

China Urban Development Quarterly

Issue 1

6.2006

World Bank's New Partnership Strategy for China Focuses on Economic Integration, Poverty and Sustainable Development

At a meeting on May 23, 2006 the World Bank's Board of Executive Directors endorsed the World Bank Group's new Country Partnership Strategy (CPS) for the People's Republic of China covering the period 2006–2010. The overall goals of the CPS are to help integrate China into the world economy, address poverty and inequality, manage resource scarcities and environmental challenges, strengthen the financial sector, and improve public and market institutions. World Bank President Paul Wolfowitz said that:

“The new Country Partnership Strategy recognizes clearly that helping China to strengthen its economy, manage its resources and environment, and improve governance, are important not only for the Chinese people but also for people all over the world”.

China has grown rapidly since 1978, when it began to reform. Over the past 27 years, it has shifted from a centrally-planned to a market economy, maintained GDP growth of about 9 percent per year, and lifted 400 million people out of poverty. Considerable progress has also been made in implementing the structural reform agenda and achieving the commitments made during China's accession to the World Trade Organization (WTO) in 2001. With a population of 1.3 billion, China recently became the world's fourth largest economy and third largest trading nation.

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Message from the Country Director

I am very pleased to release this inaugural issue of the *China Urban Development Quarterly*, a newsletter on

urban development issues of particular interest to Chinese urban development professionals — government officials at state, provincial and municipal levels; academics; students; and civil society organizations. This newsletter has been produced by the Urban Development Sector Unit of the East Asia and Pacific Region, working in close collaboration with the Urban and Local Government Program of World Bank Institute.

This inaugural issue covers a broad range of topics, focusing on events of the past two months — the World Bank Board endorsement of the Bank's China Country Partnership Strategy; the series of workshops on metropolitan management; the Shaoxing Conference on Heritage Conservation and Sustainable Development; and the seminars on traffic safety and intelligent transport systems. It also provides synopses of relevant material from recent books on China's development priorities and the role of cities in a globalizing world. Future issues will continue to address the broad spectrum of the urban development agenda in China: metropolitan and urban planning; urban infrastructure, including water, wastewater, solid waste management, urban transport, heating and gas supply; municipal finance; urban poverty and services to the poor; urban management; and conserving urban cultural and built heritage.

The next issue, due in September 2006, will focus on the International Water Association Conference, to be held in Beijing, as well as begin regular features of highlighted projects, guest interviews, experiences from other countries, and feedback.

A limited number of copies of the newsletter is being printed on environmentally friendly paper for distribution. The electronic version will be available on www.ChinaUrbanQuarterly.org. We will also publish an e-magazine to complement the *Quarterly*, in which you can meet international and local experts through video clips.

We look forward to receiving your comments on this newsletter and suggestions to make future issues more interesting and informative. Please email your comments to UrbanQuarterly@worldbank.org.

David Dollar

Country Director for China



世界银行

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Even so, China remains a developing country, with GDP per capita of about US\$1,740 and more than 135 million people living on less than \$1 a day—mostly in rural areas in the lagging inland provinces. It also faces daunting challenges in maintaining rapid growth; managing the resource demands and environmental consequences of growth; and addressing the resulting inequalities in income and opportunity, which could otherwise undermine the consensus needed to undertake growth-oriented policy reforms.

The Bank Group's new partnership strategy aims to support China in addressing these challenges. Specifically, it aims to help:

- Integrate China into the world economy, by deepening its participation in multilateral economic institutions, reducing internal and external barriers to trade and investment, and contributing to its overseas development efforts;
- Reduce poverty, inequality and social exclusion, through promoting balanced urbanization, sustaining rural livelihoods, and expanding access to basic social and infrastructure services, particularly in rural areas;
- Manage resource scarcity and environmental challenges, through reducing air pollution, conserving water resources and optimizing energy use (partly through pricing reforms), improving land administration and management, and observing international environmental conventions;
- Deepen financial intermediation, by expanding access to financial services (especially among small- and medium-sized enterprises), developing the capital markets, managing systemic risks, and maintaining financial stability; and
- Improve public and market institutions, by improving firm competitiveness, reforming public sector units, and rationalizing intergovernmental fiscal relations.

In support of the five major objectives, the CPS includes a large program of analytical and advisory services, research and training, to facilitate policy discussions and underpin future lending. IBRD expects to lend up to US\$1.5 billion annually, with about 70 percent of proposed projects in poorer inland provinces. In

general, projects will aim to promote policy and institutional reform and innovation on a limited and experimental basis, on the expectation that successful projects will be scaled up using government resources.

Urban issues continue to feature prominently in the CPS, especially in support of three of the five pillars of the CPS: reduce poverty, inequality and social exclusion; manage resource scarcity and environmental challenges; and deepen financial intermediation. Lending volume for projects in support of the urban agenda is expected to average over US\$600 million annually during the CPS period; see Box for details.

The CPS was prepared in close collaboration with the Government of China, and involved extensive consultations with the representatives of stakeholder groups, including central and local governments, the private sector, academia, civil society, and the donor community. "This CPS coincides with an evolution in the Bank Group's relationship with China, as China not only continues to receive assistance from the Bank Group but also begins to share its development thinking and experiences with the Bank Group and the rest of the world," said World Bank China Country Director David Dollar.

The new Country Partnership Strategy is available on the Bank's China Office website at: www.worldbank.org.cn



(Photo: Curt Carnemark, World Bank)

