### I. Introduction and Context

#### Country Context

In 2000, the Government of China (GoC) launched the implementation of the Western Regional Development Strategy. It aimed at promoting socio-economic development in the lagging western region and narrowing development gaps between the region and the relatively developed coastal region. During 2000-09, GoC supported the western region with 120 key projects and a total investment of 2.2 trillion RMB (US$ 338 billion equivalent). Benefiting from this level of support, the western region registered an average annual GDP growth of 11.9% during that period, unprecedentedly surpassing the national average.

In order to further achieve a coordinated and balanced national development pattern, the 12th Five-Year Plan (FYP) for China’s Economic and Social Development in 2011-15 puts western region development as a top priority in China’s overall strategy for regional development. Furthermore, the 12th FYP emphasizes that additional support to infrastructure development will be provided to the minority-concentrated areas, in order to improve their living conditions.

#### Sectoral and Institutional Context

According to the 12th FYP, the national annual GDP growth rate is expected to be 7% in 2011-2015 and the urbanization rate to rise from current 47.5% to 51.5% by 2015, which will continue increasing urban transport demand, and as such urban transport will remain a development priority in the next five years, especially in the relatively under-developed western region which is expected to witness faster urbanization than the rest of the country given its relatively lower starting point.

As is seen in many cities in the coastal region, associated with rapid urbanization and motorization is a range of emerging problems: traffic congestion, greenhouse gas emissions, increasing dependence on fossil fuel and road accidents. While increasing investment in basic road infrastructure, as those coastal cities have done in the past two decades, may be still necessary for many cities, particularly those in the western region, it is increasingly recognized at both national and city levels that development of road infrastructure alone is not sufficient to address those urban transport problems, and that a comprehensive and more sustainable approach, which puts people in the center and emphasizes the quality of public transport and road safety, is much needed.

Drawing lessons from the past experience, the State Council, the highest governing body of GoC, issued Directive 46 in October 2005 which emphasizes public transport as a national priority in urban transport development. The 12th FYP further emphasizes the importance of developing comprehensive public transport networks for cities. More recently, the Ministry of Transport (MoT) which is responsible for policy and technical guidance on urban transport established specific public transport development targets for different categories of cities to achieve during the 12th FYP, for example, public transport services need to cover 75% of the urban areas in cities with 1 to 3 million population.

Coastal cities have begun to diversify their urban transport investments to include metro and public transport services, not so for the western cities. In 2009, investments in public transport and urban road construction accounted for 6% and 57% respectively of total urban infrastructure capital investment in the west region (compared to that of 24% for public transport and 41% for road construction in coastal cities). Under-investment in public transport is a serious problem in many western cities where few people yet own vehicles. The result is that public transport and non-motorized transport services are inefficient and unreliable.

The Bank’s support for urban transport in China began in 1990 and has grown appreciably over the years. Nonetheless, the first generation of Bank supported urban transport investments in China from 1990 to 2005 suffered from long implementation periods.
and disbursement lags resulting from complex multi-component design which often went beyond the implementation capacity of the respective project city and also demanded intensive supervision from the Bank. It is recognized today that the Bank’s support to urban transport in China must: (a) coordinate and collaborate across the relevant public transport, infrastructure construction, and traffic management agencies; and (b) be simple and contained, so as not to exceed the capacity of the counterpart municipality; while (c) positively impacting and creating demonstrative value. The design of several new urban transport projects, such as Wuhan Second Urban Transport Project, Hubei Xiangyang Urban Transport, Kunming Urban Rail project, Changzhi Urban Transport Project, and the Project discussed in this note, reflects the above thinking.

Xining, the capital city of Qinghai Province, is located in the Huang River Valley of the Qinghai-Tibet Plateau. Ethnic minorities, represented by Hui and Zang, accounts for approximately a quarter of the total population of 2.2 million living in an area of 7690 km². The urban population is about 1.2 million concentrating on the built up areas in a total size of 104 km². The per capita disposable income (and per capita GDP) in Xining is US$ 2134 (and $4307) in 2010, which is below the national average of US$ 2895 (and $4496), the second lowest among all provincial capitals in China, only higher than Lanzhou in Gansu Province.

Currently, the majority of trips in Xining are carried out by non-motorized transport (60.4% of total trips) and public transport (29.1%). Only 2.5% trips are carried out by cars and motorcycles. However, with the increase in household income and the decrease in the price of cars, private car ownership has been increasing at a rapid annual rate of 8.2 % during the past few years. In the meantime, the quality of public transport services has been declining because of insufficient infrastructure, outdated bus route plans, poorly maintained and aging bus fleets, increasing traffic congestion on main corridors. Average travel speed of buses on main corridors in the city center has decreased by 25% in the past few years. Moreover, because of the rapid increase in motorized traffic, the poor traffic, safety and parking management, and the lack of enforcement, the quality of pedestrian environment in the city has also been deteriorating, which is further discouraging people to commute by bus as the use of public transport necessarily involves walking. Experiences in cities in China and other countries have shown these trends, if not urgently and properly addressed, would lead to a decrease in the use of public transport and non-motorized transport, and an increase in automobile dependence.

