

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC26855

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	08-Jun-2015
Date PID Approved/ Disclosed	17-Jan-2016
Estimated Date of Appraisal Completion	15-Mar-2016
Estimated Date of Board Approval	26-May-2016
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

1. Gansu is one of the poorest provinces in China. With a large territory of 430,000 km² and a total population of 25.82 million, Gansu is one of the least developed provinces in China. In 2013, Gansu had the second lowest per capita GDP (RMB24,296 per capita, slightly higher than Guizhou, which is RMB 22,9220) among all the provinces in China, representing only 59.6% of the national average (RMB 41,908 per capita) . Over 59,9% of Gansu's population still live in rural areas, the highest share among the five provinces in the northwest region, and significantly higher than the national average of 46.3%. Gansu has a total surplus labor of over 6.8 million people in rural areas. The economic growth rate of the province in the last decade (2003-2013) has been the slowest among the five provinces in northwest China, highlighting a challenging trend of widening disparity between Gansu and neighboring provinces. However the low population density represents both a challenge and an opportunity.

2. Gansu has structural constraints to industrial and manufacturing based growth. The Western Development Program, implemented over the past decade by the National Government, has achieved remarkable success in reducing the disparity between the developed coastal regions and western China. Relocation of manufacturing industries has resulted in an unprecedented increase in the GDP of a number of western provincial cities, surpassing growth of coastal provinces?? cities. However, Gansu appears to have benefited less from this program compared to other western provinces, due to a combination of structural factors. Recent analyses show that Gansu??s economic development and industrialization have been held back by: (i) challenging natural environment, with the Gobi desert in the west and sensitive ecosystems of the Loess Plateau and mountainous region in the southeast; (ii) isolated location with limited access to the country??s strategic markets; and (iii) low level and lagging urbanization.

3. Gansu has unique assets that could be leveraged for innovative growth models. Despite the above mentioned challenges, Gansu 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. Furthermore, throughout history, Gansu has played a key role in the evolution of China??s culture. Still today, Gansu features significant portions of the ancient Silk Road. The province has the westernmost portions of the Great Wall and shows important evidences of China??s settlement and development along the Yellow River basin. Gansu has also some of the most significant cultural and natural heritage sites in all of China, some of which such as Mogao Grottoes in Dunhuang and Great Wall in Jiayuguan, Maijishan near Tianshui and Bingling Temple in Lingxia, are recognized as having global significance and have UNESCO??s World Heritage status.

4. Gansu provincial government recognizes the capacity of the World Bank Group to bring global knowledge for local solutions. Gansu provincial government, while acknowledging the constraints of the province for an industrial and manufacturing based development, has recognized the potential of its unique assets, and has elaborated strategies and programs emphasizing heritage and sustainable tourism as pillars to drive growth and job creation. The government has already benefitted from World Bank Group support through a number of operations and appreciated the comparative advantage of involving a partner that has the capacity to leverage global knowledge for local solutions, especially in geographical areas where constraints require innovative solutions, turning challenges into opportunities and maximizing the benefits of tailored investments to attract private sector. The World 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, (P091949). With a total Bank loan financing of US\$ 38.4 million, the Bank??s interventions under this project supported conservation and management in nine heritage sites, mainly concentrated in the Hexi Corridor and Central Gansu. Gansu provincial government has requested continued support from the Bank to scale up the good practices achieved in this project, and help the province further explore innovative approaches in heritage conservation and sustainable tourism development. Most promising innovations can be achieved combining infrastructure and services investments within the sites with those in the nearby communities, thereby enhancing the enabling environment for poverty alleviation and shared prosperity, coordinated with private sector investment. This model has proved highly successful in the recently completed Gansu Cultural and Natural Heritage Protection and Development Project.

Sectoral and Institutional Context

5. Heritage-based sustainable tourism is a key pillar of Gansu economy and it can grow further. Tourism is a well-established sector in Gansu, with a strong focus on cultural and natural heritage sites, as in the rest of China. In 2014, Gansu was visited by about 13 million tourists, mostly domestic, with a 25% increase over 2013, and an average stay of 1.6 days. Revenues generated by the sector reached 77.96 billion RMB with a 26% increase over 2013. During 2006-2010, the number of tourists increased by 27% annually and in 2010-2014 by 30%. Future 5 years projections estimate an additional growth of 20%, for both number of tourists and revenue. Tourism based on cultural and natural heritage sites contributes to 10.2% of Gansu's GDP, with a positive trend, as the contribution was 8.5% in 2010, with a net increase from 5.7% in 2005. This GDP share is one of the highest in China, where the national average in 2013 was 5.4%.

