A. Sector Background

The absolute poor in rural China, comprised disproportionately of minority nationalities, reside mainly in remote and inaccessible upland areas, where the endowment of natural resources is poor and population pressures high (China: Strategies for Reducing Poverty in the 1990s, World Bank, 1992). Government estimates of the incidence of absolute poverty demonstrate a significant drop, from 270 million people in 1978 to about 60 million people in 1997. However, China’s growth pattern has led to rising income disparities between the resource poor interior and western regions on the one hand, and the more affluent and rapidly growing coastal areas on the other (China 2020 - Sharing Rising Incomes, World Bank, 1997). An unfavorable agro-ecological environment, degraded lands, low precipitation with recurrent droughts, fragmented and uneconomic land holdings combined with slow human resource and institutional development, constrain the prospects for increased agricultural productivity and income in the upland areas.

In 1994, China launched a far-reaching poverty reduction strategy under the 8-7 Plan, which targets 592 designated poverty counties located in inaccessible mountainous and semi-arid areas in the central and western parts of China. Its objective is to raise per capita incomes to Yuan 500 (in constant 1990 prices) for about 80 million poor living in abject poverty, within seven years. To achieve this objective, the Plan calls for close collaboration among the state, local governments, communities and charities, with assistance from external aid agencies, aimed at: i) creating suitable
conditions for agricultural development and promoting related investments in off-farm income generating activities; ii) improving basic rural infrastructure such as roads, village electrification and rural water supply; and iii) investing in basic social services including education and health. Toward this end, a number of initiatives are being implemented with promising results, including Bank-assisted targeted rural development projects--Southwest Poverty Reduction Project (SWPRP) and Qinba Mountains Poverty Reduction Project (Qinba), voluntary settlement on newly irrigated land (Gansu-Hexi Corridor Project), redeployment of surplus labor to non-agricultural activities (labor mobility), etc.

B. Project Development Objective

The objective of the Western Poverty Reduction Project (the Project) is to reduce the incidence of absolute poverty in remote and inaccessible villages of Gansu and Qinghai Provinces and Inner Mongolia Autonomous Region. The Project will empower poor households in the selected poor counties to raise their incomes, through increased grain and livestock production sufficient to meet the basic needs of food and clothing and, in many cases, also generate a marketable surplus to improve living standards. Establishment of alternative income generation activities in poor rural areas, improvement of rural infrastructure and enhanced access to basic social services such as health and education will also increase the living standards of poor rural households. The Project’s objective fully reflects the expectations and aspirations of the target population, as reflected in the Social Assessments.

C. Stakeholder Participation and Consultation

To promote stakeholder participation during Project implementation, the social assessment work facilitated extensive interaction between all stakeholders and beneficiaries. A wide range of stakeholders were consulted, from farmers and herders on the ground, community leaders and religious elders, to administrators at all levels. These consultations were launched at the stage of project identification with technical inputs from the Bank on the links between Social Assessments (SA) and participatory approach on one hand and project design and implementation on the other. Project design at the village and household level is flexible: farmers and herders are actively encouraged to select and modify the household development models.

To ensure that the aspirations of the poorest farmers, the primary beneficiaries, are fully reflected in the Project design, the SA conducted comprehensive sample surveys in each Project county and prepared case studies in a number of villages. These surveys included detailed investigations of the physical resource base, farming, herding, income sources, household composition, community organization, cultural preferences, and farmers/herders’ strategies for coping with poverty. Special emphasis has been given to women’s participation in the Project design, preparation and implementation.

D. Project Components

To achieve its development objective, the Project will support:

Land and Household Development. Provision of improved agricultural and
livestock technology packages—seeds, fertilizer, insecticides, plastic mulches, breeding/fattening stock; forestry development; and upgrading agricultural and livestock support services;

Irrigation and Land Improvement. Construction of a new dam, renovation of an existing dam and construction of irrigation and drainage systems on 19,200 hectares in Qinghai; and construction of small scale irrigation works on 34,050 hectares, terracing of 26,500 hectares of sloping land and soil and water conservation works in Gansu and Inner Mongolia;

Rural Infrastructure. Construction of 216 kilometers of Class III and IV rural roads to provide access to 289 remote administrative villages; construction of drinking water supply facilities to serve 370,000 people in 760 administrative villages; and extension of electric power lines to 410 administrative villages;

Rural Enterprises. Provision of credit to establish non-state owned and household-based rural enterprises for construction of food and fiber processing facilities based on agreed criteria;

Labor Mobility (Gansu). Organized and voluntary placement of about 65,700 surplus rural laborers in off-farm employment in and outside Gansu and support to Gansu’s Labor Bureau to improve management and referral services; voluntary Settlement (Qinghai). Voluntary settlement of an estimated 57,800 people living in absolute poverty in degraded mountainous areas of eastern Qinghai and of 4,000 local herders and farmers living around the settlement area. Start-up costs of settlement, including grants for transport, housing, fuel, and initial subsistence expenses, will be financed out of counterpart funds; rehabilitation of 85 percent and terracing of 15 percent of the land to be vacated will be financed by the Project counties;

Social Sectors - Education and Health. Construction and upgrading of basic education and health facilities in Qinghai’s ‘move-in’ and ‘move-out’ counties (including minority educational programs and provision of culturally appropriate health care access); and upgrading services of selected basic health clinics in Gansu and Inner Mongolia; and

Institutional Building and Project Management. Establishing Project management offices at provincial, prefecture, and county levels, and township work stations and village Project implementation groups; launching a pilot integrated poverty reduction management program in one Banner (county) in Inner Mongolia to coordinate poverty reduction activities and entities; implementing these under a single management structure and establishing systems to monitor and evaluate the impact of the Project on poverty reduction, voluntary settlement, labor mobility, and environment and to disseminate the results.

E. Project Costs and Financing Plan

The Project cost estimate, including contingencies, is presented in Table 1. The front-end fee, estimated at US$0.6 million, will be financed under the Bank loan. Project financing sources are presented in Table 2.

