



PROJECT IDENTIFICATION FORM (PIF)
PROJECT TYPE: Full-sized Project
THE GEF TRUST FUND

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PART I: PROJECT IDENTIFICATION

GEFSEC PROJECT ID: 2369

GEF AGENCY PROJECT ID: TBD

COUNTRY(IES): People's Republic of China

PROJECT TITLE: An IEM Approach to the Conservation of Biodiversity in Dryland Ecosystems

GEF AGENCY(IES): IFAD

OTHER EXECUTING PARTNERS: MINISTRY OF FINANCE (MOF) AND SHANXI, NINGXIA AND GANSU PROVINCES

GEF FOCAL AREA (S): Biodiversity, Land Degradation

GEF-4 STRATEGIC PROGRAM(S): Biodiversity SO1/SO2 & SP3/SP4;

LD (SO2 & SP1, SP2)

NAME OF PARENT PROGRAM/UMBRELLA PROJECT: PRC-GEF Partnership on Land Degradation in Dryland Ecosystems

INDICATIVE CALENDAR	
Milestones	Expected Dates
Work Program (for FSP)	APR 2008
CEO Endorsement/Approval	JUL 2008
GEF Agency Approval	AUG 2008
Implementation Start	FEB 2010
Mid-term Review (if planned)	SEP 2012
Implementation Completion	JAN 2015

A. PROJECT FRAMEWORK

Project Objective: The goal of the proposed Full-size Project is to achieve significant reductions in loss of biodiversity in selected dryland ecosystems affected by land degradation in three provinces in China's Western Region. Progress towards meeting this goal would be achieved through the development and implementation of pilot integrated ecosystem approaches designed to protect and rehabilitate existing protected areas threatened by non-sustainable land use practices contributing to land degradation as well as deforestation, over-grazing and illegal hunting. Inherent to the proposed objective and approach is the need to address the underlying issue of poverty and its reduction; a key causal factor contributing to the aforementioned threats and loss of biodiversity.

Project Components	Investment, TA, or STA**	Expected Outcomes	Expected Outputs	Indicative GEF Financing*		Indicative Co-financing*		Total (\$,000)
				(\$,000)	%	(\$,000)	%	
1. Policy re-alignment and Institutional Strengthening	TA	improved policy formulation in support of biodiversity conservation and mainstreaming of biodiversity principles in local/provincial policy frameworks and processes	Policy analysis and draft policy statements prepared; field testing of pilot policy alternatives; training courses and workshops	334	25	1,007	75	1,341
2. Community-based Ecological Planning and Restoration & Alternative Livelihoods	TA Invest	widespread inclusion of ecological principles in the village planning process, adoption and upscaling of validated alternative livelihood options designed to reduce poverty and pressure on biodiversity resources in and adjacent to existing PAs (see component 3 below)	ecological maps, village level interventions designed to rehabilitate small-scale degraded areas, field testing of "pilot" candidate alternative livelihood options designed to reduce non-sustainable livelihood practices affecting biodiversity	1,720	9	17,736	91	19,456
3. Protected Areas	Invest TA	increased protection of biodiversity and sustainability of protected areas, strengthening of the PA system nationally	management plans, boundary demarcation, increased capacity among PA staff, modest investments in PA-related equipment and infrastructure	1,680	27	4,434	73	6,114
4. Increasing Public Awareness	TA	increased public support for conservation of biodiversity	public awareness materials and events, cross-site visits	180	31	407	69	587
5. Monitoring & Evaluation and Information Dissemination	TA	up-scaling the project approach in other intra and extra-provincial areas	M&E plan, timely M&E reports, publications, homepage	331	51	313	49	644
5a. Project management				300	33	603	67	903
Total project costs				4,545	16	24,500	84	29,045

B. INDICATIVE FINANCING PLAN SUMMARY FOR THE PROJECT (\$,000)

	Project Preparation*	Project	Agency Fee	Total
GEF	350 ¹	4,545	450	5,349.5
Co-financing	485	24,500		24,985
Total	835	29,045	450	30,334.5

¹ PDF Block B approved from GEF 3 and advanced fees received on PDFB

C. INDICATIVE CO-FINANCING FOR THE PROJECT (including project preparation amount) BY SOURCE and BY NAME (in parenthesis) if available, (\$)

Sources of Co-financing	Type of Co-financing	Amount
Project Government Contribution	Cash	16,990
IFAD	Cash	6,496
Beneficiaries	in-kind	1,499
Total co-financing		24,985

