



# Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 18-Dec-2017 | Report No: PIDISDSC23140



**BASIC INFORMATION**

**A. Basic Project Data**

Country China	Project ID P162623	Parent Project ID (if any)	Project Name Shaanxi Sustainable Towns Development Project (P162623)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date Sep 07, 2018	Estimated Board Date Mar 28, 2019	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice
Financing Instrument Investment Project Financing	Borrower(s) People's Republic of China	Implementing Agency Foreign Debt Management Office, Shaanxi Provincial Development and Reform Commission	

**Proposed Development Objective(s)**

The proposed project development objective is to foster regional town cluster development, reduce flood risk, and improve urban access and services in selected towns in southern Shaanxi Province.

**Financing (in USD Million)**

Financing Source	Amount
Borrower	37.00
International Bank for Reconstruction and Development	150.00
<b>Total Project Cost</b>	<b>187.00</b>

Environmental Assessment Category B-Partial Assessment	Concept Review Decision Track II-The review did authorize the preparation to continue
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Other Decision (as needed)



## B. Introduction and Context

### Country Context

- 1. Small cities and towns play a major role in China's next phase of urbanization.** Despite exponential urban growth in the last few decades, the country is still only part way through its urbanization process. Rapid urbanization supported China's economic transformation and more than half of China's population now live in cities<sup>1</sup>. The urbanization rate is projected to reach 70 percent by 2030, adding another 250 million inhabitants, increasing the total urban population to about 1 billion. China's next phase of urbanization is occurring under very different conditions than that of the last few decades. Under the country's new context of slowed economic growth, a rapidly aging population, shrinking workforce, congestion and overcapacity in first-tier and megacities<sup>2</sup>, small cities and towns are playing an increasingly important role in sustaining the country's urbanization process. In 2015, small cities<sup>3</sup> and towns had accommodated 69 percent of the country's urban population<sup>4</sup>, increased from 53 percent from the year 2000<sup>5</sup>.
- 2. Small cities and towns are critical focus areas to continue poverty alleviation and to sustain China's poverty reduction gains.** Although China's economic growth has lifted more than 700 million people out of poverty from 1978 to 2014<sup>6</sup> and the country is on track to eliminate absolute poverty by 2020 through various initiatives, China will still have a sizable population under the higher international poverty line<sup>7</sup>. Furthermore, with China's current context of slowed economic growth, many at the rural and town levels are vulnerable or at risk of falling back into poverty<sup>8</sup>. Since small cities and towns are the links between rural and urban areas, focusing on these areas will both alleviate those in poverty and protect those who are at high-risk of falling back into poverty to maintain the poverty reduction gains achieved.
- 3. Recognizing their important role and strategic position in sustaining China's poverty reduction gains and accommodating future rural to urban migration, the Government of China (GOC) prioritizes coordinated, regional development of small cities and towns through a series of recent national urban policies and development strategies<sup>9</sup>.** While small cities and towns are home to over 60 percent of the country's total urban population, they receive only 9 percent of total fixed asset investment<sup>10</sup>, and accordingly, public services and utilities lag behind those in cities.
- 4. China is increasingly vulnerable to a range of natural hazards and disasters, which pose significant challenges to sustain urban and economic growth.** In recent decades in China, frequent natural hazards, specifically floods and earthquakes, have caused a substantial loss of life and extensive property damage. China experienced 554 disasters between 1996 and 2016, with weather-related disaster damages costing nearly USD750 billion between 2000 and

<sup>1</sup> In 2015, 56.1 percent or 771 million of the country's population live in cities. China Statistic Yearbook 2016

<sup>2</sup> Congestion and overcapacity is included in what the Chinese central government has used to describe big-city problems, or "urban illnesses," which incorporates severe and increasing air pollution, traffic congestion, living costs, crowdedness, and decrease in general livability.

<sup>3</sup> "Small cities" are those with a total urban population below 200,000 residents, as defined by China's urban statistical practice.

<sup>4</sup> Calculated from data reported in China Urban Construction Statistical Yearbook 2015

<sup>5</sup> China Urban Statistic Yearbook, 2001

<sup>6</sup> Beijing Daily, 2015-06-23 北京日报 1978年—2014年我国累计减贫逾7亿人

<sup>7</sup> Measured by the higher international poverty line (\$3.9 per day of purchasing power parity), China is estimated to still have a poverty population of about 54.6 million people, or a poverty rate of 3.9%

<sup>8</sup> High-risk groups include those who travel from the rural to the urban areas to bring their agricultural products to the market for non-farming incomes, seek urban jobs, and other essential public services such as healthcare, education, and skill-building.

