A. Background

1. Rural Absolute Poverty. Broad participation in reform-driven rural economic growth brought about a tremendous reduction in absolute poverty in China from roughly 270 million poor in 1978 to about 100 million in 1985, or from one-third to less than one-tenth of total population. However, despite continued rapid overall economic growth and strong government commitment to poverty reduction, the proportion of total population living in absolute poverty has declined only modestly since 1985. Most of China’s remaining absolute poor are now concentrated in remote resource-deficient rural areas -- primarily in upland regions of the interior provinces of central and western China -- where they typically comprise entire communities. The very poorest households in these communities are those further disadvantaged by high dependency ratios, ill health and other difficulties. Minority peoples are heavily overrepresented amongst the rural poor. Although the absolute poor have land use rights, as do all of China’s rural population, in most cases the land itself is of such low quality that even subsistence levels of crop production are generally impossible. Achieving productivity gains on these rainfed uplands, through increased application of fertilizer, better seed and other modern inputs, has proven problematic, and the number of the absolute poor now exceeds the carrying capacity of the land. Furthermore, since these are in many cases some of China’s most ecologically fragile lands, the poor are often both the perpetrators and victims of upland environmental destruction.

2. One-fifth -- or about 15 million -- of China’s remaining absolute poor reside in the remote upland areas of Sichuan, Shaanxi and Ningxia. Absent sufficient increases in agricultural production and rural enterprise development in these upland areas during the 1980s, per capita output of grain and subsistence foods failed to sustain any significant increase and off-farm employment opportunities have little more than kept pace with population growth. Provision of social
services has also stagnated in these areas, and education achievement and health status remains deplorable. At least half of the boys in the poorest towns and villages and, particularly in some minority areas, nearly all of the girls do not attend school and will not achieve literacy. Infant and maternal mortality rates in very poor counties -- which exceed 10% and 0.3% respectively -- are at least 50% to 100% greater than the national average, and are much greater yet in the poorest townships and villages. Incidence of several infectious and endemic diseases, including tuberculosis and iodine deficiency disorders, are also prevalent in these areas. Roughly half of children in households at or below the absolute poverty line are at least mildly malnourished (stunted), and iron, vitamin A, and other micronutrient deficiencies remain a severe problem. As many as 90% of poor children suffer chronic intestinal worm infection.

3. Labor Mobility. Labor market liberalization in China, spurred by strong economic growth and reduced constraints to internal travel and change of residency, has led to unprecedented labor mobility by at least 70 million migrants in a total rural labor force of 450 million. For those who have been able to participate in the local and interprovincial migration for employment process, the income rewards have been substantial. Off-farm employment opportunities are particularly important for the upland poor, since most are severely underemployed throughout most or all of the year. However, the absolute poor in upland areas have not been able to fully take part in the labor migration process due to (a) labor market imperfections such as the lack of labor market information, (b) the poor’s paucity of even rudimentary knowledge and skills required for obtaining employment in growth pole areas, and (c) inadequate financial resources to cover the initial expenses of a job search.

4. Poverty Reduction Through Voluntary Resettlement. Faced with severe absolute poverty in rural areas where the population hopelessly exceeds the carrying capacity of the land, China’s central and local governments have undertaken a number of poverty-reduction-through-voluntary-resettlement (PRTVR) schemes. The largest of these PRTVR schemes has been supported for more than a decade by the Sanxi Program in Ningxia and neighboring Gansu. During the Sanxi Program’s first decade (1983-1992), more than 500,000 people were resettled to newly irrigated lands. Resettlement of at least another 680,000 people is planned during the Sanxi Program’s second decade. Two nearly completed Bank-supported projects -- Gansu Provincial Development (Ln. 2812-CHA and Cr. 1793-CHA) and Northern Irrigation (Cr. 1885-CHA) -- have supported the Sanxi PRTVR Program by providing voluntary resettlement opportunities for 135,000 upland poor to newly irrigated areas in Gansu and Ningxia. The Sanxi and other PRTVR programs have been very successful in providing opportunities for large numbers of upland farm families residing in the worst affected areas of Gansu, Ningxia, and other provinces to permanently escape absolute poverty. The most telling indicator of the program’s success is that the number of upland poor now actively seeking to resettle greatly exceeds available opportunities. Based on the successful experience and acceptable costs of the PRTVR program since 1983, the Chinese government is now considering an expansion of the program. In addition to the 680,000 settlers planned for the second decade of the Sanxi Program, the central
government is considering providing support for resettlement during the 1990s of at least 500,000 other absolute poor. However, the provinces have requested assistance for resettlement of several million upland absolute poor, including one million in Ningxia, 300,000 in Guizhou, 200,000 in Guangxi, 100,000 in Guangdong, and similar numbers in Yunnan, Sichuan, Xinjiang, Shaanxi, Qinghai, Inner Mongolia, and other provinces.

