

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

Report No.: PIDA15284

Project Name	Chongqing Small Towns Water Environment Management Project (P133117)
Region	EAST ASIA AND PACIFIC
Country	China
Sector(s)	General water, sanitation and flood protection sector (85%), Wastewater Collection and Transportation (15%)
Theme(s)	Water resource management (85%), Pollution management and environmental health (15%)
Lending Instrument	Investment Project Financing
Project ID	P133117
Borrower(s)	PEOPLE'S REPUBLIC OF CHINA
Implementing Agency	Chongqing Project Management Office
Environmental Category	A-Full Assessment
Date PID Prepared/Updated	03-Nov-2014
Date PID Approved/Disclosed	26-Sep-2014, 23-Nov-2014
Estimated Date of Appraisal Completion	30-Sep-2014
Estimated Date of Board Approval	23-Dec-2014
Decision	

I. Project Context

Country Context

China is experiencing rapid urban growth, with 50% of the population currently living in urban areas; by 2020, this number is expected to be 70%. This rapid growth is creating pressures for cities to expand their public infrastructure, increase municipal services, and provide employment for residents and migrants. To relieve these pressures on the larger cities, the government's policy of a "New Urbanization Agenda" is now focused on lower-tier and smaller sized cities, in which the aim is to create conditions and facilities necessary to attract investments and to accommodate growing populations.

Chongqing Municipality (CQM), with an area of 82,400 km² and a total population of 33.3 million, has over 45% of its population living in rural area. CQM has a total surplus rural labor estimated at over 8.45 million people. The strategic challenges of urban-rural disparity, regional disparity, and income disparity at the national level are mirrored in Chongqing. There are also great disparities between the level of public infrastructure and quality of municipal services in the towns compared to the city, and the national Government is implementing a strategy to "gradually narrow the gap in

basic public services between urban and rural areas”. The 12th Five-Year Plan (FYP) promotes the development of infrastructure to address the safety, adequacy, and sustainability aspects of drinking water, waste management services, and environmental pollution in rural areas and back in 2007, Chongqing was selected by the central government as one of two pilot municipalities (the other being Chengdu Municipality) to promote urban-rural integration as part of the national strategies of Western Region Development, Urban-Rural Integration and Development prioritized in the country’s 11th and 12th FYP.

Chongqing’s development strategy of “one circle and two wings” defined a four-tier urban settlement system, including a metropolitan core (planned urban population of 9.3 million by 2020), four sub-regional central cities (planned populations of 0.5-1 million each), twenty-five county seat cities (planned populations of 0.2-0.5 million each), and around three hundred key towns. Compared with the scale of rural-to-urban migration, the receiving capacity of the metropolitan core and sub-regional cities is relatively limited. CQM has determined that the twenty-five county seats (all third-tier cities) will play a major role in relieving pressures by accommodating one third of CQM’s total urban population in the future. As a result, CQM is promoting the development of these county seats through a package of policy reforms and incentive policy instruments.

Substantial efforts and investments from the central, municipal, and local governments have been made or are scheduled, and encouraging outcomes have been achieved under various sectoral programs and initiatives to improve accessibility (e.g., through highways, railways), river basin water environment management (sewage collection and treatment investments), flood and soil erosion control, basic social service delivery, and rural poverty reduction in these county seats and scattered small cities. The pace of urban expansion in the county seats is expected to further accelerate under CQM’s urbanization policies targeted at small cities and towns.

However, the growth and development of many county seats has been severely constrained by Chongqing’s disadvantageous mountainous topography, in particular in the northeast and southeast wings, the two sub-regions included in the project. Typically located in deep river valleys and built on scattered small pockets of scarce land available for urban construction, county seats in these areas of Chongqing are still exposed to relatively high risks of events such as river flooding, landslides, soil erosion, and water pollution. Reducing these risks is a high priority to ensure a sustainable basis for economic and social development.

