China, People’s Republic of: Hebei Small Cities and Towns Development Demonstration Sector Project

### Project Name
Hebei Small Cities and Towns Development Demonstration Sector Project

### Project Number
40641-013

### Country
China, People’s Republic of

### Project Status
Closed

### Project Type / Modality of Assistance
Grant

### Source of Funding / Amount
- Grant 0171-PRC: Hebei Small Cities and Towns Development Demonstration Sector Project
  - Multi-Donor Trust Fund under the Water Financing Partnership Facility
  - Loan 2574-PRC: Hebei Small Cities and Towns Development Demonstration Sector Project
  - Ordinary capital resources

- US$ 250,000.00
- US$ 100.00 million

### Strategic Agendas
- Environmentally sustainable growth
- Inclusive economic growth

### Sector / Subsector
- Energy
  - Energy utility services
- Water and other urban infrastructure and services
  - Urban policy, institutional and capacity development
  - Urban sewerage
  - Urban solid waste management
  - Urban water supply

### Gender Equity and Mainstreaming
Some gender elements

### Description
The impact of the Project is sustained socioeconomic growth and improved health and living conditions in small cities and towns in Hebei province. The outcome of the Project is improved infrastructure, environmental protection, and employment generation in small cities and towns in Hebei province. The Project focuses on supporting sustainable urban development and consists of a number of sector interventions primarily targeted to support industrial development, tourism, job creation, and environmental protection. The main sectors are water and wastewater, solid waste management, upgrading and greening of rivers, and district heating. The project involves (i) increases in the capacity to supply potable water and coverage of distribution networks, and provision of sewerage systems associated with wastewater treatment facilities; (ii) river and lake improvement works to reduce the risk of seasonal flooding and increase the capacity to impound water for industrial, irrigation, and other uses; (iii) provision of modern solid waste collection equipment, development of engineered waste disposal sites, and strengthening of operational management; and (iv) provision of centralized heating plants and the associated heat distribution networks.

The Project will seek to develop approaches and solutions to problems that can be replicated in urban centers throughout the province and may be used to demonstrate to other provinces across the PRC how to formulate planning strategies and implement programs in support of structured development of small cities and towns.

### Project Rationale and Linkage to Country/Regional Strategy
The Government of the PRC is committed to developing small cities and towns as a way to foster economic growth, generate employment, and narrow the rural-urban income gap. The growth of small cities and towns creates economic opportunities for the rural poor, who are attracted to alternative incomes in urban areas. This is the key to realizing the PRC’s vision of a harmonious society, in which the benefits of economic growth are shared more equitably. The PRC’s 11th Five-Year Plan (FYP) 2006-2010 identifies small city and town development as a means to provide a higher standard of living to rural migrants through improved basic urban infrastructure services. Building on the conclusions of the 2004 ADB-financed Town-Based Urbanization Strategy Study, the national town development policy calls for strengthening physical and economic linkages between major cities in metropolitan areas or development corridors and the smaller settlements at their periphery. Hebei’s industrial structure is dominated by traditional capital-intensive resource-processing industries that are state-owned, generate limited employment, and are heavy polluters. It has remained a largely underdeveloped province, with limited economic, social, technological, or political linkages with Beijing and Tianjin, despite proximity to these major cities. Hebei suffers from undeveloped urban-rural linkages, underinvestment, weak urban management, and significant deterioration of the natural environment, including the depletion of water resources. The challenge is to improve infrastructure service delivery, safeguard the environment, and improve local living conditions to achieve sustainable development that balances economic growth, social advancement, and environmental recovery. Addressing these challenges will require integrated and coordinated policy and infrastructure interventions in various sectors. Hebei’s Social and Economic Development 11th FYP 2006-2010 calls for developing a more balanced urban system through the growth of medium-sized cities that can serve as economic centers for surrounding towns. County-level cities and towns, in turn, are expected to enhance their economic integration with rural areas that depend primarily on agriculture. In this respect, town and county-level city development contributes directly to the provincial objective of promoting integrated rural and urban development. The main constraint on town development is inadequate urban infrastructure and services, according to the Hebei Urban Construction 11th FYP 2006-2010. Towns need more reliable and sustainable water supply and energy services to attract private sector investments that can create jobs and attract migrants. At the same time, improved wastewater and solid waste disposal is necessary to mitigate the environmental impacts of rapid economic growth and improve living conditions for local residents. Hebei’s town development challenge therefore combines promoting economic growth with improving the urban environment and urban management and governance capacity. To help small cities and towns fulfill their economic potential and enable a more harmonious form of development, the Project will facilitate the delivery of improved environmental infrastructure and municipal services to (i) attract investment, especially in labor-intensive industries and services; (ii) provide a decent urban environment to residents by substituting energy-efficient centralized heating for household coal burning, collecting and treating wastewater before discharge into the environment, and introducing sanitary practices and recovery of recyclables in solid waste management; (iii) strengthen urban management capacity in planning, implementation, and operation; and (iv) extend the benefits of growth to all residents by improving the coverage and quality of basic municipal services to households across the socioeconomic spectrum. The Project directly contributes to the continuing efforts of HPG to support socioeconomic development that balances economic growth, social advancement, and environmental recovery in the context of sustainable development. The Project is consistent with ADB’s strategic objectives in the PRC to make markets work more efficiently through infrastructure development and to promote environmental sustainability. By supporting sustainable development integrating urban and rural areas, the proposed Project supports ADB’s long-term strategic framework 2008-2020 (Strategy 2020) and country partnership strategy for the PRC (2008-2010) by promoting efficient infrastructure, strengthening environmental management, and supporting inclusive growth and balanced development to help the Government build a xiakang (moderately well-off) society. The Project will develop markets and create jobs by supporting urbanization and improving investment potential in towns, while protecting the environment.

