

**ASIAN DEVELOPMENT BANK**

**TAR:PRC 35419**

**TECHNICAL ASSISTANCE**

(Cofinanced by the Asian Development Bank Technical Assistance Funding Program  
and the Government of Spain)

**TO THE**

**PEOPLE'S REPUBLIC OF CHINA**

**FOR THE**

**TOWN-BASED URBANIZATION STRATEGY STUDY**

**May 2004**

## CURRENCY EQUIVALENTS

(as of 6 May 2004)

Currency Unit	–	yuan (CNY)
CNY1.00	=	\$0.1208
\$1.00	=	CNY8.2768

## ABBREVIATIONS

ADB	–	Asian Development Bank
CSP	–	country strategy and program
FYP	–	five-year plan
NDRC	–	National Development and Reform Commission
PRC	–	People's Republic of China
TA	–	technical assistance

## TA CLASSIFICATION

<b>Poverty Classification</b>	Other
<b>Sector</b>	Water Supply, Sanitation, and Waste Management
<b>Subsector</b>	Water Supply and Sanitation
<b>Thematic</b>	Human Development, Urban Development, and Urban Environment

## NOTES

In this report, "\$" refers to US dollars.

This report was prepared by A. Leung.
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# TOWN-BASED URBANIZATION STRATEGY STUDY IN THE PEOPLE'S REPUBLIC OF CHINA



## I. INTRODUCTION

1. The People's Republic of China (the PRC) has been urbanizing rapidly over the last two decades, largely due to migration of surplus rural labor seeking secondary and tertiary urban employment, and the changing definition of urban areas. The Government has highlighted urbanization as a key policy area in the 10th Five-Year Plan (FYP) (2001–2005) and is continuing to work out strategies, policies, and programs designed to influence the scope and pattern of urbanization.<sup>1</sup> During the 2003 Country Programming Review Mission, the Government reconfirmed its request to the Asian Development Bank (ADB) for technical assistance (TA) to review the PRC's urbanization strategies, focusing on effectively applying the policy of favoring town development.<sup>2</sup> The ADB Fact-Finding Mission visited the PRC in November 2003 and reached an understanding with the National Development and Reform Commission (NDRC) and concerned national ministries on the TA goals, purpose, output, cost estimates, financing plan, and implementation arrangements.<sup>3</sup> The TA framework is in Appendix 1.

## II. ISSUES

2. With rapid economic development and the transition from a command to a market economy, more and more people are moving into urban areas, and, more significantly, large elements of the rural economy are becoming urban. Urban populations increased from 300 million (26% of the total) in 1990 to 481 million (38%) in 2001, and over half the population is expected to be urban well before 2020. These figures underreport the scale and speed of urbanization since many people still counted in the agriculture sector actually work in nonagricultural jobs and are living in urbanizing areas. Urbanization has been driven by the migration of surplus rural labor, expected to number 150 million people over the next 15 years. The PRC sees urbanization as a way to reduce rural-urban inequalities and sustain the country's transition to a market economy.<sup>4</sup> While it can greatly help reduce inequalities because urban productivity is many times higher than agricultural employment, if inappropriately implemented urbanization can severely disrupt not only the lives of the rural poor who must move to urbanizing areas and learn new skills, but also existing urban systems. A wide range of issues such as those related to resettlement, housing, infrastructure, and social services may arise. Much depends on the location, scale, and management of urban growth.

3. To accommodate urban growth, the PRC promotes towns while controlling the growth of large cities. To manage the transition of much of the rural population from agricultural to urban employment and from rural to urban environments, the PRC attempts to channel population movements away from large cities toward smaller settlements. This has been happening over the last decade as the emerging town and village enterprise sector has stimulated growth in some suburban nodes and towns in the hinterlands of major central cities. The scope of this phenomenon has varied across urban areas and from region to region. The most successful towns have been those integrated into growing urban or metropolitan regions. Towns in provinces with underdeveloped urban systems, and those that are geographically isolated, have generally not performed as well.

