

## SECTOR ASSESSMENT (SUMMARY): AGRICULTURE, NATURAL RESOURCES, AND RURAL DEVELOPMENT<sup>1</sup>

### A. Sector Road Map

#### 1. Sector Performance, Problems, and Opportunities

1. **The People's Republic of China.** Despite the impressive achievements of the People's Republic of China (PRC) in reducing poverty and hunger over the past 4 decades, challenges remain, especially in rural areas. More than 3% of rural residents live under the poverty line (\$1.9 a day), while 12% of rural children aged below 5 are stunted.<sup>2</sup> In 2017, there were still 580,000 villages and 588 million people in the PRC who lived in rural areas, of which 80% did not have sewage treatment and 40% did not have garbage collection. Of the large and medium-sized lakes in the PRC, 31% are eutrophic.

2. **Yangtze River Economic Belt.** As one of the three key economic growth engines in the PRC, the Yangtze River Economic Belt (YREB) and its nine provinces and two specially administered municipalities account for more than 40% of the PRC's population and freshwater resources and 45% of the country's economic output.<sup>3</sup> While the YREB has benefited from extensive development since the 1990s, economic growth in the middle and upper reaches of the Yangtze River Basin significantly lags the lower reaches; the middle and upper reaches face particular challenges from (i) weak institutional capacities and poor coordination between institutions; (ii) increasing pollution and pressure on natural resources; (iii) slow transformation into green development;<sup>4</sup> and (iv) limited integration of waterways, ports, and intermodal logistics. 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. The majority of rural wastewater and other wastes are being directly discharged to waterways, and solid waste, particularly plastic waste, is increasing and accumulating in the environment.

3. **Xiangxi Tujia and Miao Autonomous Prefecture.** As part of the YREB, the Xiangxi Tujia and Miao Autonomous Prefecture (Xiangxi) is in Hunan Province, and is between the Yangtze River and the PRC's designated special economic zones.<sup>5</sup> Xiangxi is also at the border between the central and western PRC and is the only part of Hunan that is targeted under the China Western Development policy.<sup>6</sup> Xiangxi has one city (Jishou City) and seven counties (Baojing, Fenghuang, Guzhang, Huayuan, Longshan, Luxi, and Yongshun counties) and a land area of 15,462 square kilometers, which is dominated by mountains; about 70.2% of the mountainous area is forest, and urban areas comprise 556 square kilometers. At the end of 2018, the total registered population of Xiangxi was 3.0 million, with 54% being rural residents. The ethnic

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<sup>1</sup> Asian Development Bank (ADB). 2019. *Technical Assistance to the People's Republic of China for Preparing Environmental and Rural Development Projects*. Consultant's report. Manila (TA 9753-PRC). Available on request.

<sup>2</sup> X. Shang. 2018. Rural vitalization: What lessons can China learn from international experiences? *International Food Policy Research Institute Blog*.

<sup>3</sup> The other key economic growth engines are the Belt and Road Initiative and the Beijing–Tianjin–Hebei Integrated Regional Development Strategy.

<sup>4</sup> Green development is a sustainable development concept underpinned by three pillars: (i) environmental responsiveness, (ii) resource efficiency, and (iii) community and cultural inclusiveness. It enables a single project to approach environmental protection and inclusive economic development in an integrated manner.

<sup>5</sup> The PRC designated Shantou, Shenzhen, and Zhuhai in Guangdong Province; Xiamen in Fujian Province; and all of Hainan Province as special economic zones during 1980–1984. The special economic zones are given special economic policies and flexible governmental measures, which attract firms to do business there.

<sup>6</sup> China Western Development is a policy adopted in 1999 to develop the western regions that were severely lagging behind.

population, mainly the Miao and Tujia people, accounts for 80% of the total population of Xiangxi. The total production value in Xiangxi was CNY58.3 billion in 2017, of which CNY8.4 billion was by the primary industry, CNY17.9 billion by the secondary industry, and CNY31.9 billion by the tertiary industry. The per capita gross domestic product (GDP) was CNY26,691 in 2019.

4. Xiangxi is one of the poorest regions in the PRC. All of its seven counties are designated as national poverty counties. At the end of 2018, the incidence of rural poverty in Xiangxi was 5.2% and urban poverty 4.3%. Of the 49.2 million cubic meters per year of wastewater in Xiangxi, only 7.4 million cubic meters per year are treated. About 24.7% of the villages do not have solid waste collection or processing facilities. Garbage classification is not practiced but is needed for the reduction and recycling of garbage, particularly for plastic waste. Residents do not have adequate capacity for solid waste management, including classification and recycling, and institutional capacities for solid waste management is still weak. About 48.2% of households do not have sanitary toilets. The lack of wastewater and solid waste management negatively impacts the living environment and health of Xiangxi's rural residents.

