



GEF

**PROJECT DEVELOPMENT FACILITY
REQUEST FOR PDF BLOCK B APPROVAL**

AGENCY'S PROJECT ID:
GEFSEC PROJECT ID: 2369
COUNTRY: People's Republic of China
PROJECT TITLE: Drylands Ecological
Conservation and Rehabilitation
GEF AGENCY: IFAD
OTHER EXECUTING AGENCY(IES):
Ministry of Finance (MOF) and
Shanxi, Ningxia and Gansu Provinces
DURATION: 6 years
GEF FOCAL AREA: Land Degradation; Multifocal
GEF OPERATIONAL PROGRAM:
OP#15 Land Management, OP#12 Integrated
Ecosystems Management, OP#1 Arid Ecosystems,
OP#11 Agro-biodiversity
GEF STRATEGIC PRIORITY: Capacity Building
and Implementation of Innovative and Indigenous
Sustainable Land Management Practices (OP#15);
Capacity Building and Implementation of
Innovative and Indigenous Approaches to IEM
(OP#12); and Mainstreaming Biodiversity in
Production Landscapes (OP#1)
ESTIMATED STARTING DATE: January 2005
ESTIMATED WP ENTRY DATE: June 2007

FINANCING PLAN (US\$)	
GEF PROJECT/COMPONENT	
Project (<i>estimated</i>)	7.500 M
PDF A *	NA
PDF B **	0.350 M
PDF C	NA
<i>Sub-Total GEF</i>	7.850 M
PROJECT CO-FINANCING (<i>estimated</i>)	
IFAD	9.472 M
Government	25.402 M
Bilateral	
NGOs	
Others (Beneficiaries)	2.058 M
<i>Sub-Total Co-financing:</i>	36.932 M
<i>Total Project Financing:</i>	44.432 M
PDF CO-FINANCING	
IFAD	0.067 M
<i>Sub-Total Co-financing:</i>	0.067 M
<i>Total Project Financing:</i>	0.417 M

RECORD OF ENDORSEMENT ON BEHALF OF THE GOVERNMENT:

Jinkang WU
GEF Operational Focal Point for China
Ministry of Finance
People's Republic of China

Date: *October 25, 2005*

This proposal has been prepared in accordance with GEF policies and procedures and meets the standards of the GEF Project Review Criteria for approval.

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PART I - PROJECT CONCEPT

A – SUMMARY

The goal of the proposed GEF Project Alternative (the Alternative) is to promote the adoption of an integrated ecosystem approach into China's major land degradation (LD) programs. The Alternative's proposed development objective is to address the issues of poverty reduction and environmental degradation through promoting a pilot approach to identifying and addressing major underlying sources contributing to LD in key ecosystems in selected provinces in China's Western Region.

The proposed baseline project consists of relevant components/activities identified from two projects jointly supported by the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP). These are the Environmental Conservation and Poverty Reduction in Ningxia and Shanxi Provinces (ECPRP) and the South Gansu Poverty Reduction Programmes (SGPRP).

The Alternative will support activities that complement the existing baseline project by providing support for the incremental costs associated with interventions that address LD 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) 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 sustainable land management; (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) targeted research; and (v) increasing public awareness of the value of addressing issues of environmental degradation through an ecological approach.

Interventions supported by the Alternative would occur at the village level, primarily through the integration of an ecological dimension into IFAD's Participatory Rural Appraisal (PRA) and Village Development Planning (VDP) processes, and at the township/country level, focusing on complementary activities which are beyond the scope of the baseline project such as the strengthening of existing and/or creation of new protected areas (PAs) and the rehabilitation of arid and semi-arid ecosystems. The main global benefits will be: mitigation of cross-border LD-related impacts, conservation of biodiversity of global significance, and improved carbon sequestration.

The concept proposal was submitted under the PRC-GEF Partnership on Land Degradation in Dryland Ecosystems. The Asian Development Bank has endorsed the concept proposal under the PRC–GEF Partnership and recommended MOF support the proposed Alternative.

B - COUNTRY OWNERSHIP

1. COUNTRY ELIGIBILITY

The PRC adopted the **Convention to Combat Desertification (CCD)** in December 1996 which it subsequently started to implement through a number of activities including the preparation of the National Action Plan to Combat Desertification

(NAPCD). The proposed Alternative is compatible with both the principles and objectives as set out in the CCD and the NAPCD. China signed the **Convention on Biological Diversity** (CBD) in June 1992 which it subsequently ratified in January 1993. Within the framework of the Convention, China completed its Biodiversity Action Plan (BAP) in June 1994 that outlines a strategy and a set of strategic actions designed to conserve the country's rich biodiversity. The proposed Alternative is compatible with many of the BAP's priorities and actions including the establishment of nature reserves, conservation of significant species, conservation of the genetic resources of crops and domestic livestock, in-situ conservation of wild species outside of protected areas, and support for policy research, education, and institutional strengthening and training directed toward conservation efforts. China signed the **United Nations Framework Convention on Climate Change** (UNFCCC) in 1992 which it subsequently ratified in 1994 (followed by the signing and ratification of the Kyoto Protocol in 1998 and 2002, respectively). The Alternative supports the objectives of the UNFCCC through assisting China to meet its commitments to manage, conserve and enhance greenhouse sinks and promote increased public awareness and relevant policy studies.

2. COUNTRY DRIVENNESS

The Alternative is compatible with all of China major environmental programs. Specifically,

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.

Agenda 21. China's Agenda 21 specifically addresses LD issues in relevant sections under 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).

10th National Five-Year Plan (2001-2005). The GOC's development strategy as set out in the 10th Five-Year Plan (2001-2005) identifies achieving environmental sustainability, particularly in the Western Provinces, as one of the cornerstones of the Plan.

Western Development Strategy. One of the key principles guiding the Western Development Strategy is the strengthening of ecological construction and environmental protection emphasizing the sustainable use of natural resources to provide ecological security for the Western Provinces. A key objective of the Strategy is to implement ecological construction and environmental rehabilitation projects along upper reaches of Yangtse (part of South Gansu) and mid and upper reaches of Yellow River (Ningxia, Shanxi, and Gansu). Major tasks include: (i) water resources protection and sustainable use based on river basin plans; (ii) ecological construction

and environmental protection, an approach that emphasizes arable land conversion to forest and grasslands by employing a watershed management framework; and (iii) desertification and "sandification" controls supporting forest and grassland cover (prohibiting reclamation of grasslands, bans, fencing and closure).