4. Enterprise reform and restructuring are swelling the ranks of the urban unemployed. Reform of state-owned enterprises and restructuring of town and village enterprises place even greater pressure on local governments to provide jobs and services for a growing low-income

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<sup>1</sup> Preparation of the 11th FYP (2006–2010) is just beginning, and urbanization will be a key topic.

<sup>2</sup> Towns in this report include statutory towns with 50,000–150,000 people.

<sup>3</sup> The TA first appeared in *ADB Business Opportunities* (Internet edition) on 20 January 2003.

<sup>4</sup> Urban incomes are about three times rural incomes.

population. Urbanization will involve construction of new settlements, reconstruction of existing settlements, and major infrastructure programs that may require resettlement. Town development should minimize displacement and dispossession, which are the main causes of urban poverty.<sup>5</sup> Public participation strengthens stakeholder ownership of the urbanization process and should be encouraged.

5. To develop a workable urbanization strategy for towns requires identifying the types of towns with potential to develop economically and attract a significant number of migrants. Such towns might have different physical, environmental, social, and economic characteristics. They may be settlements near large cities or metropolitan areas or along major transport links, or in areas with unique natural resources. The strategy needs to identify towns with development potential and to determine how different types of towns can help achieve national and provincial economic development objectives.

6. Towns require large amounts of capital investment. This has come mostly from national and provincial governments, but their budgets are becoming increasingly restricted. Many towns do not have the capacity to raise sufficient funds on their own. A weak revenue base and increasing expenditures result in the use of various fees that are not transparent and can hinder efforts to attract investors. The emerging market economy creates opportunities for towns to attract private sector investment into housing, industry, infrastructure, transportation, and other sectors, but towns are small and inexperienced. Job creation will be the key to their success, which will increasingly depend on the climate they create for private sector investment. To attract private sector investment towns should develop market-based incentives and price mechanisms tailored to their conditions and capacities. This will be a gradual process since most towns have no experience with such tools, and, for at least the short term, public sector investment will be required to develop the facilities and services required for urbanization. Municipal finance should be effectively planned and managed to ensure sustainable town development.<sup>6</sup>

7. Rapid urbanization will create serious environmental problems. Most settlements of the size being studied lack wastewater collection and treatment infrastructure and the means to properly dispose of solid waste, and new industries could worsen air quality. Not all towns have functioning environmental protection bureaus, so monitoring and enforcement of environmental regulations are inadequate.<sup>7</sup> Joint provision of environmental infrastructure among towns and secondary cities (which would be cost-effective) is rare.

8. For many towns in the hinterlands of major cities, the issue is not stimulating growth. These towns are either already growing rapidly or will do so as their urban regions develop. In other cases, however, towns are not developing to their potential due to lack of funds or expertise, poor links to markets, resources that are not being fully used, and other factors. Towns near large cities, especially, must structure growth to become economically efficient, serviceable at a reasonable cost, and livable. Without a regional approach to guide the development of smaller centers within an urban region, the trends can lead to uncontrolled sprawl and extensive environmental pollution. Practical and effective policy instruments should be established to produce compact, well-served, and well-connected towns while minimizing scattered development. Growth should also be managed and solutions to problems in urban infrastructure, transport, environment, finance, social services, and others explored.

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<sup>5</sup> ADB. 1999. *Technical Assistance to the People's Republic of China for Urban Poverty Study*. Manila.

<sup>6</sup> ADB. 1997. *Technical Assistance to the People's Republic of China for A Study of Municipal Public Finance*. Manila.

<sup>7</sup> ADB has aided environmental monitoring through the Environmental Information Disclosure Program.

