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COUNTRY STRATEGY OUTLINES

Agenda item 6

For consideration



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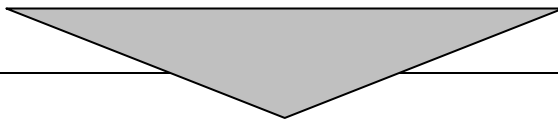
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COUNTRY STRATEGY OUTLINE— CHINA

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Note to the Executive Board



This document is submitted for consideration by the Executive Board.

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document, to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

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Executive Summary

During the past two decades China has achieved remarkable economic progress. Average gross domestic product (GDP) growth rose from 5.5 percent to 12.8 percent in the first half of the 1990s. In 1998, the yearly per capita GDP was US\$720 and the Human Development Index (HDI) was 0.7, ranking China 120th and 98th, respectively, out of 174 countries. By the mid-1990s, China achieved its major target of ensuring nearly sufficient (95 percent) food production at the national level. During consultations on future WFP assistance, held between the Government and WFP in 1999, the Government requested continued assistance from WFP for a five-year Country Programme. Two key principles for WFP assistance for the period 2001-2005 were agreed on:

- a gradual downsizing of WFP resources, leading to a phase-out of WFP assistance by 2005;
- an increase in the Government's cost-sharing from the current 1.5:1 to 2:1.

Despite China's achieving impressive economic progress and near food self-sufficiency, in 1999 more than 34 million rural people lived below the Government's poverty line of 635 Yuan¹ per year. Rural women and children are the most vulnerable and disadvantaged in gaining access to resources. Widening regional disparities place the disadvantaged at an even greater risk in the face of China's economic advances and increasingly market-based economy. Considerable investment to build skills and develop non-subsistence crop production is needed to help these people out of poverty.

Since 1996, WFP's successful partnership with the Government of China has been expanded to include IFAD. In line with the Government's Poverty Alleviation Plan, and in accordance with WFP's Enabling Development policy (decision 1999/EB.A/2), WFP resources will be used in a complementary fashion with government and IFAD resources to pursue the following of the Enabling Development policy's strategic objectives:

- enable poor households to invest in human capital through education and training;
- make it possible for poor families to gain and preserve assets; and
- enable households, that depend on degraded natural resources for their food security to make a shift to more sustainable livelihoods.

The future programme will more accurately target poor households in the most vulnerable villages located in remote mountain areas of China's western regions through a strengthened WFP vulnerability analysis and mapping (VAM) system. Simultaneously, the transfer of VAM capacity to the Government will be an important activity over the next five-year period.

The WFP/IFAD support to the Government is the cornerstone of an Integrated Rural Development (IRD) model. This model will be further refined, with more emphasis placed on investments in human capacities and social infrastructure. Focus will be on providing opportunities for women to gain new skills and access to micro-finance loans, and on assets that will reduce women's work burden and thus create time for their participation in other development opportunities.

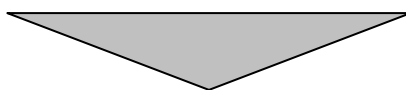
¹ Exchange rate: US\$1 = 8.3 Yuan.



The United Nations Development Assistance Framework (UNDAF) for China is currently under preparation. The China United Nations Country Team has reviewed the Country Strategy Outline (CSO) and noted that it conforms with the goals set for future United Nations system support to China.

The key challenge for the Government and WFP will be to implement and monitor the modalities and processes of the planned five-year exit strategy. The lessons identified and strengths and constraints encountered will be documented for use in developing future phase-out strategies in other WFP recipient countries.

Draft Decision



The Board endorses Country Strategy Outline for China (WFP/EB.3/2000/6/4) and authorizes the Secretariat to proceed with the formulation of a Country Programme, which should take into account the comments of the Board.



FOOD INSECURITY AND THE HUNGRY POOR

Food Availability at the National and Sub-national Levels

1. In 1999 China fed 1.26 billion people (20 percent of the world's population) on 7 percent of the world's arable land. At the national level, agricultural production has consistently outpaced population growth since the early 1960s. By the mid-1990s, China had achieved its major target of ensuring nearly sufficient (95 percent) food production at the national level (see Annex I). Per capita food availability and consumption rose from 1,700 Kcal a day in 1960 to 2,570 Kcal in 1995. Nevertheless, national food self-sufficiency hides huge regional disparities and food insecurity in marginal and remote areas. Key factors for assessing food insecurity in China must be analysed at lower provincial and county levels.
2. Food self-sufficiency will continue to be the central goal of agricultural policy in China. However, grain production will fall behind increasing demand over the next 20 years. Projections predict a 5.4 percent increase in grain production between 2000 and 2005 against an 8.6 percent increase in grain demand. An increasingly larger share of the grain produced is used to support the rapidly expanding meat sector in response to growing demand.
3. Imports are estimated to surge from 6 million tons in 2000 to 21 million tons in 2005 and to 33 million tons in 2020 (see Annex II).
4. Technological and structural improvements to the agriculture sector will be crucial for maintaining productivity and growth. There are serious constraints, however, as a result of the following:
 - Water is becoming scarcer as increased urban and industrial demands compete with those of agriculture, such as irrigation.
 - Per capita availability of arable land is shrinking (from 0.09 ha to 0.08 ha during the last decade) due to population growth, increased use of land for non-farm purposes and desertification.
 - Soil resources are often fragile. Vast areas of bare wasteland and pastureland in the central and western regions experience severe erosion.
 - Extension services, especially in poor areas, are inadequate for providing technical knowledge and/or materials, in particular in the western provinces.
 - Grain prices are expected to decline with China's entry into the World Trade Organization (WTO), causing reduced profitability to farmers. Meat prices, however, are expected to increase to the level of world market prices.
5. Although the Government has reached its target of 95 percent food self-sufficiency at the national level, there are huge disparities at the sub-national level. Production disparities per capita exist across regions as a result of differential access to inputs, land productivity and technology, climate and exposure to natural hazards. Supply disparities are caused by weak or insufficient market demands, incomplete marketing and transportation infrastructure and price distortions.