10th Provincial Five-Year Special Plans (2001-2005). Activities supported under the Alternative compatible with identified priorities of all the participating provinces for the planning period 2000 to 2010 include: creation of PAs; increasing forest cover; development of policies to promote sustainable development; promotion of increased public awareness of the need for sustainable development; and improved pasture lands. In addition, province-specific priorities compatible with the Alternative include: ecological construction and environmental protection and poverty reduction (Ningxia); promoting sustainable development by implementing ecological and environmental improvement projects, increasing forest cover, reducing soil erosion, and improving the subsidy and pricing system to support sustainable natural resource utilization (Shanxi); and promoting small watershed integrated management planning and Chinese herb production, as well as protecting natural resources through conducting land resources investigations and the development of land management plans for rural areas (Gansu).

C – PROGRAM AND POLICY CONFORMITY

1. PROGRAM DESIGNATION AND CONFORMITY

Sustainable Land Management (OP #15). The Alternative is fully compatible with the objectives of OP #15 Sustainable Land Management through addressing the root causes and negative impacts associated with LD on the ecosystem and its underlying functions and services. The proposed Alternative would also strengthen institutions and human resources responsible for the management of natural resources and the related policy framework. Finally, the project would provide support for investments promoting the development of sustainable practices in the agriculture, livestock, and pasture management sectors.

Integrated Ecosystem Management (OP #12). The Alternative is compatible with OP 12 in promoting cross-sectoral approaches to address ecological issues beyond a single habitat type. The project's proposed policy and institutional activities would support the incorporation of ecological considerations into institutional approaches at the provincial, county and township levels in both the PMOs, public technical executing agencies, and relevant planning frameworks. In this way, it will contribute to creating an enabling environment to support future "mainstreaming" of IEM principles in LD management systems through institutional strengthening and investments.

In addition to the aforementioned OPs, the Alternative is also supportive of the objectives stated under OP # 1 (Arid and Semi-Arid Zone Ecosystems) through the rehabilitation of existing and creation of new protected areas designated to conserve ecosystems of significant importance and OP # 13 (Conservation and Sustainable Use of Biological Diversity Important to Agriculture) in promoting the positive impacts and mitigating the negative effects of agricultural systems and practices on biological diversity in agro-ecosystems.

The Alternative would foster the GEF's stated interest in providing significant means for alleviating poverty while increasing productivity of biological and land resources

(e.g., promotion of alternative livelihood systems such as the sustainable utilization of Chinese and other traditional herbal varieties and the reduction of adverse environmental impacts through the development and promotion of sustainable extraction practices)

2. PROJECT DESIGN

Background

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 megadiverse 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). By one estimate, China is thought to possess some 83,000 species (excluding microorganisms and insects) of which more than 30,000 species are higher plants and an additional 6,347 species are vertebrates representing some 10 and 14 percent respectively, of the world's total number of species.

A large number of the country's ecosystems and accompanying rich and diverse biodiversity are directly threatened by LD¹. An estimated 40 % of the country's land area (i.e., 3.8 million km²) is affected by wind and water erosion, overgrazing, deforestation, and/or salinization. China's western provinces suffer from the highest incidence of degraded lands. Approximately one-half of the region which comprises some 350 - 400 million people, suffers from moderate to severe LD. The approximate areal extent of lands in the region estimated to be affected by LD in terms of percentage by source are: wind erosion (27 %), water erosion (16 %), and advanced desertification (10 %). Moreover, the issue of land degradation appears to be worsening. The Chinese Academy of Sciences (CAS) estimates that land degradation is accelerating from a rate estimated in the 1970s at 1,500 km² per year to 3,500 km² by the late 1990s. A preliminary estimate of the accompanying social and economic costs associated with the issue is US \$ 21 million per day.

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 present situation is a result of a combination of factors including the region's arid/semi-arid environment, extreme rainfall intensity, and high velocity winds. The area's relative isolation and the generally low soil productivity have also contributed to

¹ To maintain consistency with the Country Programme Framework (CPF), land degradation is defined as wind and water erosion, overgrazing and loss of biomass in grasslands, deforestation and related disturbances (e.g. changes in river flow soil fertility declines, salinization, etc.).

the widespread poverty characteristic of the region. This in turn, explains many of the non-sustainable land use practices that further exacerbate the situation such as cultivation of steep slopes lands, over-grazing of livestock, and poor soil conservation techniques; practices employed by inhabitants forced to cope with extreme environmental conditions to ensure their basic survival. In addition to the widespread poverty, other major underlying root causes contributing to land degradation in China's Western Region include: decreasing land resources per capita (arable land per capita is an estimated .11 ha), sector driven land management measures, lack of coordination between (and within) ministries, and inadequate land management policies.

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. Moreover, in the western provinces, PRC has budgeted some US\$ 13 billion over the next 10 years to address soil erosion.

Despite these on-going programs, the issue of land degradation in China's western provinces is of such a magnitude that similar scale efforts will be required well into the foreseeable future. Moreover, they will have to evolve from an existing approach based largely on engineering solutions combined with biological measures (e.g., reforestation) and farm based conservation measures (e.g., terraces, forest production, orchards) to one which gives greater emphasis to ecological considerations and addressing the underlying root causes of the problem including the need to involve local communities in the planning process. 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.

Proposed Project Objectives

The goal of the proposed GEF Project Alternative (the Alternative) is to promote the adoption of an integrated ecosystem approach into China's major land degradation programs. The Alternative's proposed development objective is to address the issues of poverty reduction and environmental degradation through promoting a pilot approach to identifying and addressing major underlying sources contributing to land degradation in key ecosystems in selected provinces in China's western region.

Summary Project Description

Baseline Activities. The majority of China's rural poor are concentrated in resource-deficient areas located primarily in the upland areas of the interior provinces of northern, northwestern, and southwestern China. The primary objective of the baseline project is to address the immediate consumption needs of the hungry poor while addressing coping strategies that contribute to environmental degradation and replace gratuitous relief aid with activities that create productive assets and reduce vulnerability.

