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IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD-75420)

ON A

LOAN

IN THE AMOUNT OF US\$ 38.40 MILLION

TO THE

PEOPLE'S REPUBLIC OF CHINA

FOR A

GANSU CULTURAL AND NATURAL HERITAGE PROTECTION AND
DEVELOPMENT PROJECT

February 27, 2016

Social, Urban, Rural and Resilience Global Practice
China & Mongolia Country Management Unit
East Asia and Pacific Region

CURRENCY EQUIVALENTS

Currency Unit = Renminbi (RMB)
US\$ 1.00 = RMB 7.7 (Appraisal, July 25, 2007)
US\$ 1.00 = RMB 6.11 (Closing June 30, 2015)

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CPS	Country Partnership Strategy
EA	Environmental Assessment
EPB	Environmental Protection Bureau
EMP	Environmental Management Plan
FM	Financial Management
GDP	Gross Domestic Product
GPG	Gansu Provincial Government
ICOMOS	International Council on Monuments and Sites
MDP	Minority Development Plan
MPLG	Municipal Project Leading Group
MPMO	Municipal Project Management Office
PDO	Project Development Objective
PAP	Project Affected Persons
PIU	Project Implementing Unit
PPMO	Provincial Project Management Office (within Gansu Provincial Development and Reform Commission)
PY	Person year (employment)
RAP	Resettlement Action Plan
SACH	State Administration of Cultural Heritage
UNESCO	United Nations Educational, Scientific and Cultural Organisation

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CHINA
Gansu Cultural and Natural Heritage Protection and Development Project

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DATA SHEET

CHINA: Gansu Cultural and Natural Heritage Protection and Development Project

A. Basic Information			
Country:	China	Project Name:	Gansu Cultural and Natural Heritage Protection and Development Project
Project ID:	P091949	L/C/TF Number(s):	IBRD-75420
ICR Date:	02/02/2016	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	People's Republic of China
Original Total Commitment:	US\$ 38.40M	Disbursed Amount:	US\$ 35.02M
Revised Amount:			
Environmental Category: A			
Implementing Agencies: Gansu Development and Reform Commission			
Cofinanciers and Other External Partners:			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	01/10/2006	Effectiveness:	08/11/2008	08/11/2008
Appraisal:	06/25/2007	Restructuring(s):		08/09/2013 12/17/2015
Approval:	03/20/2008	Mid-term Review:	10/21/2011	03/19/2012
		Closing:	12/31/2013	12/31/2014 06/30/2015

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Moderately Satisfactory
Borrower Performance:	Moderately Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Moderately Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
Overall Bank Performance:	Moderately Satisfactory	Overall Borrower Performance:	Moderately Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Moderately Satisfactory		

D. Sector and Theme Codes		
	Original	Actual
Sector Code (as % of total Bank financing)		
General public administration sector	3	3
General transportation sector	29	29
General water, sanitation and flood protection sector	10	10
Other social services	55	55
Solid waste management	3	3
Theme Code (as % of total Bank financing)		
Cultural Heritage	67	67
Other environment and natural resources management	33	33

E. Bank Staff		
Positions	At ICR	At Approval
Vice President:	Axel van Trotsenburg	James W. Adams
Country Director:	Bert Hofman	David R. Dollar
Senior Director	Ede Ijjasz-Vasquez	N.A.
Practice/Sector Manager:	Abhas K. Jha	Magdolna Lovei
Project Team Leader:	Ji You	Mara K. Warwick
ICR Team Leader:	Joanna Masic	N.A.
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F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

The objective of the Project was to generate benefits for local communities from the development of sustainable cultural tourism in Gansu Province.

Revised Project Development Objectives (as approved by original approving authority)
n/a

(a) Project Outcome Indicators

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion
Indicator 1:	Number of people participating in the provision of tourism services at the project sites			
Value (quantitative or qualitative)	3,130	3,740	N.A.	11,531
Date achieved	12/31/2007	12/31/2012		06/30/2015
Comments (incl. % Achievement)	Exceeded. The actual number of people participating in tourism services at the end of the project (June 30, 2015) exceeded the original target by 308%, 2.5 years later than the original target year.			
Indicator 2:	Percentage of tourists who purchase private tourism services when visiting the project sites			
Value (quantitative or qualitative)	34%	60%	N.A.	64%
Date achieved	12/31/2007	12/31/2012		06/30/2015
Comments (incl. % achievement)	Exceeded. Tourists purchasing private tourism services when visiting the project sites exceeded the target by 7%, although 2.5 years later than the original target year.			
Indicator 3:	Percentage of local community members with awareness and knowledge of the significance of the cultural site.			
Value (quantitative or qualitative)	63%	80%	N.A.	88%
Date achieved	12/31/2007	12/31/2012		06/30/2015
Comments (incl. % achievement)	Exceeded. Local community members with awareness and knowledge of the significance of the cultural sites exceeded the target by 10%, 2.5 years later than the original target year.			

(b) Intermediate Outcome Indicators

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion
Indicator 1:	Number of heritage sites in project with approved cultural conservation plans.			
Value (quantitative)	1	7	N.A.	7

or qualitative)				
Date achieved	12/31/2007	12/31/2012		06/30/2015
Comments (incl. % achievement)	Achieved. All six required conservation plans were approved by closing.			
Indicator 2:	Level of visitor satisfaction with access to site (%)			
Value (quantitative or qualitative)	37%	60%	N.A.	87%
Date achieved	12/31/2007	12/31/2012		06/30/2015
Comments (incl. % achievement)	Exceeded. Visitor satisfaction exceeded the original target by 45%, 2.5 years later than the target year. This is a reasonable progression from the 2012 target and represents a high level of visitor satisfaction.			
Indicator 3:	Level of visitor satisfaction with interpretation of site (%)			
Value (quantitative or qualitative)	24%	80%	N.A.	90%
Date achieved	12/31/2007	12/31/2012		06/30/2015
Comments (incl. % achievement)	Exceeded. Visitor satisfaction exceeded the original target by 12.5%, 2.5 years later than the target year. This is a reasonable progression from the 2012 target and represents a high level of visitor satisfaction.			
Indicator 4:	Level of visitor satisfaction with management of site (%)			
Value (quantitative or qualitative)	21%	60%	N.A.	85%
Date achieved	12/31/2007	12/31/2012		06/30/2015
Comments (incl. % achievement)	Exceeded. The level of visitor satisfaction with the management of the site exceeded the original target by 42%, 2.5 years later than the target year. This is a reasonable progression from the 2012 target and a represents a high level of visitor satisfaction.			
Indicator 5:	Level of visitor satisfaction with environment of site (%)			
Value (quantitative or qualitative)	15%	50%	N.A.	84%
Date achieved	12/31/2007	12/31/2012		06/30/2015
Comments (incl. % achievement)	Exceeded. The level of visitor satisfaction with the environment of the site exceeded the original target by 68%, 2.5 years later than the target year. This is a significant progression from the 2012 target and a represents a high level of visitor satisfaction.			
Indicator 6:	Average expenditure per tourist visit at Maijishan Scenic Area (RMB/visitor/visit)			
Value (quantitative or qualitative)	400	480	N.A.	564
Date achieved	12/31/2007	12/31/2012		06/30/2015
Comments (incl. % achievement)	Exceeded. The average expenditure per tourist at Maijishan exceeded the original target by 17.5%, 2.5 years later than the target year. This is a reasonable progression from the 2012 target although it could not be confirmed whether inflation was factored in.			
Indicator 7:	Average expenditure per tourist visit at Yellow River Stone Forest Geological Park (RMB/visitor/visit)			

Value (quantitative or qualitative)	335	430	N.A.	625
Date achieved	12/31/2007	12/31/2012		06/30/2015
Comments (incl. % achievement)	Exceeded. The average expenditure per tourist at Yellow River Stone Forest exceeded the original target by 45%, 2.5 years later than the target year. This is a reasonable progression after the 2012 target.			
Indicator 8:	Average expenditure per tourist visit at Jiayuguan Great Wall Scenic Area (RMB/visitor/visit)			
Value (quantitative or qualitative)	625	800	N.A.	830
Date achieved	12/31/2007	12/31/2012		06/30/2015
Comments (incl. % achievement)	Exceeded. The average expenditure per tourist at Jiayuguan exceeded the original target by 4%, 2.5 years later than the target year. This has progressed from the original target but not as much as in the previous two sites.			
Indicator 9:	Average expenditure per tourist visit at Yadan National Geological Park (RMB/visitor/visit)			
Value (quantitative or qualitative)	350	425	N.A.	543
Date achieved	12/31/2007	12/31/2012		06/30/2015
Comments (incl. % achievement)	Exceeded. The average expenditure per tourist at Yadan exceeded the original target by 28%, 2.5 years later than the target year. This is a reasonable progression from the original target.			
Indicator 10:	Participation of communities in sustainable tourism: cumulative number of local people trained in sustainable tourism related activities			
Value (quantitative or qualitative)	0	9000	N.A.	10,506
Date achieved	12/31/2007	12/31/2012		06/30/2015
Comments (incl. % achievement)	Exceeded. The number of local people trained exceeded the original target by 17%, 2.5 years later than the target year.			
Indicator 11:	Participation of communities in sustainable tourism: number of community persons with improved road access to main tourist areas within Maijishan and Qingcheng			
Value (quantitative or qualitative)	0	27,000	N.A.	39,511
Date achieved	12/31/2007	12/31/2012		06/30/2015
Comments (incl. % achievement)	Number of residents with improved road access in these sites exceeded the target by 46%.			
Indicator 12:	Direct project beneficiaries (added as core indicator)			
Value (quantitative or qualitative)	0	0	0	47,800

Date achieved				06/30/2015
Comments (incl. % achievement)	This core sector indicator was added for monitoring purposes to comply with a corporate mandate.			
Indicator 13:	Female beneficiaries (added as core indicator) (%)			
Value (quantitative or qualitative)	0	0	0	55
Date achieved				06/30/2015
Comments (incl. % achievement)	This core sector indicator was added for monitoring purposes to comply with a corporate mandate. This suggests slightly more female beneficiaries.			

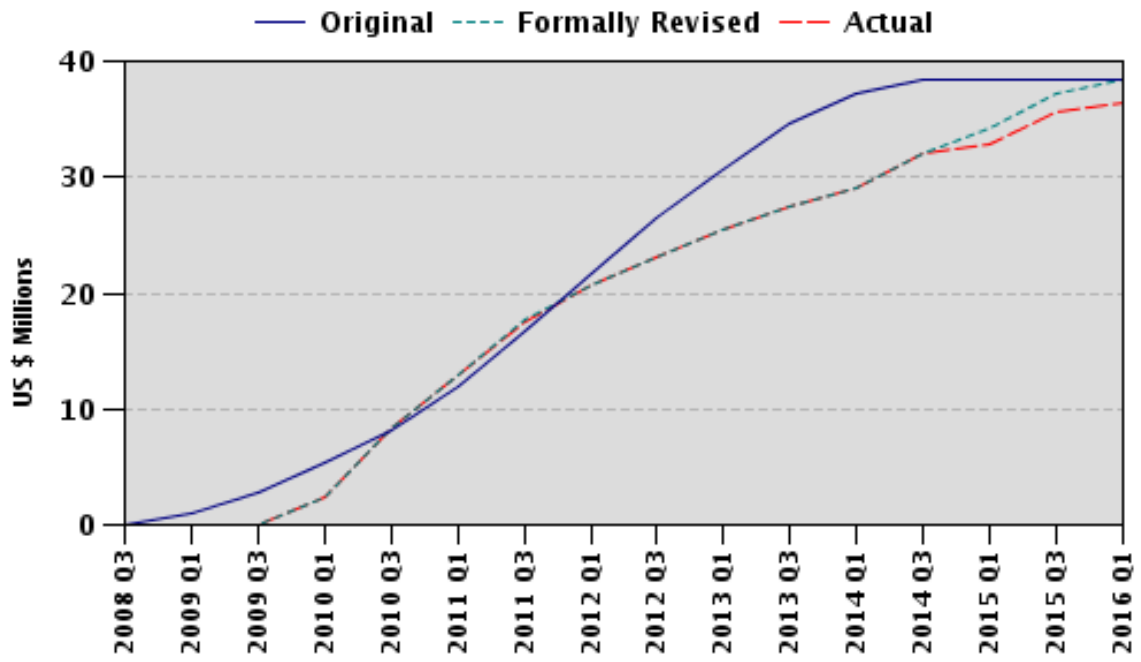
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (US\$ millions)
1	08/28/2008	Satisfactory	Satisfactory	0.00
2	05/17/2010	Satisfactory	Moderately Satisfactory	8.31
3	06/27/2011	Satisfactory	Moderately Satisfactory	18.71
4	04/09/2012	Satisfactory	Moderately Satisfactory	23.09
5	05/15/2013	Moderately Satisfactory	Moderately Unsatisfactory	28.35
6	12/22/2013	Moderately Satisfactory	Moderately Unsatisfactory	30.49
7	06/25/2014	Moderately Unsatisfactory	Moderately Unsatisfactory	32.62
8	11/26/2014	Moderately Unsatisfactory	Moderately Satisfactory	33.79
9	06/16/2015	Moderately Satisfactory	Moderately Satisfactory	35.71 (93%)

H. Restructuring

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
08/09/2013	No	MS	MU	29.03 (76%)	Extension of one year (to December 31, 2014) to allow progress in remaining civil works and goods contracts.
12/17/2014	No	MU	MS	33.89 (88%)	Extension by six months (to June 30, 2015) to: (i) complete ongoing civil works.

I. Disbursement Profile



1. Project Context, Development Objectives and Design

Context at Appraisal. In 2007 Gansu was China's second poorest province, containing some of the country's poorest communities on the national poverty register. The total population was 26 million with an urban population of just 23%, a level considerably below the more prosperous provinces to the east. Gansu had significant challenges due to its difficult physical terrain, poor infrastructure and remoteness, which prevented the rapid development seen in other provinces. Traditionally, the economy was based on agricultural production, mining and heavy industry.

Nevertheless, Gansu possesses some of the most significant cultural and natural heritage sites in China: the Great Wall, the Silk Road, and the Yellow River. Gansu's geographic setting also includes the Gobi Desert, the Qilian Mountain Range and numerous important oases, wetlands and rivers. This rich endowment of cultural and natural heritage resources offered a strong platform for economic development through tourism, and a major element of Gansu's poverty alleviation and economic restructuring strategy revolved around the development of a sustainable tourism industry.

A unique feature of many of Gansu's heritage sites is that they are not isolated monuments. Many are very large (tens of square kilometres) and contain a range of cultural assets, ecosystems, and embedded communities, with many of the latter being vulnerable because of poverty and/or ethnicity. These communities largely lived a subsistence existence, so tourism was seen as providing a new and important opportunity for local economic development. At appraisal, tourism was under way on a small scale at many sites, with local communities developing small guesthouses, restaurants, handicraft associations, and other tourist activities. In such places, improvements in income and living standards were significant.

Yet many of Gansu's key relics were at significant risk from environmental impacts such as humidity, sand storms, flooding and erosion, and from theft and vandalism due to weak security. Overall, the level of preservation and protection was poor, primarily due to a lack of financing and institutional capacity, particularly at the local level. Gansu had only just started to prepare cultural conservation plans for some of its key heritage sites, plans that were mandatory to capture state conservation funding. Lack of appropriate plans meant it was eligible for state conservation funding only in emergency situations. Further, institutional barriers were significant, with overlapping, conflicted or unclear authority over the relics and heritage sites.

Rationale for Bank Involvement. The Bank had amassed extensive global experience in heritage protection, sustainable tourism, institutional development, and financial management. It also had a long, successful track record on cultural heritage protection in China and had collaborated with Chinese authorities in the dissemination of international and Chinese best practices. The rationale for the Bank's involvement was three-fold: (i) the Bank was in a strong position to support the provincial government as it coordinated the many actors involved in sustainable tourism, which is inherently cross-sectoral; (ii) the

level of financing the Bank could bring to the sector would be significant and would allow a province-wide program of capacity improvements; and (iii) the Bank was well-placed to assist China and Gansu in disseminating its experiences in this sector globally.

Project Contribution to Higher Level Objectives. The project was consistent with China's 11th Five Year Plan, especially the high priority placed by the central government on improving cultural heritage preservation. The project was also well aligned with the Country Partnership Strategy (CPS) for 2006-2010 and in particular two strategic pillars of *Reducing Poverty, Inequality, and Social Exclusion* and *Managing Resource Scarcity and Environmental Challenges*. The latter pillar specifically mentioned supporting the protection of cultural and natural heritage and promoting cultural and eco-tourism. The CPS called for the development of demonstration tourism sites and increasing the number of listed heritage sites with environmental protection measures in place while also contributing to providing basic infrastructure services, building capacity in planning and management skills, improving land management (planning for large sites) and focusing on sustainable income increases for the poor.

1.2 Original Project Development Objective (PDO) and Key Indicators

The PDO was to assist Gansu Province in generating benefits for local communities through the development of sustainable cultural tourism. The PDO in the PAD and the Loan Agreement were the same. The key indicators included: (a) number of people participating in the provision of tourism services at the project sites; (b) percentage of tourists who purchase private tourism services when visiting the project sites; and (c) percentage of local community members with awareness and knowledge of the significance of the cultural site.

1.3 Revised PDOs and Key Indicators, and reasons/justification

n/a

1.4 Main Beneficiaries

The project was expected to directly benefit an additional 610 people through involvement in providing tourism services at project sites, increasing the total number of people providing tourism site services from 3,130 to 3,740. Local residents were to receive training in sustainable tourism related activities, with an estimated 9000 residents to benefit. Improved road access in the main tourist areas within Maijishan and Qingcheng were expected to benefit 27,000 community members.

More broadly, the project was expected to benefit: i) local residents through provision of improved infrastructure, transport accessibility, environmental conditions, and local employment and enterprise opportunities related to sustainable cultural tourism; ii) participating local governments through staff training and by generating fiscal returns from tourism-related activities; iii) local enterprises through provision of new or additional tourism-related services; and iv) domestic and foreign tourists through improved access to important heritage assets.

Technical assistance activities offered under the project were to benefit provincial and local governments including the preparation of a provincial and regional (southeastern area) tourism strategy, a cultural heritage conservation plan (Maijishan), studies on conservation of wall paintings (Lutusi and Miaoyin Temple in Lanzhou Municipality) and folk music, dance, and culture (Zhangye Municipality and Qingcheng Town).

1.5 Original Components

The project was comprised of two components covering nine project sites as described below.

Component 1: Protection and Development of Priority Sites (US\$46.67 million, IBRD US\$37.01 million) financed the following activities to be carried out at each of the project sites listed in Table 2:

- *Heritage Conservation and Presentation* (US\$31.53 million) – preservation, conservation and research of key relics; interpretation and presentation of cultural and natural heritage assets; and
- *Infrastructure, Tourism Services and Environmental Protection* (US\$14.10 million) – investment in high priority physical infrastructure at key cultural and natural heritage sites that would raise local standards of living and have a high potential for promoting local economic development through tourism.

Component 2: Institutional Strengthening and Capacity Building (US\$1.39 million total cost, 100% IBRD) included project management strengthening; training of site managers, staff and local residents in heritage conservation; site management and tourism development; and implementation of several key tourism and heritage studies designed to assist the Gansu Provincial Government (GPG) and local governments protect heritage and develop the tourism industry in Gansu (see Annex 2 for a detailed list). All activities except community training were to be managed by the Provincial Project Management Office (PPMO). Community training was to be managed by the individual Project Implementing Units (PIU).

Table 1. Project Location, Municipality, Heritage Sites and Financing

Region	Municipality	Subcomponent	Original Cost (USD)
West	Jinquan	1. Yadan National Geological Park	4.33m
		2. Souyang Town Tourism Scenic Area	2.32m
	Jiayuguan	3. Great Wall Cultural tourism Scenic Area	5.04m
		4. Weijin Tombs Cultural Tourism Scenic Area	2.27m
Central	Zhangye	5. Mati Temple Scenic Area	2.39m
	Lanzhou	6. Lutusi Ancient Government Center Tourism Scenic Area	2.31m
		7. Qingcheng Ancient Town Heritage Protection and Tourism Scenic Area	5.22m

	Baiyin	8. Yellow River Stone Forest National Geological Park	3.82m
East	Tianshui	9. Maijishan Scenic Area	18.58m

The physical investments in heritage conservation and basic infrastructure services, together with the capacity building activities, were expected to enhance the local governments' capacity, skills and knowledge to improve and manage heritage-related tourism services and the ability of local communities to engage in associated income generating activities and cultural happenings. They were also meant to enhance tourists' experiences with better displays, increased access to sites, and better amenities.

