

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA54073

Project Name	CH-Second Gansu Cultural and Natural Heritage Protection and Development Project (P149528)
Region	EAST ASIA AND PACIFIC
Country	China
Sector(s)	Public administration- Other social services (50%), Urban Transport (30%), General water, sanitation and flood protection sector (20 %)
Theme(s)	Cultural Heritage (60%), Other urban development (40%)
Lending Instrument	Investment Project Financing
Project ID	P149528
Borrower(s)	People's Republic of China
Implementing Agency	Gansu PMO
Environmental Category	A-Full Assessment
Date PID Prepared/Updated	21-Mar-2016
Date PID Approved/Disclosed	21-Mar-2016
Estimated Date of Appraisal Completion	25-Mar-2016
Estimated Date of Board Approval	26-May-2016
Appraisal Review Decision (from Decision Note)	The Chair authorized the team to carry out a pre-appraisal follow up mission, which can be upgraded to appraisal in line with the recommendations of the meeting and on the basis of the RSS comments and task team follow up on them. The project is scheduled for Board Approval on May 26, 2016.

I. Project Context

Country Context

China's rapid urbanization over the past three decades has facilitated impressive economic and social gains. It has catalyzed China's brisk Gross Domestic Product (GDP) growth and has pulled more than 500 million people out of poverty. Urbanization is projected to add another 300 million to China's urban population by 2030 and continue boosting economic growth. With rising living standards, awareness and appreciation of cultural heritage assets have been increasing, leading to an expansion of the cultural tourism sector. Cultural heritage is now considered in China not only to be an essential element of national history and pride, but also an asset for local economic and social development.

Scenic areas are key assets for heritage-based sustainable tourism in China. Tourists in China travel

to visit cultural and natural heritage sites. Besides being tourism destinations, these areas provide weekend leisure opportunities to the emerging middle class. There have been significant private sector investments in the vicinity of the most scenic areas, including large hotels as well as bed and breakfasts, restaurants and handicraft shops. Small businesses located within local communities provide the largest share of jobs in the sector, showing a promising potential for further development, with significant impact on employment.

Gansu is one of the least developed provinces in China. The province is endowed with unique resources that have great potential for local economic development and job creation. Gansu's topography is anchored around the Gobi Desert, the Qilian Mountain range and Hexi Corridor, with large oases, wetlands and rivers, comprising unique and challenging environmental landscapes. Throughout history, Gansu has played a key role in the evolution of China's culture; even today, Gansu features significant portions of the ancient Silk Road. Gansu has also some of the most significant cultural and natural heritage sites in all of China, which have World Heritage status, e.g., Mogao Grottoes in Dunhuang and Great Wall in Jiayuguan, Maijishan near Tianshui and Bingling Temple in Lingxia.

Sectoral and institutional Context

China's National 12th Five-Year Plan (2010-2015) highlights the conservation of historic relics, listed historic sites, and intangible heritage as ways of enhancing inheritance and expanding the utilization of heritage capital for local economic development. The conservation and development of distinctive historic sites, surrounding landscapes, environmental improvement, and enhanced scenic area management are expected to be among the key goals in the long term economic development plans of all levels of government, in particular the 13th Five-Year Plan that is currently being prepared.

Tourism is a high-priority sector in China's National 12th Five-Year Plan and the draft 13th Five-Year Plan attaches great importance to balancing conservation and development of tourism resources. The government's main measures to promote tourism development include: (i) strengthening tourism infrastructure; (ii) promoting the development of key tourism regions and travel routes; (iii) facilitating markets and diversifying tourism products; and (iv) designing in-depth cultural tourism experiences. The State Council has recently issued a number of guidance notes to promote tourism reform and development.

Tourism is a well-established sector in Gansu, with a strong focus on cultural and natural heritage sites. In 2014, Gansu was visited by about 13 million tourists, mostly domestic, with a 25 percent increase over 2013. Tourism based on cultural and natural heritage sites contributes to 10.2 percent of Gansu's GDP; this GDP share is one of the highest in China, where the national average in 2013 was 5.4 percent.