5. Government Strategy. The government’s poverty reduction program, established in 1986 and coordinated by the State Council’s Leading Group for Poverty Reduction (LGPR) and the central and provincial Poor Area Development Offices (PADO), emphasizes improving the productivity of the poor through investments in upland agriculture, rural infrastructure and rural enterprise development in poor counties. Since its establishment, LGPR has emerged as the principal advocate of China’s rural poor and is now the key agency responsible for coordinating the nation’s Y10 billion in annual funding for poverty reduction programs. The LGPR has recently issued a new National Seven Year (1994-2000) Plan for Poverty Reduction (8-7 Plan) to achieve further reductions in poverty. The 8-7 Plan recognizes that the transition and significant reduction of absolute poverty, from large numbers of poor spread widely across the countryside in the late-1970s to pockets of poverty in remote resource deficient areas by the mid-1980s, makes it easier and fiscally less burdensome to target increased development and social services assistance to the remaining absolute poor. In near complete agreement with the Bank’s 1992 report China: Strategies for Reducing Poverty in the 1990s (hereafter, Strategies), the 8-7 Plan calls for:

(a) institution building and policy reform, including a strengthening of the institutions responsible for implementing explicit poverty alleviation projects and programs, the establishment of an independent and objective poverty monitoring system, the concentration of available funding in the poorest counties (a number of relatively well-off counties and provinces will be "graduated" from the new poverty reduction program);

(b) greater investment in the development of human capital, including more central government funding for health, nutrition, education, and relief services in the poorest areas;

(c) promotion of labor mobility strategies to encourage the organized flow of low skilled labor from the poor areas to growth pole areas, and an expansion of the successful voluntary resettlement program from poor upland areas to newly irrigated lands; and,

(d) continued investment in poor area agricultural, rural enterprise, road and other rural infrastructure development projects.

B. Project Concept

6. Objectives. The primary objectives of the project are to: (a) demonstrate the effectiveness of a focussed rural development project approach to poverty reduction, (b) facilitate a "market friendly"
increase in labor mobility from the poor areas to better off rural and rapidly growing urban areas, (c) upgrade poverty monitoring at the national and local levels, and (d) significantly reduce absolute poverty in 26 of the very poorest counties in Sichuan, Shaanxi and Ningxia.

7. Scope and Components. Previous Bank-supported poverty reduction activities in China include poor area health, education, rural water supply, and numerous agricultural projects and project components. Implementation of these single-sector projects has been successful and has made a very real and sustainable contribution to reducing absolute poverty. The proposed Qinba Mountains Poverty Reduction Project would be a focussed, participatory, multisectoral attack on absolute poverty in an extremely resource deficient area, where previous single-sector actions undertaken by the government have achieved inadequate or unsustainable reductions in poverty. All interested international agencies, both official and non-governmental, have been invited to participate in the preparation, funding and implementation of the proposed project. Key components of the project are:

(a) upland agriculture (54% of project cost), using menus of crop and livestock activities to increase upland agricultural productivity and reverse the trend of environmental degradation through (i) extension of improved agriculture and smallholder livestock management techniques and inputs, (ii) establishment of tree crop nurseries and extension (for high altitude and red soil varieties), (iii) intensification of staple crop production on the modest amount of available flat land, (iv) terracing for improved water and soil conservation, and (v) support for the development and extension of applied agricultural technologies;

(b) off-farm employment (30% of project cost), through (i) a voluntary system of enhanced rural labor mobility for the upland absolute poor, supported by vocational training, a computerized demand-driven placement system emphasizing local markets, monitoring of worker safety and resolution of abuses and grievances, and provision of financial resources to cover initial job search costs, (ii) support for rural enterprises consisting of investment credit for labor-intensive commercially viable agro-processing, mineral, service and handicraft industries with strong backward linkages to poor households and environmental safeguards meeting national standards, and (iii) a small scale pilot rural microfinance program in two or three selected counties;

