**I. Introduction and Context**

**Country Context**

1. China’s economic growth and social development over the last three decades, while impressive, has been uneven in terms of income disparities and unequal access to social and infrastructure services. GDP per capita in urban area is three times more than rural, and the gap between rural and urban areas is more pronounced in the western region. In eastern China, the average urban households’ income is two times that of rural households, while it is four times in western China. Similarly, eastern cities enjoy more infrastructure services than their western counterparts. For example, in eastern cities urban road space per resident is 14 m² per person, while it is 1.6 m² per person in western cities. Drainage pipe per km² in western cities is 6.8 km versus 10.9 km in eastern cities.

2. Since the mid-1990s China has emphasized the development of its lagging Western and Central regions. More recently, China’s State Council has issued Government Opinions for increasing resources allocated to rural areas, including investing more on infrastructure.
development and social services to improve rural-urban integration and to reduce the income gap between rural and urban residents. The National 12th Five Year Plan (2010-2015) promotes rural-urban integration as a key guiding principle, calling for the equalization of basic public services and reducing the disparities in rural-urban living standards.

3. Gansu Context. Located in the western part of China, Gansu province is the second poorest among the 31 provinces in mainland China. By the end of 2011, the GDP per capita income of urban households is RMB 14988 RMB, while for rural residents, it was 3909 RMB. Ninety-three percent of total fixed investment in Gansu went to urban area in 2011. The road density in Gansu province is 27.2 km/100km2. The cement rural road network covers only 43 percent of villages. The Gansu 12th Five Year Plan calls for more transport infrastructure development to facilitate economic growth and promote rural-urban integration. The proposed project will support rural and urban road construction and reconstruction in Wu Wei Municipality and Linxia County.

4. Wu Wei Municipality. Located in the east Gansu Hexi Corridor, Wuwei is one of the important production bases of livestock products and new energy technology in Gansu Province. In 2011, the GDP of Wuwei Municipality was 27 billion RMB, its population was 1.82 million, composed of 38 ethnicities. There were 0.5 million urban residents and 1.32 million rural residents. Whereas the urban resident income was 13, 261 RMB per capita, the income for rural resident on average was 5,193 RMB.

5. Linxia County. Located in the middle of Gansu Province, the transition zone of Qinghai-Tibet Plateau and Loess Plateau. The population of Linxia County, in 2012, was 399,800, of which more than 40 percent were ethnic minorities, and more than 90 percent were rural residents. Linxia County GDP was 2.2 billion RMB. While urban resident income was 10964 RMB per capita, rural resident income was 3165 RMB per capita.

Sectoral and Institutional Context

6. Due to insufficient investment and limited local fiscal resources, many roads in Wuwei and Linxia have poor condition, low technical standards, and inadequate safety facilities. The road penetration and coverage are limited, especially for people who live in remote rural and mountainous area. The rural people in both cities have difficulties in commuting between rural and urban areas, as well as in bringing their agricultural products to the cities. The lack of good transport access impedes economic development in Wuwei and Linxia, and prevents the rural population from utilizing social services available in the urban areas. Harsh ecological condition of Wuwei and frequent natural disasters in Linxia also result in the roads being easily damaged and expensive to maintain.

7. In Wuwei, 88 percent of towns and 39 percent of villages are connected by cement roads, while in Linxia County 43 percent administrative villages are not connected by cement roads.

Rural-Urban Integration in Wuwei and Linxia

8. The rural-urban integration in Wuwei and Linxia are guided by province-approved master plans. In 2011, Wuwei Municipality launched an Urban-Rural Integration and Development of Core Area Master Plan. The plans call for the development of a core area located in Liangzhou District and Gulang County of Wuwei. The Municipality established a Wuwei Urban-rural Integration and Development Core Area Office, under the direct administration of the Wuwei Municipality. The Office is responsible for the management and coordination of the works related to Wuwei Urban-rural Integration and Development Core Area. The Office works with the Transport and
Construction Bureaus to deliver the infrastructure required for the Core Area, where key housing, jobs, and social services will be concentrated for use by the rural and urban population in the targeted area of the Municipality.

9. The Municipal Transport Bureau is responsible for inter-city roads, while the County Transport Bureau is responsible for county roads. The road maintenance within the Core Area will be financed by the tolls collected by the Urban-Rural Development Investment Company who will allocate the tolls to the transport bureaus of Gulong County and Liangzhou District.