5. The mountainous landscape in Xiangxi makes farming less suitable and profitable. There are 135,000 hectares of arable land, which is only 8.7% of the total land area. Xiangxi has rich local-featured vegetation. Agricultural GDP is CNY14 billion, or 14.4% of the total GDP in Xiangxi. About 60% of the agricultural GDP is from local-featured products, given the prefecture's unique climate and biosphere. These products include citrus, kiwifruit, camellia, tea, and herbal medicine. However, yields are highly variable and of low value because of the poor quality of seeds and seedlings, use of chemical fertilizer and pesticide (resulting in nonpoint source pollution), outdated agricultural and forestry production and management systems, and inadequate cold chains.

6. Xiangxi's unique combination of natural and cultural diversity gives it high conservation value with national significance. The Government of the PRC designated Xiangxi as Tujia and Miao Cultural Ecosystem Conservation Area, one of the seven National Cultural Ecosystem Conservation Area in the PRC.<sup>7</sup> There are three national nature reserves, three national forest parks, three national geological parks, two national scenic spots, one national wetland park, and a World Heritage Site of the United Nations Educational, Scientific, and Cultural Organization (the Tusi site at Laosicheng site in Yongshun County). All of these reserves and parks are of high ecological and cultural value, attracting 57.2 million visitors in 2019. Seven expressways connecting local cities and counties have been opened successively in Xiangxi. Xiangxi is becoming part of an economic circle, including Changsha, Chongqing, Guilin, and Guiyang, with the construction of the Zhang–Jihuai high-speed railway and the Xiangxi Airport.<sup>8</sup> Xiangxi also plays a leading role in industrial integration in the PRC with a national agricultural technology zone in Huayuan County and a pilot industrial zone in Yongshun County.

7. However, Xiangxi's unique combination of natural and cultural diversity (with high ecological and cultural value) as well as its transportation and agricultural advantages have not been fully utilized to enhance residents' living conditions and livelihood opportunities. The poverty ratio remains high; institutional capacities are weak; and job opportunities are limited, especially for women in Xiangxi. To increase rural industrial productivity, generate job opportunities, reduce poverty and inequality, and empower women and enhance gender equality, Xiangxi's approach to rural vitalization includes (i) producing organically certified ecological agricultural and forestry products (ii) adding value to local-featured ecological agricultural and forestry products through

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<sup>7</sup> National Cultural Ecosystem Conservation Area is a specific area designated by the Ministry of Culture and Tourism of the PRC.

<sup>8</sup> The Zhang–Jihuai high-speed railway and the Xiangxi Airport are scheduled to be operational in 2021.

value chain improvements (production, processing, and marketing) and promotion of ecotourism, and (iii) strengthening institutions and building capacities.

8. **Coronavirus disease pandemic.** The coronavirus disease (COVID-19) pandemic that began in the beginning of 2020 has amplified the interlinkages between biodiversity, public health, and ecosystem-dependent global supply chains. The COVID-19 pandemic is being contained in the PRC but it remains a risk, particularly for rural remote areas that depend on tourism. With growing recognition of the need for measures to prevent the spread of infectious diseases in the future, rural vitalization is a key part of the PRC's recovery from COVID-19.

## 2. Government's Sector Strategy

9. **The People's Republic of China.** The PRC is transitioning to a new high-quality development model that emphasizes innovation, productivity, sustainability, social inclusion, and more sophisticated well-being. Recent government policies have promoted a shift from development oriented on GDP growth to high-quality development. The PRC's Thirteenth Five-Year Plan, 2016–2020 includes actions to help it achieve the development goals of inclusive and sustainable growth as well as a moderately prosperous society by 2020.<sup>9</sup> According to the plan, the PRC aims to realize “ecological civilization” to promote sustainable development and help curb costs associated with resource depletion and environmental damage.<sup>10</sup>

