

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC7481

Project Name	Urumqi Urban Transport (II) Project (P148527)
Region	EAST ASIA AND PACIFIC
Country	China
Sector(s)	Urban Transport (90%), Information technology (10%)
Theme(s)	City-wide Infrastructure and Service Delivery (70%), Climate change (20%), State-owned enterprise restructuring and privatization (10%)
Lending Instrument	Investment Project Financing
Project ID	P148527
Borrower(s)	People's Republic of China
Implementing Agency	Urumqi Urban Comprehensive Transport Project Research Center
Environmental Category	A-Full Assessment
Date PID Prepared/ Updated	04-May-2015
Date PID Approved/ Disclosed	07-May-2015
Estimated Date of Appraisal Completion	01-Jul-2015
Estimated Date of Board Approval	15-Sep-2015
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

The overall project concept is developed in the context of China's renewed focus on fostering urbanization in a sustainable manner, reforming municipal financing mechanism, and reducing regional disparities through better infrastructure development and regional economic integration. The joint World Bank and China Development Research Center Urban China report projects China's urbanization to continue, and highlights the need to carry out reforms to steer it to a more efficient, inclusive and environmentally and financially sustainable path. Similarly, in order to achieve a "harmonious and high-income society", the Government of China (GoC) has called for a new growth pattern, one that is more balanced and more equitable, in order to reduce development disparities between regions, rural and urban areas, and big cities and small towns.

New Municipal Financing Mechanism. The Government of China has introduced a new local infrastructure financing mechanism by amending the 1994 Budget Law and issuing State Council

Directives, most notably SC Directives 43 and 43. The new financing mechanism, which came into effect in January 2015, calls for a new form of local government borrowing and repayment mechanism. In particular, it allows local governments to issue bonds through provincial governments under limits established by the Ministry of Finance . At the same time, it restricts the use of local government financing platforms to borrow for infrastructure development. The new budget law encourages social capital and private sector investment for infrastructure through project finance approach and public private partnership. Revenue-earning infrastructure companies, such as metros and bus companies, are eligible to borrow from commercial banks using their revenues, operating subsidies and future cash flows.

New Drive for Regional Integration. China's Western Development Strategy (launched in 2002) has been one of the main policy instruments with which GoC provided earmarked financial and technical support to lagging western provinces. During 2000-2009, GoC supported 120 projects for a total investment of RMB 2.2 trillion (\$338 billion) in the western region. Similarly, the 12th Five Year Plan (2011-2015) puts western region development as a top national priority, providing additional impetus and support to the implementation of the Western Development Strategy.

More recently, the GoC launched the "One Belt One Road" initiative, which comprises the New Silk Road Economic Belt linking China with Europe through Central and Western Asia, and the 21st Century Maritime Silk Road, linking China with Southeast Asia countries, Africa and Europe. The national framework for "One Belt and One Road" issued in March 2015 has identified Xinjiang Uygur Autonomous Region as the core area on the Silk Road Economic Belt, given its locational advantage as the gateway of China to Central Asian and Eastern European countries. The national initiative has provided the province and the capital city (Urumqi) new opportunities for infrastructure development, industrial investment and foreign trade.

Urumqi, the project city has a population of 3.46 million (2013) and a surface area of 13,788 km². The urban built-up area is 368.4 km². Ethnic minorities, consisting of Uyghur, Hui and Kazakhs, account for approximately a quarter of the population. The city has benefitted greatly from economic development in the western region. For the past decade, its GDP grew by an average of 20 % and reached RMB 240 billion (US\$ 39 billion) in 2013, ranking 25 out of the 31 provincial capitals. Urumqi's GDP per-capita in 2013 is RMB 69,364 (US\$ 11,360) and the average urban resident disposable income is RMB 20,780 (US\$ 3,406).

Sectoral and Institutional Context

China's rapid urbanization is accompanied by fast motorization. Vehicle fleet has grown by more than 14 percent a year on average over the past two decades, largely fueled by increases in private car ownership. In 1990, China had 5.5 million vehicles, 15 percent of which were privately owned, while in 2012, China had 121 million vehicles, of which 77 percent were private. During the 1990s and early 2000s, most Chinese cities responded to growth in transport demand and motorization primarily with "build options", often at the expense of public transport and non-motorized transport (NMT). However, more recently, that approach is changing. In 2005, the State Council, the highest governing body of the GoC, issued Directive 46 mandating cities to make public transport a priority in urban transport plans. The ensuing expansion of public transport services has been significant. The total length of bus lines in operation increased from 145,000 km in 2006 to 520,000 km in 2011. The total length of metro lines in operation increased from 621 km in 2006 to 2,539 km in 2013. Today, 22 Chinese cities have metros in operation, and a total of 38 cities have received approval or are already constructing metro systems (the expectation is 5,000 km in operation by

2015).

