I. Project Context

Country Context
Since its transition three decades ago, China has experienced rapid economic development with an average annual Gross Domestic Product (GDP) growth rate of 9.9 percent, mainly driven by its industrialization and infrastructure development. In the wake of increased GDP and disposable income, China is gradually shifting from an export-oriented economy to a domestic, consumer and service economy. Resource-based cities, which have contributed significantly to the export-oriented economy decades ago, now need to adapt to the consumer- and service-based economy. However, due to poor overall planning and exhaustion of the non-renewable resources, many such cities currently suffer from multiple problems such as unbalanced economic structure, pollution and ecological damage, and unemployment and poverty.

To sustain economic growth and improve social equality, the Government of China (GoC) endeavors to set the resource-exhausted cities on the path of sustainable development, supported through favorable policies and financial subsidies. In December 2007, the State Council issued “Opinion on Facilitating the Sustainable Development of Resource-Based Cities” (the “Opinion”), which requires schemes to compensate resource exploitation and mechanisms to aid declining industries to be established. The 12th Five-Year Plan (FYP) for Social and Economic Development (2011-2015) also prioritizes the transformation of resource-exhausted regions nationwide.
**Sectoral and institutional Context**

Economic development and household income growth has resulted in rapid urbanization and motorization in Chinese cities. During the past five years, total private vehicle ownership in China has increased by 25.2 percent annually on average, from 28.76 million in 2007 to 88.39 million in 2012. As has been evidenced by many cities inside and outside China, motorization, if not properly guided and managed, often leads to increased road accidents, traffic congestion, air pollution and greenhouse gas (GHG) emissions. Lessons from cities with sustainable urban transport systems indicate that road safety improvement, public transport development, and non-motorized transport (NMT) promotion are the key solutions to tackle such challenges.

In recognition of the challenges and opportunities it faces, the GoC has issued a series of national policy and strategy notes to support systematic improvements in urban transport. In May 2004, the GoC promulgated a new National Traffic Safety Law and prepared a National Road Safety Plan for the 11th FYP period. It also participated in the Decade of Action for Road Safety (2011-2020) launched by the United Nations in 2011. In October 2005, the State Council issued Opinion #46 to declare that urban public transport development should be a national priority. The 12th FYP reinforced the strategic importance of public transport development for Chinese cities.

To counter air pollution and GHG emissions, the GoC established a national target of reducing carbon intensity, defined as the amount of GHG emitted per unit of GDP, by 40 to 45 percent by the end of 2020 compared to the level in 2005. A latest Directive jointly issued by the Ministry of Finance (MOF), the Ministry of Housing and Urban-Rural Development, and the National Development and Reform (NDRC) in September 2012 calls for the promotion of non-motorized trips in Chinese cities. For example, trip share of walking and cycling should remain over 70 percent for cities with a population of 1 million or less.

Despite the strategic emphasis and policy support by the central government, implementation of innovative urban transport improvements and achievement of expected outcomes remain a great challenge to many local governments. Lack of professional knowledge and practical experience is the key barrier for Chinese cities to develop safe and green transport systems. To this end, the World Bank, with over 30 years of collaboration with China and practical experience in sustainable transport development, is in a unique position to support an accelerated transfer of knowledge and scaling up of related investments for Chinese cities where capacity remains a major challenge.

**Project City: Jiaozuo**

Jiaozuo is located in the north-west of Henan Province. It borders Shanxi Province in the north and the Yellow River in the south. Located at a distance of 90 kilometers from Zhengzhou, the capital of Henan Province, Jiaozuo can be easily accessed by expressway as well as railway. The municipality covers an area of 4,071 square kilometers and has a permanent population of 3.54 million. The city has a built-up area of 95 square kilometers and a permanent population of 850,000 inhabitants. According to its master plan, the built-up area is expected to expand to 140 square kilometers by 2020, with a population of 1.4 million. GDP in Jiaozuo reached RMB 157.6 billion (US$ 25.8 billion equivalent) in 2012, increasing by 7.3 percent over the previous year. Per capita disposable income of urban residents in Jiaozuo was RMB 20,136 in 2012, about 80 percent of the national average (RMB 24,565).
Coal mining and its affiliated industry used to be the primary economic driver leading Jiaozuo’s social and economic development for half a century. However, with the exhaustion of the mineral resources in the late 1990s, the city’s economic development started to slow down, resulting in job losses citywide and fiscal revenue declines. Thus, Jiaozuo Municipality initiated a strategic transformation from the so-called “Black Impression” (coal) into the “Green Theme”, which leveraged and benefitted from the multiple touristic attractions in the municipality. Significant achievements have been made after a decade’s effort in infrastructure development and service promotion related to tourism. In 2011, Jiaozuo Municipality received over 22.8 million tourists, which generated a total tourism revenue of RMB 17.2 billion, accounting for 11.7 percent of the GDP.

Yet, Jiaozuo Municipality still relies on the fiscal transfers and earmark funds from the upper level governments. In 2008 after the “Opinion” was issued, Jiaozuo was identified by NDRC as one of the first twelve resource-exhausted cities. Since then, continuous financial support was allocated to Jiaozuo Municipality from the national and provincial governments, which accounts for over 40 percent of Jiaozuo Municipality’s local disposable revenue each year. These funds are mainly channeled to social security services, medical and health care services, education, environmental protection and ecological restoration and subsidies for public infrastructure services such as water, heating and public transport.