10. The government has recognized the need to support economic development of rural areas through modernizing agriculture and reforming agricultural support programs toward more sustainable and greener economic development. In February 2018, the State Council of the PRC promulgated a policy on rural vitalization as a driver for the PRC's modernization goals and the building of a moderately prosperous society.<sup>11</sup> The policy targets the establishment of an institutional framework by 2020, the modernization of rural areas by 2035, and the beautification of the countryside by 2050. To further implement the policy, the government formulated the National Strategic Plan for Rural Vitalization, 2018–2022 to promote poverty reduction, rural development, and green and inclusive growth. The strategy focuses on agricultural modernization; rural wastewater and waste management; rural–urban integration; ecosystem services protection; rural health and education services development; and rural governance reform, including enhancement of policy frameworks; institutional and organizational development; and capacity building.<sup>12</sup>

11. The Asian Development Bank (ADB), together with the National Development and Reform Commission and the Ministry of Finance, signed a memorandum of understanding on 29 August 2018 to provide assistance in the following areas: (i) management of solid waste and wastewater by addressing rural and agricultural nonpoint source pollution and promoting reuse of agricultural waste, and (ii) enhancing rural development through modernizing agriculture and raising productivity.

12. **Yangtze River Economic Belt.** To manage the particular challenges that the middle and upper reaches of the Yangtze River Basin face, the government formulated the YREB

<sup>9</sup> Government of the PRC. 2015. *Outline of the Thirteenth Five-Year Plan on National Economic and Social Development, 2016–2020*. Beijing.

<sup>10</sup> Ecological civilization refers to achieving harmony between growth, people, and nature. It includes activities to mitigate ecological damage, relieve pressures on natural resources, and improve the balance between the environment and the economy.

<sup>11</sup> State Council of the PRC. *Policies released on China's rural vitalization*. 4 February.

<sup>12</sup> Government of the PRC. 2018. *National Strategic Plan for Rural Vitalization, 2018–2022*. Beijing.

Development Plan, 2016–2030, which stipulates the prioritization of ecological protection and the promotion of green development as the guiding principles for YREB development (footnote 4).<sup>13</sup> ADB and the government have agreed to adopt a framework approach, providing about \$2.0 billion of ADB funding in the YREB during 2017–2020 to strategically program ADB's lending support for development initiatives in the YREB with priority given to the following four areas: (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.<sup>14</sup>

13. The National Strategic Plan for Rural Vitalization (para. 11) aligns with and builds on the ecological and environmental improvement priorities under the YREB framework approach and the YREB Development Plan (para. 12), further strengthening the foundation toward achieving the vision of ecological civilization (para. 9 and footnotes 9 and 10). This plan is supported by an ensuing set of ADB projects that will assist the PRC's efforts to reduce remaining pockets of poverty in rural areas, consistent with national poverty eradication objectives and a key operational priority under ADB's Strategy 2030.<sup>15</sup>

14. **Xiangxi Tujia and Miao Autonomous Prefecture.** The Xiangxi Tujia and Miao Autonomous Prefectural Government places rural vitalization at the core of its development agenda. The Xiangxi Tujia and Miao Autonomous Prefecture Rural Vitalization Strategy adopts a targeted approach to poverty alleviation, and the Xiangxi Autonomous Prefecture Accelerated Three-Year Action Plan to Improve Rural Environment and Build Beautiful Villages, 2018–2020 focuses on rural environmental improvement. The strategy and plan identify the key growth engines for Xiangxi to realize high-value agricultural and forestry products and ecotourism backed by research, technology, and value chain development and supported by institutional and capacity development.

15. Xiangxi is an appropriate demonstration area for rural environmental improvement and green 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 the Yangtze River and special economic zones in the southern provinces, (iii) has agricultural and forestry products with 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 through its two industrial zones (a national agricultural technology zone in Huayuan County and a pilot industrial zone in Yongshun County).

## **B. Major Development Partners: Strategic Foci and Key Activities**

16. A diversified range of development assistance programs from multilateral and bilateral development partners targets management of water resources, agriculture, and overall environmental and ecological restoration, which are priorities of the Government of the PRC. ADB is a development partner in these areas, covering infrastructure development, institutional and capacity improvement, policy reforms, and strategy development, all of which support the PRC's Thirteenth Five-Year Plan and previous five-year plans (footnote 9). Multilateral development banks, including ADB and the World Bank Group, have committed to potential lending support in

<sup>13</sup> Government of the PRC. 2016. *Outline of the Yangtze River Economic Belt Development Plan, 2016–2030*. Beijing.

<sup>14</sup> ADB. 2018. *Framework for the Asian Development Bank's Assistance for the Yangtze River Economic Belt Initiative*. Manila.

