

PROJECT INFORMATION DOCUMENT (PID) APPRAISAL STAGE

Report No.: PIDA13045

Project Name	Sichuan Chongqing Cooperation: Guangan Demonstration Area Infrastructure Development Project (P133456)
Region	EAST ASIA AND PACIFIC
Country	China
Sector(s)	Urban Transport (59%), General water, sanitation and flood protection sector (38%), Vocational training (3%)
Theme(s)	City-wide Infrastructure and Service Delivery (65%), Infrastructure services for private sector development (35%)
Lending Instrument	Investment Project Financing
Project ID	P133456
Borrower(s)	PEOPLE'S REPUBLIC OF CHINA
Implementing Agency	Guangan Municipality
Environmental Category	A-Full Assessment
Date PID Prepared/Updated	26-Nov-2014
Date PID Approved/Disclosed	27-Nov-2014
Estimated Date of Appraisal Completion	29-Sep-2014
Estimated Date of Board Approval	24-Feb-2015
Decision	

I. Project Context

Country Context

In transitioning from a low- to upper-middle income country, China has avoided some common problems of a fast urbanizing society, such as large-scale urban poverty and unemployment. Yet other strains are showing. A reliance on land financing for infrastructure investments has led to inefficient use of land and resources, wasteful and sprawling developments, with significant environmental impacts. A focus on developing the eastern region has helped concentrate and spur economic growth but has led to growing regional disparities. As a result huge numbers of rural migrants have gravitated to the east for work, the majority leaving children behind due to a lack of access to urban public services, particularly education. As a result of such barriers, urbanization levels are relatively low, at just over fifty percent, compared to other countries at this stage of development.

By 2030, China aims to transition to high-income status with an urban population of seventy percent – some 1 billion people. According to a recent study between the World Bank and the Development Research Center (DRC) of China's State Council, urbanization is expected to remain

a powerful driver of growth but is in itself insufficient for meeting this high-income goal. In the coming decades, China will face additional challenges of slower growth, rapid population aging, decreasing rural to urban migration, and a shrinking labor force. At the same time the east coast economy is expected to transition to high-skilled manufacturing and services with labor-intensive manufacturing relocating inland. Recognizing these challenges and trends as well as opportunities for redressing regional disparities and the rural-urban divide, national-level development plans reflect a desire to move towards a more efficient, inclusive and sustainable urbanization.

The National Plan on New Urbanization (2014-2020) prioritizes the integration of 234 million rural migrants and their children into urban areas and public services. It also refers to the need to optimize urban spatial layout and concentrate development in key urban systems, focusing on regions that have potential for urbanization and agglomeration and can create spillovers benefiting surrounding cities and towns. The priority for city clusters in the central-west is for them to become regional economic centers, concentrating relocating industries and return migrants from the east as well as providing new migrants with jobs and urban services closer to home. Development of these new urban areas is expected to be in keeping with actual population growth rates to avoid wasteful use of land and resources and within the limits of local environmental carrying capacities.

Sectoral and institutional Context

The Sichuan Plain Urban System is made up of dispersed settlements spanning across Sichuan Province to Chongqing Municipality, including the western region's largest metropolitan economies - Chengdu and Chongqing. The area's total population declined from 94.4 to 89 million between 2000 and 2010 largely through outmigration. Despite this net loss of over 5 million residents, urbanization has been substantial. The urban population grew by 12 million to reach 41 million in 2010 primarily through urban expansion and rural to urban migration.

In terms of human development, Sichuan ranks in the bottom third and Chongqing in the bottom half of China's 31 provinces. The whole system is affected by natural hazards and earthquakes. As such, the region's development has for decades been a priority of national poverty alleviation plans and regional development strategies as well as emergency relief and recovery efforts. Today, Chongqing is a key industrial hub and one of China's fastest growing cities, while Chengdu is an important new urban center for investors and predicted to be a future megacity. Economic and population growth is highest in the Chongqing and Chengdu's core districts as agglomeration economies take hold. This pattern of population and economic growth is likely to continue with spillovers into outer suburban centers over the next decade.

