

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.:PIDC0070442

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Program Name	<i>Qianxinan Rural Transport Project</i>
Region	<i>China</i>
Country	<i>China</i>
Sector	<i>Transportation</i>
Lending Instrument	<i>Program-for-Results</i>
Program ID	<i>P158545</i>
Parent Program ID	
Borrower(s)	<i>People's Republic of China</i>
Implementing Agency	<i>Qianxinan World Bank Project Management Office, Qianxinan Transport Bureau</i>
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Concept Review Decision	
Other Decision	

I. Introduction and Context

A. Country Context

1. For the past thirty years, the Chinese economy has grown at a remarkable pace. However, this growth has not been spread evenly throughout the country. There are growing wealth disparities between coastal and inland regions, as well as between urban and rural areas, and today, more than 150 million Chinese people live below the USD1.90 per day international poverty line. In support of shared prosperity for all Chinese people, the Government of China has given priority to economic development in the lagging western and central regions through the Draft 13th Five-Year Plan (March 2016), which aims to eliminate extreme poverty by 2020. One tenet of the 13th Five-Year Plan is the improvement of rural road networks. According to a recent study, for every RMB10,000 invested in rural roads, approximately 3.7 villagers may be lifted from poverty, and for every RMB invested, an approximately six-fold in rural GDP may be produced.¹

2. Among the national prioritized areas for rural road investment is Guizhou Province (pop. 35 million), which on a GDP per capita basis, is the second poorest province in China. Guizhou's GDP per capita was USD4,000 in 2014, which is only 57 percent of the national average and

¹ Shenggen Fan, Linxiu Zhang and Xiaobo Zhang, *Reforms, Investment, and Poverty in Rural China*, Economic Development and Cultural Change, pp 395-421, 2002; 2002, data has been converted to value in 2014 based on Fixed Assets Investment Price Index and Consumer Price Index published by National Statistics Bureau of People's Republic of China.

about 26 percent of the GDP per capita in Beijing. Within Guizhou Province, the Qianxinan Buyi and Miao Autonomous Prefecture (pop. 3.4 million) has been designated as an Extreme Poverty Area by the national government. More than 95 percent of Qianxinan's 16,804 square-km area comprises hilly and mountainous terrain, resulting in a highly dispersed and isolated population. To improve rural accessibility and lift Qianxinan's disconnected rural population above the national poverty line, the Guizhou and Qianxinan governments have prioritized improvement of the rural road network through the 12th and 13th Five-Year-Plans, targeting areas with the most need, as well as the most economic development potential.

B. Sectoral and Institutional Context of the Program

3. **Draft National 13th Five-Year-Plan Focus on Rural Transport.** To promote rural development, the plan calls for construction and upgrading of millions of kilometers rural roads, strengthening safety facilities, and improving bridges.
4. **Qianxinan Rural Roads Development 13th Five-Year Plan.** In part due to Qianxinan's challenging geography, road development has lagged behind other parts of the country, with only 4.4 percent of roads classified as Class II and above and 56.8 percent of roads unpaved (roads in mountainous areas can be more expensive to build and maintain). Poor quality roads have contributed towards not only road safety issues – in 2014, there were 95 recorded road accidents resulting in injuries and 32 resulting in fatalities – but also enduring poverty. Qianxinan's 13th Five-Year Plan will support expansion of the rural road network, which would address these safety and poverty issues. Specifically, through the plan, Qianxinan will: (a) Improve road maintenance, by improving management systems, institutional staffing, and availability of maintenance funding; (b) Extend road service life through improvements in safety and protection facilities during construction; (c) Further expand the coverage of rural roads and increase connectivity between rural roads and the main transport network; and (d) Coordinate the integrated development of urban and rural areas and “realize the integration of construction, management, maintenance and transport.”
5. **Qianxinan Rural Transport Integration Program.** The Qianxinan Rural Transport Integration Program (“government program”) has been designed to support improvements in transport connectivity between four counties adjacent to a river corridor – Ceheng, Zhenfeng, Wangmo, and Qinglong – with the objective of lifting counties' poorest populations – more than a half-million people -- above the national poverty line. The program is led by Qianxinan Prefecture and implemented by the Qianxinan Transportation Department.

