

CHINA

BUILDING INSTITUTIONS FOR SUSTAINABLE URBAN TRANSPORT





A World Bank Analytical Advisory Activity

- ⌘ **Collaboration between**
 - ⌘ **World Bank**
 - ⌘ **China Academy of Urban Planning and Design**
 - ⌘ **Institute of Comprehensive Transport, NDRC**
- ⌘ **Main focus on**
 - ⌘ **Large cities**
 - ⌘ **Institutional issues**
 - ⌘ **Role of national government**
- ⌘ **Recommendations on**
 - ⌘ **Policy directions**
 - ⌘ **Institutional development actions**



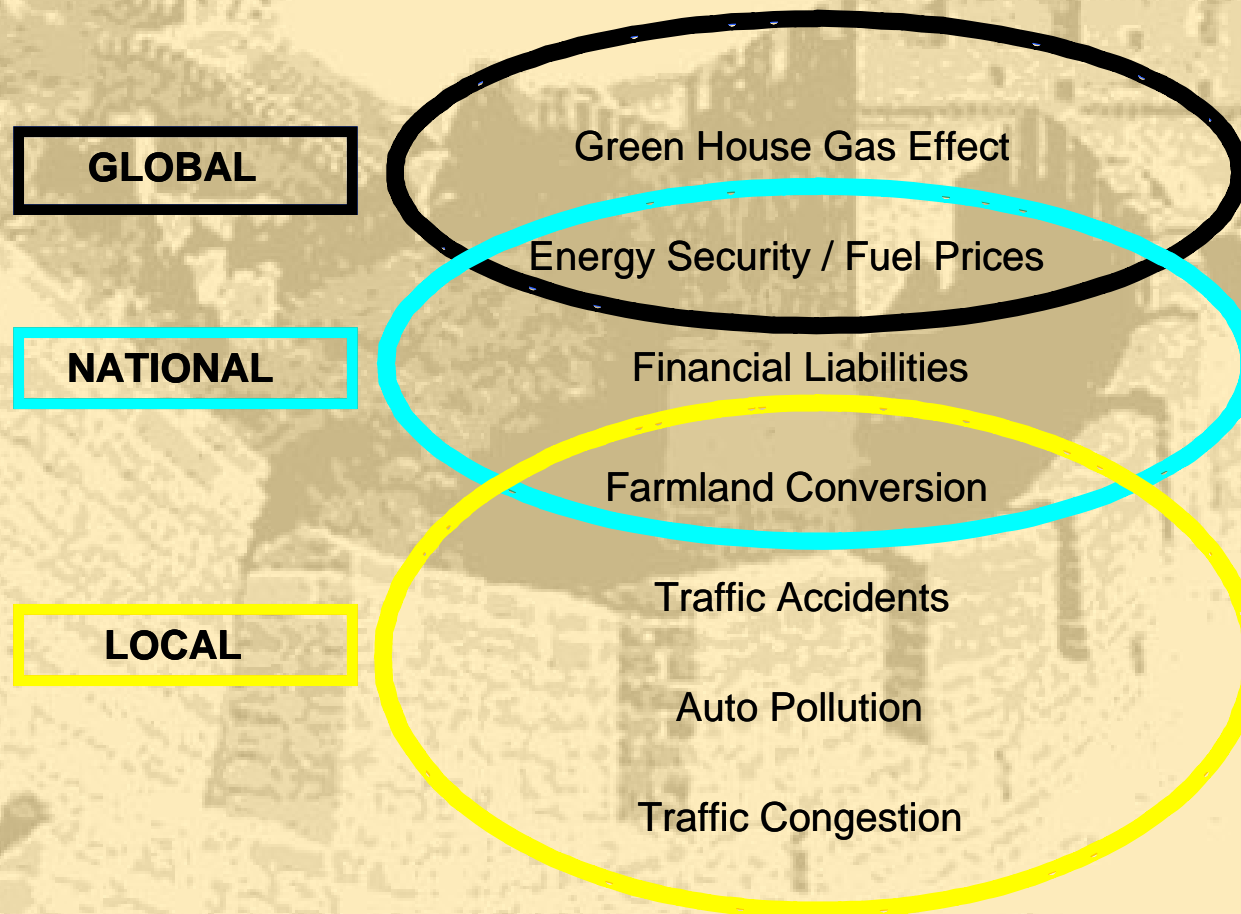
Outline

- I. Urban Transport Problems:
Dimensions and Trends**
- II. Causes: A Diagnostic Analysis**
- III. Priority Actions for Institutional
Development**
- IV. The Role of the World Bank**

Outline

- ⌘ **Urban Transport Problems: Dimensions and Trends**
- ⌘ **Causes: A Diagnostic Analysis**
- ⌘ **Priority Actions for Institutional Development**
- ⌘ **The Role of the World Bank**

Automobiles enhance mobility but also cause a range of urban transport problems...



