

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

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TO: Ken King, Assistant Deputy CEO, GEF Secretariat
GEF PROGRAM COORDINATION

G E F SECRETARIAT

FROM: *RL* Lars Vidaeus, GEF Executive Coordinator, ENV

EXTENSION: 34188

SUBJECT: **PDF Block B Request for China: Natural Forest Biodiversity Protection Project**

Please find attached a PDF Block B request for the above project. We would appreciate receiving any comments by May 18, 1999, and look forward to discussing the request at a bilateral meeting at your earliest convenience.

Many thanks.

Distribution:

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cc: Messrs./Mmes. Shen (EASRD); Broadfield (EASES); MacKinnon, Bossard,
Towsey (ENV); ENVGC ISC; IRIS2

**Global Environment Facility
Proposal for a PDF Block B Grant**

Country: China
Focal area: Biodiversity
Project Title: Natural Forest Biodiversity Protection Project
PDF Funding Requested: US\$350,000
Counterpart Financing: US\$50,000
Co-Financing: US\$600,000 PHRD
Requesting Agency: World Bank
Block: Block B
PDF Duration: June 1999 to June 2000
Focal Ecosystems: Forest

Block A grant awarded: No

Background

1. China has approximately 133.7 million hectares (ha) of forest, including some 87.2 million ha of natural forests of which approximately 20 million ha are currently designated as nature reserves or forest parks. Many of the remaining forests, including those in upper watershed areas, have been under logging regimes. In response to the severe floods of June-August 1998, the Government of China (GOC) took bold action to strengthen environmental management and reduce soil erosion and deforestation in key watersheds. GOC introduced several policy measures including a ban on logging in natural forests and launched the Natural Forest Protection Program (NFPP) to improve natural forest management, covering about 72 million ha of forests in eighteen provinces in the upper and middle reaches of the Yangtze and Yellow Rivers, northeast Inner Mongolia, and Hainan Island. 30.6 million ha of natural forests will be brought under legal protection either as nature reserves, forest parks, or protection forests according to their biological and watershed protection values, and 41.4 million ha will be brought under sustainable management.

2. The introduction of the NFPP provides an unprecedented opportunity to expand the national protected area network and increase areas assigned for conservation, including forest areas of recognised global importance for biodiversity. A large World Bank project entitled "Sustainable Forest Development Project" (SFDP) is under preparation to assist GOC with developing a sustainable development strategy for natural forest management. A GEF component is being prepared to address conservation of biodiversity in globally-important forests.

Project Objectives:

3. The overall SFDP project has three main objectives: (a) to improve protection and management of natural forests to enhance environmentally sustainable development in China; (b) develop new forestry resources to address China's increasing timber deficit;

and (c) support economic development of local communities to redress the social and fiscal impacts of the logging ban. The objective of the GEF component is to support the conservation and sustainable management of biodiversity in forest ecosystems, through ensuring effective *in-situ* protection of threatened and globally important forest habitats and ecosystems and rare and endemic species.

Summary Project Description:

4. The SFDP consists of five components to be implemented over six years.

(a) **Natural Forest Management Component** would support the development and dissemination of new sustainable management techniques in natural forest areas protected under NFPP. Key activities include: (i) comprehensive forest resource assessment; (ii) balanced management planning of forest resources for a range of economic, social, and environmental objectives; (iii) land capability classification; (iv) introduction of environmentally sound forest harvesting and engineering technology; (e) training and education at all levels of expertise; (v) establishment of models or demonstrations of modern forest management technology; and (vi) establishment of sustainable models of natural forest management, including silviculture, seedling production, regeneration, thinning, harvesting and monitoring.