9. The ADB Country Strategy and Program (CSP) (2003–2007) supports the PRC's development strategy and is designed to "promote pro-poor economic growth by enabling the poor to have greater access to opportunities and benefits of economic prosperity." The program aims to (i) reduce inequalities, (ii) make markets work better, (iii) improve the environment, and (iv) promote regional cooperation. A workable urbanization strategy, particularly for the poor towns, can significantly promote pro-poor economic growth. For many years ADB has had an active urban sector program largely to build specific infrastructure and transport projects in large urban areas and to improve the urban environment. ADB's program has only recently begun to directly address the problems of towns.<sup>8</sup> This TA, which will cover urbanization in towns in a broad context and at a policy level, is in line with the goals of the CSP and will help the Government develop the economy and reduce poverty.<sup>9</sup>

10. The urban sector has received considerable assistance from other multilateral and bilateral development partners. The World Bank is studying urbanization policies, including three case-study provinces—Henan, Sichuan, and Zhejiang. The World Bank, Japan International Cooperation Agency (JICA), Kreditanstalt für Wiederaufbau (KfW), United Kingdom Department for International Development, and others have supported water supply and wastewater treatment projects in many large cities, as well as more comprehensive urban environmental projects. The TA will be implemented in close collaboration with the World Bank and other partners to ensure that the TA output will complement their work.

### III. THE TECHNICAL ASSISTANCE

#### A. Purpose and Output

11. The purpose of the TA is to help the Government strengthen its urbanization strategies, with a focus on establishing sound town development approaches. The goal is to achieve patterns of urban settlement that contribute to efficient growth, poverty reduction, and improved urban environmental quality.

12. The expected TA outputs include (i) two provincial case studies for immediate use by the provinces to formulate and implement town development strategies and provide ideas for outputs (ii) and (iii); (ii) an analysis of the problems in applying national and provincial town development policies, culminating in identifying policy barriers; and (iii) recommendations for change, including international best practices, process guidelines for town planning, and approaches to attracting investment, including from the private sector, in town development. The two case studies will be models for developing town-based urbanization strategies in other parts of the country by documenting, and analyzing the reasons for, the success stories.

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<sup>8</sup> ADB. 2002. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of China for Hebei Province Wastewater Management*. Manila (Loan 1985-PRC, for \$82.36 million), approved on 19 December 2002, and the proposed Henan wastewater management project and Shandong Hai River basin pollution control project which are included in the PRC country program for 2004 and 2005 respectively, are all focused on small cities and towns in the Hai River basin.

<sup>9</sup> The TA is a potential candidate for partnership with the City Alliance, of which ADB is a member. The organization is a global alliance of cities and their development partners committed to improve the living conditions of the urban poor through advocacy and promotion of specific actions to (i) promote pro-poor city development strategies, and (ii) develop citywide and nationwide slum-upgrading programs. ADB is processing a second regional TA for its participation in the alliance.

## **B. Methodology and Key Activities**

13. The TA will consist of three parts: A—formulating strategic urbanization models based on the two provincial case studies, B—analyzing problems in applying existing policies, and C—recommending policy changes.

14. Under part A, the consultants will design and carry out two provincial case studies. Using two provinces with different histories and patterns of urbanization, the consultants will document the pattern of urban settlement in the province, identify towns with potential to develop economically and absorb migrant labor, and assess policy instruments that can support these processes. The provinces chosen for study are Liaoning, in the northeast, with an old and deteriorating industrial base and high unemployment; and Shanxi, in the central region, with an economy based on secondary industry and coal.<sup>10</sup> Both are among the slower-growing provinces economically and face social and environmental problems resulting from enterprise reform and industrial restructuring.

15. Under part B, the consultants will (i) review and assess national and provincial data on urbanization conditions and trends; (ii) review and assess existing government policies and programs to influence patterns of urban development; (iii) analyze problems in the design and implementation of existing policies, including planning, financing, institutional arrangements, and town management; and (iv) identify policy barriers to effective urbanization and development of towns.

16. Under part C, the consultants will (i) collect and present international best practices in the field of channeling growth to secondary centers; (ii) identify policy instruments that are workable in a market economy; (iii) identify the types of towns that should be considered as priorities; (iv) develop process guidelines for town planning and development management, including guidelines for public participation in planning; (v) analyze problems in attracting investment, including from the private sector, to towns and suggest ways to overcome these problems; and (vi) based on the analyses of part B and what was learned from the case studies, propose policy changes to overcome the barriers identified, and an implementation strategy to make the changes.

