



1. Project Data

Project ID P091949	Project Name CN-Gansu Cultural & Natural Heritage	
Country China	Practice Area(Lead) Social, Urban, Rural and Resilience Global Practice	
L/C/TF Number(s) IBRD-75420	Closing Date (Original) 31-Dec-2013	Total Project Cost (USD) 35,015,626.16
Bank Approval Date 20-Mar-2008	Closing Date (Actual) 30-Jun-2015	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	38,400,000.00	0.00
Revised Commitment	35,015,626.16	0.00
Actual	35,015,626.16	0.00

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2. Project Objectives and Components

a. Objectives

According to the loan agreement (page 4), the objective of the Project was "to assist Gansu Province in generating benefits for local communities". The agreement indicated that this objective would be achieved "through the development of sustainable cultural tourism".

Neither the loan agreement nor the Project Appraisal Document (PAD) include a definition of "benefits" but the PAD in several places (paras 9, 20 and 207) refers to benefits for the local residents (i) by providing improved infrastructure, transport accessibility, environmental conditions, and through (ii) local employment



and enterprise opportunities related to sustainable tourism. The PAD (para 20) and the Data Sheet in the ICR also clarify that outcome and intermediate outcome indicators measure the level of participation in and benefits created for local citizens through the development of sustainable tourism.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The project had two components, under which the activities presented below were expected to be financed.

Component 1 - Protection and Development of Priority Sites (appraisal estimate: US\$46.07 million; actual: US\$44.89 million – these figures do not include contingencies and the task team clarified that actual contingencies of US\$5.39 million stated in the cost table of Annex 1 were used for civil works). The component consists of a balanced program of heritage protection, infrastructure and tourism service development and training to be carried out at each of the nine project sites. These are the following: (i) Yadan National Geological Park and (ii) Suoyang Town Tourism Scenic Area in Jiuquan, (iii) Great Wall Cultural Tourism Scenic Area and (iv) Weijin Tombs Cultural Tourism Scenic Areas in Jiayuguan, (v) Mati Temple Scenic Area in Zhangye, (vi) Lutusi Ancient Government Center Tourism Scenic Area and (vii) Qingcheng Ancient Town Heritage Protection and Tourism Scenic Area in Lanzhou, (viii) Yellow River Stone Forest National Geological Park in Baiyin, and (ix) Maijishan Scenic Area in Tianshui. The component had two sub-components:

1.1 Heritage Conservation and Presentation, including preservation, conservation and research of key relics and interpretation and presentation of cultural and natural heritage assets.

1.2 Infrastructure, Tourism Services and Environmental Protection, consisting of investments in high priority physical infrastructure at key cultural and natural heritage sites that raise local standards of living and have a high potential for promoting local economic development through tourism.

Component 2 - Institutional Strengthening and Capacity Building (appraisal estimate: US\$1.38 million; actual US\$1.37 million), including (i) project management assistance and strengthening, (ii) training of site managers, staff and local residents in heritage conservation, site management and tourism development, and (iii) implementation of several key tourism and heritage studies designed to assist the Gansu Provincial Government and local governments protect heritage and develop the tourism industry in Gansu (Study on Gansu Provincial Tourism Industry Development, Cultural Conservation Plan for Maijishan Scenic Area, Studies on Intangible Heritage, Studies on Mural Preservation, and Tourism information system and website).



e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost:

According to the ICR (Annex 1), the actual cost of the project was US\$57.09 million, which is largely in line with the appraisal estimate of US\$57.84 million. However, as pointed out under Dates and Project Restructurings below, since the Jiayuguan Municipal Government received a domestic grant to complete the project works and the loan proceeds originally allocated for these works of US\$4.09 million were allocated to other project sites, the actual project cost was US\$61.18 million, which means 5.8% more than the appraisal estimate.

Financing:

While the ICR (Annex 1) mentioned that the Bank financed US\$37.79 million based on the information provided to the task team during the ICR preparation stage, the actual disbursed loan amount based on the Bank's accounting system was US\$35.02 million (US\$2.77 million less), which is 91% of the appraisal commitment of US\$38.40 million.

Borrower Contribution:

According to the ICR (Annex 1), the total actual Borrower contribution was US\$19.30 million, which corresponds to 99% of the appraisal amount of US\$19.44 million. However, since the disbursed loan amount was less than mentioned in the ICR (Annex 1), it seems reasonable to assume that the Borrower made up for the difference of US\$2.77 million. As mentioned under Project Cost above, the Borrower also contributed additional resources of US\$4.09 million in the form of a grant to the Jiayuguan Municipal Government. If the difference between the actual Bank financing and the one mentioned in the ICR and the grant to the Jiayuguan Municipal Government are added to the Borrower contribution given in Annex 1 of the ICR, the total Borrower contribution becomes US\$26.16 million, which corresponds to 135% of the appraisal amount.