Access to Food

6. Even where food availability is sufficient, access disparities—mainly resulting from lower incomes, high prices and difficult access to markets—prevent people from acquiring enough food to meet their minimum energy and nutrient requirements. Food-insecure populations usually have a food gap of between 3 and 5 months.
7. Per capita net income varies greatly across China (see Annex III). Eastern provinces have an average income of 2,972 Yuan a year, while in the regions where WFP-assisted provinces are located the yearly average goes as low as 1,426 Yuan. Correspondingly, in the central and western regions, to which WFP assistance is targeted, the average food expenditure is considerably higher than the national average of 53 percent of the total living expenditure.
8. Survey data reveal that in 1995, 39.1 percent of under-5 children in rural China were stunted and 17.8 percent were underweight. Almost half the stunted children in urban areas and 75 percent in rural areas resided in households with a per capita income below 500 Yuan per year.
9. Flood and drought are the most common natural disasters. Flood-prone areas are concentrated in the south/southeast, while the central and northwest parts are prone to drought. At the national level, losses due to natural disasters amount to 3-4 percent of GDP.² Between 1990 and 1995, approximately 16 percent of the cultivated land in China was affected by flood and 27 percent by drought. The 1998 floods caused direct economic losses of more than 250 billion Yuan, affecting 13.7 million ha of cultivated land and destroying the harvest of more than 5 million ha.
10. The most disaster-prone provinces are Hubei, Hunan and Anhui, which are considered at high risk of floods and drought. Between 1990 and 1995, one third of the farmland in these provinces was affected by disasters. The southern and eastern coastal provinces (Guangdong, Fujian, Zhejiang and Jiangsu) are particularly flood prone. The western and southern provinces of Gansu, Shaanxi, Ningxia, Sichuan, Guizhou and Guangxi are at high risk of drought as a result of low and irregular rainfall, especially in mountainous areas.

The Target Population

11. The Government's estimate of poverty is based on income criteria that cover basic food and clothing requirements as estimated in 1985, when the poverty campaign was initiated. By the end of 1999, the number of rural people living in absolute poverty, defined by an annual per capita income of 635 Yuan, was 34 million. According to the World Bank criterion of a poverty line of US\$1 per day, however, there were approximately 120 million poor people in China in 1999.
12. An increasing share of the rural poor live in the western provinces—at the beginning of the 1990s this was less than 50 percent of China's rural poor, but by 1996 it had increased to more than two thirds (see Annex IV). China's poor households are characterized by low resource and human capital endowments, high illiteracy and less diversified sources of income than other groups. China's poverty problem is most prevalent in mountain regions and border areas where ethnic minorities reside. Ethnic minority groups make up less than 9 percent of the total population but are believed to account for 40 percent of the absolute poor.

² In Japan it is 0.6 percent and in the United States it is 0.1 percent.



13. In China, poverty exacerbates problems of low rates of female participation in education and relative maternal and female infant mortality rates. The UNDP's Gender Development Index³ (GDI) noted that women's development in 1999 was lower than that of men in all provinces. The lowest GDI values were found for Tibet, Qinghai, Guizhou, Yunnan and Gansu and the largest gender gaps in Tibet, Hubei, Xinjiang and Heilongjiang.
14. The illiteracy rate shows significant gender disparity. In 1997 it averaged 30 percent for women and 13 percent for men in rural areas; the highest illiteracy rates among women were in Qinghai (71 percent), Tibet (65 percent), Ningxia (47 percent) and Guizhou (46 percent). Seasonal migration of men is common in all these areas, leaving women with the additional burden of farming. Recent studies have shown that women do as much as 60 percent of the farm work.

Provincial and County Vulnerability and WFP Target Groups

15. In 1997 the VAM Unit of WFP-China carried out a provincial-level analysis based on risk-related socio-economic and anthropometric indicators. It identified several highly vulnerable provinces in the central and western part of the country. Provincial analysis can hide many intra-provincial disparities, so the China VAM Unit carried out an updated county analysis for this CSO. A map showing the most vulnerable counties in China based on 1998 data is presented in Annex V.
16. Vulnerability is mainly associated with poor performance of the primary sector (agriculture), resulting in low per capita food production. The major factors affecting crop production in the 459 poor counties identified by the China VAM exercise are adverse climatic conditions, limited land availability and poor soil quality. Per capita arable land is below the national average in 335 out of the 459 vulnerable counties.
17. Small landholding is often associated with low soil fertility and unfavourable topography resulting in highly cultivated steep slopes. In 147 counties the low added value of the primary sector is associated with an annual per capita income below 1,000 Yuan (US\$120) against the national average of 2,162 Yuan. Farming systems in these areas produce predominantly grain with few, if any, cash crops. This indicates that the household economy in these rural areas is based on limited income sources resulting in high vulnerability to food insecurity and limited coping abilities.
18. Based on a classification of households⁴ typical for project areas, WFP targets the poor and very poor, who generally make up about 80 percent of the population of poor villages and who have the potential to improve their access to assets. WFP's target population is typically characterized by:
 - high incidence of minority groups living in isolated resource-poor mountainous areas;
 - a physical resource base often severely degraded by erosion;
 - lack of access to income-earning opportunities (off-farm employment, micro-finance, extension, etc.);
 - frequent exposure and high vulnerability to natural disasters;

³ A measure that uses the same variables as the HDI but adjusts the average achievements in life expectancy, educational attainment and income in accordance with the disparity in achievement between women and men.

⁴ Household classification: better off (5-15 percent), poor (55-65 percent), very poor (5-25 percent), poorest (5-15 percent). The latter category of households receives relief food from the government for their sustenance. These households mostly lack labour and are unable to participate in food-for-work (FFW) activities.



- low education levels and high illiteracy rates, particularly among women; as many as half the boys and nearly all the girls in many of China's poorest villages, particularly in minority areas, do not attend school and will not achieve literacy;
- high under-5 mortality rates and high levels of stunting and micronutrient deficiencies; and
- frequent seasonal migration of men, increasing women's share in agriculture and overall workload.