C. Relationship to CAS/CPF

6. The proposed program 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 Program for Results supports the first two CPS pillars for green and inclusive development by reducing transport costs for rural road users and increasing accessibility for the rural people of Qianxinan.

7. The four mountainous Program counties are among the poorest in Guizhou Province, as

well as in China. The Program supports the World Bank's twin development goals of shared prosperity and poverty alleviation by providing these low income populations with more efficient transport access to markets and public services and by strengthening the integration between rural and urban markets, creating growth opportunities for both populations.

D. Rationale for Bank Engagement and Choice of Financing Instrument

8. The People's Republic of China has requested World Bank Program for Results financing for improvement of the rural road network of Qianxinan Prefecture in Guizhou Province. Although this will be the first transport program that the Bank has financed in Qianxinan, the Bank has financed three similar projects in the same province -- the Guiyang Transport Project (closed on December 31, 2013), the Guiyang Rural Roads Project (approved on March 6, 2014) and Tongren Rural Roads Project (approved on September 25, 2015).

9. The Bank has decades of experience in the Chinese rural roads sector and is continuously improving upon its technical advisory and value-added. For this program, the Bank will focus on the following:

- **Apply new technologies to evaluate rural accessibility.** While improving rural accessibility is a primary objective of the Program, accessibility is traditionally difficult to measure and quantify. To overcome this challenge, the Bank has provided training to staff from the four participating counties on use of an open-source platform for quantifying and evaluating accessibility. This methodology would be used to support road prioritization and results monitoring.
- **Improve road safety based on road assessment surveys.** Similarly, while road safety is a priority, it can be difficult to prioritize needs within constrained resources. A grant from Bloomberg Philanthropies is funding road safety survey and training activities, conducted by the China Road Assessment Program, to identify priority needs to be supported by the Program.

10. Qianxinan receives substantial national subsidies for rural road construction and rehabilitation but is responsible for seeking necessary supplemental financing. Since the proposed program does not involve activities that generate revenue, support from the public sector is essential.

11. The Program for Results (PforR) financing instrument is applicable for the proposed program, because: (a) The Bank will finance components of a government program that are not anticipated to have substantive adverse environmental or social impacts; (b) The components of the program are relatively uniform and interchangeable; (c) Based upon preliminary discussions, the Program fiduciary, environment, and social safeguards systems *may* be broadly adequate to meet the requirements of a PforR (pending further assessment); and (d) The results-based disbursement mechanism was deemed acceptable by the Government and project agencies.

12. In addition to being applicable, the PforR instrument is also a preferable instrument for financing the Program, because: (a) The focus on institutional capacity building for the broader

government program will have longer term, more sustainable impacts than an IPF alone; (b) The PforR is a more efficient instrument in this context – since country systems may already be adequate, additional resources need not be devoted to similar but different parallel systems (especially in terms of fiduciary systems); (c) The PforR supports more flexibility in project component selection and implementation, enabling the counterparts to easily adjust implementation timing and components as the need arises (e.g., need to re-prioritize project implementation due to external events such as weather damage or parallel construction activities); and (d) PforR mitigates counterpart funding risk in this high-poverty area, since the “rolling advance” feature ensures sufficient working capital is always available up front.

13. The PforR instrument is relatively new in the China portfolio, with two programs approved earlier this year and four under preparation. Outside of China, the Bank is presently managing three transport sector PforR Programs, in Vietnam, Nepal and Uruguay. The Bank team has been working with Task Team Leaders of these three active to support design of the Qianxinan Program. Some lessons learned that have been incorporated in the design include:

- i) Environmental and social screenings were conducted early in the preparation process to identify potential safeguard risks and to adjust the the Program proposal;
- ii) Capacity building work is being integrated into the Program design from the beginning;
- iii) Discussion of DLI’s has been introduced early in the preparation process to prevent preparation delays related to reaching agreement on DLIs and identifying suitable verification entities.