The proposed baseline project consists of relevant components/activities identified from two projects jointly supported by the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP). These are the Environmental Conservation and Poverty Reduction in Ningxia and Shanxi Provinces (ECPRP) and the South Gansu Poverty Reduction Programmes (SGPRP).² The baseline project areas are located in the middle and upper reaches of the Yellow River (Shanxi and Ningxia Provinces) and in the middle Yellow River and Yangtze drainage systems in northwest China (Gansu Province). Specifically, the baseline project covers 16, 9, and 10 counties in the three provinces, respectively. The initial identification of these counties was based on the application of IFAD's and WFP's Vulnerability Analysis and Mapping (VAM) methodology³. Final county selection was made on the basis of common agreement among IFAD, WFP, Ministry of Agriculture (MOA), and the local Project Management Offices (PMOs).

Through the application of the VAM methodology, project beneficiaries are "targeted" based on the identification of project townships characterized by the highest levels of vulnerability to food insecurity and the lowest scores on other human development indicators. This approach has also ensured that poor women be treated as priority beneficiaries through supporting special training and income generating activities tailored to their interests and potentials.

IFAD will provide 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. In addition, there will be a project management component which will be based on the existing PMO structure used by MOA to support externally-financed development projects.

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). Other illustrative field activities that would be supported under the baseline project include: (i) protection of infrastructure exposed to the hazard of erosion through planting a variety of environmental and/or economic trees; (ii) construction of check dams, to diminish run-off erosion; (iii) the planting of tree crops; (iv) development of sustainable grazing and medicinal plants harvesting practices; and (v) promoting a shift away from extensive to intensive livestock raising, including zero grazing.

² The Environmental Conservation and Poverty Reduction Programme in Ningxia and Shanxi became effective in February 2005. The South Gansu Poverty Reduction Programme was approved by IFAD's Executive Board meeting in September 2005.

³ The VAM applies 13 parameters covering food security risks and coping ability and is used to rank counties' suitability for IFAD/WFP assistance.

The centerpiece of IFAD funded programs is the beneficiary driven project management to ensure ownership and flexibility of the proposed activities. Experience has shown that this approach leaves a sustainable structure behind after program closure. The existing Village Committees at township level will be expanded to Village Implementation Groups (VIG) in the natural villages. The latter are responsible for decision making, implementation and monitoring at the grassroots level. Facilitated through Participatory Rural Appraisal (PRA) methodology, Village Development Plans (VDP) will be prepared by the villagers and consolidated by the VIG for submission to the Project Leading Groups (PLG). From township to province upstream, the PLGs which comprise senior officials, provide policy guidance, approval of annual workplans and budget and the review of progress. The Program Management Offices (PMO) are the implementing arm of each PLG. PMOs are made up of senior staff of the Agricultural Bureau, complemented by a Gender Focal Point officer, who is seconded from the Women Federation. The latter will ensure that planning process and program activities are fully gender mainstreamed. An environment focal point (EFP) has been included in the PMO of the new SGPRP to follow up on all environmental issues of the program. The EFP will be instrumental for the proposed GEF alternative.

The PRC/IFAD/WFP partnership which has directly addressed the issue of poverty alleviation and land degradation through nine projects extending back to 1995, has been a highly productive and valuable effort. Nevertheless, until now, there has been no attempt to integrate an ecological dimension into project design. Despite the obvious global benefits from the existing approach (e.g., carbon sequestration associated with tree planting), this has resulted in a number of foregone opportunities that the Alternative will capture. These include: (i) adopting a ecosystem framework to guide interventions in and surrounding project areas which would serve to increase impact on the system's functions and delivery of "goods and services", (ii) promoting capacity building activities in support of the aforementioned framework, (iii) implementing a related program of targeted research; (iv) incorporating a biodiversity dimension into future efforts, and (v) addressing the underlying policies contributing to land degradation and the restoration of degraded lands in China.

GEF Alternative. 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. Similarly, while it is increasingly recognized that most of China's grasslands are low-productive and not suitable for conversion to high-input/high-output production systems, there is little support as of yet for the adoption of a more ecological approach which includes the main resource managers and focuses on the dynamics of arid land grazing systems. 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**.

As noted previously, it is clear, that the issue of land degradation in Western China is of such a magnitude that any effort to address it must be highly selective, catalytic in nature, and designed to generate a broad experiential base and "lessons learned" to serve and guide possible future interventions. This fact has been highlighted by applying the Pilot Approach as proposed below.

The baseline project areas, while selected primarily on socio-economic considerations, also represent a diverse range of ecological systems and land degradation issues. Three major ecological zones characterize the project areas, temperate desert, and subtropical and temperate mountain systems. In addition to these three ecozones, in Gansu province there is also a significant presence of temperate steppe and temperate continental forest.⁴ Much of the temperate desert ecozone is devoid of vegetation or characterized by low desert shrub or grassland where local moisture is sufficient to support vegetation. Rainfall varies from less than 20 mm (in the west) to 200 mm in the east. The subtropical mountain system is dominated by alpine conifer forests where rainfall ranges from 500 to 1,400 mm. The temperate mountain system is dominated by the Yellow Loess Plateau with limited natural forest cover, confined mostly to difficult to access mountain areas (these are better preserved in the western, higher mountains in the provinces of Gansu and Shanxi). Rainfall declines from east to west ranging between 800 to 600 mm. In the steppe ecozone, natural vegetation is primarily grass and shrub land with some pockets of woodland where rainfall averages between 200 and 400 mm. While the temperate continental forest area of Gansu was originally covered with mixed forest in the low mountain areas, little of this remains today. Rainfall ranges from 400 to 800 mm. Key land degradation issues found in all three provinces include: "sandification" and desertification, water erosion and soil loss, sand storms, grassland degradation, soil salinization, and loss of bio-diversity. The Alternative will provide an opportunity to address a range of land degradation issues and their respective underlying sources within an IEM framework in these different ecosystems.

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 (MLAs) to develop a more coordinated and integrated approach to sustainable land management; (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) targeted research; and (v) increasing public awareness of the value of addressing issues of environmental degradation through an ecological approach.