Table 1 - Estimated Project Costs

<table>
<thead>
<tr>
<th>Component</th>
<th>Cost (US$ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Household Development</td>
<td>141.0</td>
</tr>
<tr>
<td>Irrigation and Land Improvement</td>
<td>86.3</td>
</tr>
<tr>
<td>Rural Infrastructure</td>
<td>28.7</td>
</tr>
<tr>
<td>Rural Enterprises</td>
<td>13.6</td>
</tr>
<tr>
<td>Labor Mobility (Gansu)</td>
<td>15.7</td>
</tr>
<tr>
<td>Voluntary Settlement (Qinghai)</td>
<td>6.5</td>
</tr>
</tbody>
</table>
F. Project Benefits

The Project, by creating employment and income generating opportunities, will benefit an estimated 1.7 million people living in absolute poverty (674,000 persons in 167,000 families in Inner Mongolia; 930,000 persons in 197,000 families in Gansu; and 61,800 persons in 13,600 families in Qinghai), including minority nationalities, residing in 3,700 remote and inaccessible villages of Qinghai, Gansu and Inner Mongolia. Food grains, cash crops, fruits, wood, forages, meat and wool constitute the primary Project outputs.

A survey of selected Project counties indicates that an average household produces adequate food grain supplies for about six months. For the remaining six months, most households borrow from relatives or better-off neighbors to supplement the limited welfare ration provided by local governments. In Qinghai, benefits will accrue to the migrants in the ‘move-in’ area, the existing households in the ‘move-in’ area, and to families who remain behind in the ‘move-out’ counties and villages. In the case of the latter, out migration will reduce population pressures and contribute to arresting ecological degradation. Steep uplands previously cultivated will be returned to grass and forest land, thereby reducing soil erosion and increasing water conservation. Rehabilitation of 85 percent and terracing of 15 percent of the land to be vacated will be financed by the Project counties. It is anticipated that many poor households who remain in the ‘move-out’ villages will be able to increase their per capita grain production through cultivating larger areas of the terraced land. County governments will face less demand on their limited resources for welfare assistance in times of food shortage. When fully implemented, the Project beneficiaries will meet basic needs of food and clothing and, in many cases, earn cash income from a marketable surplus and labor mobility.

The Project will also improve the overall education and health status of the target population by increasing primary school enrollment and enhancing completion rates, and reducing infant and maternal mortality and morbidity. Provision of safe rural water will also contribute to reduction of water borne diseases. Selected rural roads will provide access to social services and markets and promote investments in rural enterprises.

G. Implementation Arrangements
The Project will utilize existing institutions, strengthening them as
appropriate, to cater to the special conditions in the Project Provinces. A five-tier implementation arrangement is proposed at the national level, the provincial level, the prefecture/league/municipal level, the county level, and at the village level. The three Project Provinces have established Project monitoring offices (PMO) at all levels. The PMOs, and the line agencies have signed memoranda of understanding specifying the institutional support arrangements with specific delivery schedules.

H. Procurement

All Bank procurement will be governed by "Guidelines: Procurement under IBRD Loans and IDA Credits" (January 1995 revised in January, August 1996, September 1997 and January 1999) and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" (January 1997 revised September 1997 and January 1999). It is anticipated that procurement will include:

Works. Works worth US$142.5 million will be required for the Project to support crop and livestock production activities, irrigation and land improvement works, rural infrastructure construction, rural enterprise development, social sector facility improvements, and facilities for institutional development;

Goods. Goods worth about US$122.8 million will be required for the Project. To the extent practical, contracts for goods will be grouped into bid packages estimated to cost US$250,000 equivalent or more whenever possible to attract competition and permit bulk purchasing. All contracts for goods costing US$250,000 equivalent or more will be awarded under International Competitive Bidding procedures; and

Consultant Services and Training. Consultant services and training worth US$8.6 million will be undertaken for the Project.

I. Project Monitoring and Evaluation Arrangements

The State Statistical Bureau, in collaboration with provincial Statistical Offices, will be responsible for developing and implementing the poverty impact monitoring, evaluation and dissemination system. Project progress monitoring is carried out by the PMOs. The Foreign Capital Project Management Center of the State Council’s Leading Group for Poverty Reduction and Development will carry out independent supervision of the project. In addition, separate monitoring and independent review is going to be carried out for voluntary settlement, labor mobility, and environmental issues.

J. Social Aspects

Social Assessment documents were prepared for the three Project Provinces by Qinghai Plateau Geography Research Institute, and the Agricultural and Animal Husbandry Engineering Design Institute of the Agricultural and Animal Husbandry College, Inner Mongolia. The SAs for Gansu were prepared by local social scientists coordinated by the Western Poverty Reduction Project Gansu Project Office. A Voluntary Settlement Implementation Plan (VSIP) was prepared for Qinghai, which includes an Involuntary Resettlement Action Plan as an annex, prepared in accordance with OD 4.30 Involuntary Resettlement. The Project also addresses the provisions of OD 4.20, Indigenous People by adoption of the VSIP, designed for predominantly minority nationalities in Qinghai, based on a detailed Social Assessment, and through a project design which reflects the concerns of minority nationalities in Gansu and Inner Mongolia. The Social Assessments were carried out in close coordination with the environmental assessment work, under the supervision of the Bank and in
accordance with Bank practice. The social aspects of this Project are summarized in a separate document ("Social Aspects") which is included in the Project Appraisal Document (PAD) as Annex 9, and is also attached to this Project Information Document as an Annex.

K. Environmental Aspects

The proposed Project was reviewed and placed in World Bank environmental screening category "B" in accordance with the provisions of OD 4.0, Environmental Assessment, and taking account of past practice with classification of a large number of similar integrated agricultural development projects financed by the World Bank in China over the last 10 years. Consistent with relevant laws and regulations of the People's Republic of China and Operational Directive (OD) 4.01, Environmental Assessment of the World Bank, Environmental Impact Assessments (EIA) have been prepared for activities in Gansu, Inner Mongolia and Qinghai.