(c) social services and rural infrastructure (11% of project cost), through (i) upgrading township and village health clinics and primary schools and the training of health workers and teachers, (ii) the development of mechanisms to insure sustainable access to these social services by the absolute poor, and (iii) the construction of rural roads, safe drinking water supply systems, small scale irrigation, drainage, biogas, and rural electrification << note that social services items "i" and "ii" would be funded and implemented under the Fourth Basic Education and Eighth Basic Health projects>>;

(d) institution building and independent monitoring (4% of project cost)
cost), by (i) improving the LGPR and PADOs’ capabilities in project
design and implementation, procurement, accounting, and monitoring
and evaluation, and (ii) establishing an objective poverty
monitoring system by using improved survey instruments to provide
a credible and comprehensive poverty profile for the project areas,
analyze the accuracy of the targeting of benefits to the absolute
poor, and measure and evaluate the impact of the project’s
individual components; and,

(e) microfinance (1% of project cost), through a cooperative
structure organizing members into five-member voluntary joint
liability groups, to provide credit and savings services to poor
households for production activities.

credit of US$150 million would finance about 50% of total estimated
project costs. Counterpart funding from the central, provincial,
municipal, and prefectural and county governments and from beneficiaries
would provide for the other half of project costs.

9. Implementation. The LGPR and its Foreign Capital Project
Management Center (FCPMC) have principal responsibility for project
design and implementation. A Technical Advisory Group has been set up
at the national level to provide technical support to FCPMC and assist
the provinces and counties in completing the provincial, county, and
subproject feasibility studies. At the provincial level, Project
Leading Groups (PLG) have been set up to (a) mobilize institutional,
technical and financial resources and support for the preparation and
implementation of the project and (b) provide a critical coordination
and monitoring function. The PLGs comprise Directors and staff of the
provincial PADOs, Planning Commissions and Finance bureaus, the several
technical bureaus directly involved in the project (including the
Agriculture, Forestry, Water Resources, Health, Education, Labor, TVE,
Statistical and other bureaus), the Women’s Federation and the
Agricultural Bank of China. In addition, provincial Project Management
Offices (PMO), comprising PADO staff and an increasing number of
specialized staff from outside the LGPR system, have been established to
insure effective and timely preparation and implementation of the
project. It has also been agreed that, under the general supervision of
the provincial PMOs, the provincial Education, Health, and Labor bureaus
would play leading roles in the implementation of the social services
and labor mobility components. At the county level, PMOs have been
established and have played the lead role in organizing the preparation
of the county and subproject feasibility studies. Working closely with
the several technical bureaus directly involved in the project and with
the township governments and their offices at the administrative village
level, the county PMOs would also take the lead role in coordinating
project implementation. County PLGs have also been set up to secure
coordination among the technical bureaus.

C. Bank Involvement and Lessons Learned

10. Rationale. The project directly addresses two of the Bank’s top
operational priorities in China, viz., poverty alleviation and
environmental protection. Through the collaborative preparation of
Strategies and the "International Conference on Poverty Issues in China" (held in Beijing for the public release of that report), close cooperation with the Chinese government has been established and the Bank played an active role in the development of the national 8-7 Plan for reducing absolute poverty in the 1990s. During 1994 and 1995, the successful collaboration was extended through the preparation and initial implementation of the Southwest Poverty Reduction Project (Loan 3906-CHA and Credit 2744-CHA), which concretely operationalized Strategies’ principal recommendations in the three poorest provinces in Southwestern China. Bank participation in the Qinba project will greatly assist the implementation of the government's 8-7 Plan, and further extend (to three more provinces reaching into China’s near northwest) the development of a multisectoral poverty reduction project prototype for the remainder of China’s poor areas and the overall poverty reduction program. Bank involvement will also play a catalytic function in the establishment of an independent national level poverty monitoring system. In addition, Bank participation will help to focus the project’s rural development component toward the development and provision of an integrated package of environmentally sound and farmer-determined technologies for more productive upland agriculture.