<sup>9</sup> As one of the six strategic policy priorities, the National New-Type Urbanization Plan (2014-2020), calls for promoting and focusing on agglomeration of smaller cities and towns, which have sufficient specialization and linkages to major urban areas. The Urban Development and Management Guidelines issued by the State Council in 2016 also reiterated the country's urban policy priorities for promoting city cluster development.

<sup>10</sup> World Bank. 2012. China Small and Medium Towns Overview.



2014<sup>11</sup>. As China's cities are expected to increase in population and expand spatially by three times by 2025<sup>12</sup>, more urbanization, or a concentration of people and assets, increases vulnerability and exposure. Extreme weather events will intensify existing adverse impacts on urban areas affected by typhoons, floods, and landslides. Climate change is expected to increase the risks of natural disasters in the coming years, small cities and towns are underprepared or more often not at all prepared to deal with increasing disaster risks as they are only barely coping with existing extreme climate events and disasters.

- 5. The environmental, economic, and social problems from extensive, unmanaged urban sprawl in China are just as pressing for small cities and towns as they are for larger cities.** China's rapid urbanization has relied heavily on rural to urban land conversion for fiscal revenue, which has resulted in a sprawling urban footprint characterized by underutilized, low-density, mono-functional, high-vacancy areas across the majority of China cities. This has threatened the environment, the sustainability of fiscal funds, and the overall urban quality of life. Given their increasing roles to absorb rural migrants and spillover populations from larger cities, and their comparatively limited capacity for planning and managing their urban growth, small cities and towns must begin to move away from the demolish-resettle-rebuild model and reshape themselves to be compact and efficient through urban regeneration.

#### Sectoral and Institutional Context

- 6. The National New-Type Urbanization Plan (2014-2020), among other national directives, push China towards a new urban paradigm in line with Global Sustainable Development Goals<sup>13</sup>.** The State Council issued the National New-Type Urbanization Plan (2014-2020) in 2014. It acts as a blueprint for future urban development and emphasizes environmental sustainability from a people-centered perspective. The National New-Type Urbanization Plan (2014-2020) includes several key themes, including (i) convert more rural migrants to urban residents (at least 100 million by 2020); (ii) modernize industry and better integrate with urban development; (iii) focus on agglomeration of smaller cities and towns, which have sufficient specialization and linkages to major urban areas; (iv) emphasize environmental protection and mixed-use, transit-oriented development; (v) preserve the natural and cultural features of cities; and (vi) introduce reforms in urban management, including reforms in the management of labor, finance and land.
- 7. The joint World Bank and State Council Development Research Center policy report, *Urban China: Toward Efficient, Inclusive, and Sustainable Urbanization*<sup>14</sup>, emphasized the need to have people-centered development with a shift toward more compact and efficient urban development.** Policy recommendations from the Report include mixed-use land development, optimize urban and rural land use to contain urban sprawl, maximize resource efficiency, improve urban regeneration mechanisms of old urban areas, curtail the negative externalities of pollution and congestion, and create more livable, productive and efficient cities and towns. Key policy recommendations were soon incorporated into the Urban Development and Management Guidelines issued by the State Council in 2016. The Guidelines used the principles of "innovative, coordinated, green, open, and shared" city development and included requirements to improve urban planning and development at different scales, from the territory of a city to its streets, blocks, and buildings. The proposed project is one of the World Bank urban lending projects in China that is being prepared closely following the policy frameworks recommended by the report.

<sup>11</sup> Enhancing City Resilience: Global Experience Relevant for China, Jolanta Kryspin-Watson, World Bank Group

<sup>12</sup> Enhancing City Resilience: Global Experience Relevant for China, Jolanta Kryspin-Watson, World Bank Group

<sup>13</sup> *Transforming our world: the 2030 Agenda for Sustainable Development* (United Nations, 2015). United Nations Sustainable Development Summit.

<sup>14</sup> *Urban China: Toward Efficient, Inclusive, and Sustainable Urbanization* (2014). The World Bank Group and Development Research Center of the State Council, P.R.C.



