

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC1563

Project Name	Uttar Pradesh Pro-poor Tourism Development Project (P146936)
Region	SOUTH ASIA
Country	India
Sector(s)	Public administration- Other social services (55%), Sub-national government administration (30%), SME Finance (15%)
Theme(s)	Other social development (50%), Participation and civic engagement (20%), Cultural Heritage (20%), Micro, Small and Medium Enterprise support (10%)
Lending Instrument	Investment Project Financing
Project ID	P146936
Borrower(s)	Department of Tourism
Implementing Agency	Department of Tourism
Environmental Category	A-Full Assessment
Date PID Prepared/ Updated	03-Nov-2014
Date PID Approved/ Disclosed	04-Nov-2014
Estimated Date of Appraisal Completion	17-Jul-2015
Estimated Date of Board Approval	17-Nov-2015
Concept Review Decision	Track I - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

1. India has some of the greatest wealth in tangible and intangible heritage. As a powerful economic driver, its heritage has had undeniable positive implications. From subsistence practices and handlooms to precision engineering and a reputable steel industry, India's economy has shown to rely essentially on its cultural assets, expressed through the creativity and adaptation of its indigenous industries, traditional skills and built heritage. As a socially invaluable endowment, heritage also has vast noneconomic development impacts. Women's empowerment—as sources and transmitters of much local knowledge and cultural practices—and youth employment are at the core of associated creative industries. They are instrumental in leading to appreciation of differences and a renewed sense of identity and stronger social compacts, thereby increasing communities' inclusion and generating economic vitality to heritage towns and historic areas. As endogenous assets, India's

heritage has provided essential services to areas, towns and communities—including reliable rainwater harvesting systems (kunds), shelter and places of worship, to mention a few. Most ancient Indian towns were planned and built applying what are considered today as advanced notions of “sustainable urban growth” by designing walkable and compact use of land through mixed-use development, and promoting the preservation of natural and cultural resources and open spaces at the core of their strategies for cities livability and socioeconomic vibrancy.

2. Despite its wealth and strong related socioeconomic impacts, the reality is that India has been unable to harness the power of its heritage in a way that drives inclusive growth and reduces poverty. In practice, the economic benefits that have been generated from its heritage, especially linked to tourism—one of the main economic sectors associated to heritage—have had little trickle-down effect on their host communities and the assets themselves. Much of the value from tourism expenditure is retained by transport and accommodation service providers, who tend to both, be located outside the heritage rich tourism attractions they explore, and insulate their clients from the surrounding communities. At the broader level, the World Economic Forum’s Travel and Tourism Competitiveness Report for 2011 ranked India 68th out of 139 countries on overall tourism competitiveness despite being ranked 19th in terms of touristic resources. India’s tourism, in spite of its assets, only ranked 36th globally in terms of international arrivals, 39th in international tourism receipts, and 54th in terms of expenditure per visitor. The state of Uttar Pradesh best exemplifies this paradox.

3. Uttar Pradesh—India’s biggest tourist draw, containing some of the country’s most iconic heritage and annually attracting millions of devotees and visitors—remains one of India’s most lagging states. UP is the fourth largest and most populous state with over 199 million inhabitants, and is home to the emblematic Taj Mahal, to one of the oldest living cities in the world—Varanasi—located in the banks of the sacred Ganges, and to two of the world’s four most sacred Buddhist sites—Sarnath and Kushinagar, to mention a few of its heritage assets visited and worshipped by millions annually. In 2011, the state attracted 155 million domestic and 1.8 million international visitors out of 748 million domestic and 6.2 million international tourists visiting India, who contributed a total of USD 6 billion to Uttar Pradesh’s economy in the same year. Despite this unique endowment, Uttar Pradesh remains India’s third most lagging state, with a 37.7 percent poverty rate. Currently, over 50 million people live below the poverty line. It also lags behind most Indian states across a number of human development indicators, such as literacy and infant mortality. Specifically on tourism, in spite of its staggering numbers, the majority of earnings have been captured by airlines, travel agencies and tour operators.

4. Closer site-level data indicates that the Braj Agra Corridor and the Buddhist Circuit, which contain some of India’s and Uttar Pradesh’s prime tourist destinations and greatest wealth of heritage assets, meet some of the state’s highest poverty rates. For instance, its most iconic heritage asset and India’s tourism draw, the Taj Mahal in Agra, is surrounded by more than 200 slums with crumbling infrastructure and services, and associated low living standards—a lost opportunity.