Urban transport problems are getting worse at the local level...

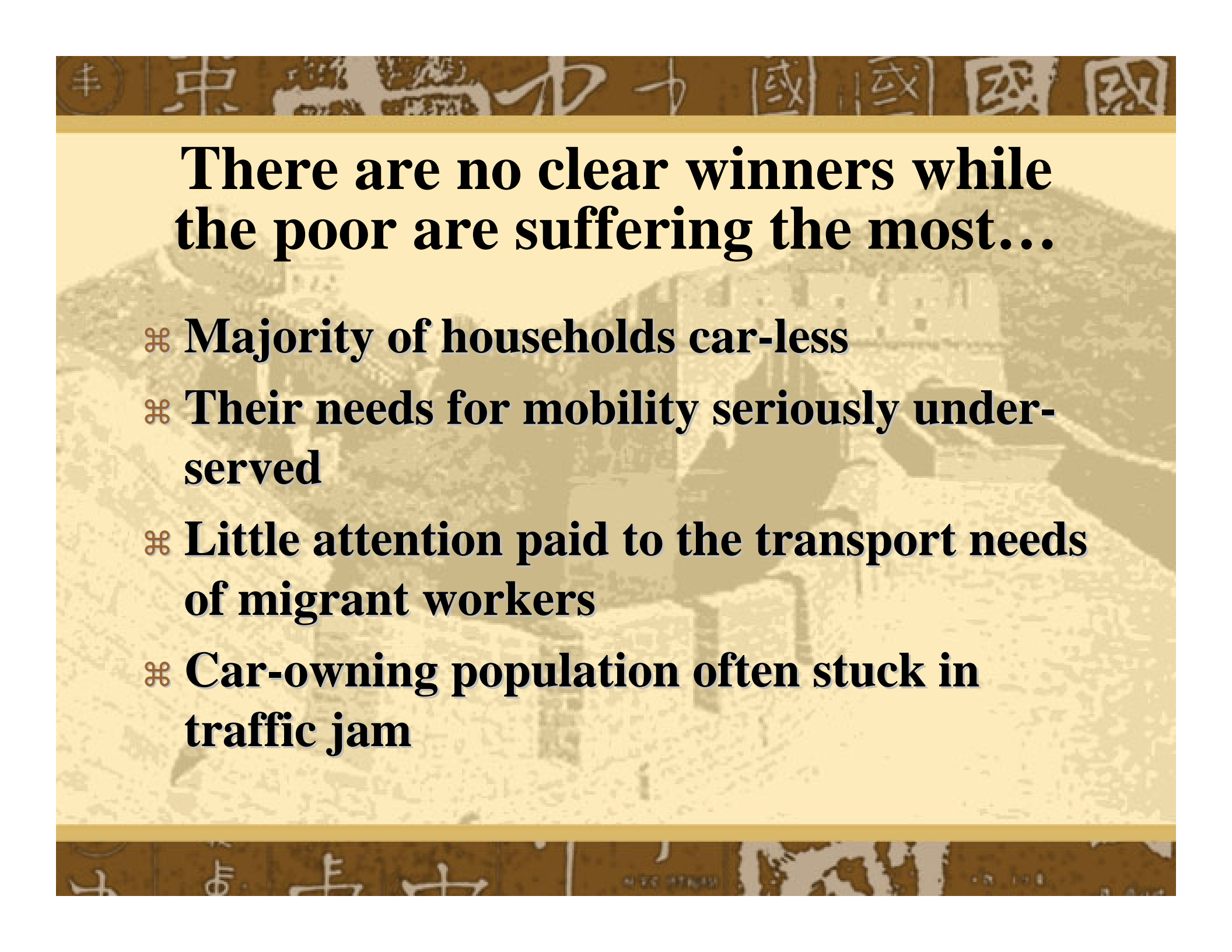
Some Highlights:

- ⌘ **Beijing**: Experienced tenfold increase of private cars in the last 10 years, and widespread congestion
- ⌘ **Shanghai**: Experienced increases of private cars from 10k to 250k in 8 years and rising congestion
- ⌘ **Nationwide**: Auto emissions account for 79% of pollution
- ⌘ **Shenzhen**: Traffic accidents are main cause of death (30%)



Most large cities fail to manage the motorization process...

- ⌘ **No coherent urban transport strategy**
- ⌘ **Piecemeal and *ad hoc* approach**
- ⌘ **Heavy investment in road capacity**
- ⌘ **Bicycle rights-of-way dismantled**
- ⌘ **Pedestrian sidewalks and roadside trees eliminated**



There are no clear winners while the poor are suffering the most...