8. **Shaanxi Province has a GDP per capita that lags behind the national average despite previous extensive growth.** The Province covers an area of about 205,800 square kilometers and has a population of 37.9 million. Administratively, Shaanxi is comprised of 10 municipalities/prefectures, 77 counties, 30 cities and districts, and 1,291 towns and townships<sup>15</sup>. It is geographically divided into three main regions defined by its topography and natural features: Central Shaanxi (Guanzhong), a densely populated and developed plain which includes 60 percent of the province's total population and accounts for two thirds of the province's GDP, has a strong manufacturing industry and service sector; Northern Shaanxi (Shaanbei), a dry highland with strong energy industry built on its rich reserves of coal, gas and oil; and Southern Shaanxi (Shaannan), the province's least developed region located in a vast mountainous area with widespread poverty and an agriculture-dominated economy. Like many provinces in China, Shaanxi experienced rapid economic growth over the decade of 2006 to 2015 with an average GDP growth rate of 14.3 percent per year<sup>16</sup>, substantially higher than the national average growth rate of 12.1 percent<sup>17</sup> during the same period. Despite its encouraging economic growth, Shaanxi still lags behind the national average in terms of GDP per capita due to its low base of economic development<sup>18</sup>.
9. **The Southern Shaanxi Region (SSR) is one of the poorest regions in the country where rural poverty is pervasive and persistent.** SSR is comprised of 3 municipalities (Hanzhong, Ankong, and Shangluo), 25 counties, and 3 urban districts, with a total population of 8.45 million people. Forty-two percent of its population, or 3.6 million people, live in cities and towns. Although SSR's land area accounts for about 34 percent of the province and it accommodates about 22 percent of the province's population, it only produces about 13.5 percent GDP and generates only 6.6 percent of Shaanxi's fiscal revenue. The region's development has been mainly constrained by its mountainous topography, protected natural habitat and environment, and limited size of arable land compared to its population. Of the total 28 counties and districts in SSR, 24 are state-level poverty counties<sup>19</sup>. SSR region is one of China's fourteen remaining Adjacent Destitute Mountain Areas prioritized by the country's poverty reduction initiatives. The proposed project is designed with a strong pro-poor dimension to supplement the poverty reduction efforts in the SSR region from an urban perspective<sup>20</sup>.
10. **As a nationally designated ecologically protected zone, cities and towns in the SSR have concentrated along the upstream of the Han River corridor, the largest tributary of Yangtze River, where the majority of economic and urban growth is occurring.** The upstream Han River basin, together with the vast mountainous areas along Qingling and Bashan Mountains, has long been designated as an ecological and environmental area of national significance. More recently, SSR has been subjected to even more strict preservation measures and standards as it has been further upgraded as an upstream water resource protection zone for the country's *South-to-North Water Diversion Project*<sup>21</sup>. Shaped by the region's unique geographic and topological features, urban settlements are densely located in the river basin corridor along the upstream of Han River, forming a town cluster consisting of 2 medium-sized cities, 12 towns (county seats), stretching over 250 kilometers. The town cluster is the backbone of

<sup>15</sup> Shaanxi Statistic Yearbook, 2016

<sup>16</sup> Shaanxi Statistic Yearbook, 2016, China Statistic Yearbook 2016 (calculated on year end price, inflation not excluded)

<sup>17</sup> Shaanxi Statistic Yearbook, 2013

<sup>18</sup> Shaanxi's GDP per capita was RMB 47,626 (US\$ 7,000) in 2015 – still slightly lower than the national GDP per capita of RMB 49,992 (US\$ 7,350) in the same year.

<sup>19</sup> A state-level poverty county is defined as counties who are below the rural poverty line. In 2011, the GOC revised the rural poverty line from CNY1,196 (US\$188) to CNY 2,300 (US\$361).

<sup>20</sup> Pro-poor measures will include: (i) all project towns are selected from poverty counties of national or provincial level; (ii) a benefit sharing scheme to reserve 5~10% of land around project areas rehabilitated under the project for constructing public housing serving low income groups and migrant workers. (iii) investments for upgrading existing vulnerable infrastructures, and neighborhood regeneration for disaster-prone urban poor communities will be supported by the project with high priority. More measures will be explored and adopted during project preparation in responding to a common observation that the poor groups, who are unable to compete for scarce resources or protect themselves from harmful environmental conditions, are most affected by the negative impacts of urbanization and least able to cope.

<sup>21</sup> The South-to-North Water Diversion Project is a multi-decade infrastructure mega-project that aims to channel fresh water from the Yangtze River to the north through canal systems. The Project area falls in the middle route of this mega-project.



economic and urban growth in SSR as it accommodated 62% of SSR's total population in 2015 and contributed 67% of SSR's total GDP<sup>22</sup>.