## **C. Cost and Financing**

17. The total cost of the TA is estimated to be \$1,000,000 equivalent, of which \$500,000 is the foreign exchange cost and \$500,000 equivalent is the local currency cost. The Government has requested ADB to finance \$750,000 equivalent, covering the entire foreign exchange cost and \$250,000 equivalent of the local currency cost. The TA will be financed on a grant basis by the Government of Spain (\$500,000) and ADB's TA funding program (\$250,000). The Government has agreed to provide the balance of the local currency cost, equivalent to \$250,000, for counterpart staff, office space, furniture, and administrative support. Details of the cost estimates and financing plan are in Appendix 2.

## **D. Implementation Arrangements**

18. NDRC will be the TA Executing Agency and provide policy guidance, facilitate interagency coordination, and resolve any institutional problems. NDRC will appoint a senior

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<sup>10</sup> ADB is processing loans in each of these provinces: Coal-Bed Methane-Greenhouse Gas Abatement Project in Shanxi, and Liaoning Environmental Improvement Project (pollution control).

officer as project manager, assisted by other qualified counterpart staff, and assign two professional staff to help the consultants in Beijing. NDRC will assure the cooperation of the case-study provinces in working with the consultants and facilitating their work. If necessary, NDRC will also assure the participation of other relevant ministries, including the ministries of finance, construction, and lands and resources; and the State Environmental Protection Agency during TA implementation. Office space and facilities will be provided in Beijing by NDRC, and in the two provinces by the provincial planning commissions.

19. The TA will be implemented over 8 months, from April to December 2004. The total input of the consultants is estimated at 53 person-months (16 person-months international, 37 person-months domestic). The international consulting team will provide a team leader with broad experience in all aspects of the urban sector, and a total of four specialists in urban economics, social development/poverty reduction, urban infrastructure, and municipal finance. The domestic team will include a deputy team leader with expertise in urban planning and a total of eight specialists in urban development, urban economics, social analysis and assessments, environmental management, transportation planning, institutional analysis, and municipal finance. Two of the consultants on the domestic team will be recruited in the case-study provinces. The consultants will be engaged through a firm in accordance with ADB's *Guidelines on the Use of Consultants* based on the quality-based selection method and other arrangements satisfactory to ADB for the engagement of domestic consultants. The selection method is considered appropriate for this TA because the assignment is a high-impact national policy and sector study, which can be carried out in substantially different ways, and the value of the consulting services depends on the quality of the analysis. ADB's full technical proposal approach will be used to select and engage the consultants. The consultants will procure TA equipment in accordance with ADB's *Guidelines for Procurement*. The consultants' outline terms of reference are in Appendix 3.

20. The consultants will submit an inception report within 1 month of commencing the services, an interim report including the two provincial case studies (part A) and the analysis of policy problems (part B) after 5 months, a draft final report including recommendations for change (part C) after 7 months, and a final report after 8 months. All reports will be translated into Chinese. The results of the study will be disseminated in part through a series of seminars, workshops, and training sessions in Beijing and in the case-study provinces. Training may also include participating in international and national conferences and seminars. An inception workshop is expected to be held in Beijing, one workshop in one of the two case-study provinces, and one final national workshop.

#### **IV. THE PRESIDENT'S DECISION**

21. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$500,000 to be financed on a grant basis by the Government of Spain, and (ii) ADB providing the balance not exceeding the equivalent of \$250,000 on a grant basis, to the Government of the People's Republic of China for the Town-Based Urbanization Strategy Study, and hereby reports this action to the Board.

## TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p><b>Goal</b></p> <p>Patterns of urban settlement and development that contribute to efficient growth, poverty reduction, and improved urban environmental quality in the People's Republic of China (the PRC)</p>	<p>Development and adoption of practical and achievable national policy instruments to be used by local governments to influence urbanization patterns, particularly town development</p>	<p>Structured monitoring system using published government statistics and special studies</p> <p>The PRC reviews of policy effectiveness</p> <p>The PRC/Asian Development Bank (ADB) policy dialogues</p>	<p>Capacity and political will to put in place appropriate policy instruments</p> <p>Institutional capacities of towns and willingness to provide them with sufficient authority to plan and control development</p> <p>Capacity of municipal government to retain and exercise regional planning and control levers</p>
<p><b>Purpose</b></p> <p>Strengthen the Government's urbanization strategies, focusing on sound town development</p>	<p>Application of town-based urbanization policy instruments by the two case-study provinces to plan and develop towns as engines of growth in the near term (2–3 years) and nationally in the longer term (3–5 years)</p>	<p>Structured monitoring system using published government statistics and special studies:</p> <ul style="list-style-type: none"> <li>• Urban demographic and economic growth rates by geographic sector (central city, suburbs, secondary cities, towns, and rural areas)</li> <li>• Changes in poverty and unemployment rates by geographic sector</li> <li>• Changes in measures of environmental quality</li> </ul> <p>Policy updates from discussions with the PRC counterparts and other sources</p> <p>ADB missions and reports</p>	<p>Willingness to devote resources to a structured monitoring system for a long time</p> <p>Sufficient financial resources to fund investments to support urbanization</p> <p>Capacity to fund the services and facilities required for the social development of towns</p>

<b>Design Summary</b>	<b>Performance Indicators/Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
<p><b>Outputs</b></p> <p>Two provincial case studies that are of immediate use by the provinces and provide ideas for the other outputs below. The models can be adapted to other provinces.</p> <p>An analysis of the problems in applying national and provincial policies for town development, culminating in identifying policy barriers</p> <p>Recommendations for change, including international best practices, process guidelines for town planning, suggested approaches to attracting investment into town development strategy</p>	<p>Case study reports that address unique problems of the two provinces and permit generalization to national policy level</p> <p>Consideration of the range of relevant policies and sound analysis of their impact on town urbanization</p> <p>Reports useful at town, provincial, and national levels; international practices from a range of countries; comprehensive process guidelines that illustrate understanding of town conditions</p>	<p>Assessment of findings and recommendations by central, provincial, and local government departments and agencies</p> <p>ADB review missions, and progress and completion reports</p>	<p>Sufficient interest on the part of the case-study provinces to devote human and monetary resources to the studies</p> <p>Willingness of the two provinces to make difficult decisions about priorities and tradeoffs</p> <p>Willingness of key ministries to devote staff to work with the consultants</p>
<p><b>Activities</b></p> <p>Review of urbanization trends</p> <p>Review and assessment of government policies and programs to influence patterns of urban development</p> <p>Collection and presentation of international best practices to channel</p>	<p>Time series and sector coverage (physical, economic, social, environmental) are adequate and broken down by central city, suburb, secondary city, town, and rural area.</p> <p>Assessment covers economic, social, environmental, and financial policies and programs; and analyzes effectiveness.</p> <p>Material comes from a variety of countries and is assessed for likely applicability to the PRC.</p>	<p>Government and ADB review of reports</p> <p>Overall ADB assessment of TA</p> <p>Assessment of TA by the PRC and two provinces</p> <p>Survey of participants in training program</p>	<p>Complete and adequate data available</p> <p>Difficulties in devising policies that can apply across such a large and diverse country</p> <p>Willingness to participate actively in training programs</p>

<b>Design Summary</b>	<b>Performance Indicators/Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
<p>growth to towns</p> <p>Intensive study of the two case-study provinces, resulting in two conceptual urbanization models</p> <p>Analysis of problems in the design and implementation of existing policies, including planning, financing, and institutional arrangements</p> <p>Identification of policy barriers to effective urbanization and town development</p> <p>Identification of policy instruments that are workable in a market economy</p> <p>Identification of the types of towns that should be considered priorities</p> <p>Development of process guidelines for town planning</p> <p>Analysis of problems in attracting investment to towns, and suggestion of ways of overcoming these problems</p> <p>Proposal of policy changes to overcome the barriers identified</p> <p>Development of an implementation strategy to make recommended policy changes</p>	<p>Reports reflect unique situations in each province, and are comprehensive, and useful in the short term.</p> <p>Analysis is based on solid understanding of current policies, and stresses financial and institutional aspects.</p> <p>Instruments are workable.</p> <p>Guidelines are useful to local planners.</p> <p>Reports are realistic, and include suggestions that local and provincial officials can effectively implement.</p> <p>Proposed changes are feasible and will have significant impact.</p>		