Interventions supported by the Alternative would occur at the village level primarily determined through the integration of an ecological dimension into the PRA/VDP process and at the township/country level, focusing on complementary activities which are beyond the scope of the baseline project such as the strengthening of existing and/or

⁴ Ecological zonation taken from Global Ecological Zoning for the Global Forest Resources Assessment 2000 (FAO, Rome, 2001).

creation of new protected areas (PAs) and the rehabilitation of arid and semi-arid ecosystems.

Specifically, the Alternative would support the following activities:

Policy Studies. There exist a number of national policies which affect land management practices in Western China. Policies relevant to land degradation include: grazing bans, bans on use of forestry lands, subsidy programs promoting the conversion of arable lands to different uses, extraction of medicinal herbs, etc. In addition to these national policies, the provinces retain the flexibility to adapt the former to local conditions and needs which contributes to a broader policy mix and experiential base to address land degradation issues. The Alternative's policy component would support two categories of **field-based studies**: one set of studies would serve to develop a better understanding of the impact of existing policies; the second would support the **field testing of draft policies** to provide a more informed basis for the possible formulation of new policy instruments in support of sustainable land management practices. Illustrative examples of studies which this activity would support include assessing: (i) the sustainability of the existing subsidy program in support of planting trees for ecological purposes under the national arable land conversion program; (ii) what impact existing policies have on the ecological restoration of common property resources at both the village and township/county levels; (iii) the efficacy of total quota and rotational harvesting restrictions on Chinese medicinal herb collection on the sustainable management of grasslands; (iv) if fencing is the most effective technical response to ensure sustainable pasture management; (v) how and what land should be converted to ecological tree cover; and (vi) what has been the success to date with subsidy programs to promote conversion to ecological friendly agriculture.

Institutional Strengthening. Under the Alternative, support would be provided to **increase the institutional capacity** both within and across PMOs, technical public executing agencies and NGOs from the township to provincial levels to adopt and apply ecological concepts in the execution of their institutional mandates. Specific activities could include providing support for: (i) basic training in ecological principles; (ii) the development of multi-disciplinary (and institutional) approaches to the ecological mapping of project areas; (iii) the design and field testing of PRAs and VDPs modified to integrate the ecological dimension into the process; and (iv) the strengthening of NGOs to prepare themselves to participate in strategic partnerships.

Community-based Ecological Planning and Restoration. Illustrative activities that could be supported under this component include the ecological mapping of the project areas that would serve to guide subsequent interventions to **preserve and/or restore selected ecosystems** in the arid/semi-arid lands of the project areas. Ecological planning and restoration activities would be supported at both the village and township/county levels. At the village level, just as gender has been successfully integrated into the PRA/VDP process, IEM concepts would be mainstreamed.⁵ While

⁵ The Participatory Rural Appraisal (PRA) methodology is used to identify individual villager's concerns and perceived needs and provide a major input into the preparation of Village Development Plans (VDPs). The VDP is prepared through a participatory process involving all villagers guided by a Village Implementation Group (VIG), the latter consisting of elected village leaders and farmer representatives who play a key role in disseminating information on the program and mobilizing the community to identify priorities for infrastructure development and the targeting of productive activities including training and access to credit.

farmers understand the significance of environmental degradation, in most cases, unless it directly threatens their main sources of livelihood, the issue is often secondary to ensuring their basic livelihood need are met. Under the Alternative, possible on-the-ground interventions at the village level could include supporting: (i) more sustainable cropping systems; (ii) increasing the diversity of native tree species used in reforestation activities; (iii) ecological restoration of non-contracted village “common lands” which do not qualify for national forestation subsidy programs; and (iv) rehabilitation of lands affected by gully erosion crossing more than one holding, etc.

At the township/county level, the following interventions are illustrative of what could be supported under the Alternative: (i) the possible creation of new and/or improvement of existing protected areas (PAs)⁶ established to protect and conserve ecosystems and biodiversity of global significance (e.g., staff training, infrastructure, development of management plans, financial sustainability studies); (ii) restoration of degraded ecosystems; (iii) development of multi-county, multi-institutional ecological management plans⁷; and (iv) **targeted research** designed to increase understanding of the underlying ecological processes of specific ecosystems to serve as inputs into future policy formulation.

Taking a sector approach, interventions would likely fall into one of five primary sectors (pasture lands, forest lands, agricultural lands, water, and biodiversity conservation). Possible investments include: (i) ecosystem restoration using a greater varietal mix of indigenous species (pasture and forest lands); (ii) field testing of no till, integrated soil nutrient management, and soil moisture management technologies (agricultural lands); and (iii) integrated water resources planning (across sectors and counties) and supporting the inclusion of ecological minima in planning exercises (water sector).

Alternative Livelihoods. Support would be provided for the **field testing through a pilot approach** of potential alternative livelihoods identified to reduce pressure on pre-selected ecosystems. Recent, apparently successful examples of alternative livelihood models include: (i) the promotion of arable lands conversion to the production of "angelic" Chinese herbs for the local/regional markets (the Stony Mountains of Gansu); and (ii) the development of felon and cooking herbs production (Stony Mountains of Ningxia and Shanxi provinces). The proposed Alternative could build on past successful examples and/or support new initiatives within and IEM framework.

Increased Public Awareness. In response to China's widespread environmental problems, PRC has developed an ambitious and highly effective formal environmental educational program in primary and secondary schools. This component would complement the formal program with a **public awareness campaign** designed to

⁶ In many of the proposed project areas, there already exist a number of existing or planned protected areas (e.g., in Ningxia there are 23 PAs that are proposed for creation). Most are "paper" reserves which will need significant investment to strengthen them to the level where even basic biodiversity conservation objectives can be achieved.

⁷ Natural resources planning in China is based on a sectoral approach. Theoretically, a single planning unit could be covered by any number of sectoral plans including: (i) a watershed management plan (Water Conservancy Bureau); (ii) an economic plan (Provincial Planning Bureau); (iii) an ecological function zone plan (Environmental Protection Bureau); (iv) a grassland construction plan (MOA); and (v) a land management plan (county governments). In addition to impeding the sustainable management of the ecological unit and natural resources and processes, the sectoral planning approach contributes to overlaps and duplication in effort and inefficient use of scarce financial and human resources.

support Alternative objectives targeting village land use managers as a priority. A second target group would be key decision-makers responsible for land management policies and decisions in the participating provinces. These would include county, prefecture, and provincial governors and vice-governors. Other possible groups would include the media, selected national and international NGOs and the general public.