### Impact
Improved urban environment and improved public health and quality of life for the residents of small cities and towns in Hebei Province.
Improved urban infrastructure and municipal services in about 10 small cities and towns in Hebei Province.

Baigou, Bazhou, Botou, Botou Shi, Caobu, Dashiqiao, Huai'an Xian, Huanggezhuang, Jiaochangzhuang, Longhua, Longtoushan,

Of the total beneficiary population of the Project, 0.4% are ethnic minority peoples in the three core subproject towns. To meet the requirement of the ADB requirements. The Project is expected to generate substantial environmental benefits. Wastewater treatment will reduce pollutant discharges to rivers and groundwater. River improvement will strengthen flood protection, reducing economic loss and public health hazards from flooding. Centralized heating will improve energy efficiency, eliminate a considerable number of small and inefficient boilers, and reduce the quantity of coal used, reducing greenhouse gas emissions. This Project will have positive effects on climate change, thereby supporting PRC and ADB climate change initiatives. The Project is expected to have no adverse impacts during construction or operation, as mitigation and monitoring plans are in place and the environmental management and institutional capacities of the PMOs and IAs are strengthened by establishing environmental management offices and undertaking a training program and an environmental management planning. To manage risk, the Hebei PMO will ensure (i) extensive training in environmental management; (ii) the engagement of qualified project implementation consultants; and (iii) appropriate arrangements for project implementation, monitoring, and mitigation, with ADB conducting project reviews. The Project supports climate change adaptation including (i) incorporation of climate change issues, such as energy efficient measures, in urban master plans; (ii) comprehensive water management, such as long-term water availability forecasting for new development areas and adopting comprehensive water balance measures during project implementation; (iii) sustainable wastewater and solid waste management including sludge digestion and biogas extraction; and (iv) promotion of clean energy for more efficient central heating.

Status of Implementation Progress (Outputs, Activities, and Issues)

All subprojects are completed and there are no major issues. The EA is preparing the project completion report which will be submitted to ADB before the end of October 2016. The project completion review mission is tentatively scheduled in Q4, 2016. The project completion report will be prepared accordingly.

Geographical Location

Baigou, Bazhou, Botou, Botou Shi, Caobu, Dashiqiao, Huai’an Xian, Huanggezhuang, Jiaochangzhuang, Longhua, Longtoushan, Luzhangzi, Nanbaishezhen, Nanpi, Nanpi Xian, Pingquan, Pingquan Xian, Shengfang, Shifosi, Shizhuang, Weichang, Weichang Manzu Mengguzi Zidouz, Yihexia, Zhangbei, Zhao Xian, Zhemding, Zhiou Xian