Expected World Bank China Urban Lending Program During 2006–2010

Pillar	Project name	Loan (\$m)	Description
Fiscal Year 2006 Program			
2,3,4	Shanghai Urban APL 2*	180	Metro water supply, waste disposal; innovative financing
2,3	Fuzhou Urban Transport*	100	Road and public transport access to Nantai Island
2,3	Henan Towns Water	150	Water supply, wastewater treatment in 45 towns
2,3	Liaoning Medium Cities Infrastructure	218	Urban transport improvements in second-tier cities
Total		648	
Fiscal Year 2007 Program			
2,3	Sichuan Urban Development 2	180	Infrastructure expansion in second-tier cities
2,3	Fujian Transport SWAp	320	Longyan highway, rural roads; program approach
2,3	Western Rural Water	25	Improved rural water supply, hygiene, in 2 poor provinces
2,3	Shandong Urban Environment 2	150	Water supply, wastewater treatment in second-tier cities
2,3	Guangdong Pearl River Delta (Foshan)	100	Water supply, wastewater treatment/disposal, pollution control
Total		775	
Standby			
2,3	Liaoning Medium Cities Infrastructure 2	200	Water supply, wastewater treatment in second-tier cities
Total		200	
Fiscal Year 2008 Program			
2	Gansu Cultural Heritage	40	Heritage asset protection, sustainable tourism development
2,3	Xi'an Urban Transport	150	City (including public) transport upgrade, management
2,3	Guizhou Cultural Heritage	60	Heritage asset protection, sustainable tourism development
2,3	Yunnan Urban Environment	150	Water pollution control in Kunming, Dali, Lijiang, Wenshen
3	Hubei Han River Environment	100	Han river basin water resource planning, management
Total		500	
Standby			
2,3	Taiyuan Urban Transport	150	City transport, wastewater treatment, upgrades
Total		150	
Program for 2009 and beyond			
2,3,4	Shanghai APL 3	200	Water supply, solid waste disposal
3	Anhui Bengbu Flood Control	100	Flood, water pollution control; heritage management
3	Jiangsu Regional Development	150	Water supply, wastewater infrastructure in second-tier cities
3	Guangdong Pearl River Delta (Shenzhen)	200	Wastewater treatment, water pollution control
3	Liaoning Medium Cities Infrastructure 3	200	Heating and gas improvements in second-tier cities
3	Qinghai Xining Urban Flood Control	100	Build flood control, discharge channels; wetlands
Total		950	

Notes:

* denotes projects approved by the Board. Projects for FY07 and beyond subject to confirmation in annual lending program.

Pillar 2 – Reduce poverty, inequality, and social exclusion.

Pillar 3 – Manage resource scarcity and environmental challenges.

Pillar 4 – Deepen financial intermediation

Urbanization and the Eleventh Five Year Plan

The World Bank just published a new book, *China's Development Priorities*. The publication synthesizes inputs provided to the Chinese government in the context of the preparation of the Eleventh Five Year Plan. Urbanization features very prominently in the Plan: the rural-urban balance is one of the explicit 'five balances' and cities are expected to play a key role in making the 'new socialist countryside' work.

As is well known, the challenges posed by urbanization are tremendous. Today, China's urbanization rate is about 43% or 560 million people. Over the next 10–15 years, China's urbanization rate is expected to rise to over 50%, adding a further 100–150 million inhabitants to urban areas. This urbanization will have significant implications for economic performance and social well-being. With the transfer of labor from rural to urban areas, total factor productivity has the potential to increase dramatically through shifting labor from the sector with lower productivity to sectors where productivity is higher by several multiples. If this transfer of labor is managed well and growth permits the desired multiplication of employment opportunities, additional benefits can be gained from agglomeration economies in urban areas located in the coastal region, along the major water ways, and at the key transport junctions.

Each doubling of the city size can add 3–14% of city GDP, through economies of scale and scope, a broadening of the labor market, and of the clustering of firms. Additional gains are likely to accrue from an increasing tempo of innovation which is mainly concentrated in major cities. These cities are hosts not only to many of the research-oriented universities but also to diverse industrial subsectors. The agglomeration and proximity of firms and research units facilitates frequent face-to-face interactions facilitating the flow of knowledge and contributing to the innovativeness of firms in these dynamic cities.

Yet, economic productivity gains can only materialize if the potential benefits are not negated by adverse consequences (e.g. inadequate provision of basic health, education, and infrastructure, and environmental issues, etc.) as China's cities accommodate the additional urban population. The outcome will largely be determined by the policies adopted over the next few years.

Shahid Yusuf, the main author of the book, suggests that China is now at a point on its development trajectory where a few major reform initiatives can yield tremendous benefits: "International evidence suggests that, once a country has substantially deregulated its economy, bold reforms are more likely to impart long-term momentum than incremental policy changes". A set of policies towards urbanization is one such reform area which Shahid Yusuf suggests as an opportunity for major reform. As China considers its urbanization policies, the report highlights a number of policy challenges that need to be addressed to avoid the potential negative consequences (such as congestions, development of slums, etc.) associated with urbanization, in particular relating to:

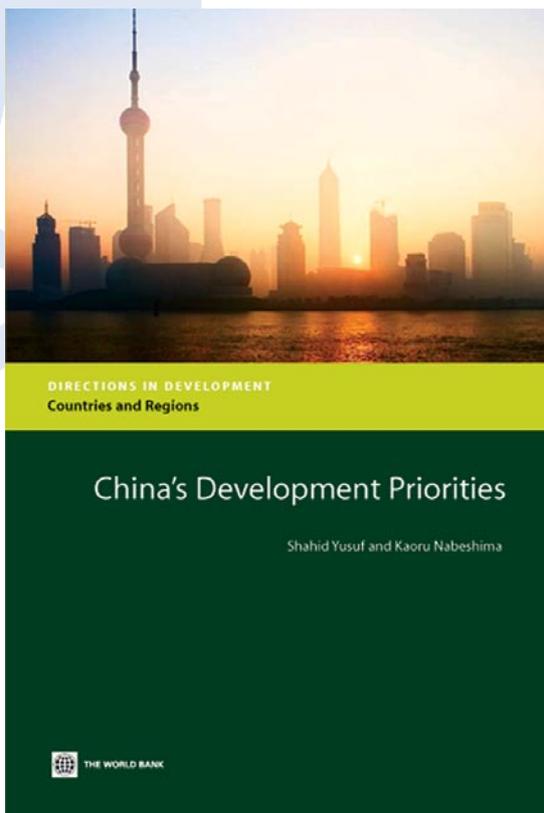


Shahid Yusuf, Economic
Advisor, World Bank

- **Job creation.** China needs to generate a sufficiently large number of new urban jobs to absorb the anticipated flow of migrants into larger cities. Some estimates suggest that over a 100 million jobs need to be created in urban areas to avoid an increase in urban unemployment. These will be mainly in service occupations, although undoubtedly some people will be absorbed by the manufacturing sector.
- **Investment in Innovation Capabilities.** Most innovation occurs in the major urban areas and China will not be an exception. To strengthen the innovation capabilities, cities will need to create an environment that is conducive for firms to innovate and to attract skilled workers from elsewhere. In order to do so, a city needs to offer attractive amenities. Many of the amenities are associated with the physical infrastructure and public services.
- **Investment in infrastructure.** In order to provide basic services to migrants and new urban residents, China needs to invest significant amounts in upgrading existing infrastructure, and building new infrastructure, over the next two decades to facilitate the integration of the national market (both in terms of goods/services

and labor markets) and to minimize resource use and environmental damage.