In order to accelerate its socioeconomic transformation, Jiaozuo Municipality identifies transport as one of the key sectors for development during the next few years. Extensive investment is being made to improve the intercity connectivity from Jiaozuo to other major transport hubs through highway and railway; a new high-speed rail (Shijiazhuang to Zhengzhou, financed by the Bank) was open not long ago with a station located 80 kilometer away from Jiaozuo. However, poor connectivity between the city center and the scenic spots, which are mostly located in the northern outskirts of the city, limits the economic benefits that tourism could bring to the urban area of Jiaozuo. Currently, many tourists go to the scenic spots directly from other cities, instead of staying overnight in downtown Jiaozuo, where they may consume on food, local specialties and accommodation. The inefficient road network and inadequate public transport services make the downtown area even less appealing to the tourists. Furthermore, rapid motorization is taking place with an average annual growth rate of 19 percent in private car ownership during the past 5 years, which has led to increasing road accidents and fatalities. In 2012, the Traffic Police conducted a thorough check of the road network in Jiaozuo and identified 82 accident-prone locations, most of which are located along the primary roads.

In addition, mitigating the negative environmental impacts and achieving a sustainable development mode remain on top of its agenda. According to Jiaozuo Municipality’s 12th FYP, the transport sector is expected to make significant contribution to energy saving and emission reduction targets, primarily through public transport prioritization, introduction of cleaner fuels, and promotion of environmentally-friendly transport modes. More recently, the city has set up a plan to build a systematic “green corridor” network dedicated to pedestrians and cyclists that will connect the scenic spots, water system and parks within the municipality.

Faced with the transport and associated environmental challenges, the Jiaozuo Municipal Government (JMG) seeks the Bank’s financial and technical support on a Green Transport and
Safety Improvement Project. The proposed project is expected to assist Jiaozuo Municipality to alleviate the above challenges and support the socioeconomic transformation of the city.

II. Proposed Development Objectives
The proposed project development objective is to improve transport safety and efficiency along the selected transport corridors and to promote non-motorized trips within the pilot green corridor in Jiaozuo City.

III. Project Description
Component Name
Safe System Integrated Corridor Management
Comments (optional)

Component Name
Green Corridor Development
Comments (optional)

Component Name
Public Transport Improvement
Comments (optional)

Component Name
Institutional Strengthening
Comments (optional)

IV. Financing (in USD Million)

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For Loans/Credits/Others

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V. Implementation

A. Institutional and Implementation Arrangements

Henan Province, as the Project Implementing Entity, acts through Jiaozuo Municipality to implement the project. The implementation arrangements are as follows:

(a) A Project Leading Group (PLG) led by the Vice Mayor and consisting senior officials from all relevant departments of JMG was established to oversee the preparation and implementation of the project. The PLG will be maintained through the entire implementation period and key members
will meet regularly for reviewing project progress and addressing issues arising during implementation.

(b) A Project Management Office (PMO) was established at the Jiaozuo Municipal Finance Bureau (JMFB) to be responsible for overall project management and coordination, procurement management for all contracts under the project, financial management for all project funds, supervision of all implementation activities (including safeguards), and project reporting, in accordance with the Bank’s guidelines.

JMG has assigned the implementation responsibilities of each activity under the four components to the respective municipal agencies. These agencies, guided by the PMO, will act as the Project Implementing Units (PIUs) and carry out engineering design preparation, collaboration with other relevant agencies, land acquisition and resettlement, construction management, and monitoring and evaluation, of the respective activities in accordance with the Bank’s guidelines.

According to the Bank’s experience with similar project cities in China, the above arrangements normally work well, particularly when the PLG members can meet regularly to review the project progress. Since this is the Bank’s first engagement with Jiaozuo Municipality, substantial training has been provided to the PMO, PIUs and relevant municipal agencies on Bank’s procurement, financial management, environmental safeguards and social safeguards policies, and will be continued throughout project implementation.

B. Results Monitoring and Evaluation

A results framework has been developed and provides the basis for project monitoring and evaluation (M&E). Baseline data for the PDO-level indicator one will be collected in the first year and target value will be developed accordingly through the Safe System foundation component. Baseline data for all other indicators will be collected and target values will be set up prior to Negotiations. The PMO will be responsible for reporting implementation progress and collecting actual data for each indicator regularly. Bank financing has been allocated to cover the incremental costs of the project M&E.

C. Sustainability

During project preparation, both Henan Province and Jiaozuo Municipality have exhibited strong commitment to achieving the PDO. Green and sustainable development has been highlighted in Jiaozuo Municipality’s 12th FYP and many other local policy papers. Nevertheless, sustainability of the project outcomes depends on whether the local authorities could build up the capacity to operate the project assets in a safe and efficient manner in the long-term, particularly in terms of (i) Safe System approach; and (ii) ICM and NMT improvements.

A Road Safety Steering Committee (RSSC) has been established during project preparation, which will lead the transport safety improvement in Jiaozuo. Technical assistance and capacity building will be provided to the RSSC through the project. The RSSC is expected to adopt the Safe System approach, apply the approach citywide and become a permanent lead agency to oversee all road safety related issues in Jiaozuo after project implementation.

Based on the experience in other Chinese cities, successful implementation of the ICM approach
would create a strong and visible demonstration impact, which would generate the city’s momentum to replicate the approach on other corridors in the city. It is envisaged that the city will acquire the ICM and NM T improvements knowledge and skills through the implementation of the integrated corridors and the green corridor under the Bank’s guidance. Additional capacity building activities will be provided to relevant staff through the project and relevant TransFORM events to strengthen their capacity.

VI. Safeguard Policies (including public consultation)

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Comments (optional)

VII. Contact point

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