11. **Recent provincial development strategies are further prioritizing the development of cities and towns in the SSR.** Shaanxi Province launched the *Shaanxi Provincial 13<sup>th</sup> Five Year Plan (2016-2020)* and the *Shaanxi Provincial New Urbanization Plan (2014-2020)* to sustain provincial growth by promoting more balanced territorial development<sup>23</sup> and improvement of small cities and towns. Five regional urban systems in the Province were defined by these plans as regional growth poles to drive the province's future urban and economic growth. The proposed project area in SSR, or the towns cluster along the upstream of Han River corridor<sup>24</sup>, is also included in these regional systems.
12. **As cities and towns in the SSR continue to develop in this topographically fragile area, natural hazards, such as floods, landslides, and earthquakes, are increasing in numbers.** While key infrastructure of highways, expressways, railroads, and airports have fundamentally improved the region's development over the last decade, resilience to disaster risks has been clearly an underinvested area for cities and towns in the region. Towns are growing by building in disaster-prone locations, typically on narrow strips of land along the deep river valley. This, combined with limited local fiscal resources to invest in resilience, towns in the region are exposed to high risks of various natural disasters. Most of the proposed project towns are not prepared for natural disasters despite the significant damages caused. Mainstreaming resilience into town development planning and financing is critical to ensure that town assets and services develop in a safe, resilient, and sustainable manner so that they can bring the desired benefits to both existing residents and those who are moving in from surrounding rural areas.
13. **Over the last fifteen years, Shaanxi has experienced urban sprawl at a rate higher than the national average, indicating highly inefficient land use.** Driven by revenue concerns, rural land has been converted to urban land at an unsustainable pace, and cities and towns have spread into the periphery of urban areas, often far from urban centers. This has resulted in large areas of greenfield (i.e. economically obsolete land) in its central areas that are underutilized and have been left vacant. The rate of expansion of Shaanxi's built up area is about 3.5 times greater than its urban population growth. This far exceeds China's national average ratio of 1.9 times, and the international benchmark ratio of 1.12<sup>25</sup>. Measured by per capita urban land area, each urban resident in Shaanxi occupies 110.1 m<sup>2</sup> of urban land, comparing to a national average of 100 m<sup>2</sup>. This indicates a low efficient and low density of land use and land development model in Shaanxi's cities and towns. This business-as-usual model of conventional greenfield development is not sustainable for small cities and towns in landlocked mountainous SSR. To meet the needs of urban population growth, towns in the project region need to look towards the potential for urban regeneration of the urban core through better use of existing land towards a more compact, efficient and livable urban form.

<sup>22</sup> Shaanxi Statistic Yearbook, 2016

<sup>23</sup> Shaanxi's provincial territory development strategies has been featured with priorities over allocated to the Province's central plain region (Guanzhong) and the provincial city of Xi'an, which to some extent contributed to the province's sharp regional disparity of urban and economic development. *Shaanxi Provincial New Urbanization Plan (2014-2020)* and *Shaanxi Provincial 13<sup>th</sup> Five Year Plan (2016-2020)* defined five regional growth poles to address the regional disparities. These five regional growth poles include: growth pole in central region anchored by Xi'an and Xian'yang municipalities, growth pole in western region anchored by Baoji municipality, growth pole in northern region centered by Yulin municipalities, growth pole in eastern region centered by Weinan municipalities, and the growth pole in southern region anchored by Hanzhong municipality (namely the town cluster along upstream Han River in SSR)

<sup>24</sup> Promising future economic development points to the processing industries of agro-products, tourism, and logistics, among others. These burgeoning industries benefit from and have contributed to substantial economic and regional infrastructures of expressway networks, rapid trains, airports recently completed in the region, and from significant investments in urban and rural infrastructures of flooding, irrigation, rural power, rural highway connection that are funded by top-down grants.

<sup>25</sup> Shaanxi Provincial New Urbanization Plan (2014-2020).



14. **Cities and towns within the city cluster of the project region do not systematically collaborate with each other, despite co-benefits that would arise from such coordination.** The lack of coordination is due to various reasons, including: (i) administrative fragmentation at the city and town levels that hinders cross-border and inter-agency cooperation and coordination; (ii) lack of a functional and efficient regional coordination mechanism that can enable cities within a cluster to work collaboratively; (iii) absence of a comprehensive development planning approach that links growth-generating elements in the town cluster to create an integrated form of regional urban development; (iv) town officials who remain focused and committed to their own city-specific local administrative territory without being concerned or accountable to a cluster-wide perspective; (v) local planners using mainly physical planning methods and tools rather than strategic, policy regional planning methods and tools, resulting in town-specific master plans which are too focused on local issues, confining activities within the boundaries of their towns.