1.6 Revised Components

n/a

1.7 Other Significant Changes

Change in Financing Plan and Reallocation. In 2012, the Jiayuguan Municipal Government received domestic grant financing for conservation work at the Jiayuguan Great Wall Fortress and Weijin Tomb. Thus these subcomponents were changed from Bank financed to counterpart funding. The 2013 restructuring reallocated the resulting loan savings (US\$4.09 million) from these two sites to the cultural heritage conservation component in Maijishan for conservation work and to the Yellow River Stone Forest Park exhibition areas to take into account RMB appreciation against the US dollar and to offset overall price increases.

Restructurings. The project was restructured twice (Level 2) as set out in Table 2.

Table 2. Summary of Project Restructurings

Approval Date	Goals of Restructuring	Comments/Justification
08/09/2013	Extend loan closing date by one year to December 31, 2014, change the financing plan, and reallocate loan proceeds.	The extension was necessary to allow for completion of major components including the heritage conservation work and training center in Maijishan; heritage conservation work in Qingcheng; the displays at the Museum for the Yellow River Stone Forest; and service and displays at Suoyang Museum complex. The reallocation involved changing the financing source from Bank loan to counterpart funding for the Great Wall Fortress and Weijin Tombs under Jiayuguan, which had received state grants, and reallocating the loan funds to sites in Tianshui and Baiyin to offset fund shortage caused by the devaluation of the USD against the RMB and increased construction costs.
17/12/2014	Six month extension to June 30, 2015.	A second extension of six months to June 30, 2015 was approved to complete construction in Maijishan.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

The strategic importance and potential development impact of the project was considered high but there were inherent risks in supporting investments in and around listed heritage sites in underdeveloped regions. Therefore the project represented a case of high risk with potential for high reward making it critical for the project to be based on strong background analysis with a sound design.

2.1.1 Soundness of the background analysis. Project preparation included a comprehensive assessment of lessons from the Bank's earlier cultural heritage operations in China and globally to ensure that the Bank could provide appropriate advice to the province. No other international financial organizations had the combination of sectoral experience and the ability to bring significant funding. Key lessons that were incorporated into the project design included: (a) the need for comprehensive and coordinated planning; (b) importance of adopting international standards in heritage site conservation and interpretation; (c) planning for sustainable tourism development; (d) prioritizing community benefits and poverty reduction; and (e) understanding local fiscal capacity.

Significant work was undertaken to understand Gansu's cultural and natural heritage resources, the status of the tourism sector, institutional arrangements and capabilities, and the needs of and potential impacts on communities, including indigenous peoples. The Bank team actively sought advice from a broad range of pre-eminent sector experts both within the Bank and globally.¹ These experts provided advice on aspects critical to developing sustainable cultural tourism in remote and low-capacity environments, ensuring a proper balance between tourism development, heritage conservation and local area development. Experts provided inputs in a variety of aspects including: development of sound conservation plans; finding solutions for complex engineering works for major conservation sites; advice on introducing low-impact tourism planning in heritage sites with embedded communities; approaches for supporting intangible heritage; interventions for creating economic opportunities for local communities; and methods for developing tourism services and museum curation. These expert consultations and inputs resulted in a project design that steered away from tourism infrastructure only (as originally proposed by the local and provincial governments) towards a balance of support to tourism development, heritage conservation, and local infrastructure and community support services.

2.1.2 Assessment of project design. The project was designed to protect and develop a select number of the province's key and unique cultural assets and improve basic infrastructure and tourist facilities and services at those sites. Site selection was given explicit attention with the aim of the project having demonstration potential. A decision was made that the sites should be: (a) limited in number; (b) representative of different

¹ Including UNESCO's EAP Regional Office, UNESCO World Heritage Center, the Getty Conservation Institute (active in Gansu for more than 10 years at that time), the World Monuments Fund, the Dunhuang Research Academy, the Smithsonian Institution, and the US National Park Service.

types of sites; and (c) distributed across the province to maximize capacity building and institutional development aspects to as many municipalities as possible without spreading resources too thin. The selected sites included a mix of World Heritage listed monuments, large mixed cultural and natural heritage sites, one site with an indigenous population, and several small heritage towns. Together, the selected project municipalities accounted for 70% of the province's tourism activity and included most of the major tourism attractions in Gansu.

Tourism projections were prepared for each site under low, medium, and high growth scenarios to illustrate the different futures for Gansu Province and the role of tourism in the local economy. Even in the low growth scenario the number of visitors to the province was expected to rise from 9.8 million in 2004 to 20.2 million in 2025. Given that 98% of tourist visits to Gansu at the time of appraisal were domestic, all of the project marketing strategies and designs were based on improving accessibility and attractiveness to domestic visitors, especially day-trippers. Domestic tourism markets were also assessed as being more sustainable than foreign tourist markets, given their stronger resilience to cyclical macro-economic downturns in future decades.

The project design went beyond a conventional process, with significant work being done to advance conservation planning at key heritage sites across the province before project approval, and included guidance to site inventorying and plan preparation. A clear mitigation plan was put in place to manage risks to cultural heritage sites including the requirement that all sites have approved cultural conservation plans before designs for conservation work would be prepared. The requirement to have approved conservation plans was fundamental for a solid project design and to manage risks, demonstrating strong foresight by the preparation team. Several sites were upgraded during project preparation from provincial to national level, including Xianrenya at Maijishan. Specific attention was paid to conservation planning for the Great Wall at Jiayuguan (an existing UNESCO World Heritage Site) in line with the State Level Great Wall Regulations (2006), which had just been issued at the time of preparation. The plan represented the first dedicated conservation plan for any section of the Great Wall, which spans 4,000 kilometers.

Project interventions in each site were kept relatively simple and the technical assistance activities limited to those that were pertinent to the relevant sites, taking into account general capacity at the municipal levels. The site designs themselves incorporated good practices in physical construction, conservation methods, tourism facilities, site management, and community participation. Design and bidding documents for conservation works were to be prepared by qualified institutes, reviewed by a panel of experts, and approved by relevant Relics Bureaus. Having certified contractors for conservation works was made a requirement and contractors were to be assessed through a pre-qualification process. Training on China's relevant cultural heritage laws was to be provided to site managers and government officials.

The project design also addressed capacity constraints both in terms of project implementation capability and financing at all levels of government. Based on dialogue conducted by the Bank, the Provincial project management office (PPMO) was moved

from the Provincial Tourism Bureau to the Provincial Development Reform Commission to ensure the PPMO had the necessary mandate to coordinate sector bureaus within the Province. Also, counterpart funding requirements were kept to a minimum taking into account local fiscal capacity. Technical assistance was planned to build implementation capacity of provincial and municipal authorities and was limited to a level that would be manageable for the PPMO.

The project was rightly classified as environmental Category A. It triggered five Bank safeguard policies including Environmental Assessment; Involuntary Resettlement; Physical Cultural Resources; Indigenous Peoples; and Safety of Dams. Social assessments were conducted for Mati Temple, Qingcheng, Yellow River Stone Forest and Maijishan to inform project design and related community plans. The preparation of safeguard documents took into account the broader legal and policy framework, both national and international, relating to the management and conservation of natural and cultural heritage. In addition to the various safeguard instruments, a Poverty Reduction Plan for Maijishan put in place a strong basis for local community development with a focus on developing locally produced handicrafts.

PDO/Results Framework. The PDO aimed at generating benefits for local communities from the development of sustainable cultural tourism. The outcome indicators were expected to measure the level of participation in and benefit created for local citizens through the development of sustainable tourism at the various sites. This was to be measured by the proxies of the number of people participating in the provision of tourism services at project sites; the percentage of tourists who purchased private tourism services when visiting the project sites; and the percentage of local community members with awareness and knowledge of the significance of the cultural site. As such the definition of ‘benefit’ at the outcome level was understood to be in terms of increased job and income opportunities but also a raised awareness of local culture and heritage. The intention being that with an enhanced knowledge of local culture and heritage, local communities would be better placed to participate in tourism services and also be more inclined to contribute to local heritage protection.

The intermediate outcome indicators were aimed at measuring a range of factors considered necessary for sustainable tourism including level of heritage conservation (number of sites with approved conservation plans), sustainable tourism sector development (visitor satisfaction and expenditure per tourist), involvement of communities (number of community members trained), and broader community benefits (number with improved road access to the sites). The logical framework was clear and the indicators represented a reasonable proxy towards assessing whether (i) communities were benefiting from tourism; and (ii) whether sites were being developed sustainably. Accurately assessing direct impacts on project communities would have required a more stringent impact analysis or scientific study beyond the scope of the project. An additional indicator on average wage in tourism relative to the average wage in the local economy could have been monitored but its usefulness would be reliant on how well this was collected and calculated. Given local capacity, the indicator on people participating in tourism services was a more realistic indicator for the local implementing agencies to be able to collect.

2.1.3 Adequacy of government’s commitment. GPG was strongly committed to the development of sustainable cultural tourism as evidenced by the involvement of the Provincial Vice-Governor, directors of various provincial-level bureaus and commissions, and the vice mayors from the six municipalities. A Provincial Project Leading Group, chaired by the Provincial Vice Governor, was established to provide high-level guidance and coordinate local governments’ policy and institutional aspects. The establishment of the PPMO under the Gansu Provincial Development and Reform Commission also signalled the seriousness with which the provincial government took the project and its willingness to take a comprehensive and integrated approach to tourism sector development based on the Bank’s guidance during preparation.

2.1.4 Assessment of risks. The overall risk assessment after mitigation was justifiably *Substantial*. Ten risks were identified at appraisal. Six related to the attainment of the PDO, with two of these being considered substantial, because of the potential for negative impacts from the project on the listed cultural relics due to the possibility of inadequate or inappropriate development occurring in parallel to the Bank financed project at the sites. The former risk was adequately managed by the requirement to prepare conservation plans and establishment of a series of prior review checks on project design and procurement. The latter was to be addressed through ensuring well-laid plans, technical assistance and training, supplemented by satellite imagery for monitoring. Four risks were related to component results, and covered (i) shortage of funds, (ii) low capacity, (iii) slow design and procurement processes, and (iv) delays in approval of cultural conservation plans. Slow design and procurement processes were considered moderate risk and the remaining substantial risk.

Except for the long delay in approval of the cultural conservation plan of Maijishan, all identified risks were mitigated to some extent although fundamental issues, both institutional and fiscal, remained at both provincial and municipal level due to the capacity constraints. The mitigation measure of having most of the conservation plans already prepared was important to project design. Ensuring regular engagement with the Provincial Cultural Relics Bureau to obtain the approval of the remaining cultural conservation plans was insufficient because the Maijishan Conservation Plan required State Level approval, which was not within the sole control of the Provincial Bureau. Also, the conservation plan for the Maijishan site, which was not yet approved, represented a significant proportion of the project investment and outcomes. As such, the risk of delays in approval of cultural conservation plans would have been more accurately rated as “high”. Ensuring this conservation plan was prepared under the project did, however, reduce the risk of it not being prepared at all. Earlier engagement at all levels and continued commitment from all parties could have expedited the approval process by the State Administration for Cultural Heritage (SACH). Although it is noted that the Bank engagement at the State Level did eventually help to get the plan approved.

PPMO did not obtain and analyse satellite imagery of the sites as was done during preparation, and this risk mitigation measure was not carried out. However, the impact of

this is not considered significant since other checks and balances were put in place with the approval of conservation plans and improved site protection measures.

Quality at Entry. Rating: *Satisfactory*. The project was thoroughly prepared as described above. The project was not subject to a Quality at Entry (QAE) review by the Bank's Quality Assessment Group.

2.2 Implementation

Factors that contributed to successful implementation

Quality control over conservation design and works. The sound measures identified at appraisal to protect heritage sites and ensure quality designs were largely followed. These included: ensuring prior approval of a conservation plan, having preliminary designs reviewed by a panel of experts, ensuring all heritage contracts went through prior review process and that all contractors for heritage works were prequalified. Implementation of these processes resulted in a level of quality control necessary for the conservation sites and preservation works. Also, the Bank supervision mission identified issues with the quality of new build infrastructure and followed up closely to ensure these were rectified.

New grant funding for some heritage sites offset fund shortages in others. Preparation of conservation plans developed as part of project preparation crowded in national sources of conservation funding during implementation, which otherwise would not have been available. The equivalent of US\$19 million was specifically made available for Jiayuguan given its importance and the municipality's readiness to implement the conservation works. Rather than drop this component, the Bank and provincial government rightly decided to keep this site in the project and ensure that the works continued to follow the project procedures and approaches, plus ensure the outputs and outcomes would contribute to the overall project.

Quality technical assistance was conducted early both informing and enabling implementation and mobilizing additional state funding. A concerted effort was made to ensure planned technical assistance was conducted earlier rather than later to inform the project. These included technical inputs to support the government in tourism and heritage sector planning, including preparation of a Provincial Tourism Strategy (2013) and a specific Cultural and Natural Heritage Protection and Tourism Strategy (2015). The cultural conservation plan for Maijishan itself was also completed as part of the project. Site specific studies were undertaken including investigations into how to conserve wall paintings in Lutisi and Miaoyin temples. The conservation approaches identified during these studies were eventually funded by state grants. Research on intangible heritage (music, songs, dance and historical narrations) at a number of sites was conducted and disseminated in the form of books, pamphlets and CDs available for communities and visitors, all of which provided materials for a richer tourism experience and tools for local communities to further develop their tourism services. An example of this was in Qingcheng where local tour guides were using these materials to create walking tours of the ancient town.

The PDO and indicators were not revised during the project since they remained relevant and there were no significant changes to the project. The logical framework for the project was set out in a results framework table (Annex 3) clearly identifying the indicators, how they would be used, and their relation to the PDO. All indicators had clear baselines following surveys conducted at preparation. These same survey formats and methods were used to monitor the project ensuring a consistent approach.

Factors that gave rise to problems (outside government control)

Natural Disasters. Less than two months after the March Board approval, in May 2008, the Wenchuan Earthquake, which was centered in neighboring Sichuan Province, also had impacts in Gansu. While the sites themselves were not badly affected, government attention and resources were focused on emergency recovery and response works just when implementation was beginning. Although prices and currency fluctuations were beyond the scope of government control, delays made the project more vulnerable to such effects. Also, the Wenchuan Earthquake reconstruction efforts caused an increase in demand for construction materials and labor, which also led to prices increases. Additionally, some roads constructed under the project around the Maijishan area were damaged by flash flooding in July 2013 and had to be rehabilitated, which was done during the second extension period.

Factors that gave rise to problems (within government control)

Slow start to implementation. The project was slow to start. There were difficulties in preparing quality bidding documents as well as slow progress in securing state approval of conservation plans for Jiayuguan and Suoyang, which hindered progress in conservation works. Delays in hiring project management consultants also contributed to these difficulties. The project implementation progress was downgraded to moderately satisfactory in May 2010 as a result. This lack of early momentum, together with delays in securing the necessary approval of the Maijishan conservation plan, led to the need for the two extensions totaling 18 months.

PMO staff attrition in the mid-stage of implementation. Weak project management in the middle stages of the project occurred due to staff attrition from the PPMO creating additional challenges for project implementation. In 2010 and 2011, key staff left the PPMO, including the Director, leaving a gap in institutional capacity. The Director was immediately replaced but required time to get up to speed on the project. Contract management capacity in the PMO was a concern as well as construction supervision capacity amongst contractors.

Insufficient project management support services. Given the low capacity of the implementing agencies at county level, there was an important need for project management consultant support throughout the project implementation. However, the consulting contract was not signed until July 2010, two years after effectiveness. The reason cited was the low allocation given to this contract made it difficult to identify

suitably qualified consultants. The selected consultants were technically qualified in conservation but had limited experience in China. They provided a number of progress reviews and site specific technical suggestions during their contract period but ultimately both sides agreed to close the contract early given differences in expectations for the assignment. The lack of staff in the PPMO contributed to the difficulties in managing this contract and the outputs.

Long time required for approval of Maijishan Conservation Plan. While many of the works were outside the main conservation area and were completed early in the project, key conservation works could not be conducted until the plan was approved by SACH. This, together with the lack of site operation plans for each site, resulted in progress towards the project development objective being downgraded to moderately unsatisfactory from 2013. The Maijishan conservation plan was prepared and submitted to municipal and provincial authorities in late 2011 but the plan was not finally approved until three years later in December 2014 and only after sustained efforts by the Bank and province. Only once the plan was approved could the final conservation works be completed and this required a second extension to the closing date of six months. The site operation plans were also eventually all completed and reviewed.

Mid-term Review

The mid-term review was planned for October 2011 but occurred six months later through two missions, in March and June 2012. At that point around 46% of the total investment had been completed and approximately 47% of the loan disbursed. The mid-term review included all team members except the Environmental Specialist who attended the previous and subsequent missions. The Country Urban Sector Coordinator and experts in cultural heritage and park asset management joined the midterm review process. The project was rated satisfactory in terms of progress toward meeting the PDO and moderately satisfactory in terms of implementation progress. The mid-term review raised a number of issues regarding the PPMO capacity, and the slow start in cultural heritage and heritage interpretation works. The mission reiterated the need for site operation plans and measures to ensure the sustainability of assets to be financed under the project.

During the mid-term review the Bank and the provincial authorities agreed on the provincial government's request to use state funding to conduct conservation works at the Jiayuguan site on the condition that the works would follow project procedures and be maintained as part of the project. The impact of the devaluation of the Yuan on funds available for other sites was also recognized and the Bank agreed to allow the use of loan savings from Jiayuguan, to address counterpart funding shortages at other sites. The project was expected to be restructured by February 2013, pending a request from the Ministry of Finance, but this was not completed until March 2013, two years after it was known state funding had become available for Jiayuguan. The project could have benefited from more proactive action on the restructuring to reallocate these loan savings.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

Rating: Substantial

M&E Design. The Results Framework was logical. The three outcome indicators were to be determined by annual surveys. The sources of data and format of the surveys were approved by the Bank and a baseline was conducted in 2007. The main PDO indicator focused on monitoring the number of people directly involved in providing tourism services at the project sites, which was linked to project interventions. It did not go as far as to measure actual economic benefits or income changes of these individuals versus income changes outside tourism or in non-project heritage sites in Gansu which would have required an impact evaluation. The other two PDO indicators look at proxies of other community benefits including the percentage of tourists purchasing private tourism services and the percentage of community members with increased awareness and knowledge of the significance of the cultural site. The methodology for surveying these was clearly established at preparation. The intermediate outcome indicators focused on aspects of heritage site conservation, sustainable tourism, and broader participation by the community in tourism at each site. The project did not include specific output indicators for infrastructure progress and instead focused on the outcomes of these investments.

M&E Implementation. The data was provided on a consistent basis throughout the project and reported in the semi-annual progress reports. External resettlement monitoring reports were prepared and submitted by independent consultants annually. Reporting on EMP implementation had been sporadic despite repeated reminders and requests by the Bank. The due dates for outcome and intermediate indicators should have been extended to match the revised loan closing date at loan restructuring and the targets revised.

M&E Utilization. A reliable flow of M&E data during implementation enabled the Bank team to assess the performance of the different project components and their potential sustainability. Specific data from the annual visitors' surveys was helpful to the project site managers in understanding how visitors were experiencing the site and identifying progress in visitor satisfaction along different parameters, including site interpretation, management, and the site environment.

2.4 Safeguard and Fiduciary Compliance

All Bank policies were complied with as described below.

Safeguards

The project was classified as a Category A project under OP4.01, Environmental Assessment. This classification was primarily based on the environmental and cultural importance and sensitivity of the sites, rather than the potential impacts of the very small individual project investments. The project triggered environmental assessment; involuntary resettlement; physical cultural resources; indigenous peoples; and dam safety. The preparation of safeguards documents also took into account the broader legal and policy framework, both national and international, relating to the management and conservation of natural and cultural heritage. The draft Resettlement Actions Plans (RAPs), Resettlement Framework Plans (RFPs), Environmental Assessments (EAs), the EA

Summary and Environmental Management Plans (EMPs) were all disclosed in the Bank's InfoShop on May 30, 2007. In addition, the EA documents in draft and final form were disclosed locally in April 2006 and May 2007 and a Chinese version of the RAP was disclosed locally on July 2, 2007.

Environment. The EA and EMP were prepared according to the national policies and regulations, and the Bank's safeguard policies. Implementation of EMP was rated *moderately satisfactory* because its implementation was delayed, especially environmental monitoring. During the first two years of implementation, the Bank team did not bring environmental specialists on the supervision missions due to the slow start of physical works. PMO staff attrition during the same period also exacerbated the lack of attention to environmental performance and monitoring. EMP implementation was not reviewed in any substantial way in the project-level M&E reports. However, once the PMO hired an independent consultant to assist with the EMP implementation, environmental supervision and quantitative monitoring were carried out in the last two years of the project and included in the M&E reports. In retrospect, the level of quantitative data required in the EMP (e.g. data on dust and noise monitoring) could have been simplified (such as using visual monitoring) without compromising the level of environmental protection.