D. GEF RESOURCES REQUESTED BY FOCAL AREA(S), AGENCY (IES) SHARE AND COUNTRY(IES)*

GEF Agency	Focal Area	Country Name/ Global	(in \$)			
			Project Preparation ¹	Project	AgencyFee	Total
IFAD	Biodiversity	China	210	2,727	272.7	3,209.7
IFAD	Land Degradation	China	105	1,818	181.8	2,104.8
IFAD	IEM	China	35	NA	NA	35
Total GEF Resources			350	4,545	454.5	5,349.550

PART II: PROJECT JUSTIFICATION

A. STATE THE ISSUE, HOW THE PROJECT SEEKS TO ADDRESS IT, AND THE EXPECTED GLOBAL ENVIRONMENTAL BENEFITS TO BE DELIVERED:

The vast area that is China (9.6 million km²) extends over a highly diverse topography and accompanying climate regime that in terms of biodiversity combines to contribute to making it one of the world's mega-diverse countries. There is an estimated 599 distinct terrestrial ecosystems in China which in turn can be broadly categorized into forests (212), shrub lands (113), steppes (55), meadows (77), savannas (73), deserts (52) and alpine tundra (17). Over 18 percent of China is forested with some 340 forest types ranging from tropical forests to temperate conifer forests. By one estimate, China is thought to possess some 83,000 species (excluding micro-organisms and insects) of which some 33,000 species are higher plants accounting for over 11 percent of recorded plant species world wide. An additional 6,347 species are vertebrates representing some 14 percent of the world total. Despite the significance of China's endowment, much of the country's rich biodiversity is under severe threat. Main categories of threat are: overgrazing of grasslands, loss of wetlands, commercial and illegal logging, over-harvesting of specific species, mining/resource exploitation, urban expansion, monocultures, invasive alien species and climate change. The biodiversity in China's western provinces, a region which comprises some 350 - 400 million people and the highest incidence of poverty in the country, is particularly at risk. The vast western region of China is the area most intensively affected by land degradation. The combination of the arid/semi-arid climatic conditions, the low ecosystems NPP production and the high population pressure and stocking rates has resulted in further degradation and poverty. Data from the region (SEPA 2001) indicates that moderate to severe land degradation affects about 50 % of the area with 27 % of land is exposed to wind erosion, 16 % to water erosion and more than 10 % to advanced desertification. Land degradation is a result of climatic, environmental and human management conditions. Major causal factors contributing to the threat are non-sustainable land use practices, principally overgrazing of grass lands, poor agricultural practices, conversion from traditional farming/land use and grazing patterns of rangelands to more intensive systems, deforestation of hill slopes and inappropriate cultivation of steep slopes, neglect of communal conservation practices under the new rural system, improper management of soil and water on irrigated lands including ground water resources. Common strong spring winds in north China are also affecting dry loess soils and degraded rangelands.

Root causes of land degradation in China relate also to the decrease in land resources per capita (0.11 ha for arable land, 0.17 ha for forests and 0.22 ha for rangelands). This is coupled with high incidence of rural poverty in most vulnerable ecosystems (90 % of poor live in areas of moderate to severe land degradation). High demand for biomass for rural energy (about 70 % of rural energy in natural or cultivated biomass) has lead to further land degradation.

Land use and land management policies are implemented in a top-down fashion; they do not often respect the provincial and site conditions. Sector-driven management and lack of coordination between ministries and between regional and local administrations are leading to scattered and overlapping SLM interventions. There are no adequate regulatory environments for dealing with land degradation, no financial incentives for conservations.

Non-sustainable land use practices have also affected the functioning of the associated ecological systems which in turn, further exacerbates the loss of biodiversity as well as contributes to undermining basic watershed functions and declines in air quality; a major issue in China which has a trans-boundary dimension. Other major sources contributing to the loss of biodiversity in China's western provinces include illegal logging, mining (in certain provinces), and widespread use of single species in reforestation efforts.

