I. Introduction and Context

Country Context

Despite the massive economic development within the country since the beginning of economic reforms in 1978, the Chinese countryside lags far behind the cities. Most noticeably, the countryside is at the bottom end of an ever-widening urban-rural income gap. In 1978, for every one RMB the average rural person had as disposable income, the average urban dweller had 2.57 RMB. In 2007, thirty years later, the average urbanite now has 3.23 RMB to every one RMB of rural disposable income, an increase of nearly 30%. (will find newest date soon)

The 12th Five Year plan (FYP) aims to build on and accelerate the government's high priority activities started under the 11th FYP, focused on building up the new socialist countryside. This accelerated program of activities is consistent with the GoC's existing approach of addressing the three rural issues (San Nong Wenti)—agriculture, farmers and the countryside.

The other related strategic priority and one of the most critical issues in China is that of rapid urbanization, which is expected to continue and reach 70% by 2020, from a current level of about 48% nationally. China is now facing the overwhelming task of absorbing the migration of 300 million people from rural to urban areas between 2000 and 2020, and creating at least 200 million off-farm jobs. In other words, 15 million people need to be employed and housed in urban areas each year during the first twenty years of the 21st century. Despite the fact that Chinese cities are significantly undersized and agglomeration economies not fully exploited, it is too much to expect China's existing 661 cities to resettle all of these migrants. It is against this background that town development has already played and will continue playing a key role in facilitating the world's largest-ever urbanization process.

Sectoral and Institutional Context
Small town development represents a large economic, social, and political agenda in China, and is integral to the PRC’s strategy of inclusive growth and balanced rural and urban development. The PRC’s 12th FYP (2011-2015) emphasized small city and town development as a means to provide a higher standard of living to rural immigrants without exacerbating infrastructure and other problems afflicting large cities. Small towns are expected to provide a necessary bridge for the transition from a rural to urban society, absorbing laborers leaving the countryside as well as supporting rural industries that contribute a major share of China’s economic growth. It has been shown that growth in small towns also helps minimize rural-urban income disparities, compared with growth in larger cities.

Small towns absorb about 40% of the country’s rural-urban migrants. Economic growth in small towns has outpaced that of the whole country. Furthermore, agricultural production in towns represents a significant share of national output for various commodities. For instance, the aggregate share of towns’ production to national output is 60% for grains; 54% for cotton; 62% for oilseeds; 38% for fruits; 67% for vegetables; 73% for meat; and 70% for aquatic products, respectively. In addition, about half of Township and Village Enterprises (TVEs) employ up to 70% of the labour force drawn from rural areas.

Notwithstanding these significant achievements, small towns still face a number of developmental challenges, which include:

Deficient Infrastructure. Rapid industrialization and high urbanization rates are putting increased pressure on existing infrastructure of small towns. In order to sustain economic growth, attract more private investments and service a growing urban population, investment in infrastructure is a priority. There is a need to build new roads and improve and upgrade existing ones; expand the capacity of water treatment and waste water treatment plants; improve and enhance education facilities to bridge the rural-urban gap, provide increased flood protection through the construction of river levee systems for rapidly urbanizing areas and improve the river environment; and, improve access to and provision of health services and facilities.

Inadequate support services. A vast gamut of support services are required to harness small towns’ economic development. These services cut across various sectors and include, but not limited to production services, marketing services and social services. Currently the quality of services provided is inadequate and largely remains in the hands of the public sector, which is constrained by limited financial resources and weak delivery systems.

Environmental Sustainability. The main environmental problems in the project area are firstly poor water quality in streams, rivers and vast Poyang Lake system. Poor water quality is a result of poor water treatment from urban and industrial development with raw or partially treated wastewater being discharged to water courses. The second problem is that of degraded wetlands and natural habitats brought about by indiscriminate development and land use changes in and around these sensitive environmental areas.

Limited backwards and forwards linkages. Small towns are expected to play a pivotal role in linking rural and urban markets and in stimulating inclusive and rebalanced growth. In this respect, they are expected to constitute the missing link in the development of value chains for a range of commodities, and to bring together all stakeholders in these value chains to ensure that there is more equitable sharing of the benefits stemming from growth.

Poor Planning Capacity. Local governments in small towns often suffer from weak planning capacity, particularly in the less advanced provinces and particularly at County levels. The master planning progress in some small towns is well developed, but in the majority there is a priority need to develop and strengthen the small towns master planning process that will clearly identify sectoral needs and prioritize investments, based on thorough technical and fiscal analysis. For those that do have master plans, they are usually outdated and no longer adaptable to the fast changing realities. Furthermore, these plans have often been formulated in a top-down fashion and with little consultation with the affected stakeholders.