11. Poverty Sector Work and Lending Operations in China. Completion of Strategies contributed to making poverty reduction a more explicit focus of Bank lending in China in the early-1990s. An increased number of Bank-supported poverty reduction activities, channeled to areas of concentrated poverty in central and western China, now include poor area health, education, rural water supply and hygiene, and numerous agricultural projects and agricultural project components. The Rural Health Workers Development Project (Credit 39-CHA) aims at better quality health services, improved health status, and the development of new financing models for health services in the poorest areas. The Comprehensive Maternal and Child Health Project (Credit 2655-CHA) addresses the high maternal and infant mortality rates that remain widespread among China’s absolute poor. The Infectious Diseases Project (Credit 2317-CHA) seeks to reduce the incidence and risk of infection of two severe diseases (tuberculosis and schistosomiasis) which are most prevalent in poor areas. The Disease Prevention Project (Credit 2794-CHA) will provide immunization coverage and greater accessibility to health care in ten poor provinces. The Education Development in Poor Provinces (Credit 2339-CHA), Basic Education in Poor and Minority Areas (Credit 2651-CHA), and Third Basic Education (CN-PA-36950) projects are helping to improve primary and lower secondary education and schools in poor counties and villages. By increasing coverage of safe water supply and sanitation, health and hygiene services, the Rural Water and Sanitation Project (Credit 2336-CHA) improves health and productivity of some of the poorest and most needy inhabitants of rural China. The Loess Plateau Watershed Rehabilitation Project (Credit 2616-CHA) seeks to double real income levels for the 1.2 million rural poor in the targeted watersheds by increasing agricultural productivity. The Gansu Hexi Corridor Project (CN-PE-3594) would reduce poverty through providing opportunities for voluntary resettlement to newly irrigated lands for about 200,000 upland poor in Gansu. The Shaanxi Agricultural Development (Credit 1997-CHA), Henan Agricultural Development (Credit 2242-CHA), Tarim Basin (Credit 2294-CHA), Guangdong Agricultural Development (Credit 2307-CHA) and Sichuan Agricultural Development
projects include poverty reduction components in extremely poor counties. Attacking poverty through single-sector programs, these projects and project components have made a real and sustainable contribution to poverty reduction. The recent Southwest Poverty Reduction Project (Loan 3906-CHA and Credit 2744-CHA) is the first Bank-supported project in China to use a focussed multisectoral rural development approach to attack absolute poverty in a severely resource-deficient area where single-sector programs cannot achieve sustained poverty reduction.

12. Lessons Learned  The Bank’s experience with a large number of multisectoral rural-development-cum-poverty-reduction projects has not been entirely successful in terms of impact or sustainability. An extensive OED review of two decades of Bank experience with rural development projects documents that the complexity of project implementation and problems with institutional coordination have been the principal causes of mixed results (see 1/). This confirms the warning of the Bank’s 1975 Rural Development Sector Policy Paper that such projects tend to suffer from a program design that is too ambitious and complex, calling for exceptional leadership that cannot always be made available on a sustained basis. Recognizing that these institutional difficulties are inherent to multisectoral projects, the OED analysis favors the approach of "implementing separate project components in different ministries as though they were separate projects, but with a coordinating unit located in a non-sector ministry such as Planning or the President’s Office" and emphasizes the importance of long term institution building. The OED report also highlights the importance of (a) strong government commitment to the project and a favorable macroeconomic environment, (b) relying primarily on locally proven technical innovations (the results of research and trials were often not available in time to have an impact on concurrent projects), (c) retaining flexibility in program design during implementation, (d) supplementing the Bank’s own inputs, during design and supervision, to cover the full range of skills required by a multisectoral project, (e) a comprehensive monitoring and evaluation process, and (f) full community participation.

13. The proposed project also builds on lessons from recent Bank loans to China in the health, education, agriculture and rural infrastructure sectors, including the importance of (a) community participation, (b) effective collaboration of government authorities at all levels, and (c) component design flexibility. For social services, specific lessons include the importance of: increasing access to existing rural facilities, improving teacher and health service work technical skills, establishing reliable financing mechanisms, and upgrading bilingual education in minority areas. In agriculture, the experience of earlier Bank supported projects suggests the need for greater emphasis on crop diversification and marketing in order to avoid the risk of oversupply, and to enhance sustainability by assigning responsibility for project management to existing institutions (suitably strengthened). Since the Bank has very little experience with labor mobility projects, the project builds on the early experience of the Southwest Poverty Reduction Project’s labor mobility component, and on lessons from the Ministry of Labor’s recent experience in this area, ongoing rural research work, and a wide range of counterpart and village interviews.
D. Borrower Commitment and Conditionality