Project Management, M&E, and Information Dissemination. At the national level, the Ministry of Finance (MOF) will be the Executing Agency. At the level of the Province, MOF would be responsible for the execution of the GEF supported activities through its respective Project Coordination Office (PCO). Field activities would be implemented through the Ministry of Agriculture's PMO structure, which consists of offices at the provincial, prefecture, county, and township levels, manages and coordinates all of MOA's internationally-financed projects. Project execution is primarily the responsibility of the mainline technical agencies (MLAs) facilitated through management agreements between MOA and the MLAs. The PMOs respond to the general guidance and direction of Project Leading Groups (PLGs). Project Leading Groups, chaired by a senior officer selected from one of the participating public agencies, exist in a parallel structure to the PMOs and are active in planning and coordination of the project, while providing overall policy guidance. With the possible inclusion of one or more additional MLAs required for their technical expertise and a project coordinator to facilitate cross-provincial coordination and information exchange, little additional change will be required to the existing PMO structure.

3. SUSTAINABILITY (INCLUDING FINANCIAL SUSTAINABILITY)

Sustainability and replicability of the project would be ensured through a two-fold approach developed and adopted in project design during its preparation: (i) demonstrating, measuring, and disseminating the results of the socio-economic benefits associated with incorporating an IEM approach in institutional and policy frameworks and selected field activities spanning a range of different ecosystems; and (ii) identifying key entry points and strategies to facilitate the “mainstreaming” of successful models and “lessons learned” in addressing poverty alleviation and LD in an IEM framework supported under the project. A key factor in achieving project sustainability will be ensuring that the results of the policy studies will be used to support more informed decision making.

4. REPLICABILITY

See above.

5. STAKEHOLDER INVOLVEMENT

During the process of conceptualizing the proposed Alternative, field visits were made to five counties in the three project provinces and discussions held in a number of administrative villages with VIG leaders and farmers. Moreover, stakeholder involvement is an integral part of the baseline project where the previously described IFAD/WFP participation process based on the use of PLGs, PMOs, and VIGs permits the introduction of beneficiary participation in planning and selection of project activities. The participatory qualities of the VIG/VDP process is further strengthened by the presence of village Women Federation representatives on the VIGs ensuring

gender issues are addressed. The PRA process would continue to be used in the Alternative, modified only to include an ecological dimension

D – FINANCING

1) FINANCING PLAN

An indicative project budget and financing plan has been prepared (Table 1). Estimated costing for the project baseline is based on relevant project components/activities identified from the PRC/IFAD Environmental Conservation and Poverty Reduction (Ningxia and Shanxi Provinces) and the PRC/IFAD South Gansu Poverty Reduction Programmes. Specific components/activities relevant to the baseline project consist of: (i) environmental tree planting (primarily through support for village or community-based forestry activities); (ii) dry land improvements (interventions that support increased land productivity, primarily in loess soils); and (iii) rangeland and livestock improvement (this includes support for rangeland rehabilitation and shifting from extensive to intensive livestock production systems). The cost of the GEF Alternative is an estimated US\$ 47.6 million. The incremental cost associated with the Alternative is an estimated US\$ 7.5 million. This represents and indicative budget and costs will have to be refined during project preparation.

Table 1: Indicative Project Cost and Financing Plan

Component	Indicative Costs (US\$ '000) and Co-financing Plan					Total	
	PRC ³	GEF	IFAD	WFP ⁵	Beneficiaries	Total	% of Total
Policy Studies and Institutional Strengthening	1,500	500	-/-	-/-	-/-	2,000	4
Community -based Ecological Planning and Restoration ¹	7,044	4,200	4,571	(697)	1,469	17,284	39
Alternative Livelihoods ²	15,958	2,300	4,901	(2,528)	589	23,748	54
Increasing Public Awareness	600	300	-/-	-/-	-/-	900	2
Project Management, M&E, and Information Dissemination ⁴	300	200	-/-	-/-	-/-	500	1
TOTAL	25,402	7,500	9,472	(3,225)	2,058	44,432	100

¹Baseline costs consist of Environmental Tree Planting Component.

²Baseline costs consist of Dryland Improvement and Rangeland and Livestock Components.

³This includes PRC baseline counterpart funds consisting of both cash and in-kind, primarily food (but should also include LTA contributions which do not appear to be quantified at present) and additional estimated counterpart as match for GEF funds (estimated at 3:1 PRC:GEF).

⁴Component costs will have to be refined further during project preparation to account for PRC and IFAD contributions to the management of the Ningxia/Shanxi Environmental Conservation and Poverty Reduction and the South Gansu Poverty Reduction Programmes.

⁵WFP invested the quoted project funds into baseline activities. As WFP country programme closed in 2005, costs are not included in total.

2) COST EFFECTIVENESS

The Alternative will be cost-effective by benefiting from existing institutional structures and baseline activities that can be readily adapted to achieve global benefits. Specifically, the CPF framework provides the structure and mechanism at the national

level to channel project outputs and "lessons learned" to influence policy formulation and decision makers addressing LD issues at the highest levels. This will be facilitated by working closely with the GEF-AsDB's "Strengthening the Enabling Environment and Building Institutional Capacity to Combat Land Degradation Project." Similarly, the existing PMO structure at the Provincial level provides an ideal institutional mechanism needed to both execute project activities and institutionalize the IEM concept in MLAs. Finally, the proposed IFAD activities at the township/village level which will be prepared under the baseline project can be readily modified and complemented with GEF-supported activities at little added cost.

E - INSTITUTIONAL COORDINATION AND SUPPORT

1) CORE COMMITMENTS AND LINKAGES

The existing IFAD/WFP partnership in China has been a highly productive one resulting in a synergy that ensures a sustainable development approach that reaches the poorest households and reduces operation costs for both agencies.