#### Relationship to CPF

15. The proposed project is part of Shaanxi Province's strategy and investment program to promote town development. The project is also consistent with the 2017-2021 World Bank Group's Country Partnership Framework (CPF) for China and focuses on two of its strategic themes: (a) supporting coordinated development; and (b) promoting more shared development. It will contribute to two of the CPF outcomes of supporting the transition to "new urbanization," which include more livable and sustainable cities and enhancing opportunities in rural areas and towns.
16. **Twin Goals:** The proposed project is aligned with the WBG's twin goals of ending extreme poverty and promoting shared prosperity. The project area is one of the poorest regions in the country where rural poverty is pervasive and persistent. The project aims to build resilience and support urban regeneration in old urban areas that have high populations of rural migrants and low-income communities.

#### C. Proposed Development Objective(s)

17. To foster regional town cluster development, reduce flood risk, and improve urban access and services in selected towns in southern Shaanxi Province..

#### Key Results (From PCN)

18. The outcomes of the project will be measured by the following indicators: (i) Direct project beneficiaries (CSI, gender disaggregated); (ii) Participants in consultation activities during project implementation (CSI, gender disaggregated); (iii) Area of urban core area provided with new and improved drainage services (km<sup>2</sup>, to assess disaster resilience); (iii) Increase of population with improved access to emergency shelters (percentage, to assess disaster resilience) ; (iv) Increase of pedestrian flows in areas with urban regeneration interventions<sup>26</sup> (percentage, to measure walkability improvements) ; (v) Area of urban locations regenerated with improved living conditions of residents (km<sup>2</sup>.)

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<sup>26</sup>Baseline pedestrian flows should be captured to and from daily travel to points of interests, including walking to subway/bus stations, job, schools, commercial centers, parks, among others.



#### D. Concept Description

19. **Small cities and towns in the SSR would benefit from working together to align their development from a coordinated, regional perspective.** Design of this proposed project is oriented on the urban economic concept of city cluster development<sup>27</sup>. Although the economic, demographic, and spatial scale of the town cluster that emerged along the upstream Han River Corridor in the project region is much smaller in scope than other major clusters in the country, such as the Yangtze River Delta City Cluster and the Pearl River Delta City Cluster, among others, the same principles can be applied to the town cluster of the Project. The town cluster area of the Project is significant enough for SSR in terms of its role and potential for driving the economic and urban growth in the region. Lessons from the city cluster strategy concluded that cities within city clusters have higher productivity than those outside the clusters. It was also observed that such a benefit is generated only in those city clusters that have a proactive and efficient coordination mechanism with strong engagement from the cities in the region. The proposed towns have similar development challenges and would benefit from integrated development as part of the greater Han River Corridor, a large urban system as part of the middle area of the Yangtze River Economic Belt, which spans over three provinces.
20. **The conventional demolish-resettle-rebuild model is not sustainable, particularly for towns in landlocked mountainous SSR, where over 80% of the territory is unsuitable for farming or urban settlements.** Available land for greenfield development in these areas is becoming progressively scarce and at increasingly higher costs and environmental impacts. In order to meet the needs of the projected population growth, cities and towns have little choice but to use existing land more efficiently through urban regeneration.
21. **Investing in disaster resilience yields a triple dividend: (a) losses avoided when disasters occur; (b) stimulation local economic development with lowered disaster related investment risks; and (c) synergies of economic, social, and environmental co-benefits, even in absence of a disaster occurring for several years.** The proposed project will focus on strengthening critical infrastructure, including lifeline roads and emergency infrastructure, and risk reduction in towns. It is acknowledged that urbanization and urban regeneration investment offer a unique opportunity to build in resilience.
22. **Project Scope and Spatial Distribution:** The proposed project area is located in one of China's poorest regions, SSR, and has been prioritized and targeted by territorial development strategies at both national and provincial levels. Project support will mainly focus on a cluster of towns located along the upstream of the Han River Corridor. The towns in following counties (with their population in brackets) are proposed to be included under the project: Yangxian (446,000), Xixiang (410,000), Shiquan (182,000), Ningqiang (340,000), Mianxian (429,000), Hanbin (360,000), and Ziyang (350,000).