These trends have led to a paradigm shift in policymaking, moving away from sector-based subsidies and aid to more targeted, area-based economic policies and urbanization strategies. Such policies emphasize coordination across regional governments and between cities, with large and medium cities developing high-value added manufacturing, while surrounding smaller cities and towns specialize in labor-intensive industries, pulling in remaining labor from nearby towns and villages and facilitating localization economies. Massive trunk infrastructure, rural-urban transport networks, and water and sanitation services in both rural and urban areas are planned to support these strategies. In March 2011 the State Council established the Chengdu-Chongqing Economic (Cheng-Yu) Zone which provides an overarching regional economic strategy covering 31 districts and counties in Chongqing and 15 cities in Sichuan.

Guang'an Prefecture in South-East Sichuan, on the border with Chongqing, is expected to play an important role in this cooperation between Sichuan and Chongqing. Yet Guang'an is a registered poverty prefecture with urbanization and income levels below the national average. Guang'an's total population has declined, however its urban population is slowly growing, particularly in the prefecture-level city and key towns close to Chongqing, including Linshui County Town and Qianfeng District Town. Between 2000 and 2010, the urban population of these two towns increased by around 15 percent. Their GDP per capita while below the urban system and the extended metropolitan region (EMR) has grown considerably in real terms. Their share of EMR's non-agricultural employment and manufacturing jobs has increased along with a few key districts while all other districts it declined. These trends show these towns are urbanizing, growing and industrializing and have potential for development as part of the EMR and supporting inter-governmental cooperation in the Cheng-Yu Economic Zone.

Linshui County, in particular, neighbors Yubei District which has seen the highest urban population and GDP growth of the whole Chongqing EMR and 78 percent of its GDP is now derived from industry. Between 2008 and 2012, marginal efficiency of capital was higher in Guang'an Prefecture and Linshui County than the average across economies within a one-hour travel distance of Chongqing City. This suggests that investment in Guang'an's economy, thus far, has been relatively efficient in comparison to counties and districts with Chongqing urban core.

Both Linshui County Town and Qianfeng District Town are compact and dynamic with growing urban and industrial districts congruous to their town centers. Water, power, gas, telecommunication facilities and inter-city roads are built. However, in-city roads lack connectivity and wastewater services are inadequate. Qianfeng District Town has no centralized wastewater treatment so wastewater is discharged into rivers with only basic pre-treatment. Linshui County Town's current wastewater treatment plant is running at full capacity. Public transport services are limited with a lack of services and safe, transport routes between low-income neighborhoods concentrated in the town centers and urban-industrial expansion areas. Linshui has a good, national-level technical vocation training school but short-term industry-based skills training and associated equipment is out-of-date and not linked to the needs of current and future industries. There is minimal urban public space, especially in Qianfeng, where the small town center is run-down and polluted, especially along the riverside, and heavy goods vehicles transport freight from the railway station through the town center. Qianfeng District recently separated from Guang'an District and is just beginning to take stock of its municipal assets.

For these towns to better identify prospects for growth in the Chongqing EMR, and for Guang'an to play its role in facilitating cooperation in the Cheng-Yu Economic Zone, urban, economic and industrial development strategies need to be based on a better understanding of the regional economy and credible opportunities for industrial development. The towns also need investment in their basic infrastructure to increase their attractiveness as places to live, work and do business. To maintain the efficiency of its capital investments, future development will need to be based on realistic population and industrial growth projections as well as the needs of existing and incoming migrants and industries. At the same time they will need well-laid plans to manage their natural, human, built and financial resources.

II. Proposed Development Objectives

The proposed Project Development Objective (PDO) is to support Linshui County Town and Qianfeng District Town to improve infrastructure and investment support services.