Dates and Project Restructurings:

The project was approved by the Board on March 20, 2008 and became effective on August 11, 2008. The project was restructured twice. The 2013 restructuring included a one-year project closing date extension from December 31, 2013 to December 31, 2014. This was necessary to enable the completion of major subcomponents, including the heritage conservation works and training center in Maijishan, the heritage conservation works in Qingcheng, the displays at the Museum for the Yellow River Stone Forest, and the displays at the Suoyang Museum complex.

The restructuring also included a reallocation of US\$4.09 million from the Jiayuguan Great Wall Fortress and the Weijin Tomb sites in the Jiayuguan Municipality to the Maijishan and the Yellow River Stone Forest Park sites in the Tianshui and Baiyin Municipalities. The reallocated resources became available because the Jiayuguan Municipal Government received a domestic grant to finance the conservation works at the Jiayuguan Great Wall Fortress and the Weijin Tomb in 2012. The grant funding was considered as counterpart funding (page 4 ICR). Subsequently, the project team clarified that the



works in Majjishan and in the Yellow River Stone Forest Park were the largest works and had suffered the biggest delays. Therefore, additional resources were needed to account for the RMB appreciation against the US\$ and to offset overall price increases.

A second restructuring in 2014 consisted of a six-month loan closing date extension to June 30, 2015 to complete the construction works at Majjishan.

Since no change took place to the project objectives and outcome targets, and the project scope was also not substantially altered, no split evaluation was undertaken.

3. Relevance of Objectives & Design

a. Relevance of Objectives

At appraisal, Gansu was China's second poorest province. Many communities living in the surroundings of the very large cultural sites were vulnerable because of poverty and/or ethnicity. These communities lived a subsistence existence of the land, so tourism provided a new and important opportunity for local economic development. Gansu's cultural and natural heritage sites were among the most significant in China, which offered an important opportunity for economic development through sustainable tourism (paras 1, 2 and 3 PAD). However, they attracted limited tourists largely due to substandard and limited infrastructure, weak planning, management and marketing skills, and limited local business activities to support tourism. Therefore, generating benefits for local communities through sustainable cultural tourism was highly relevant for Gansu (para 6 PAD).

The ICR highlighted (page 16) that the project was well aligned with the 2006-2010 China Country Partnership Strategy (CPS), especially with the two strategic pillars of Reducing Poverty, Inequality, and Social Exclusion and Managing Resource Scarcity and Environmental Challenges. The latter pillar mentioned especially 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 ICR also mentioned (page 17) that the PDO remained relevant through project closing, and that it was in line with the Bank's 2013-2016 CPS for China. 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 (page 17 ICR).



Cultural heritage and tourism also featured strongly in China’s 11th and 12th Five Year Plans and at the time of ICR preparation was expected to feature prominently in the 13th Five Plan to be released in 2016 (para 14 PAD, page 22 ICR).

Finally, while at appraisal the Bank already had a long and successful engagement in China on the protection of cultural heritage and had worked in Gansu in other sectors, this was the first project in the heritage and tourism sector in the province and moreover, according to the PAD (paras 7, 11, 16 and 11), it was a “demonstration” project. Therefore, the level of ambition of the PDO, while modest, was adequate.

Rating
High

b. Relevance of Design

The Relevance of Design section in the ICR (page 17) focused on the relevance of design with the quality at entry as the ICR focused on quality at entry matters such site selection and general capacity constraints in provincial and local governments. On page 4, however, the ICR included an implicit reference to the project's theory of change. Although the results framework is not clearly laid out and does not include an explicit results chain, the ICR and the PAD made it clear how the project activities and related outcomes were causally linked to the PDO. The physical investments mainly in heritage conservation, displays, and tourist amenities were essential to enhance the tourists’ experience and increase the income from the tourism products with the associated benefits for local communities. Basic infrastructure services, such as access roads, sanitation and waste management facilities, improved the attractiveness and sustainability of the sites. This in turn was expected to benefit communities in the surroundings of the sites to a certain extent directly as well as indirectly through the generation of additional tourism activities and their sustainability. According to the ICR (page 6), training of local government officials and staff involved in the management of sites enhanced their capacity, skills and knowledge to improve and manage heritage-related tourism services. Capacity building for local community members enabled them to understand the value of these sites and engage in associated income generating activities and cultural events.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1



Objective

"Assist Gansu Province in generating benefits for local communities" through the development of sustainable cultural tourism.

