I. Project Context

Country Context

Thirty years of rapid economic growth have supported unprecedented urbanization in China. According to the National Statistics Bureau, China’s urban population reached 690 million in 2011, accounting for 51 percent of the total population. However, it is noted that urbanization has happened disproportionally in different regions of China, with an urbanization ratio of 61 percent in the eastern region, 47 percent in the central region and 43 percent in the western region. The United Nations projects that the number of Chinese urban residents will grow to over 1 billion by 2030.

In 2000, the Government of China (GoC) launched the Western Development Strategy, a policy aimed at promoting the socio-economic development of the western region – understood to be lagging relative to the other national regions, i.e. the eastern coast, the northeast and the central region. Accordingly, from 2000 to 2009 the GoC invested heavily in the western region, supporting 120 key projects at a total cost of RMB 2.2 trillion (US$352 billion equivalent). During that period the western region registered an average annual Gross Domestic Product (GDP) growth of 11.9%, unprecedentedly surpassing the national GDP growth average.

The 12th Five-Year Plan (FYP) for China’s Economic and Social Development in 2011-15 gives
further impetus to the Western Development Strategy, with the aim of achieving a more coordinated and balanced national development. The plan proposes that the western region’s annual GDP growth continue to surpass the national average, its urbanization level exceed 45%, and investments be concentrated on infrastructure, energy, agriculture and tourism.

**Sectoral and institutional Context**

According to the 12th FYP, China’s annual GDP growth rate will be 7% in 2011-2015, while the urbanization rate will rise from 47.5% to 51.5% by 2015. As such, urban transport demand will continue to increase in the next five years, especially in the western region where economic growth and urbanization are expected to be faster under the Western Development Strategy.

The experience of the more developed cities of the eastern coast shows that rapid urbanization and increase in family incomes are normally accompanied with fast growing motorization, which in turn generates or increases problems such as traffic congestion, air pollution, greenhouse gas emissions, dependence on fossil fuel, and traffic accidents. While it is perhaps unavoidable to construct new roads in order to accommodate rapid urban growth, building more roads alone, as evidenced in those more developed cities, would make those problems even worse, as more roads often lead to more motorized traffic.

To develop efficient and sustainable urban transport systems that would meet the urbanization needs while avoiding, or reducing, the kind of urban transport problems those more developed cities have already encountered, it is widely recognized at both national and city levels today that a more comprehensive approach to urban transport is necessary. People, rather than cars, are the center of this new approach, which emphasizes aspects such as quality of public transport and non-motorized transport facilities, road safety, and mitigating climate change effects.

This change in urban transport planning and development has been reflected in new policies at the national level. The State Council, the highest governing body of the GoC, has issued two policy documents on urban public transport in recent years: (i) Directive 46 (October 2005) puts the improvement of urban public transport services as a national policy priority and (ii) Directive 64 (December 2012) sets up objectives and specific policy guidance for improving urban public transport. The 12th FYP, for the first time in the history of FYPs, devotes one special session to discuss the importance of developing comprehensive public transport networks for cities. Based on the 12th FYP, the Ministry of Transport, the GoC’s line agency responsible for policy and technical guidance on urban transport, established specific public transport development targets for different categories of cities to achieve during the 12th FYP – for example, in cities with population between 1 and 3 million, public transport services need to cover 75 % of the urban area. Furthermore, three national agencies, i.e., the Ministry of Urban-Rural Housing and Development, the National Development and Reform Commission, and the Ministry of Finance, jointly promulgated a guidance note on promoting the development of pedestrian and bicycle transport in Chinese cities. Specifically, for medium to small cities with a built-up area below 120 km2 and population less than 2 million, a non-motorized transport (pedestrian+bicycle) mode share of over 65% is targeted by 2015.

Compared to cities in East China, cities in West China have been slow to adopt the new approach to urban transport promoted by the national government. For illustration, eastern coast cities invested 24% of their urban infrastructure capital on developing and improving public transport services and
41% on road construction in 2009, and the amount of public transport investment has overtaken the amount of roads investment in Beijing in 2012, for the first time in the past 25 years. However, western cities invested only 6% on public transport and 57% on road construction in 2009. This level of underinvestment in public transport, granted the current context of rapid urbanization and economic growth, would prevent public transport services from becoming a viable urban mobility alternative in western cities, and encourage the use of private vehicles. If this trend continues, in the medium to long term when western cities begin to face the problems of increased traffic congestion, greenhouse gas emissions and road accidents faced today by eastern coast cities, the level of investment in public transport necessary to alleviate those problems will be significantly higher than today.

Introduction to the Project City: Xining, Qinghai Province

Xining is the capital city of Qinghai Province. The total population residing in the city’s 7,690 km² is 2.2 million, out of which 25% are ethnic minorities, mainly Hui and Zang. The built-up area of the city covers 104 km², concentrating a total population of 1.2 million. The city is a key transportation node in West China, connected with other cities in China through railways and national and provincial highways. Its main industries are wool spinning and textiles, fur, meat, milk, salt, and light processing industries. The city also enjoys rich natural resources, including mineral deposits, ground water, wind power and solar energy, all of which have great potential to be explored. Additionally, Xining is a popular tourist destination in China, due to its scenic landscape, unique cultural traditions and numerous natural and cultural heritage sites.