10. Rural-urban integration, in Linxia County, is led by the County Development and Reform Commission (C-DRC). Road construction is one of the main focuses in the rural-urban integration plan. Linxia Transport Bureau is responsible for the implementation of road construction in Linxia County. Road maintenance is decentralized by the principle that “county road maintained by the county, township road maintained by the towns, and village roads maintained by the villages”. Under the administration of county transport bureau, each town and village establish their local road maintenance station to implement the road maintenance. Funding resources of road construction in Linxia County include fund of national project, government provision, and fund raised by the public. The road construction fund is arranged by the county government, and managed by the county finance bureau. Road maintenance fund is disbursed by the upper-level transport bureau and used by the county transport bureau.

World Bank Support for Gansu Province and Rural-Urban Integration Programs

11. Gansu Province has been a focus of World Bank lending support. Since 1998, World Bank has financed 19 projects in Gansu province, covering 10 sectors, including transport, energy, agriculture, education, finance and etc. The World Bank also has rich project experience to promote rural-urban integration in China. Since 1984, there have been 58 projects related to rural development and rural-urban integration financed by the World Bank in China. Among them, around one-third of projects were for improving rural-urban connectivity and rural accessibility to urban service by constructing and reconstructing rural and inter-urban roads. In addition, the Bank is preparing a high-speed railway that passes through Gansu province, which will will further promote urbanization in Gansu through the agglomeration benefits associated with high-speed train. There are several lessons identified by the previous relevant World Bank projects, which will be included in the design of the project, including the following lessons:

12. Rural roads projects need to be realistic in balancing expected poverty impacts and investment sustainability. Transport services are only one of many of social and economic elements in a poverty reduction strategy which requires the coordination and complementary interventions from the central government. A further challenge is that the poorest municipalities often lack the technical and financial resources to ensure sustainability. In this regard, this project needs to be seen as one of the many Bank-financed projects in Gansu province that are providing development assistance in various sectors.

13. Involvement of existing agencies in project implementation will promote project ownership and sustainability. It is essential to utilize the existing agencies within the government bureaucracies to implement the project, especially when some implementation agencies also have the ultimate responsibility for the management, operation and maintenance of the project-financed facilities. The proposed project will work with the transport bureaus of both cities to ensure the benefits from the project are sustained and the capacity development gained under the project is used more widely in the institutions to support further transport development and safety initiatives.

14. Supervision is essential and key to good performance. The Task Teams must have sufficient time to properly inspect infrastructure projects during the construction phase. The team must have
the skills to cover all potential issues, especially engineering design (including design standards), construction quality, road safety, environment, and resettlement.

15. Project sustainability is determined by beneficiaries’ participation in project design and implementation, and financing of maintenance activities, which is the single most important challenge in the rural roads. Most rural roads projects benefit communities without all-year roads; they are normally also isolated from the mainstream. Early involvement of beneficiaries is essential to ensure that project design responds to the local needs. Adequate and sustainable resources are likely to consist of central government transfers, especially in the beginning, but prudent funding mechanisms also include local resources from road users.

**Relationship to CAS**

16. The proposed project is aligned with the 2013-2016 World Bank Group Country Partnership Strategy (CPS) discussed by the Board on November 6, 2012. The CPS seeks among other objectives, to promote more inclusive development, by increasing access to quality health services and social protection; strengthening skills development programs, including for migrant workers; enhancing opportunities in rural areas and small towns; and improving transport connectivity for more balanced regional development.

17. The project contributes to two CPS outcomes: (i) Outcome 2.3: Enhancing Opportunities in Rural Areas and Small Towns; Many of China’s remaining poor live in the upland areas of western and central provinces, where they face low agricultural productivity and limited access to higher value markets. Improving access to roads, water supply, and electricity will help increase rural incomes and spur overall rural development; and (ii) Outcome 2.4: Improving Transport Connectivity for More Balanced Regional Development, Improving inter-urban transport connectivity remains a high priority for sustainable economic development and for reducing rural-urban and regional disparities.

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

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

18. The PDO is to provide targeted residents of Wuwei Municipality and Linxia County with improved and safe transport access to economic opportunities and social services.