GOVERNMENT PRIORITIES AND POLICIES ADDRESSING POVERTY AND FOOD INSECURITY

Overall Policies

✧ *Poverty Alleviation*

19. The Government's Poverty Reduction Programme (1994-2000) set a goal of eliminating absolute poverty by the end of 2000. It called for increased funding for poor areas, particularly for 592 poor counties designated as such by the central government. Major strategies were to expand rural infrastructure, increase agricultural production and promote development of village and township enterprises.
20. In 1998, budgeted funds for poverty reduction programmes totalled 18.3 billion Yuan. However, while total funds for poor areas increased in nominal terms from 1985 to 1998, actual investment expressed at constant 1985 prices declined to a lower level than in 1985.
21. In previous decades the widespread distribution of poverty made it possible to achieve substantial reductions in the number of poor through economic growth and the broad geographical targeting of resources. But today the majority of absolute poor live in areas cut off from the economic mainstream, with their problems deeply rooted or structural and thus not easily solved by broadly targeted interventions. After completion of the Government's Poverty Reduction Programme (1994-2000), it is expected that about 20 million absolute poor will need further assistance.
22. A National Conference on Poverty Alleviation in June 1999 adopted a more focused poverty-alleviation approach, resulting in a long-term government poverty alleviation plan, currently under preparation. This plan is expected to:
 - focus poverty alleviation activities on poor families and villages rather than on poor counties that probably include non-poor people;
 - invest in basic infrastructure, such as access roads, bridges, drinking-water, and irrigation;
 - provide basic health and education services;
 - initiate micro-credit programmes including skills training and opportunities for organizing and participating in local decision-making; and
 - transfer relief assistance to the destitute and poorest and to people needing short-term transitory assistance usually because of natural disasters.



23. The Government's Tenth Five-Year Development Plan (2001-2005) is currently being drafted. This plan will include a new activity dubbed the Western Regional Development Initiative.⁵ It is expected to incorporate the goals set for the next five years in the context of the new and more focused approach to poverty alleviation, and to state how these goals will be achieved through a comprehensive package of pro-poor macro-policy measures and micro-level interventions.
24. Although the details of the Tenth Plan have not yet been released, one new important intervention, named Returning Slope Agricultural Land to Trees and Pastures (RSALTP), has already been started in 2000. The RSALTP intervention will provide farmers with a food and cash incentive package for several years to stop them from farming a total of 6 million ha of lands and return them to forestry or grasslands. The farmers will retain their contracts on these lands but will have to concentrate farming efforts on lower-lying fields. As much as 635,000 tons of grain has been earmarked by the Government to support this intervention in 172 pilot counties during 2000.

📌 *Programme for the Development of Chinese Women (1995-2000)*

25. This programme began as a follow-up to the Beijing Platform of Action, and the All China Women's Federation (ACWF) was entrusted with supervising its implementation. Some key issues are to enhance women's participation in decision-making and management, to enable women to be a part of socio-economic reform and modernization and to improve women's basic health and literacy. Specific poverty alleviation strategies applied under this programme have been: 1) practical skills training; 2) assistance through twinning arrangements, i.e. one urban unit helps a specific rural township/county with various kinds of assistance; 3) assistance to women from poor areas to migrate to urban areas for employment; 4) assistance to women in setting up micro-enterprises; and 5) micro-credit projects.
26. The next Ten-year Programme for the Development of Chinese Women, 2001-2010, is currently being drafted. It will incorporate an action plan to achieve the objectives agreed upon at the Beijing+5 Conference held recently in New York. The Government confirms that further assisting Chinese rural women to rise out of poverty has been set as one of the main objectives of the ten-year programme.

Food Security Policies

27. Food self-sufficiency is the central goal of China's agricultural policy. The Ninth Five-year Development Plan for 1996-2000 and the National Long-Term Economic Plan both call for continued agricultural production growth, annual farmer income growth of 4 percent, the elimination of absolute poverty and the maintenance of near food self-sufficiency (95 percent). Recent macro-economic data on grain production confirm that China has achieved the latter, although at a very high cost.
28. To achieve the national food security goal, the Government has maintained a monopoly on grain purchases at fixed and protective prices. This has led to huge surpluses of often low-quality grains. The costs of storing and administering these buffer stocks are excessive. In response to this and in anticipation of China's entry into the WTO, policies to liberalize the grain sector have recently been formulated (though not yet fully implemented).

⁵ The funds administered under this five-year development plan would be channelled mainly to the central-western provinces and administrative regions of Xinjiang, Tibet, Qinghai, Inner Mongolia, Gansu, Ningxia, Yunnan, Shaanxi, Sichuan, Guangxi, Guizhou, and Chingqing Municipality.



29. With China's entry into the WTO, trade must be further liberalized, and agriculture in particular will face great challenges. CCAP has forecast that China's grain self-sufficiency will decline from 98 percent in the mid-1990s to about 90 percent after 2005. Larger imports of grains, combined with lower prices, particularly for wheat and maize, will see a reduction in grain production and thus a decrease in farmers' income. In the most remote and mountainous areas, the share of grain crop production in household income is approximately 85 percent.

Food Aid Policies

30. China's rural relief system, implemented by the Ministry of Civil Affairs and provincial and county civil affairs bureaux, is independent from the Government's poverty alleviation programme. But many recipients of the relief programme are among China's poor.
31. The relief programme targets those hit by natural disasters and those considered truly destitute. Members of the latter group are guaranteed food, clothing, housing, medical care and funds for the education of orphans, and burials. In 1996, relief assistance worth 3.9 billion Yuan was distributed to more than 30 million people. In response to the 1998 floods, the Government's relief assistance amounted to 22.7 billion Yuan, reaching almost 67 million people.

