

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC1139

<b>Project Name</b>	Sichuan Chongqing Cooperation: Guangan Demonstration Area Infrastructure Development Project (P133456)
<b>Region</b>	EAST ASIA AND PACIFIC
<b>Country</b>	China
<b>Sector(s)</b>	Urban Transport (65%), General water, sanitation and flood protection sector (33%), Vocational training (2%)
<b>Theme(s)</b>	City-wide Infrastructure and Service Delivery (65%), Infrastructure services for private sector development (35%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P133456
<b>Borrower(s)</b>	People's Republic of China
<b>Implementing Agency</b>	Guang'an Project Management Office
<b>Environmental Category</b>	A-Full Assessment
<b>Date PID Prepared/ Updated</b>	07-Aug-2013
<b>Date PID Approved/ Disclosed</b>	20-Sep-2013
<b>Estimated Date of Appraisal Completion</b>	01-Sep-2014
<b>Estimated Date of Board Approval</b>	26-Jan-2015
<b>Concept Review Decision</b>	Track I - The review did authorize the preparation to continue

## I. Introduction and Context

### Country Context

Urbanization has played a significant role in the country's economic development, facilitating the export-led growth which transformed the country from low-income to middle-income status in just a few decades. The recent urban expansion of cities and towns has provided the resources necessary to build infrastructure for industrial and urban development and create space for in-migration. However, this has happened at rates much higher than actual urban population growth and has resulted in a growing urban footprint which is impacting on rural space and ecosystems and is increasing demands for transport, resources and energy. Other challenges brought about by the country's rapid economic ascendance include high inequality, regional imbalances, environmental pollution, an overreliance on investment, manufacturing and exports and an increasing number of migrants without access to services.

By 2030, China aims to transition from middle-income to high-income country status. Continued urbanization is expected to be at the heart of this transition. However, China faces new challenges over the next two decades, including economic slowdown, an even quicker slowdown in manufacturing, rising wages and other costs, reduction in external demand for its products and increased competition from other countries, a shrinking working age population, depleting natural resources, a growing middle class with higher expectations for products and services and a further 350 million new migrants who will be looking to share the opportunities and improved quality of life in cities and towns.

Despite these challenges, there is significant potential to improve economic efficiency and urban productivity and to better share the benefits of urbanization. Industries are establishing their presence in central and western regions helping to boost growth in previously underdeveloped areas. However, this will not be sufficient in itself to improve efficiency and productivity and industries will have no choice but to upgrade and innovate in order to remain competitive. Cities and towns will also need to make more prudent investments to attract industry and working-age migrants by providing improved infrastructure services, better urban quality of life and opening up access to urban and social services to all citizens.

### **Sectoral and Institutional Context**

Sichuan Province (Sichuan) is located in China's southwest region, a relatively underdeveloped region of the country, which has only recently begun to share in the prosperity of the country's recent economic growth. In 1997, Chongqing Municipality (Chongqing) ceased administrative ties with Sichuan and became an autonomous municipality with province-level status. Chongqing has now emerged as an industrial hub driving economic growth in the metropolitan area. More recently, Sichuan's capital Chengdu has experienced increasing inward investment and is now one of the country's fastest growing cities.

Despite their administrative separation, the two areas remain close due to their cultural and economic ties. The Sichuan-Chongqing area is highlighted in China's Twelfth Five-Year Plan for National Economic and Social Development (2011-2015) as a strategic area for urbanization due to an identified potential for urban agglomeration. In March 2011, the State Council approved the establishment of the Chengdu-Chongqing (Cheng-Yu) Economic Zone to boost economic growth in this area and make Chengdu and Chongqing the hub of western region development.

According to the Cheng-Yu Economic Zone's Regional Plan (May 2011), Sichuan's Guang'an Prefecture (Guang'an) is identified as having a future role in facilitating cooperation between Sichuan and Chongqing due to its close proximity to Chongqing. However, the Prefecture population, of around 3.2 million in 2010, is still predominantly rural and while the prefecture city and key towns are fast developing, they still require significant improvements in their infrastructure services and human capital to play a role in the regional economy. Guang'an is rich in mineral resources and has reserves of coal and natural gas and traditional industrial sectors include power, coal mining, construction materials, equipment manufacturing and agro-processing. Employment in primary industries has been declining over the last decade but growing in the secondary and tertiary sectors. Between 2000 and 2010, Guang'an's GDP per capita rose an average of 16 percent per year and by 2010 it reached RMB 15,588 (USD 2303), just below the provincial average but still about half the national average of RMB 29,992 (USD 4430) in the same year.

The project is located in the urban centers of Qianfeng District and Linshui County in Guang'an Prefecture, both close to the prefecture city and within 2 hours drive from the center of Chongqing. These areas have been selected for development due to their potential for urban and industrial growth. Qianfeng District has a total population of 543,000 and a registered urban population of around 60,000 (up to 80-90,000 if unregistered urban households are counted). Linshui County Town has a total population of 970,000 with a registered urban population of just over 100,000 (up to 200,000 with unregistered households). GDP per capita in Qianfeng District and Linshui County is in the region of RMB 13-14,000.