Safeguard Categories

Environment: A
Involuntary Resettlement: A
Indigenous Peoples: C

Summary of Environmental and Social Aspects

Environmental Aspects

The Project is classified as environmental category A. Extensive public consultations involving surveys, meetings with stakeholders, and focus group discussions were undertaken during project preparation. An EIA of the Project was conducted based on the EIAs prepared for the three core subprojects. An SEIA has been prepared and circulated to the ADB Board of Directors and was posted on the ADB website on 2 December 2008. An environmental assessment and management framework (Supplementary Appendix V) was prepared as an instruction manual to assist the Hebei PMO, subproject PMOs, IAs, and local design institutes in the preparation and review of EIAs and environmental management plans for subsequent subprojects according to ADB requirements. The Project is expected to generate substantial environmental benefits. Wastewater treatment will reduce pollutant discharges to rivers and groundwater. River improvement will strengthen flood protection, reducing economic loss and public health hazards from flooding. Centralized heating will improve energy efficiency, eliminate a considerable number of small and inefficient boilers, and reduce the quantity of coal used, reducing greenhouse gas emissions. This Project will have positive effects on climate change, thereby supporting PRC and ADB climate change initiatives. The Project is expected to have no adverse impacts during construction or operation, as mitigation and monitoring plans are in place and the environmental management and institutional capacities of the PMOs and IAs are strengthened by establishing environmental management offices and undertaking a training program and an environmental management planning. To manage risk, the Hebei PMO will ensure (i) extensive training in environmental management; (ii) the engagement of qualified project implementation consultants; and (iii) appropriate arrangements for project implementation, monitoring, and mitigation, with ADB conducting project reviews. The Project supports climate change adaptation including (i) incorporation of climate change issues, such as energy efficient measures, in urban master plans; (ii) comprehensive water management, such as long-term water availability forecasting for new development areas and adopting comprehensive water balance measures during project implementation; (iii) sustainable wastewater and solid waste management including sludge digestion and biogas extraction; and (iv) promotion of clean energy for more efficient central heating.

Involuntary Resettlement

The scope of the Project impact is determined mainly by the results of the measurement surveys as part of the feasibility study reports. The physical and economic displacements identified show that the construction of the three core subprojects will affect 37 households or 196 people with permanent land acquisition, 30 households or 137 people with the demolition of residential structures, and four small shops with 13 employees. In total, 173 mu, or 11.5 hectares (ha), of land will be acquired permanently, 162 mu, or 10.8 ha, of which is cultivated land. Along with land acquisition, 582 square meters (m2) of residences and 624 m2 of other buildings will be demolished, affecting 30 households and 137 people and relocating four small shops with 13 employees. In addition, associated productive assets, ground attachments, and basic infrastructure and facilities will also be affected.

The resettlement plan and compensation for permanent land loss is based on Document 28: State Council Decision to Deepen Reform and Strictly Enforce Land Administration of October 2004, the Land Administration Law of the People’s Republic of China of 1998 (updated in 2004), and the Hebei Provincial Implementation Regulation of Land Administration Law of 1999. The resettlement plan and compensation for demolished buildings is based on national, provincial, and municipal urban housing administration regulations. Consultations with local governments and affected people and general practice in Zhengding, Zhaoxian, and Bazhou guided the adoption of a set of compensation standards by city project management offices (PMOs) and implementing agencies (IAs).

Indigenous Peoples

Of the total beneficiary population of the Project, 0.4% are ethnic minority peoples in the three core subproject towns. To meet the requirement of the sector loan modality, and according to ADB’s Operations Manual F3 on Indigenous Peoples, an ethnic minority development framework has been prepared for the noncore subprojects.

Stakeholder Communication, Participation, and Consultation

During Project Design

Extensive consultation was carried out during project processing phase. Stakeholder analysis was conducted during the poverty and social assessment. Various methods and approaches were employed, including participatory rural assessment, a socioeconomic sample survey of 400 households, four stakeholder consultation meetings and workshops, 15 focus group discussions, and 14 key informant interviews. The poverty and social assessment identified vulnerable groups and opportunities for pro-poor interventions and recommended social action measures and participation and mitigation plans to achieve social benefits. The poverty and social assessment indicates that rapid urbanization confronts Hebei Province with such development issues as the inadequate availability of public services for growing populations and severe air, river, groundwater, and solid waste pollution. The Project aims to address these issues and meet the demands of the residents by improving water supply, wastewater and solid waste collection and treatment, heating systems, and river management.

During Project Implementation

Consultation will be continued during project implementation.
Business Opportunities

Consulting Services
The Project includes provision for funding for 154 person-months of international and national consulting services to support the Hebei PMO, city and town PMOs, and IAs in project implementation and management and institutional capacity development. A consulting firm will be engaged in accordance with ADB’s Guidelines on the Use of Consultants (2007, as amended from time to time) using the standard quality- and cost-based selection method (80% quality and 20% cost) and simplified technical proposal. The consulting services will cover project management, implementation support, and institutional strengthening of the Hebei PMO, city and county PMOs, and IAs. Capacity development for the PMOs and IAs will be achieved through consultant inputs; training courses by specialized institutes and firms; in-country and/or overseas study visits; and the acquisition of training equipment financed from the loan.

Procurement
Goods, works, and services for completion of various components including solid waste transfer stations, heating stations, wastewater treatment plant, water source and treatment plant, heating pipeline, wastewater network etc. will be procured in accordance with ADB’s Procurement Guidelines (2007, as amended from time to time). International competitive bidding, national competitive bidding, or shopping procedures will be used for procurement depending on the circumstances of each contract package.

Grant 0171-PRC

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Loan 2574-PRC

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