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

## Project Number
42382-013

## Country
China, People's Republic of

## Project Status
Closed

## Project Type / Modality of Assistance
Grant Loan

## Source of Funding / Amount
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<th>Description of Outcome</th>
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<td>US$ 250,000.00</td>
<td>Multi-Donor Trust Fund under the Water Financing Partnership Facility</td>
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<td>US$ 100.00 million</td>
<td>Loan 2550-PRC: Liaoning Small Cities and Towns Development Demonstration Sector Project</td>
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## Strategic Agendas
- Environmentally sustainable growth
- Inclusive economic growth

## Drivers of Change
Partnerships

## Sector / Subsector
- Agriculture, natural resources and rural development
- 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
No gender elements

## Description
The project aims to help promote balanced and environmentally sustainable urbanization; narrow the urban-rural gap; and improve production, employment, and living conditions in small cities and towns in Liaoning Province. It will support the development of selected small cities and towns in the province. The project was processed as a sector loan to allow the Liaoning provincial government (LPG) to respond to rapidly changing needs of cities and towns across the province. The project includes about seven subprojects, including three core subprojects: Donggang City, Kazuo Mongolian Autonomous County, and Linghai City. Subsequent subprojects will be selected, prepared, and appraised during project implementation following an agreed set of criteria and procedures. The Donggang City core subproject has three components: (i) roads and bridge, and associated services; (ii) drainage and wastewater treatment; and (iii) river improvement and area upgrading. The Kazuo Mongolian Autonomous County core subproject has one water supply component. The Linghai City core subproject has one component for construction and upgrading of roads, sidewalks, and associated services.

## Project Rationale and Linkage to Country/Regional Strategy
The PRC Government is committed to developing small cities and towns as a way to generate jobs, narrow the urban-rural income gap, and increase national economic productivity. Growth of small cities and towns creates economic opportunities for farmers to move to urban areas and gain higher value-added employment; this is the key to realizing the PRC's vision of a harmonious society, in which the benefits of growth will be shared more equitably. The PRC’s 11th Five-Year Plan (11FYP) 2006-2010 identified small city and town development as a means to provide a higher standard of living to rural migrants without exacerbating infrastructure fatigue and other problems afflicting large cities. Building on the conclusions of the 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, and stresses the development of small cities and towns by facilitating the development of larger urban agglomerations. Liaoning Province, located in the southern part of the PRC's northeast, functions as a major hub between the PRC’s northeastern economic region and the Pan-Bohai economic region. Historically a base for industrial materials and machinery, it has faced economic challenges related to industrial restructuring moving from state-owned heavy industries to light and service industries to promote balanced development and focus on growth based on economic demand. Many state firms have closed or are experiencing major losses. While state investment has aided the industrial transformation, local governments, particularly small cities and towns, have had difficulty finding catalysts for new employment and economic growth. Small cities and towns in the province have made progress in recent years in facilitating economic growth, but still lag the big cities. The rapid development and race to urbanize and industrialize have left many with significant pollution problems and correspondingly poor living conditions, and outstripped the capacity to provide services. More jobs are also needed to stimulate growth driven by domestic demand instead of relying on exports. While many small cities and towns have made significant investments in different types of urban infrastructure, few have developed an integrated approach to the development of various infrastructure sectors. LPG is promoting the development of small cities and towns in a more coordinated and cost-effective manner by encouraging more sustainable investments in physical and environmental protection infrastructure to improve the quality of life and create conditions favorable for a strategic shift of the rural labor force.

The project is a direct response to Liaoning’s 11FYP to promote sustainable economic development, particularly in its small cities and towns, via construction and upgrading of road infrastructure, water supply, and environmental improvement. All components in the project are integral components of the 11FYP. The proposed subprojects focus on supporting sustainable urban development and comprise a number of sector interventions primarily targeted to support job creation, economic growth, environmental protection, improvement of infrastructure and municipal services, and industrial development, to address key infrastructure sector issues in the subproject cities and towns. The main sectors are roads and associated services, water and wastewater, solid waste management, river improvement and area upgrading, and district heating. ADB’s experience and knowledge in urban environmental improvement and management, including supporting utility tariff reforms, will add value to the Project, especially for small cities and towns undergoing urbanization and economic transformation.