Sectoral and Institutional Context

B. Sectoral and Institutional Context

1. A combination of ineffective approaches and practices are inhibiting Uttar Pradesh’s tourist destinations from leveraging their unique cultural and natural assets as endogenous sources of inclusive growth and poverty reduction through pro-poor tourism development. This is due to:

(i) Vision mostly centered on serving the needs of international tourists

- Investments often focus on international visitors and related product development, despite the fact that domestic and regional tourism have the larger volume, impact on the local economy and expected growth rate.

(ii) Ad-hoc planning, investments and institutional fragmentation.

- Internationally branded iconic attractions (i.e. the Taj Mahal) have tended to be the focus of isolated investments and promotion in detriment to their surrounding communities and lesser known assets.
- The sites and heritage towns along the Buddhist Circuit and the Braj-Agra Corridor have grown in an ad-hoc manner, remaining ineffectively planned, developed and managed, often leading to negative impacts and minimal pro-poor linkages.
- Poor coordination and cooperation between levels of government and institutional authorities and the private sector, hampered by the absence of a shared vision for these asset-rich areas has also led to piecemeal capital expenditures and isolated “projects”. This has in turn undermined the potential for integrated planning and the consequent trickle-down of benefits to surrounding communities and tourist destinations.
- Tourism officials also lack appropriate tools and contemporary approaches, contributing to a deficiency in strategic planning.

(iii) Poor site management, threatening heritage and reducing visitor satisfaction and retention.

- Ineffective protection and use of the Buddhist Circuit and the Braj-Agra Corridor’s heritage as well as unplanned urban development in or near their pristine sites are major sources of threats.
- The inexistence or current low quality of services provided is due to an underdeveloped human resources base, lack of access to investment financing, as well as to information and innovation relating to the functioning of heritage and tourism markets.

(iv) Policy approaches hindering communities from reaping the benefits of pro-poor tourism development.

- The Buddhist Circuit and the Braj-Agra Corridor are also behind in terms of public-private partnerships and co-management schemes with surrounding communities and the private sector, leading to lack of relevance, poor market connectivity and generally poor service standards. The state and central governments still own and operate hotels as well as much of the connecting transport.
- Similarly, resources are often spent in a non-participatory manner, with little collaborative thinking and planning between the government and communities, leading to a lack of local ownership, thus reducing investment implementation effectiveness and their adequate maintenance.
- There is a lack of formal and decentralized sources of revenues to ensure proper management and conservation of its assets and broadly shared benefits.

(v) Infrastructure gaps as well as subpar connectivity affect visitors and poorer segments of the population to a greater extent.

- Poorly planned state and municipal infrastructure does not support current levels of population, let alone additional visitors.
- Infrastructure that connects the tourist destinations within the state is not planned to support tourism flows, resulting in major bottlenecks especially during festivals and sacred occasions (i.e., Holi, Kumbh Mela) which bring together millions of devotees and pilgrims.

(vi) Ineffectively developed and restrictive regulatory, business and investment climate stunting private sector investment.

- The enabling business and investment climate of heritage and tourism sectors are yet to be tackled as a priority. Investment climate issues include excessive red tape (e.g. problematic visa procedures, complex and non-transparent business regulations, licensing and inspection – especially for hotels), poor municipal governance and problematic urban land markets.

2. This reality shows that without proper planning, stewardship and promotion, the possession of some of the most valuable and globally recognized iconic heritage assets is not sufficient to automatically generate inclusive growth through tourism. Realizing that, the Government of Uttar Pradesh (GoUP) is currently updating its 2002 Tourism Development Policy, prioritizing the Buddhist Circuit and the Braj-Agra Corridor as drivers for the socioeconomic development of the state. At the Central level, new policies and initiatives are also being prepared and promoted to support and use India's heritage as a means for poverty reduction especially in lagging areas through pro-poor tourism development. India's 12th Five Year Plan explicitly stressed pro-poor tourism as a priority aimed at increasing the net benefits to the poor and at ensuring that tourism growth contributes to job creation particularly for poor female and young workers in asset rich but lagging areas, with ultimate impacts on poverty reduction.

3. Despite these advances in thinking, policies, management processes and tangible poverty reduction results need to be further refined and translated into action on the ground. To this end, the GoUP, through its Department of Tourism, requested World Bank Group (WBG) support to help promote and implement their pro-poor tourism vision. It is a priority for the Uttar Pradesh authorities to better manage its iconic heritage assets in a way that delivers (i) inclusive economic growth through employment multipliers, income opportunities for local businesses and entrepreneurs, and (ii) improvements in multipurpose access infrastructure, public spaces and basic services utilized by both local communities and visitors. This request has been shared and approved by the Indian Ministry of Tourism, which expressed interest in further applying the approaches to be tested and the lessons learned from Uttar Pradesh in the other six envisioned tourism circuits to be later developed across India.