Social Safeguards. The project triggered OP4.12, Involuntary Resettlement because of land acquisition and involuntary resettlement in two sub-projects, namely, the Lutusi Ancient Government Center Tourism Scenic Area and Qingcheng Ancient Town Heritage Protection and Tourism Scenic Area subcomponents. The remaining subcomponents did not have land acquisition or resettlement impacts because the utilized land under the project was state-owned and under the direct authority of the Scenic Area Administration. A RAP was prepared and implemented. Resettlement activities were carried out *moderately satisfactorily* as there was reportedly slow progress in providing water and electricity to resettlement houses in Lutusi. The location selection for seven households in Lutusi was not accepted by all the households and eventually resulted in the project abandoning the planned land acquisition and the site's car park. External monitoring of safeguard implementation was carried out in accordance with the legal agreements. A final report on resettlement implementation was prepared and the actual resettlement impacts included permanent relocation of 14 households, 19.54 mu of permanent land acquisition and 870.71 m² of residential housing demolition. In total, 26 households and 123 persons were permanently and temporarily affected. The original cost estimate for land acquisition and resettlement was RMB 2.76 million and the final cost incurred was more than twice as high at RMB 5.80 million given the increasing compensation rates and increasing costs associated with land acquisition and resettlement over time. Actual houses demolished and population affected were less than planned at appraisal, which estimated 34 households, 23.7 mu of permanent land acquisition and 1,241.49m² of residential housing demolition would be affected. No complaint was received throughout the project. Details are provided in **Annex 6**.

Minority Development Plan. The project triggered OP4.10, Indigenous Peoples because people belonging to two minority groups, Zang and Yugu, were affected by the Mati Temple Scenic Area subcomponent. The total area of Mati Temple Scenic Area is 68 km²

There were 409 households and 2,043 people scattered in eight administrative villages within the area. Among them, 1,680 people were Zang, 110 people were Yugu and the remainder were Han. An Ethnic Minority Development Plan (MDP) was prepared, based on a social assessment carried out at the site and in consultation with affected minority communities. The plan was disclosed locally in Chinese and in the Bank's InfoShop in May 2007. The MDP was used as a guide during project design, and the proposed investments at the Mati Temple site included a Folk Culture Center that initiated the collection, recording, and presentation of local ethnic minority culture. Community participation was also used to design the Folk Culture Center. Based on the findings of the Mati Temple social assessment, minority communities in the project area were already benefiting from the nascent tourism development at Mati Temple. The project extended these benefits by expanding economic opportunities for the local community in the tourism sector and developing tourism based on the respectful presentation and interpretation of indigenous cultures. Through the above-mentioned implementation, the project has raised local awareness, increased community pride, and preserved indigenous heritage. The overall implementation of the ethnic minority development and poverty reduction activities was judged to be *satisfactory*.

Physical Cultural Resources Safeguards. The project triggered OP4.11, Physical Cultural Resources because of its potential impact on listed cultural relics in the subcomponent sites of Maijishan Scenic Area, Suoyang Town Tourism Scenic Area, Lutusi Ancient Government Center Tourism Scenic Area, Qingcheng Ancient Town Heritage Protection and Tourism Scenic Area, Great Wall Cultural Tourism Scenic Area, Weijin Tombs Cultural Tourism Scenic Area, and Mati Temple Scenic Area. The project had positive impacts on cultural heritage conservation through preparation of cultural conservation plans in accordance with China's laws and regulations and the International Council on Monuments and Sites (ICOMOS) China Principles. The experts' work, which was commissioned by the PIUs during preparation, represented a significant advancement towards the protection and sustainability of cultural heritage at the sites because none of the sites, including the UNESCO World Heritage listed Great Wall site at Jiayuguan, had carried out any cultural planning work prior to the commencement of project preparation. All tourism plans and feasibility studies were reviewed by the Bank team with reference to the conservation plans, and the proposed investments were consistent with the conservation plans. Priority conservation works were completed under the project to ensure the safety and security of cultural heritage at each site. In addition, all contracts under the project were implemented by qualified contractors to ensure the project met safeguard requirements and Chinese laws and regulations. Training on China's cultural relic laws and their implementation was included in the project for site managers, government officials and members of the community.

Dam Safety. The project triggered OP4.37, Safety of Dams because of works to be completed at Yinyue Lake and Xianren Lake dams under the Maijishan Scenic Area subcomponent. Both dams were existing, and relatively small, marginally exceeding the Bank's threshold for triggering OP4.37. The Bank's dam safety expert visited both dams and reviewed documents concerning their safety. No outstanding safety issues at the Yinyue Lake Dam were found and no remedial works required. However, some remedial

works and operational changes were necessary at the Xianren Lake Dam and agreement was reached on the inclusion of these measures in the project. The dam safety remedial works for Xianren Lake Dam were completed and O&M and emergency preparedness plans for Yinyue Lake and Xianren Lake dams were prepared. Both the Yinyue Lake and Xianren Lake dams were judged to be operationally safe at closing.

Fiduciary

Financial Management. Appropriate financial management (FM) arrangements were put in place to ensure proper use and accounting of project funds. Project audit reports were provided for the entire implementation period. Auditors did raise some issues with FM during the course of the project but these were dealt with by the relevant PMOs. Overall FM was rated *satisfactory* throughout project implementation. All audit reports throughout the project received unqualified “clear” opinions. Therefore, FM was in compliance with Bank fiduciary policies.

Procurement. Procurement activities were carried out *moderately satisfactorily* by all agencies. Weak capacity of the procurement agent and local design institutes responsible for bid document preparation resulted in slow turn-around time in responding to the Bank’s review comments. In addition, procurement staff capacity was limited even after intensive procurement trainings were conducted during implementation. Nevertheless with close Bank supervision and regular post reviews, the project was in compliance with the Bank’s procurement policies.

2.5 Post-completion Operation/Next Phase

The PIUs will continue to use their respective approved cultural conservation plans and monitoring indicators established under the project to plan, develop, monitor, evaluate and adjust activities to maximize the sustainability of the project sites. Local governments of the project sites will also implement tourism site entrance fee increases, according to established procedures, to ensure that entrance fee increments are adequate to meet O&M costs of the project sites. The participating PIUs set out plans for post-completion operation of both the built assets and institutional and organizational coordination mechanisms set up during the project. Visitor numbers at all sites increased exponentially during implementation (see Annex 3). In future, the sites will continue to build capacity to manage large visitor volumes, particularly at peak holiday periods. During the May Day holiday in 2015, Maijishan reportedly had to turn away visitors due to overcrowding. Thus a key future task will be how to manage tourist numbers and minimize potential negative impacts on the sites.

One area of concern at project close was that a number of key municipal sanitation services were not yet under operation, including one landfill and two wastewater treatment plants (WWTP). These are not large facilities and were not major project investments but they are critical to the sustainability of the sites and site services. Table 3 provides the status of sanitation infrastructure operations and their operational status.

Table 3: Sanitation Facilities and their Operational Status

Contract	Description	Design (ton/day)	Actual Operation Capacity, ton/day	Meeting Effluent Standards
YDC4	Yadan Sanitary Landfill	7m ³ /day	4m ³ /day	n/a
LTSC4	Lutusi WWTP	300m ³ /day	300m ³ /day	Yes
QCC2	Qingcheng Sanitary Landfill	11 tons/day	Not yet in operation	n/a
QCC2	Qingcheng WWTP	2000m ³ /day	Not yet in operation	n/a
MJSC5	Maijishan WWTP	20m ³ /day	Not yet in operation	n/a
HSFC2	Yellow River Stone Forest WWTP	600m ³ /day	600m ³ /day	Yes

Qingcheng has agreed to expedite the construction of wastewater collection networks in order to commence the operation of the WWTP in early 2016. This will be funded under a special provincial fund for small town infrastructure improvement. The local authorities were also putting in place plans to commence the sanitary landfill operations at Qingcheng and the WWTP operation in Maijishan in early 2016.

Follow-on project. A second phase of the Gansu Cultural and Natural Heritage Protection and Development Project is under preparation. This proposed project is building on experiences of the first project and focuses on heritage conservation, community services, and capacity building while building these up under the umbrella of the broader alliance between cities along the Silk Road. The new project design is looking at how such investments play a clearer role in leveraging other sources of financing and as catalysts for broader local economic development and urban regeneration. The project also aims at enhancing approaches for citizen engagement and public participation. The second phase project will allow the Bank to continue to follow up on the outcomes of the first phase.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

Relevance of Objectives

Rating: Substantial

The objective of the project was fully supported by GOC's own policies and the Bank's CPS at the time of appraisal. The project was also well aligned to the CPS for 2006-2010 and in particular two strategic pillars of *Reducing Poverty, Inequality, and Social Exclusion* and *Managing Resource Scarcity and Environmental Challenges*. The latter pillar specifically mentioned supporting the protection of cultural and natural heritage and promoting cultural and eco-tourism. The CPS called for the development of demonstration tourism sites and increasing the number of listed heritage sites with environmental protection measures in place while also contributing to providing basic infrastructure

services, building capacity in planning and management skills, improving land management (planning for large sites) and focusing on sustainable income increases for the poor.

The PDO remained relevant through project closing and remains in line with the Bank's current CPS for China 2013 – 2016. Under the strategic theme of supporting greener growth, the CPS specifically included an objective of '*demonstrating ways to integrate cultural heritage conservation and sustainable local economic development*' as part of enhancing urban environmental services. The objective set for the project placed an aspirational tone drawing attention away from the early focus on how to generate more tourism revenues from heritage assets towards ensuring a symbiotic relationship between local tourism development and community benefit. This focus remains relevant for the Bank's future operations in China and the priorities of the government under the 13th Five Year Plan for Economic and Social Development.

Relevance of Design and Implementation

Rating: Substantial

The design was grounded in a substantial body of analysis and assessments based on detailed site visits by a cross-sectoral team comprised of pre-eminent experts in the field of cultural heritage tourism. The design was also strengthened by a strong understanding of the country and sector context, as well as the capacity constraints of the province and the local government at all levels. The site selection was meticulously planned and the interventions carefully selected. The broad typology of sites selected and the aim to build capacity across the province means that the provincial governments are now well placed for the next phase of tourism planning as tourism numbers continue to grow exponentially and have taken on a regional dimension under the Silk Road. Technical assistance activities were designed in such a way to take into account capacity constraints although they could not fully address all capacity limitations given the development context in the province. The selection of the Provincial Development and Reform Commission as PPMO was a sound decision to ensure the project would have the ability to coordinate a range of sector bureaus.

3.2 Achievement of Project Development Objectives

Rating: *Substantial*

The project's objective was to generate benefits for local communities from the development of sustainable cultural tourism in Gansu Province. The focus of the project was clear. The priority was on ensuring that local communities benefit from improved tourism services and more sustainable heritage site management at the province's key heritage sites. A secondary but equally important aspect was ensuring these services were developed sustainably by ensuring protection of natural and built heritage sites.

Development of sustainable cultural tourism in Gansu Province

Improved infrastructure and tourist services at project sites. Investment in basic infrastructure at the project sites has removed key barriers to heritage protection and tourism development at the project sites. Key infrastructure outputs from the project include tourist roads, car parks, water and sanitation facilities, footpaths, tourism service centers, site maintenance centers, tourism training centers, museums and exhibition buildings, protection centers, river embankment strengthening, and small dam rehabilitation. The project supported capacity building efforts to build skills in tourism management as well as management information systems to help managing tourist services. At midterm, work started early in helping the sites initiate plans for managing their assets and in the development of site operation plans. A full list of completed infrastructure and tourism services for each site is provided in Annex 2.

Improved heritage protection, conservation and interpretation. Alongside the new infrastructure facilities, the project also support important preservation works. At Jiayuguan, preservation works included the great wall fortress, its structures and wooden towers, and reinforcement of cliffs. At Weijin, protection works on the tombs were carried out. At Lutusi Ancient Government site, measures were taken to stabilize the ground surface and provide protective fencing. In Qingcheng, protection and preservation works were conducted for heritage buildings. At Maijishan, once the conservation plan was approved, the project was able to support important conservation works on murals. Technical assistance supported under the project played a crucial role in preparing for these preservation works. A full list of the conservation works and technical assistance is provided in Annex 2.

Approval of cultural conservation plans. All cultural conservation plans were approved as planned during the project. This is a key achievement despite the delays in the final approval of the plan for Maijishan. Experience from other projects confirms that the process for approval of conservation plans, particularly those requiring state-level approval, take time to complete. The fact that all plans were approved within the project and that all works were able to be completed is a significant victory for the project. More importantly, it set a very strong foundation not just for the project interventions, but also for future construction and investment around the sites beyond the project scope and timeframe.

Increasing levels of visitor satisfaction. Given the exponential growth in tourist numbers, it is also a testament to the site management improvements and capacity building under the project that visitor satisfaction levels have increased at all sites. This suggests that the site services, facilities, and management are improving.

Increasing tourist expenditures. The average expenditure per tourist has also exceeded original targets, for some sites by as much as 50-60%. Along, with the increasing number of tourists, this suggests that these sites and tourism is becoming a growing and sustainable source of local government and local community revenues. Since this is mainly based on local tourists, it also has great potential to be a sustainable source of local incomes if the sites continue to be well-managed.

Based on the data collection during the ICR stage, there has been an exponential growth in tourism revenues for local governments, tourist numbers, and local jobs created in tourism. By supporting the development of conservation plans for each of these key sites and efforts to build local government and community capacity and awareness around cultural heritage protection, the project has had both a catalytic effect in crowding in investment and influencing the overall site development and investment decisions. The aim of developing a demonstration for the province and for China is now being realized. As the Bank sets up a global community of practice on sustainable tourism, this project stands out as a demonstration of the Bank's work in China and the possibility of developing sustainable tourism in underdeveloped regions, creating opportunities for local economic development.

Increased Community Benefit

Improved basic infrastructure services for communities. The project provided basic services to both tourism sites and surrounding communities to extend the benefits of the project investments to nearby communities. These services including local roads and water supply and sanitation services are critical for supporting the creation of livelihood opportunities and also raising local living standards. The project also worked with the local authorities to develop operation and maintenance plans for these infrastructure services.

Growing opportunities to participate in tourism services. The benefits generated for local communities were assessed by: (i) increased participation in sustainable cultural tourism, specifically the number of people participating in the provision of tourism services at the project sites; and (ii) increased community benefits from sustainable cultural tourism, specifically measured by: (a) percent of tourists who purchase tourism services when visiting the project sites; and (b) percent of local community members' awareness and knowledge of the significance of the cultural site. The project monitoring demonstrates that the number of people participating in tourism services at the project sites has grown exponentially from 3,130 to 11,531 between 2007 and 2015.

In many cases, the project investments were the major investments in the sites, which establish a clear attribution to the project. Domestic tourism would have grown without the project interventions and there would have been some growth in local community participation in tourism services. However, the project investments in building tourism facilities, improving access to sites, and providing training to government and communities undoubtedly have built capacity to accept a greater number of tourists and employ a greater number of community members to provide tourism services. Community training in economic activities, such as souvenir sales, restaurants, and guest houses, was also a key early activity under the project, which helped support community involvement in providing tourism services.

Growth in tourism sector, tourism sector employment, and private tourism services. Tourism related employment grew at all of the project sites (see Annex 3, Figure 4). Information collected from the Qingcheng site during the ICR mission also corroborates the project monitoring data and also demonstrates that both employment in tourism and tourism-related salaries have increased. Data on growth in tourist numbers at each of the

sites also suggests the increase in employment in tourist site services was justified and followed a similar growth rate. Total visitor numbers at the sites grew from 2.2 million in 2008 to 7 million by 2014 (see Annex 3, Figure 2). The percent of these visitors purchasing private tourism services doubled from 34% to 64% during the project period, exceeding expectations at appraisal and also suggesting that more of the tourism revenues are being channeled to local tourism services rather than tour companies. This also aligns with a general trend in the country towards more individual tourism trips, which at the time of appraisal were limited.

Revenues generated from the project sites increased at an annual rate of 25.6% (well beyond the 2.7% appraisal estimate). Overall tourism revenues in 2014 at the project sites were 70% higher than the appraisal estimate for 2025. In Maijishan, where a large portion of the project funds were invested, tourism revenues grew at an average annual growth rate of 39% compared with an average rate of Gross Domestic Product (GDP) of 14% in the same period, building up tourism to be a key pillar of the local economy and contributing to broader local economic development. This demonstrates that the project investments, along with other investments in these sites, has supported fast growth in the tourism sector compared to overall growth in the municipalities during the project period. Since sites were selected based on their potential for job creation and their importance to the local economy, this data suggests that the project has had a significant impact on the sector in Gansu, well beyond expectations during project preparation.

Increased community awareness and knowledge of cultural sites. Monitoring data demonstrates that a greater percentage of community members have knowledge of their local sites, increasing awareness from 63% to 88% during the project period. This important impact is attributable to the project, since the project investments, training activities, and technical assistance efforts to document local heritage were in many cases the only activities occurring in these project sites with the exclusion of the major sites.

3.3 Efficiency

Rating: *Substantial*

Economic and financial efficiency is rated *Substantial*. The project investments have led to direct enhancement of cultural and natural heritage assets in the project sites, and helped generate awareness and support for cultural and natural heritage preservation among local communities. More importantly, the project has resulted in substantial impact on the local economy by (i) boosting the local tourism sector; (ii) generating both direct and indirect employment opportunities; and (iii) catalyzing private sector participation. All of the above positive impacts have either met or exceeded the magnitude envisaged at appraisal.

In the period of 2008-2014, (i) the number of visitors to the nine project sites more than tripled from 2.20 million to 6.97 million; (ii) revenue directly generated from the visitors more than quadrupled from RMB 1.22 billion to RMB 4.79 billion; (iii) tourism-related employment at the nine project sites nearly quadrupled from 3,310 to 11,531; (iv) private ownership in tourism businesses grew from 32% to 62%. Table 2 provides a summary of

the direct economic and financial impacts of the project investments on tourism development at the nine project sites.

Table 4. Project Direct Economic and Financial Impacts at the Nine Project Sites

	2008	2009	2010	2011	2012	2013	2014
Number of visitors (million)	2.20	3.16	4.08	4.88	5.74	6.22	6.97
Direct tourism revenue (RMB billion)	1.22	1.95	2.75	3.30	3.98	4.40	4.79
Tourism-related jobs	3,130	3,870	4,217	5,014	7,097	7,998	11,531
Private ownership of tourism business	34%	40%	48%	51%	60%	64%	62%

Moreover, based on Qingcheng township government estimates collected during the ICR mission: (i) the overall number of local residents participating in tourism-related activities grew from 800 to 58,000 between 2007 and 2014; (ii) participation in tourism-related activities has also contributed to a four-fold increase in the average income among residents participating in tourism-related activities from RMB 5,000 a year RMB 21,000 a year between 2007 and 2014.

According to Tianshui County (where Maijishan is located) Statistical Yearbook, in the period of 2008-2014, total county revenue from tourism increased from RMB 1.36 billion in 2008 to 9.65 in 2014 (an average annual growth of 39%), compared with the average rate of GDP at 14% in the same period. Today, tourism is one the pillar industries of the local economy.

In terms of project related efficiencies, the Bank paid close attention to infrastructure designs to ensure they were not oversized. In addition, the adoption of the Bank's procurement processes ensured that quality works were built at least cost and ensuring value for money. While there were delays in implementation, all the major components and activities were completed and remained relevant throughout implementation. The early works on conservation plans also crowded in additional funding, both state level but also local private investment in and around these sites.

Cost Benefit Analysis

At appraisal, a cost-benefit analysis was not carried out due to the following reasons: (i) the speculative nature of the revenue streams identified; (ii) the non-revenue generation nature of the project benefits; (iii) the uncertainties related to the extent and timing of the market demand; and (iv) macroeconomic shifts that could have major impact on domestic and foreign tourism.

At project completion, a simple cost-benefit analysis was carried out to provide an indicative measure of the economic impact of the project investments. Given the above-mentioned concerns on the quantification of the project benefit streams, the analysis exercised a series of conservative measures (see details in Annex 3). Taking into account these conservative assumptions, the project investments were estimated to yield an economic internal rate of return (EIRR) of 28%.

3.4 Justification of Overall Outcome Rating

Rating: *Satisfactory*

The overall outcome rating of the project is assessed as *Satisfactory*. Relevance of the PDO was substantial and relevance of the design at appraisal and through implementation was substantial. The PDO was achieved and the efficiency of the project was substantial. All of the outcome indicators were exceeded. Additional evidence beyond the project monitoring shows a strong trend that local communities are benefiting from a substantial improvement in opportunities as a direct result of major advances in the sustainable tourism sector, which was given a significant step-up as a result of the efforts and opportunities accorded by the project to develop these heritage sites according to international standard heritage conservation plans.