6. Scenic Areas are key assets for heritage-based sustainable tourism in Gansu. Research has found that tourists in China travel mainly to visit heritage sites (both cultural and natural), most of which are close to large urban areas and classified as Scenic Areas. Besides being tourism destination, these areas provide weekend leisure opportunities to the emerging middle class in China. Scenic Areas are managed by ad hoc administrations, belonging to County/City Governments. They are independent institutional entities having responsibility within the boundaries of each site. They are classified depending on the relevance of their cultural and natural features with a ranking system ranging from 2A to 5A, where 2A represents the lowest degree of attractiveness and 5As the highest. They also enjoy economic independence, many of them are fully sustainable financially, while some receive subsidies from County/City Governments due to higher conservation and management needs and/or lower number of visitors. Scenic Area Administrations collect entry fees, share them with other institutions at County/City level, have conservation and management policies reviewed by a dedicated structure, and based on their performance, can be upgraded or downgraded (awarding them higher or lower A ratings, thus adjusting their ranking depending on their actual status). Responsibilities outside the boundaries of Scenic Areas, including areas where communities live, belong to County/City Governments, among other stakeholders. Scenic Areas are connected by existing, established circuits, lining them and cities. Data on visitors show a clear trend toward those traveling independently, by car, mainly families. In the proximity of most Scenic Areas, there has been significant private sector investment, with both large hotels having high level of services, vast commercial facilities, as well as bed and breakfasts, restaurants and handicraft shops. These investments are usually located in the proximity of or within local communities and are almost entirely done by domestic entities. Among them, small businesses located within local communities they provide the largest share of jobs in the sector, showing a neat potential for further development, with significant impact on employment.

7. Heritage sites in Gansu are however facing significant threats, which can undermine their potential for private sector investment and job creation. Cultural and natural heritage sites in Gansu, due to fast growing tourism definitely represent opportunities for developing local communities, but these sites are also facing rapidly increasing or even immediate threats, which may jeopardize the sustainability of the sector, if appropriate actions are not taken. In the absence of adequate management systems, effective conservation measures, and dedicated investments, many of these sites are at risk of losing their cultural and natural significance to the Chinese identity, decreasing their attractiveness and uniqueness. Some of these threats are leading to discussions about downgrading site ranking (reducing the A ranking awarded to them), which would have negative implications on their contribution to local economies. Indeed, reducing the A ranking can make

these sites less attractive for private sector investment, with negative consequences on their potential for job creation.

8. These threats can be addressed with adequate policies and investments. Threats include: (i) rapid growth in the number of visitors, with the need to adjust site management arrangements and carrying capacity; (ii) conservation, management, and development investments carried out in a nonsystematic manner, often with a weak vision; (iii) environmental implications that can be better addressed, as there is uncontrolled soils erosion, landslides, which need to be addressed with eco-engineering solutions; (iv) a merely concrete-focused approach vis-à-vis the need to undertake environmental restoration and a more careful approach to infrastructure, which per se do not attract more visitors; and (v) social implications that can be incorporated more wisely in ongoing investments, especially highlighting linkages with local communities and a more balanced approach to address basic service delivery needs. To address these threats, in 2013 the 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 was then upgraded to a national level initiative by the central government, under its policy aiming at encouraging Gansu province to explore innovative approaches that could be replicated nationwide. This initiative, entitled "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, historic towns, etc., and has the objective of supporting sustainability and growth, to have the sector contribute to another 5% to Gansu's provincial GDP by 2020.

9. Complementarity with other ongoing programs can help scale up results. There are two Government programs that have been launched in Gansu and they can have synergies and complementarity with investments in heritage and sustainable tourism: the Alliance of Silk Road Cities and the New Silk Road National Initiative. These programs aim at enhancing connectivity and access, which can help increase the number of visitors to Scenic Areas.

10. The Alliance of Silk Road Cities would enhance local connectivity between cities and Scenic Areas. This program has been recently launched by CICETE and UNOSSC, and synergies with the proposed project are direct. There are important cities, linked to tourism circuits, Pinliang and Tianshui, which are also candidates for the Alliance. These are main regional centers in southeast Gansu and are traditional trade hubs on the ancient Silk Road. They feature historic downtowns where businesses are located and are growing fast. Other cities which might join the Alliance, such as Tianshui (close to the Maijishan Scenic Area), were targeted by the previous project.

11. The China's New Silk Road National Initiative would improve international access to the province. This initiative aims at boosting cross-border trade and transport links and strengthening regional policy coordination between China and other countries along the Silk Road (continental and maritime). At investment level, China's Silk Road Initiative is anchored on three elements: rail and shipping transport links between Asia and Europe, natural gas pipelines connecting central Asia and China, and international highways, for which the New Asia Infrastructure Investment Bank and the New Silk Road Fund have been established. In Gansu, investments under the New Silk Road Initiative would focus on developing Lanzhou, the capital city, as a key logistic hub on the continental trade route. These and other long term plans on local feeding links to the Silk Road

transport backbone, such new highways and expressway, airports, railways, might provide additional access to the existing tourism circuits in Gansu.

Relationship to CAS

12. The investments in the proposed project are consistent with the Bank's Country Partnership Strategy (CPS) for 2013-2016 (Report No. 67566-CN) dated October 11, 2012. The project would be aligned with two strategic themes defined in the CPS: Supporting Greener Growth, and Promoting More Inclusive Development. The project would support two outcomes of the CPS FY2013-2016: enhancing opportunities in rural areas and small towns; and improving transport connectivity for more balanced regional development.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The objective of the project is to conserve cultural and natural heritage, enhance tourism services, and improve community services in selected project sites in Gansu province.