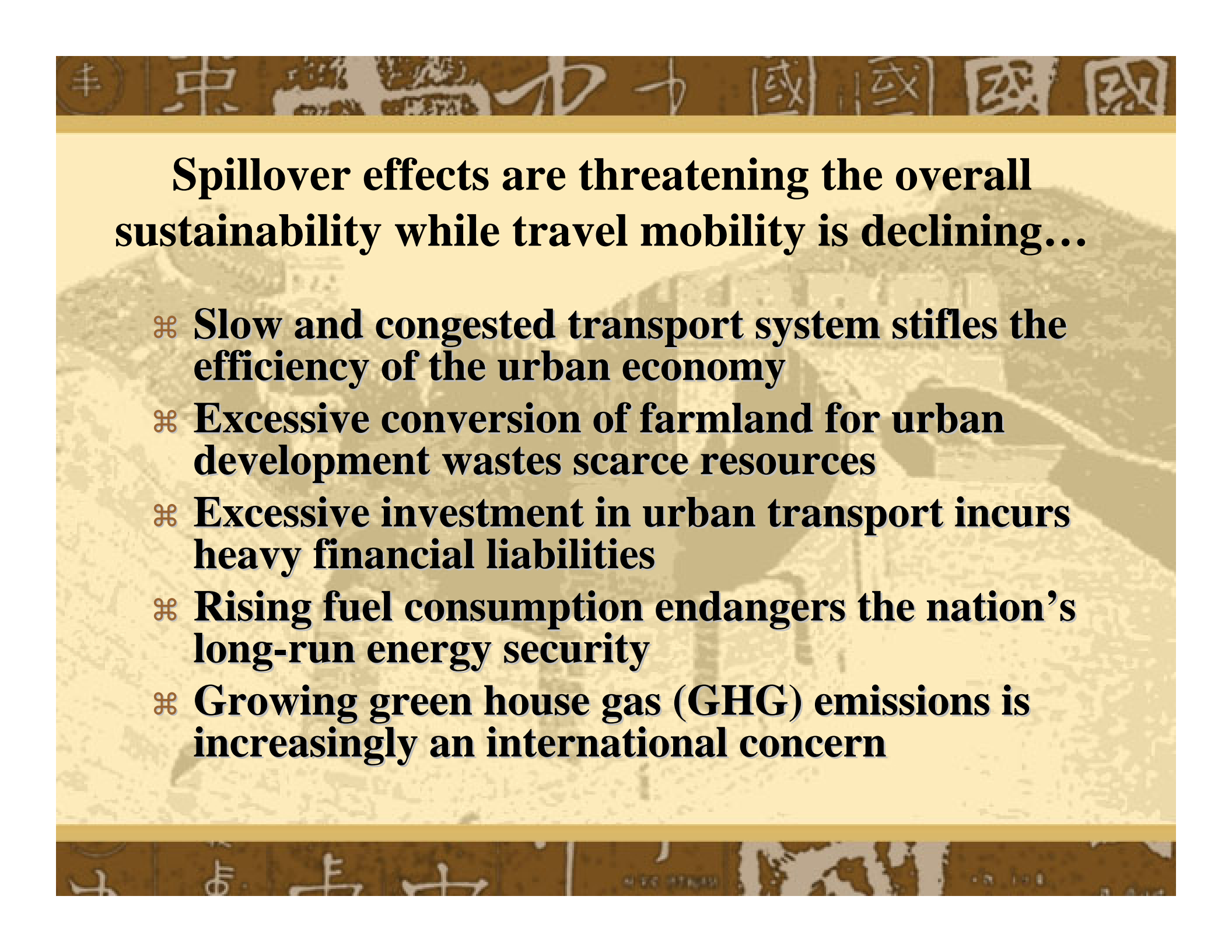
- ⌘ **Majority of households car-less**
- ⌘ **Their needs for mobility seriously under-served**
- ⌘ **Little attention paid to the transport needs of migrant workers**
- ⌘ **Car-owning population often stuck in traffic jam**

Public bus transport is at a fragile point...

- ⌘ **Efficient public transport system is needed**
- ⌘ **Significant improvements in bus systems were made in the 90s**
- ⌘ **But road congestion is making bus operations more and more difficult**
- ⌘ **Urban master plans give too much weight to the development of road network, not enough to public bus transport**
- ⌘ **Development of an efficient public transport industry is mostly neglected**

Financial capacity to develop a rail-based mass transit system is limited in most cities...

- ⌘ Many cities aspire to a Mass Rapid Transit (MRT) system as a centerpiece of urban transport solution**
- ⌘ But most of them lack the financial capacity**
- ⌘ MRT involves high debt and long construction periods**
- ⌘ Alternatives to MRT is needed**
- ⌘ Bus Rapid Transit (BRT) is considered the best choice**



Spillover effects are threatening the overall sustainability while travel mobility is declining...