Cultural and natural heritage sites in Gansu are facing rapidly increasing and even immediate threats, including: (i) rapid growth in the number of visitors, impacting site management arrangements and carrying capacity; (ii) conservation, management, and development investments carried out without an overall vision; (iii) uncontrolled soils erosion and landslides, which need to be addressed with eco-engineering solutions; (iv) a largely concrete-focused approach to environmental restoration; and (v) inadequate attention to social aspects, especially the linkages with local communities and the need to address basic service delivery needs.

In 2013, Gansu provincial government fine-tuned conservation plans, development programs, and investment schemes in cultural, natural heritage and tourism into an integrated initiative founded on the concept of heritage conservation and sustainable tourism. This initiative, entitled the 'Innovation Project of Huaxia Civilization Transmitting' (Gansu Huaxia Cultural Heritage Initiative) is structured as a package of conservation and development programs in 13 sub-sectors, including cultural sites, natural areas, intangible heritage and historic towns. The objective of this initiative is to support sustainability and growth, and to have the sector contribute to another 5 percent to Gansu's provincial GDP by 2020.

Geographically, Gansu is divided into three main regions defined by its topography and natural barriers: Hexi Corridor (Western Gansu), Central Gansu, and Longdongnan (Southeast Gansu). Each of these three regions possesses a unique stock of cultural and natural heritage, and together forms a spatial layout of Gansu's heritage sites: three clusters of cultural and natural heritage sites connected by the corridor of the ancient Silk Road. This is referred to as the one corridor and three clusters in the Gansu Huaxia Cultural Heritage Initiative. Gansu Provincial Government (GPG) has requested the proposed Second Gansu Heritage Project to target to the specific region of Longdongnan (Southeast Gansu) as prioritized in the Gansu Huaxia Cultural Heritage Initiative for the following considerations:

- Longdongnan has 1,597 cultural relics designated at the city/county level, accounting for 34 percent of city/county level cultural relics in Gansu. Given the limited fiscal resources that the local county government in Longdongnan can allocate to conservation of such a large stock of relics, cultural heritage at the city/county level in Longdongnan is facing rapidly increasing or immediate threats of degradation or vanishing. Actions for preservation of cultural relics of at the city/county level in Longdongnan are urgently needed.
- With tourism capacity approaching its peak for most sites in the Hexi Corridor and central Gansu, it is critical to mobilize tourism development in Longdongnan to sustain the growth of Gansu's tourism industry in the long run. Covering a land area of about 19 percent of Gansu's provincial territory, the region of Longdongnan possesses the largest stock of Gansu's cultural and natural heritage (including 50 percent of Gansu's immovable cultural relics and 22 percent of Gansu's natural heritage). With Gansu's priority tourism investments traditionally concentrated in the Hexi Corridor and Central Gansu, financial resources allocated to tourism investments for heritage preservation and basics infrastructure for sites in Longdongnan are limited. As a result, the tourism industry in Longdongnan currently is far less developed.
- With over 84 percent of its population living in the rural area, Longdongnan is far less urbanized than the other two regions of central Gansu (in which rural residents account for 30 percent of total population) and Hexi Corridor (rural population accounting for 16 percent). Urban jobs created from tourism development could make a significant contribution to accelerate the urbanization process in Longdongnan regions where the traditional industrial investments are largely restricted due to its sensitive ecosystems, and to divert some pressures of rural-to-urban migrations from those central cities in Gansu with limited carrying capacity.
- Longdongnan is also the home to the majority of Gansu's rural poor, with over 23.7% of Longdongnan's rural population classified as poor. In 2013, about 52.4% of Gansu Province's rural poor population lives in the Longdongnan region. Being one of the poverty regions prioritized in

China's state poverty reduction schemes, investments in Longdongnan tourism development will provide significant opportunities to the province's rural poor communities.

