### Project Name
CHINA-Gansu and Xinjiang Pastoral Development Project

### Region
East Asia and Pacific Region

### Sector
General agriculture; fishing and forestry sector (60%); Animal production (20%); Agricultural extension and research (20%)

### Project ID
P077615 (GEF)

### Borrower(s)
PRC

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### Environment Category
B

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1. **Country and Sector Background**

   Since the early 1980s, with the decollectivization of the agricultural sector, China has achieved remarkable agricultural and rural growth, greatly reduced poverty and addressed many environmental and natural resource degradation problems. Replicating these accomplishments and
improving sustainability in the future however, will be more difficult as many of the potential gains from the transition reforms have been achieved and weak demand has now slowed growth. Weak aggregate demand is also affecting rural areas where incomes have been affected by falling prices for farm products and stagnant growth in non-agricultural rural employment. Future productivity gains in the agricultural sector will have to come from greater efficiencies of production, stimulated by market forces, and greater productivity of scarce natural resources through improved natural resource management and introduction of new technologies. Sustained agricultural development and rural economic growth will also require more dynamic and effective rural institutions and financial systems, improved land tenure with marketable land-use rights, improved incentives for investing in agricultural development, liberalization of production, pricing and marketing policies, promotion of a market environment, and better targeted investments in rural infrastructure and public services. In China’s northwestern pastoral areas, the challenges for rural development are daunting. Despite the political and strategic importance of the region, economic and rural growth has not been very significant. Grassland degradation is a serious problem with almost fifty percent of the proposed project areas classified as moderately to severely degraded. Hillsides being often especially badly degraded. Poverty is pervasive. Xinjiang and Gansu together make up almost 15 percent of China’s total poor. Widespread poverty inhibits livestock development as well as the capacity of the region to seize new economic opportunities. Stimulating agricultural growth, reducing poverty and managing the environment are major development objectives in the proposed project areas. Government’s emphasis on animal husbandry in the pastoral areas is necessary since this will remain the major source of livelihood and real economic growth in the foreseeable future. However, in order to be sustainable, livestock development will have to adopt an approach that views animal raising as just one important aspect of an overall natural resource management strategy for the pastoral areas. Given the seriousness of the problems related to livestock production in the semi-arid grassland areas of northwest China, new approaches to livestock production efforts need to be better integrated with improved grassland management (including pastoral risk management), and more efficient marketing of livestock and livestock products. The key issues for sustainable development in the pastoral areas are: (i) widespread rural poverty; (ii) grassland degradation; (iii) unsustainable livestock production practices; (iv) poor market development; (v) inadequate community participation; and (vi) lack of integration in addressing the problems.

2. Objectives
The project development objective is to sustain the natural resources and improve the lives and livelihoods of herders and farmers in the project areas, through establishment of improved livestock and marketing production systems. The proposed project would empower farmer and herder households in the project counties to better manage their grassland resources and improve forage and feed production on arable lands, thereby increasing their incomes through more efficient and quality focused livestock production, sufficient to generate marketable surplus to improve living standards. Establishment of improved livestock marketing systems in project counties would also increase the efficiency of the livestock production system and help raise the living standards of farmers and
The global environment objective of the proposed project is to maintain natural grassland ecosystems to enhance global environmental benefits, including biodiversity conservation, carbon sequestration and ecosystem services such as water flow, through encouraging sustainable resource management approaches. The global environmental objective would be achieved by implementing pilot community based grassland management plans in selected project areas with high global biodiversity values; providing incremental investments for implementing grassland plans; and supporting monitoring of grasslands habitats in selected pilot sites.

3. Rationale for Bank’s Involvement
The proposed project is designed to be a "second-generation" rural development project. It would give China the opportunity to pilot a "quality" focused integrated livestock development system that could substantially contribute to improve livelihoods of its herder population. Bank support for the proposed project is justified through its mandate to lend for development-oriented activities with a strong element of public goods, such as environmental management, public information systems, training, extension, and research. Provision of these kinds of basic services in the project will provide a firm foundation for future sector investments by the private sector as well as improve the utilization of scarce public resources (financial and technical) creating a basis for increased government revenues for future development. The project approach is consistent with the recently revised rural development strategy of the Ministry of Agriculture and with the Bank’s rural strategy for China initiating the second generation of rural development projects in the country. The proposed project would support activities for the medium and long-term growth of the sector as opposed to simple revenue generating activities. The Bank’s extensive experience would add value to the Borrower’s efforts to provide an enabling environment for future economic growth in Gansu and Xinjiang while accelerating the transition process of its livestock sector into a modern social market economy.

