China, People's Republic of: Market-Based Eco-Compensation Mechanisms in Beijing

<table>
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<tr>
<th>Project Name</th>
<th>Market-Based Eco-Compensation Mechanisms in Beijing</th>
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<tr>
<td>Project Number</td>
<td>47049-001</td>
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<tr>
<td>Country</td>
<td>China, People's Republic of</td>
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<td>Project Status</td>
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<td>Project Type / Modality of Assistance</td>
<td>Technical Assistance</td>
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<tr>
<td>Source of Funding / Amount</td>
<td>TA 8471-PRC: Market-based Eco-compensation Mechanisms in Beijing</td>
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<td>Technical Assistance Special Fund</td>
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<td>US$ 400,000.00</td>
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**Strategic Agendas**
- Environmentally sustainable growth
- Inclusive economic growth

**Drivers of Change**
- Governance and capacity development
- Knowledge solutions

**Sector / Subsector**
- Agriculture, natural resources and rural development
- Forestry - Land-based natural resources management
- Finance - Finance sector development

**Gender Equity and Mainstreaming**

**Description**

The technical assistance (TA) will contribute to the improvement in rural ecological systems and residential livelihood in Beijing. The TA outcome will be the establishment of market-based eco-compensation mechanisms in Beijing. The TA will produce the following outputs: (i) a main report consisting of four sub-reports on (a) potentials and valuation of carbon sequestered in the agricultural and forestry sectors in rural Beijing, (b) development of carbon trading market incorporating forestry and agricultural sectors, (c) economic analysis of carbon trading with agricultural and forestry sectors, and (d) fiscal policies and market-based eco-compensation mechanisms; (ii) a policy note on the development of market-based eco-compensation mechanisms in Beijing; (iii) an international forum on market-based eco-compensation mechanisms; and (iv) trainings for policymakers and potential stakeholders in future eco-compensation schemes.

**Project Rationale and Linkage to Country/Regional Strategy**

Healthy ecological systems can provide invaluable goods and services to human well-being, including carbon storage, biodiversity, and recreational and aesthetic functions. In the People's Republic of China (PRC), the least degraded and healthiest ecological systems are located in the rural or underdeveloped areas surrounding the urban areas. Economic development and livelihood improvement in these areas are the country's priorities to achieve inclusive growth. However, development should not compromise the local ecological systems, which can reduce the services ecosystems can provide. Eco-compensation provides an innovative way to attain urban-rural integrated development. It allows for rural livelihood improvement while reducing or mitigating some of the negative impacts of development on ecosystems and conserves the important services they provide. The basic idea is to compensate people for refraining from conducting activities that will cause serious damage and impair ecosystem services in fragile or economically important ecosystems. Based on accumulated local experiences and studies, the PRC has started drafting an eco-compensation ordinance which will serve as a legal basis and guide for establishing eco-compensation programs. ADB has been providing substantial support to this legislative process, as well as its underlying policy studies. Presently, most eco-compensation programs in the PRC are government-driven, relying heavily on fiscal transfers between government entities. While this kind of arrangement may be effective in the PRC context, this may not properly reflect the value of ecological services provided and the willingness-to-pay of the beneficiaries, and thus, could fail to fully exploit the economic efficiency embodied in the eco-compensation idea.

**Impact**

Improvement in rural ecological systems and residential livelihoods in Beijing
Description of Project Outputs
A main report on developing market-based eco-compensation mechanisms prepared
A policy note on development of market-based eco-compensation mechanisms in Beijing prepared
An international conference on market-based eco-compensation mechanisms held
Capacity building related to policy and practice of market-based eco-compensation for policy makers and potential stakeholders provided

Status of Implementation Progress (Outputs, Activities, and Issues)
Interim workshop held in Beijing on 26-27 January 2016, and Final Workshop and review mission was conducted on 20-21 September 2016.

Geographical Location
Beijing

Summary of Environmental and Social Aspects
Environmental Aspects
Involuntary Resettlement
Indigenous Peoples
Stakeholder Communication, Participation, and Consultation
During Project Design
During Project Implementation

Business Opportunities
Consulting Services
The proposed TA will require an estimated 8 person-months of international and 26 person-months of national consultants with expertise in the areas of carbon market development, forestry and agricultural sinks, agricultural economics, rural development, and fiscal policy. Resource persons may be invited to review the consultants’ outputs and share knowledge during workshops and conference. The consultants will be engaged through a consulting firm by the executing agency, in accordance with ADB’s Guidelines on the Use of Consultants (2013, as amended from time to time), using the quality- and cost-based selection method, with a quality-cost ratio of 80:20, and by inviting simplified technical proposals.

Procurement
Equipment for research and field investigation will be procured following ADB’s Procurement Guidelines (2013, as amended from time to time).

Responsible ADB Officer
Lopez, Alvin

Responsible ADB Department
East Asia Department

Responsible ADB Division
Environment, Natural Resources & Agriculture Division, EARD

Executing Agencies
Beijing Municipal Bureau of Financial Work
ZHANG Jibing, Director, Financial Market Division
zhangjibing887@163.com
The 3rd Floord, No 2. Courtyard Huaibaishu Street, Xuanwu District Beijing, P.R.C. 100053

Timetable

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TA 8471-PRC

Financing Plan/TA Utilization

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Project Page
https://www.adb.org/projects/47049-001/main

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http://www.adb.org/forms/request-information-form?subject=47049-001

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