Rationale

As mentioned in the previous section on Relevance of Design, the project built on the premises (theory of change) that physical investments in heritage conservation and basic infrastructure services, together with the capacity building activities, would enhance the local governments' capacities, 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 events. They were also meant to enhance the tourists' experiences with better displays, increased access to sites, and better amenities. This sustainability aspect of the project is highlighted as a secondary but equally important aspect of developing the heritage conservation and basic infrastructure services (page 17 ICR).

Outputs:

The main outputs, which contributed to the sustainability of cultural tourism, included the following:

- Preservation, conservation and protection works at several tourist sites.
- Basic infrastructure and/or facilities at all sites, including tourist and site access roads; car parks; water and sanitation facilities, such as water ponds, reservoirs, water distribution networks, wastewater collection and treatment facilities, and toilets; solid waste facilities, such as garbage transfer station, waste collection and treatment facilities, garbage trucks, garbage bins; power cables; solar energy power supply facilities; footpaths; environmental monitoring systems/stations; river embankment strengthening; and small dam rehabilitation.
- Tourism infrastructure, facilities and/or equipment at all sites, including tourism service centers; presentation centers; site maintenance centers; tourism training centers; museums and exhibition buildings; protection centers; tourist information system and signage; and tourist and service vehicles.
- About 100 project staff and government officials trained on World Bank procedures and various aspects of heritage and tourism management.
- At least 9000 members of communities living around sites trained on topics such as cultural heritage protection, tourist product development, and/or business skills.
- Study on Gansu Provincial Tourism Industry Development, which looked at the basic conditions for forming a tourism industry, tourism products and market, and tourism management.
- Cultural Conservation Plan for Maijishan Scenic Area.
- Five performances on Sunan County Yugu Minority Folk Music and Dances organized and 1,500 folk music and dance CDs distributed to communities.
- 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".



- 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”.
- Two studies to determine appropriate preservation techniques for wall murals at Weijin Tombs and Lutusi Ancient Government Complex.
- Tourism information network and website for Mati Temple and Lutusi Ancient Government Center.
- Long Southeastern Area Cultural and Natural Heritage Protection and Tourism Industry Sustainable Development and Strategy Study.
- Site operation and maintenance (O&M) plans for all sites.

When the project closed, two landfills and four wastewater treatment plants were not yet or not yet fully under operation. The ICR pointed out (page 15) that these were not large facilities and not major project investments, but they were critical to the sustainability of the sites and site services. Agreements existed with the respective municipalities to put the missing infrastructure into operation in 2016.

Outcome:

When the project closed in June 2015, the 2012 outcome indicator targets measuring the benefits generated for local people were largely exceeded. The number of people participating in the provision of tourist services at project sites, and presumably being compensated, increased from 3,130 in 2007 to 11,531 in 2015, which is 308% more than the 2012 project end target of 3,749. In 2012, the number of people participating in the provision of tourist services at project sites was 7,097 people or 190% of the project end target.

The percentage of tourists who purchased private tourism services when visiting the project sites increased from 34% in 2007 to 64% in 2015, exceeding the project end target of 60% by 7%. In 2012, the percentage of tourists who purchased private tourism services was 60% in line with the project end target. According to the ICR, this suggests that more of the tourism revenues were being channeled to local tourism services rather than non-local tour companies. It aligned with a general trend in the country towards more individual tourism trips (page 20).

The percentage of local community members with awareness and knowledge of the significance of the cultural sites increased from 63% in 2007 to 88% in 2015, exceeding the project end target of 80% by 10%. In 2012, the percentage was 84%, exceeding the project end target by 5%. The ICR clarified (page 7) that with enhanced knowledge of local culture and heritage, local communities would be better placed to participate in tourism services and be also more inclined to contribute to local heritage protection.

The ICR cited (pages 18 to 20 and Annex 3) other outcomes to highlight the success of the project. Visitor numbers increased from 2.2 million at appraisal to 6.97 million by project end (217% increase). The percentage of private businesses as part of total businesses in tourism increased from 34% in 2008 to a peak of 64% in 2013 before falling slightly to 62% in 2014. The revenue directly generated from visitors to



project sites quadrupled from RMB1.2 billion in 2008 to RMB4.8 billion in 2014. This means an average annual growth rate of 26%. It largely exceeds the annual growth of 2.7% estimated at appraisal and the annual Gross Domestic Product (GDP) growth of 14%, which the task team confirmed was in nominal terms. In 2014, overall tourism revenues at the project sites were 70% higher than the appraisal estimate for 2025 (ICR page 20).

