

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC990

Project Name	Shaanxi Small Towns Infrastructure Project (P133069)
Region	EAST ASIA AND PACIFIC
Country	China
Sector(s)	General water, sanitation and flood protection sector (40%), Rural and Inter-Urban Roads and Highways (60%)
Theme(s)	City-wide Infrastructure and Service Delivery (60%), Water resource management (40%)
Lending Instrument	Specific Investment Loan
Project ID	P133069
Borrower(s)	International Department, Ministry of Finance
Implementing Agency	Foreign Debt Management Office, Shaanxi Provincial Development and Reform Commission
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	27-May-2013
Date PID Approved/ Disclosed	08-Aug-2013
Estimated Date of Appraisal Completion	29-Jan-2014
Estimated Date of Board Approval	12-Aug-2014
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

China has experienced rapid urbanization in the last three decades. The urban population increased from 172 million in 1978 to 665.6 million in 2010. This trend is expected to continue, and the urban population is projected to reach one billion by 2025. Urbanization has been a driver of economic growth in China that has brought significant benefits to both the economy and the population. China's GDP, in current prices, increased from RMB 365 billion in 1980 to RMB 39,800 billion in 2010, and the per capita annual disposable income of urban residents increased from RMB 477 in 1980 to RMB 19,109 in 2010.

Significant regional imbalances in urbanization and urban-rural disparities exist across China. The most urbanized regions are in the East and North-East, with urbanization rates of 57% - ten

percentage points above the national average of 2009. The Central and Western regions are less urbanized, with the urban population accounting for 40% of the total populations. The real urban–rural income inequality per capita increased over the past three decades from 1.53 in 1985 to 2.67 in 2009. While the overall national urban-rural income inequality has been increasing over time, the income inequality is smaller in provinces with a high urbanization rate and thus a high GDP per capita.

Towns, which are at the lowest level of China’s urban administrative hierarchy, provide the linkage between urban and rural areas. Along with localized urbanization, towns in China are playing an increasingly important role in social and economic development. By the end of 2010, there were 19,410 small towns, having a total population of about 200 million, or 11,000 persons per town, on average. Towns have been growing in size and economic strength, absorbing a large number of rural migrants, and supporting rural industries that contribute a major share of China’s economic growth. However, this growth has been severely constrained by the lack of basic infrastructure and low service levels.

China has made significant efforts to address the disparity between the relatively developed coastal region and the lagging region of western China, through implementing the Western Development Initiative. Economic growth (GDP) in some western provinces has surpassed growth in coastal provinces since 2008. In 2009, the State Council approved a cross-province national level development plan - Guanzhong-Tianshui Economic Zone Development Plan, to further promote economic growth, urbanization and urban-rural integration in the Guanzhong-Tianshui region , and to drive the regional development of northwest China. In addition, the 12th FYP (2011-2015) highlights the development of services and measures to address social, environmental, and external imbalances, focuses on improving the quality of life, pays more attention to balanced development, and gives great prominence to urbanization in inland regions and small cities.

Sectoral and Institutional Context

Located in the western part of China, Shaanxi Province covers an area of 205,800 square kilometers and has a population of 37.9 million. Administratively, Shaanxi is comprised of ten municipalities/prefectures, 83 counties, 24 cities and districts, and 1,581 towns and townships. Geographically, the Province is further divided into three main regions defined by its topography and natural features: Guanzhong (“Central Shaanxi”), Shaannan (“Southern Shaanxi”), and Shaanbei (“Northern Shaanxi”). Characterized by a large central plain, Guanzhong region is the core economic region in Shaanxi, which includes 60 percent of the province’s total population, and accounts for two thirds of the province’s GDP and agriculture production.

Like all the provinces in China, Shaanxi has experienced rapid economic growth and urbanization. In 2010, Shaanxi ranked 5th highest in GDP growth rate, with an annual GDP growth of 12.5%. In addition, over 46.5% of the population lives in urban areas, up from 37.2 percent in 2005. The average GDP per capita in Shaanxi grew from RMB 10,594 in 2005 to RMB 26,434 in 2010. The average annual income per capita for urban and rural residents reached RMB 15,695 and RMB 54,105, with annual growth rates of 13.7% and 14.9%, respectively.

Despite of its rapid growth, Shaanxi still lags behind the national average in terms of GDP per capita and urbanization rate due to its low base of economic development. Development of small towns is still constrained by prevailing urban infrastructure deficiencies and service levels, both in existing built-up areas and urban expansion areas, deteriorating environmental conditions, and weak

finances and city management capacity. The average per capita investment for basic urban infrastructure in Shaanxi's small cities and towns is only 56% of the national level; built up areas are not fully covered with water supply, drainage and sanitation; transport networks are inefficient; and operation and maintenance is minimal. The poor urban infrastructure services severely hinder small towns' development and expansion. Among all 83 counties in Shaanxi, only 19 have a population larger than 100,000; and among the 838 towns, 90% have a population less than 10,000.