- **Resource use and urban environment.** In particular, China needs to address the inefficient use of scarce resources, especially energy and water. Currently, China is an inefficient user of energy, requiring ten times more than Japan to produce \$1 of GDP. In fact, most of the buildings in major cities do not meet the energy efficiency requirement, even newly built ones. The inefficient use of energy will have a direct bearing on the environmental quality of the city. Furthermore, China is a water-poor country and the lack of water availability will be a major constraint on the growth of cities in northern area. More efficient utilization of water is required, given its scarcity. The problem is compounded by water pollution, which further exacerbates the scarcity. Efficient resource use and urban environment needs to be tackled hand in hand to contain environmental pressures arising from growth of cities, e.g., in the areas of air pollution and water and sanitation.



- **Urban (and general) transport.** Effective intra and inner-city public transport systems are essential to ensure that agglomeration benefits materialize; an effective transport system (an integral element of a modern logistics system) is essential for the competitiveness of cities.
- **Financing infrastructure investments.** These infrastructure investments will require significant amounts of long-term financing such as structured bond financing, which will in turn require changes to the current, often short term lending arrangements which are inherently more risky and the major source of contingent liabilities at the local level. Development of municipal bond markets is a critical step towards ensuring efficient financing of infrastructure investments.
- **Taxes and fiscal issues.** In addition, China will need to improve the tax system (e.g., property tax, intergovernmental fiscal relations) to optimize funding for urban investments, so as to provide municipalities the funding base to expand urban services. This will call for more autonomy given to municipalities in setting key tax rates.
- **Hukou system and social security.** And finally, continued reform of the Hukou system and the social security system are required to optimize migration flows and patterns. However, due consideration should be given to the costs and benefits of rapid versus a more paced approach to migration/ and urbanization. For a more fluid migration, reforms of the social security and other social safety systems are necessary. Most likely these services need to be provided at the national or provincial level so as to best diversify the risk.

National Workshop on Metropolitan Infrastructure Management

A Roundtable Workshop on Metropolitan Infrastructure Management, sponsored jointly by the Ministry of Finance, National Development and Reform Commission, and the World Bank, was held in Beijing on June 15, 2006. The workshop was a follow-up to the metropolitan management discussion held earlier in Chongqing and Tianjin earlier this year (see separate article in this number). The objective of the Workshop was to review key lessons learned from the case studies in Chongqing and Tianjin — and to take stock, more generally, of some of the key challenges China is currently facing in planning, managing, and financing infrastructure at the metropolitan scale. While most of China's cities have so far been spared the problems of massive urban sprawl and uncontrolled urbanization that many other Asian cities are now facing, the anticipated continued urbanization (in particular, of suburban towns) is expected to lead to a number of new challenges and opportunities to manage metropolitan regions more effectively. Addressing this topic at the local, as well as the national level, is therefore a key policy priority for the coming years.

The Beijing workshop was attended by about 30 officials from the Ministry of Finance, the National Development and Reform Commission, the Ministry of Construction, universities and research institutes, delegates from Chongqing and Tianjin, as well other cities that are facing metropolitan management challenges, such as Shanghai and Guangzhou. Based on a review

of lessons learned from Chongqing and Tianjin case studies, presented by local city officials, the meeting discussed how metropolitan management challenges in China compare with international experiences: Dr. Cai Jianming, Professor, Geography Institute, China Academy of Science, provided an overview of international best practices on how to manage metropolitan regions effectively. Mr. Se-Koo Rhee; Director, Department of Urban Management, Seoul Development Institute (Korea) and Dr. Eloisa Rolim's, Director, EMPLASA, São Paulo Metropolitan Planning Bureau (Brazil), whose participation was supported by Metropolis, explained how their cities are coping with metropolitan management challenges.

Based on these discussions, the meeting identified a number of issues that Chinese policy makers need to address going forward, including: promoting greater cross-jurisdictional cooperation between districts and across agencies within metropolitan regions; looking for innovative delivery mechanisms to manage cross-jurisdictional infrastructure investment programs; and the need for unlock the potential for significant cost savings by planning infrastructure investments at the metropolitan scale.

The dialogue on Metropolitan Infrastructure Management will be continued in the year ahead, with the next conference planned for autumn 2006.



Left: National Workshop on Metropolitan Management.
Right: Professor Zhou Yixing from Peking University presenting.
(Photo: Xuemei Guo, World Bank Beijing Office)

World Bank Studied Chongqing Metropolitan Area Infrastructure Management

The World Bank organized Metropolitan Infrastructure Management Roundtable in Chongqing on April 11 to discuss with local government officials issues and challenges in the development of metropolitan cities.

This is a new joint project by World Bank, National Development and Reform Commission (NDRC) and Ministry of Finance (MOF). The objective of this program is to explore how to enhance future competitiveness and coordination capacity of more than 50 metropolitan areas in China.

This project was initiated in February this year. The World Bank, MOF and NDRC wanted to understand how infrastructure is being managed at the regional level through discussions with local governments of metropolitan areas in China. They will decide on next steps based on the opinions and suggestions of the local governments.

Chongqing and Tianjin are the first two cities to be studied. World Bank official Mats Andersson commented that these two cities were the most vigorous among Chinese metropolises and were of strategic meaning.

The planning, management and financing of infrastructure construction has been posing great pressure on local government. Executive Vice Mayor of Chongqing, Mr. Huang Qifan revealed at the workshop that by 2020, Chongqing would invest RMB300 billion in infrastructure. The World Bank found that the biggest challenge was to coordinate infrastructure and service provision cross jurisdictional boundaries.

A major concern of Chongqing government agencies and corporations that provide public services is that the unclear division of responsibilities among different parties. Firstly, the responsibilities among government agencies, State-owned enterprises and private companies are not clearly assigned. Secondly, among different levels of governments (municipali-



World Bank officials and international experts visiting a new college town in Chongqing (Photo: Dr. Chan-gon Kim)

ties, counties and districts, and towns), responsibilities are not divided. Other issues such as who should decide the fee rate, who collect user charges, and who can utilize the income are also important questions to answer in infrastructure industry. Moreover, how to co-finance infrastructure between municipal government and district/county governments is most challenging to Chongqing.

Similar problems exist in many metropolitan cities in China, according to World Bank officials. So far there is no universal solution to such problems but cities are exploring potential planning in various ways.

Practitioners from Seoul and Vancouver also shared their respective experiences of metropolitan management. The first stage of this project will end in June this year.



