## PROJECT INFORMATION DOCUMENT (PID)
### CONCEPT STAGE

<table>
<thead>
<tr>
<th>Project Name</th>
<th>China: Gansu Qingyang Urban Infrastructure Improvement Project (P123133)</th>
</tr>
</thead>
<tbody>
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<td>Region</td>
<td>EAST ASIA AND PACIFIC</td>
</tr>
<tr>
<td>Country</td>
<td>China</td>
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<td>Sector(s)</td>
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<td>Lending Instrument</td>
<td>Specific Investment Loan</td>
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<td>Borrower(s)</td>
<td>International Department, Ministry of Finance</td>
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<td>Implementing Agency</td>
<td>Qingyang Project Management Office, Qingyang Municipal Government, Gansu Province</td>
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<td>B-Partial Assessment</td>
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<td>14-Sep-2011</td>
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<td>Estimated Date of Appraisal Completion</td>
<td>28-Nov-2011</td>
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<td>Estimated Date of Board Approval</td>
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### Other Decision
Following the review of the concept, the decision was taken to proceed with the preparation of the operation.

## I. Introduction and Context

### Country Context
Over the last ten years, Government of China (GoC) has made significant efforts to address the disparity between the relatively developed coastal region and the lagging region of western China through implementing a national Initiative of Western Regional Development. Remarkable outcomes have been achieved. There is an accelerating trend of the country’s manufacturing industries shifting from coastal cities towards western hinterland destinations. GDP in many western provinces has unprecedentedly surpassed the growth in coastal provinces since 2008.

Encouraged by these trends, in the 12th Five Year Plan, GoC further upgraded the Western Regional Development Initiative to a national agenda of top priority in the country’s territory development strategy. While the implementation of western development initiative in the last ten years had been largely concentrated in promoting the development of regional anchors of large cities in western region (such as Chengdu, Chongqing, Xi’an), the focus of this initiative under the 12th FYP has been fine-tuned to the five sub-areas that have rich oil and coal resources. In fact most of these five sub-areas still suffer significant poverty at present, therefore, the western development initiative with focus in these five energy production bases under the 12th FYP actually services multifold policy objectives, including poverty reduction. The central government has planned to trigger the process of industrialization, urbanization and urban-rural integration in these five areas with a particular focus on the central cities and selected towns of sizable scales. The project city of Qingyang is rich in oil and coal resources and is of national strategic importance as an energy production base.

### Sectoral and Institutional Context
To manage the pressure of massive rural-urban migration towards the coastal cities, the Government of China expects the cities in western China to accommodate their local rural-urban migrants. Substantial urban infrastructure developments are needed for western cities to fulfill this task. Indicators of year 2009 showed a huge gap of urban infrastructure services between western cities and coastal cities: urban road space per urban resident (western cities averaged of 11.6 m2/person, eastern cities averaged of 14.1 m2/person), length of drainage pipes per km2 of urban built-up area (western cities 6.8 km/km2, eastern cities 10.9km/km2), percentage of wastewater treated (western cities 58.5%, eastern cities 72.6%), percentage of solid waste collected and treated (western cities 72.3%, eastern cities 81.4%). Moreover, this gap is still expanding. In 2009, investment of urban infrastructure per urban residents in western cities was 17% less than that in eastern cities. In respond to this gap, the Government of China has allocated a high priority under its western development initiative to the urban infrastructure developments in western cities, particularly in those medium and small sized cities.

While many coastal cities and large inland cities have to some extent completed vast construction programs of primary road infrastructure in the past years, and have shifted investment priority towards public transport (mainly subway/light rail systems) and urban environmental infrastructures (drainage, wastewater and solid waste treatment), cities in the west are still struggling for adequate investment for basic road infrastructure. In 2009, investments in public transport (subway/LRT) and in urban road constructions accounted for 6% and 57% of the total urban infrastructure capital investment respectively in western cities (compared to that of 24% for public transport and 41% for road constructions in coastal cities). Constrained by their funding capacities, government of western cities considered road construction, particularly in cities’ new areas as a priority sector for their capital investment, and failed to address the far more pressing needs of environmental infrastructure (drainage, wastewater, solid...
Measured by per person of urban residents, in 2009, capital investment of urban road construction in western cities actually was 16% higher than that in coastal cities (western cities averaged of Y917/person, eastern cities averaged of Y788/person), however, investment of environmental infrastructure in western cities averaged 42% lower than that in coastal cities (western cities Y141/person, eastern cities Y244/person). Under-investment of environmental infrastructures has resulted in severe deterioration of urban environment in China's western cities, particularly cities' limited water resource being contaminated by untreated wastewater in northwest region.