ASSESSMENT OF WFP'S PERFORMANCE TO DATE

32. WFP is China's major food aid donor (US\$864 million since 1979). The Government has built an increasingly effective partnership by closely matching WFP's contributions to help some 30 million rural people out of poverty. Over the last five years (1995-1999), WFP has delivered a total of 561,050 tons of wheat for development projects. There has been a gradual decrease in resources for China, from 131,570 tons in 1995 to 89,992 in 1999.
33. In the mid-1990s WFP began shifting its support from an Integrated Agricultural Development (IAD) approach, focusing mainly on measures to increase food availability and income to the poor, to an Integrated Rural Development (IRD) approach. The IRD model, in addition to meeting food and income needs of the poor, also addresses human capital formation. The increasing recognition by the Government that achieving a more effective and sustainable poverty reduction requires integrated services led to the decision in 1996 by the Ministry of Agriculture, WFP and IFAD to establish a programme partnership.
34. Under the current CSO period (1996-2000) five joint Government/WFP/IFAD projects based on the IRD model have been approved, and a sixth is under preparation. In addition, a total of nine IAD projects (started prior to the current CSO period) were completed. Three of these projects were expanded with additional food aid to try out new activities and approaches for implementation of WFP's Commitments to Women. The Women's Health and Micronutrient Facility (WHMF) addressed iodine, iron and vitamins A and D deficiencies through the Ministry of Health as a pilot, in all three projects.⁶ Further, a micro-credit fund for women's groups, managed and supervised by ACWF, was implemented in Project China 4071 (Ningxia).

⁶ Project China 3893 (Yunnan), Project China 4071 (Ningxia), and Project China 5181 (Guizhou).



Strengths and Weaknesses of Targeting and Implementation

35. Several WFP post-evaluation missions have concluded that “at least in the case of the WFP-supported IAD projects examined”, successful results were achieved both in terms of increasing the food availability and income of the poor and in terms of institutional and environmental sustainability of the activities supported.
36. The Government/WFP/IFAD-supported IRD model, introduced only in 1996, tailored to meet effectively the needs of the remaining absolute poor living in remote and marginal areas, has not yet been subject to comprehensive evaluation. Progress-monitoring and various studies undertaken by WFP and IFAD indicate many strengths of the IRD model as an effective means of assistance for the absolute poor.⁷ However, findings also highlight some weaknesses in the current model that can be addressed to further improve the joint Government/WFP/IFAD assistance. These weaknesses are related in particular to the targeting of the joint resources and to some aspects of programme implementation.

Targeting

37. The VAM targeting system in China, developed with funding assistance from IFAD in 1997, identifies resource-poor vulnerable counties and townships through a clustering analysis. It then provides selection criteria to the local Project Management Offices (PMO) to identify the most food-insecure villages and households (it was clear that many poor households within nationally designated poor counties were excluded from the benefits of poverty reduction programmes). Beneficiaries are then selected using Participatory Rural Appraisal (PRA) tools. To date (June 2000), this methodology has been applied for geographical targeting down to the township level for two Government/WFP/IFAD-supported IRD projects and for emergency assistance in 1998, when WFP and government food helped 5.6 million flood-affected people.
38. The use of the combined VAM/PRA targeting methodology has greatly enhanced WFP’s knowledge of the target population. Thus the capacity to target WFP, government and IFAD resources to the most food-insecure households has been significantly improved. This method has been so successful that the Ministry of Agriculture, the Leading Group for Poverty Reduction (LGPR) and other United Nations and bilateral agencies are interested in using VAM methodology in their development programmes as well. WFP will work with the Government and others to further improve VAM as a tool for targeting.
39. Some of the improvements that need to be addressed in this regard are *data availability and reliability*. While data on agriculture production are available at all administrative levels, socio-economic data are not. Gender-disaggregated data—information on nutrition, food consumption and access to markets—is limited, particularly at the county and township levels. Different definitions of certain indicators and data collection methodologies sometimes result in poor data quality, especially at the township level.

Programme Implementation

40. Achievements, outputs and added value from joint Government/WFP/IFAD programme partnership are as follows:
- Through a combination of food for work and food for training, a substantial part (2-4 months) of the yearly food gap is filled for a majority of households. The risk of poor people’s using loans to buy food is thus reduced.

⁷ “The effects of the joint WFP/IFAD project in Sangai village, Qinghai province”. Professor Wu Guobao (2000).



- Through use of a mix of complementary resources, the joint Government/ WFP/IFAD projects offer opportunities for investments in production and assets. These improved assets act as collateral for gaining access to IFAD-supported micro-finance loans and thus help facilitate the process of economic diversification.
 - Employment opportunities are created and male labour is retained, especially in project areas with a high concentration of food for work and food for training activities and access to micro-finance loans. More job opportunities locally for men means reduced workloads for women.
 - Project design has benefited from the introduction of PRA methodology. PMO staff from provincial to township levels are trained in PRA techniques, and they in turn conduct PRA exercises in selected villages with the active participation of men and women. In addition to increasing the involvement of participants in formulating the projects, these exercises produce valuable information on issues such as seasonal variations in labour demand, division of labour by gender and gender-specific development priorities.
 - Fifty percent of resources for WFP-supported training in income-generating activities and IFAD-supported loans have been earmarked for women. In this way the women are provided with opportunities to participate in otherwise inaccessible development activities. Training interventions need to be improved, however, to better meet the needs of illiterate/semi-literate women who previously had no access to extension and/or skills training. In addition, training and credit availability must be coordinated to ensure loans upon completion of training.
 - Evaluations indicate that creating assets such as village access roads, drinking-water tanks, fuel-saving stoves and improved farming systems frees up time, particularly for women. This results in a more secure life with fewer worries, and the additional time created is usually used for other productive activities.
41. Additional findings from the new initiatives regarding WFP's Commitments to Women, piloted during the current CSO phase, indicate the following:
- The WHMF project successfully contributed to increasing women's awareness of basic health and nutrition/diet practices through the use of simple messages. The project did, however, face a number of constraints in the timely and accurate delivery of health services, including check-ups and the distribution of iron tablets and iodized salt, as a result of the lack of implementation capacity of the Ministry of Health, particularly at the village level.
 - Group solidarity among women who take out loans, with strong support from the ACWF provided excellent results in the Ningxia project. Apparent benefits from forming women's groups include loan repayment rates of between 95 and 100 percent.