Key Results (From PCN)

14. The achievement of the PDO will be measured through the following Key Performance Indicators:

- 1) Direct beneficiaries: Number of residents and visitors, total and gender share;
- 2) Site conservation quality: Number of works meeting government benchmarks;
- 3) Visitor satisfaction: Percentage of visitors moderately satisfied and above;
- 4) Access to improved community services: Number of residents serviced by new infrastructure, total and gender share.

III. Preliminary Description

Concept Description

15. Project design is based on a sound analytical basis. The Gansu provincial government engaged the Northwest Normal University for the preparation of the Longdongnan Regional Strategic Planning Study for the Cultural and Natural Heritage Conservation and Sustainable Tourism Development (Longdongnan Regional Study). The study provides elements to screen project sites that can be potentially included in the project, analyzing Strengths and Weaknesses, as well as Opportunities and Threats. Sites with higher development potential, benefits in terms of attractiveness for private sector investment, job creation, income generation for local communities, are considered with a higher priority. Additionally, potential sites should already have a complete set of planning tools to expedite implementation, including development and heritage conservation plans at both county and site level, tourism development plan at county level, county master plan and site master plan.

16. Project sites are being carefully screened for inclusion in the project. Among the rich stock of cultural and natural heritage in Gansu in general, and Longdongnan Region in particular, 7 potential sites are being considered by the clients, based on the criteria defined above. Other sites could be included during project preparation, should the selection criteria be met. During the next stages of preparation, the objective, scope and criteria for identification, preparation and implementation of project investments can be fine-tuned, in collaboration with the provincial, municipal and county governments.

Below is a list of sites being considered by the client and their ranking:

Kongtong District	Kongtong Mountain Cluster of Historic Buildings	5A
Jinchuan County	Hundred Mile Grottoes Corridor Conservation	4A
Zhuanglang County	Yunya Temple Cultural Heritage and Scenic Area	4A
Jingtai County	Yellow River Stone Forest Conservation	4A
Tanchang County	Guan??egou Ethnic Cultural and Natural Heritage Conservation	4A
Kangxian County	Yangba Natural Heritage Conservation	4A
Hezheng County	Hua??er Traditional Music Conservation and Inheritance Program	4A

17. A map showing the location of the proposed project sites vis-a-vis main urban areas and transportation infrastructure has been commissioned and is being developed.

18. Project components would blend investments in sites and communities, together with capacity building. The proposed project would include the following three components:

- ? Component 1: heritage site conservation and development;
- ? Component 2: community service delivery; and
- ? Component 3: capacity building for project sites, institutional strengthening, and project management support.

19. Component 1: heritage site conservation and development. This component would focus on enhancing site conservation and development, tacking the sustainability of the existing tourism sector. It would target the Scenic Areas directly, within their boundaries, and provide investment for site management, conservation of assets, enhancing their carrying capacity and tourism access, addressing soil erosion and landslides, creating new pathways to better control visitors flow, appropriate interpretation of the heritage properties, etc.

20. Component 2: community service delivery. This component would focus on enhancing inclusiveness of local communities in the ongoing development process in Gansu, with the goal of further improving the enabling environment for local enterprises to grow and private sector investment to be leveraged. It would target settlements outside the Scenic Areas, in identified buffer zones, financing improvement of service delivery, including roads, water supply, solid waste, wastewater and street lighting. Existing local businesses, which provide the largest share of jobs locally, including bed and breakfasts, restaurants and handicraft shops, are all located in areas with higher services. If needed basic services would be further extended, enabling these businesses to grow further, in both number and size, creating jobs and generating income for the local communities.

21. Component 3: capacity building for project sites, institutional strengthening, and project management support. In addition to supporting project delivery and management, this component would address site management issues, to make Scenic Areas Administration more responsive to the environmental and social impacts of tourism development. This component would target skills training to help local communities in the establishment of small business. This component would also include specifics studies for Gansu and the selected projected sites aiming to enhance the technical capacity for tourist destination management and heritage conservation techniques. Due to

its cross-cutting nature, the task team is exploring partnership with IFC, due to their unique capacity and knowledge in private sector development.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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	

V. Financing (in USD Million)

Total Project Cost:	175.00	Total Bank Financing:	100.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			75.00
International Bank for Reconstruction and Development			100.00
Total			175.00

VI. Contact point

World Bank

Contact: Ji You
 Title: Urban Specialist
 Tel: 5788+7765 /
 Email: jiyou@worldbank.org

Contact: Guido Licciardi
 Title: Senior Urban Development Speci
 Tel: 458-8680
 Email: glicciardi@worldbank.org

Borrower/Client/Recipient

Name: PEOPLE'S REPUBLIC OF CHINA
 Contact: Mr. Yao Licheng
 Title: Director
 Tel: 86-10-68551124
 Email: yaolicheng@mof.gov.cn

Implementing Agencies

Name: Gansu PMO
Contact: Jun Liu
Title: Director
Tel: 86-931-8839048
Email: gansupmo@126.com

VII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: <http://www.worldbank.org/infoshop>