14. Borrower Commitment. The proposed project enjoys extraordinarily strong support and commitment from the highest levels of government. This support and commitment was clearly evidenced at the State Council’s Working Conference on implementation of the Southwest and preparation of the Qinba Mountains Poverty Reduction Projects held in Nanning during October 27, 1995. In an unprecedented step for Bank-supported projects in China, President Jiang Zemin wrote a letter to the Conference and State Councilor Chen Junsheng personally chaired the Nanning meetings. LGPR has informed the Bank that this was (a) the first time that the President has written a letter regarding the importance of effective preparation of a Bank-supported project, (b) the first time that a State Councilor has presided over a Bank-supported project preparation conference, and (c) the first time that the State Council has held briefing sessions on Bank-supported projects. The State Council considers the proposed project to be a concrete part of the national 8-7 Plan for Poverty Reduction, and State Councilor Chen Junsheng has expressed his personal concern that the Bank give adequate emphasis to the preparation of the proposed project.

15. Conditionality. The principal assurances to be agreed with the Borrower are that: (a) tuition fees would be provided for a specific number of children per year, and cooperative health care funds would be established and adequately funded in all project villages, (b) project farmers would receive exclusive land use rights for a term of not less than 50 years for wastelands and other lands they plant to perennial crops under the project, (c) labor mobility would be undertaken only on a strictly voluntary basis, and the existing monitoring and reporting system, focusing on fair treatment of workers and workplace safety, would be adequately expanded, and (d) at least 70 percent of the full time jobs created in all participating rural enterprises would be provided to the absolute poor from the project’s upland counties.

E. Project Benefits, Sustainability, and Risks

16. Project Benefits. The project would significantly reduce absolute poverty in 26 of the very poorest counties in Western China by increasing the incomes and productivity and improving the health and educational status of about 2.6 million upland smallholders. It would also demonstrate the effectiveness of a comprehensive rural development project approach to poverty reduction, stabilize or even reverse the environmental destruction of upland areas, upgrade poverty monitoring at the national and local levels, and encourage greater local community participation by enabling households to make key decisions during implementation.

17. Project Sustainability. Based on the development of improved extension services, the selection of a wide range of appropriate crop varieties and livestock breeds, and the improvement of research capabilities that will support project activities, the upland agriculture component is likely to be sustainable. Activities supporting off-farm employment will be sustainable through (a) the emphasis on labor mobility cost-recovery, (b) rural enterprise selection
based on commercial viability, and (c) the provision of training to county and provincial Labor Bureau staff. Improved education and health services will be sustainable since the increases in household income levels brought about through the project will be sufficient to allow for the gradual phase out of the initial subsidies for the recurrent costs under the social services component. Institutional sustainability is addressed through a comprehensive program of technical assistance, training, and study tours to strengthen existing capacity and ensure development of long term capabilities. The ability to monitor poverty is sustainable, and will increase over time through the development of enhanced survey instruments.

18. Risks. The project addresses problems of chronic absolute poverty and natural resource degradation in an area where previous single-sector interventions have not led to sustainable reductions in poverty. The greatest strength of the project -- its focussed multisectoral rural development approach -- comes at the inherent cost of greater than average complexity and greater difficulties in implementation. This risk was identified prior to the initiation of project preparation, and has been effectively countered by (a) the project’s unique organizational and management structure, which features an existing, relatively powerful national network of committed anti-poverty agencies, (b) a strong institution and implementation capacity building program, and (c) the full involvement of the beneficiaries and village communities in the design and implementation of the project. In addition, the project relies on an integrated package of proven technologies and interventions. County level governments, where leadership required for effective implementation is more sustainable due to the local importance of the project, have extensive experience with these technologies and interventions.

19. Individual components also face specific risks. The upland agriculture component faces a risk of slower than expected adoption of improved farming techniques, which would result in a slower rate of economic and environmental benefits. However, the project’s package of improved farming techniques would (a) require only limited cash inputs, (b) be integrated with existing farming practices and be supported by stronger extension services, and (c) be introduced, in some cases, on a pilot basis. The labor mobility and rural enterprise components face three risks: (a) inadequate institutional coordination, (b) sudden market changes, and (c) insufficient worker safety monitoring. Successful initial implementation of the Southwest Poverty Reduction Project has shown that FCPMC and the provincial Project Management Offices have the capacity to adequately mitigate these risks.