- ⌘ **Slow and congested transport system stifles the efficiency of the urban economy**
- ⌘ **Excessive conversion of farmland for urban development wastes scarce resources**
- ⌘ **Excessive investment in urban transport incurs heavy financial liabilities**
- ⌘ **Rising fuel consumption endangers the nation's long-run energy security**
- ⌘ **Growing green house gas (GHG) emissions is increasingly an international concern**

Lack of sustainability is at the core of the urban transport issues...

- ⌘ Cities are generally able to mobilize resources for urban transport**
- ⌘ There is also progress in traffic management, BRT, and adoption of higher emission standards**
- ⌘ But sustainable outcomes are generally not being achieved**
- ⌘ International knowledge on sustainable urban transport has not been effectively translated into actions**

All problems are expected to exacerbate unless public policy manage to address them...

- ⌘ Strong economic forces and incentives will continue to drive motorization, thus significantly increasing fuel consumption and GHG emissions**
- ⌘ Cities will face major problems in:**
 - ⌘ Exhaustion of fuels, clean air, and farmland**
 - ⌘ Worsening social inequality**

Outline

- ⌘ **Urban Transport Problems: Dimensions and Trends**
- ⌘ **Causes: A Diagnostic Analysis**
- ⌘ **Priority Actions for Institutional Development**
- ⌘ **The Role of the World Bank**

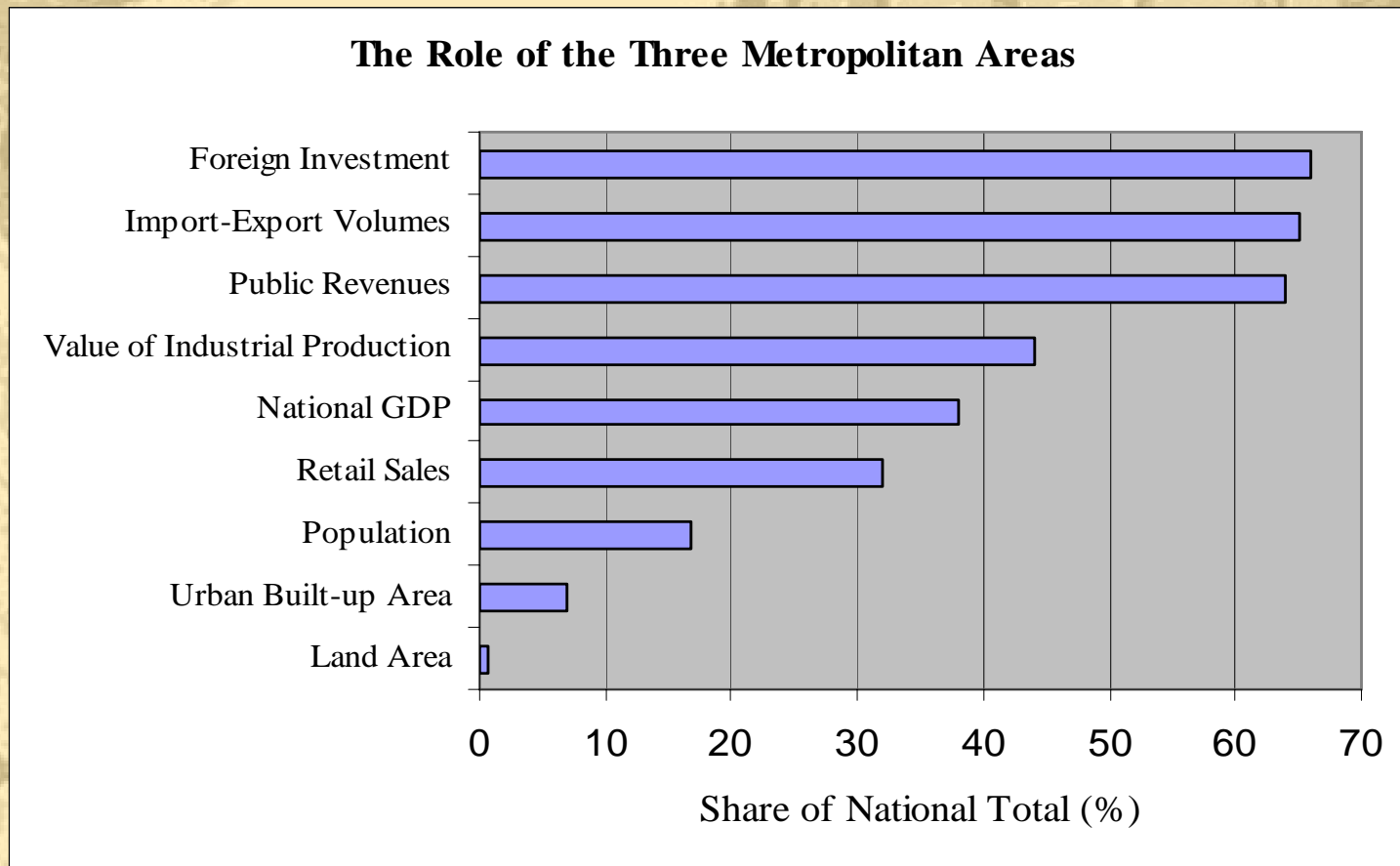


Rapid urbanization is putting heavy pressure on urban transport...

