I. Project Context

Country Context

For the past twenty years, the Chinese economy has grown at a remarkable pace, at an average rate of more than 8% per year. This growth has not been spread evenly throughout the country, with growing wealth disparities between the coastal and inland regions, and between the urban and rural areas. In support of shared prosperity for all Chinese people, the Government of China has been addressing this issue by giving priority to economic development in the lagging western and central regions and by providing financial support to transport infrastructure development in rural areas.

Guizhou Province (pop. 35 million), on GDP per capita basis, is the poorest province in China. Its GDP per capita is about USD 3,000, which is only 50% of the national average and about 20% the GDP per capita in Beijing. This poverty stems, in part, from the geography of Guizhou, a heavily mountainous, landlocked province in southwestern China.

Guiyang Municipality, the capital city of Guizhou Province, includes 6 districts, 3 counties and 1 county-level city. The municipality boundaries span a substantial, area of more than 8,034 km2 and encompass hilly and mountainous terrain, with elevations ranging from 500 to 1,760 meters above
sea level. In 2010,Guiyang Municipality had a total population of 4.32 million, of which 1.38 million (about 32%) lived in the rural areas. About one fourth of the rural population in Guiyang is ranked as “poor”, with people whose annual incomes are below the national poverty line. The Guiyang Municipal Government has been taking steps to alleviate poverty and reduce the urban-rural disparity, including improvement of the rural road network.

**Sectoral and institutional Context**

National Road Development Plan.
During the period of 11th Five-Year-Plan (2006-2010), China invested approximately RMB 954 billion (US$157 billion) in construction and improvement of about 1.87 million km rural roads. Almost all the townships in China have accessible roads, about 97% of which are paved by asphalt or cement concrete; and 99.4% of the administrative villages have accessible roads, about 84% of which are paved. However, compared with the eastern and central regions, the western region still lags far behind in rural roads development. Most of the unpaved roads are located in the western provinces, and the general road condition in western provinces is poorer as compared with that in the coastal region due to lack of investment in road maintenance.

Currently, the development of rural roads system in China is guided by the prevailing national 12th Five-Year-Plan for Transport Development. According to this plan, the strategy for rural roads development is (1) to provide all the administrative villages in the western region with asphalt or cement concrete paved roads, in order to meet the basic travel demand of the farmers; (2) to improve the infrastructure and facilities for rural roads, including reconstruction of bridges and provision of safety and safeguard facilities, in order to enhance climate-linked risks and improve the traffic safety; (3) to improve the overall condition of rural roads network, including the improvement of county and township roads, in order to upgrade the comprehensive service capacity of the rural roads network. The plan aims to achieve a total length of 3.9 million km paved rural roads in China by the end of 2015.

Guiyang Rural Road Development Plan.
At the end of 2011, the total length of rural roads in Guiyang was about 7,875 km, which included 1,624 km county roads, 1,494 km township roads, 4,715 km village roads and 42 km special-purposed roads. While Guiyang’s trunk highways linking to other cities were upgraded and its urban transport network has been under expansion, the rural roads network in Guiyang is generally underdeveloped. The condition of rural roads, mostly Class IV or unclassified, is generally poor and with low quality of service. Existing asphalt and cement concrete pavements have extensively deteriorated due to usage beyond expected service life, overloading, and lack of maintenance, and there still remain a substantial number of roads that are still unpaved. The poor road conditions have caused much inconvenience and high travel costs for villagers, particularly in the mountainous areas.

Guiyang has been implementing rural roads development programs to address the shortcomings of the rural road network. During the period of 11th Five-Year-Plan (2006-2010), the municipality invested approximately RMB 1,081 million (USD176 million) to construct or improve about 3,259 km of the rural roads. Under the Guiyang Rural Roads Development 12th Five-Year-Plan (2011-2015), Guiyang aims to (1) provide all the county, township and administrative village roads with asphalt or cement concrete pavement; (2) improve the capacity for disaster mitigation and traffic safety by rehabilitating bridges and providing safety and safeguard facilities; and (3)
optimize the rural roads network and its comprehensive service standard by upgrading or rehabilitating a number of county and township roads.