Urban Transport in Urumqi. Currently, the majority of trips in Urumqi are carried out by NMT modes (43 percent) and public transport (30 percent), while the rest of the trips take place in private cars (19 percent) and taxis (8 percent). Motorized vehicle ownership, however, has been growing at an annual rate of 22 percent since 2008, reaching 540,000 in 2012 (of which nearly 80% are private passenger cars). Urumqi has the goal of doubling its 2010 GDP by 2015, and, as such, further economic growth will increase travel demand and motorization. If these phenomena are met by simply expanding road network capacity, higher car dependency and eventual road congestion will be induced, as well as increased air pollution and greenhouse gas emissions. However, building on the city's linear form and current high modal shares for public transport, a paradigm shift centered around improved public transport could lead to a more sustainable and efficient urban transport system.

Relationship to CAS

Country Partnership Strategy. The proposed project is aligned with the 2013-2016 World Bank Group Country Partnership Strategy (CPS) for China discussed by the Board on November 6, 2012. The 2013-2016 CPS focuses on three main pillars: support greener growth, promote more inclusive development, and advance mutually beneficial relations with the world. The proposed project supports the CPS pillars for green and inclusive development and the sectoral objectives of the CPS to promote low-carbon urban transport and strengthening mechanisms for managing climate change. In addition, the proposed project supports the World Bank's Twin Goals of ending extreme poverty and boosting shared prosperity. The proposed project's BRT and bus priority lines will connect the old city center with new town areas where many poor and vulnerable groups live.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The proposed PDO is to improve Urumqi's public transport service quality and traffic flow efficiency.

Key Results (From PCN)

The achievement of the PDO will be measured through these Key Performance Indicators on the targeted BRT and Bus Priority Lane Corridors:

- a) % increase in average bus speed;
- b) % increase in on-time arrival;
- c) % increase in passenger boarding per bus-km (disaggregated by income, gender, and disability);
- d) % improvement in bus user satisfactory rate.

III. Preliminary Description

Concept Description

Component 1 Bus Rapid Transit (BRT) Corridors (61% percent of total project cost). This component will finance the development of three new BRT lines on existing road alignments, namely the proposed BRT 4, 6, and 6a. The activities include: (i) construction of 51.7 km of BRT lines, including road rehabilitation and lane reconfiguration of existing lanes, installation of lane segregation and pavement markings, and construction of BRT station platforms; (ii) procurement of BRT equipment, including fare collection system, passenger information system, safety screen door

system, x-ray machine, BRT priority signal at intersections, power supply for BRT stations, software and hardware for BRT dispatching center, and GPS-based onboard equipment for BRT vehicles; and (iii) procurement of 152 articulated buses (18m) and 29 regular buses (12m).

Component 2 Comprehensive Transport Information Management System (16% of project cost). This component will support the development of a city-wide Comprehensive Transport Information Management System, including: (i) development of comprehensive transport information management platform to collect and process transport data from various sources; (ii) installation of fiber optic cable network between different data center, installation of traffic data collection equipment along major roads in Urumqi, and the development of GIS-based transport data system; and (iii) improvement of parking management system, upgrade of the existing smart card system, installation of bus passenger counting system, and upgrade of existing GPS-based taxi onboard equipment.

Component 3 Public Transport Infrastructure (21% of project cost). The component will finance (i) construction of public transport hub at the South Square of the High Speed Rail Station; the hub includes BRT terminal, regular bus terminal and public transport dispatching and information center; (ii) construction of public transport terminals at Beijiao, Midong and North Square of High Speed Rail Station; and (iii) construction of two public transport parking and maintenance facilities at Sangong and Midong.

Component 4 Capacity Building (2% of project cost). This component comprises the development of a series of strategic studies, capacity building and training activities, project management and consulting services aimed at enhancing local capacities for planning, design, and operating urban transport services. Some of the studies, carried out during the project preparation, were financed using local funds. However the remaining studies and activities under this component will be financed under IBRD loan.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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	

V. Financing (in USD Million)

Total Project Cost:	415.00	Total Bank Financing:	140.00
Financing Gap:	0.00		

Financing Source	Amount
Borrower	275.00
International Bank for Reconstruction and Development	140.00
Total	415.00

VI. Contact point

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