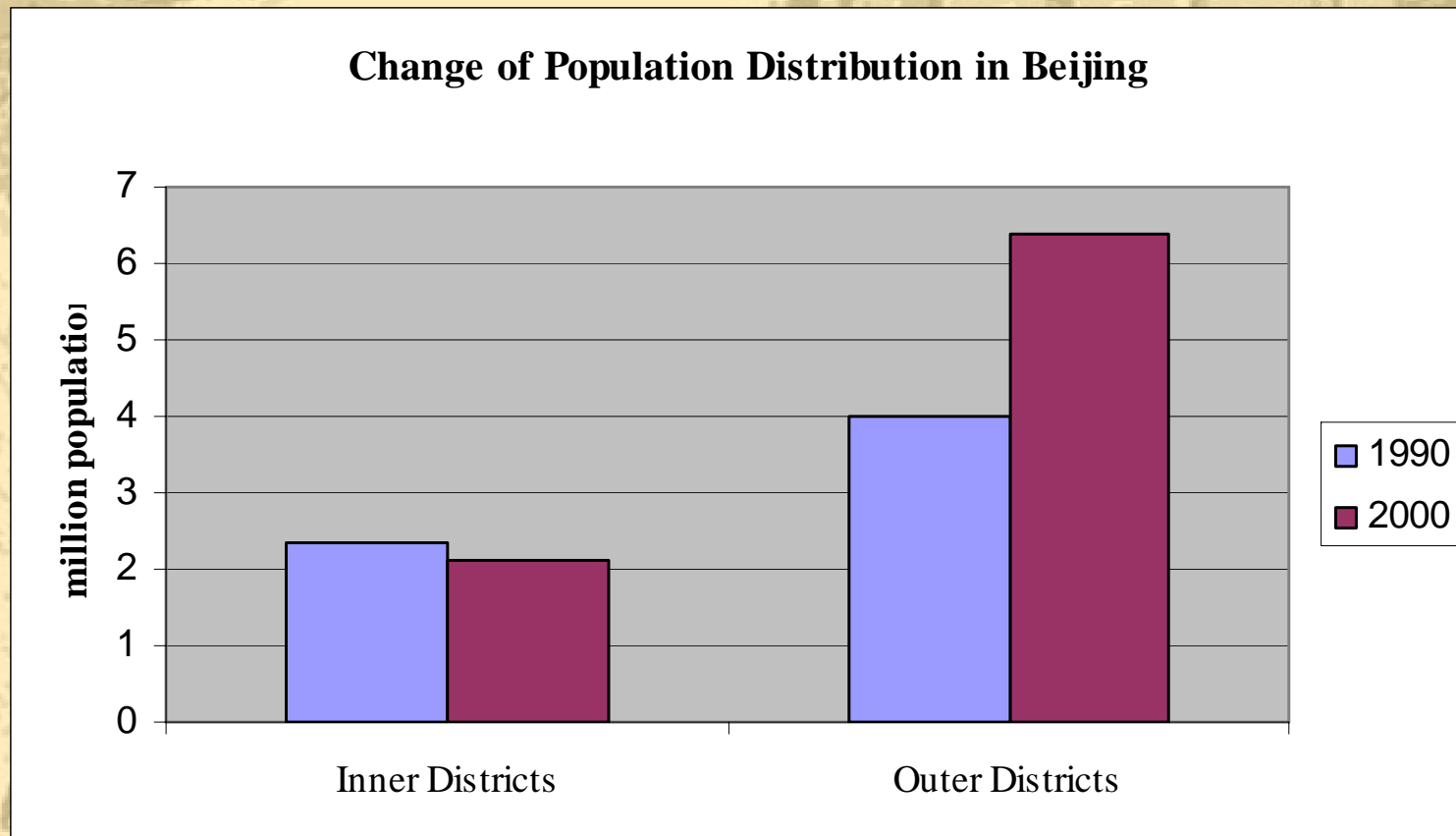
Urbanization is accompanied by:

- ⌘ Rising household incomes that increase demand for private cars**
- ⌘ Transformation from farms to firms that results in urban migration, growing demand for urban space, and the formation of large metropolitan areas**
- ⌘ Changes in living style that creates a more diversified range of travel demand**
- ⌘ Changes in urban land use patterns that is increasingly dependent on motorized transport**

Metropolitan areas are taking shape and are the engines of economic growth...