4. Description
The project’s main features include: (a) a geographic concentration of an integrated series of activities in a county; (b) integration of grassland management, livestock improvement and marketing activities at the farmer/herder level; (c) bi-directional coordination of livestock production activities with wool, meat and milk markets; and (d) the active participation of herders and farmers in the planning and implementation of activities to enhance their capacity to better manage natural resources. The components of the project would be closely linked together in order to: (i) ensure optimum use of the investments in grassland management and improvement, forage development, livestock breeding and production, and the market systems development components of the project; (ii) promote more effective participation of the herders and farmers; and (iii) address inappropriate policies towards pastoral areas and policy-induced market distortions. The project has five components: (1) Grassland Management and Forage; (2) Livestock Production Improvement; (3) Market Systems Development; (4) Applied Research, Training and Extension; and (5) Project Management, Monitoring and Evaluation. Grassland Management and Forage Development. The component would fund technical interventions, technical assistance, and institutional strengthening activities that would attempt to halt and reverse the trend of grassland degradation. The sub-components will comprise: (1) forage and fodder production (annual
forage and fodder development, perennial fodder development, monitoring and evaluation); and (2) grassland management and improvement (rangeland management, village based grassland management plans, pastoral risk management strategies). The proposed project would finance works, equipment, materials and production inputs, and technical assistance. Communities are expected to contribute their labor. GEF funds would finance incremental costs associated with conservation of global grassland values, including: (i) technical assistance for measures to conserve globally significant grassland eco-systems; (ii) inventory and monitoring; (iii) institutional capacity building, training and public awareness; and (iv) limited grassland improvement investments (i.e. re-seeding with indigenous grass species, implementation of traditional forage production techniques, etc.

Livestock Production Improvement. The component will comprise: (1) fine wool and mutton nuclear breeding stations; (2) fine wool and mutton multiplier stations; (3) fine wool and mutton breeding households; (4) fine wool and mutton fattening households; (5) beef cattle breeding households; (6) beef cattle fattening households; and (7) household and large enterprise dairy production. These sub-components will also receive support from breeding and veterinary services enhanced through project investments in the establishment and renovation of a network of Artificial Insemination (AI) Stations to facilitate the transfer of superior genetic traits to household base livestock enterprises and Veterinary Stations to deliver improve livestock health. Market Systems Development. The component’s activities are targeted at the improvement of marketing systems in terms of transparency in price formation, competitive actions, and the provision of essential services to the maximum number of market participants. The component activities have been divided into three sets of activities: (1) physical investments (livestock markets, shearing stations, wool testing equipment, wool storage facilities); (2) targeted loans (trader loans, rural enterprise loans); (3) support to herder’s marketing organizations; and (4) establishment of mechanisms for public goods provision (market information systems, national wool quality standards).

Applied Research, Training and Extension. The Component will develop and promote improved integrated management systems that enable household livestock producers to simultaneously raise the quality of fiber, meat and milk products derived from grazing livestock and decrease the number of grazing livestock resulting in improved grassland condition without economic loss. This represents a significant paradigm shift from focusing exclusively on livestock to a systems and resource management approach. Research is needed to provide the necessary know-how, training is needed to equip livestock producers to accept new ideas and adopt new technologies, and extension is needed to transfer research outcomes and producers.

Project Management, Monitoring and Evaluation. The objective of this component is to develop and strengthen the overall project implementation capacity of project management offices and promote effective community participation in project activities. The component includes: (a) project management; (b) strengthening of the provincial, city, county and township level PMOs (goods and training); (c) establishment of a monitoring and evaluation system that includes: (i) project progress monitoring; (i) environmental monitoring; (iii) social monitoring; and (iv) impact monitoring (technical assistance and training); and (d) establishment of community advisory/participation groups (technical assistance and training).