Cultural and Natural Heritage Protection remains a critical area of the Bank's portfolio in China and will likely continue to feature in future country partnership strategies. Cultural heritage and tourism also feature strongly in China's 12th Five Year Plan and is expected to feature prominently in the 13th Five Plan to be released in 2016. Across the Bank, the tourism sector and cultural and natural heritage tourism, in particular, remains an important strategy in support of the Bank's Twin Goals evidenced by the 2015 World Bank Group Forum in 2015 on *Driving Development through Tourism*.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

The project sites included communities listed on the national poverty register. A Poverty Reduction Plan was prepared for the Maijishan subcomponent because the social assessment showed that 42% of the families living within the Maijishan Scenic Area were living below the poverty threshold of RMB 860 per capita per year. The plan included measures for addressing poverty in the communities located in and around the Maijishan site, including mechanisms for residents to gain employment and income through participation in tourism activities. The plan was also used as an input to design a training program which aimed to build the capacity of local members of the community to participate in tourism activities at the site. Improvements at the Maijishan scenic area sub-project have attracted local residents from Houchuan village, which is adjacent to Xianrenya, to start homestay businesses. To date more than 70 homestays have been established in Houchuan village, with local authorities reporting average annual incomes from homestays of about RMB 100,000 per year. This could not be corroborated by the ICR team.

In addition, the project contributed to improvement in the quality of life of populations in adjacent communities and villages, including women and poor who benefitted from improved infrastructure services, road access and a greater awareness of cultural heritage conservation. While there was not specific focus on gender, many of the rural communities involved in the project are those where working age family members have migrated to coastal cities for employment. Anecdotal evidence suggested that some young women had

found opportunities in tourism services, which allowed them to remain close to their children (who usually do not move with migrant parents when they work elsewhere). The slightly higher proportion of women beneficiaries also aligns with this anecdotal evidence.

(b) Institutional Change/Strengthening

The project spent US\$1.373 million for institutional strengthening and capacity building. Upon project completion, 369 PMO and PIU staff and other government officials were trained in project management, cultural relic protection, scenic area management, tourism development strategies, and market development. This involved training courses, domestic study tours (to Sichuan, Yunnan, Fujian, Guangdong, Anhui and Jiangxi Provinces), and overseas study tours (to USA, France, Switzerland, and Germany). About 4,159 residents from the communities adjacent to the project scenic sites received training in cultural relic protection, benefits and impacts tourism, development of tourism products, market development, business skills for participation in tourism, and protection of intangible cultural practices. The PMOs, PIUs and local government officials all recognize the role the project has played in building capacity for managing both heritage protection and cultural tourism, which has, and will continue, to be of benefit as the tourism sector, particularly domestic tourism, continues to grow.

(c) Other Unintended Outcomes and Impacts

The approval of conservation plans for Maijishan and Suoyang were instrumental in their listing as part of the Silk Road World Heritage Site, which was announced in June 2015 at loan closing.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

Stakeholder surveys were carried out among visitors of the nine project sites on an annual basis in 2008-2015. At the ICR stage, the ICR team conducted a one-time independent survey among local residents and business owners in Maijishan and Qingcheng, two project towns that accounted for more than half of the total investments. In Maijishan, the sample was further split between two project sites, i.e., Xianrenya and Shimen. The sampling criteria of the local resident survey made quotas for (i) gender, (ii) income, (iii) age, and (iv) location. The sampling criteria of the local business survey took into account considerations such as type and size of businesses.

Findings of the independent survey

Local Residents Survey. Most local residents agreed that the restoration and conservation efforts had made their hometown more attractive. In Shimen, where the project was only recently completed, agreement was lower compared with the other two sites where the project was completed a few years ago (see **Annex 4** for details).

Local Business Survey. The restoration and conservation efforts have had a positive impact on the development of the local service sector. Two-thirds of the local service-

oriented businesses in Qingcheng, 53% in Xianrenya and 40% in Shimen agreed that the restoration and conservation efforts had made them more willing to open new businesses. The lower response in Shimen is likely due to the slower implementation schedule (see **Annex 4** for details).

4. Assessment of Risk to Development Outcome

Rating: *Moderate*

Risk of poor operation & maintenance of site assets (Rating: Moderate). Although all project scenic sites have their own operation and maintenance (O&M) plans, they will have to ensure that these O&M Plans have their proper annual O&M budgets. Otherwise deteriorating services could lead to visitors' dissatisfaction with the scenic sites and a decline in visitor numbers. Resulting in less income for the local governments and communities and also putting the sites at risk. There is a risk that a number of sanitation services will not be well operated and will run into disrepair. At closing, the Bank team confirmed with the municipalities regarding the handover and operational arrangements for sanitation services not yet put into operation. However, there is a remaining risk that the facilities will not be put into operation unless the local community and municipality take ownership of these investments and put in place the necessary budget for O&M.

Risk of natural disasters (Rating: Moderate). Gansu remains vulnerable to a range of natural disasters including earthquakes, flooding, and landslides. Structural works at a number of sites, especially Jiayuguan were intended to protect against the most immediate potential impacts from flooding and erosion. However, as seen with the Wenchuan Earthquake of 2008 and the flooding at Maijishan in 2013, all sites remain vulnerable to natural disasters and, in the long term, the effects of climate change.

Risk of excessive visitor numbers impacting on sites (Rating: High). Visitor numbers have grown exponentially. The project did not include activities to raising the level of awareness among visitors of the need to protect cultural and natural heritage sites and as such this is also a residual risk to the sites. Ever increasing tourist arrivals have the potential to harm the natural environment in the vicinity of the sites, especially if the landfills and wastewater treatment plants built by the project are not soon put into operation. However, it is reported that environmental monitoring stations built and equipped under the Maijishan subproject are being used to track environmental changes and plan appropriate actions to mitigate damage to the site.

Risk of poor management of the sites (Rating: Moderate). Despite the approval of conservation plans and increased capacity and awareness of cultural heritage protection, there is still a risk that priorities in increasing tourism revenues may outweigh protection considerations. The local authorities are making an effort to clearly delineate responsibilities for site management and site protection so there is more oversight of cultural heritage protection. However, this remains a challenge.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: *Satisfactory*

The Bank took extra effort and time (over two years from concept to approval, 86.21 staff weeks, and US\$500,000) to prepare the project. In fact, project identification started as early as FY 2005 so total preparation was closer to 3-4 years. Project preparation and design were thorough, especially in light of the complexity of the sector in an underdeveloped region with limited institutional capacity. At the start of project preparation, none of the heritage sites had started conservation planning and few cities and sites had started tourism planning. Since that time, the provincial, municipal and site level tourism plans have been completed, and conservation plans have been approved.

The review and design of each project site were meticulous with careful consideration of not just specific heritage buildings or structures but also the overall integrity of the site and its surroundings. Detailed inventories were collected at each site in the form of lists of site components, photographs of the current status and conditions, maps for conservation plans, and satellite imagery for each location. The preparation phase exceeded conventional preparation by building capacity, documenting heritage, transferring knowledge, and contributing to improving heritage protection status by ensuring conservation plans were prepared for each site in advance. For example, at the Great Wall site in Jiayuguan, through these early efforts, the Bank identified elements of the site which previously had not been fully appreciated as being part of the integrity of the heritage site. The Bank then worked with provincial authorities to have these transferred back to the overall site control and management and protected.

Local communities in the project sites were also provided with opportunities to participate in tourism, to share the benefits, and to develop an understanding of the value of their heritage and tourism assets. The project emphasized training for local communities as a first step in ensuring community support for tourism development and for developing the communities' skills to participate in tourism. The preparation and appraisal of technical aspects were well conducted, and the Bank also ensured that fiduciary arrangements were adequate and that full provisions were made to respect safeguards.

The Bank enlisted a range of global expertise in the project design which clearly benefited from the guidance provided. The design also led to a project, which will be able to demonstrate best practices not only to the province and to China, but to other developing countries embarking on the development of their tourist sector. A key element of this was the development of a comprehensive and coordinated approach to tourism planning underpinned by heritage protection plans and with local communities prioritized as key beneficiaries.

The only weakness that could have been better addressed during preparation was the provincial implementation capacity and commitment given the slow start-up of the project and staffing problems at the PPMO. However, at the time in China there was a general reluctance of underdeveloped regions to allocate funding to project management support

given their preference for prioritizing funding for physical improvements and dissatisfaction with the cost-effectiveness of services provided by project management consultants, in general.

(b) Quality of Supervision

Rating: *Moderately Satisfactory*

During the six and half years of implementation, the Bank undertook 18 implementation support missions between August 2008 and June 2015. The Bank team had a well-rounded mix of skills and experience. The team paid particular attention to technical issues, institutional development, other fiduciary matters and related development impacts and supported the PMOs and PIUs to implement the project. The requirement for hands-on support in the middle of the project tested the capacity of the task team to respond. The PMO capacity and staffing became a difficult issue for both sides and stretched the ability of the PMO to implement the project and for the Bank to support the PMO. Yet, the Bank could have forged a more constructive relationship with the client in order to address these difficult issues and turn around project implementation.

The slow momentum at project start was quickly identified and the project implementation progress downgraded to moderately satisfactory already in May 2010. The main reason being the slow progress on approval of conservation plans and difficulties in preparing quality bidding documents.

The decision to maintain the Jiayuguan Site within the project and reallocate loan funds to address counterpart funding shortages was sound although more proactive measures could have been taken to restructure the project to allow more time for the use of loan savings and expedite implementation.

By May 2013, with little progress made on the approval of the Maijishan Conservation Plan and with none of the sites having operation plans, the Bank rightly decided to downgrade the project to moderately satisfactory for implementation progress. Given the importance of the conservation works at Maijishan to the project objectives, the project development objective was also downgraded to moderately satisfactory. The Task Team, together with support from the Sector and Country Management Unit helped liaise with State Authorities to impress on them the importance of ensuring the approval of the Maijishan Conservation Plan. Despite these efforts, and when the plan's approval was still not secured by June 2014, the project progress towards the development objective was also downgraded to moderately unsatisfactory. Once the nine sites had prepared their site operations plans by November 2014, implementation progress was upgraded to moderately satisfactory. It wasn't until the Maijishan Conservation Plan was approved in December 2014 and the project extension agreed to ensure the final conservation works could be completed at Maijishan was the project development objective upgraded to moderately satisfactory. Early results from the ICR team's independent surveys at Maijishan and Qingcheng were also available to the management at the time and showed that the project, and tourism industry development in general, was having positive outcomes for local communities. This helped support the decision to upgrade the development objective rating.

At the time of the second restructuring to extend the loan closing date, the Bank team missed a second opportunity to update the targets of the Results Framework in line with achievements and the revised closing date. The issue of the operation of the sanitation services in a number of sites was not concluded by project close leaving a residual risk that these will not be properly operated.

(c) Justification of Rating for Overall Bank Performance

Rating: *Moderately Satisfactory*

Despite the extensive preparation work, the Bank and the PMOs faced implementation challenges, not all of which were resolved in a timely manner, particularly the understaffing of the PMO, which was further exacerbated by the limited funding for, and inputs from, project implementation consultants. The Bank should have followed up more closely with implementation progress and acted to expedite restructuring. Additional expertise was brought in for cultural heritage and heritage site management to support project implementation. The Bank should have enhanced skills in community development to better support follow-up on a number of the softer aspects of the project design, such as handicraft development and use of technical assistance outputs on intangible heritage. Also, with this expertise, the Bank could have followed up more proactively on the various community plans, including the poverty reduction plan, indigenous peoples plan, and other community training efforts that could have resulted in even greater benefits to local communities.

5.2 Borrower Performance

(a) Government Performance

Rating: *Moderately Satisfactory*

The rating refers to the PPMO and local PMOs. Although the provincial government had shown strong commitment to the project during preparation, shortages of multi-disciplinary staff (in particular management, engineering and procurement professionals) in the PPMO and PMOs, resulted in weak technical competence and inadequate quality control of procurement documents, which then resulted in procurement delays. The staff also displayed a certain reluctance to work with the project implementation consultants, which further impeded implementation. Staffing problems, exacerbated by counterpart funding shortages and the long delays in gaining approval of the cultural conservation plan for Maijishan, seriously tested project implementation, and eventually necessitated two extensions of the Loan closing date totaling one and a half years. These issues also resulted in the project being in “problem project” status for about two years from May 2013 to June 2015. Nevertheless, all fiduciary requirements were met, with particularly strong performance recorded for the engaged social external monitoring agencies. Stakeholder consultation and information disclosure were adequate for safeguards and no complaints were received. Progress reports and annual surveys were prepared consistently, although environmental monitoring was insufficient in the mid-stages of the project.

(b) Implementing Agencies Performance

Rating: *Moderately Satisfactory*

The PIUs' performance is rated *moderately satisfactory*. During project preparation, the PIUs showed strong commitment to achieving the PDO. However, during the first few years of project implementation, difficulties in procurement, shortages of counterpart funding, and land acquisition problems caused delays in project implementation. Through implementation support and project restructuring, almost all project components were eventually implemented, with a few minor outputs being either dropped or switched to other funding sources (see Annex 2). The PIUs have committed to operating and maintaining the Scenic Site Administrations established during the project and have completed O&M plans for all project sites to ensure their sustainability. The PIUs were at the forefront of community engagement efforts and organized useful training for local communities.

(c) Justification of Rating for Overall Borrower Performance

Rating: *Moderately Satisfactory*

The overall performance of the borrower is rated *moderately satisfactory*. Despite strong commitment during preparation, problems during implementation, in particular related to the difficulties and delays in procurement, delays in allocation of counterpart funding to respective subprojects, and shortage of technical staff to support implementation essentially hindered implementation progress. The implementation of the project had to be extended twice due to delay in obtaining SACH's approval for the Maijishan Cultural Conservation Plan, which was finally approved in December 2014.

(c) Compliance with Covenants

There were six implementation covenants all of which were complied with, some after delays. The key delays in compliance related to the slow contracting of implementation consultants and preparation of operation and maintenance plans for each site.

6. Lessons Learned

A sound project design and a strategic approach to the sector are important for complex heritage projects. It takes time and a strong multi-disciplinary team to prepare a quality project design capable of supporting a long-term strategy for sustainable cultural tourism. Introducing mitigation measures to protect cultural and natural heritage sites, specifically requiring conservation plans to be in place, sets a basis for long-term investment and ongoing protection of the sites. It also ensures that parallel and future investments at these sites can be regulated against international best practices and national standards.

It is important to ensure that proper institutional arrangements are in place to coordinate across sector agencies. An important decision was made to transfer the PMO from the Tourism Department to the Development and Reform Commission during project

preparation. The latter agency had the mandate to coordinate the range of sector bureaus required to implement such a project including, but not limited to, tourism, cultural heritage, environment protection, transport, construction, civil affairs, poverty alleviation etc. It is therefore critical to carefully consider the proper institutional arrangements for a cultural heritage and tourism project to be successful.

The lead time for cultural conservation plan approval should be factored into project implementation planning. Although it is important to have an approved cultural conservation plan for works involving cultural heritage conservation, approval of cultural conservation plans can take a number of years and can hinder project implementation. The Bank should be prepared to maintain a continuous dialogue to expedite plan approvals, and the time needed for such approvals should be properly incorporated in project implementation planning. Approaches to ensure regular dialogue with conservation authorities at appropriate levels are needed, at multiple levels including municipal, provincial, national, and even international levels.

Sufficient funding for quality implementation support consultants is required for projects in low capacity regions. The risk of weak project implementation was rightly identified as substantial during project preparation, and measures introduced to mitigate this included training, hiring of implementation consultants, and close Bank supervision. While government authorities can be reticent about hiring project management consultants or allocating loan funds for this purpose, weak support consultants can have a detrimental impact on implementation.

Early intervention in regions with nascent cultural and natural heritage tourism potential can help build capacity to cope with significant growth in tourism. China and Gansu have seen an exponential growth of domestic tourism in the last ten years, well beyond what was envisaged at appraisal. By design, the project incorporated sites from across a number of municipalities in order to ensure the opportunities for capacity building could be shared with as many locations as possible and to provide the possibility for peer-to-peer learning. This learning has placed the municipalities in Gansu, and the province as a whole, in a strong position for the next phase of tourism sector development. Gansu, and two of the project sites specifically, were included by UNESCO in its Silk Road listing of World Heritage Sites in 2015. The project also set a foundation for future lending to the province including a proposed Phase 2 project and a broader regional project in support of the Silk Road development.

Operation, maintenance and monitoring of built and heritage assets need not just O&M plans but also clear budget allocations. The Bank received seven O&M plans for the ongoing maintenance of conservation works and tourism facilities funded under the Bank loan. Yet these do not have clear funds allocated to them. Small annual O&M expenditures now would provide big cost-savings in the future, and also offer a better chance for project success and sustainability. Future maintenance efforts should also include public awareness campaigns for visitors to protect cultural heritage and the environment. Sanitation facilities at sites require regular upkeep and maintenance, and all sites could benefit from public outreach activities on hygiene awareness.

7. Comments on Issues Raised by Borrower/Implementing Agencies

Gansu province conducted a detailed assessment of the project at close as set out in a Borrower ICR, which is summarized in Annex 7. Gansu province provided a number of factual corrections for the Bank's ICR, which have been addressed, and had the following comment on the Bank's ICR:

We have the view that the ICR is comprehensive and objective. We would like to clarify that the delay in approval of the Maijishan Cultural Conservation Plan was not due to staff shortages in the project management office. This approval required the involvement of state-level agencies and the approval authority was with the State Administration for Cultural Heritage. This process is comparatively time consuming compared to plans requiring approval by lower levels of Government.

Annex 1 – Project Cost and Financing
CHINA: CN-Gansu Cultural and Natural Heritage Protection and Development

(a) Project Cost by Component (in USD million equivalent)

Component	Appraisal Estimate (USD million)	Actual/Latest Estimate (USD million)	Percentage of Appraisal
Component 1 – Protection and Development of Priority Sites			
Jiuquan Municipality			
Yadan National Geological Park	4.33	3.99	92%
Suoyang Town Tourism Scenic Area	2.32	2.17	94%
Jiayuguan Municipality			
Great Wall Cultural Tourism Scenic Area	5.04	1.89 (Mainly switched to State Funds)	38%
Weijin Tombs Cultural Tourism Scenic Area	2.27	Switched to State Funds	N.A.
Zhangye Municipality			
Mati Temple Scenic Area	2.39	2.52	105%
Lanzhou Municipality			
Lutusi Ancient Government Center Tourism Scenic Area	2.31	2.37	103%
Qingcheng Ancient Town Heritage Protection and Tourism Scenic Area	5.22	5.05	97%
Baiyin Municipality			
Yellow River Stone Forest National Geological Park	3.82	5.58	146%
Tianshui Municipality			
Maijishan Scenic Area	18.58	21.32	115%
Component 2 – Institutional Strengthening and Capacity Building			
Staff Training	0.45	0.45	100%
Community Training	0.10	0.09	90%
Project Implementation Assistance	0.25	0.25	100%
Study on Gansu Provincial Tourism Industry Development	0.05	0.04	80%

Cultural Conservation Plan for Maijishan Scenic Area	0.20	0.20	100%
Studies on Intangible Heritage	0.15	0.15	100%
Studies on Mural Preservation	0.125	0.128	104%
Information System	0.065	0.065	100%
Contingencies	5.18	5.39	104%
Total Project Cost	52.85	51.65	98%
Front-end Fee	0.10	0.10	100%
Interest During Construction	4.89	5.34	109%
Total Financing Required	57.84	57.09	99%

(b) Financing

Source of Funds	Appraisal Estimate (USD million)	Actual/Latest Estimate (USD million)	Percentage of Appraisal
Borrower	19.44	19.30	99%
International Bank for Reconstruction and Development	38.40	37.79	98%
Total Financing Required	57.84	57.09	99%

Annex 2 – Outputs by Component and Selected Outcomes
CHINA: CN-Gansu Cultural and Natural Heritage Protection and Development

A. Appraisal

A summary of the province’s key heritage sites, salient features, and appraisal stage challenges is in Table A2-1.