Review of the scope and proposed activities of the Project indicated that the potential impacts were not unusual or unprecedented in scope. Any limited adverse effects will be addressed through design, mitigation and/or monitoring measures. The land reclamation and improvement activities supported under the Project are of a kind that have been widely and successfully applied in other arid and semi-arid development projects in the Project Provinces/Regions and other Provinces/Regions in central and western China. The mitigation measures and methods to be utilized are well known and established in China. No pesticides or herbicides will be procured under the Loan/Credit. In addition, the Project will support a management plan for the Balong Soak and training in regional land use planning for rural areas. The environmental aspects of this Project are summarized in a separate document ("Environmental Information Package") available in the Bank’s Info Shop.

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Note: This is information on an evolving project. Certain activities and/or components may not be included in the final project.

Processed by the InfoShop week ending June 4, 1999.
Annex

Social Aspects

CHINA: Western Poverty Reduction Project

A. Overview

Introduction. The objective of the proposed Western Poverty Reduction Project (WPRP) is to alleviate chronic poverty for the absolute poor living in remote and inaccessible villages of Gansu Province, Qinghai Province and Inner Mongolia Autonomous Region within the People’s Republic of China. The proposed project is the fourth in a series of World Bank-assisted poverty reduction projects in China that support the government’s Eight-Seven Poverty Reduction Plan (the 8-7 Plan). In all three of the Participating Provinces (PPs), project supported interventions would enable poor households to raise their incomes through increasing grain and livestock production sufficient to meet their basic food needs and in many cases also generating a marketable surplus to improve their living standards. This report summarizes the most relevant findings and recommendations of the three provinces social assessments’ (SA) prepared for the proposed project and outlines the World Bank’s evaluation of the most substantial social issues.

Preparation of Social Assessments. Due to its nature as a targeted assistance activity, the proposed project required detailed social information for stakeholder and beneficiary identification, participation strategy and project design. Social Assessment (SA) documents were prepared for the three PPs by the Qinghai Plateau Geographic Research Institute, and the Agricultural and Animal Husbandry Engineering Design Institute of the Agricultural and Animal Husbandry College of Inner Mongolia. The SA documents for Gansu were prepared by local social scientists, coordinated by the Western Poverty Reduction Project Gansu Project Office. In addition, a Voluntary Settlement Implementation Plan (VSIP) was prepared for Qinghai which includes an Involuntary Resettlement Action Plan (RAP) as an annex, prepared in accordance with OD 4.30 Involuntary Resettlement. The SAs and the VSIP include Local Beneficiaries Action Plans. The SA documents and the VSIP were furnished to the Bank prior to appraisal and have been made available in the PPs to project-affected groups upon request. The SAs were carried out in close coordination with the environmental assessment work, under supervision of a World Bank social scientist taking into consideration OD 4.20, Indigenous People.

Lessons Learned. Since the project encompasses some multi-nationality districts, particularly in Qinghai, Bank guidelines and experience elsewhere in China, working in such with ethnically mixed areas were deemed relevant. The Gansu-Hexi Corridor Project, was reviewed as a useful model for lessons learned of voluntary resettlement from a degraded and desperately poor mountain area to a low-lying newly irrigated district with far greater subsistence and economic potential. Project start-up was not all smooth. One particular issue which arose was that, although a very thorough and adequate job of migrant selection and preparation was conducted, more attention could have been given to foreseeing the physical needs (primarily inadequacy of water for desalinization) during project start-up. These experiences were taken into account in the design of the proposed project. Lessons learned from the Gansu Hexi Corridor Project, have been transferred to the proposed
Potential Adverse Impacts. The SAs have identified and analyzed the following potential adverse impacts of project activities on local society have: i) possible adverse environmental impacts; ii) land acquisition for road construction and enterprise establishment; iii) possibly inequitable distribution of benefits (including to women); and iv) issues related to ethnic minority rights. These findings are described below. In addition, the SAs recommended mitigation measures that have been included in project design and will be monitored during project implementation. Specific issues related to the voluntary settlement in Qinghai are described separately. The VSIP for Qinghai covers social, environmental and financial issues, presenting the rationale for the voluntary settlement, selection criteria for migrants, procedures for migration, establishment of new sites and development of social services.

Use of Social Assessments in Design. The results of the SAs, obtained through beneficiary consultation and stakeholder analysis, were used to ensure that the project objectives and interventions are appropriate to the targeted beneficiaries and that the changes proposed in the agricultural, animal husbandry, and rural infrastructure components and Qinghai’s voluntary settlement component, are acceptable to the affected population. The SAs also seek to ensure that changes brought about by the project are equitable and effective for all, irrespective of gender, ethnic, and social differences. Impacted stakeholders’ views, have been analyzed and incorporated into the project design. Moreover the World Bank will pay great attention during project supervision to the proper implementation of these recommendations.

B. Social Assessment Preparation Process

Assessment of Methodologies. By and large, social assessments in China are carried out in a satisfactory manner. The administration of the social assessment methodologies, and particularly quantitative approaches are excellent. Qualitative approaches are less well developed, however, and even when implemented, often compromise respondent confidentiality. This is a common weakness in assessment techniques carried out in China but are usually offset in the initial data gathering stage through the use of structured interviews and focus groups. This is a common practice in poverty related projects in China that has proven a reliable methodology. This was also the methodology applied to the Project.