IFAD/WFP's strategy for collaboration with China is based on combining geographic targeting of poverty-stricken areas with a multi-sectoral program of activities that provide support to the PRC's Poverty Reduction Program for Rural China. To date, this Strategy has been implemented through providing support for 9 projects in China. Activities include: (i) enabling better access to natural resources, (ii) promoting better access to technology support and training to build productive capacity, (iii) ensuring better access to financial markets, and (iv) strengthening the human capital base by improving access to health and education facilities. The approach to achieve these activities consists of five basic elements: (i) combining IFAD loans with WFP food aid and GOC counterpart funds; (ii) targeting the poorest townships using a Vulnerability Analysis Methodology; (iii) beneficiary participation in planning, monitoring, and implementation through VIGS and Village Development Plans (VDPs); (iv) support to poverty and gender sensitive rural financial institutions; and (v) strengthening the existing systems of rural credit cooperatives.

The goal of WFP's China Country Programme (2001-2005) has been to promote development and reduce regional and gender disparities through promoting sustainable improvements in food security for an estimated 1.7 million poor households. Among its priorities is to enable households that depend on degraded natural resources for their food security to make a shift to more sustainable livelihoods. This basically occurs through: (i) promoting investment in human capacity, (ii) land development and irrigation, (iii) social infrastructure, and (iv) water and soil conservation.

The proposed Alternative is fully compatible with IFAD/WFP's China joint program through: (i) supporting activities that complement existing project interventions (e.g., policy and institutional strengthening activities); and (ii) "mainstreaming" on a pilot basis an IEM approach into the two Agencies field activities (e.g., covering the incremental costs associated with planting mixed tree species, ecosystem restoration, etc.).

2) CONSULTATION, COORDINATION AND COLLABORATION BETWEEN AND AMONG IMPLEMENTING AGENCIES, EXECUTING AGENCIES, AND THE GEF SECRETARIAT, IF APPROPRIATE.

GEF Partnership on Land Degradation in Dryland Ecosystems under OP 12 (Asian Development Bank). **The concept proposal was submitted under the PRC-GEF Partnership on Land Degradation in Dryland Ecosystems** The Asian Development Bank has endorsed the concept proposal under the PRC-GEF Partnership and recommended MOF support the proposed Alternative.¹² The PRC-GEF Partnership aims to reduce poverty, arrest LD and restore dryland ecosystems in the country's Western Provinces. It 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. A major finding during the design of the CPF was that financial and human resources are not at present being used effectively to achieve sustainable natural resource management and major savings could be achieved through promoting more integrated approaches to NRM at both the national and provincial levels and through achieving improved coordination among executing agencies. The CPF will support a sequenced set of priority activities. These will serve to: (i) strengthen the enabling environment and build institutional capacity for adopting an integrated approach to combat land degradation, and (ii) demonstrate viable IEM models useful for widespread replication. The first project supported under the CPF, "Strengthening the Enabling Environment and Building Institution Capacity" has the following components: (i) improving the policy, legal and regulatory framework; (ii) strengthening institutional coordination at the national and provincial levels; (iii) improving operational arrangements at provincial levels; (iv) building institutional capacity; (v) operationalizing an effective monitoring and evaluation system; and (vi) completing CPF implementation arrangements.

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. Key synergies between the two projects would occur through the proposed Alternative providing inputs into the following CPF's identified outputs: (i) Policy, Legal, and Regulatory Framework Improved (Output 1); (ii) Strengthened National and Provincial Institutional Coordination (Output 2); (iii) Improved Operational Arrangements at the Provincial and County Levels (Output 3); and (iv) Improved Institutional Capacity (Output 4).

Gansu and Xinjiang Pastoral Development Project (World Bank). This constitutes the first investment project supported under the CPF. The objectives of the project are to improve the lives and livelihoods of herders and farmers in the project areas through the establishment of improved grassland management, livestock production and marketing systems while promoting the sustainable utilization of pastoral resources. The GEF Alternative will conserve key montane grassland eco-systems, their biodiversity and carbon storage capacity in selected sites designated of global significance. In Gansu, this will likely include the Eastern Qilian Shan Mountain Nature Reserve (Wuwei county and Zhangye City) and the Anxi arid desert ecosystem (Anxi county). Specific activities will likely include: (i) inventory of grassland ecosystems (ii) the preparation and implementation of pilot community based grassland resource management plans, (iii) demonstrations of eco-friendly grassland management

¹² See e-mail from Mr. Bruce Carrad (ADB) to Mr. Wang Bing former (PRC/MOF national GEF Focal Point) dated 11 June 2003.

techniques, (iv) strengthening existing grassland ecological monitoring systems and (v) capacity building.

The proposed Alternative is fully compatible with these objectives and activities. Close coordination would be established between the two projects, particularly with respect to the activities proposed for Linxia county (Gansu), one of the proposed Alternative project counties, to avoid duplication. In addition, the proposed Alternative would enhance measures to improve national and local policies for sound land management practices. Recommendation would be drawn on the practical experience as obtained from the baseline through a combination of policy studies and farmer driven action research trials.

UNDP National Action Program to Combat Desertification. Subsequent to the signing of the UNCCD, PRC initiated a national consultation through the National Action Programme (NAP) framework through a series of central, local and regional workshops. Based on these consultations, PRC prepared the National Action Programme to Combat Desertification (NAPCD) which it has started to implement through a number of activities including completing a national survey on desertification, awareness raising programs and land rehabilitation. The proposed Alternative would work closely with the NAPCD Secretariat to promote the integration of IEM principles in NAP-supported field activities as well as participate in information sharing and other related collaborative actions which would result in increased synergies.

UNCCD and the Global Mechanism. Following a June 2001 co-ordination meeting in Beijing on the implementation of the CCD, agreement was reached on the need for a coordinated multi-sectoral approach to address the scope, root causes and consequences of desertification. It was also agreed that pilot activities should be supported at the field level which could develop useful data and inputs that in turn would lay the groundwork for larger scale interventions. Finally, it was agreed that a Contact Group consisting of the existing National Co-ordination Committee for implementation of the CCD (CCICID) and selected development partners in the UN system and interested bilateral and multi-lateral partners would be established. The proposed Alternative would support a number of relevant field activities that could contribute to enriching the experiential data base and “lessons learned” with respect to desertification issues in Western China. Project management would liaise closely with both the Contact Group and the CCICID to ensure synergy and avoid overlap and duplication of effort.