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<sup>27</sup> City cluster development can be described as an urban-led approach that enhances the developmental potential of cities and towns within an urban region by strategically linking their development fields through efficient provision of urban infrastructure and services and innovative financing techniques. City clusters made up of small and medium-sized cities are growing at a faster rate in Asia (and in China) than elsewhere (see Annex 1 for a more detailed description of city cluster development).





23. **Project Beneficiaries:** The primary beneficiaries are residents of project areas in selected towns of Shaanxi Province who will directly benefit from enhanced resilient infrastructure against natural hazards and disasters and urban regeneration improvements. The Project towns are within designated national or provincial-level “poverty counties.” Furthermore, the residents located in the proposed urban regeneration improvement areas have a high concentration of rural migrants and low-income communities. Other direct beneficiaries include agencies involved in planning and implementing coordinated regional town development at the provincial, municipal and county levels. Indirect project beneficiaries will include the greater population of the neighboring regions as the proposed towns are increasingly absorbing more migrants and visitors to the region, while providing sufficient services to their immediate hinterlands.
24. **Tentative Project Components:** The following components (Indicative cost US\$ 187 million), have been preliminarily identified for preparation, but are subject to refinement and amendment as project preparation proceeds:

**Component 1: Town Cluster Coalition (US\$ 5 million):** This component aims to improve the regional coordination of a cluster of towns along the upstream of the Han River Corridor in order to influence the sustainable growth of the region, which share similar resilience and regeneration challenges. The Town Cluster Coalition will: (a) establish a framework, or working mechanism, for various government departments within and across towns of the Project area to improve communication and collaboration on shared sustainable growth goals; (b) generate policy advisory studies related to improving its spatial land use development and management, and (c) create a database on key urban and environmental information to share and analyze strengths and weaknesses to better position their shared development in the cluster. As resilience and regeneration is a common theme among the towns in the project area, potential topics under the Town Cluster Coalition to be initially explored include regional connectivity improvements, urban growth boundaries, multi-hazard risk assessments, regional flood disaster risk management frameworks, regional urban infrastructure service delivery and sharing.

**Component 2: Town Resilience (US\$ 100 million):** This component will improve resiliency against natural hazards and disasters in the towns. Structural or physical interventions include building or upgrading vulnerable infrastructure, such as flood control, emergency evacuation facilities, evacuation routes, and other public spaces. Non-structural interventions include (i) updating local plans related to risk-sensitive land-use planning, (ii) carrying out natural hazards and disaster risk assessments for lifeline and critical infrastructure, (iii) preparing and implementing contingency plans, recovery plans, and emergency preparedness, and (iv) ensuring coordinated actions within the town cluster.

**Component 3: Town Regeneration (US\$ 80 million):** This component will support the regeneration of old urban areas in towns to cultivate compact, efficient land use patterns. Structural or physical interventions include upgrading of key community infrastructure, such as water supply systems, storm drainage, sanitation networks, neighborhood public spaces, and road improvements, including biking and walking paths. Non-structural investments include a regeneration needs assessment survey, regeneration planning frameworks, walkability improvement plans and non-motorized traffic management, etc.



**Component 4: Project Implementation Support and M&E (US\$ 2 million):** Project implementation support for design review, bidding document preparation, project management, and reporting. Development of a Monitoring and Evaluation (M&E) system.

