

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB3766

Project Name	Forestry Development Project
Region	EAST ASIA AND PACIFIC
Sector	Forestry (75%); General agriculture, fishing and forestry sector (25%)
Project ID	P105872
Borrower(s)	GOVERNMENT OF CHINA
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Implementing Agency	
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Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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I. Key development issues and rationale for Bank involvement

1. Forests cover 163.5 million hectares in China, up from less than 115.3 million hectares in the 1980s. Forests provide 40 percent of the country's rural energy and about two-thirds of industrial wood consumption (around 225 million cubic meters out of total utilization of around 310 million cubic meters). The sector is also a vital source of employment and income generation, supplying about 3 percent of the nation's jobs and 4 percent of GNP. Its importance notwithstanding, the forest resource base in China is small and isolated. Nationally, forest cover amounts to no more than 0.11 hectare per capita, significantly below the world average of 0.77 hectare per capita.

2. China's forests and forest consumption are of global as well as national significance, but forestry has been identified by Government as a lagging sector in economic reforms and delivery. The Government's 11th five-year plan¹ aims to sustain the rapid and steady development of China's "socialist market economy" while achieving the five balances²one of which is the balance between people and nature or the environment. The Bank's May 23, 2006

¹ Covers the period from 2006 to 2010

² Between rural and urban development, interior and coastal development, economic and social development, people and nature and domestic and international development.

Country Partnership Strategy (CPS 2006-2010) for China has five development pillars. The third pillar - “managing resource scarcity and environmental challenges” focuses on improving the management of natural resources such as land, grasslands, forests and water resources including by involving affected communities.

3. Since 1987, the Bank supported six operations within the forestry sector and an additional two projects with very substantial tree planting and forest management dimensions. These required nearly US\$ 1 billion in World Bank lending to support over US\$ 2 billion in total project costs. Through these operations, the Bank financed the establishment of about 3.8 million hectares of plantations, the production of about 188 million cubic meters of wood and the sequestration of some 566 million tons of carbon dioxide. The Bank's China program has been mostly driven by demand, and projects have evolved from relatively simple support to forest plantations on state and collective farms to more complex projects with objectives ranging from poverty alleviation to farmer participation and to management of protected areas and biodiversity. The Bank's forest projects have been successful by most measures and have contributed to the successes of China's forest sector. The Bank's implementation completion assessments have concluded that all of the completed projects have returned high economic and financial rates of return, often exceeding appraisal estimates, and have had positive impacts on the Government's own forest plantation programs³. In contrast to investment, Bank forest policy engagement in China has been limited. To some extent, policy and institutional contributions have been embedded in supervision of operations and have largely focused on matters of technical practice and technology dissemination.

4. While previous World Bank projects focused essentially on improving timber production, plantation quality and standards, as well as natural forests and protected areas management and biodiversity conservation, the IFDP would focus mainly on improving forest ecology and the environment through a better use, management and conservation of forest, soil and water resources, as well as on supporting the Government's collective forest land tenure reform. This is very much in line with the direction and goals set by both the Chinese 11th five-year plan and the Bank's May 23, 2006 CPS. In addition to improving farmers' income and contributing to poverty alleviation, the proposed IFDP would introduce a number of innovations to the WB-supported forestry projects in China. These would include: (i) focusing on ecosystems protection by creating forest covers and shelter belts in areas prone to wind and/or water erosion; (ii) creating new forests or upgrading existing ones near or around abandoned rock mines near world heritage sites; (iii) applying cutting edge technology and research results to modify and transform monoculture forests into mixed species forests that are better for the environment; and (iv) supporting the Chinese Government in implementing its new policies to reform the collective forests land use rights.

II. **Proposed objective(s)**

5. The proposed project would have two objectives. The first would be to: (i) improve the ecological condition, management and productivity of degraded forest ecosystems in selected households and/or collective sites. This objective would be achieved through the plantation of mixtures of native or other slow growing forest species for purpose of establishing or

³ The Government invests about US\$6 billion equivalent in forestry plantations annually.

rehabilitating forest ecosystems in degraded areas; and (ii) strengthen institutional capacity and promote the Government new policy to reform the land use rights in collective forests. This objective would be achieved by supporting the implementation of the new policy, particularly the provision of services (extension, marketing, cooperatives and associations) to the beneficiaries of the policy reform.