<b>Design Summary</b>	<b>Performance Indicators/Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
Training and workshops to disseminate findings	A substantive and successful training program is delivered, as assessed by the PRC and participants.		
<b>Inputs</b>  TA budget  ADB and Government of Spain financing  Counterpart financing  International consulting services  Domestic consulting services	\$1,000,000  \$750,000  \$250,000  16 person-months  37 person-months		

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Asian Development Bank and the Government of Spain Financing<sup>a</sup></b>			
1. Consultants			
a. Remuneration			
i. International Consultants	300.0	0.0	300.0
ii. Domestic Consultants	0.0	130.0	130.0
b. Per Diems			
i. International Consultants	45.0	0.0	45.0
ii. Domestic Consultants	0.0	20.0	20.0
c. International Travel	40.0	0.0	40.0
d. Local Travel	0.0	20.0	20.0
2. Reports and Communications	10.0	15.0	25.0
3. Equipment <sup>b</sup>	13.0	0.0	13.0
4. Training and Workshops <sup>c</sup>	25.0	40.0	65.0
5. Maps, Data, and Satellite Images	10.0	0.0	10.0
6. Miscellaneous Administration and Support Costs <sup>d</sup>	2.0	5.0	7.0
7. Representatives for Contract Negotiations	5.0	0.0	5.0
8. Contingencies	50.0	20.0	70.0
<b>Subtotal (A)</b>	<b>500.0</b>	<b>250.0</b>	<b>750.0</b>
<b>B. Government Financing</b>			
1. Office Accommodation	0.0	80.0	80.0
2. Remuneration of Counterpart Staff	0.0	80.0	80.0
3. Transportation <sup>e</sup>	0.0	50.0	50.0
4. Others	0.0	40.0	40.0
<b>Subtotal (B)</b>	<b>0.0</b>	<b>250.0</b>	<b>250.0</b>
<b>Total</b>	<b>500.0</b>	<b>500.0</b>	<b>1,000.0</b>

<sup>a</sup> Cofinanced by the Government of Spain (\$500,000) and the Asian Development Bank's technical assistance funding program (\$250,000).

<sup>b</sup> Equipment to be purchased includes two notebook computers, printer, scanner, and one facsimile machine.

<sup>c</sup> Workshop expenses could include transport and per diem costs for a resource person, staff, and participants. Training may include international and national conferences and seminars relevant to the scope of the technical assistance.

<sup>d</sup> Includes interpretation.

<sup>e</sup> Transportation in the two case-study provinces.

Source: ADB estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTING SERVICES

1. The technical assistance (TA) will have three distinct but related parts: A—formulation of strategic urbanization models based on two provincial case studies, B—analysis of problems in applying existing policies, and C—recommendations for change. Major tasks for each of these components are outlined below.

### A. Formulation of Strategic Urbanization Models Based on Two Provincial Case Studies

2. The consultants will undertake the following tasks:

- (i) Hold a wide range of consultations with provincial ministries whose mandates are closely related to management of urbanization to understand the provincial government's urbanization goals, objectives, and priorities and to document its current policies and programs designed to influence urbanization patterns. In particular, the consultants will document and assess the province's approach to town growth. The Planning Commission, and bureaus of construction, finance, environmental protection bureau, lands and resources, communications, and labor will be consulted.
- (ii) Interview selected municipal officials to ascertain their development objectives and understanding of provincial and national urbanization policies.
- (iii) Document, and analyze the reasons for, success and failure in provincial/municipal attempts to stimulate town development.
- (iv) Collect and analyze provincial and municipal data to understand urbanization trends over the last 10 years, by central city, suburb, secondary city, town, and rural area. Include demographic, economic, social, and environmental variables. Procure and analyze satellite images of major urban areas. Use the data and analyses to document the spatial distribution of urban population and economic activities. Analyze the structure of major urban areas and identify key issues.
- (v) Analyze the factors affecting the distribution of population and economic activity, including comparative advantages of various localities, types and locations of public expenditures, spatial distribution of urban infrastructure, environmental conditions, transportation networks, and others.
- (vi) Assess the impact of enterprise reform in the province on unemployment, poverty, and towns' prospects.
- (vii) Document the status of the province's *hukou* registration system<sup>1</sup> and analyze its impacts on migration and living conditions of rural migrants. Assess provincial plans to modify the system and their implications for towns.
- (viii) Assess the scale and location of urban poverty and the scale of rural migration into urban areas. Compare living conditions of urban residents and rural