Management and Institutional Capacity

- Counterpart funding has been consistent and timely, matching almost equally WFP grants and IFAD loans. The Government agreed during the latest project formulation (Project China 6147.00) to increase its share to 1.5:1, vis-à-vis WFP. The Government has also provided strong technical backstopping, particularly for physical infrastructure through the project management offices.
- Project participants have been effectively involved in project management through the use of PRA methodologies, the establishment of Village Implementation Groups (VIGs) and the development of Village Implementation Plans (VIPs).



- The WFP China office is well gender-balanced with combined women professional and general service staff making up 48 percent; female national professional staff stands at 55 percent of total country office professional staff. The appointment at all project management office levels of gender focal points (GFPs), responsible for monitoring gender-related issues in project activities and for voicing women's concerns in the decision-making process, has enhanced women's roles in project management and implementation. The current percentage of women in managerial posts in project management offices is 29 percent, with a target of 35 percent women by 2001. Earmarking two out of five positions on VIGs for women has further increased women's participation in the design and implementation of project activities. Women members on the VIGs, however, need to be supported in improving their management and leadership skills to enable them to participate more actively in the decision-making processes.
- Important technical and financial support to project design and technical reviews has been made possible from United Nations sister agencies, FAO, UNICEF, UNESCO and from the UNDP Umbrella Fund. The latter has been particularly important for building up a roster of qualified national experts to assist in the formulation and review of the joint Government/WFP/IFAD projects. Other close financial and technical partners have included the Canadian International Development Agency (CIDA), the Australian Agency for International Development Cooperation (AusAID) and German Agency for Technical Cooperation (GTZ).

Cost-efficiency

42. WFP commodities have been merged with national stocks since 1995 and a corresponding amount released from warehouses located near project areas. On average the cost of delivering food to project areas has been cut by 60-70 percent, compared with the previous arrangement of moving food by rail from port to project. The Government pays all internal transport, storage and handling (ITSH) costs, and there are no milling or other processing costs.

Impact on Markets and Domestic Production

43. WFP food aid has no disruptive effects on local markets because local markets do not meet the needs of food-deficit people in WFP-supported areas. The risk of creating dependency is minimal as WFP support is limited in time and is aimed at increasing food production.

Monitoring and Evaluation (M&E)

44. Despite being an effective tool for monitoring project progress and outputs, the present M&E system applied by WFP in China does not provide enough information on project results. Thus it is necessary to coordinate and synthesize the M&E requirements of WFP and IFAD into a unified system aligned with a government reporting system that can be implemented and used more effectively by all partners. The system is currently being reviewed in collaboration with IFAD and the project management offices, and a new and improved M&E system will be ready for implementation by the end of this year.



CONCLUSION

45. WFP's contribution over the past 21 years to the successful achievements in poverty alleviation in China is well recognized by the Government and has also been commended by WFP's donors and Executive Board members, who on several occasions have visited WFP- and WFP/IFAD-supported projects in China. These projects have served as demonstration models, not only for domestic-funded poverty reduction programmes but also for other donor-supported poverty alleviation projects within China and in the region. The strength of the successful implementation of WFP assistance, and also of the WFP/IFAD-supported projects, is in the cost-sharing and ownership demonstrated by the Government.
46. When the Government's new long-term (10- to 20-year) poverty reduction plan is compared with those supported by WFP/IFAD through the IRD model, it is clear that WFP is in line with these measures, thereby ensuring the continued co-funding by the Government for the next five-year period.
47. The main challenge ahead for WFP, IFAD and other development partners will be to support the Government in implementing programmes targeted and tailored more directly to the needs of the poor. As a result of its location in more remote mountainous areas of the western region, the current poor population has not previously benefited from such programmes.

FUTURE ORIENTATION FOR WFP ASSISTANCE

Framework of Assistance

48. The vision of WFP's future orientation is the product of consultations between the Government, IFAD, other potential new partners and WFP. The process began in mid-1999, when the Government requested assistance for a five-year Country Programme. It was agreed that the future assistance would include:
- a) a downsizing in the allocation of WFP's development resources to China over the next five years, leading to a phase-out of WFP assistance by the end of 2005;
 - b) a gradual increase in government funding from the current ratio of 1.5:1 to 2:1; and
 - c) a commitment by the Government to pay ocean freight for WFP-supplied commodities and to provide from its own stocks a share of food needed for future projects.
49. The model was introduced to the Executive Board in February 2000 in connection with the review and approval of project China 6147.00, which includes the basic principles of the proposed model. The Executive Board received the idea positively, and WFP was encouraged to move ahead with a CSO. Extensive consultations took place throughout the process with government counterparts at the central and provincial levels, with members of the United Nations Country Team preparing the China 2001-2005 UNDAF and with the local donor community.

Strategic Focus

50. WFP's overall development goal in China is to enable poor and hungry populations to shift to more sustainable livelihoods through food assistance that will meet their short-term consumption needs. At the same time it is important to encourage investment and leave



behind lasting assets—not only physical community and household assets, but also human capital.

51. To achieve this, WFP's programme in China over the next five years (2001-2005) will continue to build on the IRD model within the broader framework of the Government's poverty alleviation strategy and WFP's Enabling Development policy. In order to address current weaknesses and obtain greater compliance with WFP's new policy, targeting and programme implementation will be improved. In addition, more emphasis will be placed on expanding and strengthening partnerships.