The Bank’s twin goals of ending poverty and boosting shared prosperity are well incorporated and reflected in project design and prioritization of project interventions. Chongqing Municipality is a challenging combination of a metropolitan central city and vast rural mountainous areas. Among the four project candidates, two counties supported by the project, Shizhu and Pengshui counties in the southeast, are representatives of Chongqing’s remote rural counties in the mountainous areas that are typically less developed and have a larger share of minority populations. Based on National Bureau of Statistics data, the Shizhu and Pengshui Counties had a per capita GDP in 2012 of RMB22,621 (\$3,700) and RMB16,019 (\$2,600) respectively, which are considerably lower than both national and Chongqing’s average of around RMB38,500. As a result, these counties are officially considered to be poor counties, on the State (Shizhu) and municipal (Pengshui) poverty registers respectively. Closing gaps in the provision of infrastructure services in these poor counties and ensuring basic service provision for low income populations is considered a high priority for project support.

Sectoral and institutional Context

Flood risk management in China has conventionally focused on structural measures along major rivers. More recently and as required by the Water Law, a more integrated approach is pursued that combines structural and non-structural measures such as flood forecasting, flood emergency response, and river basin planning. However, cross-sectoral issues such as land use planning, monitoring, information sharing, coordination between river basin authorities and local governments, and regulations for multi-purpose reservoirs remain weak and a true risk-based flood management system is still in a pilot phase.

Chongqing Municipality has an average annual rainfall of 1,025 mm, mostly concentrated between June and September. As a consequence, flooding of the Wujiang and Fujiang Rivers that flow through the project counties of Tongnan, Longchang, Shizhu and Pengshui is frequent. For the most part, these counties are only protected against 1 in 10 year floods (10% chance of being exceeded in any one year), which is low given the government flood management regulations. Moreover, with the growing economy and population, and increasing risks from climate change, the vulnerability of these towns and their population to floods is increasing. According to the latest Chinese regulations, the flood control standards for county towns should be anywhere between 1 in 20 and 1 in 50 year floods depending on the size of population. In view of the special topography and local socio-economic development levels, Chongqing municipal government's strategy is to have all its counties upgrade its flood control standards to 1 in 20 year floods, and use non-structural measures to achieve higher standards up to 1 in 50 year floods. This approach is in line with risk-based flood management, but requires dedicated efforts and investments in implementing essential non-structural measures.

Water pollution from increasing urban populations and intensifying industrial activities is also becoming a very important issue in many parts of the municipality including several of the project counties. The municipality as a whole, located upstream of the Three-Gorges reservoir, lacks sufficient sewage collection and treatment infrastructure and capacity. The government is currently working to narrowing the gaps with funding from different sources. CQM's overall approach, as required under the Environmental Protection Law and Water Pollution Control Law, is to integrate strategic assessments, pollution reduction at source, and wastewater treatment and utilization.

The proposed project will support the implementation of an integrated river basin management approach to address water pollution and flood risks in the four project counties, as part of the municipality's rapid urban-rural integration investments. The project interventions have been included in the respective municipal and county governments' master plans and 12th FYPs. In addition to the investments in structural and technical (non-structural) interventions, there is a strong need to strengthen water environment and flood management capacity at the county levels through technical assistance and training, including awareness raising and emergency preparedness, especially for new urban residents unaccustomed to flood risks.

II. Proposed Development Objectives

The project development objective is to reduce flood risks and improve wastewater infrastructure services in selected counties of Chongqing Municipality.

III. Project Description

Component Name

Component 1: Flood management in Tongnan County

Comments (optional)

Construction of a 6.84 km river embankment with associated dike-top roads to raise the flood protection level for the new urban expansion area of Dafuba along the Fujiang River to 1 in 20 year floods.

Component Name

Component 2: Flood and wastewater management in Rongchang County.

Comments (optional)

Construction of a river embankment of 13.89 km along the Laixihe River upstream, along with associated dike-top roads, sewage/drainage pipe works (19 km), and improvement of one existing overflow weir in the same river. Construction of the river embankment would connect with flood protection works in the same county seat that was built under the Chongqing Small Cities Infrastructure Improvement Project (CSCP).

