Urban Development Program in China
Towards China's Urban Future

China is rapidly transitioning from a command economy to a market economy and from a rural, agricultural society to an urban society. Some 80% of its national economic growth originates today in cities and towns. The objective of the World Bank assistance to China regarding urban development is to facilitate efficient, equitable and sustainable urban growth and restructuring, by helping to improve:

- Protection of the local and global environment through wastewater, air pollution, and solid waste management, and preservation of cultural heritage;
- Provision of infrastructure, basic public services, and housing; and
- Institutional and financial frameworks of local governance and public service provision.

We support cities across China in their quest for improved livability, competitiveness, and financial sustainability. In particular, we support the following directions of China’s development:

- Increased use of market mechanisms and institutions such as full-cost pricing of resources and services, and private sector service delivery entities;
- Improved investment planning, financing, and asset utilization, with the necessary related market and environmental regulations;
- Enhanced support for the most needy in the society, with improved access to services and housing;
- Increased support for rapidly growing urban peripheries, smaller cities and towns; and
- Coordinated urban management and development across localities within a metropolitan area, economic region, or river basin.

The World Bank provides: (a) lending for physical investments and technical assistance; and (b) non-lending/advisory services and grant funded technical assistance. Given China’s high degree of decentralization and diversity, we work closely with local and provincial governments to help develop their institutions, and pilot models of improved urban management. We assist national agencies in their policy development, providing analysis and advice upon request, to bring the lessons of international experience to China. We facilitate networking among cities in China and in the East Asia Region, aimed at advancing urban management policies and practices through knowledge sharing, using distant learning and Web-based channels.

Lending Program

Since the first project in 1985, more than 31 urban environment projects in China have been financed by the World Bank, representing loans of about US$5 billion. The current urban environment portfolio of 19 projects supports more than 40 cities in about half of China's 30 provinces. Four of these projects are in China's western region (in Chongqing, Guangxi, Sichuan and Yunnan). Investments are mostly in water supply, sewage and wastewater treatment, solid waste management, air pollution abatement, urban transport, district heating, preservation of built heritage, information management and GIS, and as integrated urban upgrading. Each lending operation is anchored in an institutional development and policy framework, for example addressing utility reform by establishing self-
financing service delivery corporations, achieving cost recovery through tariffs, and introducing enhanced planning and operational practices. Financing is provided for goods and civil works, and for consulting services to support institutional development and training. Strong relationships with local clients often result in follow-on projects in the same cities and provinces (e.g. as in Beijing, Shanghai, Guangzhou, Chongqing, Liaoning).

Examples of Innovative Features and Approaches

- Support of long term environmental improvement programs, particularly water quality protection at metropolitan/regional and river basin levels
- Increased focus on peri-urban development (regional networks of cities and towns), solid waste management, and water conservation and reuse
- Integrated urban infrastructure upgrading in ancient cities and towns, rich in cultural heritage
- Comprehensive development of integrated urban regions
- Programmatic lending (for a sequence of projects) to support the long-term nature of urban reform and development
- Facilitating for Private Participation in Infrastructure (PPI)
- Urban management information systems (UMIS) important components in a number of projects

Non-Lending Activities

Complementing the lending operations, we carry out analysis and advisory activities at both local and national government levels, in response to government requests. At the local government level, usually on subjects closely related to lending operations, for example, sector master planning, water quality modeling, and on financial management and tariff projection tools. At the national level, particularly to help: (a) improve policy and regulatory frameworks, and technical standards; (b) strengthen the capacity of key policy and technical institutions; and (c) disseminate successful innovations in urban management and technology within and outside China, including through distant learning channels. With water shortage in most Chinese cities, water demand management is a particularly critical issue for sustainable development. The Bank is supporting government policy development for water reuse and other water conservation initiatives.

Policy Studies. Based on client demand and priority needs, analysis and advisory services are provided at present on: (a) urbanization and urban restructuring; (b) regional and metropolitan development; (c) urban infrastructure finance; (d) wastewater management; (e) selective housing questions; and (e) studies on services to the lowest income population in urban areas.

Conferences. We periodically support international conferences in China. In recent years, this has included events on China’s urbanization strategy, cultural heritage and urban development, wastewater reuse, and environmental protection in mega-cities.
City Development Strategy (CDS) Program. With grant funding from Cities Alliance - a multi-donor initiative managed by the Bank - we arrange technical assistance to individual cities, supporting the advancement of their city development strategies through local capacity building, thus helping improve the quality of their urban development.

Private Participation in Infrastructure (PPI) / Private- Public Partnerships (PPP). The Bank has mobilized grant funding for some cities to support the changing role of governments from being a direct service provider to becoming more enabling, regulating and facilitating, supporting private participation in urban infrastructure finance and management, severing ties between local governments and SOEs, piloting new utility financing mechanisms, and cultivating PPI/PPPs.

City Networking and Training: The Bank maintains close contact with top domestic and international institutions on urban sector issues, facilitates knowledge sharing among cities on urban management policies and practices, and supports continuous improvement of city management - "learning cities". We are also providing and cosponsoring a number of training courses on urban management. Subjects range from environmental economics, urban finance, and project analysis and design, to more specific topics such as optimization of existing assets, e-government, and preservation of "the fabrics of Chinese cities".

Future Strategy

Our support is evolving towards: (a) an emphasis beyond single municipalities, embracing themes of metropolitan management, city-regional development, and river-basin management; (b) sharpened focus on priority issues in utility institutional reform, air pollution control, solid waste management, urban poverty, and urban planning and management; and (c) more diversified instruments, such as longer term program lending for broader themes or geographical coverage, more advisory assistance preceding lending, and co-financing with Global Environment Fund (GEF) and bilateral entities.

The Bank’s urban development support to China is based on close relationships with a broad cross-section of agencies at both the local and national levels. We are strengthening cooperation and partnerships with organizations such as China National School of Administration, China Association of Mayors, and bilateral and multilateral institutions. We are pleased to continue to respond to requests for support of innovations in the rapid urban development in China.

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