Meeting with Shapingba District Government, Chongqing (Photo: Dr. Chan-gon Kim)

Editor's note:

1. After Chongqing Metropolitan Infrastructure Management roundtable, World Bank organized in Tianjin a roundtable on the same topic. Government officials from Tianjin Municipality and Binhai District participated in the roundtable and discussed with World Bank officials and international experts challenges and opportunities facing Tianjin in cross-jurisdictional management.)
2. The original article was abridged by the *Quarterly* editor.

Metropolis



World Bank's Metropolitan Infrastructure Management workshop series was added value by Metropolis' great support.

Metropolis, established in 1985, is an association of world major metropolis. It brings together major cities and metropolitan regions to advocate the interests of metropolises, promote exchange and collaboration among the institutions that govern cities, and improve the quality of life of all the people who live in major metropolises. Since 2005, Metropolis is also the Metropolitan Section of the United and Local Governments Organization (UCLG).

Metropolis is now a partner institution of World Bank Institute (WBI) and has been collaborating with WBI in various initiatives. In the Metropolitan Infrastructure Management initiative, Metropolis was represented by experts from major metropolitan areas who provided valuable insights. We would like to acknowledge the valuable contribution of Dr. Chan-Gon Kim, Director of the Policy Planning Bureau, Seoul Metropolitan Government and Ms. Linda Shore, Manager, Human Resources from Greater Vancouver Regional District (GVRD), Ms. Eloisa Rolim, Technical Director of São Paulo State Metropolitan Planning Public Company, and Dr. Se-Koo Rhee, Director of Department of Urban Management of Seoul Development Institute.

For more information on Metropolis,
please visit www.metropolis.org

For more information on Metropolis'
collaboration with World Bank Institute, please
visit www.wbiurban.org

Asian Pacific City Summit, Chongqing, 12–13 October 2005

Background and History of Asian Pacific City Summit[†]

The Asia Pacific Cities Summit was founded in 1996 and is an initiative of the Brisbane City Council. It was established to foster city partnerships and to facilitate the exchange of ideas, knowledge and experience between local governments, technical experts and businesses within the Asia Pacific region.

It brings together Mayors, administrators, academics and business leaders to discuss issues of immediate and mutual interest to the region and to explore opportunities for business growth in the region.

The Summit focuses on cities as the catalysts to economic growth and is designed to actively help businesses in the region establish relationships that could lead to lucrative export and investment opportunities.

Previous Summits have been held in 1996 Brisbane; 1999 Brisbane; 2001 Seattle; 2003 Brisbane, and the latest one was held in Chongqing, China in October 2005.

Each Summit attracts between 600-800 delegates including civic leaders from more than 50 Asia Pacific cities from countries such as China, Japan, Vietnam, Korea, Indonesia, Thailand, Australia, New Zealand and the United States.

Chongqing City hosts discussions on Asia Pacific growth[‡]

Zhou Liming, China Daily, October, 13, 2005

Chongqing Municipality took a symbolic step forward when the 2005 Asia Pacific Cities Summit opened in the city on October 12, 2005.

Years of preparation had gone into the summit which is the largest international event ever hosted by the municipality. It

was also the first time the summit has been held in an Asian city after the first conference in Brisbane, Australia, in 1996.

The Chongqing summit played host to 932 guests from 124 cities in 41 countries or regions, as well as 255 corporate representatives.

Delegates had come to share experiences on managing urban development and exploring ways for the natural environment and urban residents to exist in harmony.

“Mayors of the world speak the same language,” said Beverly O’Neill, mayor of Long Beach, California, the United States. “Metropolitan areas of all countries are the engines that drive our economies.”

Vice-Premier Huang Ju, keynote speaker at the event, gave an update of China’s urban growth: The country currently has an urban population of 524 million. Of total 660 cities across the nation, 171 are mega cities with more than 1 million people, 279 are big cities with half to 1 million, and 210 are small or medium cities with populations below half-a-million. Cities account for 70 per cent of the nation’s GDP and 80 per cent of contributions to the national coffers.

“Chongqing is both a big urban city and a big rural area,” said Huang, referring to its overall population of 30 million and its vast countryside. “The urban centre should pull the rural areas along with its growth.”

The 2005 Asia Pacific Cities Summit was officially opened by the Honourable Wang Hongju, Mayor of Chongqing, on 12 October 2005
(Photo: Chongqing 2005 Asian Pacific City Summit website, <http://www.apcsummit.org>)



[†] based on information from Asian Pacific City Summit website <http://www.apcsummit.org/>

[‡] title and tense altered by Quarterly editor

“Chongqing is poised to meet the global challenges and it will have tremendous urbanization pressures,” said Katherine Sierra, World Bank Vice President of Infrastructure. She compared the mountain and riverside city with Chicago: Both are inland but have transportation and waterway access. Chicago has built a skillful workforce, a lead Chongqing would do well to follow.

Sierra noted that Chongqing has a very high World Bank competitiveness ranking, but could still “increase this competitiveness by 38 per cent,” according to her organization’s calculations.

To increase links with the international community, Chongqing established friendship city relationships with Brisbane of Australia, Shiraz of Iran and Aswan of Egypt on the eve of the summit.

Shortly before the conference, a meeting between mayors from China and the US culminated in a memorandum of understanding, finding common ground for small and medium-sized enterprises to co-operate.

On the last day of the conference, mayors passed a “Chongqing Declaration,” defining their common goal for urban development and seeking ways to protect the environment and handle urban issues such as energy consumption and unemployment.

“A rising economy does not mean every city rises. Some fall,” cautioned Douglas Webster from the Arizona State University, citing the example of Glasgow in the United Kingdom.

All agreed that Chongqing is in a unique position to grow into a global player as the city, functioning as a hub for China’s vast hinterland, gallops forward economically.

“Chongqing will become western China’s Shanghai or an equivalent of Chicago,” observed L. Philippe Rheault, Canadian consul to the city.



Brisbane’s Lord Mayor Campbell Newman, Mayor Wang Hongju, and Ms. Kathy Sierra (Vice President and Head of Network, Infrastructure, World Bank) at the opening ceremony of the Asia Pacific Cities Urban Planning Exhibition (Photo: Chongqing 2005 Asian Pacific City Summit website, <http://www.apcsummit.org/>)

Second International Conference on Heritage Conservation and Sustainable Development

The Draft 2006 Shaoxing Statement

From 31 May to 02 June 2006, in Shaoxing, China, 188 Chinese experts joined with 63 international experts for the *2nd International Conference on Heritage Conservation and Sustainable Development*. The conference was sponsored by the State Administration of Cultural Heritage of China, the Ministry of Construction of China, UNESCO and the World Bank. The Cultural Heritage Bureau of Zhejiang Province and Shaoxing Municipality generously hosted the conference.