Targeting

52. For future Government/WFP/IFAD projects, the targeting of project areas and the identification of project beneficiaries will continue to be conducted using VAM. New project areas will be identified on the basis of VAM targeting techniques to be supplemented with local context-specific food vulnerability assessments. VAM analysis based on 1998 data sets available from the State Statistical Bureau (SSB) shows a heavy concentration of vulnerable counties in China's central and western regions, where many, often minority, populations live in isolated, resource-poor mountainous areas and have not previously been targeted for development assistance. It is expected that future WFP assistance will be concentrated in these regions. The current seven WFP/IFAD-supported IRD projects that will extend into the 2001-2005 Country Programme fall within the 459 most vulnerable counties (see Annex V).
53. Over the next five years, WFP, with IFAD funding and in collaboration with the Government and other interested donors, will improve its VAM tool for targeting and programme design. This will include: a) evaluating the present VAM targeting process; b) improving data availability, collection and analysis (particularly gender-disaggregated and social data); c) building institutional and human capacity in applying data for effective food security analysis and programme design; d) strengthening the use of PRA techniques to enable greater participation in the "last mile" of the process in selecting poor households at the village level; e) expanding the database with disaster-related information to respond better to the Government's requests for assistance in major disasters; and f) transferring VAM capacity to Government.

Programme Implementation

54. Future programming will continue to be based on the IRD model and will support poverty alleviation and the improvement of food security for the most needy population. In particular, food aid, in conjunction with government, IFAD and other inputs, will be used to address three (2, 3 and 5) of the five strategic objectives of WFP's Enabling Development policy.
- **Enable poor households to invest in human capital** will be addressed through a combination of training interventions particularly targeting women. These include functional literacy training incorporating basic health and nutrition/diet practices; farm- and non-farm based income-generating skills training, including management of micro-finance loans; training in operations and the management of household and community assets and special leadership and management training for women VIG members. Should additional funds become available, WFP would consider supporting school feeding activities in China.
 - **Make it possible for poor families to gain and preserve assets** will be addressed through asset creation that will help reduce the workload of women, including the construction of community drinking-water tanks, fuel-saving stoves and village access



roads. Other types of assets created will aim at increasing and diversifying household food production and sources of income, such as watershed conservation works, small-scale farm-level irrigation schemes, dryland farming, terracing, livestock raising and the planting of fodder crops and economic trees.

- **Enable households which depend on degraded natural resources for their food security to make a shift to more sustainable livelihoods** will be achieved through the construction and protection of water catchments; changing land use on steep slopes; and planting trees for erosion control. It will also include the development of technical capacity to monitor production fluctuations in flood- and drought-prone areas more effectively; this will enable timely and rapid interventions and help reduce the severity of hazards.
55. The activities listed below will be supported by WFP resources and implemented through food for training and food for work. Government cost-sharing will include, in addition to ocean freight and ITSH, salaries for management staff and skilled technicians, additional food and most non-food items. The IFAD loan will be divided into three parts: a) reimbursement of construction materials, equipment for extension and training centres, training for extension workers and other items such as support to construction/rehabilitation of primary schools, and cash incentives to primary school teachers involved in functional literacy training; b) loans to Rural Credit Cooperatives (RCCs) for the provision of short- and medium-term credit to farmers; and c) credit training for RCC staff and farmers.
56. The IRD model will be modified based on assessments to comply with WFP's Enabling Development policy. The following areas have been identified for implementation of changes and/or improvements:
- WFP food will be targeted only towards a core group of beneficiaries who participate both in food for work and food for training. This will ensure that food aid meets people's short-term consumption needs, enables access to IFAD-supported micro-credit possibilities and ultimately contributes to the creation of lasting assets. By providing employment, this approach will also provide incentives for men to remain in the project area.
 - Future WFP food aid will be used only for the creation of assets at the community and household levels, while the Government will take on large-scale infrastructure works as part of its cost-sharing contribution. (For example, the Government will be responsible for main hydraulic works requiring cash employment.)
 - Previous WFP projects have focused predominantly on improving household food production by targeting, almost equally, men and women. In future, a larger share of WFP resources will be targeted directly to women, who, due to the seasonal migration of men, take increasing responsibility for agricultural work. All activities will benefit women and at least 25 percent of the assets created will directly benefit women and will help reduce their work burden. More than 60 percent of all literacy and skills training activities will be targeted to women, thereby enabling them to gain access to the IFAD-supported micro-finance facilities.
 - Participation in project design, implementation and management will be increased and expanded through the VIGs with the use of PRA techniques. Women VIG members, in particular, will receive management and leadership training to enhance their participation in the design and implementation of the VIP. More emphasis will be placed on the sustainability of the assets created by ensuring consensus among participants on responsibilities (user fees/labour) for the operation and management of those assets.



- Training packages will be improved. Simple message-oriented training, successfully tested in the WHMF project, will serve as a model. Given the limited implementation capacity of the Ministry of Health, only the training component on improved health and nutrition/diet practices will be continued and will be linked to the adult literacy component implemented by the Ministry of Education. WFP will assist project management offices in training primary school teachers, who usually deliver adult literacy training at the village level.
- Coordination between WFP food for training and IFAD-supported micro-finance activities will be improved to ensure beneficiaries' smooth access to loans on completion of their training. More loans will be made available in future for group lending, especially to women's groups. IFAD's micro-credit will focus more closely on areas where WFP and the Government provide inputs to develop household production assets.
- An improved and unified WFP/IFAD M&E system is currently being developed and will be ready for implementation at the end of 2000. The improved system will be implemented in all new projects through three surveys (baseline, mid-term and final) and will provide gender-disaggregated data. The system will become an integrated part of VAM, thereby ensuring proper linkage among problem analysis, targeting, activity design, monitoring and programme management. The future M&E system will place emphasis on evaluating progress at the aggregate programme level as opposed to the individual activity level. Benchmarks will be established for the phase-out process.

Operational Implications

57. A Letter of Understanding outlining the principles for payment of ocean freight of WFP-supplied food commodities has been signed with the Government. This agreement will go into effect for the first time in the newly approved project China 6147.00. Transfer of Government-supplied food commodities was successfully implemented during the 1998 floods, when the Government contributed 100,000 tons of grain, approximately one third of the total food commitments, to the WFP-supported emergency operation. However, more detailed handling, distribution and monitoring systems will have to be worked out.
58. Plans and procedures for downsizing staff and budget in tandem with a reduced Country Programme will need to be worked out in a transparent manner through consultation with WFP and the Government.