In light of the Western Development Strategy, special policies supporting regions with concentration of ethnic minorities, and increasing economic activities between West China and other parts of China, Xining experienced two-digit economic growth in the last decade. However, GDP and disposable income per capita (US$4,307 and US$ 2,134, respectively) remain below the national averages (US$4,496 and US$ 2,895, respectively), and lower than all provincial capitals in China except Lanzhou in Gansu Province. The expectation, however, is that continued support to Qinghai Province and Xining Municipality in particular under the Western Development Strategy will help accelerate economic growth and increase in household income in Xining during the 12th FYP period.

The concurrence of the city’s moderate level of household income in the past and the physical restrictions of its geographic location – in a valley, surrounded by mountains – has allowed Xining to grow in a very compact pattern around its Central Business District (CBD), leading to high level of modal shares for non-motorized transport (NMT) (42.7%) and public transport (40.0%). These spatial and transport development characters are crucial elements to form an efficient, high quality of life, and low greenhouse gas (GHG) emissions city.

Yet, in recent years, amid two-digit economic growth, car ownership has increased at a fast pace (14.7% annual growth over the last decade). The city has begun to expand west (and also east) to areas where walking to the CBD is no longer a viable option, and new multilane roads that were built to serve those new developments led to expansion to further west (and further east). The quality of public transport services, meanwhile, has been declining because inadequate investment in public transport infrastructure, outdated bus route plans, aging bus fleets, and increasing traffic congestion on the main corridors caused by cars. Pedestrian environments have also deteriorated in recent years as a consequence of increased motorization, poor traffic, road safety and parking
management, and lack of enforcement of existing regulations. As such, experiences from other cities in China and around the world indicate that, if strong actions are not taken now, the conditions are set in place for Xining to become yet another car-dependent, congested, sprawling and GHG emissions intensive city.

As Xining is still at the early stage of fast urban development, there is still great potential for Xining to grow as an exemplary city of sustainable transport practices, high quality of life and low GHG emissions, particularly given Xining’s current spatial development and transport characters. Due to the city’s geographic location confined by mountains, urban growth has followed a linear development pattern forming a prolonged east-west axis and a relatively shorter north-south axis. Both growth axes are narrow, only about 2-4 km wide, and are well-served by a soundly planned road network including two east-west expressways, high capacity arterial roads, and sufficient local roads. Such a linear development pattern inherently forms transportation corridors along those axes.

If higher priority is given to comprehensively improving public transport infrastructure and services, traffic and safety management, NMT facilities on those corridors, travel demand of most people in the city can be easily met in a highly efficient and sustainable manner. Moreover, as the city expands west to new development areas, concepts such as transit oriented development (TOD) and pedestrian oriented design (POD) could be utilized to guide land use planning and development along the integrated transport corridors. Those new land development concepts would further strengthen public transport and NMT performance, while creating thriving new mixed-use neighborhoods that can help avoid unnecessary motorized travel to the CBD and generate counterbalance flows during peak travel hours.

Similar to other Chinese cities, the financial planning for urban infrastructure investment in Xining currently is based on a fairly aggressive strategy with possible long-term debt implications and an unknown risk associated with contingent liabilities of off-balance sheet state-owned investment companies; besides, the Xining's financing structure relies to a large degree on the special transfers from the upper level of government and proceeds of urban land leases. As is well understood, a more stable long-term pattern of public finance will need to be developed in the coming years. A potential reform agenda would include introduction of more stable tax structures with incentives to consume land efficiently, a reduction of dependence on one-time taxes and sources, access to markets for long-term low-cost financing and addressing differential property rights for urban and rural residents. These are bigger than one single infrastructure project and are being addressed as part of the World Bank’s broader policy and analytical engagement with China. Ongoing activities include China: Efficient, Inclusive and Sustainable Urbanization Study (P145191) and the study for China: Municipal Financing and Debt Management (P124980), etc.

The Xining Municipal Government (XMG), aware of the challenges and opportunities that it faces, has sought out the technical and financial support of the Bank to a demonstration investment project on Wusixi Road – Xining’s main east-west corridor linking the existing city center to the western part of the city (Xichuan New Area), which is envisaged to become the city’s new center of development in the years to come. In support of the development of the new city area, it is designed that integrate improvements to the proposed corridor in roads, public transport infrastructure and services, traffic safety conditions, and traffic management will be carried out under the project.

II. Proposed Development Objectives
The proposed Project Development Objective (PDO) is to enable Xining residents to travel between
the city center and the western part of the city in a fast, efficient, and safe manner, through strategic improvements to Wusixi Road, a major transport and urban development corridor.