The purpose of the conference was to increase the institutional understanding and effective use of recently developed “tools” for managing cultural heritage properties, sites and areas. The conference focused on three inter-related themes:

- i) strategies for successful heritage conservation, management and monitoring.
- ii) responsible tourism as a tool for heritage conservation.
- iii) heritage financing and revenue generation.

The participants recalled the analysis of the situation with regard to heritage conservation and urban development noted by the participants in the 1st International Conference in 2000 as articulated in The Beijing Statement:

“Amid the rapid economic growth of the 21st century, the cultural heritage of many historic cities is being impacted and many even be threatened with destruction. The increase in urban population, the tendency of cities to grow ever larger, more modern and more economically-oriented encroaches every day on the environment required for the survival of their cultural heritage. The authenticity of many historically significant neighborhoods of traditional culture is vanishing.”

The participants applauded the significant progress achieved since 2000 at the national, regional and international levels to deal with the factors threatening heritage, but noted with concern the continuing pressures on cultural heritage resources brought about by rapid urban growth, unregulated tourism development and the lack of integration of heritage conservation within planning frameworks.

Therefore, the specific objectives of this conference were to take forward the achievements of the past 6 years within a structured framework of strategies and tools, providing key decision-makers the opportunity:

- a) to deepen their understanding of the issues that must be considered when integrating effective cultural heritage protection with responsible cultural tourism development, particularly within the context of rapid economic growth and expansion of infrastructure;
- b) to explore the range of mechanisms which may be employed to establish long-term financing mechanisms to support and capitalize on heritage resource conservation;
- c) to become familiar with the range of professional tools which can be used to achieve successfully the objective of integrating heritage conservation into sustainable development planning and implementation

In their deliberations, conference participants identified the following priority issues as key to the successful integration of heritage conservation into sustainable development:

Heritage Conservation, Management and Monitoring

- The current practice of including the community and those stakeholders concerned with heritage conservation through information sharing only after all major development decisions have been taken is both ineffective and leads to conflict. Early inclusion and involvement at all levels of all stakeholders in development planning is required.
- Cultural heritage management should be based on a process of vigorous assessment of all the cultural values which the site has, and of all the issues and problems which may affect these values. It is therefore crucial that these steps are taken before any unfounded conservation or management decisions are taken.

- To facilitate community and stakeholder involvement in this process in a systematic and transparent way, strategic environment assessment (SEA) and environment impact assessment (EIA) procedures should be adopted respectively, for long-term planning, as well as individual project management.

Responsible Tourism as a Tool for Conservation

- The development of mass tourism has often resulted in unsustainable exploitation and commercialization of heritage sites, and the degradation and depletion of these sites in the world. Current guidance and regulation of the tourism industry is inadequate. Therefore, a new structure of governance of cultural heritage sites and the cultural tourism industry is needed at the national level.
- Such a new governance structure would place heritage site and cultural tourism management under integrated control, empowered to develop and implement guidelines for, among others, (i) high standards of conservation of sites, site values, and site context, (ii) managing access at heritage sites to preserve the authenticity of the site while meeting the needs of visitors, (iii) reinvestment of a part of tourism profits and site revenues into the conservation of heritage resources (through visitor entry fees, taxation and other mechanisms) (iv) certification of tour companies, guides, and other providers of tourism services to ensure adherence to sustainable tourism principles, and (v) maximum community involvement in planning, management, and staffing of sites, and in equitable sharing of economic benefits.
- A primary concern must be the provision of a high quality visitor experience through (i) innovative interpretation, (ii) high quality of guides, (iii) education of visitors in how to appreciate and understand heritage sites, and their tangible and intangible values and context, (iv) engagement of the local community, and (v) provision of high quality and authentic cultural goods and services.

Heritage Financing: Public and Private Initiatives

- Those responsible for economic development planning need to recognize that cultural heritage resources have economic and social value and therefore are assets which need to be conserved, managed and beneficially

used as an integral part of the process of sustainable development.

- A comprehensive financial planning framework is necessary, including effective institutions, innovative finance mechanisms, with attention to researched and informed decision making as well as transparent and accountable monitoring systems.
- Structured revenue capture should be instituted, in particular cross-subsidies within the development sector to support heritage conservation and reinvestment of tourism profit into asset development and sustainability of the resource base.

Through our common effort to address these priority issues, the preservation of rich cultural heritage of Mankind will be assured as the foundation upon which nations across the world will continue to develop and prosper in the 21st century.

Strategies for Success: The Nexus of Heritage Conservation and Local Economic Development

(A synopsis of Mr. Keshav Varma's conference synthesis during the closing session)

The World Bank and China have a long history of collaboration starting and for the East Asia and Pacific Urban Development Sector Unit; it has been a very positive partnership. We have worked with the government to support all aspects of urban development from public infrastructure services, to municipal finance, and energy policy.

We have recently been broadening our activities from this straightforward economic development approach to include work on cultural heritage conservation, because we see it as a vital tool in China's efforts to create the balanced and harmonious development that is emphasized in the 11th Five-Year Plan. This balance is reflected in the Country Partnership Strategy that China and the World Bank have developed to define our work for the next three years. Our support for this conference is part of this work.

In the clinics this week, we have discussed the particulars of how to effectively plan and protect heritage sites, how to develop responsible cultural tourism and how to generate long-term financing to conserve heritage. I think all of us here agree on the importance and value of preserving China's cultural

treasures, based on the intangible benefits that conservation can bring such as:

- Preserving the accomplishments of past generations
- Cultivating historical knowledge and identity
- Developing social cohesion and inclusion
- Safeguarding and conveying heritage to future generations

However, today, I would like to emphasize two guiding principles of World Bank work that I think will help to ensure the success of heritage conservation efforts and help to realize tangible benefits for the people of China. These are:

- Sustainability and
- Local Economic Development

I would like to emphasize the importance of planning for the development of heritage sites and areas to generate sustainable and sufficient local economic activity and make conservation, not only desirable but also economically viable and attractive. Well planned conservation that leads to more local economic activity in communities can provide:

- Higher employment levels
- Increased revenues from cultural industries and service industries
- Elevated real estate values
- More foreign exchange earnings

I'd like to discuss a few mechanisms that can support the goals of sustainability and local economic development in conjunction with appropriate heritage conservation.