Local governments in western areas also have the passion of building livable and competitive cities to attract external investment. Urban infrastructure investments are the key efforts made by western cities under this passion. However experience in other more advanced Chinese cities has shown that (i) livable and competitive cities need to be supported by cross-sectoral balanced urban infrastructures; and (ii) to address the traffic problems, development of road infrastructure alone is not sufficient to achieve sustainable, equitable, efficient transport. The Bank's experience in China's western region suggests that supporting cities to improve their urban infrastructure in a cross-sectoral balanced manner and to improve the urban transport service through a comprehensive transport management approach remains a considerable challenge.

relationship to CAS

The proposed Gansu Qingyang Urban Infrastructure Improvement Project is consistent with the 2006-10 Country Partnership Strategy (approved 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. The project serves three of the five pillars defined in the CPS: (a) reducing poverty, inequality, and social exclusion; (b) managing resource scarcity and environmental challenges; and (c) improving public and market institutions.

The objectives of the project are also expected to be consistent with the new CPS for 2011-2015, which will be prepared in 2011 in alignment with China's 12th Five Year Plan, covering 2011-2015, by focusing on infrastructure investments in small towns.

II. Proposed Development Objective(s)

Proposed Development Objective(s)

The proposed Project Development Objective (PDO) is to assist Xifeng District, of Qingyang Municipality to improve its selected urban infrastructure services including urban roads and urban environmental infrastructure services.

Key Results

The achievement of this PDO will be measured through a series of indicators, including: road traffic indicators (travel times for general traffic along particular corridors, traffic congestions improved in city's central area), safety indicators (numbers of fatalities/severely injured associated with traffic accidents along the project corridors in Xifeng District), and user satisfaction surveys (including for non-motorized transport of bicyclists and pedestrians, disabled and vulnerable users), water environment infrastructure indicators (quantity and capacity of drainage/sewage collection and treatment assets added, number of residents directly benefited, scale of urban area with storm-flooding risks mitigated); water environment improvement indicators (ratio of wastewater treatment increased, wastewater pollution deduction achieved).

III. Preliminary Description

Concept Description
Qingyang Municipality is located at the east end of Gansu Province on the Loess Plateau. It has a total population of 2.64 million. The per capita GDP in 2009 was ¥11,973 compared with the national average of ¥26,180. Qingyang is considered under-developed in China and even in Gansu Province (the provincial average is ¥12,852). Qingyang's development has been held back by: (i) its relative isolated location and limited access to strategic markets in the region; (ii) the monopoly of the two key industries, petroleum exploitation and coal mining, by the state-owned enterprises; (iii) the low level of urbanization (# (2008) national average: 45.7%; Gansu Province: 32.1%; Qingyang: 24.5%) (iv) severe shortage of water resources (Qingyang per capita water resource accounts for only 13.7% of the national average, and 26.3% of Gansu provincial average). With its abundant deposits of oil and coal resources, Qingyang is positioned by the central government as an emerging energy base of national significance, and is directly targeted by central government's initiatives of supporting and vitalizing the economies in the country's western lagging areas.

Measured by per capita GDP, Gansu Province ranked almost the bottom among the 31 provinces in mainland China. Constrained by its territory of a long but narrow corridor shape, Gansu relies heavily on those few regional central cities along the corridor, including the city of Qingyang, to drive the economic development of this under-developed province. Gansu Provincial Government further upgraded the development profile of Qingyang in its provincial territory development strategy, and defined Qingyang as a provincial industrial base of energy supply and petro-chemistry to drive the regional economy development in Gansu's east wing.

12. Qingyang Municipality consists of one urban district and seven rural counties. As the only urban district, Xifeng District is the capital of Qingyang Municipality. Given the fact that all the counties under Qingyang Municipality are now directly administrated by provincial government for fiscal issues and transfers, it was agreed among Gansu Provincial Government, Qingyang Municipal Government and the Bank team that the proposed Qingyang project will focus in the municipality's capital of Xifeng District.

13. The Qingyang Municipal Government (QMG) has a well-prepared and long-term strategy for building a livable city in its only urban area, the Xifeng District. The QMG will provide the urban infrastructure and a wide range of urban services needed for an emerging industrial base. QMG seeks the Bank's support to accomplish this task. Besides the financial support of the Bank's loan, what QMG valued more is the potential spill-over benefits from implementation of the Bank project (a slow but necessary process) to improve local capacity for a small city like Qingyan in the western region. Xifeng District with a total population of 200,000 in 2010 has a short history and a small stock of urban infrastructures after it was upgraded to an urban district as the political and economic center for the municipality from a small town in 1985. Resulting from under-investment and inadequate assets management, Xifeng District is in shortage of infrastructures in many sectors. Public capital investments in Xifeng over the last few years have been concentrated mainly in constructing roads in the new urban area and widening the major streets in the existing urban area. Pressing needs for improving environmental infrastructures in existing urban area have not been addressed. Lacking of adequate drainage pipes, parts of Xifeng's existing urban area were repeatedly flooded over the last decade. QMG's efforts to upgrade the city's livability and its profile to attract and retain external investments have been constrained by shortage of essential urban infrastructure services in Xifeng District. From field visits and discussions with local government officials and residents, the Bank team identified following needs of infrastructure improvement and investment with high priority in Xifeng District:

a. Improvement of road network and transport management Xifeng's existing urban area.
b. Environmental infrastructure improvement in Xifeng's existing urban area, particularly in sectors of storm drainage, sewage collection and treatment.
c. Basic infrastructure provision in Xifeng's suburban towns, particularly for water supply, drainage, sewage and solid waste treatment, and rural roads.