III. Project Description

Component Name

Technical Assistance

Comments (optional)

Provision of technical assistance to: (a) Linshui County to (i) conduct a cumulative strategic environmental and social impact assessment and improve the planning of capital investments and managing of built assets; and (iii) conduct industrial value chain analyses, a private sector demand survey, and design marketing and investment promotion services; and (b) Qianfeng County to conduct a cumulative strategic environmental and social impact assessment and to improve the planning of capital investments and managing of built assets.

Component Name

Linshui County Town

Comments (optional)

Construction of: (a) (i) a green transport corridor between Linshui County's urban core and Linshui Economic and Technology Development Zone (ETDZ) and (ii) a linkage to the highway connecting Guang'an City to Chongqing at the southeastern section of the Linshui ETDZ, consisting of selected roads with associated installations, including public transport and facilities, urban greenery and lighting; (b) construction of selected storm water drainage, sewage interceptors, sewerage pipelines, and treated effluent pipelines; (c) construction of the Linshui County Town Number 3 Waste Water Treatment Plan (WWTP); and (d) set up of a public skills training center located at the Linshui County Vocational High School, including the development of skills training program through the provision of techn

Component Name

Qianfeng District Town

Comments (optional)

(a) Development of a passenger and cargo route bypassing Qianfeng District Town's urban core, through the construction of a road with associated installations, greening and lighting; and (b) construction of a slow, green, transport corridor connecting Qianfeng District Town's urban core and Qianfeng District's southern industrial expansion area, consisting of, inter alia, riverside roads, parks, and green space areas along the Luxi River, as well as wastewater interceptors, stormwater drainage and associated sewer pipelines, and lighting.

Component Name

Project Management and Capacity Building

Comments (optional)

Provision of technical support for both (a) Linshui County and (b) Qianfeng District, including training and capacity building activities to coordinate and manage implementation of the project, including (i) financial management, procurement, contract supervision, technical design, and project reporting; (ii) construction supervision; and (iii) independent monitoring of the implementation of the project's safeguards instruments.

IV. Financing (in USD Million)

Total Project Cost:	242.54	Total Bank Financing:	100.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount

Borrower	142.54
International Bank for Reconstruction and Development	100.00
Total	242.54

V. Implementation

The Project will be managed at two levels of government: (a) Guang'an Prefecture Government; and (b) Linshui County and Qianfeng District Governments. A Prefecture Project Leading Group (PLG) has been established and is led by the Executive Deputy Mayor and includes representatives from all key prefecture government bureaus. PLGs with similar composition and roles have been established at County and District Level. Project Management Offices (PMOs) are established at Prefecture, County and District Level in the respective Development and Reform Commissions (DRCs).

Linshui County has identified Linshui County Yuanfeng Industry Development Company Limited (LCYIDC) and Qianfeng District has identified Qianfeng District Xinhong Investment Group Company Limited (QDXIC) as their Project Implementing Agencies (PIAs). Linshui County Vocational High School (LVS) will be the PIA for Linshui County's skill training program. The Departments of Education and Human Resources and Social security (HRSS) will provide training subsidies and other resources and guide the preparation and implementation of the skills training program. LVS is coordinating with the Poverty Alleviation Office, Civil Affairs Bureau and Women's Federation in implementing the skills training program.

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

World Bank

Contact: Joanna Mclean Masic
 Title: Sr Urban Spec.
 Tel: 5788+7711 /
 Email: jmasic@worldbank.org

Borrower/Client/Recipient

Name: PEOPLE'S REPUBLIC OF CHINA
Contact: Yao Licheng
Title: Director, International Department, MOF
Tel: 861068552064
Email: yaolicheng@sina.com

Implementing Agencies

Name: Guangan Municipality
Contact: Xiong Xiangjian
Title: PMO Director
Tel: 86-82-62321503
Email: fuchunlin999@163.com

VIII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: <http://www.worldbank.org/infoshop>