Component Name

Component 3: Flood and wastewater management in Shizhu County

Comments (optional)

Construction of a 4.84 km long river embankment along the Longhe River, upstream and downstream of a flood protection project for the county seat funded by a previous Bank loan project (CSCP), along with associated 1.9 km of dike-top roads, 16.1 km of sewage/drainage pipes (including wastewater collection pipes in the old urban area), 5.74 ha of landscaping and improvement of certain existing overflow weirs in the same river.

Component Name

Component 4: Flood and wastewater management in Pengshui County.

Comments (optional)

Construction of a river embankment of 4.69 km on the left side of the Wujiang River with associated dike-top road (4.76 km), which will raise the flood protection level of the county seat's new urban area to 1 in 20 year floods. This component would also include civil works for sewage collection and drainage pipes (4.69 km).

Component Name

Component 5: Project Management and Project Implementation Support.

Comments (optional)

Provision of project management and implementation support activities aimed at: (i) enhancing the design, supervision, and certification of works carried out under the Project; (ii) strengthening the capacity of the Chongqing at the municipal and county levels in the areas of Project management, procurement and contract management, accounting and financial management, and environmental and social safeguards; and (iii) strengthening the capacity for operation and maintenance of urban flood and water environment management facilities at the county level through training and development of asset management plans. This component will also fund the incremental operation costs for Chongqing PMO.

IV. Financing (in USD Million)

Total Project Cost:	218.62	Total Bank Financing:	100.00
Financing Gap:	0.00		

For Loans/Credits/Others	Amount
Borrower	118.62
International Bank for Reconstruction and Development	100.00
Total	218.62

V. Implementation

Chongqing Municipal Government proposed a three-level institutional setup for project preparation and implementation of CSWEP, namely the Municipal, County and executing agency level. Chongqing Government and its Project Management Office (CPMO) has previous experience in implementing Bank financed projects – including CUEP, CSCP and CURIP – and a similar institutional arrangement is followed under this project, with the exception of abolishing the Municipal and the County leading group.

At the Municipal level, the Chongqing Project Management Office (CPMO) will organize and coordinate project implementation on behalf of the Chongqing Municipal Government. Established under the Chongqing Municipal Development and Reform Commission (CDRC), the CPMO has full support from relevant sectoral agencies at the municipal level, including the: Finance Bureau, Water Resources Bureau and the Environmental Protection Bureau. These agencies will help provide guidance and oversee project management and implementation. CPMO, as the focal point of contact, will monitor implementation progress, including procurement activities, consolidated project costs and prepare consolidated semi-annual progress reports. It will be responsible for implementation of the technical assistance and capacity building component.

CPMO will coordinate relevant municipal level agency's technical expertise to advise the CPMO on technical issues, quality control and program coordination. During implementation, the CPMO will recruit a consulting firm with experience managing Bank projects for project management and contract supervision to support the CPMO and help ensure compliance of civil works with agreed design criteria, design principles and monitor construction.

At the County level, a PMO within each county government has been established, chaired by a Deputy County Chief with members of related county government agencies. The county PMO will be responsible for providing guidance and overseeing project implementation of subproject, coordinating mobilization of counterpart fund, helping settle any critical issues encountered during project implementation;

At the executing agency level, Project implementation units (PIUs) have been appointed by the county government for each investment activity to carry out the day-to-day subproject preparation and implementation. All the PIUs are existing state-owned enterprises, and are typically the investment and construction entities that county government has set up under county hydro bureau for capital investment in the water sector. Assets built under CSWEP will be transferred to related public service units for operation and maintenance, such as the O&M department under the county hydro bureau for assets of dikes and embankments, and public utility division under county urban construction bureau for assets of drainage/sewage pipelines and urban roads. These appointed O&M units will be managing the assets on behalf of their county government.

Of the four project counties, three counties of Tongnan, Rongchang and Shizhu have implemented

earlier Bank projects and the project PMOs and PIUs from the previous Bank projects have been retained, with necessary adjustments, to implement the new project. These three project counties have appropriate staffing and capacity for implementing their subprojects. County government of Pengshui has committed to further strengthen their county PIU capacity through bringing in more staff with rich project experience and technical background, training to staff, and learning from the other three counties' PIUs that are more experienced in implementation of Bank loan projects.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37	x	
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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