The Government of China (GOC), through the National Development and Reform Commission (NDRC) and Ministry of Finance (MOF) requested World Bank support for a project with the overarching objective of demonstrating a modern approach to small town development for small towns in selected counties in the Poyang Lake Region of Jiangxi Province. In Jiangxi Province, small town urbanization is lagging behind the relative national urbanization averages. In 2010 urbanization in the Province was 44.8%, some 2.7% lower than the national average of 47.5%. The Provincial Government (GoJ) now recognizes the considerable challenges it has and the necessity to enhance programs and activities in order to keep pace with the rapid urbanization in small towns.

Relationship to CAS

The proposed project is consistent with the Country Partnership Strategy (2006-2010). The project will support three out of the five Country Partnership Strategy themes: (i) reducing poverty, inequality, and social exclusion; (ii) managing resource scarcity and environmental challenges; (iii) improving public and market institutions. By focusing infrastructure investments, promoting value chain service and capacity building in selected towns, the project will also support the objectives of China’s 12th FYP (2011-15) which aims to facilitate sound urbanization, promote urban-rural integration, and the building of a more environment friendly, harmonious and “Xiaokang” society.

II. Proposed Development Objective(s)

Proposed Development Objective(s)
The development objective of the project would be to improve the public services for the beneficiaries through improvement of prioritized infrastructure in selected small towns of Jiangxi Province.

Key Results
The PDO would be achieved through the delivery at county level of: (a) road system enhancement; (b) improvement of flood protection and management systems; (c) water supply and waste water collection and distribution; (d) investment in other urban services and environmental improvements, including educations facilities, health services, and wetland and river restoration.

A Results Framework, including the formulation of key results and outcome indicators, together with the design of a suitable M&E methodology will be developed during project preparation. Tentatively, the following key results are expected from the implementation of the Preliminary Project Description:

- Increased population with access to modern road transportation;
- Increased number of people protected from enhanced flood protection and drainage systems; and
- Increased number of customers served by piped water supply

III. Preliminary Description

Concept Description
Tentatively, total project cost is estimated US$ 329.21 million. The project would comprise the following three components and main activities:

Component A: Small Town Infrastructure (indicative US$ 317.4 million). This would be the main investment component of the project. This component would construct/improve various public infrastructures to improve people’s accessibility to the infrastructures/facilities. The component would fund priority infrastructure investment in 4 sub-activity areas:

A1. Road Construction and Improvement. (US$ 167.98 million) Construction and improvement of artery roads in urban areas, construction of link roads between towns and outside trunk roads and between towns and main townships;

A2. Flood Protection and Drainage Infrastructure. (US$ 72.22 million) Dike strengthening and pump station modernization for greater flood protection;


A4. Other Urban Services Infrastructure. (US$ 66.47 million) The construction of other essential urban infrastructure – school, hospital and medical facilities, wetland and river restoration and Public Bus Center;

Component B: Institutional Strengthening and Capacity Building (indicative US$ 6.6 million). This component would fund activities associated with institutional strengthening such as workshops, staff training, study tours, technical assistance for research and development, policy studies. This component will be designed to support enhanced institutional capacity to plan, design, construct and sustainably manage modern, high quality infrastructure for the delivery of improved services particularly in the areas of transport systems, water and waste water services and flood protection systems. In particular, the component will fund activities such as: (i) technical, managerial and financial skills training for government staff at provincial and county/city levels; (ii) research and development; (iii) office furniture, and computer hardware and software; and (iv) international and domestic study and training tours.

Component C: Project Management and Monitoring and Evaluation (M&E) (indicative US$ 5.4 million). This component would support the PMOs at the various jurisdictional levels responsible for the implementation management of the project to ensure effective and efficient management of implementation performance, outputs and outcomes. It would fund the introduction of modern, computer based management information systems (MIS), develop and conduct project M&E systems to enhance project implementation, management capability at each level and improve coordination of the PMO structures; and human resources development.

IV. Safeguard Policies that might apply

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VI. Contact point

World Bank
Contact: Ximing Zhang
Title: Sr Water Resources Spec.
Tel: 5788+7692
Email: xzhang4@worldbank.org

Borrower/Client/Recipient
Name: Ministry of Finance
Contact: Ms. Wang Wei
Title: Director
Tel: 861068551124
Email: wangwei19@mof.gov.cn

Implementing Agencies
Name: Jiangxi Provincial Development and Reform Commission
Contact: Mr. Jinhua Li
Title: PMO Deputy Director
Tel: 8679188858928
Email: jaffo@126.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