The PRC is well aware of the significance and magnitude of the problem and to its credit has reached a number of milestones and supported the development and implementation of several large-scale national programs. In terms of conservation of biodiversity past milestones include: (i) China's signing of the CBD (1993), (ii) preparation of a Biodiversity Action Plan shortly (1994); (iii) establishment of a Steering Committee for the implementation of the CBD; (iv) passage of a large body of national and provincial legislation in support of biodiversity conservation, and (v) inclusion of a number of explicit objectives and strategies in support of biodiversity conservation in the 11th 5 year National and Provincial Socio-economic Development Plans. Similarly, PRC's approach to LD has been equally credible. Major national and regional programs that have addressed the issue include: Cropland Conversion Program, (ii) Forestation of the upper Yellow River Program, (iii) Fast Growth Forestry Program, (iv) Sand Control Program for Areas around Beijing, (v) Natural Forest Protection Program and (vi) Program for the Protection of Wild Plants and Animals and for the Establishment of Nature Reserves. Moreover, in the western provinces, PRC has budgeted some US\$ 13 billion over a 10 year period to address soil erosion. These earlier efforts have recently been complemented by the new China Biodiversity Partnership and Framework for Action and the PRC-GEF Partnership on Land Degradation in Dryland Ecosystems, respectively.

Despite these past and on-going milestones and programs, the loss of biodiversity will likely continue for the foreseeable future. Critical constraints identified in the aforementioned Biodiversity Action Framework include: weak governance, lack of an overall strategic approach to biodiversity conservation, a weak institutional framework, lack of financing, shortage of research and technical capacity, low public awareness, and weak coordination and cooperation amongst local, national and international partners. Moreover, it has been demonstrated that conservation of biodiversity can not be limited to sector-specific and *in situ* only measures. The proposed Project will support activities that complement the existing IFAD-supported projects in three different eco-zones located in the western provinces of Shanxi, Ningxia and Gansu, respectively. Applying the Bureau of Environment's eco-division zonification scheme these are: (i) northern Shanxi mountainous and hilly zone (Shanxi), (ii) central Ningxia arid wind and sand ecozone (Ningxia) and (iii) loess plateau gully zone (Ganzu).

Each ecosystem is characterized by an existing protected area. These are: Mt. Luya National Nature Reserve (Shanxi), Mt. Luoshan National Forest Ecosystem PA (Ningxia) and Taizi Mountain Provincial PA (Gansu). Project activities will be focused on these systems. The project areas in 3 provinces are national or provincial nature reserve with biodiversity conservation significance. They are rich in international endangered and threaten species (IUCN Red List) of threaten species and national key protected animal list. Examples include, *Crossoptilon mantchuricum*, *Ciconia nigra*, *Aquila chrysaetos*, *Gypaetus barbatus*, *Otis tarda*, *Panthera pardus*, *Moschus moschiferus* in Shanxi; Luyashan national nature reserve. Species like *Haliaeetus albicilla*, *Otis tarda*, *Otis tetrax*, *Ciconia nigra*, *Felis bieti*, *Felis manul*, *Gazella subgutturosa*, *Cygns cygnus*, *Platalea leucorodi* *Anthropoides virgo* are found in the Yinxia Habahu national nature reserve. The Gansu Taizishan nture reserve is home to species like *Panthera uncial*, *Moschus sifanicus*, *Terastes sewerzowi*, *Aquila chrysaetos*, *Gypaetus barbatus*, *Aquila heliaco*, *Tetraophasis obscurus*. The project areas is also hosting many global important conservation plant species such as *Ephedra intermedia*, *E. sinica*, *Glycyrrhiza uralensis*, *Agropyron mongolicum*.

Shanxi hosts more than 400 species of terrestrial wild animals, including some 70 species of rare animals under state protection. The 14 species under first-class protection include white stork, black stork, golden eagle, sea eagle, vulture, brown pheasant, red-crowned crane, great bustard, leopard, tiger and sika deer. The 56 species under second-class protection comprise 40 kinds of birds, two kinds of amphibians and 14 kinds of beasts. In addition, there are more than 20 species of fur-bearing animals, including otter, Marten foina, raccoon-dog, leopard cat, yellow weasel, badger and fox. Table animals include hare, wild boar, ring-necked pheasant, rock partridge and partridge. There are also more than 70 species of medicinal-supplying animals. The particular ecosystem of Luya Mountain is located in the north Luliand