## 25. Incorporation of Best Practices and Innovation:

- I. **This Project is intended to be a pilot project to promote a regional coordination mechanism for small and medium-sized towns.** The project focuses on a specific sub-region within the province, the SSR, and supports adjacent towns and encourages their coordinated spatial and environmental planning, in order to support their overall economic development goals. This is aligned with the GOC's national urban strategy of "cluster development," which focuses infrastructure and related investments on a cluster of cities or towns, rather than on large, monocentric cities. Cluster development has the potential to encourage a new development area of high productivity and creativity. The current four biggest clusters in China are the *Beijing-Tianjin-Hebei (Jing-Jin-Ji) region*, *Yangtze River Economic Belt*, *Pearl River Delta Cluster*, and *Chengdu-Chongqing Cluster*. While cluster development in the China context refers to large cities, the principles can apply to and would also be appropriate for smaller areas as well.
  - II. **The project draws on the recommendations of a comprehensive urbanization study *Urban China: Toward Efficient, Inclusive, and Sustainable Urbanization* jointly developed with State Council Development Research Center.** The project actively works on four of the six strategic areas laid out in that report, including (1) improve land management and institutions through the coordinated, regional town regional coordination development mechanism; (2) improve urban planning and design through introducing an alternative to greenfield development, moving away from the demolish-resettle-rebuild methodology, to urban regeneration of towns and rural areas as opposed to only major cities; (3) manage environmental pressures by arming small cities and towns with the concept of resiliency in mind and some of the physical disaster risk infrastructure that it accompanies including managing storm water and water supply, while reducing flood risks and improving the aesthetics of the city's natural landscape; and (4) improve governance at local levels also through the coordinated, regional town regional coordination development mechanism.
  - III. **The project also draws upon the knowledge from World Bank's handbook, *Regenerating Urban Land (2016)*.** Not only must China's local governments move away from the demolish-resettle-rebuild model, but they must systematically identify targeted steps and tasks across various departments to develop an effective, coordinated framework.
  - IV. **The project takes a holistic, integrated approach in the way that it is designed to include both structural and non-structural approaches.** In other words, in addition to specific physical infrastructure investments, such as the improvement of drainage pipes, for example, a central part of the project is supporting the development of targeted, upstream policy planning and coordination measures. These include supporting frameworks for spatial masterplans, integrated early-monitoring systems, and hazard risk-assessment schemes, among others. The purpose of these non-structural interventions is to foster preparatory and preventative practices that are part and parcel of sustainable development. The project impacts from the non-structural investments can be further scaled up in other towns and the project objectives can be achieved in a more cost-effective manner.
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**SAFEGUARDS**

**A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The proposed project area is located in one of China’s poorest regions, Southern Shaanxi Region. Project support will mainly focus on a cluster of towns located along the upstream Han River. The proposed towns include Yangxian, Xixiang Shiquan, Ningqiang, Mianxian, Hanbin, and Ziyang, which are surrounded by mountainous area (i.e. Qingling and Bashan Mountains). Project investment will be on the existing town seats of the selected towns.

**B. Borrower’s Institutional Capacity for Safeguard Policies**

A Project Management Office (PMO) has been established under Shaanxi Provincial DRC. PPMO staff, who are familiar with the Bank’s safeguards policies, are leading the project preparation. PPMO is also implementing the Shannxi Small Town Infrastructure Project(P133069). PPMO has been involved in several projects financed by World Bank, ADB, foreign financial agencies, etc., with intensive experiences on the World Bank safeguards policy. At local level, each County PMO will establish a county level PMO. The county PMOs will be expanded to meet the Bank’s requirement for project safeguards management. County PMO will be provided with safeguards training to ensure well preparation and sound implementation compliance. Experienced safeguards consultants will be engaged during project preparation and project implementation to help county PMOs.

**C. Environmental and Social Safeguards Specialists on the Team**

Songling Yao, Social Safeguards Specialist  
Feng Ji, Environmental Safeguards Specialist

**D. Policies that might apply**

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project would focus on the improvement and rehabilitation of existing built-up area of towns. Physical investments may include, improvement of wastewater and storm water pipelines and the rehabilitation of the associated streets (e.g. street surface, lighting, provision of road safety facilities to promotion of walking and cycling etc.) and the improvement of river embankment/dikes and public space. It is confirmed that OP 4.01 (Environmental Assessment) is triggered. The project will have overall environmental and social benefits. But there will be nuisance associated with rehabilitation/improvement of basic infrastructure. Adverse impacts would include disturbance to local communities and traffic, nuisance of dust, noise, vibration and wastewater, and disposal of spoil etc.. During operation, the project likely brings



about overall positive environmental and social impacts/benefits, such as the improvement of living conditions for local people, reduction of pollution discharging into Han River etc., and promotion of walking and cycling in the city. It is expected that the principal negative environmental impacts of the project will be mainly associated with rehabilitation and improvement of basic infrastructure in urban areas of towns. Construction activities would be small in scale, while adverse impact would be site specific, and limited in nature. Mitigation measures could be designed readily. As such, the project is proposed as Category B project. An EIA report will assess the positive and adverse impacts of the project during the construction and operation phase, while an EMP for the project will specify relevant mitigation measures, monitoring plan, institutional arrangement, capacity building activities, and the budget for EMP implementation. The EMP will include mitigation measures for each type of these investments. If other types of investments might be identified during implementation, procedures will also be developed to guide how the mitigation measures for the new types of investments will be developed.