Table A2-1. Key Heritage Sites, Features, Challenges and Opportunities

Heritage Site	Features	Challenges	Opportunities
Yadan National Geological Park	Largest known Yadan formation in the world (375km ³). Situated in the Gobi Desert and mentioned in early Silk Road writings about the Silk Road. State-listed Geological Site (2001).	Remote location. 165km northwest of Dunhuang.	Road constructed to increase site accessibility as well as visibility.
Souyang Town	Ancient town established in Han Dynasty with remaining relics of old fortress. State-listed Heritage Site.	Unstable mud structures.	High archeological and heritage value.
Great Wall Scenic Area	Key assets are the Jiayuguan Fortress (1372) and First Signal Tower and wall connecting them. UNESCO World Heritage Site (1987). Most magnificent and well-preserved military fortress of the Great Wall with westernmost signal tower.	Signal Tower located on 80m high cliff, along the Tuolai River in danger of collapse.	Significant cultural and historic value. Already a significant tourist site close to Jiayuguan city and 3 commercial airports.
Weijin Tombs	18km northeast of Jiayuguan. Tomb complex covering 30km ²and containing 1600 tombs from third and fifth century.	Site unprotected and tomb murals need preservation.	Important historic and cultural value.
Mati Temple Scenic Area	Located at the base of Qiling Mountains. 14km ²park in 100km ² scenic area. Contains State-listed relics including Buddhist temples and caves.	Remote location and large area. Poor infrastructure.	Unspoiled environment with ethnic minority culture.
Lutusi Ancient Government Center	Oldest, largest (13,500m ³), and most complete example of an administrative center used during China’s ancient minority rule system. State-listed Heritage Site.	Poor road access, infrastructure, and tourism services. Unprotected sites.	Unique historical significance. Also important Buddhist frescos.
Qingcheng Ancient Town	An early trading port and cargo collection center on the Silk Road along the Yellow River. Ming and	Poor municipal services and deteriorating buildings.	Close to provincial capital. High cultural and historic value. Community

	Qing Dynasty houses, temples, and streetscapes. 110km from Lanzhou.	Limited tourism services.	associations for heritage and basic homestays.
Yellow River Stone Forest	Massive geological formation created over millions of years (50km 3) alongside the Yellow River. Identified in 1990 and made public in 1996.	Poor basic infrastructure and site protection.	Road access began in 2003. Dramatic range of views and landscapes. Longwan village at the entrance active in tourism services.
Maijishan Scenic Area	Large site covering picturesque farming communities, forests, and significant cultural sites – Maijishan, Shimen, and Xianrenya with State to Provincial Listings. UNESCO reviewing proposal to list Maijishan as World Heritage site.	No cultural protection plan. Poor infrastructure and services.	Early artworks of the Silk Road important in dissemination of Buddhism in China. Major site with multiple significant listed relics.

Examples of Site Conditions at Appraisal



Maijishan Roads



Maijishan Pathways



Jiayuguan Cliffs



Qingcheng Historic Town Roads



Souyang Fortress

B. Implementation

A comparison of outputs by component, at appraisal and completion of project, are compared in the Table A2-2.

Table A2-2: Outputs Planned at Appraisal and Actual Completed

Output Description	Planned At Appraisal	Actual Completed
Component 1 – Protection and Development of Priority Sites		
Jiuquan Municipality		
Yadan National Geological Park	(a) 19 km of tourist roads. (b) a car park. (c) a link road from the park gate to the main highway. (d) provision of water supply, wastewater, solid waste and power services. (e) a tourist service center. (f) exhibition and presentation facilities. (g) a site maintenance center. (h) tourist and service vehicles. (i) signage.	(a) 19 km of tourist roads. (b) a 7,929 m ² car park. (c) a 2.06 km link road from the park gate to the main highway. (d) an environmental monitoring station, a water flushed and two sanitary toilets, a 150 m ³ water pond, and 50 garbage bins. (e) 748.5 m ² tourist service centre. (f) presentation facilities. (g) site maintenance center but first aid and environmental protection equipment not procured. (h) six tourist vehicles, two service vehicles, and six urban maintenance vehicles. (i) signage (counterpart funds).
Suoyang Town Tourism Scenic Area	(a) stabilization and preservation of the ancient mud structure. (b) a cultural protection and management station. (c) a tourism service center and exhibition hall including a car park (d) provision of water supply, sanitation, solid waste and security services.	(a) completed with counterpart funds. (b) 3,012 m ² exhibition center and 500 m ² service center built with counterpart funds. (c) built and completed with counterpart funds. (d) a 100 m ³ water storage tank, a pumping well, 2.3 km water supply networks, four sanitary toilets, 14 garbage bins, a septic tank, 100 mu of landscaping and security facilities.
Jiayuguan Municipality		
Great Wall Cultural Tourism Scenic Area	(a) preservation and protection of the Great Wall Fortress, including the wall structures and wooden towers. (b) environmental rehabilitation and protection around the Great Wall Fortress, including site demarcation of the core protection area. (c) reinforcement of the cliff below the First Signal Tower.	(a) completed with counterpart funds. (b) completed with counterpart funds. (c) completed. (d) completed with counterpart funds. (e) extended and completed a 2520 m ² car park, and others built and completed by counterpart fund. (f) completed with counterpart funds. (g) completed with counterpart funds. (h) completed with counterpart funds.

	<p>(d) embankment protection along the Tuolai River at the First Signal Tower.</p> <p>(e) expansion of the underground service center and exhibition at the First Signal Tower.</p> <p>(f) storage facilities for the existing Great Wall Museum.</p> <p>(g) a tourism training center.</p> <p>(h) provision of water supply, wastewater, solid waste, power, fire fighting and security services.</p>	
Weijin Tombs Cultural Tourism Scenic Area	<p>(a) protection measures for the ancient tombs.</p> <p>(b) expansion and upgrading of the existing exhibition center and tourist service center.</p> <p>(c) provision of water supply, wastewater, solid waste, power and security services.</p> <p>(d) Studies on tomb mural preservation techniques.</p>	<p>(a) completed with both Bank loan and counterpart funds.</p> <p>(b) built and completed by counterpart funds.</p> <p>(c) built and completed by counterpart funds.</p> <p>(d) built and completed by counterpart funds.</p>
Zhangye Municipality		
Mati Temple Scenic Area	<p>(a) an Yugu folk culture museum.</p> <p>(b) upgrading of access roads, including drainage and power system within the park.</p> <p>(c) provision of water supply, public toilets, and a new sanitary landfill.</p> <p>(d) fire protection and security facilities of Jinta Temple.</p> <p>(e) building for protection of North Mati Temple.</p> <p>(f) a tourist service center and main entrance gate.</p> <p>(g) tourism network information system.</p>	<p>(a) a 1960.4 m²Yugu folk culture museum.</p> <p>(b) 4.4 km access roads, including drainage and power system within the park.</p> <p>(c) completed 100 m³high level water reservoir and 2.51 km of water; distribution networks; four public toilets, 200 garbage bins, a garbage transport truck, and 8.25 km of power cable.</p> <p>(d) built and completed by counterpart funds.</p> <p>(e) dropped as new building is prohibited in core protection area.</p> <p>(f) built and completed by counterpart funds.</p> <p>(g) completed.</p>
Lanzhou Municipality		
Lutusi Ancient Government Center Tourism Scenic Area	<p>(a) upgrading roads within township around Lutusi and a car park.</p> <p>(b) provision of water supply, power, sanitation, and solid waste services.</p> <p>(c) a tourist service center and web-based tourism information system.</p>	<p>(a) completed upgrading of roads within the township around Lutusi, and the car park was completed with counterpart funds.</p> <p>(b) 85 m²public toilet, a garbage transfer station, and wastewater treatment plant was dropped due to shortage of funds.</p> <p>(c) a 418 m²tourist service center and web-based tourism information system.</p>

	(d) stabilization of the ground surface and protection and preservation of the ancient garden within Lutusi. (e) fencing around Lutusi.	(d) Completed stabilization of 4,596 m ² of ground surface. (e) 442 m fencing around Lutusi.
Qingcheng Ancient Town Heritage Protection and Tourism Scenic Area	(a) upgrading of key town roads and drainage. (b) upgrading of services and facades in select historic alleyways. (c) protection and preservation of 45 historical houses and the Chenghuang Temple. (d) interpretation and exhibitions. (e) provision of water supply, power, sanitation and solid waste services.	(a) 10.6 km key town roads and drainage. (b) due to funding difficulties the proposed works were dropped and only a tourist service center was built. (c) due to shortage of funds only Chenghuang Temple plus five historic houses were completed by the Bank loan and others are to be completed with counterpart funds. (d) completed (e) a water storage tank, water flushed toilets, dry pit latrines, solid waste drop-off points and equipment, a landfill, and a wastewater treatment plant.
Baiyin Municipality		
Yellow River Stone Forest National Geological Park	(a) upgrading of access roads and tourist footpaths, especially to improve drainage. (b) a 6,000 m ² of car park facilities. (c) an exhibition center of about 2,500 m ² . (d) provision of water supply, wastewater, solid waste, power and security services. (e) strengthening of about 3 km of Yellow River embankment for flood protection. (f) interpretation, site demarcation and signage.	(a) 2.75 km access roads and 1.39 km tourist footpaths and drainage. (b) a 3,000 m ² car park. (c) an exhibition center of about 2,630 m ² . (d) a high level water reservoir and 1.8 km of water supply networks, 3.1 of storm water network, a wastewater treatment plant, and 100 garbage bins. (e) strengthening of about 0.7 km of Yellow River embankment for flood protection. (f) completed with counterpart funds.
Tianshui Municipality		
Maijishan Scenic Area	(a) upgrading of 53 km of access roads. (b) upgrading 25 km of tourist footpath and a few view points. (c) rehabilitation works at Yinyue Lake and Xianren Lake dams. (d) provision of water supply, wastewater, and power services in Xianrenya, Shimen and Maiji. (e) a 8,500 m ² car parking facilities in Shimen and Xianrenya.	(a) 55.7 km of access roads upgraded. (b) 5 km of tourist footpath and one Maijishan view point. (c) completed. (d) a wastewater collection and treatment facility, two water supply facilities in Shimen tourist attraction spot, a water supply facility in Xianrenya tourist attraction spot, and three sets of solar energy power supply facilities. (e) a car park.

<p>(f) a tourist service center and training center at Shimen.</p> <p>(g) administrative buildings at Shimen and Xianrenya.</p> <p>(h) a local handicraft and tourism product development center at Maiji.</p> <p>(i) exhibition and interpretation facilities.</p> <p>(j) provision of vehicles for solid waste management, road maintenance, environmental monitoring and site administration.</p> <p>(k) information system, and tourism spot monitoring system.</p> <p>(l) materials for marketing and promotion.</p>	<p>(f) a 2776 m² tourist service center and training center at Shimen.</p> <p>(g) completed.</p> <p>(h) replaced by supply of 200 units of handicraft and tourism booths.</p> <p>(i) 600 signs.</p> <p>(j) 500 garbage bins, 28 garbage carts, 10 sanitary toilets, two garbage transfer trucks, 1 garbage transfer station, environmental monitoring station in Maijishan and Xianrenya, two sets of environmental monitoring systems for Shimen and Maijishan, an environmental monitoring vehicle, and an office vehicle.</p> <p>(k) completed.</p> <p>(l) completed.</p>
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Examples of Site Conditions during Implementation



Jiayuguan Great Wall Conservation Works



Jiayuguan Conservation and Stabilization Works



Maijishan Mural Conservation

The Table A2-3 below sets out the status of compliance project agreement covenants.

Table A2-3: Project Covenants and Status at Project Close

Project Agreement Reference	Description of Covenant	Due Date	Status
PA Section IV.1	Project Implementing Entity shall enter into a contract, satisfactory to the Bank, for technical assistance to PPMO for management of construction and supervision of project activities.	September 1, 2008	After delay complied with
PA Section IV.3	The Project Implementing Entity shall provide training in financial management to staff in the MPMOs and PIUs in a manner satisfactory to the Bank.	December 31, 2008	Complied with
PA, Section IV. 4 (a) and (b)	The PIU of Jiayuguan Municipality will prepare and submit to the Jiayuguan Government for approval a Development Control Plan for JYG Great Wall Scenic Area.	December 31, 2008	Complied with
PA, Section I, 4(a)	The Project Implementing Entity shall cause Tianshui Municipality to complete remedial works at Xianren Lake Dam.	September 30, 2008	Complied with
PA, Section I, 4(b)	The Project Implementing Entity shall cause Tianshui Municipality to furnish a long term operation, maintenance and emergency preparedness plan for two project dams.	September 30, 2008	Complied with
PA, Section IV. 2	The PIE shall cause each PIU to furnish to the Bank an operation and maintenance plan for the heritage and tourism facilities located in their site.	December 31, 2010	After delay complied with

The Table A2-4 below sets out the activities support by the Project including training and studies.

Table A2-4: Training and Studies completed under the Project

	Activity	Purpose	Amount (US\$)
2.1	Staff Training	Trained about 100 project staff and government officials on World Bank Procedures and various aspects of heritage and tourism management	450,000
2.2	Community Training	Tailored training specific to the needs of each site provided to at least 9000 person members of communities living around sites. Training covered a range of topics from cultural heritage protection to tourist product development, and business skills.	100,000
2.3	Implementation Support	Consultants to assist the project management office (PMO) with project implementation.	100,000
2.4	Study on Gansu Provincial Tourism	The study looked at the basic conditions for forming a tourism industry, tourism products and market, and tourism management. The research aimed to identify	50,000

	Industry Development	how to translate tourism into greater economic development in Gansu.	
2.5	Cultural Conservation Plan for Maijishan Scenic Area	A cultural conservation plan for the entire Maijishan Scenic Area, completed to national standards for state listed relics.	200,000
2.6	Studies on Intangible Heritage	Two studies to support the conservation and development of intangible heritage in Qingcheng Ancient Town and Mati Scenic Area.	150,000
2.7	Studies on Mural Preservation	Two studies to determine appropriate preservation techniques for wall murals at Weijin Tombs and Lutusi Ancient Government Complex.	125,000
2.8	Information Systems	Tourism information network and website for Mati Temple and Lutusi Ancient Government Center.	65,000

The Table A2-5 below sets out the key outcomes of the technical assistance activities supported by the Project.

Table A2-5: Key Outcomes of Technical Assistance Activities

Package	Technical Assistance	Outcomes
MJSS1-1	Tianshui Municipality Maijishan Cultural Heritage Conservation Plan	On December 22, 2014, SACH approved the Xianrenya Grotto Conservation Plan.
MTSS1-2	Development of Tourism Information System	Tourism Information System
GSA1-1	Project management Consulting Services	The Company provided four consulting services with five consulting reports submitted to the Gansu PMO.
GSA1-2	Project Management Consulting Services	
GSC	Study on Conservation of Wall Paintings in Lutusi Ancient Government Complex and Miaoyin Temple	The study was accepted by SACH who provided State Cultural Protection Funds.
GSD	Sunan County Yugu Minority Folk Music and Dances – Gathering, Sorting, Researching and inheritance.	In total five original performances have been organized and 1,500 folk music and dance CD have been distributed with communities.
GSE	Traditional Cultural Study of the Minorities and Folks in Sunan County.	Five publications: “History and Folk Cultures of Yugu Minority”, “Yugu Minority Mouthpiece Traditional Folk Cultures – Gathering and Researching”, “History and Cultures of Mati Temple”, “Sunan County Tibetan Minority History and Folk Cultures”, “Sunan County Mongolian Minority History and Folk Cultures”.
GSF	Qingcheng Intangible Cultural Heritage Protection Study.	Five publications: “Qingcheng Ancient Town Intangible Culture Heritage

		Series”, “Qingcheng Shredded Tobacco for Water Pipe”, “Qingcheng Popular Tunes”, “Qingcheng College” and “Qingcheng Gao Family Temple”.
GSG	Gansu Province Tourism Industry Development and Strategy Study.	The study was published in 2013.
GSH	Long Southeastern Area Cultural and Natural Heritage Protection and Tourism Industry Sustainable Development and Strategy Study.	The study was completed in 31 May 2015.

Photographs of Site Conditions at Project Completion



Maijishan Roads



Maijishan Paths and Lookout



Maijishan Training Center



Jiayuguan Great Wall



Jiayuguan Cliffs



Qingcheng Historic Town Roads



Souyang Pathways, Protection Measures, and Interpretation

Annex 3 - Economic Analysis

CHINA: Gansu Cultural and Natural Heritage Protection and Development Project

At appraisal, the Project subcomponents were selected on a least-cost basis, taking into account each site's: (i) heritage values; (ii) potential for sustainable cultural tourism; (iii) impacts on local economies through employment generation and local enterprise development. All of the above considerations remain valid and relevant at project completion.

To evaluate the project's economic impact beyond least-cost considerations, two stakeholder surveys were carried out: (i) one among visitors of the nine project sites on an annual basis during the project implementation period of 2008-2015; and (ii) the other an independent survey by the ICR team among local residents and business owners in Maijishan and Qingcheng, two sites that accounted for more than half of the project investments at project completion. The latter survey made special allowance for (i) local residents of different gender and age groups and location differences based on their proximity to the project site; and (ii) variations in business scale and types.

Project Economic Impact Assessment

At appraisal, five sets of economic benefits were envisaged: 1) cultural and natural heritage protection, rehabilitation, and interpretation; 2) environmental improvements; 3) local economic development; 4) local skills upgrading; and 5) institutional strengthening.

1) Cultural and Natural Heritage Protection, Rehabilitation, and Interpretation, and 2) Environmental Improvements. The project has supported investments to protect and rehabilitate key historic sites along the Silk Road; and to protect and restore site and local environments, including water supply, wastewater treatment, drainage, and sanitation facilities. At appraisal, the estimated cost of the physical investments under Component 1 - the protection and development of priority sites was around US\$46.28 million. At completion, the cost stood at around US\$44.89 million. The difference was due to scope adjustments in several subcomponents.

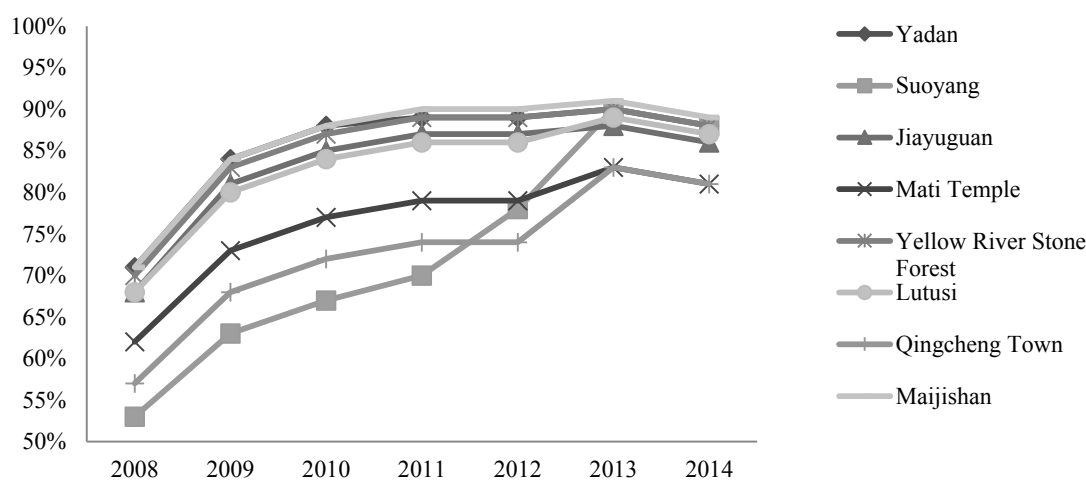
Table A3-1. Planned and actual project investments (US\$ million)

	Appraisal	Completion	Difference
Yadan	4.33	3.99	(0.34)
Suoyang	2.32	2.17	(0.15)
Jiayuguan	5.04	1.89	(3.15)
Mati Temple	2.39	2.52	0.13
Yellow River Stone Forest	3.82	5.58	1.76
Lutusi	2.31	2.37	0.06
Qingcheng Town	5.22	5.05	(0.17)
Maijishan	18.58	21.32	2.74
Weijin	2.27	-	(2.27)
Total	46.28	44.89	(1.39)

Physical infrastructure, mostly roads, pathways, exhibition facilities, water supply and sanitation facilities, etc., accounted for about two thirds of the total cost of the component.

Besides the construction of physical assets, the project has also helped raise awareness and support among local residents for cultural heritage preservation. Based on an ongoing survey, positive response on the awareness of, and support for, cultural heritage preservation increased from 65% in 2008 to 86% in 2014 (figure 1).