mountain range and is one of the famous tourist attractions of Shanxi. The ecosystem is home to 91 families, 386 genera and 814 species of vascular plants. Luya Mountain is also home to the important *Larix principis-rupprechtii* vegetal formation that plays significant roles in water conservation, eco-tourism, and biodiversity in the area. The reserve is habitat for many of the above fauna species. **Gansu** is also home to 659 species of wild animals, including the giant panda (*Ailuropoda melanoleuca*), snub-nosed monkey (*Pygathrix roxellana Pygathrix*), antelope, snow leopard, deer, fawn, musk deer, bactrian camel, and 24 other first-class rare animals under state protection, and 441 species of birds. There are over 4,000 species of wild plants including 951 species of medical value. Among the plants of medical value, 450 species, such as angelica root (*Angelica archangelica*), rhubarb (*Rheum officinalis*), hairy asiabell root (*Radix codonopsis pilosulae*), licorice root, the bark of eucommia, glossy ganoderma, and Chinese caterpillar fungus. Gansu holds second place among China's provinces and autonomous regions in the variety of medicinal herbs. By the end of 2005, the province of Gansu had established 54 nature reserves. Although suffering severe environmental degradation over recent centuries, **Ningxia** supports a wide variety of species of biota. Ningxia is small relative to other provinces in China, representing less than 1% of China's land area and 1% of the natural wetland area. However, the proportion of species in China represented in Ningxia is relatively high with 7% of vascular plants, 9% of fish, and 27% of birds.

The proposed Project would provide support for the incremental costs associated with interventions that address the conservation of biodiversity and existing threats to same associated with non-sustainable land use practices contributing to land degradation and their underlying root causes within an integrated ecosystem management (IEM) framework. The Project will build on and strengthen the existing baseline by: (i) supporting a policy component; (ii) building capacity through strengthening selected local, regional, and provincial PMOs and main-line executing agencies (MLAs) to develop a more coordinated and integrated approach to the conservation of biodiversity and sustainable land management; (iii) implementing on-the-ground, pilot field activities designed to address specific arid/semi-arid land environmental issues and their underlying root causes threatening biodiversity; (iv) providing direct support to the PAs; and (v) increasing public awareness of the value of biodiversity and the consequences of its loss due to non-sustainable land use practices.

Global environmental impacts that are expected to accrue through supporting the project's approach include: (i) conservation of biological diversity. This would occur both through: (a) providing direct support to existing protected areas, (b) adopting sustainable grazing and agricultural management practices threatening the aforementioned PAs, (c) recovery and supporting increased protection of the degraded arid and semi-arid lowlands together with upland protected temperate forests currently under threat of encroachment and (d) promoting the preservation of the ecosystem integrity and recovery of its functions and services; (ii) demonstrating cross-area synergies associated with the development and implementation of site-specific IEM interim strategies and plans that will guide project activities; (iii) CO₂ avoided through promotion of use of appropriate renewable energy technologies designed to reduce pressure on forest resources in the project sites; and (iv) experiences and “lessons-learned” that could prove to be catalytic in shaping PRC's efforts to address non-sustainable land uses at a scale that could eventually reduce trans-boundary levels of wind-borne particulates. Global environmental benefits that are expected to be yielded through SLM are: (i) regulating and provisioning services of ecosystems in particular nutrient cycling, the global carbon cycle and the hydrological function in key ecosystems of global importance (i.e. biodiversity hotspots and protected areas), (ii) reduced pressure and encroachment in selected biodiversity hotspots and their buffer zones, (iii) reduced habitat and landscape fragmentation. Furthermore the BD/LD blended nature of the project will generate feedback loops that will enhance the scientific and practical knowledge and improve impact and cost effectiveness future GEF and non-GEF investments. Furthermore the project is aiming at the promotion of integrated SLM and biodiversity ecosystems in three different provinces. This will lead to significant results in terms of approaches and techniques that could be up-scaled elsewhere in China and in similar ecological and socio-economic setting across the globe. Linkages with the China Biodiversity Partnership and Framework for Action will offer a platform for disseminating good practices and coordinated investments that bridge two focal areas. Coupling SLM and BD operations will also offer good examples for cross focal area and cross-conventions synergies that could serve as model for other projects at the global scale.

B. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH NATIONAL PRIORITIES/PLANS:

The proposed Project is compatible with all of China's major national development and environmental programs. These include: (i) 11th National Five-year Plan. China's 11th National Five-year Plan (2006 - 2010) identifies “protecting the eco-environment” as a key strategy and for the first time explicitly mentions the need for the protection of biodiversity. These objectives are reinforced in the 11th Five-year sector plans for environmental protection, forestry, fisheries, agriculture and land resources as well at least 13 provincial 11th Five-year plans; (ii) 11th Five-year plan for Overall West Development. One of the key principles guiding the Western Development Strategy is the need to strengthen on-going ecological construction and environmental protection activities emphasizing the sustainable use of natural resources to provide ecological security for the Western Provinces; (iii) Agenda 21. China's Agenda 21 specifically addresses Project

relevant issues in the following chapters: Strategies and Policies for Sustainable Development (Chapter 2); Economic Policies for Sustainable Development (Chapter 4); Sustainable Development Information Systems and Human Resource Development and Capacity Building (Chapter 6); Eradication of Poverty (Chapter 8); Sustainable Agriculture and Rural Development (Chapter 11); Conservation and Sustainable Use of Natural Resources (Chapter 14); Conservation of Biodiversity (Chapter 15); Combating Desertification (Chapter 16); and Public Participation in Sustainable Development (Chapter 20) and (iv) NEAP. China's National Environmental Action Plan (1991 – 2000) which was completed in 1994 identified among other environmental issues, soil erosion, grassland degradation and loss of ecosystems and species as major national environmental priorities.

C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH GEF STRATEGIES AND STRATEGIC PROGRAMS:

The proposed project is fully consistent with relevant GEF strategic objectives and programs for GEF 4 under two focal areas, namely LD and BD. The project is primarily aligned with SO1 (to catalyze the sustainability of protected area systems) and SO2 (to mainstream biodiversity in production landscapes and sectors) of the biodiversity focal area. This is ensured through the projects targeted intervention in three ecological zones that hold each one PA system. These are: Mt. Luya National Nature reserve (Shanxi), Mt. Luoshan national forest ecosystem PA (Ningxia) and Gansu Taizishan nature reserve (Gansu). SO2 is accommodated through the project approach that is adopting a participatory IEM approach to conservation coupled with a strong component on policy re-alignment and institutional strengthening in view of an improved policy formulation in support of biodiversity conservation and mainstreaming of biodiversity principles in local and provincial policy frameworks/processes. SLM activities will mainly relate to SO 2 (Up-scaling SLM investments that generate mutual benefits for the global environment and local livelihoods). The project will respond to this SO through its component 2 (community based ecological planning and restoration and alternative livelihoods). It will consist of an innovative combination of SLM (on small scale degraded sites) with ecological principles in the village planning process leading to restoration activities that meet environmental/conservation objectives and generate alternative income for the local communities.

The proposed Project is specifically in full conformity with the Biodiversity Focal Area Strategy under GEF-4 in supporting SP # 3 and SP # 4, respectively. Specifically, the Project would support the strengthening of terrestrial PA networks through providing improved ecosystem coverage within the broader context of China's national PA system and increasing existing capacity to manage selected PAs. Illustrative activities supported by the proposed Project include preparation of management plans, demarcation, strengthening of existing staff capacities, increasing public awareness of the importance of biodiversity conservation and the role PAs play in addressing the issue and modest investments in equipment and infrastructure. Under SP # 4, the Project would contribute to the strengthening of the existing policy and regulatory framework by mainstreaming biodiversity in the planning and policy formulation processes of participating provinces. The incorporation of measures to conserve and sustainably use biodiversity in non-environmental sectors would be achieved through providing support for basic training in biodiversity conservation and ecological principles and the development of multi-disciplinary approaches at the local at the village and provincial level to support the incorporation of biodiversity principles in relevant policy formulation and planning processes.

The proposed Project also fits fully with the GEF-4 Strategy for the Land Degradation FA. First, it is directly supportive of sustainable land management (SLM) principles selected and applied to control and prevent land degradation that threatens the conservation and restoration of biodiversity in selected pilot sites. Second, it supports a landscape approach through the application of an integrated ecosystem management (IEM) strategy as the integrative framework to address biodiversity conservation threatened by non-sustainable land use practices. The selection of the participating provinces and specific sites also reflect GEF IV priorities to focus on areas severely affected by LD but with the potential for improvement through the creation/existence of an enabling institutional environment. Specifically, the Project is most closely aligned with SP # 1 in providing support for sustainable rangeland management and natural resources (thus reducing pressure on adjacent PAs) and SP # 2 through supporting interventions that reduce pressure on semi-arid forested ecosystems and support for their sustainable management.

D. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:

China Biodiversity Partnership and Framework for Action. The aforementioned Partnership is composed of key stakeholders from China's biodiversity conservation community who have come together to address the critical threats to the country's biodiversity and the barriers that impede the development of effective mitigation measures. An accompanying Framework for Action has been developed for a 10 year period (2007 – 2017) with the goal of achieving "a significant reduction of the rate of biodiversity as a contribution to China's Sustainable Development." Key themes and selected results identified in the Framework that the proposed Project supports include: (i) improving biodiversity governance (institutional framework for biodiversity is supported across sectors, public supportive of biodiversity conservation, broad stakeholder role in biodiversity conservation); (ii) mainstreaming biodiversity into socio-economic sectors, plans and investment decision-making; (biodiversity conservation mainstreamed in local plans); (iii) investing

effectively in reducing biodiversity loss in PAs (effective governance for the national PA system, national/provincial PAs are effectively managed, have stable finance and broad local stakeholder participation and support in their management); and (iv) investing effectively in reducing biodiversity loss outside of PAs (land-use planning and management systems contribute to biodiversity conservation, restoration of critical ecosystems).

IFAD will become a member of this partnership and the proposed project will directly contribute to its overreaching objectives through its operations in the three provinces. The project will contribute to momentum building around the relevant programs of other partners and will lead to a shift in the local and national approach to biodiversity conservation and sustainable use, to a fuller integration of biodiversity into development and integrated ecological planning at the local level. The project will provide a vehicle at the local level to address barriers to biodiversity conservation and sustainable land management. Specifically, the proposal shall directly contribute to the CBPF by developing critical mass of activities for successfully addressing the drivers of biodiversity loss in the three provinces of Gansu, Shanxi and Ningxia. It will also provide (within the CBP framework) a strong platform for exchanges and improved communications between global, central and local stakeholders and government policy-makers and technical experts while generating and sharing responsive and viable mechanisms for conservation. The project will certainly work towards encouraged coordination and synergies amongst Chinese partners to progressively bring large number of biodiversity stakeholders to act within a coherent framework at the three provinces.

GEF Partnership on Land Degradation in Dryland Ecosystems. The PRC-GEF Partnership aims to reduce poverty, arrest LD and restore dryland ecosystems in the country's Western Provinces and is governed by the Country Programme Framework (CPF) which covers a 10 year period (2003-2012). The CPF provides a coherent framework for prioritizing and sequencing interventions that integrate LD controls, biodiversity conservation and carbon sequestration with PRC planning frameworks. In CPF design, it was clear that other GEF IAs/EAs as well as bilateral agencies would play a significant role in the execution of the Program. The initial concept proposal (supported under a GEF 3 Block B grant) was submitted under the PRC-GEF Partnership on Land Degradation in Dryland Ecosystems. The ADB subsequently endorsed the concept proposal under the Partnership.

E. DISCUSS THE VALUE-ADDED OF GEF INVOLVEMENT IN THE PROJECT DEMONSTRATED THROUGH INCREMENTAL REASONING :

Without the GEF: Land degradation is contributing to significant losses in the productivity of the country's lands which bring with it enormous socio-economic consequences as well as adversely affects the nation's food production and security. It also contributes to reduced levels of carbon sequestration, particularly associated with loss in forest cover, rangelands and pastures, all important "sinks" of carbon dioxide. Deforestation, non-sustainable agricultural practices, and the conversion from traditional grazing patterns of grasslands to more intensive grazing management strategies, have also affected the functioning of the associated ecological systems which has contributed to the undermining of basic watershed functions, conservation of native biological diversity, and the decline in air quality; a major issue in China which has a trans-boundary dimension. The PRC is well aware of the significance and magnitude of the problem and to its credit has supported the development and implementation of a number of large-scale national programs. These include the: (i) Cropland Conversion Program, (ii) Forestation of the upper Yellow River Program, (iii) Fast Growth Forestry Program, (iv) Sand Control Program for Areas around Beijing, (v) Natural Forest Protection Program, and (vi) Program for the Protection of Wild Plants and Animals and for the Establishment of Nature Reserves

IFAD is providing loans for activities that can be divided into three main categories of support: (i) building and rehabilitating agricultural and social services infrastructure, (ii) developing human resources capacity, and (iii) establishing a micro-finance scheme to beneficiaries. General categories of activities supported under the baseline project that will directly address the issue of land degradation include: (i) development of irrigable lands, (ii) improved dryland agriculture, and (iii) environmental management and desertification control. Land development and irrigation activities will be designed to increase labor and land productivity through developing new or rehabilitating existing irrigation systems, improving soil management, leveling and terracing. A key objective is to improve productivity and profitability of the lands most suitable for agricultural production and convert economically marginal and ecologically fragile holdings to other, more sustainable uses (e.g., permanent vegetation in the form of economic and/or ecological tree planting). However, given the scale of the problem, PRC's existing national programs, and shrinking levels in international funding, any initiative to assist China should be designed to clearly demonstrate the advantages accrued from a modified, pilot approach and include the means to facilitate its replication and scaling up through promoting its "mainstreaming" in relevant national programs.