20. Financial and Economic Analysis. The financial and economic analysis would enhance project outcome and viability through a careful review of the financial and economic returns to (a) the numerous upland agriculture activities, (b) labor mobility, and (c) typical rural enterprises. The analysis would comprise cost benefit models of one or two representative village programs, an average labor mobility activity, and typical rural enterprises. The benefits of the rural infrastructure, social services, and poverty monitoring components would be described, but a separate cost benefit analysis would not be undertaken for these components. The financial and economic analysis
would be supported by a simplified analysis of counterpart funding, fiscal impact, and cost recovery.

21. Performance Monitoring. Performance monitoring would include a detailed baseline sample survey with annual follow-up surveys, and monitoring by FCPMC and the three provincial PMOs of a detailed listing of performance indicators. The Southwest Poverty Reduction Project has established models for both the survey work and the listing of performance indicators. Throughout implementation, the Bank will focus on a subset of about fifteen indicators, including: inputs -- counterpart funding, and staffing of the provincial and lower level PMOs; outputs -- elementary school attendance rates, number of treatments provided by village level health care funds, number of upland poor placed in off-farm jobs, kilometers of rural roads built, land area adopting project agricultural activities, and jobs created in project rural enterprises; outcomes -- completion rate at sixth grade level, migrant laborers’ income levels and remittances, and number of project beneficiaries with improved access to safe drinking water; and impact -- infant mortality rate, incidence of absolute poverty in the project areas, knowledge of and access to off-farm employment, and adoption of a focussed rural development project approach to poverty reduction in nonproject counties.

F. Participation and Environmental Assessment

22. Participation. Project beneficiaries and other stakeholders will participate in project preparation and implementation, and all interested international agencies, both official and non-governmental, are invited to participate in the preparation, funding and implementation of the proposed project. Participatory project design will be insured through a process of detailed consultation in upland communities involving village leaders, a sample of the poorest households, village teachers, health practitioners and other members of the community. The core team for project preparation includes two anthropologists, Mr. Lin Zongcheng and Ms. Cai Yiping (para. 24), who will devote most of their efforts to participatory project preparation and planning participatory project implementation.

23. Environmental Assessment. This is a category "B" project and, overall, the project is expected to have a favorable environmental impact. In particular, the upland agriculture component focusses on improving productivity through reversing upland environmental destruction. Potential minor environmental issues arise from changes in land use practices, the development of small-scale enterprises, and the construction of rural roads and other small-scale rural infrastructure. The labor mobility and voluntary resettlement components also raise several social issues. To be available prior to the time of appraisal, FCPMC has commissioned an Environmental Management and Mitigation Plan which will identify environmental issues and define necessary mitigation measures. Any necessary mitigation measures would likely comprise known and proven engineering and technical solutions. In addition, the labor mobility and voluntary resettlement components will be subjected to continuing careful social and anthropological review. The existing labor mobility monitoring system would be expanded under the project to guarantee migrant workers’ rights and job safety. Similarly, FCPMC’s
existing Environmental Assessment and Monitoring Unit (established under the Southwest Poverty Reduction Project) would be expanded, and new Environmental Assessment and Monitoring Units would be established within each of the three provincial PMOs, to assist (a) the provincial Environmental Protection Bureaus with screening and clearance of all project rural enterprises and (b) the design staff of the rural enterprises with Clean Production audits and design. Lastly, a Land Acquisition and Monitoring Plan would be developed for the limited and dispersed acquisition of dryland expected under the project.

G. Preparation Arrangements and Timing

24. Staffing and Review. The core team for project preparation and appraisal includes: Alan Piazza (EA2RS) for overall task management; Mike Goldberg (CGAP), Julia Li and Scott Liu (consultants) for the labor mobility, rural enterprise, and microfinance components; Echo Liang (consultant) for the poverty monitoring and education components; Ray Yip (consultant) for the health component; Cheong Chup Lim (consultant) for the rural infrastructure component and for project costs and procurement; Claude Saint-Pierre and Bruce Trangmar (consultants) for the upland agriculture component; Lin Zongcheng and Cai Yiping (consultants) for participatory project preparation and design, and the land acquisition and monitoring plan; J. Fritz (ASTEN) for environmental review; Peter Sun (consultant) for training and technical assistance; and Gao Hong (consultant) for the financial and economic analysis. Zhu Zhengxuan (RMC) joined most missions on at least a part time basis. The peer reviewers are Mr. M. Ravallion (PRDPH; overall project design and poverty monitoring), Mr. R. Grimshaw (upland agriculture), and Ms. Mary Young (HDD; health care subcomponent). Ms. DeWitt (LEGEA) is the lawyer, and Mary Judd and Zhang Chaohua are the ASTHR contact staff.