The EA will focus on the physical investment of the project which can be identified during project preparation. Technical assistance activities under component I can only be determined during project implementation. To mitigate potential impact/risks, all the TA activities to be supported by the project will follow “Interim Guidelines on the Application of Safeguard Policies to Technical Assistance (TA) Activities in Bank-Financed Projects and Trust Funds Administered by the Bank”. The TA project component (Component 1) will include an activity (which is to be specified in the TORs for TAs) to identify the environmental and social considerations that should be taken into account during town cluster development. This requirement will be specified in the EMP and followed during project implementation after these TA activities are determined.

The project will be in the urban area (county seat). The project activities will not affect protected reserves, known as natural habitats, or established or proposed critical natural habitats Taking a precautious approach, OP4.04 is marked as TBD, subject to the findings of the

Natural Habitats OP/BP 4.04

TBD



		EA.
Forests OP/BP 4.36	No	The project will not have impacts on the health and quality of forests, nor affect the rights and welfare of people and their level of dependence upon or interaction with forests, nor aim to bring about changes in the management, protection, or utilization of natural forest or plantations.
Pest Management OP 4.09	No	The project will not include any procurement of pesticides or pesticide application equipment; nor introduce any new pest management practices, or expand/alter existing pest management practices; nor lead to substantially increased pesticide use and subsequent environmental and health risks.
Physical Cultural Resources OP/BP 4.11	Yes	Given that project activities would be in existing county seats (urban area of counties), PCRs may be affected by the project. A field survey would be conducted by experienced PCR consultants together with EA consulting team. For the project influence area, PCR inventories will be developed and mapped through information obtained from literature sources, consultation with local governmental authorities, and communities etc. The EMP will include construction management measures for civil works in the vicinity of PCRs.
Indigenous Peoples OP/BP 4.10	No	Upstream Hanjiang River, where the project is located, is a core area of Han nationality, in which only 0.97% in Ankang and 0.4% in Hanzhong are minority people, mainly Hui Nationality who are scattered in the region. The project will focus on county towns, within which there are some Hui households, merging together with other residents in the long process of urban development. The minority screening concluded that there is no ethnic minority group in the project areas. Therefore, the policy is not triggered.
Involuntary Resettlement OP/BP 4.12	Yes	A great number of physical activities within county towns, such as, flood control, drainage management, construction of emergency refuge space, road building and rehabilitation, and community infrastructure upgradation, etc. were primarily proposed under the project, which entail some land acquisition and even house demolition. Therefore, the policy will be triggered and a Resettlement Plan (RP) will be prepared based on resettlement planning and social assessment for each county activity.  Further, the project will, may partially, finance



activities in multi-sectors, including but not limited to flood, wastewater, etc., among which some activities may link to others not financed under the project, and the linked ones should be covered under the resettlement review of the project. All the civil works are to be identified before project appraisal, therefore there is no RPF needed. And the RP will cover all county towns based on detailed resettlement planning for each of them.

The project is to be implemented in county towns and any land for the project will be obtained via involuntary resettlement, and there is no voluntary land donation or land pooling/readjustment in the project.

The project town cluster component only aims to improve the regional coordination of a cluster of existing towns, which will not result in downstream investment, or impact on land use or resettlement. The linked activities mentioned in the ISDS refer to WWTPs in relation to sewer financed by the project, and others included in the component 2, which will be covered in the RP.

The SA is to cover all the three components under the project, including civil works and others. It will identify and analyze stakeholders, and then identify potential social impacts and measures related to the project actions, and accordingly improve the planning, designing, implementation and operation. Especially the SA will put a close attention to vulnerable groups such as poor, women, disabled. The SA findings will be integrated into EA and RP, and other project document as needed.

Safety of Dams OP/BP 4.37	No	The project will not finance construction or rehabilitation of any dams as defined under this policy, and there are no dams impact on the safety and operation of the project financed facilities.
Projects on International Waterways OP/BP 7.50	No	There are no international waterways in the project area.
Projects in Disputed Areas OP/BP 7.60	No	The project area is not in disputed area.



### **E. Safeguard Preparation Plan**

Tentative target date for preparing the Appraisal Stage PID/ISDS

Mar 30, 2018

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

Preparation mission is scheduled in November 2017, and appraisal is planned in March 2018.

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**APPROVAL**

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Country Director:	Hoon Sahib Soh	18-Dec-2017
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