The two towns are relatively compact and dynamic. Water, power, gas, telecommunication facilities and inter-city roads are established but centralized wastewater treatment services are still to be built and urban roads expanded. Both areas have potential for population and economic growth but require additional infrastructure services to accommodate urban and industrial expansion. The district and town government's are keen to promote their areas for commercial and industrial development and have introduced subsidies and tax breaks as incentives but have not clearly identified their comparative advantage in the regional economy and have only crude plans for industrial specialization, investment promotion activities or workforce training.

### **Relationship to CAS**

China's Twelfth Five-Year Plan for National Economic and Social Development (2011-2015) recognizes that the country is entering a new era in its development and illustrates efforts to rebalance the economy and regional development, shift the emphasis from investment to consumption and from coastal to inland, transform and upgrade industries to improve competitiveness, optimize and better manage urbanization, protect the environment and promote sustainable and social development. Priorities for urbanization include developing a more strategic approach to urbanization by promoting city clusters, reducing pressure in megacities and building capacities in small-and medium-size cities and towns while managing urban expansion, increasing population densities, and steadily accepting rural migrants as urban residents. Small and medium-size cities are expected to relax conditions for migrants to become urban residents.

The Bank's Country Partnership Strategy (CPS) for the Period FY2013-2016 is aligned with the challenges and priorities set out in China's Twelfth Five-Year Plan and focuses on three strategic themes: supporting greener growth; promoting more inclusive development; and advancing mutually beneficial relations with the world. Specifically, the project will support the CPS outcomes of enhancing urban environmental services under the theme of supporting greener growth and the outcomes of improving transport connectivity for more balanced regional development and strengthening skills development programs under the theme of promoting more inclusive development. The CPS was informed by the recent joint study China 2030: building a modern, harmonious, and creative society prepared by the World Bank and the Development Research Center of the State Council which concluded that for urbanization to be supportive of economic growth it should be well-managed ("smart") as well as rapid. This Project will also be informed by a follow-on joint urbanization study which will emphasize urbanization that is efficient, inclusive and sustainable.

## **II. Proposed Development Objective(s)**

### **Proposed Development Objective(s) (From PCN)**

The proposed project development objective is to support Linshui Town and Qianfeng District to

provide adequate infrastructure services to support current needs and projected growth. This would be achieved through capacity building, strategic planning and optimizing infrastructure designs to ensure a more efficient operation of services.

### **Key Results (From PCN)**

The outcome of the project will be measured by the following indicators: (i) development and adoption of strategic capital investment and asset management plans; (ii) development and adoption of strategic environmental plans to manage future development; (iii) industrial and commercial investment promotion services developed reflecting the towns' comparative advantages and strategic plans; (iv) kilometers of urban road rehabilitated and kilometers of urban road constructed; (v) people provided with access to improved sanitation system; (vi) number of new household sewer connections constructed; (vii) workforce training and employment center constructed and operating; and (viii) number of people receiving technical training.

## **III. Preliminary Description**

### **Concept Description**

The total indicative cost of the proposed project is US\$ 233 million including an IBRD Loan of US \$100 million and counterpart funding making up the remaining 57 percent. The project is comprised of the following four components.

#### **Component 1: Strategic Planning for Current Needs and Projected Growth.**

The component will support the Governments of Linshui Town and Qianfeng District to strategically plan and optimize infrastructure designs, manage environmental resources and constraints and target investment promotion activities to meet current and future needs. The component includes technical assistance for: (a) strategic capital investment and asset management planning; (b) strategic environmental planning; and (c) development of investment promotion services which reflect the towns' comparative advantages and strategic plans for infrastructure and environment.

#### **Component 2: Linshui Town Integrated Urban Revitalization and Expansion.**

The component will: (a) replace the combined sewer and drainage system with a separate sewer system (19km) in existing urban-industrial area; (b) create linkages to the urban core and Guang'an-Chongqing highway by constructing two main and two secondary roads (15.51km) in the urban-industrial expansion area with associated water supply, drainage and sewerage pipelines and tree planning and lighting; (c) increase wastewater treatment capacity (by 30,000m<sup>3</sup> per day) and provide associated sewerage system and services in the urban-industrial expansion area (6km); (d) establish a technical skills training center in the urban-industrial expansion area; and (e) provide technical assistance and capacity building for skills training and employment services.

#### **Component 3: Qianfeng District Integrated Urban Revitalization and Expansion.**

The component will: (a) rehabilitate road networks (3.4km) in the urban core to improve linkages to the urban-industrial expansion area; (b) construct four secondary roads (16.8km) in the urban-industrial expansion area, including water supply, drainage and sewerage pipelines and tree planning and lighting; and (c) establish a 1.6km riverside ecological belt.

#### **Component 4: Institutional Strengthening.**

The component will support participating institutions to implement the project. The component

includes: (a) project management and implementation support; and (b) management capacity building and associated training.

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#### 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:	233.00	Total Bank Financing:	100.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
Borrower			133.00
International Bank for Reconstruction and Development			100.00
Total			233.00

#### VI. Contact point

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