5. Financing
Total (US$m)
BORROWER $32.45
IBRD $66.27
IDA
GLOBAL ENVIRONMENT FACILITY $1.11
Total Project Cost $99.83

6. Implementation

General. The implementation of the project will be supported by the Foreign Cooperation Center in the Ministry of Agriculture. They will assist the Provincial Project Management Offices (PPMOs) in coordination, logistics and technical assistance when necessary. Project Leading Groups (PLGs), Project Management Offices (PMOs) and technical committees have been established. Project Leading Groups (PLGs). In Gansu, the Foreign Cooperation Committee of the Provincial Standing Committee, headed by the Executive Vice Governor (for Finance) will function as the Project Leading Group. In Xinjiang, a Project Leading Group has been formed, headed by the Vice Governor of Agriculture. Agencies/bureaus such as the Water Resources, Foreign Trade; The Committees of Agriculture, and Economic and Trade; Agricultural Bank of China (ABC) and People’s Bank of China; Poverty Reduction Office, and Women’s Federation are represented in the PLGs both in Gansu and Xinjiang. Project Management Offices (PMOs). Provincial PMOs (PPMOs), located in the Animal Husbandry Bureaus, have been formed and undertaken principal responsibility for the preparation of the project. The institutional capacity of project management will continue to be strengthened during implementation of the project. Implementation of GEF funded activities is also responsibility of PMMOs and County PMOs in close coordination with local forestry departments. Implementation of GEF activities will be undertaken in full coordination with other relevant government agencies (e.g., Ministry of Agriculture, State Environmental Protection Agency, State Forest Administration, Chinese Academy of Agricultural Sciences, and Chinese Academy of Sciences), as well participating local communities through stakeholder consultations. Technical Advisory Groups. Technical Advisory Groups (TAG) have been established at the provincial levels to make recommendations on technical aspects and provide technical advice to the provincial PLGs and PMOs. The TAGs are composed of technical specialists and engineers from technical bureaus, cooperating research institutes, representatives of Producers Associations (e.g. Xinjiang Fine Wool Producers Association), and other agencies involved in the project. The TAGs would be represented by smaller TAG groups at county levels to provide similar services. Market Development Entities. In Xinjiang, fine wool market development requires a county-level initiative alongside the training and market information program over several years before relevant breeding and animal production activities will commence. In Gansu, funds have been set aside to support development of herders’ associations in meat marketing and fine wool marketing in Sunan.

7. Sustainability

Several factors are critical to the project’s sustainability. First, institutional sustainability is important, and has been pursued by building consensus on the project design among a wide range of stakeholders and adopting a participatory process. Most of the implementing institutions are at the local level and only strong participation of all stakeholders during implementation can bring
long-term sustainability to project investments. Second, good ownership of the implementation process by project beneficiaries. For example, the sustainability of the investments into grassland and pasture improvement depend upon the functioning of the relevant resource users associations, being able to generate revenues for operation and maintenance and organize members to contribute labor. Implementation of project investments and activities will thus go in parallel with capacity building at the local level through a participatory approach. Particular attention would be paid to supporting the beneficiaries in building capacity to take on this responsibility for sustainable management of natural resource base. Third, availability and adequacy of natural resources is of great importance for the success of any rural development project that uses such resources. The sustainability of the project depends on availability of livestock food resources that cannot be secured without adequate availability of suitable land with appropriate soil and topographic characteristics and availability of water resources to ensure the sustainable production of the food resources. Fourth, the project embraces market-related activities that are inherently sustainable. An example is the sub-loan program which if successful, would be expected to be adopted by banks within and beyond the project areas. Another example is the reorganization of fine wool marketing at herder level. Its early years are specifically designated to improve selling systems which can yield immediate and tangible benefits to herders. This will solidify support for fine wool husbandry and ensure that genetic resources are fully utilized.

