



1. Project Data:		Date Posted : 04/25/2003	
PROJ ID: P003402		Appraisal	Actual
Project Name : Nature Reserve Mgmt	Project Costs (US\$M)	23.6	24.7
Country : China	Loan/Credit (US\$M)	17.9	16.24
Sector(s) : Board: RDV - Central government administration (62%), Forestry (35%), Other social services (3%)	Cofinancing (US\$M)		
L/C Number :			
	Board Approval (FY)		95
Partners involved :	Closing Date	06/30/2002	06/30/2002
Prepared by :	Reviewed by :	Group Manager :	Group :
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2. Project Objectives and Components

a. Objectives

The project's major objectives were to:

- better conserve the biodiversity of nine Nature Reserves (NRs) that were national biodiversity conservation priorities and of global biodiversity significance;
- improve the environmental condition of these reserves; and
- significantly scale back the activities of a forest enterprise (a logging and wood processing company) that was operating in an area adjacent to a group of target nature reserves and threatening their biodiversity, and to test and compare alternative mechanisms for re-deploying about two-thirds of its work force, while preserving their living standards.

b. Components

These objectives were to be achieved through five components :

- **Nature Reserves** (34 percent of total costs). The key activities undertaken at the reserves to upgrade their management were: (a) preparation and implementation of NR management plans; (b) strengthening of field protection through financing of guard posts, communication systems, field kits etc ., (c) establishment of a wildlife corridor linking two core areas of one reserve, (d) preparation of a National Forestry Reserve System Plan (NFRSP), and (e) a pilot community nature reserve co-management program.
- **Enterprise Restructuring** (34 percent of project costs). This targeted two state-owned forest farms under the control of the Changqing Forestry Bureau and supported: (a) a significant reduction in tree harvesting, (b) transfer of most of the Forest Bureau's workers to more environmentally sustainable employment, and (c) more effective conservation of the area. The entire forestry area was to be legally designated as a national level reserve, with a core of 11,000 ha and an experimental zone of 19,000 ha. All activities were to be stopped in the core zone and significant restrictions applied in the experimental zone. To support redeployment of the labor force, the project was to finance: (a) sub-loans to develop new employment opportunities for about 1,040 redundant workers at existing or new enterprises and ; (b) severance packages for about 150 redundant workers that would cover a combination of worker and family relocation costs, worker retraining, and placement costs and livelihood development. [Just before the project became effective the Government decided that all logging in the combined area would be stopped and the forest enterprises closed. This almost doubled the number of workers made redundant.]
- **Capacity Building** (20 percent of project costs). The component supported: (a) the development of a national NR training team to provide about 900 person months of NR operation and management training at the national provincial and reserve levels; and (b) enhancement of the capacity of the Division of Nature Reserves (DNR) of the Ministry of Forestry (MFO), with specific emphasis on the Province of Yunnan.
- **Management Information System** (8 percent of total costs). This supported: (a) designing and installing a computerized nature reserve data management system at the reserves, three provincial offices and the DNR (including procurement of equipment); (b) providing TA in reserve data analysis and information management; and (c) supporting a comprehensive monitoring and evaluation program for the NRMP.
- **Research** (4 percent of total costs) to strengthen existing national biodiversity conservation research by: (a)

financing research infrastructure at five nature reserve groups to facilitate field research and; (b) establishing a new national competitive small-scale research grants program to encourage additional research activity on priority conservation issues.

c. Comments on Project Cost, Financing and Dates

Project cost increased by about 5% to US\$ 24.7 million because of extension of the activities undertaken, especially in enterprise restructuring and capacity building . These additional costs were borne by the Government of China. The GEF grant was denominated in SDRs and, during project implementation, the SDR increased in value by about 10% against the US dollar. Thus, the amount expended from the grant was less than expected .