Recognizing the increasingly important role small towns are playing in social and economic development, and urban infrastructure service challenges, Shaanxi Province has targeted urbanization as one of its priorities and formulated policies to improve small town development. The Guanzhong-Tianshui Economic Zone Development Plan emphasizes the priority development of demonstration towns and county seat towns, targeting an urbanization rate of 60% by 2020 in the region. Shaanxi's 12th FYP highlights the development of key towns as demonstration, which have better locational advantages, growth prospects, and the potential to expand economic benefits to surrounding towns and townships. It has set targets for developing infrastructure and increasing basic service provision in small and medium towns (SMTs), and anticipates an urbanization rate of 57% by 2015.

The 10 sub-projects proposed for the SSTIP would serve 10 towns in nine counties across seven municipalities: Xi'an, Xianyang, Baoji, Tongchuan, Weinan, Hanzhong and Ankang . Spatially, most of the towns are within the Guanzhong-Tianshui Economic Zone and its influence area; These towns have experienced rapid GDP growth in the recent years and are projected to grow at a rapid pace in the coming decade. Both the total population and built-up area of the candidate towns are projected to expand by about 50%-100% by 2020, from current levels. The priority need of the Province is to address the deficiencies in basic urban infrastructure in the existing built-up areas, and new expansion areas in these towns to enable them to perform their roles in Shaanxi's urbanization process in a safe and sustainable manner.

Relationship to CAS

The proposed project is in aligned with the Shaanxi Province strategy to promote small town development, and the Bank's Country Partnership Strategy (CPS) for 2013-2016 (Report No. 67566-CN) dated October 11, 2012. The 2013-2016 CPS focuses on two strategic themes: support greener growth and promote more inclusive development. The proposed project supports the two CPS themes and could contribute to three outcomes: enhancing urban environmental services, enhancing opportunities in rural areas and small towns, and improving transport connectivity for more balanced regional development.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The project development objective is to improve the infrastructure services in selected small and medium towns in Shaanxi Province.

Key Results (From PCN)

The outcome of the project will be measured by the following indicators: (i) people in urban areas provided with access to improved water supply; (ii) people in urban areas provided with access to improved sanitation. (iii) total length of urban roads rehabilitated and constructed; and (iv) number of towns with improved management systems and procedures.

III. Preliminary Description

Concept Description

The Shaanxi Province and Bank agreed that project formulation will be guided by the following principles: (i) support for Shaanxi's efforts to promote the development of county seats (third tier cities defined in Guan-Tian Economic Zone Development Plan) and selected key towns of provincial level, which perform critical roles and have great potential for facilitating rural-to-urban migration from vast rural area in Shaanxi; (ii) address gaps in basic urban infrastructure services in existing built-up areas with high priority, supplemented by support for prioritized infrastructure investments in town' expansion areas; (iii) give high priority for urban infrastructures shared by multiple towns, to encourage integration of infrastructure, facilitate efficient operations, and improve the financial and operational performance; and (iv) give higher priority for construction of urban infrastructure that has added-value to facilitate job creation or industrial development in project towns.

Tentative Project Components. The following components (Indicative cost US\$ 223 million) have been selected for preparation, but are subject to refinement and amendment as project preparation proceeds:

(a) Component 1: Improvement of Basic Infrastructure Services (Indicative cost US\$ 213 million): including: (i) rehabilitation, upgrading and filling gaps in basic infrastructure services in existing built up areas, including rehabilitation of neighborhood roads and lanes, and improved level of service and coverage in water supply, drainage and wastewater, solid waste collection, river rehabilitation, etc.; and (ii) construction of basic infrastructure in urban expansion areas.

(b) Component 2: Improvement of Town Management and Institutional Capacity Enhancement (Indicative cost US\$ 7 million) :Introduction of systems and procedures for improvement of management including: public infrastructure asset management; town planning and development control regulations; and training.

(c) Component 3: Project Implementation Support and M&E (Indicative cost US\$ 3 million): Project Management Consultant support for design review, bid document preparation, project management, reporting , monitoring evaluation systems.

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:	223.00	Total Bank Financing:	150.00
Total Cofinancing:		Financing Gap:	0.00
Financing Source			Amount
Borrower			73.00
International Bank for Reconstruction and Development			150.00
Total			223.00

VI. Contact point**World Bank**

Contact: Guangming Yan
 Title: Urban Specialist
 Tel:
 Email: gyan@worldbank.org

Borrower/Client/Recipient

Name: International Department, Ministry of Finance
 Contact: Mr. Licheng Yao
 Title: Director
 Tel: 86 10 68551174
 Email: yaolicheng@mof.gov.cn

Implementing Agencies

Name: Foreign Debt Management Office, Shaanxi Provincial Development and Reform Commission
 Contact: Mr. Wang Shuangcang
 Title: Director
 Tel: 86-29-87294692
 Email: waidaiban@163.com

VII. 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>