**Beneficiaries**

19. The project is designed to ensure development benefits reach isolated residents in Wuwei Municipality and Linxia County, thereby ensuring China’s and Gansu’s development is shared with vulnerable communities and extreme poverty in these communities is eliminated. The project would ensure that these targeted groups are active participants in the economy by linking them to economic opportunities and social services. More specifically, rural residents will benefit from having shorter travel time to reach essential social services and job opportunities. They will also be able to transport their produce to urban markets efficiently. At the same time, urban residents will also benefit from better integration with the rural economy and enjoy better access to agricultural products and rural labor. Business in urban areas would benefit from a larger market.

**Key Results (From PCN)**

20. Achievement of the PDO will be measured through a series of indicators, including: (a) reduction of travel time to social services and jobs in the targeted urban centers; (b) reduction in vehicle operating cost; and (c) reduction in major accidents and fatalities.
III. Preliminary Description

Concept Description

21. The proposed project is to improve rural accessibility, promoting inclusive urbanization and rural-urban integration by improving and expanding the current road network. To this end, the project will contain specific actions on constructing and reconstructing roads that can provide the rural population with better access to social services, jobs, and trading with close by urban areas in Wuwei Municipality and Linxia County. The project will also support capacity building for improving road safety in Linxia and Wuwei, including providing relevant facilities and promoting safety education to the public, including children, develop the local transport bureaus’ capacity in planning, budgeting, managing, operating and maintaining the current and future road networks in both Wuwei and Linxia.

22. Component 1. Road Access Improvement (Total cost: US$288.43 million; IBRD Loan: US$144.63 million). This component is designed to support the objective of providing improved connectivity between rural and urban areas of the project cities through the construction and rehabilitation of rural and urban roads in the respective project areas. The activities supported under this component include (a) construction of 88.4 km roads in Wu Wei and 34.3 km roads in Linxia; (b) rehabilitation of 57.4 km roads in Linxia. (See Annex 3 for detail project description by project city).

23. Component 2. Institutional Development and Capacity Building (Total cost: US$9.22 million; IBRD Loan US$5.37 million). This component is designed to enhance the capacity of local governments to improve the road network in their respective jurisdiction, and put in place a maintenance regime an safety improvement program. The component includes: (i) comprehensive planning framework for road construction, operation and maintenance. This sub-component will finance a study to introduce lifecycle planning whereby the financing requirements for road construction, operation and maintenance are considered jointly during the planning stage, thereby moving away from the tendency of giving priority to construction, but neglecting maintenance. The study will also help both governments to develop a long-term rural road maintenance funding arrangements, with a view to identifying resources for rural and lower-level roads that are often neglected during the resource allocation process; (ii) road safety program in project areas. This sub-component includes road safety education and training to the public on the road safety issues, develop the capacity of the traffic policy to carry out traffic accident analysis; (iii) institutional capacity development for project management and monitoring. This sub-component will finance training and study tours for local officials to better understand of world bank project procedures and managements. It will also support monitoring and evaluation of implementation through internal and external monitoring arrangement. (iv) research on innovative road design and construction techniques. This subcomponent will help Wuwei Municipality to carry out a study to develop construction techniques in desert areas. In Linxia County, this sub-component will support a study on to develop further strategy on strategy and operational procedures for rural-urban integration in minority area. The output of research and study will be disseminated in other areas of Gansu Province. This sub-component also will carry out a study in to draw lessons from the implementation of the project, as well as conduct the socio-economic impact of the project.

IV. Safeguard Policies that might apply
Safeguard Policies Triggered by the Project | Yes | No | TBD
--- | --- | --- | ---
Environmental Assessment OP/BP 4.01 | ☒ | | 
Natural Habitats OP/BP 4.04 | | ☒ | 
Forests OP/BP 4.36 | | ☒ | 
Pest Management OP 4.09 | | ☒ | 
Physical Cultural Resources OP/BP 4.11 | | ☒ | 
Indigenous Peoples OP/BP 4.10 | | ☒ | 
Involuntary Resettlement OP/BP 4.12 | | ☒ | 
Safety of Dams OP/BP 4.37 | | ☒ | 
Projects on International Waterways OP/BP 7.50 | | ☒ | 
Projects in Disputed Areas OP/BP 7.60 | | ☒ | 

V. Financing (in USD Million)

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