Despite the challenges identified above, there remains potential to improve public transport services in Xining. Due to natural geographic conditions, the city has developed a linear spatial development pattern, which naturally forms a west-east transport corridor and a relatively shorter north-south corridor. Most parts of the corridors are narrow, only about 2-4 km wide, which are already well served by a well planned road network including two expressways, running in parallel to each other, on the northern and southern edges of the city, respectively. If Xining improves the public transport infrastructure and services, traffic management, and safety management along the two transport corridors, the city will be able to meet the travel demands of most people in an effective and efficient manner without an over dependence on the private vehicle. Consequently, if Xining follows the concept of the transit-oriented development (TOD) to plan and manage new land development and its urban expansion along these transit corridors, which will create a land development pattern which is friendly to public transport and non-motorized transport and thus makes the city more sustainable in the future.

The city currently is expanding towards the west as exemplified by a new urban area containing high-density housing mixed with commercial and public facilities at the west end of the east-west axis of the city. As most jobs and social services are located in the city center and along the corridors, a significant portion of daily trips concentrate on the east-west corridor (the Wusixi Road corridor). But the quality of bus services on this corridor is still poor. As the city expands further west, improved public transport infrastructure and services are needed to meet the increasing travel demand on this corridor.

Relationship to CAS

The proposed Qinghai Xining Urban Transport Project is consistent with the 12th FYP. It is also consistent with the Bank’s China Country Partnership Strategy (CPS) for 2006-2010 endorsed by the Board on May 23, 2006, which seeks among other objectives, to improve the competitiveness of the various regions of China and the overall investment climate, and to address the needs of disadvantaged groups and underdeveloped areas by financing infrastructure. Specifically, the project supports all five pillars of the CPS (a) promoting balanced urbanization; (b) reducing poverty, inequality, and social exclusion; (c) financing sustainable and efficient growth; (d) managing resource scarcity and environmental challenges; and (e) improving public and market institutions. The new CPS for 2011-15 is under preparation, and will be consistent with the 12th FYP, which highlights the importance of urban transport development.

II. Proposed Development Objective(s)

Proposed Development Objective(s)

The proposed Project Development Objective (PDO) is to enable Xining residents to travel between the city center and the western part of the city in a fast, comfortable and safe manner, through improving a major transport and city development corridor. A key focus will be demonstration of integrated improvements in roads, public transport infrastructure and services, traffic safety conditions (particularly for pedestrians), and traffic management on the Wusixi Road corridor, an important transport corridor of the city.

Key Results

The achievement of the PDO will be measured through a combination of the following indicators, which will be further refined during project preparation: a) Reduced travel time of public transport users during the peak hour on the project corridor; b)
Highersatisfaction rating by pedestrians and public transport users on the project corridor and at the project financed public transport interchange; and c) Reduced number of annual transport related fatalities on the project corridor.

III. Preliminary Description

Concept Description
It was agreed in principle at the time of project identification that the initial project scope will include the following four components (the details and specific size of the components/ sub-components subject to change during further project preparation):

a) Component 1: Urban Roads. This component includes investment in construction of three short road sections (the total distance is less than 10km) which are necessary for improving the public transport services on Wusixi Road corridor. All road works will include underground utilities (as required by the city’s Master Plan), e.g., drainage and sewerage pipes, and environmental protection measures.

b) Component 2: Public Transport. This component is focused on integrated public transport corridor improvements on Wusixi Road corridor. Based on further assessment of quality and performance of bus services on the corridor, this component may include investment in constructing bus lanes, installing bus priority signals, improving bus stops and terminals, improving pedestrian crossings and other non-motorized transport facilities, constructing a public transport interchange at the west edge of the city, optimizing bus routes and bus dispatching, and/or procuring new buses for routes on the Wusixi Road.

c) Component 3: Intelligent Traffic Management. This component is focused on development of an intelligent traffic management system for Wusixi Road and select road junctions in vicinity. It will include investment in installing and operating Area Traffic Control (ATC), CCTV monitoring, traffic enforcement, Variable Message Sign, incident detection and data collection, and upgrading the existing traffic control center located inside the traffic police headquarter.

d) Component 4: Institutional and Capacity Building. This component aims at improving the city’s human resources and institutional capability for urban transport planning and management and the capacity of relevant municipal agencies for preparing and implementing the above three investment components. Scope of this component will be defined based on capacity assessments to be conducted during the project preparation.

To maximize demonstration impact of the proposed Bank support and achieve the proposed PDO effectively, all proposed major investments are focused on the Wusixi Road corridor. The total estimated project cost is about RMB 1,509.98 million (equivalent to US$251.662 million at an exchange rate of $1 to RMB 6), with an IBRD loan of US$ 120 million.

IV. Safeguard Policies that might apply

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