Addressing the remaining rural poverty in project areas through community-inclusion sustainable tourism development is a priority. Poverty reduction has been an important national development objective of the Chinese Government over the past 35 years. Success in reducing rural poverty has been remarkable, an achievement that is acknowledged worldwide. These poverty reduction efforts together with China's urbanization and industrialization process have allowed some 500 million farmers to escape poverty and some 260 million rural migrants to transition out of agriculture to more productive activities. In November 2015, the Chinese Government announced an ambitious program aiming to eliminate remaining poverty of 70 million poor rural people suffering hunger and elementary needs by 2020, including 4.17 million poverty people in Gansu Province, and about 335,000 poverty people in the six project counties/district.

Like in other provinces of China's western region, Gansu's remaining rural poverty is highly dispersed and persistent. Conventional poverty reduction interventions and investments are becoming less and less effective in targeting and tackling Gansu's remaining rural poverty due to a number of challenging features. First, the remaining poverty settlements are highly dispersed and isolated; there is lack of connectivity, and the size of each poverty settlement is relatively small. Second, there is a scarcity of land and water resources, high vulnerability to frequent natural disasters of draught/flooding, and low farming productivity, all of which constrain the income increase from farming activities. Third, the agro-business of higher value is less developed or not developed at all. Lack of skills needed for agro-business and non-farming income generation activities, results in over out-migration of local labour force at each poverty spot. Fourth, the settlements face limited access to basic services and higher risk of inter-generation poverty transmission.

China's new program of poverty reduction launched in November 2015 present new features that are more effective for sustainable poverty reduction, namely promotion of balanced and tailored interventions. China's rural poverty reduction efforts have focused on addressing the income disparity between the rural and urban areas. However, the disparity of basic services between these, particularly for those poverty villages and poverty families in rural areas is striking - for example: 10.6 percent villages have no road access except for footpaths, and 29.3 percent of the rural poor do not have secure safe drinking water, etc. China's poverty reduction policy is therefore being restructured to balance income and service gaps. China's 'remaining poverty' identified in rural areas are, typically, located in vulnerable, remote, isolated or mountainous areas which have: inadequate farm land; high vulnerability to frequent natural disasters (flooding or drought); and highly sensitive eco-environments, which pose challenges to sustainable and economically viable agricultural development. Interventions and support for income generation need to be more specific and tailored to tap the opportunities and potentials for the identified poverty targets. China's new poverty reduction policy emphasizes on exploring income generation from non-agricultural sectors, in particularly from tourism. As part of the new poverty reduction programs, China announced a scheme for rural poverty reduction through tourism development. The scheme aims to support tourism related small businesses in over 6,000 designated poverty villages by 2020, including 368 poverty villages in Gansu Province, and 48 poverty villages in the six project counties/district, out of which 19 poverty villages are targeted by the Second Gansu Cultural Heritage Project.

The social assessment conducted for the project areas shows that rural communities within or

adjacent to the project sites suffers higher poverty rates. Rural poverty families accounted for over 23.1% of the total number of families in those communities targeted by the Project, which is substantially higher than the national averaged rural poverty head count ratio of 11.3% in 2014.

The just completed Gansu Cultural and Natural Heritage Protection and Development Project has successfully demonstrated the contribution to poverty reduction from heritage conservation and sustainable tourism development when a community-inclusion approach is adopted in project design and implementation. In designing and preparing the Second Gansu Cultural and Natural Heritage Protection and Development Project, a project design dimension of facilitating poverty reduction in selected communities within and adjacent to the scenic areas was further scaled up to cover all the six project sites. Supplementing to the regular on-going poverty reduction programs funded China's top-down and sectoral fiscal resources which typically focused on addressing income gaps for individual poverty families (livelihood improving, subsidies, higher value agr-farming, etc), interventions under the Gansu CH II project intended to concentrate on addressing the service gaps of basic infrastructure and at local community level (improvement of village roads, sewage and drainage, sanitation, water supply, and connectivity with tourism market in the scenic areas) and facilitating local tourism-related small business. The crowding effect to poverty reduction at selected project communities from balanced interventions of addressing both income gaps (mainly by on-going local government funded programs) and service gaps (under the Project) could be expected.