Timing. State Councilor Chen Junsheng, in his October 30, 1995 letter to Mr. Wolfensohn, has requested accelerated processing for the proposed project including appraisal and negotiations in calendar 1996. In response, Mr. Wolfensohn’s November 14, 1995 letter to State Councilor Chen states that “we will expedite our work in accordance with your preparation progress.” The project core preparation team believes that, based on (a) FCPMC and the three provincial PMOs’ excellent progress to date on project preparation and (b) the fact that the proposed project is nearly identical to the Southwest Poverty Reduction Project, the following accelerated schedule should be possible:

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<th>Event</th>
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<tr>
<td>Concept Review</td>
<td>March, 1996</td>
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<tr>
<td>Preparation Mission</td>
<td>April, 1996</td>
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<td>Preappraisal Mission</td>
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<td>Decision Meeting</td>
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<td>Board Presentation</td>
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Note: This is information on an evolving project. Certain components may not necessarily be included in the final project.

Processed by the Public Information Center week ending April 4, 1997

CHINA

Qinba Mountains Poverty Reduction Project (CN-PA-3590)

Environment and Social Impact Annex

1. Prior to the time of project appraisal, LGPR arranged for a full environmental impact assessment of the overall project and of each of the three provincial subprojects. These environmental assessment reports were reviewed by the Bank in Washington during December, 1996.

2. Environmental Aspects. Overall the project is expected to have a favorable environmental impact. The land and farmer development component would make significant contributions to the mitigation of the existing environmental problems in the project areas of severe soil erosion and degraded vegetative cover. To avoid one of the few potential negative impacts of project activities, assurances will be sought at negotiations that (a) pesticides to be provided under the project would be approved by the Bank Group and would be stored and handled in accordance with guidelines satisfactory to the Bank Group, and (b) all project activities would comply with environmental standards satisfactory to the Bank Group, necessary mitigation actions would be taken, and actions taken to fulfill the recommendations contained in the Environmental Assessment Report would be included in the annual work programs forwarded to the Bank Group.

3. Other components would take all necessary actions to minimize negative effects on the environment. One of the five TVE selection criteria examines the likely environmental impact, and this has led to the elimination of several proposed ventures. TVEs supported by the project would address environmental issues during the design stage by submitting plans to the provincial and county EPBs, thereby meeting national pollution control requirements. During this review process, special attention has been and would be given to controlling emissions and effluents which are byproducts of production processes. Food processing TVEs would also be subject to regular sanitary inspections by local health authorities.

4. TVE establishment and expansion, and the construction of rural roads and other rural infrastructure supported by the project would require acquisition of about 320 ha of wasteland and cultivated land
over a six-year period. Current land acquisition plans do not require
the involuntary resettlement of people, and the Bank Group would not
approve (during project implementation) any changes to the project or
land acquisition plans which would require involuntary resettlement of
people. Assurances will be sought at negotiations that (a) all proposed
land acquisition required for project activities would be reviewed by
county, prefectural or provincial land administration bureaus in
accordance with existing national regulations, (b) the existing land
administration system for valuation of land and other assets affected by
the project would be used, with plans for compensation in accordance
with principles and procedures satisfactory to the Bank Group, and (c)
land acquisition and compensation activities undertaken due to project
activities would be monitored by the PMOs and included in the semi-
annual progress reports to be provided to the Bank Group.

5. Social Aspects. The project’s components also directly address the
fundamental social problems in the project area of grossly inadequate
educational attainment, excessive morbidity and mortality, severe
underemployment, and the lack of access to roads, safe drinking water
and electricity. During project preparation, there has been careful
targeting of the poorest upland counties, townships and villages. The
education program includes in-service bilingual education training and
the recruitment of women teachers and administrators, and strongly
favors girls primary education.

6. The most significant social risks are related to the participation
of large numbers of women in the innovative labor mobility component.
Special attention has been given to the enterprise selection process and
orientation of voluntary migrants, and an important role has been
defined for the ACWF in this process. In coordination with local Labor
Bureaus, all new low skilled jobs created by the project would be filled
in large part with women. This affirmative action approach would not
have negative effects since many sectors, such as handicrafts and
agroprocessing, tend to have 60 to 80 percent female staff.