In Qingcheng Ancient Town, the estimated number of local residents participating in tourism-related activities grew by an annual rate of 33%, from 800 in 2007 to 5,800 in 2014. Participation in tourism-related activities had also contributed to a fourfold increase in the average annual income of local people participating in tourism-related activities from RMB 5,000 in 2007 to RMB 21,000 in 2014 (ICR, page 54). This means an annual growth of 23% during a period when, according to the task team, inflation in China was 3.3%. The company managing the tourism sector in the historic town increased its management staff from 60 in 2007 to 21 in 2014. The average annual salary of the staff increased from RMB 14,000 in 2007 to RMB 34,320 (ICR, page 54). This means a 13% annual increase compared to an inflation rate of 3.3%. The visitor number at this site increased by 38% annually, from 15,000 in 2008 to 105,000 in 2014. The revenue from direct visitor expenditures increased by 50% annually, from RMB 1.4 million in 2008 to RMB 15.8 million in 2014.

At the Maijishan site, where a large portion of the project funds were invested, average annual tourism revenues grew by 39% from 2007 to 2014 compared with an average annual GDP growth of 14% in nominal terms in the same period. According to the ICR (page 20), this had built up tourism to be a key pillar of the local economy and contributed to broader local economic development.

The intermediate indicator targets were achieved and, in many cases, exceeded, too. For instance, tourism satisfaction on several dimensions, such as site access, site management and site environment, was exceeded by more than 40%. The average expenditure per tourist exceeded original targets for some sites by as much as 50-60%. The project provided basic services to both tourism sites and surrounding communities and thus extend the benefits of the project investments to nearby communities. These services including local roads and water supply and sanitation services, which are critical for supporting the creation of livelihood opportunities and raising local living standards. The project end target for people with access to improved roads was exceeded by 46%. According to the ICR (page 18), this suggested that the sites' management, services and facilities were improving.

Given that especially local tourism and associated local community participation and benefits would most likely have grown even without project interventions, the exact extent to which these outcomes are attributable to the project is uncertain. The ICR (page 19) pointed out that in many cases, the project investments were the major investments at the sites. It also emphasized that the project investments in building tourism facilities, improving access to sites, and providing training to government officials and community members undoubtedly built capacity to accept greater numbers of tourists and employ more community members to provide tourism services.

With respect to community training in economic activities, such as souvenir sales and restaurants and guest house management, the ICR mentioned that it was a key early activity, which helped support community involvement in providing tourism services (page 19). Finally, increased community awareness and



knowledge of cultural sites was 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 (page 20 ICR).

Even if the above-mentioned outcomes cannot be fully attributed to the project, its efficacy in “assisting the Gansu Province in generating benefits for local communities” is considered substantial. In particular, the project created capacity and skills and scaled up the sites’ infrastructure and facilities, which as pointed out in the Relevance of Objectives section above, were substandard or missing at appraisal and attracted limited tourists, especially domestic tourists according to the task team. The project also contributed to the conservation of the cultural heritage, and eliminated or alleviated barriers, such as access to financing for conservation and inadequate heritage planning and management capacity. Further, the project contributed to the sustainability of the tourism product over the long run, hence it is likely to safeguard the development outcome over time

Rating
Substantial

5. Efficiency

Economic Assessment:

Annex 9 of the PAD (para 199) states that at appraisal a qualitative project economic impact assessment was carried out, identifying five sets of economic benefits that included (i) cultural and natural heritage protection, rehabilitation, and interpretation; (ii) environmental improvements; (iii) local economic development; (iv) local skills upgrading; and (v) institutional strengthening. The efficiency of the project was justified by the fact that least-cost options were used for all investments (PAD, paragraph 53). A benefit-cost analysis was not considered feasible according to the PAD for 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 (paragraph 51).

At project closure, the project economic impact assessment was repeated based on the results of the annual visitor surveys and an independent project end survey of local residents and business owners in Maijishan and Qingcheng. These two sites accounted for more than half of the project investments. The ICR (page 20) claimed that the project generated substantial impacts for the local economy through (i) boosting the local tourism sector, (ii) generating both direct and indirect employment opportunities, and (iii) catalyzing private sector participation, which according to the ICR were likely to be at least partially attributable to the project. These were, however, benefits and not measures of efficiency.