The rural roads development in Guiyang is administrated by the Guiyang Municipal Transport Bureau (GMTB), which is responsible for the planning, implementation and maintenance of the rural roads network in Guiyang. Under its supervision, the county level transport bureaus are responsible for managing the construction and maintenance of the county and township roads in their respective county; and the township governments are responsible for managing the construction and maintenance of the village roads in their jurisdictions.

A growing significant issue faced by the GMTB in managing its rural road program is keeping assets maintained despite a limited budget for monitoring, routine maintenance activities, and medium and major maintenance activities. The GMTB is responsible for maintaining a network of nearly 8,000 km of rural roads, and in 2012, received a maintenance budget only RMB 65 million (USD 10.6 million) from provincial, municipal, and county/district-level sources. According the GMTB, a minimum of RMB 240 million (USD 39 million) is required. The GMTB is seeking ways to lower the cost of asset monitoring and maintenance activities, as well as to increase the efficacy of these activities to reduce longer term costs.

The proposed Project is the second transport project that the Bank has financed in Guiyang. The first Guiyang Transport Project (GTP), which is on-going and to be completed by December 2013, has a rural roads sub-component. Further details on this Project may be found in the section on Lessons Learned and Reflected in the Project Design.

II. Proposed Development Objectives
The development objective of the Project is to provide improved transport accessibility in selected areas of Guiyang, in a sustainable manner.

III. Project Description
Component Name
Upgrading/Improving County and Township Roads
Comments (optional)

Component Name
Rehabilitation of County and Township ROads
Comments (optional)

Component Name
Rural Road Maintenance Pilot
Comments (optional)

Component Name
Technical Assistance
Comments (optional)
IV. Financing (in USD Million)

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V. Implementation

The Guiyang Municipal Government will maintain a Project Leading Group (PLG) headed by a Vice-Mayor and with representation of the Secretary General of the Mayors’ office and the related government agencies, to provide oversight and to coordinate the implementation of the Project and ensure the availability of the funds and other resources needed for the Project. As a readily established office that has been managing the on-going Guiyang Transport Project, the Guiyang World Bank funded Project Management Office (GPMO) will continue to handle the day-to-day management of the proposed project on behalf of PLG.

The GMTB will be responsible for managing the implementation of the Project under the oversight of PLG and GPMO. It will form a Guiyang Rural Roads Construction Office (GRRCO) to handle the day-to-day implementation management and be considered the Implementing Agency (IA). Each of the project counties will form a branch construction office, under the management and supervision of GRRCO, to be responsible for the implementation of the roads in the respective county. This structure was found to work effectively during the Guiyang Transport Project.

The GRRCO will be led by the director of GMTB and composed of several functioning departments, including Chief Engineering Office, Foreign Affairs Office, Engineering Department, Contract Management Department, Land Acquisition and Resettlement Department, Financial Management Department, and Administration Office. As of pre-Appraisal, the GRRCO has about 26 staff, which may be expanded and enhanced according to the project implementation requirements. Some staff in the GRRCO were involved in the implementation of the Guiyang Transport Project and have substantial experience in implementing World Bank financed projects, but new staff without prior experience with Bank Project may be introduced.

The GRRCO will be responsible for all procurement activities, with the GMTB as the legal entity that would sign all contracts. While most project tasks will be implemented by the GRRCO, some will be directly implemented by the project districts/counties, such as land acquisition and resettlement, as well as daily project implementation monitoring. Therefore, each project district/county will form a branch construction office, under the management and supervision of the GRRCO, to be responsible for the implementation of the rural roads and select maintenance pilot activities each participating county.

The GPMO and the Bank team will provide necessary training on Bank policies, procurement,
financial management (FM), safeguards, and contract management to the Project staff during the preparation and throughout implementation.

VI. Safeguard Policies (including public consultation)

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Comments (optional)

VII. Contact point

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