III. Project Description

Component Name
Component 1: Urban Roads.
Comments (optional)

Component Name
Component 2: Public Transport
Comments (optional)

Component Name
Component 3: Intelligent Traffic Management
Comments (optional)

Component Name
Component 4: Institutional Capacity Building
Comments (optional)

IV. Financing (in USD Million)

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V. Implementation

A. Institutional and Implementation Arrangements

Xining Municipal Government will be the project’s implementing agency. The detailed implementation arrangements are as follows:

(a) A Project Leading Group (PLG), chaired by the Mayor of Xining, and comprised department heads from relevant municipal agencies, including Development and Reform Commission (DRC), Finance Bureau, Environmental Protection Bureau, Audit Bureau, Inspection Bureau, Construction Commission, Transport Bureau, Public Security Bureau, Land Resources Bureau, City Planning Bureau, Water Resources Bureau, City Investment Company, Bus Company and district governments, etc., was established to oversee the preparation of the Project. The PLG will be maintained through the entire implementation period and key members will meet regularly.
for reviewing project progress and promptly addressing issues arising during implementation.

(b) A Project Coordination Office (PCO) was established in Xining DRC, which is responsible for coordination among XMG’s different agencies as well as for communication with the Bank and the Qinghai Provincial Government during implementation.

(c) A Project Construction Management Office (PMO) was established in the Xining Construction Commission, which will be responsible for overall project management, procurement management for all contracts under the project, financial management for all project funds, and supervision of all implementation activities (including safeguards), in accordance with Bank guidelines.

(d) Three Sub-PMOs have been established respectively in the Construction Commission, Public Security Bureau and Transport Bureau, to carry out their respective part of the project.

According to the Bank’s experience with other World Bank project cities in China, the above arrangements normally work well, particularly when the PLG is active and PLG members can meet regularly to review project progress. The city of Xining currently is implementing a Bank financed Xining Flood and Watershed Management Project with the similar organizational structure, and performance of the project implementation has been satisfactory. The key staff working on safeguards, financial management and procurement aspects of the flood management project will join the PMO for the proposed Project to enhance its capacity. Substantial training has been provided and will continue to be provided to the PMO throughout the project preparation and implementation.

B. Results Monitoring and Evaluation

A result framework has been developed (see Annex 1) and will provide the basis for project monitoring and evaluation. Four PDO-level results indicators were developed to measure the achievement of the PDO after project implementation and the PMO will provide the data in year 5 with assistance and input from relevant municipal agencies. A number of intermediate indicators were developed for each sub-component to check whether project implementation is on track and the PMO will be responsible to collect the data and report it in the project progress reports annually. Further details on the methodology of data collection are provided in Annex 3.

C. Sustainability

XMG and its PMO have shown strong commitment to achieving the PDO during project preparation. Moreover, the GoC recently promulgated several national policies on public transport priority, NMT improvement and road safety, which are the focus of the Project, and XMG has been determined to follow the GoC’s policy guidance.

Nevertheless, sustainability of the project outcomes depends on: (a) whether the improvements on the project corridor could be replicated to the entire city; and (b) whether all project assets can be operated and maintained in a proper manner in the future.

The proposed project introduces best practices of public transport priority, physical improvements for NMT and public transport, traffic management measures and intelligent transport systems, etc.,
and concentrates these interventions on the selected corridor to maximize the impact. Based on experience in other cities, successful implementation of the ICM approach would create a strong and visible demonstration impact, which in turn would generate the interest in replicating the approach on other corridors in the city. It is also envisaged that relevant city agencies would acquire new knowledge and skills through implementing the integrated corridor component under the Project and develop their capacity for implementing the ICM approach on other corridors under the city’s own investment projects. Additional capacity building activities will be provided to relevant staff to further enhance their knowledge learning and capacity building.

Proper operation and maintenance of project assets requires sustained, adequate human and financial resources. The PMO and sub-PMOs have been expanded to meet the requirements for project implementation. XMG has committed to allocating sufficient human power and provide necessary training for them to maintain the infrastructure or equipment acquired under the project. A financial assessment has been conducted on XMG’s financing for both capital investments and operation and maintenance in the transport sector. The assessment confirms that the city is capable for allocating adequate budget to maintain the infrastructure and services to be developed under the project.

VI. Safeguard Policies (including public consultation)

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Comments (optional)

VII. Contact point

World Bank
Contact:  Ke Fang
Title:  Lead Transport Specialist
Tel:  5785+47692 /
Email:  kfang@worldbank.org

Borrower/Client/Recipient
Name:  People's Republic of China
Contact:  Mr. Wang Hai
Title:  Deputy Director, International Department, MOF
Tel:  8610-68553216
Email:  wanghai@mof.gov.cn

Implementing Agencies
Name: Xining Municipal Government
Contact: Mr. Liu Yi
Title: Deputy Director, Xining Construction Bureau
Tel: /Fax: (86-971) 613-8866
Email: xn_liuy@126.com

VIII. 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