And the suburbs are growing fast...





Decentralization is changing the ways of urban management and the modes of service delivery...

- ⌘ **Municipalities assume primary responsibilities for urban transport, but with weak municipal revenue base**
- ⌘ **Cities rely heavily on off-budget funds for urban transport investment**
- ⌘ **National government does not have sufficient financial leverage for urban transport policy implementation at the local level**
- ⌘ **There is an institutional void in addressing the spillover effects**



Institutions have not kept pace with the decentralization...

- ⌘ There is a lag of institutional reform to respond to the rapidly changing urban context**
- ⌘ The challenge is how to shorten the lag**
- ⌘ The cost of inaction or slow action will be high**

Inadequacies in urban institutions and their policy making cause failures in urban transport...

Inadequacies found in four mechanisms:

- ⌘ **The incentive mechanism: too much focus on GDP and Foreign Direct Investment**
- ⌘ **The urban planning mechanism: inherent rigidity, lack of stakeholder participation, weak enforceability, and de-link between plan and budget**
- ⌘ **The checks and balances mechanism: often intervene too late in the planning and implementation process**
- ⌘ **The municipal financing mechanism: expenditure responsibilities larger than revenues could bear**



The political context is shifting in favor of institutional reform for sustainable urban transport...

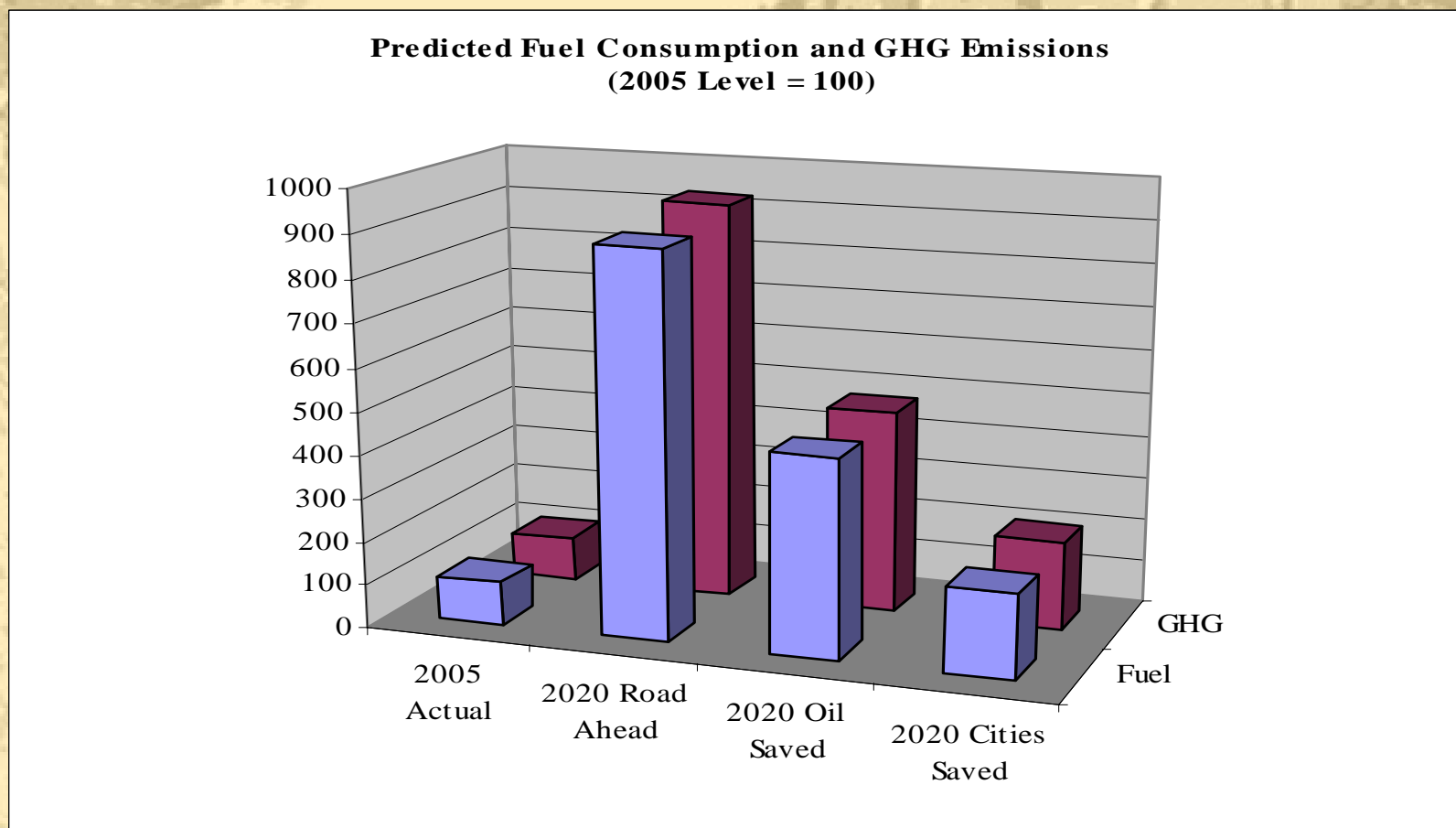
- ⌘ **Green-GDP concept proposed and being operationalized**
- ⌘ **People-centered development concept advanced from top leadership**
- ⌘ **Public transport received attention from highest level leadership**
- ⌘ **Public opinions and criticism increasingly heard**
- ⌘ **Planning and decision making process increasingly open**