(b) **Natural Forest Biodiversity Protection Component** would support conservation and improved management of biodiversity in natural forests, through *in situ* protection of threatened and globally important forest habitats and rare and endemic species. Key activities include: (i) establishment of new nature reserves for natural forest areas with high biodiversity value, including corridors between existing reserves; (ii) strengthening the management of new or existing nature reserves of high biodiversity value; (iii) integration of biodiversity conservation into watershed protection and production forests areas adjacent to nature reserves; (iv) strengthening institutions responsible for reserve management and biodiversity conservation in forest areas, and (v) promotion of co-management arrangements which involve local communities in reserve management, monitoring and wildlife protection.

(c) **Plantation Establishment Component** would support increased production of wood to meet the growing gap between domestic supply and demand, and would generate new employment and income for enterprises and rural households affected by the logging ban and other restrictions on forest land use. Key activities include: (i) establishment of commercial wood plantations for solid wood, reconstituted panels, and pulp; (ii) establishment of economic forest crops, including fruit, nut and medicinal trees, bamboo, wicker, etc.; and (iii) provision of related technical support services, including planting stock development, training and extension, guard storage sheds, irrigation facilities, and marketing and post-harvest treatment facilities.

(d) **Economic Development Component** would support the redeployment of redundant loggers to new, environmentally sustainable jobs, and would generate additional income for poor rural households affected by the logging ban and other

restrictions on forest land use. Key activities include: (i) preparation of restructuring plans for state logging enterprises; (ii) implementation of "job transfer with earmarked capital" and worker relocation programs to redeploy surplus forestry workers to other sectors; (iii) transfer of retired state loggers to provincial social security programs; (iv) facilitation of labor migration, through assessment of vocational skills, identification of job opportunities, and provision of vocational training for workers; (v) provision of sub-loans for establishment of commercially viable enterprises with strong backward linkages to local natural resources; and (vi) establishment of micro-credit facilities for provision of small-scale loans for local development and household income generation in communities affected by the logging ban.

(e) **Planning and Management Component** would support: (i) development of improved inventory assessment and monitoring; (ii) development of a comprehensive monitoring and evaluation program to review the environmental, biological, social, financial, and economic impacts of NFPP; (iii) preparation and implementation of a national training and extension program for natural forest management and protection; (iv) the design, management, and supervision of project activities; and (v) preparation of policy studies on key issues.

5. The SFDP will focus on a small set of high priority natural forest areas in a few representative forest ecosystems, in view of the complexity of the issues, the need for extensive capacity building, and the involvement of many different stakeholder groups at the local level. Two provinces have been tentatively selected to participate in the province, based on a review of their interest in the project, natural forest resources, biodiversity value, and commitment to natural forest protection. These are Hainan (tropical monsoon forest) and Sichuan (transition from sub-tropical to cold temperate conifer forest). Hunan is selected as the third one tentatively, representing the sub-tropical evergreen broadleaf forest. Within the three provinces, four to five representative natural forest areas with large forest resources would be targeted. All project components would be implemented in three key provinces. In addition, the Plantation Establishment Component would be expanded to a larger number of provinces with suitable conditions for high-yield commercial plantations. Similarly, the Natural Forest Biodiversity Protection Component would most likely be implemented in some adjacent provinces in order to strengthen transboundary biodiversity protection. These adjacent provinces will be decided during preparation through a participatory process.

6. GEF resources will be focused on component B - Natural Forest Biodiversity Protection and support activities within forest areas recognized as globally-important for biodiversity, through strengthening of protection and management of nature reserves as well as biodiversity surveys and improved forestry planning to establish biological corridors in adjacent production and protection forest lands. Since NFPP is a long-term program, during preparation an assessment would be made as to the appropriateness of developing the GEF component as a longer-term phased program rather than a one-time project.

Description of PDF Activities:

PDF resources are requested to finance the local and international technical assistance to prepare the component and to ensure that the project design draws on best international practices and effective local stakeholder participation. The PDF will finance the following activities:

(a) **Biophysical Surveys** to identify areas of high forest biodiversity. Based on current information, biodiversity gap analysis being carried out under an existing GEF-financed Nature Reserves Management Project, and supplemental rapid biodiversity assessment and survey to be financed by the PDF of the project sites, areas of high forest biodiversity will be identified. In close coordination with Component A of the SFDP which will prepare new land-use classification system for natural forests, propose new areas to be established as nature reserves or as biological corridors within and between production forests.