Social Surveys. The methodology of the SAs and their embedded poverty assessments were highly participatory in the form of interviews, focus groups and public meetings. In addition, the SA team in Qinghai conducted extensive socio-economic surveys in both the ‘move-out’ and ‘move-in’ areas. In the ‘move-in’ area, a 5 percent sample survey was conducted including herders, women, religious leaders, and local cadres. This survey also attempted to access minority nationality sentiment. Included in the sample were 8.4% of the area’s Mongols, 9.9% of the Tibetans, 6.7% of the Hui, and 2.2% of the Han. A special survey was conducted for all 63 herder households directly affected by project land acquisition. Prior to finalization of project preparation, the SAs and the VSIP (for Qinghai) were discussed with selected households. Interviews were carried out by minority interviewers, where appropriate.
C. Selection and Characteristics of Project Areas

Inner Mongolia. 916 villages/gachas and 136 townships/sumus in 15 counties/banners were selected. All the counties/banners are nationally designated poverty counties, with over 31 percent poverty incidence. Priority has been given to townships with large numbers of ethnic minorities. The average annual per capita income of these poverty counties is Yuan 914, about 57 percent of the provincial average. The annual per capita grain production in these poverty counties is 467 kg, about 70 percent of the provincial average. The project’s direct beneficiaries are about 674,000 people in 167,100 households with an average per capita income during 1994-96 below Yuan 580 for farming households and Yuan 950 for herders.

Gansu. 2,234 villages in 185 townships in 12 national poverty counties were selected as project areas, accounting for 23 percent of the 53 poverty counties in the province. About 29 percent of the population of these counties are classified as poverty households, about 1.5 times the provincial average (19 percent). The average annual per capita income of these poverty counties is Yuan 750 (in 1998 prices), about 68 percent of the provincial average. The annual per capita grain production in these poverty counties is 240 kg, about 59 percent of the provincial average. At the village level, the poverty rate of the project villages is 58 percent, with an average income of Yuan 506 per year. Direct beneficiaries consist of about 929,600 people in 197,060 households with an average per capita income below Yuan 500.

Qinghai. There are 14 national poverty counties in Qinghai, of which six are located in the arid and environmentally degraded mountainous area to the east (Minhe, Xunhua, Hualong, Pingan, Huangyuan, and Datong). These counties have a total rural population of about 1.33 million people, about 114 people per square kilometers, over 18 times the average provincial rate. Minority nationalities account for 51 percent of the total population of these counties. The average annual per capita income of these poverty counties is Yuan 755, about 64 percent of the provincial average. The project is proposing to reclaim 19,200 hectares of wasteland in Xiangride Balong area of Dulan County, 450 kilometers from the six poverty counties listed above, for a voluntary settlement of about 57,800 poor from these counties. Dulan County has a total land area of 5.2 million hectares. The proposed project area is located in Balong and Zongjia townships, which have a total land area of 1,563,800 hectares. Three subsistence strategies characterize the area: the nomadic herders (60 percent), the sedentary herders (9 percent), and farmers (31 percent).

Ethnic Characteristics of Project Provinces. The total population in three project provinces comprises various ethnic population groups with Han Chinese in predominance. In Gansu, Han make up 88 percent while the minorities (largely Hui, Tibetan, Mongol, Kazak, and Yugu) accounts for 12 percent. In Inner Mongolia, the main groups are Han (79 percent), Mongol (16 percent), Manchu (2 percent), Hui (1 percent), and other minorities (2 percent including Dawer, Korean, Ewenke etc.). In Qinghai, the total population is made up of Han (57 percent), Tibetan (21 percent), Hui (14 percent), Tu (3 percent), Salar (2 percent), Mongol (2 percent) and other minorities (1 percent).

Ethnic Characteristics of Project Areas. The composition of beneficiaries in project areas varies among project provinces. In Gansu, Hui account for 7
percent while Han are 93 percent. In Inner Mongolia, about 14 percent of the beneficiaries are minorities and 86 percent Han. The ethnic composition of project beneficiaries in Gansu and Inner Mongolia is largely in proportion to the population composition in the project counties/banners. In Qinghai, the migrants from the six ‘move-out’ counties are composed of Han (42 percent), Tibetan (6 percent), Hui (36 percent), Salar (7 percent), and Tu (9 percent). The ‘move-in’ county (Dulan) is comprised of Han (53 percent), Tibetan (23 percent), Mongol (14 percent), Hui (7 percent), and other minorities (3 percent). The project-affected population in ‘move-in’ townships is Mongol (69 percent), Han (26 percent), and Hui (5 percent).

D. Stakeholder Analysis and Selection of Beneficiaries.

Selection of Beneficiaries. In Inner Mongolia, only nationally designated poverty townships with more than 30 percent of poor villages can participate. Participating villages must have at least half of their households to be a poverty household. In Gansu project Townships are required to have an average per capita income below Yuan 630 and per capita grain production below 300 kg. Project villages are required to have an average per capita income below Yuan 580 and per capita grain production below 300 kg.

The preliminary selection of the ‘move-out’ population in Qinghai was based on socio-economic surveys and beneficiary consultations. Designated poverty townships and villages were selected for resettlement. Household participation in the program is fully voluntary. The household surveys indicated that a vast majority (over 90 percent) would like to move. Those wanting to move stated reasons such as scarcity of arable land, poor soil, and inability to improve living conditions. Those unwilling to move expressed strong attachment to their native place, enjoy comparatively better living conditions, and are afraid of an unknown environment. Households’ participation in the project was elicited and mobilized through radio broadcasting, bulletins, village meetings, and direct door-to-door discussions. Interested households have submitted an application expressing their interest to participate. All together about 170,000 people have expressed their interest in resettling. A preliminary selection has been made with an ethnic composition of Han (42 percent), Hui (36 percent), Tibetan (6 percent), Salar (7 percent), and Tu (9 percent). Final selection of households will be published for public viewing.

Areas participating in the project were selected as follows: townships with more than 30 percent of population below poverty line; villages with more than 50 percent of population below poverty line, with a minimum of 40 percent for minority villages included among project villages. The most important household selection criteria are:

- maximum annual per capita net income of Yuan 300 per year and grain production of 140 kg;
- lack of potable water; and
- strong aspiration for migration.