<sup>15</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

the middle and upper reaches of the YREB. The multilateral development banks expressed their support for the government's strategic decision to set ecological protection and green development as the top priorities for development along the YREB (para. 12; and footnotes 4 and 13). The table lists key externally financed projects in the agriculture, natural resources, and rural development sector in the PRC, including projects for improvement of the rural living environment and the development of and value addition to agricultural products.

### Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
ADB	Gansu Internet-Plus Agriculture Development Project	2020–2026	181.17
ADB	Yangtze River Green Ecological Corridor Comprehensive Agriculture Development Project	2019–2024	506.80
ADB	Hunan Xiangjiang River Watershed Existing Solid Waste Comprehensive Treatment Project	2019–2023	258.00
ADB	Integrated Wastewater Management Project	2019–2024	250.00
ADB	Policy Research on Ecological Protection and Rural Vitalization for Supporting Green Development in the Yangtze River Economic Belt	2018–2020	1.50
ADB	Guizhou Rocky Desertification Area Water Management Project	2017–2023	338.81
ADB	Henan Hebi Qihe River Environmental Improvement and Ecological Conservation Project	2017–2022	325.40
ADB	Hunan Dongjiang Lake Integrated Environmental Protection and Management Project	2016–2021	262.03
ADB	Gansu Featured Agriculture and Financial Services System Development Project	2016–2021	200.00
ADB	Comprehensive Agricultural Development Project	2013–2018	354.83
ADB	Forestry and Ecological Restoration Project in Three Northwest Provinces	2011–2016	60.00
World Bank	Hunan Integrated Management of Land Pollution Project	2017–2022	111.94
World Bank	Poverty Alleviation and Agriculture Development Demonstration in Poor Rural Areas	2015–2022	295.10
World Bank	Poverty Alleviation and Agriculture Development Demonstration in Poor Rural Areas Project	2015–2019	120.00
World Bank	Integrated Modern Agriculture Development	2013–2018	200.00
World Bank	Jilin Agricultural Product Quality and Safety Project	2011–2017	100.00
IFAD	Poverty Reduction through Agribusiness Development in South Shaanxi	2018–2023	256.7
IFAD	Qinghai Liupan Mountain Area Poverty Reduction Project	2015–2020	125.25
IFAD	Jiangxi Mountainous Areas Agribusiness Promotion Project	2014–2020	125.21

ADB = Asian Development Bank, IFAD = International Fund for Agricultural Development.

Source: ADB.

### C. Institutional Arrangements and Processes for Development Coordination

17. ADB is committed to share sector information and experiences with its developing member countries and other development agencies. In line with its support for the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action, ADB harmonizes its policies, procedures, and practices with its key development partners through harmonized implementation

structures, technical working groups, and joint missions. In addition, ADB supports global and regional efforts to enhance aid effectiveness. The Government of the PRC coordinates development assistance through the Ministry of Finance, the National Development and Reform Commission, and/or other ministries. These agencies work together to ensure that the Thirteenth Five-Year Plan serves the PRC's needs and suits the interests and expertise of these organizations (footnote 9). ADB's PRC Resident Mission plays a key role in drawing lessons from project processing and implementation, and sharing knowledge and experience with other development partners.

18. In Hunan, development coordination is undertaken by the Hunan Provincial Development and Reform Committee and the Hunan Provincial Finance Department. They work together to (i) review development assistance requests from local governments under their jurisdiction and other provincial departments, (ii) align their needs with the priorities and programs of different development partners, and (iii) submit requests to the central government for projects.

#### **D. ADB Experience and Assistance Program**

19. ADB's country partnership strategy for the PRC, 2016–2020, focuses on innovative projects where ADB can (i) catalyze the reduction of poverty, income inequality, and regional disparities; and (ii) promote an environmentally sustainable and less carbon-intensive economy.<sup>16</sup> The strategy is closely aligned with the priorities of the PRC's Thirteenth Five-Year Plan, especially on efforts to encourage greener and more inclusive development (footnote 9).

20. Strategy 2030 expands ADB's vision toward a prosperous, inclusive, resilient, and sustainable Asia and the Pacific. It also continues the focus on infrastructure investments—particularly those that are green, sustainable, inclusive, and resilient—and climate change and environmental sustainability (footnote 15).