Land Degradation Assessment in Drylands (LADA). The objective of this global GEF supported activity in association with the UNEP and the Global Mechanism and executed by the FAO, is to develop tools and methods to assess and quantify the nature, extent, severity and impact of land degradation in drylands at a range of spatial and temporal scales. The objective would be achieved through supporting a series of case studies from a number of participating countries. In China, five pilot areas have been identified to conduct LD assessments using 2-3 administrative villages as the basic interpretative unit. One such site falls into one of the proposed Alternative’s project areas (Yanchi County in Ningxia). Once the final interpretative unit has been selected, this will be followed up by field surveys and local assessments. The proposed Alternative would establish the necessary linkages to ensure complementarity and synergy where opportunities exist.

PART II - PROJECT DEVELOPMENT PREPARATION

A - DESCRIPTION OF PROPOSED PDF ACTIVITIES

(a) Review and Assessment of Previous Provincial Experience in LD.

Over the last 50 years, the PRC, often with support from the donor community, has implemented a large number of projects that have addressed one or more aspects of land degradation (LD). Unfortunately, many of these approaches have been sector-specific in nature and implemented through their respective main-line agencies (MLAs). Nevertheless, these sectoral approaches have contributed to a large and diverse experiential data base and "lessons-learned", many which could be relevant to the identification and design of multi-sectoral approaches to address LD issues through an IEM framework. This activity supported under the Block B would identify, review and evaluate the results achieved through national and donor supported LD projects prepared and implemented over the last 15 years in China's Western Provinces as well as pipeline projects. The evaluation would include but not be limited to: (i) describing the policy components, if any, of the projects, (ii) describing the technical approaches to address LD supported under the projects, (iii) assess their cost-effectiveness in addressing LD issues, (iv) evaluating the role of community participation in the projects and contribution to their success, and (v) describing institutional arrangements.

(b) Review of Provincial Policies relevant to LD

There exist a number of national policies relevant to LD. These include, a forestry ban, a ban on grazing, arable land conversion and resettlement. Within these national policy frameworks, there is flexibility to permit provincial governments to formulate more specific policies. These policies often have unexpected consequences from the issues which they purportedly address. Other examples of policy failure include fragmented and lack of coordination between policies. Under the Block B, this study will identify and describe existing provincial policies and policy failures which may be contributing to LD. Similarly, it will also address policies which specifically address one or more aspects of LD. Where there is a basis to evaluate their effectiveness in the field in addressing LD this should be documented as well. Specific policy recommendations will be included in the assessment. Where relevant, these will include field elements designed and costed to more fully evaluate the impact of existing policies and/or "pilot" the impact of new draft policies and their operationalization under the Full Project. This study should be conducted in close co-ordination with the GEF/AsDB supported "Strengthening the Enabling Environment and Building Institutional Capacity to Combat Land Degradation Project" to ensure inter-project complementarity.

(c) Defining Project Boundary and Review and Selection of Project-supported Provincial PAs

Under this activity, Block B funds will be used to define the boundary of the "ecosystem" in each Province. Once this boundary is defined, all provincial protected areas and areas of ecological significance which warrant protection will be evaluated through a rapid ecological analysis methodology. Based on this analysis, the PAs and/or ecological areas will be prioritized and one or more PAs and/or proposed sites

will be selected for possible inclusion in the project. Specific proposal(s) designed to strengthen existing and/or create new PAs selected for project support will be developed and costed. This work should be completed in coordination with the on-going CCICED-led review of China's national system of PAs.

(d) Study to mainstream GEF supported Activities in IFAD Field Projects

During the preparation of the Project Concept a number of potential activities were identified to support the introduction of IEM principles into the IFAD supported field activities at both township/county and village levels. These included: (i) ecological mapping of the project areas; (ii) ecological planning and restoration activities, (iii) promoting more sustainable cropping systems; (iii) increasing the diversity of native tree species used in reforestation activities; (iv) ecological restoration of non-contracted village “common lands” which do not qualify for national forestation subsidy programs; and (iv) rehabilitation of lands affected by gully erosion crossing more than one holding, etc. A detailed assessment is required to identify, cost, and operationalize the integration of these and other IEM activities into the design and implementation of the IFAD field projects.

(e) Alternative Livelihoods Study

This study will identify significant, non-sustainable land use practices that are contributing to LD and threats to critical ecosystems in the project area through a Participatory Rural Analysis methodology. As part of this analysis, LD “hotspots” within the project ecosystem will be identified. Once identified, a root cause analysis will be completed which will determine the impact and underlying causal factors contributing to these practices. Based on the findings of this analysis, a review of other recently completed and/or ongoing projects, and socio-economic and market analyses one or more alternative livelihood activities which could be supported under the project will be identified. As part of this study, recommended alternative livelihood activities will be costed and institutional arrangements for their implementation will be developed.

(f) Public Awareness Strategy

A provincial based public awareness strategy will be designed for the three participating provinces. The strategy will be designed to support Alternative objectives targeting village land use managers as a priority. Other target groups would include land management decision-makers, the media, selected national and international NGOs and the general public. The strategy will be costed and include recommendations for its implementation.

(g) Study of Institutional Arrangements

The executing agency for the IFAD/WFP baseline project will be the Ministry of Finance (MOF). The project will be implemented through the three provinces respective Project Management Offices (PMOs) supported by Leading Groups (LG) comprised of relevant technical line agencies that exist at the provincial, prefecture, county and township levels. The Executing Agency for all GEF-funded projects in support of China's Country Program Framework (CPF) is the Ministry of Finance (MOF) through the newly created Project Coordination Office (PCO). At the

Provincial level, Leading Groups headed by the relevant Vice-Governor composed of senior officials from relevant planning and technical agencies will be established. Multi-agency coordination will be ensured through an office established in the Provincial Office of Finance. A number of agencies will be represented on both the IFAD and GEF LGs. In light of the number of agencies involved and field activities that need to be coordinated to ensure complementarity, a detailed institutional analysis will be required supported with recommendations to ensure inter-institutional coordination between the two projects. As part of this analysis, any additional personnel, equipment, vehicles, and other supplies required to support the Alternative will be identified and costed out.

(h) Stakeholder Participation

Key stakeholders will be identified from provincial capitals and project areas. A series of workshops will be supported during project preparation to inform stakeholders about the project and solicit inputs into its design. In addition, an electronic newsletter and hotlink to the CPF website will be developed under this activity.