Figure 1. Awareness of, and support for, cultural heritage preservation among local residents



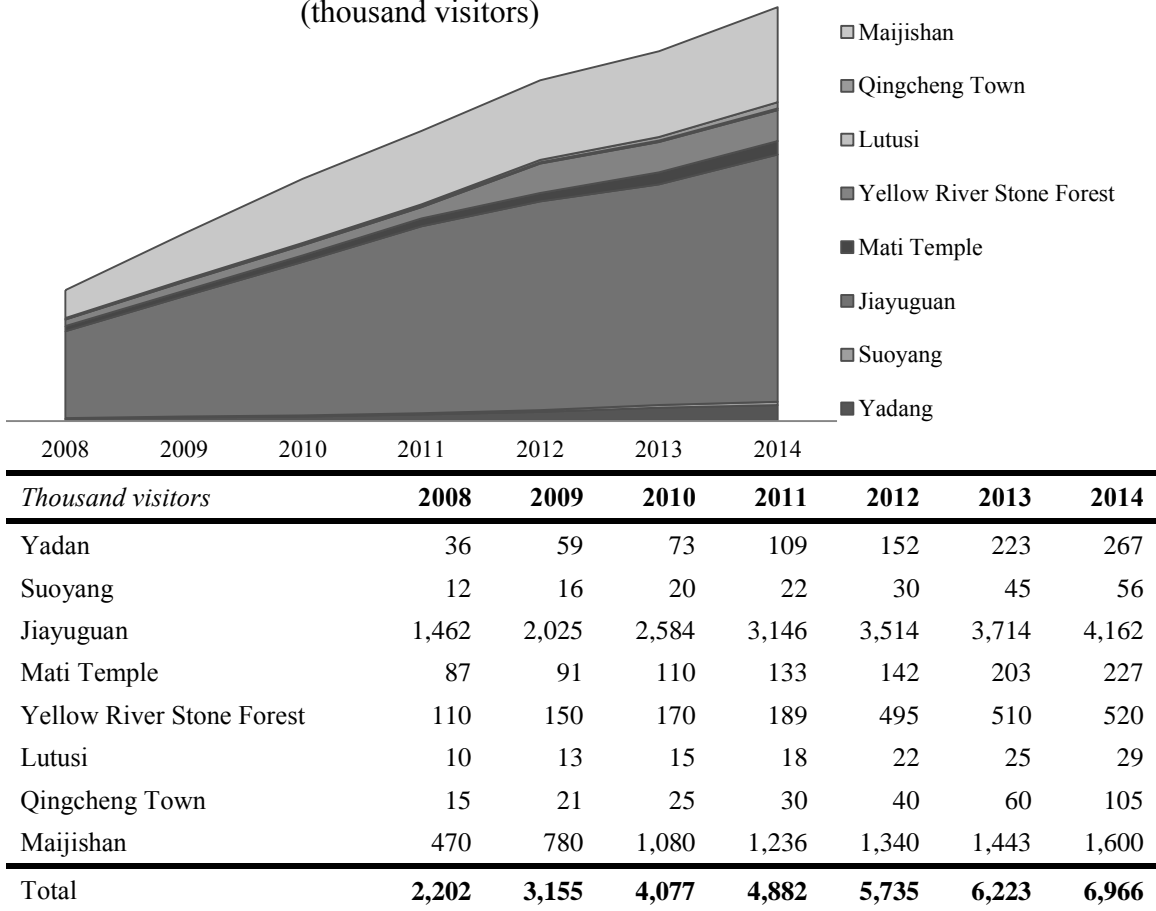
%	2008	2009	2010	2011	2012	2013	2014
Yadan	71%	84%	88%	89%	89%	90%	88%
Suoyang	53%	63%	67%	70%	78%	90%	88%
Jiayuguan	68%	81%	85%	87%	87%	88%	86%
Mati Temple	62%	73%	77%	79%	79%	83%	81%
Yellow River Stone Forest	70%	83%	87%	89%	89%	90%	88%
Lutusi	68%	80%	84%	86%	86%	89%	87%
Qingcheng Town	57%	68%	72%	74%	74%	83%	81%
Maijishan	71%	84%	88%	90%	90%	91%	89%
Total	65%	77%	81%	83%	84%	88%	86%

3) Local Economic Development. Through construction and operation of tourism-related infrastructure, the project was expected to promote local economic development.

- **Tourism Impact.** In the period 2008-2014, the number of visitors to the project sites more than tripled from 2.20 million in 2008 to 6.97 million in 2014, growing at an average annual growth rate of 21.2% (Table 1 and Figure 2).

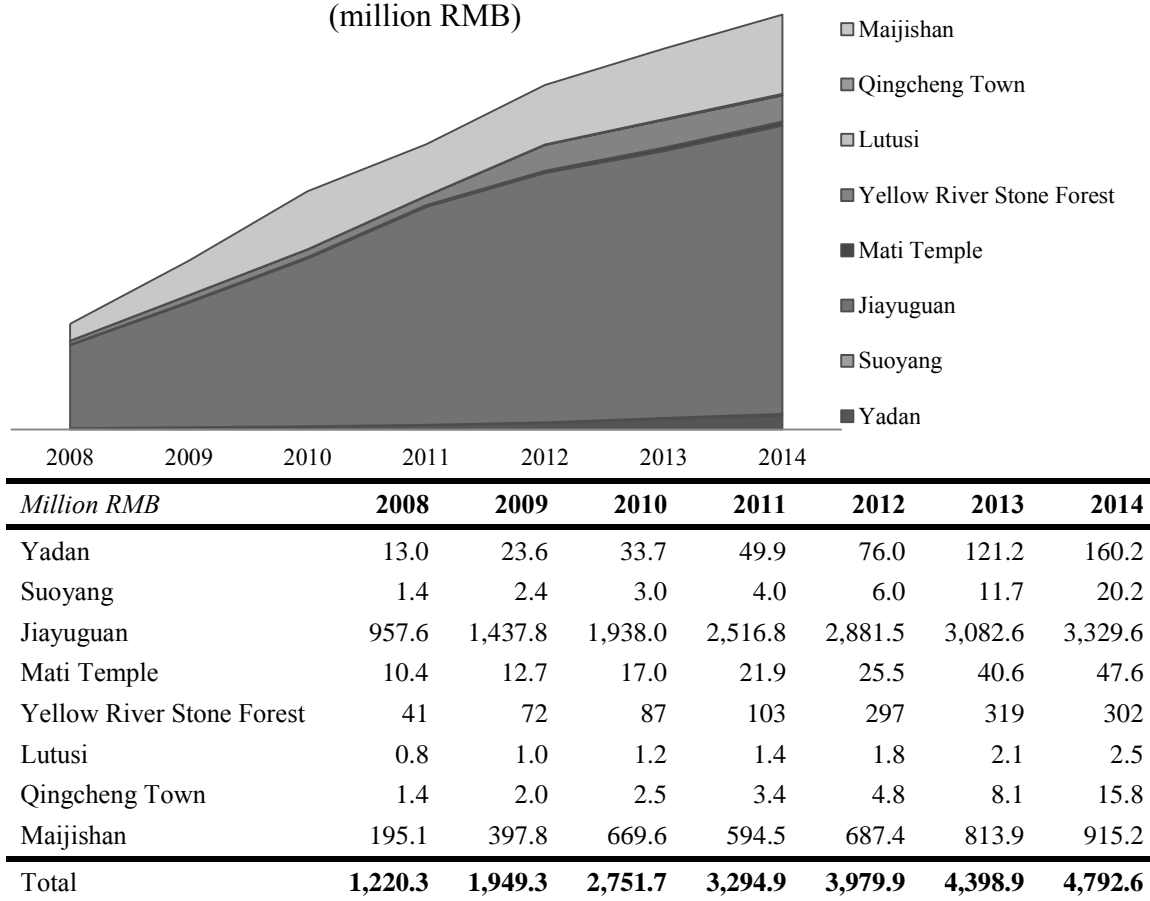
Table A3-2. Number of visitors and tourism-related jobs at the nine project sites

	2008	2009	2010	2011	2012	2013	2014
Number of visitors (million)	2.202	3.155	4.077	4.882	5.735	6.223	6.966
Tourism-related jobs	3,130	3,870	4,217	5,014	7,097	7,998	11,531

Figure 2. Visitors to the Project Sites
(thousand visitors)

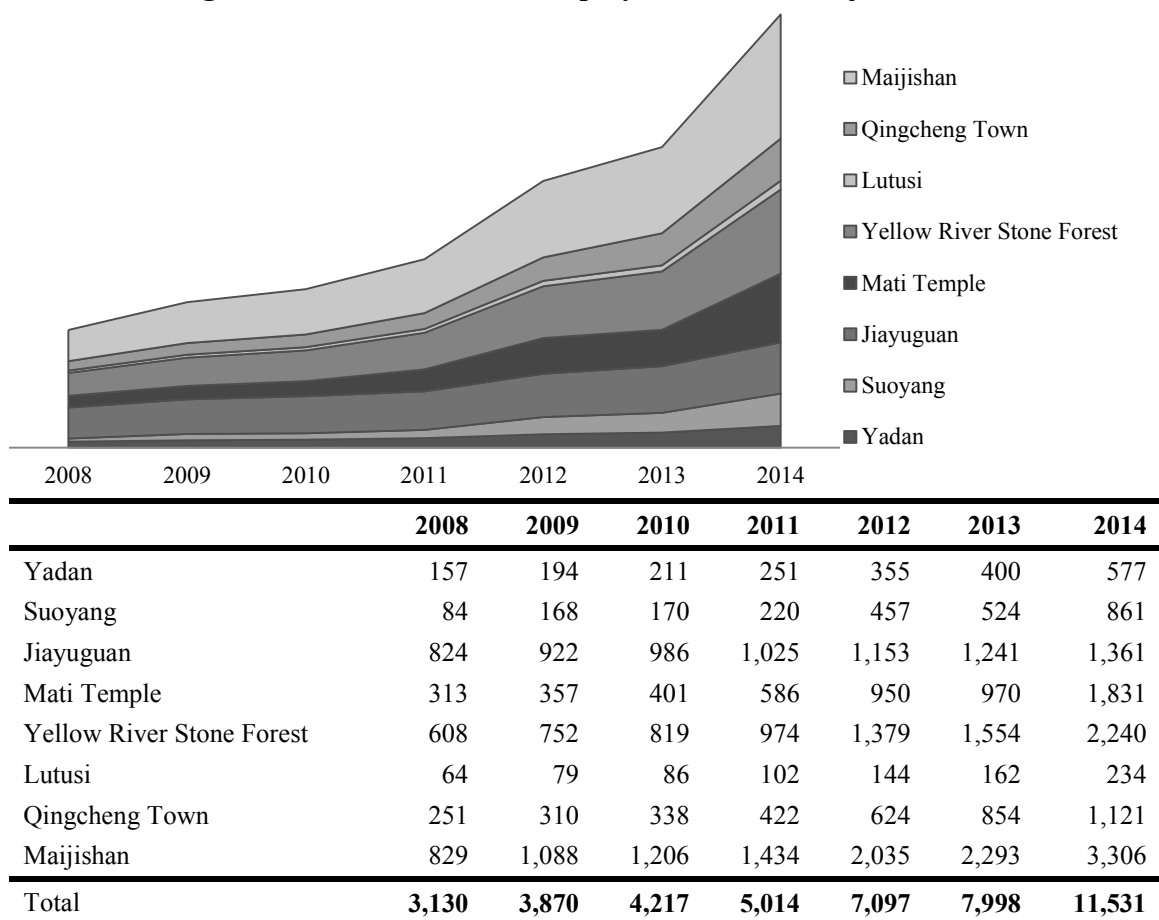
A broad estimate at appraisal suggested that the project municipalities would generate at least RMB 6.5 billion in tourism receipts by 2025, up from RMB 3.7 billion in 2004, growing at an average annual growth rate of 2.7%. The project sites were expected, on average, to account for at least 60% of this growth in tourism receipts. An annual survey of the nine project sites suggested that in the period 2008-2014, revenue directly generated from the visitors to the project sites had more than quadrupled from RMB 1.2 billion in 2008 to RMB 4.8 billion in 2014, growing at an average annual rate of 25.6%, well exceeding the estimated 2.7% at appraisal (Figure 3). Moreover, the tourism revenue from the project sites in 2014 exceeded 70% of the appraisal-stage estimate of tourism revenue of the eight municipalities in 2025.

Figure 3. Tourism Revenue from the Project Sites
(million RMB)



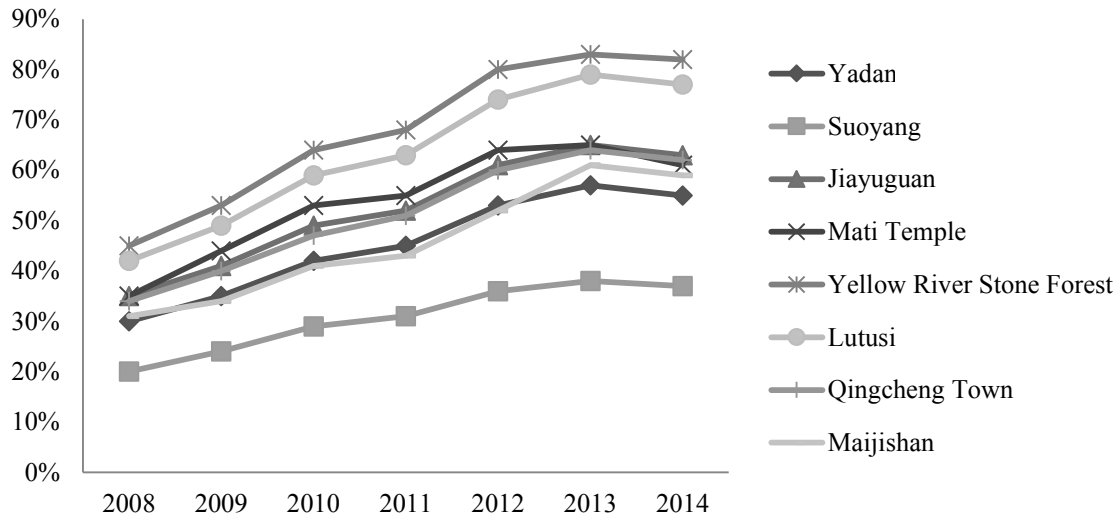
- Direct impact on employment.** At appraisal, the project was expected to generate around 2,000 person-years (PYs) of employment during construction, and around 350 PYs of direct employment associated with site operations over 20 years, and around 5,000 PYs of indirect, tourism-related employment over 20 years. The total number of employee PYs was estimated to approach 8,000 over a 20-year period. The annual survey of the project sites indicated that in the period 2008-2014, tourism-related employment at the project sites nearly quadrupled from 3,310 in 2008 to 11,531 in 2014, exceeding the estimates at appraisal (Figure 4).

Figure 4. Tourism-related Employment at the Project Sites



- Indirect impacts – private sector development.** The project also had a noticeable impact on the private sector involvement in tourism. In the period of 2008-2014, private business percentage of total business in tourism increased from 32% in 2008 to a peak of 64% in 2013 before falling slightly to 62% in 2014. (Figure 5)

Figure 5. Private Business Percentage of Total Tourism Business



	2008	2009	2010	2011	2012	2013	2014
Yadan	30%	35%	42%	45%	53%	57%	55%
Suoyang	20%	24%	29%	31%	36%	38%	37%
Jiayuguan	35%	41%	49%	52%	61%	65%	63%
Mati Temple	35%	44%	53%	55%	64%	65%	61%
Yellow River Stone Forest	45%	53%	64%	68%	80%	83%	82%
Lutusi	42%	49%	59%	63%	74%	79%	77%
Qingcheng Town	34%	40%	47%	51%	60%	64%	62%
Maijishan	31%	34%	41%	43%	52%	61%	59%
Average	34%	40%	48%	51%	60%	64%	62%

- Other indirect impacts.** At appraisal, indirect benefits of the project investment, such as induced and dynamic impact on the local economy, were also mentioned although not quantified. Research in some countries suggests that these benefits can be substantial in tourism-related projects, including, in some circumstances, exceeding direct benefits. Most of these indirect and dynamic benefits will accrue to local household-, small-, and medium size enterprises. Procurement for project investments has intentionally been designed in packages small enough to attract bids from local enterprises. In-depth assessments on Maijishan and Qingcheng, two project sites that accounted for more than half of the project investments, have helped shed more light on the various aspects of the project's impact on the local economy.

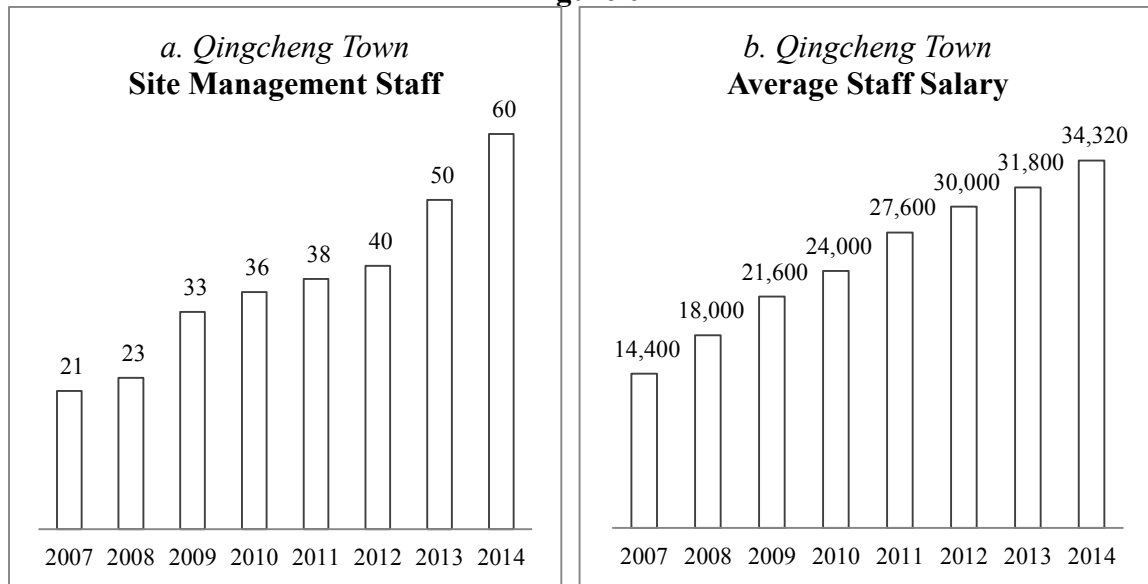
Qingcheng Town

Qingcheng town, located on the bank of the Yellow River, about 110 kilometers from Lanzhou, the capital of Gansu province, has a history dating back a thousand years. The town was selected as one of the project sites because of its wealth of both tangible and intangible cultural heritage assets, including historical courtyards, temples, traditional

streetscape, fine dwellings adorned with beautiful woodcarvings and ornate walls, local embroideries, old ballads, etc. The project investments included (a) upgrades of main roads and drainage in town to improve access for local residents and tourists; (b) upgrades of services and facades in select historical alleyways; (c) protection and preservation of 45 historical houses and the Chenghuang Temple within the ancient town; (d) interpretation and exhibitions; (e) provision of services including water supply, power, sanitation and solid waste; and, (f) training of local community members in tourism and heritage-related activities.

The number of visitors has grown rapidly in the period 2008-2014 from 15,000 in 2008 to 105,000 in 2014; revenue from direct visitor expenditure increased from RMB 1.4 million in 2008 to RMB 15.8 million in 2014. A company under the township government manages the tourism sector of the historical town. The company has increased its management staff to 60 in 2014, from 21 in 2007. The average annual salary of the company staff increased from RMB 14,000 in 2007 to RMB 34,320 in 2014. (Figure 6. a and b)

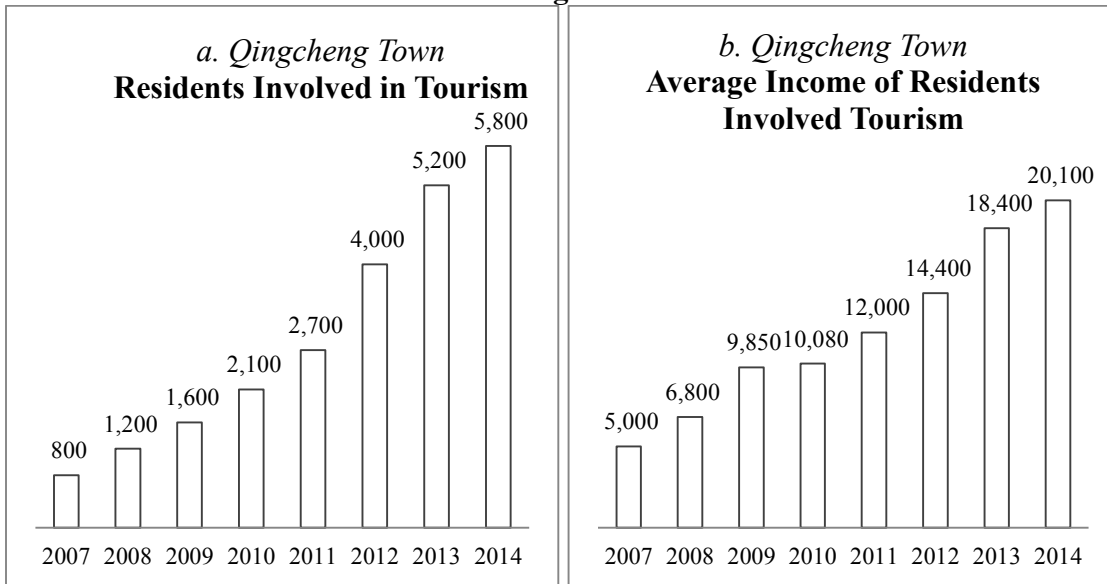
Figure 6



Source: Qingcheng County government

Based on the township government estimates, the participation of local residents in tourism related activities far exceeds the formal employment of the tourist company. The estimated number of local residents participating in tourism-related activities has grown from 800 in 2007 to 58,000 in 2014. Participation in tourism-related activities has also contributed to a four-fold increase in the average income among residents participating in tourism-related activities from RMB 5,000 a year in 2007 to RMB 21,000 a year in 2014. (Figure 7. a and b)

Figure 7



Source: Qingcheng County government

Maijishan Scenic Area

Located in Tianshui County, Maijishan is one of the four largest Buddhist cave complexes in China, with its history dating back to 384 CE. The Maijishan Grottoes have been designated as a UNESCO World Heritage site. The other two cultural sites within the Maijishan Scenic Area, Shimen (Stone Gate) and Xianrenya (Immortals Cliff) also contain state and provincially listed relics, including temples, palaces and grottoes. The project investments in the Maijishan area include: (a) a cultural heritage protection plan for the scenic area; (b) protection and conservation of cultural relics at Xianrenya and Shimen; (c) upgrades of access roads, including associated environmental protection and maintenance center facilities; (d) construction and upgrade of tourist footpaths and scenic lookouts; (e) rehabilitation works at Yinyue Lake and Xianren Lake dams; (f) provision of services including water supply, wastewater, and power in Xianrenya, Shimen and Maiji sub-scenic areas; (g) car parking facilities; (h) a tourist service center and training center; (i) administrative buildings; etc.