The ICR also stated that a simple cost-benefit analysis was carried out to provide an indicative measure of the economic impact of the project investments (page 56). The ICR mentioned that the analysis was based on a series of conservative measures including (i) using direct gross tourism revenues from the non-speculative portion of the revenue streams included in Figure 3 on page 51 of the ICR as an indicator of the project benefit, which according to the task team were converted to net revenues by applying “a conservative gross margin for the tourism industry” of 15%, (ii) controlling for macroeconomic growth, and (iii) carrying out the analysis over a period of 10 years from 2008-2017 only, which included the seven-year implementation period, to reduce the uncertainties related to the extent and timing of future market demand. Moreover, to avoid potential attribution issues, the analysis “excluded sites where project investments played a less prominent role in the overall site development”. With these conservative assumptions, the ICR asserted that the project investments were estimated to yield an economic internal rate of return (EIRR) of 28%. The coverage of the economic analysis was estimated by IEG to be of around 60% of the project cost based on the data in the ICR and the additional clarifications by the Bank’s task team.

Administrative Efficiency:

There are no data in the ICR on the costs of administering the project other than an item titled “Project Implementation Assistance” in Annex 1, which was estimated at US\$0.25 million in the PAD and expenditures were the same. According to the ICR, the Bank paid close attention to infrastructure designs to ensure they were not oversized. The adoption of the Bank’s procurement processes ensured that quality works were built at least cost and ensuring value for money. The early works on conservation plans also crowded in additional funding, both state level financing but also local private investment in and around these sites (page 21). The project also aimed at improving the tourism sector's administrative efficiency by training large numbers of government officials, project staff and members of local communities.

The project experienced procurement delays and needed a one-year extension to complete major works at four sites, including the Yellow River Stone Forest and Maijishan Temple sites, and an additional six-month extension to complete the construction at the Maijishan Temple site. The actual total project cost was about 6% above the appraisal estimate. Nevertheless, the cost of the interventions at most sites was largely in line with the appraisal estimates, but substantial cost overruns of 46% and 15% occurred at the Yellow River Stone Forest and the Maijishan Temple site, respectively (ICR, Table A3-1, page 48). These cost overruns were due to the implementation delays and the devaluation of the RMB. A severe storm and floods at Maijishan Scenic Area destroyed some of the completed works (ICR, page 70).

In summary, based on the analysis of efficiency in the ICR, the efficiency of the project’s implementation is rated substantial.

Efficiency Rating

Substantial



a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	28.00	60.00 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The outcome of the project is rated satisfactory. The relevance of the objectives was high, and the relevance of the design was substantial. Even if the exact extent of the project’s contribution to the generation of benefits for local communities is unknown, it was instrumental in building, improving and ensuring the sustainability of the cultural heritage sites from which benefits for communities were derived. Indeed, the project generated considerable positive impacts on cultural and heritage protection, environmental improvements, local economic development, skills upgrading, capacity building, and institutional strengthening. Overall the project’s efficacy was therefore rated substantial. The simplified economic analysis included in the ICR indicated that the key project investments achieved an estimated EIRR of 28%. Despite delays and cost overruns, the project contributed to improving the administrative efficiency of institutions responsible for the rehabilitation of cultural heritage sites. Therefore, efficiency is rated as substantial.

In summary, the project’s results had only minor shortcomings and its outcome is rated satisfactory.

a. Outcome Rating

Satisfactory

7. Rationale for Risk to Development Outcome Rating

The ICR (page 24) reported several risks to the development outcome. The risk of excessive visitor numbers impacting on sites and harming the natural environment in the vicinity was considered high, especially if the landfills and wastewater treatment plants built by the project and not in operation at the time of ICR preparation were not to be put into operation rapidly. However, the environmental monitoring stations built and equipped under the Maijishan subproject were being used to track environmental changes and plan appropriate actions to mitigate damage to the site. The task team had no updated information on further increases in visitor numbers or the operation of the remaining landfills and wastewater treatment plants. However, the task team pointed out that in recent years tourism revenues have played an important role in the economy of the Gansu Province and



that it is therefore recognizing the value of tourism. The Province established a strong base and gained increased resources and capacity to cope with large tourism numbers.

The ICR also mentioned a moderate risk of poor operation and maintenance of site assets even though all sites had O&M plans. This was because local authorities need to ensure adequate annual O&M budgets. In the Summary of the Borrower's Contribution (ICR, Annex 6) the weak operation and management capacity of the sites is also flagged. Similarly, the ICR identified a moderate risk that the priority to increase tourism revenues may outweigh site protection considerations despite the approval of conservation plans and increased capacity and awareness of cultural heritage protection. It was also reported in the ICR (page 24) that efforts by local authorities to clearly delineate responsibilities for site management and site protection to increase the oversight of cultural heritage protection were ongoing.