14. Xifeng District Government has proposed a capital investment program of US$ 661 million (RMB 4.3 billion) for the two sectors of urban road and drainage/wastewater in the next five years in the 12th FYP, including:

# Urban road improvement and new construction: US$ 538 million (¥3.5 billion)
# Drainage/wastewater pipes and treatment: US$ 123 million (¥0.8 billion)

15. Under the proposed QYUIIP, the Bank is expected to support capital investment in urban roads and drainage/sewage of US$ 168 million (¥1.091 billion), which accounts for 25.4% of the total capital investment program that Xifeng has planned for the two sectors in the next five years, including:

a. US$86 million (¥557 million) of Bank supported components for urban road improvement, which accounts for 16% of Xifeng's total capital investment planned for urban road sector in the next five years;
b. US$ 82 million (¥534 million) of Bank supported components for drainage/wastewater pipes and treatment, which accounts for 66.6% of Xifeng's total capital investment planned for this sector in the next five years.

16. The city proposed to the Bank team a package of constructing two new roads in Xifeng's industrial zones and widening seven primary roads in Xifeng's existing urban area during Identification Mission. The Bank mission indicated that a major lesson learned across cities in China over the last 15 years of urban transport development was that no city could solve traffic congestion problems by simply widening urban streets and building more roads. Moreover, the experience showed that widening urban streets to accommodate car traffic without first improving traffic management would impose significant social costs to the city through demolition of physical assets and degradation of commercial, cultural, and pedestrian environment, resulting in the deterioration of urban livability. After several rounds of discussions with the Bank missions and assisted by an international consultants, the city submitted to the Bank a revised Project Proposal in March 2011, which includes a more balanced investment package of
constructing freight by-pass roads, integrated road corridor improvement for selected roads, constructing storm-water and wastewater pipes, expanding wastewater treatment capacity, and capacity building, with a particular focus in Qingyang’s urban area.

17. The Bank’s Identification Follow-up Mission reviewed the revised proposal with the city, and tentatively agreed that the project will include the following two components for the Bank’s financing:

Component 1: Urban Infrastructure Improvement

a. Sub-component 1: Urban Bypass Road Construction of (i) the southern section of the city’s west freight traffic by-pass (West Ring Road, 3.8 km) with associated pipe works, and (ii) the northern section of the city’s east freight traffic by-pass (East Ring Road, 2.8 km) with associated pipe works. Cost of this component is estimated at about 45% of the Project cost.

b. Sub-component 2: Integrated Road Corridor Improvement of three selected primary roads in Xifeng: West Ring Road, South and North Avenue, and Anding Road. Civil works include pavement, traffic channelization, lighting and greening, along with drainage and sewage system improvements. Cost of this component is estimated at about 4% of the Project cost.

c. Sub-component 3: Drainage and Sewage Pipes, including (i) constructing drainage and sewer mains for the middle section of West Ring Road (3.6km), (ii) constructing drainage and sewer mains for a section of Anding East Road (0.4km), constructing sewage collection system in Xifeng’s eastern area, (iii) constructing drainage and sewer mains for a section of Anding West Road (1.8km), constructing sewage collection system in Xifeng’s western area, and (iv) associated civil works of road pavement improvement, street lighting and landscaping for these roads. Cost of this component is estimated at about 30% of the Project cost.

d. Sub-component 4: Wastewater Treatment Plant construction of (i) a new WWTP in Xifeng’s eastern area (capacity of 10,000 t/d), (ii) a new WWTP in Xifeng’s northern area (capacity of 20,000 t/d for WW treatment, and 10,000 t/d for WW re-use) and (iii) associated trunk wastewater collectors. Cost of this component is estimated at about 18% of the Project cost.

Component 2: Intuitional Capacity Building

e. This component will include four sub-components of (a) Water resource management study and pilot demonstration, (b) capacity building and training for comprehensive urban transport management, (c) project implementation TAs. Capacity building TAs and training to be further defined based on capacity assessments which will be carried out during the Project preparation. Cost of this component is estimated at about 3% of the Project cost.

18. The estimated total project cost is about $172 million (RMB1.13 billion) with a Bank loan of $100 million.

IV. Safeguard Policies that might apply

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V. Tentative financing

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VI. Contact point

World Bank
Contact: Ji You
Title: Urban Specialist
Tel: 5788+7765 /
Email: jiyou@worldbank.org

Borrower/Client/Recipient
Name: International Department, Ministry of Finance
Contact: Ms. Wang Wei
Title: Director
Tel: +86 10 68551174
Email: wangwei19@mof.gov.cn

Implementing Agencies
Name: Qingyang Project Management Office, Qingyang Municipal Government, Gansu Province
Contact: Mr. Zhihu Yan
Title: Director
Tel: 86-934-8888918
Email: gsqywbx@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