According to Tianshui County Statistical Yearbook, in the period of 2008-2014, total revenue from tourism increased from RMB 1.36 billion in 2008 to 9.65 in 2014, an equivalent of an average annual growth rate of 39%, compared with the average rate of GDP at 14% in the same period. Today, tourism is one of the pillar industries of the local economy.

Cost-Benefit Analysis

At appraisal, a cost-benefit analysis was not carried out due to the following reasons: (i) the speculative nature of the revenue streams identified; (ii) the non-revenue generation nature of the project benefits; (iii) the uncertainties related to the extent and timing of the

market demand; and (iv) macroeconomic shifts that could have major impact on domestic and foreign tourism.

At project completion, a simple cost-benefit analysis was carried out to provide an indicative measure of the economic impact of the project investments. Given the above-mentioned concerns on the quantification of the project benefit streams, the analysis exercised a series of conservative measures, including (i) using the direct tourism revenue, the non-speculative portion of the revenue streams, as an indicator of the project benefit; (ii) applying a conservative gross margin for the tourism industry²; (iii) controlling for macroeconomic growth; and (iv) carrying out the analysis over a period of only 10 years (2008-2017), inclusive of a 7-year implementation period, to reduce the uncertainties related to the extent and timing of market demand. Moreover, to avoid potential attribution issue, the analysis excluded sites where project investments played a less prominent role in the overall site development.³ With the above conservative assumptions, the project investments were estimated to yield an economic internal rate of return (EIRR) of 28%.

Conclusions

The project investments have led to direct enhancement and addition to the cultural and natural heritage assets in nine project sites, and helped generate awareness and support for cultural and natural heritage preservation among local communities. More importantly, the project has resulted in substantial impact on the local economy by (i) boosting the local tourism sector; (ii) generating both direct and indirect employment opportunities; and (iii) catalyzing private sector participation. All of the above positive impacts have either met or exceeded the targets envisaged at appraisal.

² A conservative 15% gross margin was applied. With relatively high fixed costs, tourism industry should see higher gross margins

³ Excluded Jiayuguan, Yadan and Yellow River Stone Forest

Annex 4 – Stakeholder Surveys

CHINA: Gansu Cultural and Natural Heritage Protection and Development Project

Project Beneficiaries

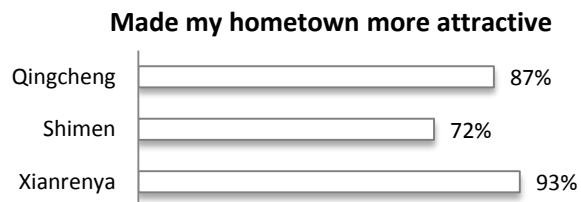
The project was expected to benefit the following groups: 1) local residents, by providing improved infrastructure, transport accessibility, environmental conditions, and local employment and enterprise opportunities related to sustainable cultural tourism; 2) town and county governments, who will generate fiscal returns from tourism-related activities; 3) municipal governments, who will share in some of these fiscal returns; 4) enterprises within the municipalities through provision of new to additional tourism-related services; and 5) domestic and foreign tourists, who will have improved access to important heritage assets.

Stakeholder Surveys

Two stakeholder surveys were carried out. One was for visitors of the nine project sites and conducted on an annual basis during the project period from 2008 to 2015. The results are documented as part of the project results framework (See the Project Datasheet). The other, a one-time independent survey was conducted at project close as part of the World Bank’s ICR preparation process. This survey was conducted among local residents and business owners in Maijishan and Qingcheng. These two project towns were selected as they accounted for more than half the total project investments and were deemed representative of the types of investments and activities conducted under the project. In Maijishan, the sample was further split between two project sites, i.e., Xianrenya and Shimen. The sampling criteria for the local resident survey included quotas for (i) gender, (ii) income, (iii) age, and (iv) location. The sampling criteria of the local business survey took into account considerations such as type and size of businesses.

Findings from Local Residents Survey

Most local residents agree that the restoration and conservation efforts had made their hometown more attractive. In Shimen where the project was only recently completed, agreement was lower compared with the other two sites, where the project had been completed for a number of years.



Most local residents agree that the restoration and conservation efforts had helped attract more tourists. More agreement was found in Qingcheng, in line with the faster trajectory of tourism growth observed in the township (see Figure 3 in the previous annex.)

Helped attract more tourists

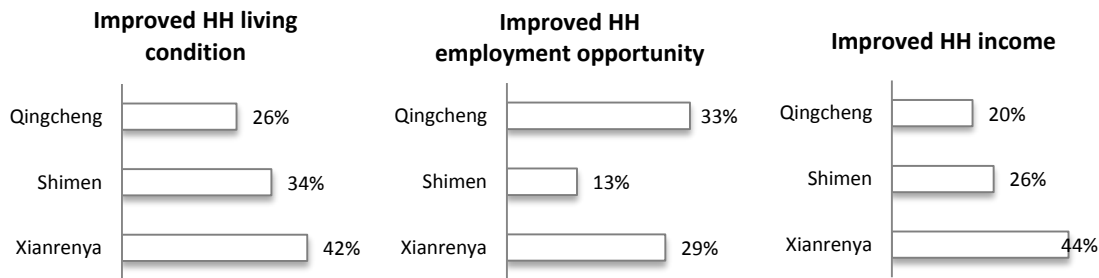


Most local residents agree that the restoration and preservation efforts had made them more proud of their hometown. Again, a higher level of agreement was found in Qingcheng likely due to the more prominent role tourism plays in the town’s economy.

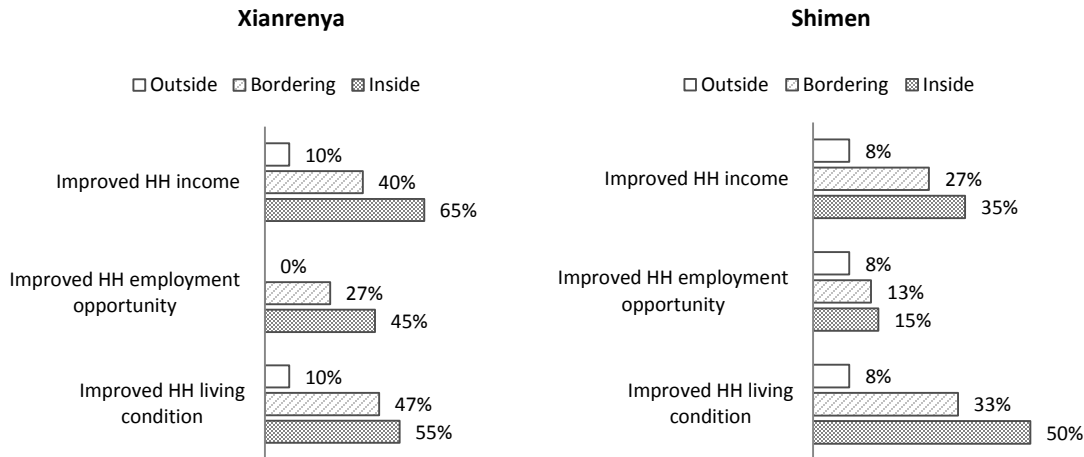
Made me more proud of my hometown



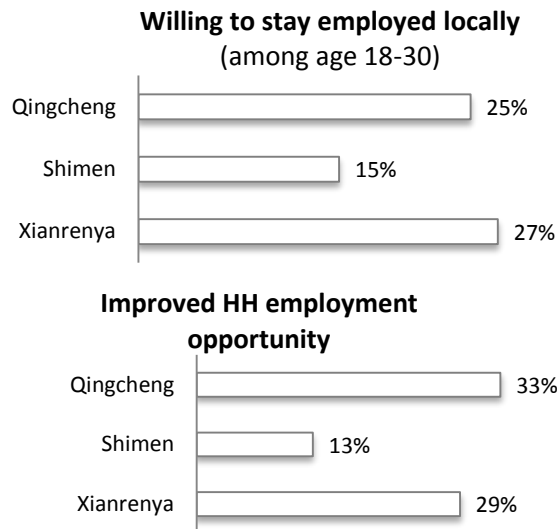
The positive impact of the restoration and conservation efforts on household (HH) economic conditions in areas such as living conditions, employment opportunities and income, was acknowledged in varying degrees across sites. Of the three project sites surveyed, the responses from local residents were the most positive in Xianrenya where the project has been completed for a number of years allowing sufficient time for its economic impact to sink in. In Shimen where the project activities were only recently completed, more time is needed for the project’s economic impact to become apparent. With a similar implementation schedule to Shimen, Qingcheng received less positive responses potentially due to the more intrusive nature of the project activities, which involved investments in local amenities as well as courtyard homes in a small heritage town. Further probing through qualitative interview helped reveal some residents’ frustrations with the project implementation in this town including: (i) lack of flexibility in courtyard design, (ii) construction delays that led to inconvenience for everyday life; and (iii) minor complaints on the quality of materials used for renovation.



The economic impact of the restoration and conservation efforts was the most felt within the project areas, and became progressively less felt farther away suggesting a positive but limited spillover effect of the directly observable economic impact of the restoration and conservation efforts. The majority of rural farmers interviewed do not associate higher farming income with the restoration and conservation efforts.



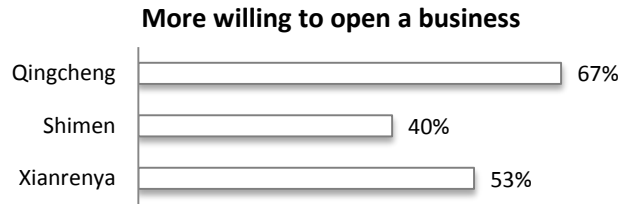
Located outside urban centers, the local residents around the project sites are largely rural households with well below average income. About 75% of the survey respondents have household income below RMB 40,000 (approximately US\$4,800) a year. Historically, these areas have difficulty retaining high-productivity labor. Most rural households send their strong labor out to work in cities leaving the seniors home. According to the survey, only 15% of respondents aged 18-30 in Shimen were willing to stay employed locally compared with about 25% in Qingcheng and Xianrenya. *The improved employment opportunities as a result of the restoration and conservation efforts in Qingcheng and Xianrenya may have contributed to the higher willingness to stay locally employed among respondents age 18-30.*



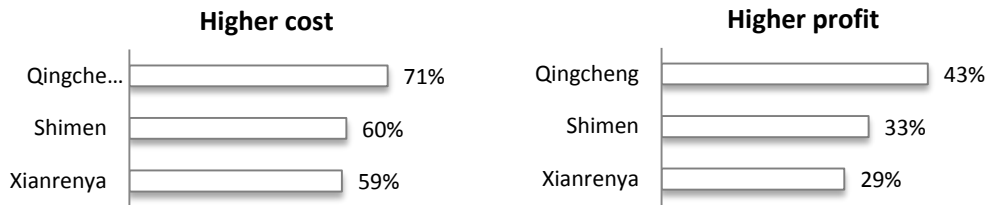
Local Business Survey

The restoration and conservation efforts have had a positive impact on the local service sector development. 2/3 of the local service-oriented businesses in Qingcheng, 53% in Xianrenya, and 40% in Shimen agreed that the restoration and conservation efforts had

made them more willing to open new businesses. The lower response in Shimen is likely due to the slower implementation schedule.



The restoration and conservation efforts are seen as profit enhancing albeit at higher cost. Nearly a half of the service businesses surveyed in Qingcheng agreed that their businesses have been growing at a faster pace, and expressed plans for expansion.



**Annex 5 - Bank Lending and Implementation Support/Supervision Processes
CHINA: Gansu Cultural and Natural Heritage Protection and Development Project**

(a) Task Team members

Names	Title	Unit	Responsibility
Lending			
Mara Warwick	Task Team Leader	EASCS	Task Team Leader
Ji You	Technical Specialist	EASCS	Technical Specialist
Chongwu Sun	Senior Environment Specialist	EASCS	Environmental Safeguards
Chaogang Wang	Senior Social Scientist	EASCS	Social Safeguards
Jun Zeng	Social Scientist	EASCS	Social Safeguards
Zhentu Liu	Senior Procurement Specialist	EAPCO	Procurement
David I	Senior Financial Management Specialist	EAPCO	Financial Management
Haixia Li	Financial Management Specialist	EAPCO	Financial Management
John Scales	Senior Transport Specialist	EASCS	Transportation
Chunxiang Zhang	Program Assistant	EACCF	Program Assistant
Vellet Fernandes	Program Assistant	EASUR	Program Assistant
Zhun Zhang	Institutional Specialist	Consultant	Institution
Katrinka Ebbe	Community Development Specialist	Consultant	Community Development
Geoffrey Read	Technical Specialist	Consultant	Technical Specialist
Daniele Fanciullacci	Cultural Heritage Specialist	Consultant	Cultural Heritage
Patrizia Barucco	Cultural Heritage Specialist Consultant	Consultant	Cultural Heritage
Vincenzo Zappino	Tourism Specialist Consultant	Consultant	Tourism
Edward Leman	Economic and Financial Specialist Consultant	Consultant	Economic and Financial Analyst
Supervision/ICR			
Mara Warwick	Former Task Team Leader	CD	Former Task Team Leader
Ji You	Task Team Leader	GSURR	Task Team Leader
Guoping Yu	Senior Procurement Specialist	GGODR	Procurement
Haiyang Wang	Senior Financial Officer	CTRLN	Financial Management
Haixia Li	Senior Financial Specialist	GGODR	Financial Management
Meixiang Zhou	Social Development Specialist	GSURR	Social Safeguards
Xin Ren	Environmental Specialist	GENDR	Environmental Safeguards
Luquan Tian	Senior Transport Specialist	GTIDR	Transportation
Geoffrey Read	Senior Technical Specialist	Consultant	Technical Specialist
Katrinka Ebbe	Culture Heritage Interpretation Specialist	Consultant	Community Development Specialist

Joanna Masic	Senior Urban Specialist	GSURR	ICR Primary Author
Yan Li	Economist & Financial Specialist	Consultant	Economic and Financial Specialist
Eddie Hum	Senior Municipal Engineer	Consultant	Municipal Engineer
Wenguang Ding	Social Development Specialist	Consultant	Social Development Specialist

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	US\$ Thousands (including travel and consultant costs)
Lending		
FY05	1.25	11.66
FY06	29.23	193.33
FY07	36.63	92.99
FY08	19.09	92.29
Total:	86.21	499.71
Supervision/ICR		
FY08	4.3	46.86
FY09	10.58	68.14
FY10	17.30	61.43
FY11	12.73	78.82
FY12	7.53	51.09
FY13	9.68	31.58
FY14	8.73	51.90
FY15	12.52	98.18
FY16	1.18	17.46
Total:	84.55	505.46
Grand Total:	170.76	1005.17

Annex 6 – Social Safeguards Implementation
CHINA: Gansu Cultural and Natural Heritage Protection and Development Project

Involuntary Resettlement

The project supported nine sub-projects. Two subprojects involved involuntary resettlement, specifically, Lutusi Ancient Government Center Tourism Scenic Area and Qingcheng Ancient Town Heritage Protection and Tourism Scenic Area.

Involuntary resettlement involved the relocation of 14 households, the permanent acquisition of 19.54 mu of land, and the demolition of 870.71 m² of housing. There were 123 project affected people (PAPs) as shown in Table A6-1 below.

All PAPs were resettled according to the Resettlement Action Plans (RAPs). Compensation standards for land use and house demolition were at least on par with those stipulated in the RAPs.

Table A6-1: Actual Versus Planned Involuntary Resettlement

Sub-Project	Permanent Land Acquisition, mu		Housing Demolition, m ²		Relocated Household, #		Resettlement Cost (RMB million)	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Qingcheng	13.50	10.56	0	0	0	0	0.72	6.27
Lutusi	10.20	8.98	1,241.49	870.71	17	14	2.04	5.17
Total	23.70	19.54	1,241.49	870.71	17	14	2.76	5.79

Resettlement activities were carried out *moderately satisfactorily* as there was slow progress in providing water and electricity to resettlement houses in Lutusi and the location selection for this resettlement site for seven households was not accepted by all the households. Their refusal eventually caused the construction of the parking lot to be dropped from the project. External monitoring of safeguard implementation was carried out in accordance with the legal agreements. A final report on resettlement implementation was prepared. The actual resettlement impacts included 19.54 mu of permanent land acquisition and 870.71 m² of residential housing demolition. About 26 households and 123 persons were permanently and temporarily affected. The original cost estimate for land acquisition and resettlement was RMB 2.76 million and the final cost incurred was RMB 5.80 million. Actual housing demolished and population affected were less than planned at appraisal.

Ethnic Minority Development Plan

An MDP prepared for the Mati temple subproject was well implemented according to the external monitoring report. The overall implementation of the ethnic minority development and poverty reduction activities is seen as satisfactory. No complaint was received throughout the project. Income from running tourism service shops of ethnic minority people in scenic areas saw an increase of 35% compared to previous years. Of the total 1,055 people receiving project training in this subproject, 628 of them were ethnic minority people. Since the beginning of the project, some 2,300 local residents had engaged in public

consultation activities, of which 1,080 were ethnic minorities. Their average income per capita was RMB 12,000. By 2015 375 people had engaged in tourism service provision in this scenic area, of whom 138 were ethnic minorities, accounting for 37% of people working in this sector. The annual income for these ethnic minority people had more than doubled to about RMB 25,000 on average.

Poverty Reduction Plan

The poverty reduction plan for the Maiji Mountain subproject was well implemented through promoting income generating activities such as tourism services provision, civil works construction jobs, and skills and tourism-orientation training. According to the monitoring report and updates provided by the PPMO, farmers who were running homestays and providing tourism-related services all gave very positive feedback on capacity training and income increases. In fact most beneficiary households reported increased incomes, especially through operating homestays and tourism services. Local farmers greatly appreciated project training on cooking, catering, awareness of local culture, scenic characteristics, site-seeing routes, hygiene and sanitation, waste collection and treatment.

Conclusion

The PMO took overall responsibility for project management, including designating staff to be in charge of social safeguards management. The PMO played a key role in ensuring timely preparation of quality RAP and MDP, full compliance of the social safeguards policies and instruments during implementation. In addition, the PMO ensured internal and external monitoring and evaluation, including hiring an experienced external consulting institute to conduct regular monitoring and evaluation with monitoring reports under this project.

The following key lessons learned from this project in terms of social safeguards and social development are highlighted for future reference: 1) PMO's commitment and strong coordination across subproject PMOs and stakeholders are essential when a project embraces various project localities with several subproject PMOs. In particular, close guidance and monitoring are crucial in less developed and poor areas where lower levels of local PMOs lack experience and capacity (financial and personnel) in implementing World Bank projects; 2) Close attention paid by the PMO and its management team to resettlement and manage other social risks and impacts is important, including coordination with a range of stakeholders; 3) It is critical to have external social monitoring consultants to conduct regular monitoring and provide timely solutions for the PMO; 4) Social training and awareness raising should be provided by both the Bank and external consultants throughout implementation; 5) Timely and intensive consultations with affected people are vital to solving resettlement problems, especially incorporating affected people's needs and aspirations in the design and location selection of resettlement site; 6) Cultural heritage protection should be integrated with local economic and tourism development. Consultations with, participation of and capacity building for, local people in the heritage sites are very important for heritage protection.

Annex 7 - Summary of Borrower's ICR
CHINA: Gansu Cultural and Natural Heritage Protection and Development Project

Introduction

The Borrowers completion report comprises eight chapters. **Chapter One** provides background information and details of the project development objective, project design, the original policies, reasons for key changes to indicators, major beneficiaries, the original investment scope and original procurement plan. **Chapter Two** is about major factors that influenced the project outcome including analysis of the quality of project preparation and design, major factors influencing project implementation, project mid-term adjustment as well as the design and application of project monitoring and evaluation. **Chapter Three** covers project outcome evaluation and summarizes risk management and outcome control approaches during project implementation and also examines potential risks that were appraised during the project operation period. **Chapter Four** discusses the project's benefits. **Chapter Five** evaluates the performance of the World Bank and the borrower and provides comments on stakeholders' performance during project preparation and implementation. **Chapter Six** sets out lessons learned. **Chapter Seven** covers issues raised by the borrower. **Chapter Eight** provides overall conclusions. The key findings of each chapter are summarized below.