Raising the quality of planning for adaptive reuse

In order to conserve historic areas and buildings that are not protected as important cultural monuments, we must think in terms of adapting them for active use in economically viable roles, such as housing, commercial space or cultural venues. For example, in Ningbo, the Bank supported Zhejiang Multi-cities Development Project, assisted in the adaptation of a Ming Dynasty housing complex into a collection of shops selling antiques, books, art and art supplies. When it was first developed, it was the only commercial complex in the city providing a traditional setting for the sale of antiques and art.

Finding appropriate new uses for historic buildings that provide an adequate income stream for operation and maintenance

requires detailed planning and analysis. For this reason EASUR projects have been supporting capacity building in:

- identifying the markets for alternative uses;
- estimating the costs of repairing and upgrading old structures to contemporary standards;
- determining the future costs of operation and maintenance; and
- Calculating the financial returns that can be expected from these projects.

Increasing self-financing capacity in historic sites and parks

For publicly managed and protected heritage sites in China, there is often no direct link between the revenues generated

and the budgets allocated for maintaining them. Maintenance and repairs are funded through allocations based on annual applications by heritage managers. This system provides little incentive for the management of a heritage site to develop ways it could generate more revenue through, for example, increasing ticket sales, developing shops to sell appropriate souvenirs, or services such as tea rooms.

World Bank projects advocate that the managers of government owned heritage sites add to their government allocations for operation and maintenance by pursuing activities that generate revenue. For example, in a project in St. Petersburg, Russia, the Bank established a competitive fund where cultural institutions with sustainable ideas for generating income, based on their heritage assets, could receive seed money to develop their ideas. In Shaoxing, we have seen that some entrepreneurial site managers have gotten the approval to raise ticket prices and also developed tea houses and souvenir shops.

Helping government accurately calculate the benefits of heritage conservation by recognizing both direct and indirect revenues

As we have discussed this week, sites that have the potential to attract large numbers of tourists, create additional revenues in their communities through related demand for hotel rooms, local transport, restaurants, and a range of related services. To counteract the perception that heritage conservation is simply a drain on government budgets, EASUR projects aim to increase officials' understanding and ability to calculate both the direct and indirect revenues created by their cities' heritage sites. When both types of economic benefits are taken into account, heritage conservation that might be considered expensive, could in fact be shown to be a good investment and economically sustainable.

Stimulating more private sector investment in heritage conservation through public/private partnerships.

In the Financing Clinic, we discussed many innovative ideas, some of which, for various reasons, will require more time to analyze in China. However, the Bank is currently supporting municipalities in developing public/private partnerships. Because upgrading traditional areas for continued, active use can require very large investments in infrastructure and building renovation, EASUR projects are supporting capacity building for municipal governments in negotiating equitable development arrangements with the private sector. In these partner-



Mr. Keshav Varma, Sector Manager, Urban Sector Unit, East Asia and Pacific Region of the World Bank, speaks at the opening ceremony while Mr. Xu Hongjun (left), Vice Chairman of the Standing Committee of People's Congress of Zhejiang Province, and Mr. Tong Mingkang (right), Vice Director, State Administration of Cultural Heritage of China, look on. (Photo: Ji You, World Bank Beijing Office)



The Mayor of Shaoxing, Mr. Zhang Jinzhu, offers welcoming remarks. (Photo: Ji You, World Bank Beijing Office)



Richard Engelhard, Regional Advisor of UNESCO and Mr. Shan Jixiang, Director of State Administration of Cultural Heritage of China at the conference (Photo: Ji You, World Bank Beijing Office)

ships, local government can take responsibility for urban services upgrading. The private sector can then be brought in to develop the site under:

- conservation controls that regulate the extent, design, methods and materials for customizing historic buildings; and
- leases that mandate operation and maintenance practices.

With support from the Chongqing Urban Environment Project, a complex of the city's ancient guild halls were restored and updated for use by the municipality. City authorities have now developed contracts and leases with private businesses that assure appropriate use and respect for the buildings, while providing for various commercial activities.

Conclusion

All cultural heritage sites have several things in common, whether they consist of listed monuments under government protection, traditional neighborhoods under city management, or buildings under private ownership:

- They need owners or managers committed to a program of appropriate conservation, management and interpretation;
- They need viable uses that generate income that can be applied to operation, maintenance, and further site enhancements;

And most of all:

- They need people who appreciate them and use them, to give them that special quality which only human vitality and activities can provide.

This week, I've been very gratified to find so many committed professionals gathered here in Shaoxing who are willing to dedicate themselves to the goals of protecting China's vast wealth of cultural heritage. I'm looking forward to more opportunities to exchange ideas and work with you on these important issues.

Thank you.



Shaoxing, Zhejiang Province (Photo: Curt Carnemark, World Bank)

Building Institutions for Sustainable Urban Transport in China

Synopsis of EASTR Working Paper No. 4, Transport Sector Unit of World Bank East Asia and Pacific Region, January 2006



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The World Bank, in collaboration with the China Academy of Urban Planning and Design (Urban Transport Center) and the Institute of Comprehensive Transport of the National Development and Reform Commission, has just released a report entitled “China: Building Institutions for Sustainable Urban Transport”. The report will contribute to the current debate on urban transport issues and will serve as a technical input to the government policy making process, especially at the national level.

Based on a number of background studies on the transport problems facing China’s large cities, this report summarizes the diagnostic analyses of these problems with a focus on the associated institutional issues, and recommends policy directions and short- to medium-term institutional development actions for sustainable urban transport. In particular, it examines the changing nature of urban transport problems in a broad context of urbanization and fiscal decentralization, and calls for the national government to re-define and strengthen its role in dealing with the spillover effects of urban transport problems.

China has succeeded in developing a world class automotive industry within the past decade. The rapid development of the automobile industry brings enormous benefits to the economy and enhances people’s mobility. However, associated with these benefits is a range of unprecedented problems that is causing se-

rious concerns not only at the city level, but also at the national, and even international, level.

At the city level, traffic congestion, motor vehicle pollution, and road trauma have become common and serious problems in almost all large cities, and are fast eroding the quality of urban life and the efficiency of urban economic activities. The rapid motorization allows little time for the municipal governments to prepare strategically effective responsive actions. As a result, they have been investing heavily in road capacity, dismantling existing bicycle rights-of-way, pedestrian sidewalks, and even rows of roadside trees. As the majority of urban households are car-less, and likely to remain so for the next 10-15 years, the mobility needs of the urban majority are seriously under-served by the established practice that commits much of the available resources to meeting the demand for auto-mobility.