Relationship to CAS

The project is aligned with and advances the twin goals of India's Country Partnership Strategy (CPS) 2013-17, namely reducing poverty and increasing shared prosperity. It also is fully aligned with the CPS engagement areas on spatial transformation and inclusive growth by promoting an approach to unlock the power of India's cultural and tourism assets as engines of pro-poor and inclusive growth for its heritage rich, but low-income states. It also supports the CPS strong focus on rebalancing the WBG new portfolio towards low income states, by targeting Uttar Pradesh, India's third most low-income state, with a 37.7 percent poverty rate.

Specifically, the project will contribute to spatial transformation by improving the connectivity and living standards for some of the state's poor residents. This will be achieved through the strategic provision of tourism related infrastructure and services in an area-based manner and targeted to benefit primarily local communities living in and/or close to the tourist attractions along the Braj Agra Corridor and the Buddhist Circuit in Uttar Pradesh.

The project will contribute to inclusive growth by valuing and promoting the intrinsic assets of the

poor. As shown elsewhere, recognizing and supporting cultural manifestations and the heritage of poor and excluded individuals through pro-poor tourism schemes can bring about major improvements in self-esteem, energize communities, and enhance livelihoods. The project will do so by promoting endogenous job opportunities for the poor population living in and/or close to selected tourist destinations, with an emphasis on increasing income generation opportunities for women and the youth. Globally, tourism employment consists of 70 percent women and 50 percent youth (under 25), illustrating the endogenous and inclusive growth opportunities available with the removal of inhibiting bottlenecks.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The project development objective is to improve living standards and increase income opportunities for the poor population living in/and close to the primary tourism attractions of the Buddhist Circuit and the Braj-Agra Corridor.

The project will also assist the Government of Uttar Pradesh to restructure its tourism sector in a pro-poor manner by (i) providing public services to poor communities living in some of the state's heritage rich, but lagging areas, (ii) enhancing the management of the state's natural and cultural assets as endogenous sources of inclusive development, and (iii) enabling private sector investments and associated job creation (e.g. for youth and women). The project is expected to inform policymakers in other states while responding to the Indian Ministry of Tourism's request for a demonstration project on pro-poor tourism policies and investments.

Key Results (From PCN)

Tentative project core high level indicators and intended results, which will be further revised and developed during preparation, are:

- Percent of fiscal revenues generated by tourism activities retained in the project area (disaggregated between local, state and national revenues) – GOAL
- Average proxy real per capita household income in project areas increased by x percent – GOAL
- Percent of population in project areas satisfied with the quality of social and economic services financed by the project – GOAL

III. Preliminary Description

Concept Description

1. Description

The project will support the state's plans for restructuring its tourism sector in a pro-poor manner with a view to increasing benefits to local communities and improving the management of its tourism destinations. Many developing countries have recognized pro-poor tourism as an effective means of reducing poverty and becoming a driver for a more inclusive economic growth, as well as a means of contributing to steward their heritage assets (see Annex 1). Tourism's pro-poor potential relies on the fact that, when well-planned and managed, it is consumed at the point of production, is labor intensive, and can finance basic services in backward areas often overlooked by traditional tourism development schemes.

At its core, the project emphasizes the government's key role in structuring and regulating tourism

development for its adequate growth in a pro-poor manner. Experience shows that the greatest impediment to pro-poor benefits from tourism is not the type or size of tourism, but the way the tourism sector is structured, its approach to development, supply chains, linkages and expenditure reach. Governments also have a central role to play in removing bottlenecks to private sector critical investments in tourism through adequate policies, regulations and focused public investment.

The pro-poor approach adopted by the project also aims at catalyzing the impact of key sectors in a given area, such as accessibility/connectivity, environmental preservation, asset management and business development on local communities. The project will do so by promoting an integrated area-based approach in which tourist destinations and their iconic heritage assets are planned, promoted, served, stewarded and linked geographically. This area-based approach also allows for improved understanding of a given area's potential and linkages with other industries, the strengthening of the skills of the local population, and the promotion of small-scale entrepreneurship, especially amongst poor women and youth.