Finally, the ICR on page 24 pointed out that the Gansu Province remained vulnerable to a range of natural disasters including earthquakes, flooding, and landslides. The respective risk was considered moderate.

a. Risk to Development Outcome Rating

Modest

8. Assessment of Bank Performance

a. Quality-at-Entry

The Bank allocated more resources and time for project preparation (US\$500,000 and over three years of preparation) than usual. Project preparation included a comprehensive assessment of lessons from the Bank's earlier cultural heritage operations in China and globally. Significant work was also undertaken to understand Gansu's cultural and natural heritage resources and the status of the tourism sector. Similarly, the institutional arrangements and capabilities, the needs of communities, including indigenous peoples, and the potential impact of the project on them were assessed.

The Bank team actively sought advice from a broad range of pre-eminent sector experts both within and outside the Bank. Tourism projections were prepared for each site under different growth scenarios. 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. It also included guidance to site inventorying and plan preparation. The project design addressed capacity constraints both in terms of project implementation capability and financing at all levels of government. In this sense, the provincial project management office (PPMO) was moved to the Provincial Development Reform Commission to ensure that it had the necessary mandate to coordinate the different sector bureaus, and counterpart funding requirements were kept to a minimum. Since this was a Category A project, great attention was paid to safeguard issues. Most risks were to a certain extent mitigated by the identified mitigation measures. A weakness identified in the ICR (page 25) was the provincial implementation



capacity and commitment, which led to the slow start-up of the project and staffing problems at the PPMO. Although the M&E design was satisfactory, the question of attribution of the expected results to the project's investments was not fully addressed.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

Bank supervision mostly took place at the normal six-month intervals. The Bank supervision team had a well-rounded mix of skills and experience, but the support in community development was limited. The team strongly focused on technical issues, institutional development, fiduciary matters, and related development impacts.

According to the ICR supervision also provided hands-on support to the project implementation agencies, especially in the middle of project implementation when the PPMO capacity and staffing issues arose, which eventually were overcome. The Bank team identified critical implementation issues in a timely manner and used the Implementation Status Reports (ISRs) ratings to signal them to management. The ICR stated that the Bank project team worked together with the Bank Country Management Unit to solve the delay in the approval of the Maijishan conservation plan, which had seriously impacted the project implementation progress.

The team restructured the project twice to account for implementation delays and the availability of local funding to supplement a shortcoming in project counterpart funding. According to the ICR more proactive measures could have been taken to restructure the project to allow for more time to use of the additional funds and expedite implementation. The team also missed two opportunities to update the project end targets (pages 26 and 27).

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. Assessment of Borrower Performance

a. Government Performance

During project preparation, the Provincial Government of Gansu was strongly committed to the development of sustainable cultural tourism and adequately supported it at the highest level. During implementation, the Government provided grant funding for the Great Wall Fortress and the Weijin Tombs in Jiayuguan, complementing the overall project funding. Shortcomings attributable to the



Government during project implementation included (i) delays in approving conservation plans, especially the conservation plan for Maijishan, (ii) shortages in counterpart funding, which were not defined in the ICR (page 27), and (iii) a lack of proactive intervention to help swiftly solve the problems faced by the implementation agencies.

Government Performance Rating
Moderately Satisfactory

b. Implementing Agency Performance

According to the ICR (page 27), the PPMO's and MPMOs' performance was adequate during project preparation. They met all fiduciary requirements during implementation, and their external monitoring agencies had a particularly strong performance. 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. These agencies also suffered from shortcomings in multidisciplinary staff, which resulted in weak technical competence and inadequate quality control of procurement documents, which in turn caused procurement delays. The staff had some reluctance to work with the project implementation consultants, which further delayed implementation.

Similarly, the Project Implementation Units (PIUs) at project site level strongly supported project preparation. They were at the forefront of community engagement efforts and organized useful training for local communities. The PIUs also 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. 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 (page 28 ICR). In addition, during the early years of project implementation there were some shortcomings in EMP implementation and monitoring, which were subsequently remedied (page 13 ICR).