E. Project Impact and Mitigation Measures

The SAs identified and analyzed potential adverse social impacts of project activities on local society including: 1) possible adverse environmental
impacts; ii) land acquisition; iii) possibly inequitable distribution of benefits (including to women); and iv) issues related to ethnic minority rights. These issues and concerns are elaborated below.

Possible Adverse Environment Impacts

No major concerns regarding environmental issues were identified in the SAs in Gansu and Inner Mongolia because the bulk of the proposed project activities are expected to produce positive environmental impacts. In Qinghai, the main concern identified in the SA is related to the fragile ecology in the 'move-in' area. Much of the proposed irrigation land in the 'move-in' area consists of wind-formed hummocks susceptible to wind erosion and the leveling and development of this land presents well-recognized environmental risks. The protection strategy to be adopted during the initial years of the project will be to level alternating strips of land, leaving the intervening unleveled strips to act as wind-breaks, and to avoid undertaking land leveling activities during the windy spring months. The land development process also involves extensive planting of trees in shelterbelts that will provide protection against wind erosion in the longer term. The agricultural development adjacent to the project area has overcome such environmental risks. The environmental issues are analyzed in detail in the environmental summary of the Project.

Land Acquisition and Project Affected People

In Inner Mongolia and Gansu, very limited amounts of land may be acquired for the purpose of road construction and establishment of rural enterprises. Land Acquisition and Compensation Plans, covering an assessment of the surveyed lands, compensation procedures, amounts and methods of compensation, and management, supervision and grievance mechanisms have been adopted. In Qinghai, there are about 4,000 farmers and herders in the 'move-in' area that would be affected by the proposed project. Resettlement Action Plan has been prepared for Qinghai.

Land Areas to be Acquired. In Inner Mongolia, the construction of a Class III, 45 kilometer road would require 40 hectares of Gobi grassland. The road would connect one sumu (township) and 583 grazing sites and would benefit 27,000 people of which 9,400 are designated poverty households. The land is owned by three gachas and is not inhabited or used for grazing. In Gansu, road construction and rural enterprise establishment would require land acquisition from local communities. The total amount of land acquisition for roads is 85 hectares, of which 20 hectares are dry farmland and the rest wasteland. Land acquisition will take place in 29 project townships in seven counties. It will affect 9,552 people in 1,931 farm households with lease agreements. No land acquisition would result in relocation of existing houses. Resettlement Action Plans have been prepared for both provinces.

In Qinghai, the proposed project would affect 201 households with 1,504 herders in Zongjia Township and 399 households with 2,496 farmers and herders in Balong Township. The primary affected group consists of 63 households with 352 herders with access to 1,333 hectares of leased, poor quality spring and winter pasture stretching along the northern boundary of the project area. Another group of 289 households with 2,411 herders uses the project south-north corridor as a passageway. The third group of 248 households with 1,237 members farms amidst a dilapidated irrigation scheme.
Compensation Principles and Rules. The project will compensate people affected by land acquisition according to the Bank's OD 4.30 Involuntary Resettlement and national and provincial rules and regulations. In Inner Mongolia, the farmland compensation rate is Yuan 100 per mu and for grassland, Yuan 60 per mu. The total compensation in Inner Mongolia is estimated to Yuan 120,000. The gachas intend to use the proceeds for grassland rehabilitation in the surrounding overgrazed pastures. In Gansu, specific land acquisition must be examined and verified by the land management authorities, prior to approval. Compensation for farmland consists of land compensation, land settlement subsidy, and crop compensation.

In Qinghai, the proposed project has developed three compensation packages in consultation with the affected farmers and herdiers, village leaders and minority religious representatives. For the 63 herder households leasing spring and winter pasture, compensation is made by trading in the poor quality grazing land for irrigated forage land lands in accordance with a formula based on their existing and new lands' productivity. In addition, each herder household will be allocated, free of charge, 0.04 hectares of land for housing and will enjoy the same preferential policies established for the resettlement migrants (access to settlement subsidies, water supply, electricity, schools, and health care clinics). For the 289 households using the land as public passage way to grazing lands north of the project area, three fenced-off transit corridors will be established to allow the herdiers to move their animals across the proposed project area to graze in the natural pasture. In addition, the herdiers would also acquire 0.04 hectare of land for housing and 0.31 ha for farming (cultivation- 0.22, pasture- 0.04, forestry-0.05), on the same terms and conditions as the resettlement migrants. The 248 households living in the old irrigation area would be provided improved irrigation services supplied by the project. Those farmers with less than 0.31 ha of farmland (the standard set for migrant settlers) will be receiving new land up to this standard.

Management and Monitoring of Land Acquisition and Compensation. Provincial PMOs take the overall responsibility for land acquisition and assign expert groups to carry out external monitoring for land acquisition. County PMOs would plan and manage land acquisition and ensure that procedures are followed. County level project monitoring plans include monitoring for land acquisition. Land management authorities and the Grassland Monitoring Station in Inner Mongolia would supervise and monitor the process of land acquisition. The Land Management Bureaus approve land acquisition and change of land uses.

Ensuring Equitable Distribution of Benefits

The SAs identified some concerns that the benefits of the proposed activities may be inequitably distributed among ethnic nationalities, women and project affected households, including a concern, that non-poor households would benefit. Transparent selection rules have been designed and implementation of these rules will be closely supervised.

Participation of Women. The SAs paid special attention to integrate women’s concerns into project design with specific project components benefiting women. The current situation of women in the PPs was analyzed in detail. Extensive interviews and group sessions were organized to listen to women and
their suggestions in terms of the project design. This process was found especially useful to ensure the participation of those ethnic minority women, such as Tibetan and Mongol herders, who are not used to getting involved in public activities. The main issues raised by women included: i) lack of employment opportunities for cash income; ii) lack of working capital for small scale household based planting, breeding and processing activities; iii) lack of access to adequate women’s health care; and iv) restricted entry of girls into schools. The proposed project has been designed to accommodate these concerns. Specifically designed programs and activities include: i) women’s’ education (literacy and technical skills); ii) improved health care (provision of midwives and training in women’s health issues); iii) emphasis on attracting girls to schools; iv) provision of special loans for women for cash-generating activities (sewing, noodle processing, embroidery, knitting, etc.).