To allow greater flexibility during project implementation, the project uses a sector loan approach and develops subproject identification, selection, and appraisal criteria and procedures to achieve the objectives of sector policies and plans.

## Impact
Improved living conditions and increased employment generation in small cities and towns in Liaoning Province

## Project Outcome

### Description of Outcome
Improved urban infrastructure and municipal services in about seven small cities and towns in Liaoning Province.

### Progress Toward Outcome
To be assessed at project completion review.
Implementation Progress

Description of Project Outputs

Subproject 1: Donggang City
1.1 One new trunk road, two upgraded trunk roads, and a bridge opened to traffic and associated services operating. 1.2 New storm-water and wastewater pipe network, culvert, and pumping stations operating. 1.3 New river improvement and area upgrading works completed.
Subproject 2: Kaizuo Mongolian Autonomous County
2.1 New water supply system and associated facilities operating. Subproject 3: Linghai City 3.1 Two upgraded trunk roads, five upgraded secondary roads, and one upgraded branch road opened to traffic and associated services operating.

Subprojects 4-7: Subsequent subproject cities and towns: Urban infrastructure and services improved and operating

8. Institutional Capacity Building for Project Management (for all subprojects)

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

Geographical Location

Donggang, Gaizhou, Kaizuo Mongolian Autonomous County, Liaoning, Linghai, Xifeng

Safeguard Categories

Environment

Indigenous Peoples

A

A

C

Summary of Environmental and Social Aspects

Environmental Aspects

Category A. An environmental impact assessment was completed. The summary environmental impact assessment was circulated to the Board of Directors of the Asian Development Bank (ADB) and posted on the ADB website on 19 November 2008. Core Subprojects: EIAs were prepared and posted on the ADB website. Subsequent Subprojects: Subsequent subprojects will receive the same extent of environmental safeguard scrutiny, modeled on the EIAs for the three core subprojects and the summary EIA (SEIA). The Liaoning PMO will submit the EIAs to ADB for review, after which the revised EIAs will be posted on the ADB website. An environmental assessment and management framework was prepared to assess subsequent subprojects.

Involuntary Resettlement

Category A.

Subproject 1: Donggang City. On the basis of project impact investigation in the feasibility study reports, the Donggang subproject will necessitate relatively large amounts of land acquisition and resettlement: 25.7 hectares [ha] of land and 194 households or 715 people from seven villages in three towns. A total of 11,174 m2 of structures will be demolished, including 7,645 m2 of residential structures, affecting 91 households or 336 people; and 3,529 m2 of nonresidential structures, affecting eight enterprises and 61 shops with 225 employees. A full resettlement plan was prepared based on ADB procedures. The subproject government endorsed the resettlement plan, which was disclosed to those affected in mid-October 2008.
Subproject 2: Kaizuo Mongolian Autonomous County. The Kaizuo subproject will involve permanent land acquisition of 1.5 ha of farmland from three villages, which will affect 12 households and 52 people. During pipeline construction, a total 7.6 ha will be temporarily occupied. No house demolition and relocation is required. Consequently, resettlement impacts are slight and a short resettlement plan for the Kaizuo subproject was prepared.
Subproject 3: Linghai City. The road and pumping station component of the Linghai subproject will be constructed either on the existing right-of-way or on the land area acquired in 2007. Therefore, only a due diligence report is required for the Linghai subproject. Subsequent Subprojects. To assess the resettlement aspects of subsequent subprojects, a resettlement framework was prepared.

Indigenous Peoples

Core Subprojects: Ethnic minorities in core subproject areas account for 3% of the population and have socioeconomic characteristics similar to those of Han people. Although their culture and language are different from the Han’s, they mostly speak Han language and intermarriage with other ethnic groups, particularly the Hans, is common. On the basis of the findings of the socioeconomic survey, focus group discussions, and consultation in the core subproject areas, an ethnic minority development plan is not needed. Subsequent Subprojects: In line with the requirement of the sector loan modality, an ethnic minority development framework was prepared for subsequent subprojects.