With the GEF: The Chinese Government has made significant strides in reforestation and reclamation of degraded grasslands. However, much remains to be done to achieve the global benefits associated with incorporating an IEM

approach into existing baseline activities. On-going reforestation and afforestation efforts can be expanded and diversified to restore native biodiversity and achieve greater carbon sequestration benefits. Promoting a watershed based approach with mixed native species will not only increase species preservation capacity but restore the natural functioning of the ecosystem and increase the downstream good and services provided by same. Global benefits that the Alternative aims to achieve include: conservation of biodiversity, increase storage of greenhouse gases, conservation and sustainable use of waters and reduction of trans-national air pollution. Following the above approach, the GEF Alternative will support activities that complement the existing baseline project by providing support for the incremental costs associated with interventions that address land degradation and its underlying root causes within an integrated ecosystem management (IEM) framework. The Alternative will build on and strengthen the baseline by: (i) supporting a policy component; (ii) capacity building through strengthening selected local, regional, and provincial PMOs and main-line executing agencies to develop a more coordinated and integrated approach to sustainable land management and biodiversity conservation; (iii) implementing on-the-ground, pilot field activities designed to address specific arid/semi-arid land environmental issues and the underlying root causes within an IEM framework; (iv) increasing public awareness of the value of addressing issues of environmental degradation and biodiversity conservation through an ecological approach.

The proposed alternative will support activities that complement the existing baseline activities by providing support for the incremental costs associated with interventions that address biodiversity conservation, non-sustainable land use practices and their affect on degradation of land and its underlying root causes within an integrated ecosystem management (IEM) framework. Most of GEF alternative will be targeting selected PAs and their buffer zones in three provinces while addressing the root causes/linkages between land degradation and biodiversity loss in the selected sites. The alternative will also support up-scaling and dissemination of best practices in order to generate impact at the global scale.

F. INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS, THAT MIGHT PREVENT THE PROJECT OBJECTIVE(S) FROM BEING ACHIEVED, AND IF POSSIBLE INCLUDING RISK MEASURES THAT WILL BE TAKEN:

Slow integration of policy reforms into provincial policy frameworks. This risk is associated with the degree to which “pilot” policy reforms that address biodiversity conservation and non-sustainable land use threats can be “mainstreamed” into Provincial policy frameworks. As a risk, this will be addressed in project design through promoting a number of parallel awareness raising activities in support of relevant policy reforms directed at both key decision makers as well as the public at large and include site visits to areas where policy related pilot activities are being supported. These will be complemented by a study designed to better understand the policy formulation process in each of the participating provinces. As a mitigation measure the project will integrate a tracking tools (in its M&E system) with well defined triggers to ensure a timely integration of policy reforms into provincial policy frameworks.

Sustainability. A second risk will be demonstrating the value of GEF-supported activities to IFAD target populations during the 5 year life of project (LOP) to ensure the future sustainability of the IEM approach to biodiversity conservation and its replication elsewhere when grant financing ends. This will be addressed in part through project support for “mainstreaming” relevant activities that achieve both global environmental and national benefits into policy frameworks supported by provincial programmatic finance. A second means to address this will be working with local communities to identify appropriate activities that meet both immediate poverty reduction objectives while also achieving global environmental benefits. To sum up, the proposed Alternative will work with local communities, their institutions and decision-makers alike to make them more aware of the benefits achieved both locally and globally, through the Project.

Climate Change. This risk is expected to have a negative impact on the country’s already vulnerable agriculture and natural resources. The project will integrate *inter-alia* climate risks and climate proofing measures in the IEM planning process to promote adaptation of communities and farmers to climatic variability. Similarly the project will forge linkages and synergies with ongoing projects and efforts to mainstream adaptation and to contribute to the knowledge base through its information dissemination and public awareness activities.