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<sup>1</sup> Hukou is a resident registration system in the People's Republic of China. All residents are assigned either an "urban" or "rural" hukou, usually based on their location of long term residency.

migrants. Propose strategies to reduce urban poverty and help rural people who migrate to urban areas.

- (ix) Generally evaluate environmental conditions and trends in the province's towns, including capacities to provide water, collect and treat wastewater and solid waste, and control air pollution. Discuss the impact of urbanization on environmental conditions and trends and on required levels of investment in infrastructure.
- (x) Assess the impact of urbanization on resettlement and how to address it in town development strategies.
- (xi) Using as inputs the provincial policies and programs from (i), and international best practices developed under part C, identify and assess policy instruments that could be effective. These might include those for economic development, municipal finance, infrastructure provision, environmental protection, social security, and urban management, among others.
- (xii) Develop and analyze scenarios comparing the status quo with likely impacts of various combinations of policy instruments.
- (xiii) Identify major factors influencing the successful development of towns and the reasons people choose to move there: for example, transportation links to the central city, quality of urban infrastructure, industrial structure, quality of social services and social safeguard measures, attention to the quality of the urban environment, and local management capacities.
- (xiv) Prioritize towns in terms of their capacity to develop and potential to attract significant numbers of rural migrants. Identify a number of towns for initial efforts.
- (xv) Develop a program of interventions designed to favor town development, including policy initiatives, pilot projects, investments, and TA. Assess current and expected demand for town infrastructure and services to support the program, and broadly estimate financing requirements. Identify financing sources to support the program.
- (xvi) Assess the institutional capacities—provincial and municipal—to develop and apply a program for town development.
- (xvii) Analyze the implications for municipal finance of a program of town development, including municipal, district, town, and county fiscal resources and expenditures. Assess the likelihood of provincial and national funding.
- (xviii) Develop case-study reports for each province for its government and provide input to parts B and C.

## **B. Analysis of Problems in Applying Existing Policies**

3. The consultants will undertake the following tasks:

- (i) Hold a wide range of consultations with national ministries whose mandates are closely related to urbanization management to understand the Government's

urbanization goals, objectives, and priorities, and to document policies and programs designed to influence urbanization patterns. In particular, the consultants will document and assess the Government's approach to favoring town growth. The National Development and Reform Commission (NDRC); State Environmental Protection Agency; and ministries of construction, finance, lands and resources, communications, and labor will likely be consulted.

- (ii) Collect and analyze data over 10 years, on national, provincial, regional, and municipal scales, to understand broad urbanization conditions and trends across the country. Include economic, demographic, social, and environmental variables. Discuss the findings for each province and each major urban region (e.g., Yangtze Delta, Pearl River Delta).
- (iii) Document and evaluate national urbanization policies and programs. Assess the degree to which they have been applied and whether regional differences have been taken into account in their application. Assess their comprehensiveness: Do they consider economic, social, and environmental factors? Evaluate the adequacy of resources and identify which level of government is providing them.
- (iv) Document and assess national intentions to change the hukou system and the likely implications of such change on (a) the scale and type of rural to urban migration; (b) living conditions of rural migrants now living in urban settlements; and (c) impacts on towns' expenditures in areas such as social security, social services, and environmental infrastructure.
- (v) Assess national policies related to national, provincial, and municipal financial arrangements, including assignment of various types of revenues and allocation of expenditure responsibilities. Discuss the opportunities for, and/or constraints on, towns to finance urbanization, as a result of these policies. Suggest approaches to develop an enabling environment to attract private sector investments in town development.
- (vi) Identify and discuss the tradeoffs implicit in the policy of favoring towns and controlling the growth of large cities. The tradeoffs may be between economic efficiency, regional balance, migrant settlement, social concerns, environmental protection, and other factors.
- (vii) Identify problems in the design and implementation of existing policies, including planning, financing, quality of town management, and institutional arrangements.
- (viii) Identify the most significant policy barriers to effective urbanization and development of towns.