Stakeholder Communication, Participation, and Consultation

During Project Design

Public consultations on social and environmental impacts of the project and the project design and monitoring framework were undertaken during project processing. The consultations included all concerned government departments and agencies and affected people (residents, shop owners, civil societies) in the three core subproject cities and towns. A socioeconomic survey undertaken at the household level in April 2008 covered 518 households and gathered information relating to 1,689 people. In addition, a range of community meetings were held with both men and women in different parts of each city and town to discuss topics related to the Project but not specifically covered in the socioeconomic survey in an open-ended manner. A number of key informant interviews were held with various local government agencies, nongovernmental organizations, the Women’s Federation, and past and ongoing projects in complementary areas to inform the project design. Stakeholder analyses and DMF workshops were organized and conducted in all the core subproject cities and towns in April and May 2008, covering a wide range of stakeholders including local government departments and community representatives.

Development of the environmental management plan, environmental impact assessment, and environmental assessment and management framework involved two rounds of public consultation in each core subproject, from April to July 2008. The purpose was to introduce the Project and the relevant components and subcomponents to a range of stakeholders, and solicit their views on the project and its potential environmental implications, so that the EIA could take these into account during impact assessment.

Subsequent Subprojects.

Core Subprojects: EIAs were prepared and posted on the ADB website. Subsequent Subprojects: Subsequent subprojects will receive the same extent of environmental safeguard scrutiny, modeled on the EIAs for the three core subprojects and the summary EIA (SEIA). The Liaoning PMO will submit the EIAs to ADB for review, after which the revised EIAs will be posted on the ADB website. An environmental assessment and management framework was prepared to assess subsequent subprojects.
During Project Implementation

Key features of the consultation and participation plan include:
(i) Public disclosure of all project documents at the Liaoning PMO and on the ADB website including the project information document (PID), DMF, resettlement plans (RPs), summary EIA (SEIA), EIAs, RRP, project administration memorandum, and social and environmental monitoring reports.
(ii) A PID will be prepared for each subproject. Each PID, which will be available in Chinese and the locally applicable ethnic minority language, if any, will contain a map or diagram of the affected areas; a description of the subproject, its aims and components; a description of what the subproject work will comprise; a timetable of when each of the subproject activities will take place, including estimated commencement and completion dates; expected social, economic and environmental impacts; environmental and social safeguards; the compensation policy and entitlements, including who will be entitled to compensation, what losses will be compensated, and what entitlements will be awarded; the affected persons receive (details for land, trees, crops, structures, etc., an outline of livelihood restoration measures; how land, crops and assets will be valued; how the Compensation Committee and Grievance Redress Committee will work; an outline of how consultation and participation with affected persons and communities will continue; the subproject communications strategy, including how people can find out about business opportunities that may arise in conjunction with the subproject; where people can go to get further or more detailed information about the subproject.

Business Opportunities

Consulting Services
The Project will provide funding for international and national consulting services to support the PMOs and IAs in project implementation and management and institutional capacity building. A consulting firm will be recruited in accordance with ADB’s Guidelines on the Use of Consultants (2007, as amended from time to time) using the quality- and cost-based selection method. The Liaoning Provincial Government has requested for advance contracting and retroactive financing for recruitment of consultants.

Procurement
All procurement to be financed under an ADB loan will be carried out in accordance with ADB’s Procurement Guidelines (2007, as amended from time to time). Contract packages have been formulated in consultation with the implementing agencies (IAs) and a procurement capacity assessment of the executing agency (EA), project management offices (PMOs), and IAs has been undertaken. Based on the assessment, it is recommended that prior review be applied for all international competitive bidding contracts, the first national competitive bidding contract for works and goods, and post review for other procurement modes. The Liaoning Provincial Government has requested for advance contracting and retroactive financing to expedite project implementation. To support these efforts, relevant provisions of ADB’s Anticorruption Policy will be included in the loan regulations and the bidding documents for the Project.

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Timetable

Concept Clearance 10 Sep 2008
Fact Finding 08 Oct 2008 to 17 Oct 2008
MRM 20 Nov 2008
Approval 18 Sep 2009
Last Review Mission -
PDS Creation Date 12 Sep 2008
Last PDS Update 05 Sep 2016

Grant 0159-PRC

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<th>Grant Utilization</th>
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Loan 2550-PRC

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### Loan Utilization

### Status of Covenants

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