II. Program Development Objective(s)

A. Program Development Objective(s)

14. The Program Development Objective is to improve rural transport connectivity and safety in Qianxinan Prefecture.

B. Key Program Results

15. The proposed program is expected to contribute to two Results Areas:

- Results Area 1: Improve rural accessibility
- Results Area 2: Strengthen institutional capacity

16. Proposed key outcomes for the program are:

- % Villagers who can access a county seat within 60 minutes by paved road;
- % Villagers who can access a hospital / bank within 30 minutes by paved road;
- % Village women who can access a county seat within 60 minutes by paved road;
- Length of road with safety improvements (km)
- Improved environmental and social management for rural road projects (yes/no)

- Strengthened project management (yes/no)

17. The proposed Intermediate Results Indicators, also proposed as candidates for ***Disbursement-Linked Indicators*** are:

- Length of roads rehabilitated, rural (Core Indicator) (km)
- Length of roads upgraded, rural (km)
- Completion of bi-annual resettlement and environmental monitoring reports (#)
- Continuous operation of a staffed program coordination office (y/n)
- Number training programs and study tours completed (#)
- Technical assistance: number of studies and plans completed (#)
- Satisfactory audits and financial statements (#)
- Contracts awarded through competitive bidding (%)

18. The key outcomes and the intermediate results indicators associated with each of the program activities are explained in ***Section. III***.

III. Program Description

A. PforR Program Boundary

19. **Government Program.** The Qianxinan Rural Transport Integration Program (“government program” is led by the Qianxinan Prefecture Government and implemented by the Qianxinan Transportation Department. The program has been designed to support improvements in rural connectivity between four high-poverty counties that have lagging rural road infrastructure – Ceheng, Zhenfeng, Wangmo, and Qinglong.

20. The government program comprises approximately 1,392 km of roads to be upgraded or rehabilitated, including road safety improvements and small and medium-sized connecting bridges. Selected projects have been derived directly from the Qianxinan Rural Roads Development 13th Five-Year Plan.

21. This is a new program, for which a Feasibility Study Report (FSR) is presently under preparation. The FSR will include further details about the government program components, including design standards, economic impact analysis, financial analysis, prioritization results, etc.

22. **Program for Results.** The proposed PforR Program will finance the highest priority projects (“first batch”) within the government program, based upon the following selection criteria: inclusion in Qianxinan’s 13th Five Year Plan, current level of damage, potential impact on rural accessibility, expected economic impact, current level of road safety risk, and potential adverse environmental and social impacts.

23. **Results Areas.** The government program and PforR Program will support achievement of the following results:

24. **Results Area 1: Improve Rural Accessibility.** The Program supports improving rural accessibility, both in terms of travel time and road safety. The Program will increase the percentage of villagers that can access markets and critical services within a reasonable timeframe by road. For example, if currently 46 percent of villagers in Wangmo County can access a county seat within 60 minutes by road, or 40 percent can reach a hospital within 30 minutes, then the Program may support increasing these percentages to meet the provincial average – 71 percent and 86 percent, respectively. iRAP surveys will be conducted on select government program roads during Program preparation to identify particularly high risk components. The Program will mitigate these risks through targeted road safety infrastructure and facilities investments.

25. **Results Area 2: Capacity Building.** Qianxinan likely has the institutional capacity to meet Bank fiduciary and safeguards standards; however, in practice, these risk mitigation measures are typically not applied to village-level rural roads. Under the Program, Qianxinan will pilot the use of country systems on village-level rural roads, with particular focus on social impact and environmental management, as well as competitive procurement. In addition, Qianxinan has historically not actively coordinated training and safety best practices across the participating counties. Through the Program, a formal Program Coordination Office will be established as a permanent entity within the Qianxinan Transportation Bureau to oversee quality government program coordination, as well as safety and maintenance training and study activities.

26. The PDO Outcome Indicators and Disbursement Lined Indicators have been discussed with the Program agencies (see **Table 1**). The baseline and target values for each indicator will be confirmed during Program preparation.