PARTNERSHIPS

59. WFP's principal partners will continue to be the Government and IFAD. New partnerships will be established to improve programme quality, complement resources and strengthen coordination. It is envisaged that future partnerships could be expanded to include bilateral donors and civil society.
60. CIDA has shown interest in providing funding to support training and the transfer of technology packages developed in CIDA-supported poverty reduction programmes.
61. AusAID has indicated possibilities for the further channelling of bilateral food and other assistance through WFP for replication of the IRD poverty alleviation model.
62. The World Bank has shown interest in supporting the training of government counterparts to further disseminate the use and transfer of VAM methodology to appropriate government agencies at the central and lower levels.



Joint Programming with Other United Nations Agencies

63. The WFP 2001–2005 CSO is harmonized with the programming cycle of other United Nations agencies, which correspond with the Government's Tenth Development Plan, (2001–2005). The CSO, and in particular the planned phase-out of WFP assistance by the end of 2005, has been reviewed with other members of the China United Nations Country Team.
64. The United Nations Development Assistance Framework (UNDAF) is currently under preparation and going through a Future Search Exercise. Three overarching goals have tentatively been identified for United Nations system support: a) promote sustainable social and economic development to reduce disparities with a focus on resource management; b) help strengthen and support the environment for reform and development; and c) facilitate China's efforts in meeting global challenges.

KEY ISSUES AND RISKS

Phase-out of WFP Development Assistance

65. The key challenge for the Government and WFP during the next CSO period will be to implement and monitor the modalities and processes of the planned five-year exit strategy. Given the very high level of government contribution and the novel cost-sharing arrangements proposed during the phase-out period, a special effort will be made to document the process for possible use in developing future phase-out strategies.
66. No major constraints are foreseen, as government cost-sharing in the past has always been high and delivered in a timely fashion and the other modalities, such as payment of ocean freight, are already ongoing. The allocation of cereals from government stocks has been successfully implemented in the 1998 flood operations.

Government Poverty Reduction Policies

67. The opportunities for the Government to continue implementation of the IRD and similar models in its future long-term poverty reduction plan will be encouraged during the next five years through the introduction of new bilateral partnerships (AusAID, CIDA) and closer joint programming with other United Nations agencies and the World Bank.
68. Effective implementation and sustainability of the WFP-supported programme of activities rests on the assumption that the Government will integrate a growth strategy for poor populations into its overall economic policy. This poverty reduction strategy has to ensure that the poor can participate in the growth process by WFP continuing to improve targeting, expanding investment in basic infrastructures, improving basic health and education services and enabling the poor to gain access to micro-finance services.

Natural Disasters

69. The Government's capacity to respond promptly and effectively to frequently occurring disasters has meant that WFP, apart from support to the large-scale 1998 floods, has played only a limited role in disaster relief work in China. However, should the Government request emergency assistance from WFP during the Country Programme period or after the phase-out of WFP development assistance, WFP will stand ready to assist, provided the resources are available.



ANNEX I

FOOD AVAILABILITY AND DEMAND AT THE NATIONAL LEVEL

Grain production, imports and food demand

	1980-89	1990-94	1995-98
	(in thousand metric tons)		
Average total grain production			
Unprocessed	377 070	445 274	494 404
Processed and traded	332 312	395 950	441 769
Net imports	8 228	-701	6 077
Total consumption demand	339 104	385 097	403 230
Food demand	212 018	232 503	235 119
Urban	34 843	42 447	43 842
Rural	177 175	190 057	191 277
Feed	63 966	86 111	98 114
Others (seed, industry, waste)	63 120	66 483	69 998

Source: Based on SSB publications and CCAP database.



ANNEX II

PROJECTED FOOD AVAILABILITY AND DEMAND AT THE NATIONAL LEVEL
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**Projections of grain production, demand and net imports for the period 2000-2020
(in million metric tons)**

Item	2000	2005	2010	2020
Production	458	483	516	571
Net import	6	21	24	33
Demand	464	504	540	605
Food	244	255	263	267
Feed	138	163	187	239
Seed	13	13	12	11
Industry	32	36	41	53
Loss	37	37	37	35

Source: Agricultural Policy Simulation Model, Centre for Chinese Agricultural Policy.



ANNEX III

HOUSEHOLD ACCESS TO FOOD AT THE NATIONAL AND SUB-NATIONAL LEVELS

Per capita income, living and food expenditure by region
(in Yuan)

Region	Per capita net income	Living expenditure	Food expenditure	Food expenditure share (%)
East ¹	2 972	2 061	1 025	50
Central ²	2 035	1 490	834	56
West	1 558	1 270	766	60
Central-Northwest ³	1 426	1 103	595	54
Southwest ⁴	1 606	1 332	829	62
Tibet	1 231	710	497	70
Xinjiang	1 600	1 450	713	50
National	2 162	1 590	850	53

Source: Based on State Statistical Bureau's Rural Household Survey, 1998.

¹ Includes Hebei, Liaoning, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, Guangxi and Hainan Provinces and Beijing, Tianjin and Shanghai Municipalities.

² Includes Shanxi, Inner Mongolia, Jilin, Heilongjiang, Anhui, Jiangxi, Henan, Hunan and Hubei Provinces.

³ Includes Shaanxi, Gansu and Qinghai Provinces and Ningxia Hui Autonomous Region.

⁴ Includes Yunnan, Sichuan and Guizhou Provinces and Chongqing Municipality.



ANNEX IV

THE TARGET POPULATION

Poor as percentage of national total by region

Region	1988	1991	1996
North ¹	9.8	10.8	7.6
Northeast ²	4.6	5.1	5.1
East ³	14.9	20.3	6.4
Central ⁴	23.1	22.5	11.3
Southwest ⁵	31.9	25.6	41.2
Northwest ⁶	15.7	15.7	28.4

Source: Based on State Statistical Bureau's Rural Household Surveys, 1988-1996.

