### PROJECT INFORMATION DOCUMENT (PID)
#### CONCEPT STAGE

Report No.: PIDC571

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Anhui Yellow Mountain New Countryisde Demonstration Project (P129563)</th>
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<td>Region</td>
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<td>Implementing Agency</td>
<td>Huangshan Municipal Development and Reform Commission</td>
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<td>Environmental Category</td>
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<td>Date PID Prepared</td>
<td>23-Sep-2012</td>
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<td>17-Sep-2013</td>
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<td>27-Mar-2014</td>
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<td>Concept Review Decision</td>
<td>Track I - The review did authorize the preparation to continue</td>
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## I. Introduction and Context

### Country Context

Since it embarked on a series of economic reforms starting in 1978, China’s economy has grown at a remarkable annual rate of about 10 percent and more than 600 million people have been lifted out of poverty. But to sustain this rapid pace of development, China still has to address a number of challenges, amongst them the high inequalities in incomes, opportunities, and quality of life that persist between rural and urban areas. In 2010, the average per-capita disposable income for rural residents was less than one third that of urban residents.

The GoC is aware of this challenge and has laid out a set of programs and policies in the 11 FYP (2011-2015) to try and address it. One of these programs is the “New Socialist Country Side Scheme” (NSCS) which was launched in 2006, and is aimed at increasing farmers’ incomes and diversifying their employment opportunities, improving their livelihoods and productivity levels, enhancing their living conditions and the overall management of their rural environment, and strengthening their institutions for self-governance within harmonious communities.

The 12 FYP expands further on these issues and provides the guiding principles to establish the new socialist countryside through strengthening rural-urban linkages, integrating infrastructure...
construction, public services provision and social services management, and capitalizing on local comparative resource advantages to promote local economic development. It further encourages the diversification of rural economies away from the primary sector towards industry and services sectors, including the protection and development of tourism resources where available. It gives priority to the preservation of cultural and natural heritage sites, and to famous cities, towns and villages in Chinese history and culture with pilot projects for the protection and utilization of non-physical cultural heritage as well.

Sectoral and Institutional Context

Despite being located in the relatively advanced eastern region of China, Anhui province ranked 26 among all Chinese provinces in GDP per capita in 2010. Compared to its direct neighboring provinces, Anhui’s per-capita GDP is less 40 percent that of Zhejiang and Jiangsu provinces. A closer look reveals that the share of primary sector in Anhui’s GDP is 14% compared to 4.9% and 6.9% for Zhejiang and Jiangsu respectively, and 10% nationally. Meanwhile, the share of the tertiary sector is 33.9% compared to 43.5% and 41.5% for Zhejiang and Jiangsu respectively. More than 40% of Anhui’s labor force is still employed in agriculture, with relatively low productivity levels. In 2010, the average per capita rural income in Anhui ranked 22nd in China, considerably lower than the national average.

Against this background, some of the effective measures to help Anhui province catch up include improving agricultural productivity, engaging farmers in higher value-added commodities supply chains, capitalizing on comparative advantage resources to diversify the sources of income for rural residents, and promoting rural non-farm sector development to create new employment opportunities. For this purpose, the Anhui Provincial Government (APG) has been actively implementing the New Socialist Country Side Program through a number of schemes such as the “Thousand Villages and Hundred Towns Demonstration Scheme” which aims at “forming new industrial structure, elevating rural households’ living standard, promoting new countryside customs, improving images of countryside, and consolidating governance of rural areas”.

The NSCS scheme has particular implications for Huangshan Municipality. Located at the far Southern end of Anhui province, Huangshan is endowed with beautiful natural environment and abundant Huizhou cultural architecture. It is home to two UNESCO World Heritage sites, including the Yellow Mountain after which the city is named, and is one of the leading tourism destinations in China. It is rich in old ancient buildings dating back to the Qin dynasty. Huangshan’s economy is very much dependent on the tourism sector. In 2010, Huangshan’s tourism revenue represented nearly 65% of its total GDP.

Huangshan municipality encompasses three districts and four counties, with more than hundred towns and around 900 villages spread across a total area of 9,807 Km². The total population is estimated at around 1.4 million, with nearly 60 percent of which living in rural areas. More than 42% of the labor force is employed in the agricultural sector, which accounts for 13% of the municipality’s GDP. Meanwhile, the services sector contributes to over 43% of the local GDP but employs less than a third of the labor force. In 2010, the per capita annual disposable income of urban households (CNY 18,669) was nearly three times that of rural households (CNY 6,716).

The NSCS scheme has led to significant development of Huangshan’s economy and to the improvement of the living conditions in rural areas. Around 165 villages have been included in the provincial program “A Thousand Villages and A Hundred Towns Demonstration Scheme”.
the 11 FYP’s period (2006-2010), the total revenue from the rural economy has more than doubled, and the per capita annual net income of rural households has increased from CNY 3,185 to CNY 6,716. Over 4015 kilometers of rural roads have been constructed or upgraded and 94% of the population has been covered with safe drinking water. The agribusiness sector has also grown at a fast rate with the tea industry generating more than CNY 4.6 billions in total revenue in 2010.

