I. Project Context

Country Context

As China’s economy is undergoing a historic transition from a rural to an urban base, cities and towns generate more than 60% of the country’s GDP and urban areas host more than half of the population. However, if China is to achieve its medium term objectives of rapid and sustainable development with poverty reduction, the performance of its cities and towns will need to be strengthened. In this connection, China’s environmental program has had notable success in the reduction of industrial air and water pollutant emissions and the reversing of deforestation, but much more needs to be done to remedy the serious environmental toll which the last decades of high growth have taken on the urban environment.

Sectoral and institutional Context

The Guangxi Autonomous Region is one of 12 provinces located in the Western Region of China. Despite impressive advances in recent years, average income levels in Guangxi are only about a third of the national average income, and there is a high incidence of poverty. Recognizing the growing disparity between Guangxi and other regions, the Government is placing great emphasis on
promoting economic and social development, alleviating poverty, and supporting infrastructure investments.

Guilin Municipality in Guangxi has a population of 0.94 million and is China’s most famous tourist destination. Its population is expected to grow to 1.15 million by 2025. In 2011, the GDP of Guilin Municipality was US$ 21.5 billion, with an annual growth rate of 20.5%, the highest of the period between 2005 and 2011. In 2011, the GDP per capita of Guilin was US$4,141 (RMB 25,675). Like Guangxi, Guilin has a high incidence of poverty, with 2.55% of the urban population and 7.88% of the rural population being classified as low income.

One of the most important environmental agendas in Guilin is maintaining the water quality of the Lijiang River. In 2011, the Guangxi Zhuang Autonomous Region (GZAR) enacted the Lijiang River Catchment Ecological Environment Protection Regulation (the Regulation), which has been effective since January 1, 2012. The Regulation mandates the Guilin Municipal Government (GMG) to protect the Lijiang River through the zoning of protected areas, development of an ecological compensation mechanism, establishment of synergies between ecological protection and the city’s Development Master Plan, conservation of water resources (including the control of industrial development, shutdown of self-supplied water sources, rehabilitation of the water supply network, implementation of surface water resource allocation for different users, and raising awareness regarding water conservation), strengthening of water quality monitoring, expansion of wastewater treatment and collection service areas, and protection of natural resources (including biodiversity).

In December 2012, the State Council—which has adopted a special interest in the environmental preservation of the Lijiang River—passed its Outline Plan for Constructing Guilin as an International Destination (the Outline). The Outline allocates responsibility for economic development and the protection of the Lijiang River, to the various levels of the GMG, linking the performance evaluation of local government officials to this goal.

On its ends, the GMG has specified the promotion of the environmental protection of the Lijiang River in its 12th FYP. The FYP stipulates that the GMG will establish a sustainable management mechanism to protect the environment of Lijiang River through the Planning of Tributary Protection and Development and implementation of the Regulation. Correspondingly the GMG is working on strengthening the management to pollution discharge through relocation of industries, building of WWTPs and landfills, and rehabilitation of tributaries. The GMG is also establishing the “Lijiang Ecological Protection Fund” to compensate income losses as a result of protective measures. Finally, in their environmental protection sector plan, the GMG further lays out the detailed measures to protect the Upper Lijiang River Catchment Area located at the Maoer Mountain Natural Protection Zone, which also includes pollution reduction (point source and non-point source), ecological compensation mechanisms, relocation of polluted industries and restructuring of sector industries to promote the protection of the Lijiang River.

Currently, the Lijiang River is the main source of drinking water for Guilin and the key attraction for tourists. It originates at the Maoer Mountain in Xing’an County and flows through the city center for approximately 50 km. Given the various and growing urban settlements along the river, the water quality gradually deteriorates as it flows down and more sewage is discharged into it. Some portions of the River currently have water quality of Class III or IV (Annex 2). Guilin’s drainage system is a combined sewage system (88.1% coverage in 2013) which discharges both
wastewater and storm water into the Lijiang River. In addition, owing to the rapid population growth and densification of Lingui District, it is expected that an additional 194,000 m3/d of water supply demand and associated wastewater discharge into the Lijiang River, will take place by 2025. In 2013, the total water supply and water sold increased to 118.5 million m3 (324.54 m3‘000/day) and 101.5 million m3 (278.19 m3‘000/day), respectively, running at 80% of total installed capacity of four existing WTPs. The current water tariff (IBT) is 1.47 per m3 for water of first 32 m3 water consumed per HH per month, and it increase to 2.21 per m3 for next 12 m3 and 2.94 per m3 above 48 m3, wastewater charged at 1.05 per m3. Total capacity of six existing WWTPs is 418,500 m3/day and average throughput is 227,200 m3/day in 2013 (54%).