Protection of Minority Rights

The SAs analyzed the characteristics of the major ethnic groups in the proposed project areas and established operational strategies in the project design for the minorities' development along with project implementation. Although Han people are the majority in most of the project areas, accounting for 86 percent of the total in the Inner Mongolia project area and 94 percent in the Gansu project area, it was considered important to integrate minority nationality concerns in project design and implementation in order to ensure that the minority nationalities receive culturally compatible economic and social benefits from the development intervention. In Inner Mongolia, minority nationalities account for about 14 percent of the total population in the project areas, (about 90 percent of them Mongols). The SA analyzed in detail the Mongol social organization, economic foundation, production patterns, household livelihoods, education, customs and religious beliefs. Consultations with herders and farmers suggested that household development models based on mixed farming, and animal husbandry and grassland rehabilitation particularly designed for minority herders should be piloted. In Gansu, the percentage of minority nationalities in the project areas is comparatively lower (5.5 percent), predominantly Hui nationality in Zhangjiachuan County. Nonetheless, the county PMO in Gansu selected six typical villages from three townships in the county to make detailed village investigation and villager consultation, so as to design appropriate sub-projects to be undertaken compatibly within the Hui socio-cultural context. In Qinghai, the SA conducted one village case study in each of the six ‘move-out’ counties to develop model settlement villages. This was done in close cooperation with community leaders and religious elders.

F. Specific Issues Related to Qinghai

Qinghai is the only PP where voluntary settlement is proposed. This has focused scrutiny on the project component. The SA for Qinghai raises the possibility for conflicts between farmers and herders, and ethnic conflicts in the ‘move-in’ area as a potential risk. Public disorder was also raised as a concern based on previous experience with settlers. Additional concerns are: i) dilution of the Tibetan presence in the ‘move-in’ area as part of a historical strategy of ethnic supplanting of minority nationalities; ii) perceived weakening of Tibetan culture as seen in the claimed replacement of the herding lifestyle with that of farming; iii) claimed difficulty of ascertaining the "real" desires of the Tibetan herders in the project ‘move-
in’ area regarding these changes; and iv) the possibility of the use of prison labor in project construction. Careful review of each of these issues reveals that most of them were thoroughly discussed, researched, and provided for in project design in general and the Local Beneficiary Participation Plan, the Voluntary Settlement Implementation Plan, and the Resettlement Action Plan specifically.

Special Concerns

Dilution of Tibetan Presence in the ‘Move-in’ Area. Historically, and particularly in the 20th century, there has been significant demographic shifts of the Han population southward and westward. These past twenty years, moreover, have seen long-distance migration of Chinese from all nationalities to the coast and other areas of the country in pursuit of better economic lives. In the Tibet Autonomous Region, and in other minority nationality areas, there has been an influx of migrants from other parts of the country such as Sichuan Province. This has sparked discussion of the long-term effects on the ethnic or nationality character of these areas. However, the proposed project entails no such long distance migratory pattern directly or indirectly. All 57,775 settlers are migrating within the same province (about 450 km on average).

The area the migrants will leave behind, the ‘move-out’ area, although populated now by mostly Han and Hui, holds special significance for Tibetans both home and abroad. The current Dalai Lama and the former Panchen Lama had their ancestral homes in two of the ‘move-out’ counties (Ping’an and Xunhua, respectively). Thus it is perhaps not surprising that although Tibetans in these counties now comprise close to 9.4 percent of the local population, they are applying to emigrate at a significantly lower rate than other nationalities, possibly reflecting the spiritual hold the home counties have on them. To partially compensate for the reduced applicant pool, Tibetan applications are approved at a rate higher than that of other nationalities (40 percent versus 34 percent), but this still leaves the Tibetan out-migration somewhat lower than their share of the local population. Such a migratory pattern will leave these six ‘move-out’ counties slightly more Tibetan at 9.5 percent (see Table 1). Also, various investments and interventions (soil conservation, cultural and educational programs, and culturally appropriate health care access) will be made in the ‘move-out’ counties in order to improve the social and environmental conditions for the remaining population.

Table 1: Population by Nationality in Move-Out Area
TABLE AVAILABLE IN INFOSHOP

The immediate ‘move-in’ area, currently has no Tibetans at all. The project as currently planned will thus introduce a Tibetan presence into the area as they will make up nearly 6 percent of the population. The two ‘move-in’ townships of Zongjia and Balong which encompass the immediate project area, yield a pre-project Mongol majority (about 55 percent) for the area’s population of 5,736. Among these are 276 Tibetan herders who bring their animals to pasture in the Kunlun Mountains 120 kilometers south of the project area during the summer and autumn, while wintering in an area 60 kilometers south of the project area. Given such distances, their pastoral lifestyle is not anticipated to be substantially affected by the proposed project. After the settlement is completed, Han and Hui would be the
predominant nationalities in the project townships, followed by smaller numbers of the Tu, Salar, Tibetans, and Mongols. At the county level, the settlement impact will be much reduced. The percentage of Han will fall from about 53 percent to 48 percent, that of the Tibetans from about 23 percent to 14 percent and that of the Mongols from about 14 percent to about 7 percent, while the proportional shares of the other minorities, especially the Hui (from about 7 percent to 22 percent), will increase (see Table 2).

Table 2: Population by Nationality in ‘Move-In’ Area

The question of "dilution" or enhancement of ethnic/nationality presence can be answered in a number of ways, depending on the scope of the territorial unit considered. Overall, it appears that the project will not significantly impact China’s spatial distribution of nationalities. The numbers involved are small; totaling the 57,775 migrants plus the 4,000 people in the immediate project area yields a number which comprises only about 1.2 percent of Qinghai’s population of about 5 million.