However, there are still remaining challenges that the Huangshan Municipal government (HMG) is facing to further develop the rural economy, enhance the living conditions of rural households, and preserve the cultural and natural sites of the region. Investments in infrastructure are insufficient to meet the needed demand, especially in the aspects of roads, water, and sanitation. Only about 30% of the villages have good sewerage systems and wastewater treatment works. Many of the cultural heritage sites and the ancient buildings are neither well preserved nor put to adaptive use, due to shortage of funding. Agriculture productivity remains low and the integration of farmers into high value commodity supply chains has not yet been fully achieved. Employment opportunities in the non-farm sector remain limited. Tourism infrastructure and services in the villages are not developed. Finally, the capacity and skill-sets of the institutions and stakeholders involved are in need of improvement. These constraints have undermined the potential of villages to draw on their natural and cultural endowments to develop tourism and create new employment and income opportunities. It is reported that, out of the 23.1 million tourists (measured by person-times) that visited Huangshan in 2010, their average stay was only 1.57 days, mainly due to the poor tourism infrastructure and services. The current rural income is still heavily dependent on agriculture and remittances from migrant workers.

Recognizing these constraints, the HMG has put a greater emphasis on the NSCS scheme in its 12 FYP in parallel with the national and provincial plans. It has proposed to increase infrastructure investments in “water, electricity, road, gas and housing”, implement safe drinking water projects that cover 341,400 of the rural population, upgrade the village power grid system, improve the safety facilities for rural roads, and accelerate the development of modern high value-added agriculture and agribusiness.

In parallel, the HMG has initiated a five year cultural heritage conservation program (2009-2013) under the name of “A Hundred Villages, A thousand buildings” (HVTB) aimed at protecting 1,065 ancient Hui Style buildings scattered across 101 villages with an estimated investment of CNY 6 billion. The HVTB includes both a preservation and utilization components. The preservation component consists of preparing protection and utilization master plans, preserving original village layout, remains of ancient buildings, family temples and gardens, protecting ancient trees and countryside sceneries, putting Hui-style façade onto non-traditional buildings and protecting intangible cultural heritage assets. The utilization component develops ancient villages into attraction sites with various features such as Hui-style culture experience, fishing holiday resort, photo-shooting and drawing spots, and agro-tourism. Meanwhile, some ancient buildings are to be transformed into art studio, folk-style hostels, restaurants, museums, bookstores, etc.

Finally, the HMG has formulated a comprehensive tourism development strategy with the objective of reaching 50 million person-times of tourists and 50 billion yuan in tourism revenue by 2015. Under this agenda, 500 villages are expected to be directly involved in the tourism industry and 3000 rural households are expected to operate family-run hostels/restaurants by 2015. To achieve this goal, HMG plans to improve the overall village environment and invest in basic infrastructure and facilities including roads, water and power supply, sanitation and signage. It also plans to build
up tourism management capacity and strengthen relevant institutions such as establishing
countryside tourism cooperatives, regulating business activities at tourism sites, and standardizing
tourism-related services.

Relationship to CAS

The project speaks directly to both strategic themes of the Country Partnership Strategy for China
(2013-2016, planned for discussion at the Bank in October 2012), namely supporting greener
growth and promoting more inclusive development. It contributes to achieving a number of
outcomes set in the CPS such as: piloting new ways to boost rural incomes and reduce poverty,
enhancing secondary town development, promoting sustainable agriculture practices, demonstrating
sustainable natural resource management approaches, and enhancing urban environmental services.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The higher level objective of the project is to raise the standards of living for rural households in
Huangshan municipality. The proposed project development objective (PDO) is to improve the
quality of services and income generating opportunities available to rural households in selected
villages of Huangshan municipality through: (i) upgrading infrastructure services, (ii) restoring and
preserving the existing cultural heritage assets, and (iii) promoting high value-added agriculture and
countryside tourism.

Key Results (From PCN)

The achievement of the PDO will be measured through a number of outcome indicators including:
• Increase in number of rural residents with access to improved roads
• Increase in villages waste water treatment rate
• Increase in the number of tourists visiting villages where cultural heritage sites have been
  restored and preserved. (p.m)
• Increase in the number of small/local tourism and agribusiness enterprises created and
  functional.
• Increase in average per capita income in project villages.