Implementing Agency Performance Rating
Satisfactory

Overall Borrower Performance Rating
Moderately Satisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design



The Provincial Project Implementation Office (PPMO), the Municipal Project Implementation Offices (MPMOs), and the Project Implementation Units (PIUs) were responsible to regularly collect the data required to monitor and evaluate outcomes and results. Monitoring data were to be collected through records on local residents participating in and benefiting from sustainable tourism development at the project sites and through annual qualitative surveys of increased community appreciation for heritage sites and tourist satisfaction. The surveys were administered by the PIUs with guidance from the PPMO and the Gansu Provincial Statistical Bureau. The PPMO was in charge of the preparation of the semi-annual progress reports (PAD, para 39).

The term “community benefits” in the PDO was broad, but the three outcome indicators delimited it to participation in the provision of sustainable tourism and other benefits from an increased purchase of private tourism services and enhanced awareness and knowledge of the significance of the cultural sites. Given this delimitation, there was a clear causal link between the project activities, outputs and outcomes and the PDO. The project outcome indicators were to be determined by annual surveys.

The sources of data and the format of the surveys were approved by the Bank and a baseline was conducted in 2007, so all indicators had clear baselines. The methodology for surveying was also established during preparation. The intermediate outcome and output indicators focused on the approval of conservation plans, visitor satisfaction, tourist expenditures, number of people trained in sustainable tourism-related activities, and community members with improved road access.

While the overall M&E design was well prepared, it did not pay sufficient attention to the degree of attribution of the outcomes to the project interventions.

b. M&E Implementation

Substantial effort went into data collection during project implementation and at the ICR stage. According to the ICR (page 12), monitoring and evaluation data was provided on a consistent basis throughout the project and reported in the semi-annual progress reports. The project end targets for outcome and intermediate indicators were not revised but the dates for the achievement of targets were extended to match the revised loan closing dates. External resettlement monitoring reports were prepared. On the other hand, reporting on Environmental Management Plan (EMP) implementation initially had been sporadic (for details see Section 11 of this Review).

c. M&E Utilization

The utilization of the M&E system went beyond project reporting purposes. The ICR reported that 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 (page 12 ICR). In 2012, an extensive mid-term review was carried out, which stretched over two missions. Key implementation issues such as the PPMO's capacity, the slow start in cultural heritage and heritage interpretation works, the need for site O&M plans, measures to ensure the sustainability of assets to be financed under the project, and the reallocation of funds between sites were discussed/agreed upon (page 11 ICR).

M&E Quality Rating

Substantial

11. Other Issues

a. Safeguards

The project was classified as category A for environmental assessment purposes due to the cultural importance and sensitivity of the sites rather than the potential negative impacts of the small individual project investments. The ICR reported on the following safeguard policies triggered under the project, but the information on safeguards compliance, especially environmental safeguards, during implementation is limited:

Environmental Assessment (OP/BP 4.01). The ICR mentioned that environmental assessment (EA) and EMP were prepared according to national policies and regulations and the Bank's safeguard policies. Because of the limited environmental impacts of the proposed investments in many sites, the Bank did not require a full EA for each sub-component. However, to comply with domestic regulations, Chinese-language EAs were prepared. In addition, as required by the Bank, detailed Chinese-language EMPs were prepared for each sub-component and reviewed by the task team. The EMP implementation was delayed, especially environmental monitoring, and during the first two years of implementation, the Bank team did not include environmental specialists during supervision missions due to the slow start of physical works. Initially, the EMP implementation was also not reviewed in any substantial way in the project-level M&E reports. During the last two years of the project implementation, once the PPMO hired an independent consultant to support EMP implementation, environmental supervision and quantitative monitoring were carried out and included in the M&E reports (page 13, ICR).

Physical Cultural Resources (OP/BP 4.11). The policy was triggered because of the project's potential impact on listed cultural relics in the sub-component 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 the cultural conservation plans. 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 that the project met Bank's safeguard requirements and



Chinese laws and regulations. Training on China's cultural relic laws and their implementation was included in the capacity building for site managers, government officials and community members (page 14, ICR).

Involuntary Resettlement (OP/BP 4.12). This policy was triggered because of land acquisition and involuntary resettlement in two sub-projects, the Lutusi Ancient Government Center Tourism Scenic Area and Qingcheng Ancient Town Heritage Protection and Tourism Scenic Area. A Resettlement Action Plan (RAP) was prepared, disclosed, and implemented with some shortcomings. 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 and the planned land acquisition for a car park was not carried out. 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 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 or temporarily affected. The estimated cost for land acquisition and resettlement was RMB2.76 million and the final cost was RMB5.80 million, more than twice as high due to increasing compensation rates and costs associated with land acquisition/resettlement. No complaint was received throughout the project (page 13, ICR).