8. Lessons learned from past operations in the country/sector
The proposed project would benefit from the Bank’s extensive experience in livestock and rural development in China and other countries around the world (more specifically in East Africa, Morocco, and Iran). More generally, the proposed project would build on lessons learned from among others, Loess Plateau Projects (I and II), Western Poverty Reduction Project, Shaanxi Agricultural Development Project, Smallholder Cattle Development Project in China; Sheep Development Project in Kyrgyz Republic; and the preparation of the Sustainable Livelihoods Project in Mongolia. Achieving the multiple objectives of the proposed project requires a departure from sectoral approach. For example, successful integrated approach requires that technological improvements of productive assets must be combined with improved management of natural capital with simultaneous improvement of human and institutional capital, while fully taking into account market opportunities and economic sustainability. As such, the Project takes a multidisciplinary approach, addressing issues of institutional development, natural resources management, and access to credit and markets, which are all expected to improve the productivity of sheep production in the short and long-run. A key lesson from Bank financed projects in general is that commitment by governments and the active participation of beneficiaries and other stakeholders (village, township and county governments) in project implementation ensures smooth implementation, success and sustainability of the project. The nature of the proposed project requires in particular that it is driven by entrepreneurial individuals in design, preparation and implementation.

9. Environment Aspects (including any public consultation)
   Issues: Environmental Issues. It is anticipated that the proposed project would bring environmental benefits, through improved
management and a more efficient use of natural resources. There is a risk for a negative environmental effect on the grasslands if the project would lead to an increased number of animals. Marketing becomes a vital component to mitigate this risk along with work with the herders and officials to develop improved stocking rate guidelines and to work to balance livestock numbers with available forage. The forage development (artificial pastures) under the proposed project would be established on existing cropland. No natural grasslands would be converted to artificial pasture. The forage development would primarily consist of perennial legumes (alfalfa) and annual legumes (vetches) and annual forages (oats). Organic fertilizer in the form of manure will be applied to these fields. The proposed project would also promote the testing and evaluation of a wide range of forage cultivars and varieties, including native species, to make eventual use of a wide germplasm base.

Social Issues. The main targeted beneficiaries in both Gansu and Xinjiang are ethnic minority semi-sedentary herders (sedentary in winter, nomadic during summer) and farmers belonging to the Dongxiang, Hui, Kazakh, Mongol, Sala, Uygur, and Yugu ethnic groups. The social assessment work has paid close attention to appropriateness of the project activities relative to the different ethnic minorities as to make sure that all activities are culturally appropriate and in accordance with their wishes. Two rounds of consultations were conducted; the first preliminary round in the spring of 2000 to determine background conditions and general project-related needs, and the second a social assessment in the summer of 2001. The objective of these consultations were to identify the needs and interests of the potential project beneficiaries. Main issues and needs identified by the herders and farmers included the need to increase their income from sheep production, lack of availability of improved sheep breeds, lack of adequate support services for livestock development and inadequate winter forage. Findings from the consultations played an important role in shaping the proposed project as it currently stands.

Social Assessment Process. In order to ensure effective project preparation and implementation, a social assessment (SA) process has been established. The overall purpose of the SA is to assist in designing and implementing the proposed project with the support and active involvement of individuals and groups most directly affected. It is anticipated that this participation will range from simple one-way communication, such as information disclosed in publicity campaigns and surveys, to more intensive interactions involving two-way discussions in which the informant’s opinion is recorded and considered in the proposed project’s design and implementation arrangements. The SA should be viewed as a continuous process of consultation to take place throughout the project’s life cycle.

During the summer of 2001 extensive social assessments were carried out in both Gansu and Xinjiang by Chinese social scientists. Participatory Rapid Appraisals involved focus group discussions, village-wide meetings, household case studies, and householder interviews. The focus for this project preparation Social Assessment was to discuss the outlines of the proposed project with these potential stakeholders and gather their suggestions for project design revision. Beneficiary Participation Manual. In order to "stream-line" beneficiary participation in implementation, Beneficiary Participation Manuals (BPM) have been prepared. The purpose of the BPMs is to describe in detail and formalize the consultation and participation process with affected groups. As such, they define a strategy for allowing stakeholders to influence the decisions and resources that affect them. The BPM is to be viewed as a
working document that is modified to reflect any changes in the project and/or in the economic, political, and social conditions.

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Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.

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