3. Achievement of Relevant Objectives:

Conservation of Biodiversity . The project has clearly enhanced the conservation of biodiversity at the selected sites. The numbers of keynote species are reported to have increased at all the eight mountain NRs during the project.

Environmental status . All the mountain reserves reported an increase in vegetative cover from about 90% to 95% of their area during the project period. With one exception, the reserves with Giant Panda habitat reported that the scale of this habitat had increased and most of the reserves reported a decline in the anthropogenic threats (such as fire, logging and hunting) to their ecosystems.

Enterprise restructuring . This objective was not achieved . Under the component two enterprises were established but these have not proven to be financially viable . They have been down-sized and their assets are being sold at discount prices . Many of the workers initially absorbed into them are not now active . Overall, 2262 workers were made redundant by the closure of the Changqing Forestry Bureau . Of these about 10% were absorbed into the operations of the local nature reserves; about 30% are in other jobs, 8% returned to their home villages with a compensation package, 35-40% have retired, and 15% are reported as currently being idle .

4. Significant Outcomes/Impacts:

The project dramatically raised the operational performance and capacity of the nine participating NRs, five provincial forestry departments and the SFA's Department of Wildlife Conservation (DWC).

At the reserve level, the project has successfully introduced international quality, outcome oriented and adaptive planning of the NRs, incorporating regular and rigorous analysis of reserve conditions and threats, and has created the staff capacity to implement this management approach . The project's MIS and research components have provided the systematic biodiversity and environmental information needed for effective monitoring and outcome oriented planning, and have integrated applied conservation research into the nature reserves' monitoring and management practices . It also successfully introduced the concept of participatory co -management of community nature reserves in eight pilot communities .

The project also significantly improved the technical and management capacity of the participating provincial forestry departments and the SFA's DWC . Effective nature reserve monitoring and supervision systems have been established and the quality of the technical advice being given to reserves significantly improved .

5. Significant Shortcomings (including non-compliance with safeguard policies):

As noted, the effort to restructure forestry enterprises was not successful . Partly because of their age and inappropriate skills, a majority of the former workers do not appear to be economically active . The majority of those still working are with state enterprises . Among the three enterprises that were expanded, one stopped operating in early 2002, and the other two are in the early stages of shifting to new activities that, hopefully, will be more viable . The two buildings constructed with GEF funds stand idle and empty . While the living standards of the displaced workers have been maintained, this has been as a result of a comprehensive set of enterprise and provincial employment and benefit programs that were made available to them, and not because they have moved to new, more productive employment .

This outcome illustrates the difficulty in achieving economic restructuring in more remote, economically marginal regions, even in an overall economy that, on average, is among the most rapidly expanding in the world .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Highly Satisfactory	Satisfactory	Although the environmental objectives were fully attained, the enterprise restructuring element was not satisfactory. The two enterprises established were not viable and a minority of the redundant workers now appear to be gainfully employed.
Institutional Dev .:	High	Substantial	The enterprise restructuring activity was a part of the overall institutional development effort of the project. Given the unsatisfactory outcome of the former,

			the overall impact of the institutional development efforts can only be rated as substantial.
Sustainability :	Likely	Likely	
Bank Performance :	Highly Satisfactory	Highly Satisfactory	
Borrower Perf .:	Highly Satisfactory	Highly Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

The following were the most generally applicable of the lessons cited :

- If a project is designed to have multiple elements, it is preferable that these elements can be carried out in parallel, in order to reduce the risk of delays in one element holding up the implementation of others;
- GEF projects should include greater emphasis on steps to ensure support for further program implementation . One cannot just assume that further funding will materialize; and
- Co-management planning must be participatory and involve all the key stakeholders to be functionally effective.

The following lesson is also suggested by the outcome of the project :

- Where public enterprises are to be restructured or closed, preparation needs to focus on the age and skills of the impacted labor force and the the overall likely economic environment during implementation .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The report is generally of good quality . It's description of the principal lessons, however, is diffuse .