(b) **Socio-Economic Surveys.** Socioeconomic surveys in and around high forest biodiversity areas would be carried out to: (i) determine the levels of use and dependency of local communities, particularly the ethnic minorities, on the priority forested areas; (ii) assess the impacts of local community activities on these areas; and (iii) assess the impacts of establishment of new reserves or corridors on the local communities. Based on the survey results, opportunities and mechanisms for co-management will be identified, and if appropriate, an ethnic minorities plan would be developed.

(c) **Protected Area Establishment and Identification.** This activity would identify management needs for no less than 10 priority areas (new and/or existing reserves). Detailed management plans will be prepared under the project.

(d) **Institutional Strengthening,** including professional development and training needs at the individual reserve, and provincial levels. This will include a training needs assessment particularly training needed to effectively engage local communities in reserve co-management, to monitor change, and in planning and implement biological corridors.

(e) **Development of a Monitoring and Evaluation (M&E) plan,** focusing on indicators of biological impact, sustainable use, community involvement and socioeconomic benefits.

(f) **Education and Awareness.** Design targeted public information, awareness and education programs in the project provinces, using a multiple media approach (literature, radio, theatre) and building on local cultural heritage.

(g) **Public Participation.** Several local stakeholder workshops will be convened to promote consultation and meaningful participation of local governments and communities. One coordination workshop with donors and international NGOs will be convened to ensure complementarity of proposed activities, exchange of implementation experiences, and avoid duplication.

Eligibility:

China ratified the Convention on Biological Diversity in 1992. The program is consistent with Convention of Parties (COP) guidance on eligibility of projects that strengthen conservation, management, and sustainable use of ecosystems and habitats, particularly environmentally vulnerable and threatened habitats and species.

National Level Support:

The proposed project will be assisting GOC to implement the new Natural Forest Protection Program (NFPP) which has strong support from GOC. Implementation of NFPP is both a vital component of China's sustainable development strategy and a contribution to the global environmental protection.

Justification for PDF Grant:

The project will provide support for conservation and sustainable use of biodiversity in areas included in the 200 Globally Important Ecoregions. China is a megadiversity country, and encompasses a wide range of forest habitats which harbor many rare and endemic species. The GEF interventions will focus on sites, habitats and species recognised as globally-significant. The project is consistent with the GEF Operational Strategy for Biodiversity and especially the Operational Programs for Forests and Mountains.

The three pilot provinces have been tentatively selected based on their interest in participating in the project, representativeness of natural forest types, high biodiversity value, and local government's commitment to natural forest protection. Sichuan province is in the transition from sub-tropical to cold temperate conifer forests. The province contains the third highest number of endangered plant species, second in terms of mammal species richness, and second in terms of richness of bird species. This province contains high percentage of habitat of the Giant Panda. Hainan is biologically very rich. Hainan province contains evergreen tropical rainforests and monsoon forests with mangroves scattered intermittently along the coast around river inlets. The flora is estimated at 4200 species, 630 of which are said to be endemic to the island. The bird and mammal lists are also very rich for an island and a total of 76 mammal and 344 bird species have been recorded. The island has several important species found nowhere else in China or that are nationally or internationally endangered. Hunnan province contains broad-leaved evergreen forests and high diversity of plant species. Flora is estimated at 5,000 species of which 51 plant species are endangered.

The project responds to COP3 and COP4 guidance through promoting conservation and sustainable use through adaptive management of forest ecosystems; through capacity building; and by integrating biodiversity conservation into improved management in the forestry sector. While the GEF component will address the incremental costs of protecting globally significant biodiversity, the overarching SFDP project addresses the