III. Preliminary description

6. The proposed project would be implemented in the provinces of Anhui, Hebei, Liaoning, Shanxi and Zhejiang and would include about 84 counties (cities, forestry Bureaus). It would have an estimated total cost of approximately 1,420 million RMB Yuan (US\$200 million equivalent at an exchange rate of 7.1 RMB = US\$1). IBRD financing would amount to US\$100 million (50% of project costs) and the remainder would be provided by participating provinces and project county entities. It is expected that the project would be implemented over a six year period.

7. *Component One – New Forest Ecosystems Establishment (Estimated Total Cost US\$140 million):* Under this component, about 120,000 ha of mixed long-rotation species plantations would be established on sandy wastelands, abandoned crop lands, old stone quarries around villages and cultural heritage sites for the purpose of fighting desertification and rehabilitating local ecosystems in ecologically degraded sites. Afforestation sites will be relatively small in size (less than one hundred contiguous hectares) and scattered in several counties in each of the five project provinces. Plantation sites would not be those of natural forests, but would be sites where previous cultivation took place or where the forest cover has been removed and not replaced or on sites where wind, water erosion or the action of man have eliminated any permanent vegetative cover. Leaving such sites without a vegetative cover would subject them to further erosion and deterioration and would, as is the case of some Shanxi and Hebei sites, be the source of some sand storms that would affect neighboring cities.

8. The proposed forest ecosystem establishment would be undertaken by county government on the basis of partnership agreements signed, voluntarily, with the various types of forest land-use right holders (individuals, groups, villages and forest farms). In designing the establishment of plantations, the concerned project preparation entities would use a participatory approach to fully involve land users or communities in enhancing ecosystems rehabilitation and management. Project entities would also make use of the latest research results in the selection of species mixtures, types of seedlings, planting design, plantation establishment, maintenance and management. This component would also introduce a variety of adapted trees, shrubs, and grass species and improved technical models for ecological forest management, including watershed and sandy soils management to optimize their ecological function.

9. *Component Two – Forest Ecosystems Improvement (Estimated Total Cost US\$57 million):* Under this component, approximately 80,000 ha of existing monoculture forests or unstable forests would be modified or rehabilitated to improve the balance and harmony of their ecosystem and enhance the forests' ecological function and sustainability. In some bamboo forests in Zhejiang, new research has demonstrated that the addition of Chinese fir or other similar deep pivot-rooted species to pure stands of bamboo would deepen the soil profile that can

store water and give the Bamboo greater capacity for normal growth during periods of droughts. Likewise, some dense plantations in Anhui and Hebei would gain in productivity and in biodiversity content and health if they were thinned, tended and fertilized to allow other underplayed species to grow and become part of the mixed forest.

10. *Component Three - Support to Capacity Building for Policy Reform and Project Management (Estimated Total Cost US\$3 million):* Under this component the project would finance activities needed to implement the Government's policy to reform the land use rights in collective forest lands. This would mean financing the tools that would allow the Government to undertake the reform on the ground and more importantly to provide the services that would be needed by the new beneficiaries of the right to use collective forest lands. It is expected that these beneficiaries would require assistance and know-how on managing their forests and eventually in harvesting them, selling their products and in organizing themselves in cooperatives or associations to further their specific interest under Chinese law. Under this component, the project would also finance some means for project management, monitoring and evaluation and training to project beneficiaries and staff.

Implementation Arrangements

11. Overall project implementation and monitoring would be the responsibility of the Project Management Center (PMC) of the State Forestry Administration (SFA). At the level of the five project provinces, the Provincial Forestry Bureaus and Provincial Finance Bureaus would coordinate project activities and serve as secretariat and member respectively of the Project Leading Group (PLG). Field work would be the responsibility of the 84 participating County Forestry Bureaus.

IV. Safeguard policies that might apply

12. The project would be rated as an Environmental Category B project. During project preparation an *Environmental Assessment* and *Environmental Management Plan, as well as a Social Assessment and related Safeguards reviews* would be undertaken to ascertain that project impacts on the environment and social aspects is positive and to mitigate any potential adverse effects.

V. Tentative financing

	Source:	(\$m.)
Borrower		100
International Bank for Reconstruction and Development		100
Total		200

VI. Contact point

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