## **C. Recommendations for Change**

4. For this component, the consultants will undertake the following:

- (i) Collect and assess international best practices in developing selected urban places—towns, secondary cities, satellite cities, urban areas in underdeveloped regions, isolated cities, and others. Choose examples from a variety of developed and developing countries. Assess the degree to which these practices have met with success and why. Evaluate the degree to which they address the

People's Republic of China (the PRC) urbanization issues and their "fit" with the PRC institutional and legal frameworks. Include international practice in favoring public participation in planning. Develop a report on these practices in a format useful to PRC governments.

- (ii) Collect and assess best practices of town development within the PRC. Choose examples from various provinces and evaluate why such practices succeed. Incorporate the findings in developing the planning guidelines in (iii).
- (iii) Develop process guidelines for town planning and development covering land-use patterns and intensity and considering (a) requirements for sound town development; (b) environmental impacts of the development of a number of towns in an urban area, including impacts on water use, water quality, and the conversion of agricultural land to urban uses; (c) priority infrastructure and transportation requirements; (d) institutional and financial implications; (e) managing growth and planning investments as a function of forecasted growth and demand for public services; and (f) approaches for integrating public participation into the planning process.
- (iv) Assess the roles of the public and private sectors in town development and analyze how these roles will change. Discuss how market-based incentives and price mechanisms can help towns attract private investment and shape development of infrastructure, transportation, housing, commercial development, industries, etc.
- (v) Document, and analyze the reasons for, towns' difficulties in attracting investment (domestic and foreign). Identify sectors where such investment will be most crucial to town economic development. Based on an understanding of private sector investors' criteria for making decisions, suggest ways that towns (and their provincial governments) can become more attractive to investors.
- (vi) Using the provincial case studies (part A), the results of (i), and other studies and reports on urbanization in the PRC, recommend national and provincial policy changes to overcome barriers to town development. The strategy should (a) remain largely at the level of policy instruments and identify and combine instruments that will have the greatest desired impact on the issues; (b) provide an integrated approach to questions of population distribution, economic efficiency, poverty reduction, land use, delivery of social services, environmental protection, institutional arrangements, and financing capacities; and (c) reflect the varying conditions and trends in different provinces/regions.
- (vii) Assess the institutional and financial implications of the proposed policy changes for national, provincial, and local governments. Recommend institutional changes that may be necessary if the changes are to be implemented.
- (viii) Develop an implementation strategy for making the proposed policy changes.

#### **D. Reporting, Workshops, and Training**

5. The TA will have four final outputs: (i) a case study of province A, (ii) a case study of province B, (iii) an analysis of the problems in the application of national and provincial policies directed toward town development, and (iv) recommendations for change.

6. The consultants will submit an inception report within 1 month of commencing the services, an interim report including the two provincial case studies (part A) and the analysis of policy problems (part B) after 5 months, a draft final report including recommendations for change (part C) after 7 months, and a final report after 8 months. The consultants will submit three English copies of each report to the ADB and one to National Development and Reform Commission (NDRC), and will submit Chinese copies to NDRC: inception report (9 copies), interim report (9), draft final report (12), and final report (12).

7. The consultants will also produce a brief project overview describing the conduct of the study, listing the major findings and recommendations, and explaining the importance of each of the four reports, and a short (less than five pages) summary of the major findings and recommendations for top government officials.

8. In consultation with NDRC, the consultants will undertake the following for training, and dissemination of the TA findings: an inception workshop in Beijing, one workshop in one of the case-study provinces, and one final national workshop. The workshops in the provinces should include nongovernment organization representatives. The consultants will also help NDRC identify international and/or national conferences or seminars relevant to the TA topic for government officials who are directly involved in town development.