G. DESCRIBE, IF POSSIBLE, THE EXPECTED COST-EFFECTIVENESS OF THE PROJECT:

Cost-effectiveness of this project is evidenced by its fully blended nature with three IFAD projects in the three provinces and with its high co-financing ratio (about 5.5). The management cost is maintained at a low level (6.6 % only) to ensure that impact by GEF dollar is maximized in the ground. Project management is highly co-financed by IFAD. The already existent Project Management Offices (PMOs) and supporting Leading Groups would further contribute to a cost-effective implementation of the GEF component through reduced recurrent and running costs. Benefits will also accrue from: (i) a single albeit modified management structure, (ii) common procurement procedures and operations, (iii) an integrated M & E program, and (iv) complementary project interventions with little risk of duplication or overlap due to sharing a common IEM plan at each project site. The proposed project design offers potential for a high multiplier effect through

its up-scaling component and direct linkages with the China Biodiversity Partnership and Framework for Action that envisages harmonization, synergies and less duplication for higher and differential impact by GEF dollar. Project approach (participatory IEM for conservation in dryland ecosystem) will generate targeted investments through participatory mapping and prioritization of activities. This will lead to better allocation of GEF and non-GEF resources and focused interventions/investments. Also synergies between the proposed Project and the GEF Partnership on Land Degradation in Dryland Ecosystems will contribute to higher cost-effectiveness. Key elements include: (i) application of an IEM approach to dryland ecosystems conservation by coupling activities with wider investments in improved NRM and sustainable productivity, (ii) linking the dryland ecosystems management activities supported under the partnership with national biodiversity conservation programs and strategies and (iii) exploring new models to link poverty alleviation with rural income diversification and sustainable NRM through application of an IEM approach. This will reduce transaction costs and duplications. However, exact estimation and assessment of the cost-effectiveness aspects of this project can not be fully acknowledged at this early stage. Project preparation will offer further elements to better assess the cost-effectiveness of project activities.

H. JUSTIFY THE COMPARATIVE ADVANTAGE OF GEF AGENCY:

Many IFAD-supported operations are helping poor farmers and indigenous peoples contribute to the preservation of species and ecosystems. Biodiversity is part of IFAD's work in many ecosystems across the globe, both through its grants to research partners and through its regular lending instruments. Some examples include the Biodiversity Conservation and Participatory Sustainable Management of Natural Resources in the Inner Niger in the Mopti Region in Mali and the Mount Kenya East Pilot Project for Natural Resource Management that are directly dealing with biodiversity conservation in an integrated manner. Examples also include the Second Environment Program Support Project in Madagascar and the Sustainable Development Project for Rural and indigenous Communities of the Semi-Arid North-West in Mexico that is particularly dealing with Ecotourism. IFAD has supported biodiversity through its grants portfolio such as through Rewarding the Upland Poor in Asia for Environmental Services That They Provide (the RUPES project),

IFAD has proven and evidenced experience through its portfolio in supporting management of national parks and adjacent buffer zones (e.g. buffer zones of the Phong Nha-Ke Bang National Park in Viet Nam), promotion of local best practices and traditional know-how, support to agro-biodiversity conservation and agro-forestry including biodiversity conservation. IFAD supports biodiversity conservation in an integrated fashion and many of its operations were successful in up scaling innovative models for management of natural resources and biodiversity in sustainable manner.

The recently updated Country Strategic Opportunity Paper for China (2005) highlights the catalytic role and focus of IFAD's activities in the country. The new strategy is driven by an emphasis on access and on innovation. IFAD promotes access for poor women and men to information and knowledge, and to natural resources, appropriate financial services and quality premium markets. By introducing sector programs, IFAD directs its resources towards a limited number of strategic opportunities. Positive results of pilot program will be a basis for policy adjustment and for up-scaling that will utilize the government's own resources. This vision is aligned with the proposed GEF project whereby IFAD will lead the effort in the three provinces in further mainstreaming biodiversity conservation in the local planning and policy frameworks. Involving IFAD will offer an opportunity to mainstream biodiversity in production landscapes and to couple development operations (and livelihoods improvement) with conservation efforts. Also, IFAD's strong presence and experience in China will be crucial for the implementation of impact-oriented activities within and outside the PA systems.

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

- A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):** (Please attach the country [endorsement letter\(s\)](#) or [regional endorsement letter\(s\)](#) with this template).

Jinkang Wu Director, Ministry of Finance	Date: <i>(Month, day, year)</i>
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B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation.

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