Policy Statement and relevant laws and regulations of the PRC. ²⁷ The resettlement plan includes adequate compensation and livelihood restoration measures for affected persons. Surveys and consultations were undertaken with affected persons during the preparation of the resettlement plan. Affected persons will be further consulted during update and implementation of the resettlement plan. A grievance redress mechanism has been established and incorporated into the resettlement plan. Frameworks for land use rights transfer and land use for public infrastructure have been attached to the resettlement plan. While the XPG and the implementing agencies have capacity to implement domestically funded projects, their capacity will be strengthened to implement the resettlement plan and conduct internal monitoring in compliance with ADB's requirements.
Indigenous Peoples	There are 368,307 ethnic minorities in the project area, mainly the Miao and Tujia people, comprising a majority of the project beneficiaries. They will benefit from (i) improved waste and sanitation management, (ii) development of local-featured ecological agricultural and forestry products, (iii) employment opportunities, and (iv) capacity development. While the ethnic minority groups have socioeconomic conditions similar to those of the Han population, the Miao and Tujia people have their own languages and cultural practices. An ethnic minority development plan has been prepared, ²⁸ which includes (i) benefits and targets for ethnic minorities; (ii) consultation, participation, and information disclosure; (iii) a grievance redress mechanism; (iv) implementation and capacity building; and (v) monitoring and reporting requirements. The project will strengthen the capacity of the XPG and the implementing agencies to implement and monitor the ethnic minority development plan.

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Responsible ADB Officer	Liu, Xinjian
Responsible ADB Department	East Asia Department
Responsible ADB Division	PRC Resident Mission
Executing Agencies	Xiangxi Tujia & Miao Autonomous Prefectural Gov't

Timetable

Concept Clearance	23 Oct 2019
Fact Finding	01 Jul 2020 to 06 Jul 2020
MRM	21 Sep 2020
Approval	25 Jan 2021
Last Review Mission	-
Last PDS Update	23 Sep 2022

Loan 4046-PRC

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
25 Jan 2021	26 Mar 2021	22 Jun 2021	30 Jun 2027	-	-

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	420.73	Cumulative Contract Awards			
ADB	200.00	16 Mar 2023	17.40	0.00	9%
Counterpart	220.73	Cumulative Disbursements			
Cofinancing	0.00	16 Mar 2023	14.26	0.00	8%

Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	Satisfactory	Satisfactory	-	Satisfactory

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Date Generated

30 May 2023

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