Such an approach has been deployed successfully in other circuits and routes worldwide, which originally faced similar challenges. The project design and components build upon the lessons learned and experience from these and other similar experiences. Based on lessons learned from programs worldwide, five main principles will guide the projects' investments, as follows:

- Cluster initiatives by destination. Tourism is multi-sectoral but most tourism projects tend to focus on sectoral interventions (i.e., hotel development), overlooking the totality of investments required for a destination's development. By geographically clustering investments and providing the destinations with an investment package comprising of branding and promotion, services and infrastructure, institutional strengthening and local economic support, pro-poor tourism investments often contribute to increase synergies and sustainability of actions.
- Target visitors with higher inducement value (proportion of spend that reaches the poor) instead of just higher spending. Large influxes of revenue—usually brought by international tourists—are often captured by elites and operators, often increasing inequalities at a destination. Thinking needs to shift to metrics by which policymakers judge tourism's success on the proportion of tourist spending that reaches the poor.
- Focus on domestic and regional rather than international tourists. Tourism policy and products development in India, including UP, focuses on foreign tourists, but these are actually the minority. Regional tourism in South Asia is a large and rapidly growing market: Indian travelers by far make up the largest number of tourists in India, Nepal, Bhutan, Bangladesh and Sri Lanka. Although spending less per-capita, these tourists are more in volume, can have a greater inducement and can have a proportionately larger effect on poverty reduction.
- Disperse the geographic, temporal and economic distribution of tourism to surrounding communities, which decreases the stress on tourist destinations, infrastructure, fragile environments and cultures, and allows for a wider range of communities to benefit from tourism. Spreading out the seasonality of tourism allows for more stable profits as well as facilitates planning for both destinations and businesses. Facilitating the creation of Micro, Small and Medium Tourism Enterprises (MSMTEs) in surrounding communities increases the distribution of tourism revenues, generating additional income opportunities for local communities.

□ Reinforce sustainability. Sustainability principles refer to the environmental, economic, and socio-cultural aspects of tourism development, and the need to achieve a suitable long-term balance. Most destinations continue to focus on increasing tourist numbers and their spending, which while important, need to be carefully managed to ensure they improve the lives of residents, benefit the built and natural environment and increase the enjoyment of the tourists. Pro-poor tourism has shown to strive to sustain its benefits for future generations.

2. Project Components

The project has four components, which will be further developed during preparation. These are:

Component 1 – Destination Planning and Governance aims at strengthening the policies, systems, tools and capacities of concerned state and local government agencies and civil society for the integrated development and management of the project target areas, through:

- i) Review of state tourism policy and regulations centered on poverty reduction
- ii) Development of tourism statistics and information system
- i) Development of a vision and "storyline" for each project target area, including branding, promotion and marketing
- ii) Preparation of integrated tourism development plans (in a participatory manner) based on tourist products potentials for promoting local development and the sites' heritage, social and environmental vulnerabilities with operation and maintenance (O&M) plans
- iii) Preparation of communication campaign aimed at community (e.g., in local schools), visitors (e.g., in airports and sites) and tour operators sensitization
- iv) Capacity strengthening of government officials and other relevant agencies on pro-poor tourism approaches and management, including tourism statistics

Component 2 – Tourist Products Development & Management aims at supporting new tourist products in the project target areas based on the following criteria, as per global standards: (i) income earner/poverty impact, (ii) heritage significance, (iii) status of conservation, and (iv) investment sustainability. Key investments will be done in (i) tourist assets/attractions enhancement, (ii) interpretation, (iii) promotion of new activities (e.g. museums, meditation halls, festivals), (iv) services provision (e.g. accommodation, sanitation), (v) access improvement (e.g. roads, transportation), and (vi) training (e.g. guides, hotel staff), among others.

Component 3 – Support to Local Creative Economies aims at improving business development and entrepreneurs' skills and participation in tourism products and markets in the project target areas, through (i) support for Tourism Cluster Analysis, (ii) access to financing, improved technology and skills for entrepreneurs/small firms (including from the informal sector) to develop and implement quality business plans, increase productivity, and become certified, and (iii) access to financing, improved technology, coordination (consortia) and skills for business development service providers through public private dialogue (PPD) to improve quality of services provided and diffuse information on tourism business opportunities and market development

Component 4 – Project Management will finance a dedicated team (the State Project Coordination Unit – SPCU) to be based in Lucknow and responsible for overall management, accountability and coordination of the project's activities and funds. The SPCU will be supported by competitively selected decentralized technical support units (TSU) based in each of the core project areas to ensure the necessary coordination with concerned local stakeholders (from the Urban Local Bodies

and Municipal Corporations to cultural authorities, community and local business associations), and thus a smooth implementation of the project investments in the area. The SPCU and the decentralized dedicated site teams will be supported by also competitively recruited experts, as needed. The project will finance salaries, expert services as well as operating costs (e.g. rent, vehicles, equipment, workshops and training). The project will also finance monitoring and impact evaluation activities as well as project-specific communication activities at sites, state, country and regional levels.

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:	300.00	Total Bank Financing:	210.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			90.00
International Bank for Reconstruction and Development			210.00
Total			300.00

VI. Contact point

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