Outline

- ⌘ **Urban Transport Problems: Dimensions and Trends**
- ⌘ **Causes: A Diagnostic Analysis**
- ⌘ **Priority Actions for Institutional Development**
- ⌘ **The Role of the World Bank**

Potential pay-off from comprehensive policy interventions is high...

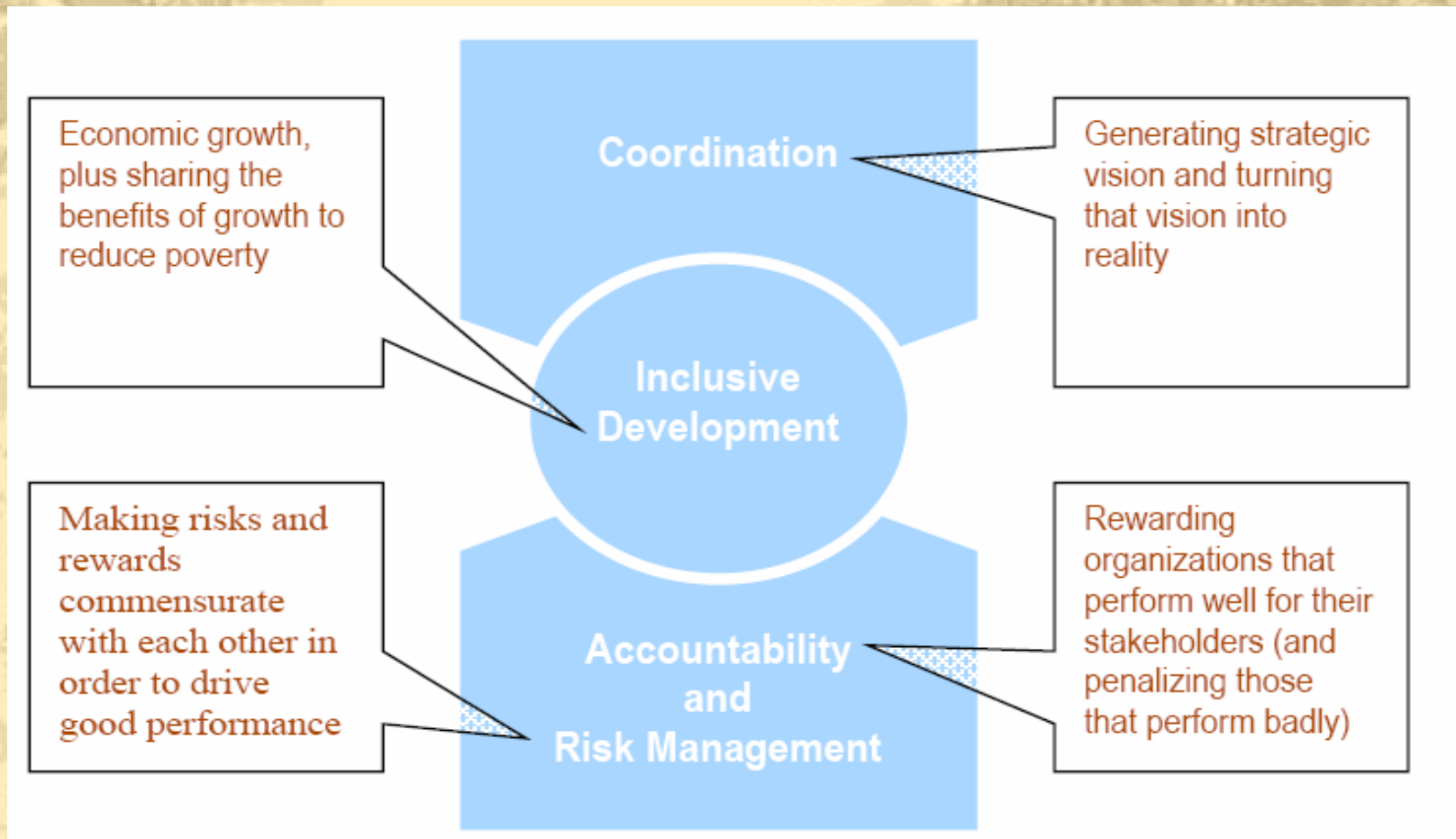




But it would depend on capable institutions and their instruments to manage urban transport...