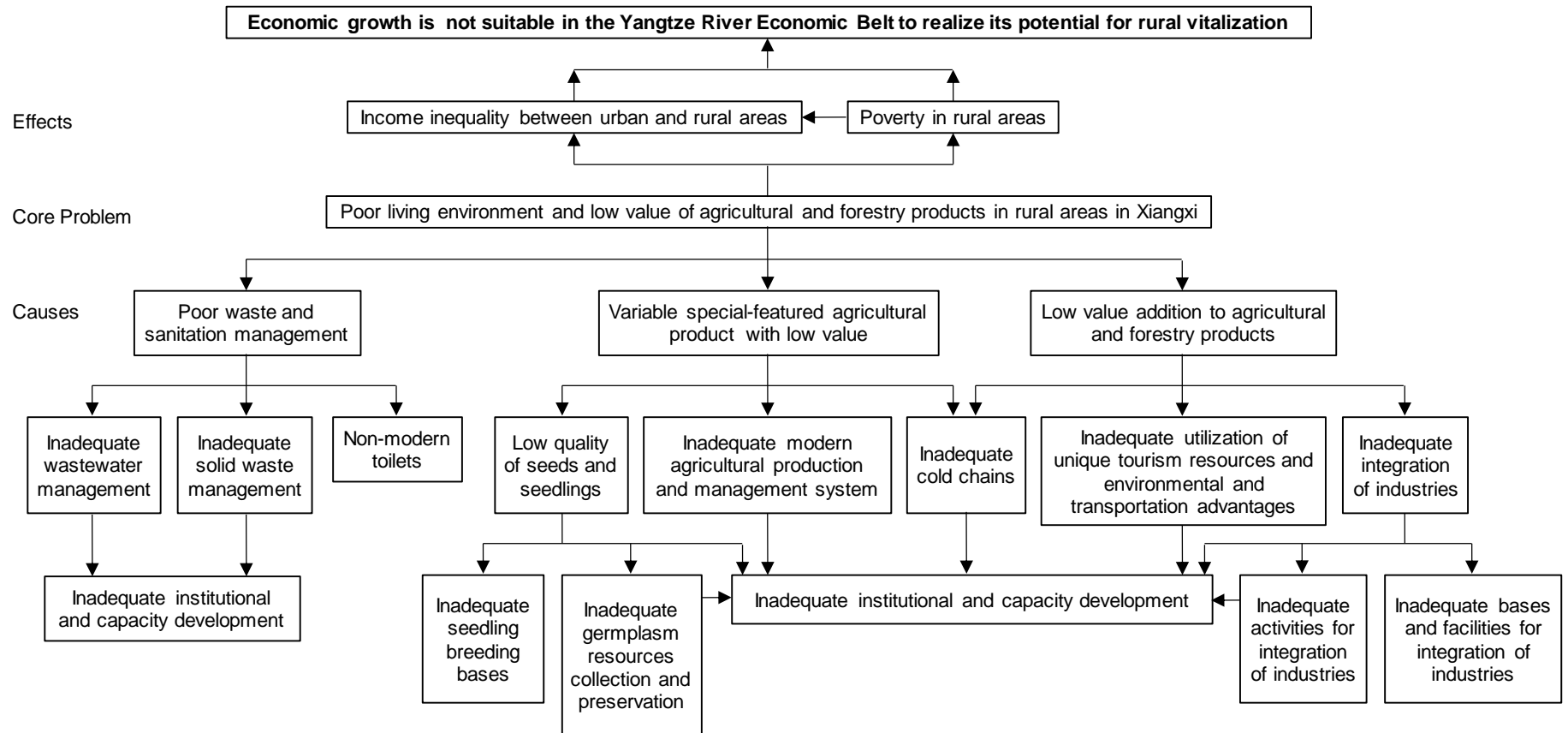
21. Until 2019, ADB had provided 56 loans to the PRC for agriculture, natural resources, and rural development, of which a significant portion was allocated for water resources management, land restoration, forestation, and ecological improvement. For agriculture, natural resources, and rural development in Hunan, ADB has provided three loans.

22. The project design has incorporated lessons from international practices related to rural vitalization and agricultural development, such as the importance of (i) climate-smart agricultural practices; (ii) improvement of farming technologies and marketing; (iii) help for farmers in improving their access to markets and product quality control; (iv) value chain development, resulting in the promotion of specialized agricultural products; (v) development, participation, and empowerment of farmers and farmer organizations; (vi) effective institutional arrangements and government management; (vii) sustainable operation and maintenance with capacity development; and (viii) a monitoring and evaluation system for project performance.

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<sup>16</sup> ADB. 2016. *Country Partnership Strategy: People's Republic of China, 2016–2020—Transforming Partnership: People's Republic of China and Asian Development Bank*. Manila.

## Problem Tree for Agriculture, Natural Resources, and Rural Development



Xiangxi = Xiangxi Tujia and Miao Autonomous Prefecture.