Through the Guangxi Urban Environment Project (GUEP) the World Bank began investments in Guilin (one of the project cities) to improve the water quality of the Lijiang River and its tributaries in Guilin. The GUEP was launched in November 1998 and closed on December 2007. The project focused on the improvement of the environmental conditions in Guilin’s core urban area through improved wastewater collection and treatment, flow regulation, solid waste management, and technical assistance. As a result of the project, wastewater collection and treatment increased significantly from approximately 49% in 1998 to 81% by 2007. Furthermore, the water quality parameters of Guilin were maintained despite the increase of the urban population.

Rationale for Bank Involvement. As the city’s population and tourism continue to rapidly grow, the improvement of water supply, expansion of wastewater collection and disposal services will contribute to the protection of local water resources. This is especially the case with regard to the use and quality of water of the Lijiang River, which are highlighted in both the Regulation and the Guilin’s 12th Five Year Plan (FYP, 2011-2015) as important issues. Thus, the proposed project is fully aligned with government plans to protect the Lijiang River. Furthermore, the project is being prepared following the achievements attained under the GUEP and will continue to deepen the partnership between the Bank and the GMG through an innovative project design. The project embraces and advances the urban green development agenda and supports the GMG to fulfill its mandate under the Regulation through the improvement of water resource management, expansion of water supply and upgrading of wastewater services.

A 2013 State Government Circular requested that by 2020 all major cities in China provide at least 95% of their populations with clean and safe drinking water. The project will therefore increase the collection and treatment of wastewater in order to reach help reach this target. In September 2013, the State Council also enacted the Urban Drainage and Wastewater Treatment Regulation, to be effective on January 1, 2014, which requires cities to build separate wastewater and storm water drainage systems for new development areas, thereby promoting the integration of water quality/environment, water resource utilization and drainage/flood management (e.g. through wastewater reclamation, rainwater harvesting and emergency contingency plans). Thus, through its involvement, the Bank’s will assist the GMG to provide a more efficient water supply and wastewater treatment service delivery through optimization of water allocation and pressure management to control NRW, upgrading and rehabilitation of aged WWTPs and sewers/drainages, and to reform the Water Supply and Sanitation (WSS) sector policies so that these are in line with the newly enacted national urban drainage and wastewater management regulation to underpin the importance of urban planning toward sustainable urban drainage and wastewater management. Naturally, the impact of the project will have limitations as several factors, such as the protection of the Upper Lijiang River Catchment Area, located at the Maoer Mountain Natural Protection Zone in Linchuan County, also play a critical role in the environmental quality of the Lijiang River.
II. Proposed Development Objectives
The proposed project objective is to improve the water and sanitation services in Guilin

III. Project Description

Component Name
Water Supply
Comments (optional)

Component Name
Wastewater Management
Comments (optional)

Component Name
Sludge Management
Comments (optional)

Component Name
Water Environment Monitoring and Pollution Control
Comments (optional)

Component Name
Project Management and Implementation Support
Comments (optional)

IV. Financing (in USD Million)

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V. Implementation
The Guilin Municipal Government has established a Project Leading Group (PLG) to guide and coordinate the various municipal and local government agencies that will be working for the project’s preparation and implementation. The PLG is headed by the Executive Vice-Mayor of Guilin and has representatives from all relevant government departments such as the Guilin Development and Reform Commission (GDRC), Guilin Finance Bureau (GFB), Guilin Public Utilities Bureau (GPUB), Guilin Water Affairs Bureau (GWAB), and the Guilin Environmental Protection Bureau (GEPB).
A Project Management Office (PMO), headed by the Director of the GDRC, has also been established. The PMO will be responsible for the project’s overall preparation and implementation, provision of guidance to the project implementation units (PIUs), and coordination with relevant authorities. The PMO will also be responsible for the implementation of Component 5.

Two state-owned companies, Guilin Water Supply Company (GWSC), Guilin Sewerage Company (GSC), and the Environment Automatic Monitoring Management Office under Guilin Environmental Provincial Bureau (GEPB) have been designated as the project implementing units (PIUs) for different components (1-GWSC, 2/3-GSC and 4-GEPB). All PIUs have been assessed for their capacity to implement the project, procure and manage contracts, conduct financial management and implement safeguard policies and procedures.

VI. Safeguard Policies (including public consultation)

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Comments (optional)

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