(i) Securing Additional Sources of Co-financing

There exist a number of donors interested in support China's efforts in addressing land degradation. During the project preparation period, selected donors will be approached (possibly through the existing LD roundtables co-ordinated by the AsDB) to present project objectives and activities and ascertain interest in contributing to the former either through co- and/or associated financing.

B - PDF BLOCK B (OR C) OUTPUTS

- Baseline information, including: (i) an evaluation of past efforts in China to address LD issues; (ii) identification and evaluation of provincial policies addressing LD; (iii) an assessment of existing status and needs to conserve biodiversity of global importance in participating provinces; and (iv) a threat and root cause analysis of non-sustainable land use practices contributing to LD and possible alternative livelihoods which reduce and/or mitigate land degradation;
- Investment plan and description of project activities, including a detailed costing and phasing of investment activities and financing plan;
- Baseline and incremental cost analysis;
- Stakeholder involvement plan including budget;
- Monitoring and evaluation plan consistent with the overall project implementation framework and specific monitoring impact and output indicators verifying the on-site benefits; and
- GEF Project Document for Council Submission.

C - JUSTIFICATION

Land degradation in China is an issue of enormous scale and complexity. An estimated 40 % of the country's land surface is thought to be threatened by one or more sources contributing to LD. Sources vary and include wind and water erosion, overgrazing, deforestation and/or salinization. Underlying causes are equally complex and include a poor policy framework, poverty, and lack of viable alternative livelihoods. Critical

constraints impeding the application of cost-efficient institutional responses include lack of public awareness, poor inter-institutional coordination, and weak, sector-bound institutions, particularly at the provincial level. Despite a considerable number of past initiatives to address LD, albeit largely based on sectoral approaches, much of the past experience, both positive and negative, has never been evaluated. Assessing past "lessons learned" will be a critical input into project design. Moreover, information relevant to many of the project's technical components/sub-components, including biodiversity conservation, policies, and alternative livelihoods, will require a significant effort to locate and collect due to its fragmented nature and the number of institutions involved. In many cases, this will likely require field visits to make past findings current. Finally, China is fortunate to have a large number of institutions working in different aspects of LD. They will need to be consulted to ensure the Alternative reflect latest thinking as well as identify possible roles in implementation, where relevant.

In China, no single project or series of projects will ever be able to address the LD problem and its underlying root causes in its entirety. As a consequence, the proposed Alternative has chosen to take a pilot approach beginning in three provinces within the broader CPF framework. Working in three provinces within an IEM framework down to the village level will require detailed preparation to ensure that project design reflects local conditions. Moreover, to be cost-effective, the Alternative design must adapt to and complement both the baseline field project activities and the national activities supported under the GEF/AsDB supported "Strengthening the Enabling Environment and Building Institutional Capacity to Combat Land Degradation Project". To ensure a cost-effective approach, this will require considerable consultations with the other institutional partners at both the national and provincial/county/village levels.

Finally, to increase chances of success, an extensive stakeholder consultation process will need to be supported under the project preparation process. This will occur across three provinces and range from provincial capitals to village levels.

D - TIMETABLE

Table 2: Milestones and Activity Calendar

Activity ¹	Month ²											
	1	2	3	4	5	6	7	8	9	10	11	12
Pre-formulation Mission	X											
LD Project Experience Review	X	X										
Provincial Policy Review		X	-	X								
PA Evaluation and Selection	X	X										
GEF Mainstreaming in IFAD Baseline Activities		X	-	X								
Alternative Livelihoods Identification		X	-	-	X							
Public Awareness Strategy								X				
Institutional Arrangements									X			
Stakeholder Participation	X	-	-	-	-	-	-	-	X			
Securing Additional Sources of Co-financing	X	-	-	-	-	-	-	-	-	-	-	X
Project Formulation Mission									X			
Preparation of Project Brief										X		
Submission to GEF council											X	
IFAD Appraisal Mission												X

¹Steps along critical path highlighted in bold.

²Following approval of Block B proposal

E – BUDGET

Table 3: Preparation Costs (US\$)

Activity	Block B (US\$)	Co-financing (US\$)			Total
		PRC ¹²	IFAD	Other	
Pre-formulation Mission	10,000		8,500		
LD Project Experience Review	37,500				
Provincial Policy Review	63,500				
PA Evaluation and Selection	58,000				
GEF Mainstreaming in IFAD Baseline Activities	3,500				
Alternative Livelihoods Identification	28,000				
Public Awareness Strategy	6,500				
Institutional Arrangements	6,400				
Stakeholder Participation	32,000				
National Coordinator	38,200				
Formulation Mission	43,000		50,000		
IFAD Appraisal Mission	10,000		8,500		
Subtotal	336,600		67,000		
Contingencies (@ 4%)	13,400				
Total	350,000		67,000		

中 华 人 民 共 和 国 财 政 部
Ministry of Finance, People's Republic of China

October 25, 2005

Mr. Thomas Rath
Country Programme Manager
Asia and the Pacific Division
International Fund for Agricultural Development

**China: Endorsement Letter for GEF/IFAD Project for Dry Lands Ecological Conservation
and Rehabilitation**

Dear Mr. Thomas Rath

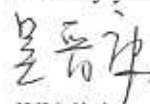
This is to advise you that Ministry of Finance, as the GEF Focal Point for China, would like to endorse the captioned project to be submitted by IFAD for GEF support.

The main objective of the project is to promote the adoption of an integrated ecosystem approach into China's major land degradation programs. The project proposed development objective is to address the issues of poverty reduction and environmental degradation through promoting a pilot approach to identifying and addressing major underlying sources contributing to land degradation in key ecosystems in selected provinces in China's western region. The project is compatible with all of China major environmental programs such as China's National Environmental Action Plan (1991-2000), Agenda 21, National Development Plan and Western Development Strategy. Therefore the project for dry lands ecological conservation and rehabilitation is in accordance with not only China's development priorities but also GEF strategic supporting area.

We are looking forward to a close cooperation with IFAD and a successful implementation of this project.

Best regards,

Sincerely yours,



WU Jinkang

GEF Operational Focal Point for China