Table 1. Preliminary Program Results Indicators

Results Areas Supported by PforR	PDO/Outcome Indicators	Intermediate Results Indicators/ DLI
Rural Accessibility	<ul style="list-style-type: none"> • % Villagers Access X in Y Minutes (%) • Length of Road with Improved Safety Features (km) 	<ul style="list-style-type: none"> • DLI 1.1: Roads upgraded (km) • DLI 1.2: Roads rehabilitated (km)
Institutional Strengthening	<ul style="list-style-type: none"> • Improved Social and Environmental Management (y/n) • Rural Accessibility and Safety Program Strengthening (y/n) 	<ul style="list-style-type: none"> • DLI 2.1: Satisfactory social and environmental external monitoring supervision reports (#) • DLI 2.2: Continuous operation of a staffed program coordination office (y/n) • DLI 2.3: Training participation (#) • DLI 2.4: Study completion (#) • DLI 2.5: Satisfactory audits and financial statements (#) • DLI 2.6: Contracts awarded through competitive process (%)

IV. Initial Environmental and Social Screening

27. **Environment.** The Bank Task Team conducted an initial environmental and social screening of the government program, in line with OP 9.00 and the Guidance Note to: (a) identify potential risks that may be associated with the Program; (b) identify activities with complex social, economic and environmental challenges which are not well suited to be addressed through a PforR; (c) inform counterparts about environmental and social aspects involved in the Program preparation and implementation phases; and (d) determine priority areas for further attention in the environmental and social system assessment.

28. The Bank initiated environmental and social screening activities during Program pre-identification, and environmental and social considerations have been built into the design of activities under the government program. Based on information available, discussions with counterparts and relevant environmental and social management agencies, and field visits to proposed rural road rehabilitation and upgrading projects as well as on-going and completed rural roads under the government program, the major findings of the initial screening are as follows:

- a) Activities initially included in the Program proposal may induce complex social and environmental issues, including construction of new rural roads and large scale bridges. These activities have therefore been excluded from the proposed Program. Any rehabilitation and upgrading of rural roads that fall into the boundary of environmental sensitive areas (e.g., nature reserve, protected areas, reservoirs, nature habitats, physical cultural resources etc.) are also excluded.
- b) Activities under the Program proposal only include rehabilitation and upgrading of existing rural roads (including small bridges on these roads) in non-sensitive environmental and social contexts. These activities basically involve repair and restoration of existing roads to their original functions and upgrading of existing non-paved gravel roads to paved rural roads, in line with national/local standards. Such activities typically have limited environmental and social impacts that are site-specific, are unlikely to be significant, and can be readily mitigated with good construction management and known mitigation measures.
- c) Field observation of some ongoing and completed rural road rehabilitation and upgrading projects indicate that environmental safeguards are generally well managed, with no obvious environmental legacy issues observed.

29. An Environmental and Social Systems Assessment (ESSA) will be conducted during Program preparation to further assess the legal framework and performance of the applicable environment and social management systems. Measures to address gaps or demand for improvements identified in the ESSA will be incorporated into the Program Action Plan.

30. **Social.** Screenings pertinent to social safeguards have been carried out through field visits to proposed sites of government program activities; interviews with key institutions responsible for land acquisition, ethnic minority affairs, and road construction; and interviews with local farmers at sites. The objectives of the screenings were to identify risks related to loss

of assets caused by government program activities that could result in reduced livelihoods and to assess whether local systems exist to manage such risks.

31. Preliminary assessment findings indicate: (a) very limited land will be required for road upgrading; and (b) ethnic minority people are present in government program areas, and their equal rights to program investment benefits need to be ensured.

32. Local systems for managing land acquisition and resettlement have been operating as important functions of the local prefecture and county governments. Land acquisition and resettlement are part of the routine work of local land bureaus to satisfy the needs of local economic development activities, including urban infrastructure improvement, industrial development (coal mining, gold mining, etc.). Staff capacity has been improved during the recent land acquisition and resettlement work for an expressway construction project within Qianxinan prefecture.

33. The Local Prefecture Commission for Ethnic Minority Affairs undertakes routine work typical of similar institutions across the country, including managing ethnic minority culture protection, dispute mitigation among ethnic minorities, lobbying for equal resources to support ethnic minority development, and assistance to local governments in getting support from ethnic minority communities for government-originated development programs.

34. A detailed assessment will be conducted on local systems and performance as part of the Environmental and Social Systems Assessments (ESSA), to identify gaps in local systems and capacity to manage risks related to livelihoods impact and ethnic minorities' equal benefits from program investment.

V. Tentative financing

Source:	(\$m.)
Borrower/Recipient	130
IBRD	200
IDA	
Others (specify)	
	Total
	330

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