- ⌘ Institutions matter the most at the stage of rapid development and social transformation**
- ⌘ Emerging complexities of urban economy and transport require forward-looking institutions which are adaptive to changes and capable of managing a sustainability agenda**

A new framework for urban transport is needed...




Proposed Actions

- ⌘ Redefine the role of the national government in urban transport to enhance coordination and risk management
- ⌘ Develop accountability mechanisms and a strengthened local governance structure for urban transport
- ⌘ Build up the institutional capacity for strategic planning, as a basis for effective coordination
- ⌘ Establish the linkage between urban transport planning and financing, to enhance coordination and accountability
- ⌘ Develop a sustainable and transparent financing mechanism, as a foundation for financial risk management
- ⌘ Develop a viable public transport industry as a center piece of urban transport services for inclusive development

The background features a golden-yellow color scheme. At the top and bottom, there are horizontal bands containing stylized Chinese characters in a traditional font. The central area is dominated by a faint, light-colored map of China, which serves as a backdrop for the text.

Action 1: Redefine the Role of the National Government in Urban Transport

- ⌘ Providing policy directions**
- ⌘ Rewarding good practices financially**
- ⌘ Adopting a transport performance benchmarking and evaluation system**
- ⌘ Guiding municipal financial reform**
- ⌘ Supporting an urban transport demonstration pilot program**



Action 2. Develop Accountability Mechanism and a Local Governance Structure for Urban Transport

- ⌘ Green-GDP and resident approval rating as key performance indicators for municipal government**
- ⌘ Empowering local People's Congress**
 - ⌘ Monitoring the planning and implementation process**
 - ⌘ Evaluating municipal leaders' performance**
 - ⌘ Approving the key municipal appointments**
 - ⌘ Promoting public consultation and participation process**



Action 3. Strengthen the Institutional Capacity for Strategic Planning

- ⌘ Strategic planning should be adopted as the basis for effective coordination**
- ⌘ Urban transport strategic planning should be part of the urban development strategic planning process**
- ⌘ Capacity building is a key challenge for most cities**

Action 4. Establish a Link between Urban Transport Planning and Financing

- ⌘ **Transparency in planning and budgeting would enhance sustainability**
- ⌘ **A prioritization plan for urban infrastructures by sector is needed, and Capital Improvement Plan should be introduced**
- ⌘ **Asset management remains a top priority**
- ⌘ **A fiscally constrained plan for urban transport brings feasibility to the plan**

Action 5. Develop a Sustainable and Transparent Financing Mechanism

- ⌘ Strengthening self-financing discipline of public entities**
- ⌘ Off-budget process should be made transparent in the short term**
- ⌘ In the medium term, property tax and betterment charge should be introduced as reliable local revenues**
- ⌘ Municipal borrowing should be permitted in the medium term, and ground works to strengthen municipal financial management should start now**




Action 6. Develop a Viable Public Transport Industry

- ⌘ A healthy and efficient public transport industry as the centerpiece of sustainable urban transport
- ⌘ Shift of focus from enterprise reform to industry reform
- ⌘ Integration of public transport planning within a broader strategic urban land use and transport framework
- ⌘ Separation of planning responsibilities from those for supply of services
- ⌘ Efficient design of a franchising system
- ⌘ Efficient implementation of the procurement and management of franchised services
- ⌘ Appropriate legal framework for competitively tendered franchising

Outline

- ⌘ **Urban transport problems: dimensions and trends**
- ⌘ **Causes: a diagnostic analysis**
- ⌘ **Priority actions for institutional development**
- ⌘ **The role of the World Bank**



World Bank can be a partner in promoting the Government's sustainable urban transport agenda...

- ⌘ Strengthen collaboration with the national government:**
 - ⌘ Policy dialogue**
 - ⌘ Knowledge and best practice dissemination**
 - ⌘ Formulation of national urban transport strategy**
 - ⌘ GEF Partnership Demonstration Program**
- ⌘ At the city level, support the implementation of new policy initiatives and public transport development**
- ⌘ Increase cross-sectoral work in fiscal reform, municipal infrastructure financing, urban land use management, and metropolitan management**



World Bank can be a partner in promoting the Government's sustainable urban transport agenda...

- ⌘ **Lending operations: give priority to the large cities in the central and western regions**
- ⌘ **Non-lending operations: focus on policy work at the national level, and specific topics for selected cities**
 - ⌘ **FY2006 AAA on public transport policy and TA for public transport industry reform**
 - ⌘ **FY2006 AAA on urban sprawl issues**

THANK YOU