At the national level, the urban transport problems are causing increasingly serious concerns over: (i) the threat to the efficiency of the urban economy due to the reduced urban productivity caused by congestion; (ii) the excessive conversion of agricultural land for urban development, threatening the extremely limited good farmland in China; (iii) financial liabilities incurred by sub-national governments for investment in urban expressways, ring roads, and subways – the primary funding sources (from the lease of land use rights and quasi-fiscal instruments) are unlikely to be sustainable; (iv) energy security concerns driven by the growth of petroleum demand; and (v) the growth of greenhouse gas (GHG) emissions from the increased use of fossil fuels.

Tracing the causes behind China’s urban transport problems, the report identifies urbanizations and decentralizations as

the associated driving forces. In particular, urbanization is accompanied by rising incomes, transformation of farms to firms, and structural changes in living style and urban land use, while decentralization is changing the ways of governance at the local level, particularly urban management and modes of service delivery. Institutions have not kept pace with decentralization and remain too weak to address the spillover effects.

Inadequacies in urban institutions and their policy making are affecting the efficiency of cities and their travel conditions. The report points out particularly that the inadequacies of four mechanisms are hampering the development and adoption of a sustainable urban transport strategy, with a consequent declining quality of urban mobility and travel conditions across almost all major cities. These are: (i) the incentive mechanism – the performance of mayors is predominantly rated by GDP growth, instead of sustainable development; (ii) the urban planning mechanism – the inflexibility of urban master plans, the lack of public participation process, and the disconnect between city master plans and the city budgets; (iii) checks and balances mechanism – mechanisms are needed to ensure sensible decisions are made on a broadly informed and transparent basis; and (iv) financing mechanism – the current mechanism creates strong financial incentives for acquiring farmland for land concessions.

In responding to these urban transport challenges, the report suggests that technological solutions, such as energy efficient vehicles and clean fuels, do exist, but overall sustainability would depend on capable institutions and their instruments to manage urban dynamics and the resulting travel demand. A new framework for infrastructure, recently proposed by the Asian Development Bank (ADB), the Japan Bank for International Cooperation (JBIC), and the World Bank can be applied for institutional development for sustainable urban transport in China. The framework comprises inclusive development as the goal, and improved coordination, accountability and risk management as the means to achieve the goal. By putting the new infrastructure framework into the context of urban transport development in China, the report identifies the following priorities for institutional development 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 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.

Seminar on Road Traffic Safety in China

In 2004 about 107,000 people were killed on China's roads. Although the Government of China has taken major steps to address the safety issue, there are opportunities to take advantage of experiences overseas and further reduce traffic fatalities.

At the one-day World Bank seminar on *Road Traffic Safety in China*, held 15 June, 2006, speakers from China and overseas discussed traffic safety—what has been happening, and what more can be done. The Seminar also discussed the results of



David Dollar, World Bank Country Director for China, opens the seminar. (Photo: Wenling Chen, World Bank)

the recent World Bank work in Hubei and Jiangxi provinces, looking at the potential for a multi-sector road safety project. The Global Road Safety Facility discussed their work, as well as the grant to be provided to China to establish the Hubei Road Traffic Safety Training Centre.

Speakers at the Seminar included: Roger Johansson, Swedish Road Administration; Yves Boutin, General Manager, Peugeot Citroen Automobiles, China; Jonathan Passmore, World Health Organization; Mark Shotten, Anthony Bliss, Christopher Bennett, Chen Wenling, and Zhang Wenlai of the World Bank; and Wang Yanghong, Hubei Provincial Construction Department.



Hubei Provincial Construction Department officials and World Bank officials at the seminar (Photo: Wenling Chen, World Bank)

International Experience in Intelligent Transport Systems

The importance of Intelligent Transport Systems (ITS) in road management is increasing. China is rapidly adopting many technologies, and in 2007 China will host the International Congress on ITS in Beijing.

The one-day World Bank seminar on ITS, held on 16 June, 2006 at the World Bank Beijing office (China World Tower 2) brought together ITS experts from the USA and the UK to discuss international practices in ITS application. It showed the types of ITS implementations currently in use in Europe and

the USA, and demonstrated methodologies that can be used to evaluate the benefits of ITS implementation.

The course included extensive case studies, covering details of projects on transit signal priority, tunnel safety, and electronic toll collection.



Seminar instructors Steve Terry (AECOM), Mark Carter (SAIC), and moderator Graham Smith (World Bank) (Photo: Wenling Chen, World Bank)



Wang Xiaojing, Director of National Intelligent Transport System Center of Engineering and Technology (Photo: Wenling Chen, World Bank)

Cities in a Globalizing World: Governance, Performance, and Sustainability (Abstract)



Frannie Léautier, Vice President,
World Bank Institute

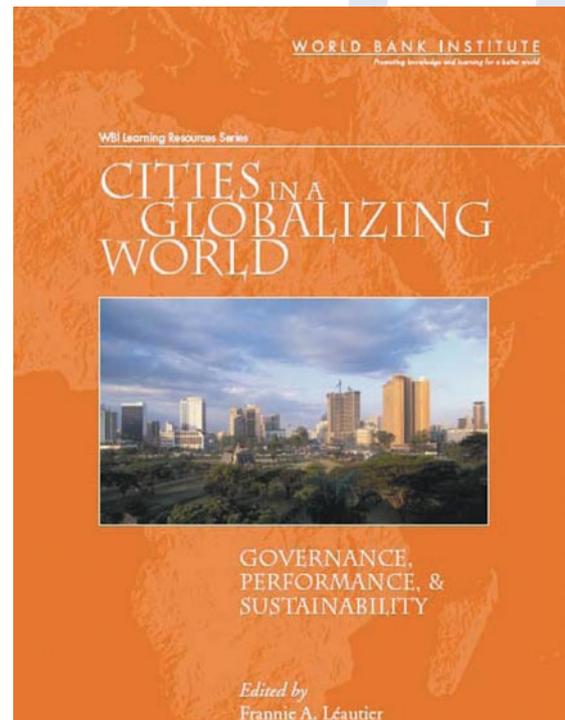
The growth of cities in the developing world is increasing very rapidly. Research shows that by 2020, 4.1 billion people (55 percent of the world's population) will live in urban areas. Almost 94 percent of the increase will occur in developing countries. By 2015, there will be 22 megacities and 475 cities with populations exceeding 1 million.