Significance of Project Areas as of Central Concerns to Tibetans. Of all the Tibetan autonomous districts or Tibetan-populated districts in China, the three project-affected prefectures (Haixi Mongol and Tibetan Autonomous Prefecture, Haidong Administrative District, and Xining Municipality District) are the least Tibetan. All have small Tibetan population (11 percent, 10 percent, and 4 percent, respectively). In demographic terms, the project-affected districts are all relatively marginal to the Tibetan presence in China. Geographically, the three districts are in the northernmost fringe, in terms of distance from the heartland of Tibet.

Administratively, the three project-affected districts are the only districts in Qinghai province not designated solely Tibetan Autonomous districts; all the other five are Tibetan Autonomous Prefectures. Furthermore, according to the Alliance for Research in Tibet, they are the only Tibetan-related areas in all of China not recognized as a Tibetan Autonomous region, prefecture, or county. Historically, the three project-affected districts have been beyond Tibetan control since American colonial times.

Loss of Tibetan Pastoralism and Credibility of Reports of Tibetans Welcoming the Project. The question has been raised as to whether or not the project endangers the Tibetan herding subsistence life style. Actually, there are no Tibetans at all in the immediate project area and only 276 Tibetans who herd in the general project area. Most herding people in the project area are Mongols, while most of the Han and Hui in the area are farmers or participate in both herding and farming activities.

It should be noted that pastoralism as a way of life is already changing; few households are now completely dependent on herding. A change towards a semi-herding, semi-farming life style has already begun (as it also has in Inner Mongolia) with some herders building permanent brick and wood or clay and wood homes. Only Gouli Township in the ‘move-in’ area is a completely herding area; all the other five townships are characterized by a mixture of farming and herding. Special care will be given to ensuring that pastoralists will be able to maintain their preferred methods of livelihood. For those 352 Mongol herders whose grazing lands are directly impacted by the project, an exchange of "land for land" will replace overgrazed, degraded pastureland with newly
re-seeded irrigated land. Allocation of land will be undertaken in such a manner as to enable pastoralists to continue to use this land for herding purposes. For those 2,411 herders whose traditional grazing areas are affected by the project settlement, three separate grazing corridors will be set up to enable their herds to pass through the settlement area.

The SA found that the herders, welcome the project, with about 10 percent expressing their reservations. As most data collection was conducted through interview questionnaires and focus groups (with researchers helping the mostly illiterate herders to fill in the forms), complete anonymity of responses was not always possible, thus raising the question of adequate respondent confidentiality. Nevertheless, there is reason to believe that the reported welcoming of the project by the majority of herdsmen is an accurate reflection of their desires and interests mainly because the herdsmen in the SA report their concern that due to population pressure over the past few years, the pastureland in the area has been severely degraded and that the area can no longer support them as it once did. The herdsmen have expressed the need to identify new economic options, including agricultural ones to bolster their livelihood. Half of the surveyed herdsmen requested land allocation so as to pursue this possibility. The project’s irrigation work is likewise welcomed for providing a reliable water source not only for the herdsmen but also for agriculture as they pursue their semi-herding, semi-farming lifestyle. The views of Tibetans in the six eastern ‘move-out’ counties were also solicited and there is no reason to doubt the sincerity of those who volunteered to ‘move-out’. All migrants also have the option of returning to their original homes during the first two years, without financial or any other penalty, if they so decide.

Possibility of Use of Prison Labor in Project Construction. There are a number of prison farms in Qinghai. The closest one to the project area is the Xiangride State Prison Farm, located about 48 kilometers north of the area. This irrigated state farm is drawing water from the Xiangride River, which is also the primary source of irrigation water for the settlement area. The Bank Team has concluded that the proposed project would not benefit any prison farm directly nor will any prison farms or affiliated organizations participate in any activities related to the proposed project. The State Council’s Leading Group for Poverty Reduction and Development and the Provincial Government of Qinghai have also confirmed this in writing.

Additional Actions to Reduce Possible Conflicts

The SA conducted in the ‘move-in’ area determined that the majority of the surveyed existing population accepts the migrants (29 percent of the herdsmen said that the migrants were "welcome"; 62 percent did "not object" to the migrants). Nine percent of the surveyed existing population in the ‘move-in’ area expressed their unwillingness to welcome the migrants mainly due to concerns about public disorder and fears of grassland overgrazing. Previous migrations of settlers into the area during the 1980s led to cattle thefts, so both local cadre and herdsmen expressed concern about a reoccurrence of such incidents and asked that better public safety measures be undertaken. The SAs address the concerns of potential conflicts with the influx of migrants. Another issue identified in the SA is potential conflicts over water. Many herdsmen expressed their fear that they would be excluded from adequate water supply or from access to the new irrigation works. They were anxious to be reassured that the demands for water from the new settlements
would not put them at a disadvantage. Cadres also feared that so many poor people from the mountainous areas would want to come to the new area that they would not wait for approval and would come illegally, thus overwhelming the local area and its infrastructure.

Social Stability. A number of possible mitigation strategies were identified in the SA, including having villagers from the 'move-out' area move as a group to the new village site, thus maintaining both formal and informal social control mechanisms. At the herders' request, local police sub-stations and people's courts will be set up in the settlement area to ensure overall public safety and training of new and existing law enforcement officers will be conducted. To lessen the potential of inter-ethnic conflicts, the two Muslim groups, the Hui and the Salar, would be settled in adjoining areas, while the culturally similar Tu and Mongols would be located in similarly contiguous settlements. In addition, the Local Beneficiary Participation Action Plan promotes active participation in project implementation by the 'move-in' and 'move-out' people and a series of suggestions made by the local herders were incorporated into the Plan. References are made to include community and religious elders in the leadership groups to help secure community-wide buy-in and ensure that the project implementation is compatible with the cultural preferences of the nationalities concerned. The project design included suggestions made by local authorities including: i) clear demarcation of the boundary between the proposed project area and neighboring grazing areas; ii) adoption of measures to protect adjacent grazing lands and desert vegetation; iii) provision of adequate support to the migrants when they arrive; and iv) ensuring that the irrigation development is in place prior to migration.