¹ Includes Hubei, Shanxi Provinces and Beijing, Tainjin Municipalities.

² Includes Liaoning, Jilin and Heilongjiang Provinces.

³ Includes Jiagsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong Provinces and Shanghai Municipality.

⁴ Includes Henan, Hubei, Hunan, Guangdong and Hainan Provinces.

⁵ Includes Sichuan, Guizhou, Yunnan, Tibet and Guangxi Provinces and Chongqing Municipality.

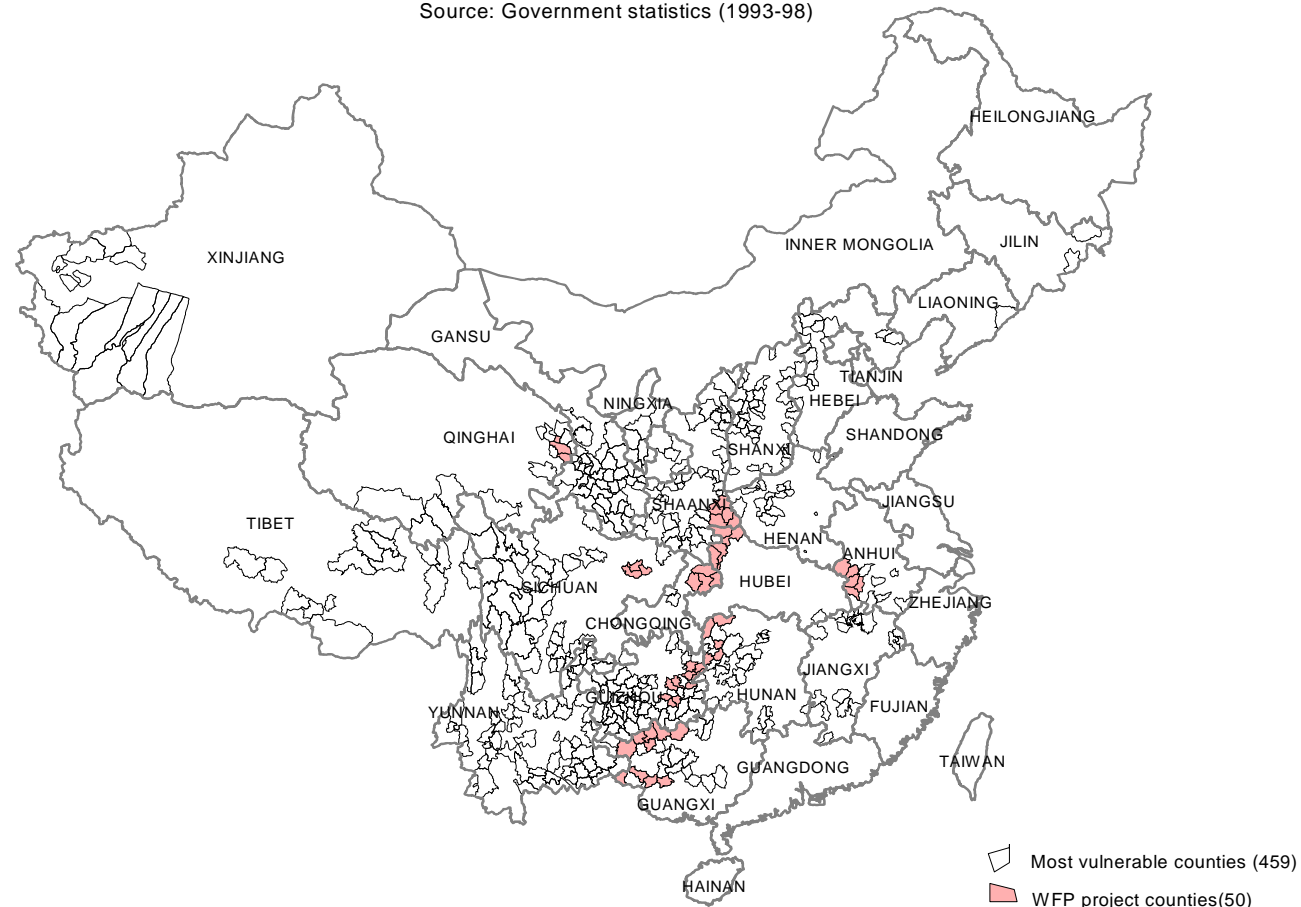
⁶ Includes Shaanxi, Inner Mongolia, Gansu, Qinghai, Ningxia and Xinjiang Provinces.



ANNEX V

Most Vulnerable Counties and WFP Project Sites

Source: Government statistics (1993-98)



WFP/IFAD China - VAM Unit, July



The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the World Food Programme (WFP) concerning the legal status of any country, territory, city or area or of its frontiers or boundaries



ACRONYMS USED IN THE DOCUMENT

ACWF	All China Women's Federation
AusAID	Australian Agency for International Development Cooperation
CCAP	China Centre for Agriculture Policy
CIDA	Canadian International Development Agency
CSO	Country Strategy Outline
FFT	Food for training
FFW	Food for work
GDI	Gender Development Index
GDP	Gross domestic product
GFP	Gender Focal Point
GTZ	German Agency for Technical Cooperation
HDI	Human Development Index
IAD	Integrated Agricultural Development
IFAD	International Fund for Agricultural Development
IRD	Integrated Rural Development
ITSH	Internal transport, storage and handling
LGPR	Leading Group for Poverty Reduction
M&E	Monitoring and Evaluation
PMO	Project Management Office
PRA	Participatory Rural Appraisal
RCC	Rural Credit Cooperative
RSALTP	Returning Slope Agricultural Land to Trees and Pastures
SSB	State Statistical Bureau
UNDAF	United Nations Development Assistance Framework
VAM	Vulnerability Analysis and Mapping
VIP	Village Implementation Plan
VIG	Village Implementation Group
WHMF	Women's Health and Micronutrient Facility
WTO	World Trade Organization