At the same time, globalization is becoming the driving force behind economic growth and development. With increased investment, both foreign and domestic, successful cities will need to meet new job requirements, and provide security and access to services and urban infrastructure. This will present enormous performance challenges to local governments. Good governance at the city level will be critical in turning demands of globalization to an advantage for all urban dwellers, including the urban poor.

Cities in a Globalizing World contributes to the empirical and theoretical analysis of the performance of cities in a globalizing world, bringing together a range of perspectives on the policy implications for urban management. It provides guidance for policymakers on ways of capitalizing on the global economy that will be least taxing to the cities resources and managerial

infrastructure. The authors suggest that good governance and globalization tend to improve city-level performance in both access to services as well as the quality of delivery which allows cities to translate global opportunity into local value for their citizens. The book empirically tests various commonly accepted hypotheses, and argues that policy design could be much improved by the collection of better quality data.

In Chapter 2, Frannie Léautier and Andrew C. Lemer argue that the main challenge facing infrastructure professionals today is embodied in the precept, "Think globally, act locally." Although the facilities and services of infrastructure are still seen by



Cities in a Globalizing World, edited by Frannie Léautier,
World Bank Publication, 2006

public works managers and users as essentially local, the underlying demands for infrastructure and the means employed in its finance and development are increasingly global in scope. Infrastructure itself has become an export industry, creating pockets of wealth held by the firms and employees who own and operate the infrastructure on which a widely dispersed and sometimes resentful consumer base relies for transport services, drinking water, energy, and waste disposal. Local communities have shown increasing resistance to the presence of infrastructure facilities, even if those facilities could provide substantially improved services to the community. Because infrastructure draws on financial markets that have become global in scope, what might once have been local liquidity problems spill over into international affairs.

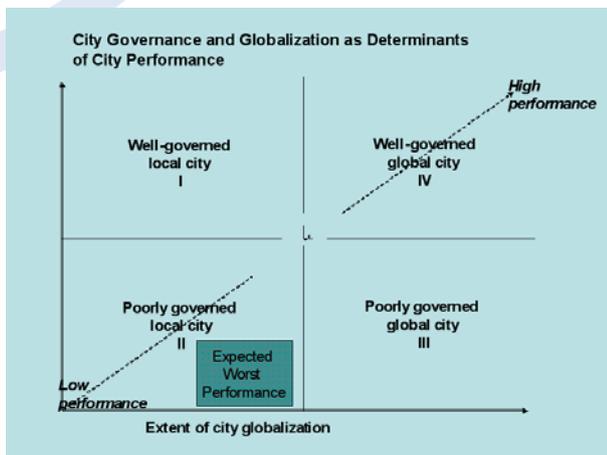
Following the discussion of urban infrastructure is an exploration of the impact of globalization on urban performance (Chapter 3). Daniel Kaufmann, Frannie Léautier, and Massimo Mastruzzi construct a preliminary worldwide database for more than 400 cities, containing indicators of globalization at the country and city level, as well as variables on city governance, city performance and other relevant city characteristics. Based on empirical evidence, they find that good governance and globalization tend to improve city-level performance on both the access to infrastructure services and the quality of delivery. Furthermore, their results show complex interactions among technology, governance, and city performance, as well as evidence of a nonlinear (U-shaped) relationship between city size and performance, challenging the view that very large cities

necessarily exhibit lower performance and pointing to potential agglomeration economies. (See Graphic 1)

In Chapter 4 Frannie Léautier and Barjor Mehta use two sets of empirical explorations to examine whether the influx of global business, including connections with international markets, tends on balance to improve or degrade existing city performance. They first compare city performance profiles on a number of dimensions, asking whether globalization does indeed seem to favor well-performing cities. Second, they look at the specific case of Africa to see if urban dynamics there are the same or different in comparison with cities elsewhere. When companies or citizens choose a city in which to locate, they pay attention to issues such as the quality of life and access to critical infrastructural and social services. Observed city performance profiles, therefore, exhibit mutual interdependence between the attained level of globalization and the performance of the city—unless city managers are not responsive to signals from firms or citizens.

Chapter 5 by Frannie Léautier and Séverine Dinghem seeks to understand differences in urban performance by looking at the interactions among citizens, an elected mayor or municipal leader, and a globally oriented firm making the decision to locate in the city. The authors use game theory to show that the dynamics of interactions among citizens, mayors, and firms, within a context of globalization, can improve the performance of cities. This framework attempts to derive the nature of causality from globalization to good governance and from local accountability to good governance. In fact, the analysis shows that both globalization and local accountability matter, but that the interaction between globalization and good governance should lead to better performance than local accountability by itself or globalization in the absence of local accountability. The analysis also shows that, when firms try to influence city leaders and go unchecked, city performance is likely to suffer.

In the closing chapter, Daniel Kaufmann, Frannie Léautier, and Massimo Mastruzzi investigate the role that various city-level characteristics play in distinguishing the performance of cities as they face the twin pressures for improved local governance driven by the preferences of their citizens and the need for heightened service provision driven by the firms seeking to locate on a global scale. The analysis uses the authors' worldwide



Graphic 1

database for more than 400 cities, which is also the source for the data in Chapter 3. The evidence suggests that there are particular and complex interactions among the technology choices that citizens and firms have, the quality of local governance, and the overall performance of the city. In particular, the authors confirm the conclusion drawn in Chapter 3 that port cities

seem to be more dependent than nonports on good governance for the city performance variables that matter for globalization (access to cell phone, internet access) and that capital cities tend more to serve local service access better (water, sewerage, and electricity). (see Graphic 2)

City Performance and Technology

Access to service	Website		Budget on site		Start-a-business info on site	
	No	Yes	No	Yes	No	Yes
Water (%)	62	68	63	92	62	90
Electricity (%)	75	76	75	91	74	93
Telephone (%)	84	93	86	99	86	95
Cell phones (1 -7)	5.7	6.1	5.8	6.1	5.8	6.0
Internet in schools (1 -7)	3.3	3.4	3.3	3.4	3.3	3.5
Quality of infrastructure (1 -7)	3.3	3.4	3.3	3.5	3.3	3.5
# of cities	210	58	262	6	256	12

Source: UNCHS 1998, EDS -World Economic Forum 2003.

- **Technology is an enabler of voice** but also provides citizens exit options for self-provision (blue vs red cells)
- **Transparency of information** (budget and starting a business) has a positive impact on city performance

Graphic 2

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China Urban Development Quarterly is an environmentally friendly publication, and is printed on recycled paper.