Pilot Program. A pilot program on 300 hectares for 200 households would be undertaken in advance of full-scale project implementation to test the proposed interventions at the field level with the participation of project beneficiaries. This would create a demonstration area which could be later used as a training site for project participants and provide an opportunity to show typical types of irrigation layout, village infrastructure, schools, clinics, agricultural (planting of green manure) and land management practices which would be promoted by the project. The pilot program would also include participatory evaluation techniques to provide input from a representative range of parties in the project area. The pilot would also ensure that the minority needs are fully met. The pilot program would provide an opportunity to develop "lessons learned" which could be applied to the design and implementation of the full-scale phase of activities which would start after full evaluation of the pilot program by independent reviewers. It would be carried out in such a way that it does not interfere with current land use patterns of the herders or farmers living in the area, nor will it result in loss of their shelter, productive assets, or access to pastures. Irrigation will be provided through use of ground water and diesel engine driven pumps, so as to avoid the necessity of developing major irrigation works during the pilot phase. Expenditures for this activity have been approved for retroactive financing under the project. The PMO would be responsible for the implementation and supervision of the pilot program.

Monitoring of the Pilot Program. The pilot program is designed to avoid conflicts and enable adjustments in the project design before the bulk of the migrants arrive. The pilot settlement will be closely monitored to measure the effectiveness and adoption rates of the various program components and
also to identify emerging issues, if any, in the relationship between migrants and receiving area population. Full scale settlement would only begin after the pilot program is completed and evaluated. In addition to the pilot itself, a 5 percent population sample tracking procedure has been developed for semi-annual progress reports to the PMOs and the Provincial Leading Group.

Indicators to determine the success of the pilot program are both economic and social. Economic Indicators include: (i) adaptation rates are high; (ii) incomes and yields increase; (iii) both farmers and pastoralists continue to earn their livelihoods without hindering the other’s effort; and (iv) villages receive adequate water, electricity, and other infra-structural supports. Social Indicators would include: (i) the project is carried out in a socioculturally appropriate manner; (ii) beneficiaries’ satisfaction rates are high; (iii) there is not only an absence of conflict but mutual inter-ethnic respect in religious and other spheres; (iv) villages have access to adequate and culturally appropriate social services (schools, health care, credit, cultural enrichment); (v) project beneficiaries from the move-out areas report the selection process ethnically equitable and efficient; and (vi) local governments and cadre from both the move-out and move-in areas collaborate to smooth the transition for host area population, migrants, and future migrants. The pilot program monitoring process will result in a report

G. Institutional Capacity

Project Provinces Capacity for Mitigation of Social Impacts and Protection of Minority Rights. The PPs will closely follow the implementation of the SA suggestions and monitor impact and effectiveness of actions. Especially the pilot program will be closely monitored and thoroughly evaluated by independent reviewers before full-scale resettling will commence.

The People’s Republic of China officially describes itself as a multi-nationality country. Its constitution delegates protected rights and powers of self-government to its 56 officially recognized nationalities. Nationwide, the non-Han 8 percent of the population listed as minorities enjoys special protections and status, including various degrees of administrative self-rule in a network of autonomous regions, prefectures and counties. Qinghai encompasses such minority jurisdictions in both the ‘move-in’ and ‘move-out’ areas (e.g. Haixi Mongolian and Tibetan Autonomous Prefecture; Hualong Hui Autonomous County). On the ground, autonomous status has meant greater legal protection for minority culture and languages and greater representation of minorities in local cadre/official posts. Such affirmative action policies apply to a wide range of social policies, not least of which is exemption from stringent Chinese family planning policies.

In Qinghai minority jurisdictions, schools have been established to preserve and promote minority cultures. The proposed project design includes the establishment language minority schools in the ‘move-in’ area and a number of education programs in the ‘move-out’ area. In addition, culturally appropriate health care facilities are being established both, in the ‘move-in’ and ‘move-out’ countries. Furthermore, the Local Beneficiaries Action Plan has a list of explicit preferential suggestions for women and minorities, including special credit lines, educational preferences, special training opportunities, and provisions for continuation of religious and
cultural customs.

On the ground, although minority policies have varied significantly over the decades of 20th century Chinese history, during past two reform decades, autonomous status has meant greater legal protection for minority culture and languages and greater representation of minorities in local cadre/official posts. Such affirmative action policies apply to a wide range of social policies, not least of which is exemption from stringent Chinese family planning policies. Overall, there is clear and strong evidence that the Chinese commitment to poverty reduction is serious and long lasting.

H. Grievance Mechanism

Consultation and Grievance Mechanism. Project beneficiaries and project affected people in all PPs will have access to a consultation and grievance mechanism to address their concerns in regard to the proposed project. The mechanism and procedures have been described to the project beneficiaries and stakeholders. It is believed that this will be particularly useful in the case of land acquisition if farmers feel unsatisfied with compensation implementation or if conflicts arise between farmers and herders. Complaints and grievances can also be raised and reported to the higher level PMOs, the land management authorities, and the external, independent monitoring groups. Beneficiaries and stakeholders also have rights to raise any questions directly to local government and provincial authorities. The right to make lawsuits has been made explicit to the farmers and herders. All complaints, both oral and written, will be recorded including resolution and the time of resolution. External monitoring reports will include a summary of grievances received, if any, and the manner in which they were resolved.

Yuan 1.00 = US $0.12

The Keri dam is an off-river regulating reservoir that will inundate approximately 128 hectares of extremely sparsely vegetated and unutilized desert land to an average depth of about 15 meters. As such, the environmental implications of its construction were determined to be insufficient to justify assigning the Project to Category A.