Value Added of World Bank Support. The World Bank brings considerable global and local knowledge to the province. The Bank has assisted cultural and natural heritage conservation and development in Gansu through the recently completed Gansu Cultural and Natural Heritage Protection and Development Project (the first Gansu CH Project), which supported conservation and management in nine heritage sites, mainly concentrated in the Hexi Corridor and Central Gansu. In addition, the Bank has supported a number of cultural heritage projects in China (including in Guizhou Province, Shandong Province, and Hubei Province) as well as in other developing countries, including Tunisia, Lebanon, Morocco, Bosnia Herzegovina, and Jordan. Gansu provincial government has therefore requested continued support from the Bank to scale up the good practices under the first project and help the province to further harness the potential of cultural heritage sites for local economic development.

II. Proposed Development Objectives

To conserve cultural and natural heritage, enhance tourism services, and improve community services in selected project sites in Gansu Province.

III. Project Description

Component Name

Component 1: Heritage Conservation and Tourism Services Improvement

Comments (optional)

- i.) Protection of cultural and natural heritage and cultural relics
- ii.) Construction, rehabilitation and/or upgrading of tourist facilities
- iii.) Provision and upgrading of services including water supply, drainage, wastewater collection and disposal, etc. including associated equipment;
- iv.) Construction and/or rehabilitation of selected scenic areas' administration facilities including museums, heritage and service centers, etc.

- v.) Implementation of mitigation measures and works for natural heritage aimed at natural hazards.
- vi.) Development of a tourism information system and website for the Project Sites

Component Name

Component 2: Community Basic Services Delivery

Comments (optional)

This component will support construction, upgrading and/or rehabilitation of basic infrastructure, and provision of basic services to the communities in the Project Sites, consisting of, inter alia: (a) improvement of pavement for village access roads; (b) provision of water supply, wastewater collection and disposal; (c) solid waste collection and sanitation improvements; (d) street lighting; (e) construction of a wastewater collection network in Kongtong Scenic Area; (f) construction of a wastewater treatment plant along with a water collection network in Hua'er Songmingyan Scenic Area; and (g) construction of village classrooms for teaching and practicing local intangible cultural heritage.

Component Name

Component 3: Capacity Building, Institutional Strengthening, and Project Management Support

Comments (optional)

- i.) Provision of training to selected Project-related on cultural and natural heritage protection, intangible cultural heritage preservation, scenic area management, tourism development strategies, and tourism products and market development.
- ii.) Provision of: (a) training to local communities on topics related to, the start-up or expansion of locally-owned and tourism-related small businesses, business skills for participation in tourism, and etc.
- iii.) Provision of Project management support and technical assistance
- iv.) Carrying out of studies on Scenic Site Management Plan

IV. Financing (in USD Million)

Total Project Cost:	160.76	Total Bank Financing:	100.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			60.76
International Bank for Reconstruction and Development			100.00
Total			160.76

V. Implementation

An important lesson learned under the first Gansu CH Project was to ensure that proper institutional arrangements are in place to coordinate across sector agencies involved in the projection and development of cultural and natural heritage. An important decision was made under the first Gansu project was to transfer the PMO from the Tourism Department to the Development and Reform Commission during project preparation. The latter agency has the mandate to coordinate the range of sector bureaus required to implement a multi-sectoral project. This lesson was considered in the proposed project design. Gansu Provincial Government has appointed Gansu Provincial Development and Reform Commission (GDRC) as the project leading agency (PLA) for high-level guidance to the project and to coordinate on policy, financial and institutional issues. The PLA is

supported by the Gansu Provincial Finance Department (GPF), Gansu Provincial Culture Department (GPCD) and the other relevant line agencies at the provincial level. A provincial PMO (PPMO) has been established under GDRC for day-to-day project management, including monitoring implementation progress, assisting procurement activities, carrying out financial management, and preparing consolidated project reports.

At district/county level, a PMO has established in the district/county Development and Reform Commissions (DRC); however, in Kangxian County the PMO is located in the Kangxian County Culture and Tourism Bureau. Each PMO is led by a director and is composed of core staff from the district/county government and related implementation agencies. The PMOs are responsible for the preparation and execution of project components within their jurisdiction and for coordination with the PPMO.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10	x	
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

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