Indigenous Peoples (OP/BP 4.10). This policy was triggered because people belonging to two minority groups, Zang and Yugu, were present at the 68 km² Mati Temple Scenic Area. 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, and disclosed. 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 the local ethnic minority culture. The community contributed to the design of this 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 enhanced these benefits by expanding economic opportunities for the local communities in the tourism sector and developing tourism based on the respectful presentation and interpretation of indigenous cultures (page 14, ICR).

Safety of Dams (OP/BP 4.37). The policy was triggered because of works at Yinyue Lake and Xianren Lake dams in the Maijishan Scenic Area. Both dams were existing, and relatively small, marginally exceeding the Bank's threshold for triggering the policy. 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 were required. Some remedial works and operational changes were necessary at the Xianren Lake dam. These works were completed under the project. O&M and emergency preparedness plans for Yinyue Lake and Xianren Lake dams were also prepared. Both the Yinyue Lake and Xianren Lake dams were considered operationally safe when the project closed (page 14, ICR).

b. Fiduciary Compliance

Financial management:



According to the ICR (page 15), 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. These reports had unqualified “clear” opinions, but the auditors did raise some FM issues, which were resolved by the relevant MPMOs. The FM performance was rated satisfactory throughout project implementation.

Procurement:

Procurement activities were carried out moderately satisfactorily by all agencies. Weak capacity of the procurement agent hired by the PPMO 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, the procurement staff capacity was limited even after intensive procurement trainings were conducted. Close Bank supervision and regular post reviews ensured compliance with the Bank’s procurement policies (page 15, ICR).

c. Unintended impacts (Positive or Negative)

The ICR (page 23) reported that the 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.

d. Other

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Substantial	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.



13. Lessons

The ICR listed six lessons that emerged from the project, some of them were rather generic. The following are the lessons that IEG considered were the most important ones with some modification in language:

The approval process of cultural conservation plans can take a long time, and if not adequately planned for, is likely to cause serious delays in project implementation. While approved cultural conservation plan for works involving cultural heritage conservation are critical, their approval can take several years and can delay project implementation. While most conservation plans under this project were already prepared and in process of approval at appraisal, their approval process has taken longer than expected, especially for the Maijishan Conservation Plan. The latter required not only approval by the Provincial Bureau, but also at the state level. This delayed the start of the project works since the design of the project interventions needed to be in line with the approved conservation plans. Therefore, additional time for conservation plans approvals should have been factored into the implementation schedule. Approaches to ensure a regular dialogue with conservation authorities at appropriate levels are also needed to speed up the approval process.

Early intervention in regions with nascent cultural and natural heritage tourism potential can help build the necessary capacity to cope with significant tourism growth. China and Gansu have seen an exponential growth of domestic tourism in the 10 years to 2015, well beyond what was envisaged at appraisal. By design, the project sites spread across various municipalities to increase the opportunities for shared capacity building in as many locations as possible and provide for peer-to-peer learning. This learning, the conservation plan and the other project interventions provided the Gansu Province with a strong foundation to cope with increased tourism numbers. It also set the stage for future tourism projects.

The lack of regular budget allocations for O&M might jeopardize the sustainability of the project sites. The Bank reviewed seven O&M plans for the regular maintenance of conservation works and tourism facilities funded under the Bank loan. Yet these plans did not have clear budget allocations. Local governments benefit from the allocation of regular O&E budgets since they these resources will enable them to safeguard the benefits of increased cultural tourism. Small annual O&M expenditures at present provide big cost-savings in the future and offer a better chance for the project's success and sustainability.

14. Assessment Recommended?

No

15. Comments on Quality of ICR



A lot of effort went into the preparation of this ICR, which is well-written, internally consistent, complete, and thorough. The project context, activities, outputs, and outcomes are presented in great detail. Overall, the ICR makes for an interesting and pleasant reading.

The ICR provided a candid assessment of the implementation experience, issues and problems. It offered an insightful analysis of design and implementation shortcomings. The lessons were based on evidence and analysis even if some of them are general. Data collection at the ICR stage was comprehensive. It included data on the achievement of the indicator targets collected through annual surveys and a more detailed one-time independent survey of residents and businesses at two project sites. The ICR is results-oriented and the quality of the evidence is good. The question of attribution was tackled in qualitative terms.

The ICR follows the OPCS guidelines. Minor shortcomings include the that fact that the Relevance of Design mainly focused on quality at entry, non-consistency in the use of abbreviations for the different implementing agencies, and small deficiencies in reporting cost and disbursement figures.

a. Quality of ICR Rating
Substantial