III. Preliminary Description

Concept Description

The Anhui Yellow Mountain Countryside Demonstration Project would finance investments in 68
villages across four counties and three districts of Huangshan municipality. An asset based approach
that builds on public sector investment, and mobilizes local villages and private sector potential to
promote local economic development, is contemplated. It combines the conservation of cultural
heritage sites with the upgrading of rural infrastructure, and the promotion of income generating
opportunities from high value agriculture and countryside tourism. Interventions will be tailored to
local conditions and will be determined in consultation with line bureau staff, villagers groups,
private sector representatives and local government. Women are expected to constitute a large share
of project beneficiaries given the high rate of rural-urban migration among men in search for
employment in the cities. The project areas are selected based on criteria that aim at reducing the
existing development and income gaps among different villages on one hand, and at maximizing the
potential benefits from the existing cultural and natural heritage assets on the other hand. Sub-
projects are identified in consistency with the relevant sectoral/regional development plans and
strategies. The project will be financed by an IBRD loan of $100 million representing 60 percent of
The rest will be financed by counterpart funds comprising allocations from the seven project counties/districts and the municipality. The Bank loan will be passed on as grants to the participating villages. The project would have four components.

Component A: Infrastructure Improvement (Indicative - 58% of total cost)
This component aims at improving village-level infrastructure and public services by financing sustainable priority investments in rehabilitating and expanding service facilities while preserving and enhancing the traditional and historic character of project villages. Based on village needs, investments may include one or more of the following activities: i) village roads upgrading/constructions, bridges, sidewalks, domestic and tourism pathways, car parks, street lightings and associated sub-surface infrastructure services; ii) safe and reliable piped water supply either from mountain springs or municipal water supply systems with appropriate treatment technologies; iii) storm water and waste water management through construction of drainage systems, sewer networks, low cost and environmentally appropriate treatment and disposal facilities; iv) public toilets, garbage bins and drop-off points. Garbage would be compressed at nearby solid waste transfer stations, and disposed in existing sanitary landfills; v) river enhancements for flood control, environmental and recreational uses, and vi) rehabilitation of minor irrigation and drainage canals.

Component B: Cultural Heritage Preservation & Utilization (Indicative - 21% of total cost)
This component aims at restoring, preserving, protecting and, where practicable, adaptively reusing historic Huixhou style buildings for social, cultural, village environment, economic and tourism development purposes. Investments would include interventions to: i) arrest physical deterioration; improve structural integrity, physical safety and functionality; restore cultural and historic authenticity; ii) improve presentation and signage, and enhance the core surrounding environment by putting Hui-style façade onto non-traditional buildings [whitewashed walls and dark tiles, and fire-proof walls (“Horse-head walls”)] to promote the visibility and positive image of the villages; iii) promote and facilitate the adaptive reuse of local cultural heritage sites for social, cultural, and economic development purposes; iv) document and disseminate information on important tangible and intangible cultural heritage assets (buildings, particular social histories and practices, traditional stories, music, dress and dance); v) strengthen cultural heritage preservation and promotion institutions at the municipal and district/county levels and build their capacity to operate and maintain these sites, promote them within the overall Huangshan tourism development plan, and increase the level of communities’ involvement and appreciation for them to support of their sustainability.

Component C: Enhanced Economic Opportunities (Indicative – 16% of total cost)
This component aims at generating direct employment opportunities, increasing local household incomes, and stimulating village economies by building on the above improvements of the infrastructural services and cultural heritage, to promote the development of high-value agriculture and countryside tourism. Investments would include support for: i) tourism-related conversion and adaptation of farmhouses into countryside motels in partnership between farmers, village/community management organizations and private companies; ii) training of villagers to develop their skills in tourism promotion, management and service provision, communication, marketing and accounting; iv) improvement in the production and marketing of high-value local products such as tea, mulberry, flowers, herb and grapes, and aquaculture; v) development of new production cooperatives and the training of farmers in application of new “green” and organic agricultural technologies--including initiatives to obtain green and organic certification; and vi) construction of markets for farmers to sell their agricultural products and handicrafts; establishment of culture...
exhibition center for signature products.

Component D. Project Management Support (Indicative- 5% of total Cost)
This component aims at strengthening the capacity of PMOs at the municipal and district/county levels to effectively implement, manage, monitor and report on project activities and progress. The component will support: i) the establishment of effective financial and project management information systems and project monitoring and evaluation system; ii) the purchase of necessary systems hardware and software; iii) training of PMO staff to effectively utilize the systems; and iv) other related consultancies and studies.

IV. Safeguard Policies that might apply

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V. Tentative financing

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VI. Contact point

**World Bank**

Contact: Rabih H. Karaky
Title: Senior Economist
Tel: 473-0585
Email: rkaraky@worldbank.org

**Borrower/Client/Recipient**

Name: International Department, Ministry of Finance
Contact: Ms. Wang Wei
Title: Director
Tel: 86 10 68551174
Email: wangwei19@mof.gov.cn

Implementing Agencies
Name: Huangshan Municipal Development and Reform Commission
Contact: Ding Shili
Title: Director
Tel: 8618955986767
Email: hsshxmb@126.com

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