Achievement of the Project Development Objective

Project Development Objective

The project development objective is in line with national and provincial policy. Specifically, through the project, advanced international management methods were introduced, unique tourism resources were developed, cultural and natural heritage conservation was strengthened and tourism infrastructure improved. Furthermore, the project encouraged community members to participate in tourism services and improved the accessibility of scenic areas, heritage interpretation, heritage management, overall environment and also helped raise average tourist expenditures. The project also helped speed up the development of the tourism industry in the project area, promoting tourism into a pillar industry for Gansu Province, driving development of other related industries, providing solutions to employment pressures, reducing the gap between urban and rural areas, thus facilitating social stability and improving the overall economic development of Gansu Province.

Monitoring of the Project Development Objective

(1) *Improving local community participation in the development of sustainable cultural tourism.* Since the project has been implemented, tourism has developed quickly in the project areas. The number of people involved in providing tourism services in project areas has increased from 3,130 in 2007 to 11,531 in 2014, an increase of 268% in just 7 years, which is also 208% of the original target set at appraisal (which was 3,740). In 2014, after China, Kyrgyzstan and Kazakhstan were successful in having the Silk Road listed as

UNESCO World Heritage, the population offering tourism-related services in project areas increased by an astounding 44% compared with the previous year, which was significantly faster growth than previous years.

(2) *Increasing local community benefits from sustainable cultural tourism and awareness of heritage conservation.* Through the project, the number of owners of small private businesses in the project areas has increased dramatically from 34% in 2007 to 62% in 2014, an increase of 28%. The project changed the previously unbalanced tourism service provision, enhanced the quantity of tourism services and increased local resident's incomes. In addition, there has been a noticeable increase in local resident's awareness of heritage conservation and knowledge. This rose from 63% in 2007 to 86% in 2014. This increase in resident's awareness of the importance of heritage conservation helps guarantee and set a foundation for future conservation works and community development.

(3) *Sustainable development of the tourism industry.* According to the monitoring indicators, satisfaction about tourist roads, tourist numbers, site accessibility, interpretation, site management and site environment increased from 24% in 2007 to 81.5% in 2014, an increase of over 57%. The dramatic increase in tourist satisfaction has led to a great improvement in the image of these sites. In the four major scenic areas (Maijishan, Yellow River Stone Forest, Jiayuguan Great Wall and Yadan Geological Park), the average tourist expenditure rose from 428 RMB in 2007 to 638 RMB in 2014, an increase of nearly 50%. During project implementation, 39,511 community residents benefited from roads constructed in the scenic area, which also greatly improved local traffic conditions.

Project Outcome

The total approved investment for the project was 445 million RMB (57.84 million USD), among which the Bank's loan was 38.4 million USD, counterpart financing was 19.44 million USD. When the project closed in June 30, 2015, the completed investment amounts to a total of 267 million RMB and leveraged further investment in the project areas of up to 1.15 billion RMB.

Completion of civil works and goods procurement

The loan allocated to *Yandan National Geological Park* was 3.3 million USD, which was used to finance road construction, a tourist service center, an environment monitoring station, flush toilets, a parking lot and ancillary facilities. The total investment amounted to 26.32 million RMB, among which 21.76 million RMB was disbursed from the loan.

The loan allocated to *Suoyang Ancient Town* was 1.95 million USD, which was used to finance an exhibition center, a tourist service center, a parking lot, a water supply and drainage system and environmental enhancements, etc. The total investment amounted to 14.11 million RMB, among which 10.91 million RMB was disbursed from the loan.

The loan allocated to *Jiayuguan Great Wall Scenic Area and Weijin Ancient Tomb Scenic Area* was 5.1 million USD. After the mid-term review, some components of the Great Wall

subproject and entire Weijin Ancient Tomb subproject were financed by domestic grant financing rather than the loan. The total loan involved amounts to 3.932 million USD (of which 1.1 million USD was reallocated to Yellow River Stone Forest Subproject and the remaining fund is reallocated to Tianshui Maijishan Scenic Area). The completed construction activities included an underground museum expansion works, a parking lot, the first signal tower consolidation works, river embankment works, water supply and drainage, signage works and environmental enhancement works, etc. The accumulated investment amounted to 11.97 million RMB, among which 7.36 million RMB was disbursed. The Weijin Ancient Tomb was constructed with counterpart funding.

The loan allocated to *Mati Temple* was 2.05 million USD, which was used to finance road construction, a guest-welcome gate, a folk museum, managerial room, a footpath, water supply and drainage works, power supply works and environmental enhancement works, etc. The accumulated investment amounted to 18.1 million RMB, among which 12.8 million RMB has been disbursed from the loan.

The loan allocated to the *Yellow River Stone Forest* was 4.45 million USD, which was used to finance an exhibition center, road construction, a parking lot, water supply and drainage works, a resting corridor and river embankment works, etc. The accumulated investment amounts to 30.5 million RMB, of which 28.8 million RMB has been disbursed from the loan.

The loan allocated to *Lutusi Ancient Government* was 2 million USD, which was used to finance ancient-style street construction, a tourist service center, a garbage transfer station, resettlement houses, environmental enhancement works, security and information facilities, etc. The accumulated investment amounts to 14.44 million RMB, among which 12.43 million RMB has been disbursed from the loan.

The loan allocated to *Qingcheng Ancient Town* was 4.45 million USD, which was used to finance ancient housing conservation and the Chenghuangmiao Temple conservation works, road construction, traditional street upgrading works, tourist service center, managerial rooms, a stone tablet corridor, a town gate, garbage collection site, garbage-collection trucks and tourist toilets, etc. The accumulated investment amounts to 33.92 million RMB, of which 27.86 million RMB has been disbursed from the loan.

The loan allocated to *Maijishan* is 19.032 million USD, which was used to finance the ancient building and painting conservation works in Shimen Area, tourism and transportation facilities, a tourist service center, Xianrenya Training Center, environmental enhancement works, water supply and drainage works, power supply works and a solar-energy generator etc. The accumulated investment amounts to 117.23 million RMB, among which 101.28 million RMB has been disbursed.

Completion of Consultancy Services

The following consultancy services were completed under the project:

- (i) A project management and consultancy company provided the consultancy service for the project. In total, five consultancy reports were submitted, providing technical support for cultural and natural heritage conservation works.
- (ii) *Gansu Province Tourism Industry Development Strategy Study*, which was undertaken by Northwest Normal University, and published by Beijing Jiaotong University Press in December, 2013.
- (iii) The final draft of *Longdongnan (Southeastern Gansu) Cultural and Natural Heritage Protection and Tourism Sustainable Development Plan* was submitted and approved by the Bank.
- (iv) *Lutusi Ancient Town Miaoying Temple Mural Conservation Study* and *Weijin Ancient Tomb Brick Painting Conservation Study* were undertaken by Donghuang Academy and successfully completed. SACH has adopted the study results and allocated special funds for their conservation works. The Conservation Master Plan of Maijishan Scenic Area has been approved by SACH.
- (v) *Sunan County Yugu Minority Folk Songs and Dances Collection, Study and Inheritance Work*, was undertaken by the Northwest University for Nationalities has been fully completed. In addition, *Sunan County Minority Folk Cultural Study* was completed. The folk songs and dance performance has been staged five times. About 1,500 discs and brochures have been published and five books on the topic of Yugu minority folk culture have been written and published.
- (vi) *Qingcheng Ancient Town Intangible Cultural Heritage Conservation Study Program* was completed, with five related books being published and made available in the tourism shop in Qingcheng, including Qingcheng Ancient Town Intangible Cultural Heritage Serial, Qingcheng Water Tobacco, Qingcheng Folk Song, Qingcheng Academy of Classic Learning, and Qingcheng Gao's Family Ancestral Hall.

Training of Managerial Staff and Community Residents

During project implementation, 11 managerial staff trainings were organized, among which 5 were conducted within Gansu Province, 4 in other parts of China, and 2 internationally, with 391 person/times being trained. Community training mainly involved cultural heritage conservation, site tourism development, project management, laws and regulations, etc.

Implementation of Bank's Safeguard Policies

The PPMO established a long-term environmental monitoring mechanism and appointed a professional agency to conducted environmental monitoring 1-2 times a year. PMOs and

PIUs at all levels attached great importance to environmental protection and strictly followed the project related environmental monitoring management plans.

For those two subprojects that involved involuntary resettlement (namely Qingcheng and Lutusi), the monitoring work was carried out on a yearly basis to ensure that the affected persons could be resettled properly according to the Bank's policies. The affected person's living and livelihood conditions have been improved by project completion.

Mati Temple subproject triggered the Bank's indigenous people's policy. The implementation of the project increased the income levels of ethnic minorities living in the scenic area and promoted the development and inheritance of Yugu ethnic culture.

Maijishan Scenic Area completed Xianren Lake Dam consolidation works in 2008, and submitted the emergency operation plan and maintenance plan to the Bank. All these plans have been strictly carried out during project implementation.

Project Benefits

Economic benefits: the number of tourists increased by 25.5% on an annual basis; comprehensive tourism revenue increased by 25% on an annual basis.

Social benefits: the average income of residents who provide tourism-related services in the project area rose from 7,953 RMB in 2007 to 63,577 RMB in 2014, an increase of about 700%. Project implementation significantly promoted local development.

Ecological benefits: through the construction of wastewater treatment and garbage collection facilities, the site environment and the image of the scenic areas are improved.

Factors Influencing the Project Outcome

Preparatory work: the preparatory work was an important factor in guaranteeing the successful implementation of the project. Without proper preparatory work, the project outcome would be directly influenced.

Exchange rate fluctuation: the exchange rate of the US Dollar against the RMB dropped from 1:7.7 at project appraisal to 1:6.11 at project completion. The loan amount, calculated in RMB, was reduced by 60.3 million RMB, which exerted considerable influence on the ability of the project to realize the project development objective.

Funds input: financial resources at all level were rather limited. The PMOs at provincial level and municipal level received overhead expenses. However, the management costs of the PMOs at the county and township level was not listed in the government budget, which influenced the normal work flow and the initiative of managerial staff.

Technical capacity: the project involved a wide range of fields, complex professional areas and advanced technologies. In particular, there are considerably high level of skills

required to manage cultural heritage conservation works. However, in some PMOs, managerial staff are not familiar with the Bank's working procedure and are not equipped with the necessary technical capacity, which largely influenced working efficiency.

Policy factor: the national government and provincial government issued a series of policies concerning cultural tourism, which facilitated project implementation.

Counterpart finance: financial resources at the local level were very limited. However, under the supervision and coordination of the Bank and PPMO, counterpart finance was still provided to ensure smooth project implementation.

Coordination across departments: the project involved many governmental departments, such as development and reform commission, finance, tourism, cultural heritage, forestry, land and auditing office. The concept and understanding of the project was quite different across departments, which led to difficulties in coordinating.

Construction period: it took eight years from project appraisal in 2007 to project close in June 2015 to complete the project. The long construction period increased the cost and raised management difficulties for the project.

Natural disaster: during project implementation, some of the completed components were destroyed by severe storm and floods in Maijishan Scenic Area. Some economic loss was caused, which influenced the project outcome.

World Bank and Borrower's Performance

The borrower ratings are set out as follows:

The rating of the World Bank's performance is "satisfactory".

The rating of the local government's performance is "very satisfactory".

The rating of the PMOs and PIUs' performance is "satisfactory".

The rating of the bidding agent's performance is "satisfactory".

The rating of the construction contractor's performance is "basically satisfactory".

The rating of the two supervision companies' performance is "satisfactory and "basically unsatisfactory".

The rating of the community resident's performance is "very satisfactory".

Experiences and Lessons Learned

(1) *Introducing international and advanced cultural heritage conservation concepts was important for the smooth implementation of the project.* Some international and advanced cultural heritage conservation concepts and management ideas were introduced during project implementation, which increased the capacity of the parties involved, improved residents' living conditions and their awareness of cultural heritage conservation, helped develop tourism infrastructure facilities and enhanced service capacity and levels. Certain subprojects already embodied international service ideas. In the upcoming second

project, the aim is to continue to introduce advanced concepts through the Bank. By adopting the model of “scenic area plus community”, the conservation works can be carried out so that tourism service facilities can be further improved and more community residents can benefit from project implementation.

(2) *Sound management institutions are necessary for project implementation.* Project coordination and leading groups and PMOs were established at provincial, municipal and county levels. PMOs at all level were equipped with professional personnel to conduct the day-to-day management work, which laid a solid foundation for project implementation. Meanwhile, in order to provide technical support to the project and to identify new problems and issues arising during the course of project implementation, Gansu province set up an expert panel, which was composed of experts in the field of cultural heritage conservation, tourism planning, exhibition, construction, geology, economy, cost engineering and finance. The expert panel provided solutions to various technical problems and guided the construction of all the components.

(3) *A practical and realistic working principle is an important premise for project implementation.* The project stuck to the principle of prioritizing conservation and innovation and having a balance between site development and cultural heritage conservation. The project required that conservation works be carried out after the conservation plan was approved by the Cultural Heritage Department. In addition, the project authorities also attached great importance to innovations in how heritage is exhibited. The significance of exhibits and cultural heritage is demonstrated in a comprehensive, dynamic and interactive manner for both educational purposes and cultural heritage conservation. On top of that, innovations in planning and design were also important. The project activities were planned and designed from the perspective of poverty alleviation. Thus, through project implementation, the income of local residents was increased and their living conditions improved.

(4) *Rigid preparatory work laid a solid foundation for project implementation.* We coordinated many related agencies to conduct preparatory work for the project and provided solutions to the problems that occurred. At the same time, qualified consultancy companies were hired to undertake project design and consultancy work, which laid a solid foundation for project implementation.

(5) *A strict management model was an effective method for promoting the project.* Firstly, sound and complete regulations were set up. PPMO established a series of management regulations including project management, financial management, procurement management, contract management and disbursement, etc. with the aim of regulating all aspects of the work. Secondly, we set up a consultancy mechanism. International and national experts were hired to provide solutions to the problems occurring during project implementation. Thirdly, we stuck to the approval system. In the course of construction, we strictly abided by the laws and regulations relating to cultural heritage conservation and followed standard procedures. Construction only started after the no-objection was issued by the Bank. Fourthly, we strictly abided by the bidding regulations. All the bidding activities were conducted in accordance with *the World Bank Procurement*

Guidelines to ensure that bidding is conducted in a scientific, fair and impartial manner. Fifthly, construction supervision work was strengthened. In order for supervisors to function well, it was required that supervisors make a commitment about construction quality, honesty and self-discipline before they enter the construction site. Sixth, the day-to-day monitoring and management work was strengthened. Through setting up a tracking and reporting system, the construction situation and performance of each contract was closely monitored. By doing so, problems occurring during implementation could be effectively solved and the entire construction activities kept under control.

(6) *Cooperation among different agencies is key to project implementation.* In the course of project implementation, the development and reform commission played a key role as the coordinator, which sped up preparatory work. Many line agencies, including finance, tourism, and cultural heritage, auditing and bidding companies all took their own responsibilities, which created a favorable working environment for project implementation.

(7) *Innovation is the driving force for the Project's sustainable development.* According to the requirements for managing modern scenic areas, Gansu Provincial Authorities urged all project areas to implement system reforms in the hope that the current scenic area management systems can be changed and a clear separation made between site management and commercial interests. At present, Maijishan, Qingcheng Ancient Town, Yadan Geological Park, Jiayuguan Fortress have all established tourism investment development companies respectively, who are responsible for site development, operation and management. The management reforms for other scenic areas are under way.

Lessons Learned

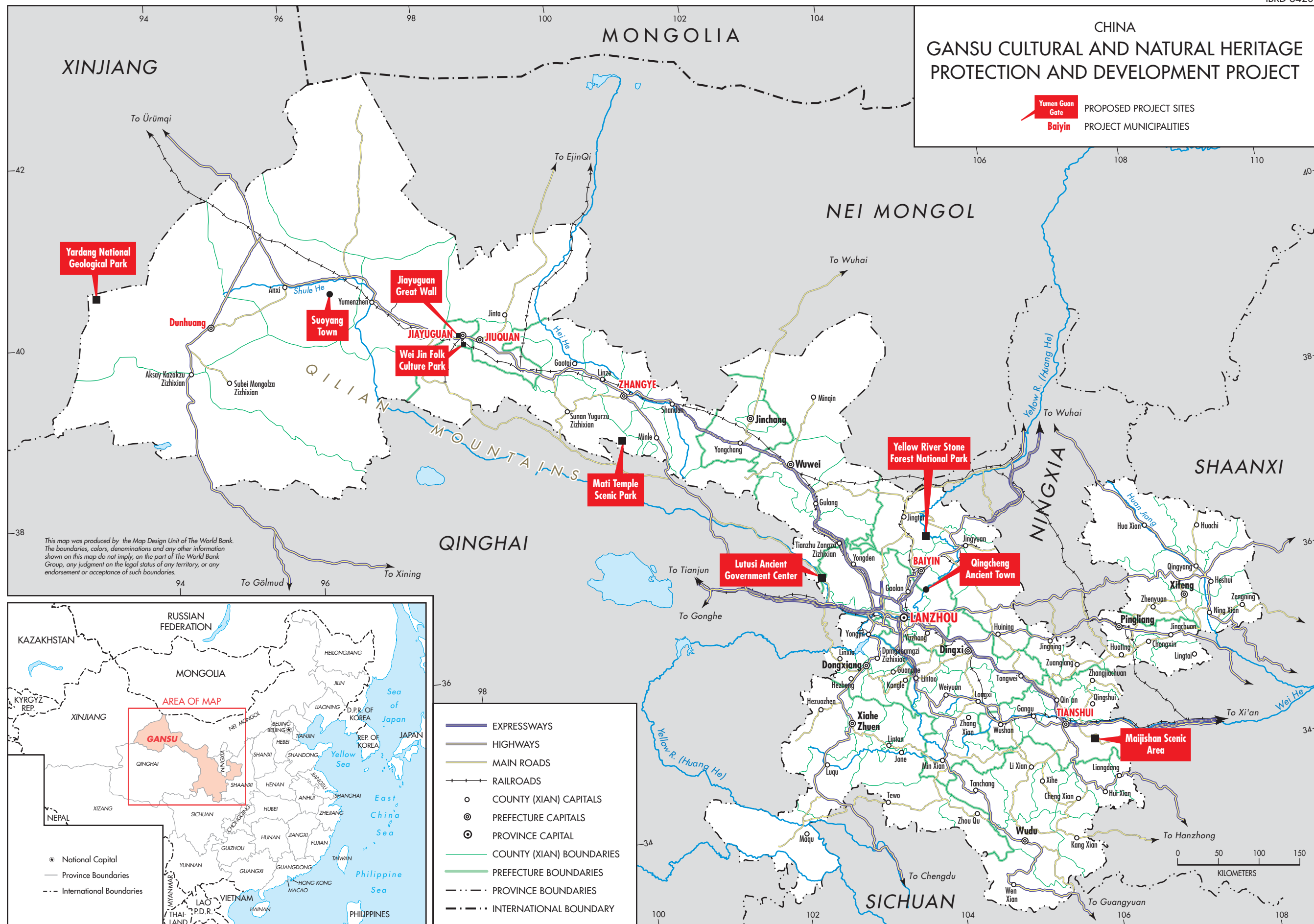
- (1) The project sites are sparsely scattered from the west to the east of the province, which increased difficulties in managing the project.
- (2) The preparatory period took a long time, which affected the willingness of scenic areas to participate in the project.
- (3) The Bank's approval and review procedures are long and tedious, which prolonged the construction implementation period.
- (4) The contracts are too small and detailed, which increased the management cost and prolonged the implementation period.
- (5) PMOs do not have experience in managing the Bank's project, which increased difficulties during project implementation.
- (6) The management capacity of the PMOs and PIUs at municipal and county level is rather weak. The frequent change of personnel increased difficulties in coordination.
- (7) The disbursement procedure is complicated and it takes a long time to receive the disbursed funds.
- (8) The operation and management capacity of the scenic areas is rather weak. Some completed components cannot be maintained on a regular basis.

Annex 8 - List of Supporting Documents
CHINA: Gansu Cultural and Natural Heritage Protection and Development Project

1. Project Appraisal Document
2. Loan Agreement
3. Project Agreement
4. Resettlement Action Plans
5. Environmental Impact Assessment
6. Environmental Management Plan
7. Mission Aide Memoires and Management Letters
8. Implementation Status Reports
9. Restructuring Paper of August 5, 2013
10. Restructuring Paper of December 17, 2014
11. Semi-Annual Progress Reports
12. Amendment of Loan Agreement on August 9, 2013
13. Letter for the Extension of Closing Date on December 19, 2014
14. Borrower's ICR Report

CHINA GANSU CULTURAL AND NATURAL HERITAGE PROTECTION AND DEVELOPMENT PROJECT

Yumen Guan Gate
 Baiyin
PROPOSED PROJECT SITES
PROJECT MUNICIPALITIES



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