

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA98227

Project Name	CH-Second Gansu Cultural and Natural Heritage Protection and Development Project (P149528)
Region	EAST ASIA AND PACIFIC
Country	China
Lending Instrument	Investment Project Financing
Project ID	P149528
Borrower(s)	PEOPLE'S REPUBLIC OF CHINA
Implementing Agency	Gansu PMO
Environmental Category	A-Full Assessment
Date PID Prepared/Updated	02-Nov-2016
Date PID Approved/Disclosed	21-Mar-2016
Estimated Date of Appraisal Completion	29-Mar-2016
Estimated Date of Board Approval	23-Feb-2017
Appraisal Review Decision (from Decision Note)	The Chair authorized the team to carry out a pre-appraisal follow up mission, which can be upgraded to appraisal in line with the recommendations of the meeting and on the basis of the RSS comments and task team follow up on them. The project is scheduled for Board Approval on May 26, 2016.

I. Project Context

Country Context

Over the past three decades, China's rapid urbanization has facilitated impressive economic and social gains. It has catalyzed China's rapid Gross Domestic Product (GDP) growth, pulling more than 500 million people out of poverty. Urbanization is projected to add another 300 million to China's urban population by 2030 and continue boosting economic growth. With rising living standards, awareness and appreciation of cultural heritage assets have been increasing, leading to an expansion of the cultural tourism sector. Cultural heritage is now considered in China not only to be an essential element of national history and pride, but also an asset for local economic and social development.

Scenic areas are key assets for heritage-based sustainable tourism in China. Tourists in China travel to visit cultural and natural heritage sites. Besides being tourism destinations, these areas provide weekend leisure opportunities for the emerging middle class. There have been significant private sector investments in the vicinity of the most scenic areas, including large hotels as well as bed and breakfasts, restaurants and handicraft shops. Small businesses located within local communities provide the largest share of jobs in the sector, showing a promising potential for further

development, with significant impact on employment.

Gansu is one of the least developed provinces in China. The province is endowed with unique resources with great potential for local economic development and job creation. Gansu's topography is anchored around the Gobi Desert, the Qilian Mountain range and Hexi Corridor, with large oases, wetlands and rivers, comprising unique and challenging environmental landscapes. Throughout history, Gansu has played a key role in the evolution of China's culture; even today, Gansu features significant portions of the ancient Silk Road. Gansu has also some of the most significant cultural and natural heritage sites in all of China, which have World Heritage status, e.g., Mogao Grottoes in Dunhuang and Great Wall in Jiayuguan, Maijishan near Tianshui, and Bingling Temple in Linxia.

Sectoral and institutional Context

Sectoral Context at the national level. China's National 12th Five-Year Plan (2010-2015) highlights the conservation of historic relics, listed historic sites, and intangible heritage as ways of enhancing inheritance and expanding the utilization of heritage capital for local economic development. The conservation and development of distinctive historic sites, surrounding landscapes, environmental improvement, and enhanced scenic area management are expected to be among the key goals in the long-term economic development plans across all levels of government, in particular the 13th Five-Year Plan that is currently being prepared.

Tourism is a high-priority sector in China's National 12th Five-Year Plan and the draft 13th Five-Year Plan attaches great importance to balancing conservation and development of tourism resources. The government's main measures to promote tourism development include: (i) strengthening tourism infrastructure; (ii) promoting the development of key tourism regions and travel routes; (iii) facilitating markets and diversifying tourism products; and (iv) designing in-depth cultural tourism experiences. The State Council has recently issued a number of guidance notes to promote tourism reform and development.

Sectoral Context in Gansu. Tourism is a well-established sector in Gansu, with a strong focus on cultural and natural heritage sites. In 2014, Gansu was visited by about 13 million tourists, mostly domestic, with a 25 percent increase over 2013. Tourism based on cultural and natural heritage sites contributes to 10.2 percent of Gansu's GDP; this GDP share is one of the highest in China, where the national average in 2013 was 5.4 percent.

Cultural and natural heritage sites in Gansu are facing rapidly increasing and even immediate threats, including: (i) rapid growth in the number of visitors, affecting site management arrangements and carrying capacity; (ii) conservation, management, and development investments carried out without an overall vision; (iii) uncontrolled soil erosion and landslides, which need to be addressed through risk management and eco-engineering solutions; (iv) a largely concrete-focused approach to environmental restoration; and (v) inadequate attention to social aspects, especially linkages to local communities and addressing basic service delivery needs.

In 2013, Gansu Provincial Government (GPG) fine-tuned conservation plans, development programs, and investment schemes in cultural, natural heritage and tourism into an integrated initiative founded on the concept of heritage conservation and sustainable tourism. This initiative, entitled the "Innovation Project of Huaxia Civilization Transmitting" (Gansu Huaxia Cultural

Heritage Initiative) is structured as a package of conservation and development programs in 13 sub-sectors, including cultural sites, natural areas, intangible heritage, and historic towns. The objective of this initiative is to support sustainability and growth, and to have the sector contribute to another five percent to Gansu's provincial GDP by 2020.

Geographically, Gansu is divided into three main regions defined by its topography and natural barriers: Hexi Corridor (Western Gansu), Central Gansu, and Longdongnan (Southeast Gansu). Each of these three regions possesses a unique stock of cultural and natural heritage, and together forms a spatial layout of Gansu's heritage sites: three clusters of cultural and natural heritage sites connected by the corridor of the ancient Silk Road. This is referred to as "one corridor and three clusters" in the Gansu Huaxia Cultural Heritage Initiative. GPG has requested the proposed Second Gansu Heritage Project to target the region of Longdongnan (Southeast Gansu) as prioritized in the Gansu Huaxia Cultural Heritage Initiative based on the following considerations:

⇒) - Covering a land area of about 19 percent of Gansu's provincial territory, the Longdongnan region possesses the largest stock of Gansu's cultural and natural heritage (including 50 percent of Gansu's immovable cultural relics and 22 percent of Gansu's natural heritage). Given the limited fiscal resources that the local county governments in Longdongnan can allocate to conservation of such a large stock of relics, cultural heritage at the city/county level in Longdongnan is facing rapidly increasing or immediate threats of degradation or vanishing. Actions are urgently needed for the preservation of cultural relics at the city/county level.

⇒) - With tourism capacity approaching its limits in most sites in the Hexi Corridor and in central Gansu, it is critical to mobilize tourism development in Longdongnan to sustain the growth of Gansu's tourism industry. However, Gansu's priority tourism investments have traditionally concentrated in the Hexi Corridor and Central Gansu, and financial resources allocated to tourism investments for heritage preservation and basics infrastructure for sites in Longdongnan have so far been limited. As a result, the tourism industry in Longdongnan is currently far less developed.

⇒) - With over 84 percent of its population living in rural areas, Longdongnan is far less urbanized than the other two regions of central Gansu (where rural residents account for 30 percent of total population) and Hexi Corridor (where the rural population is 16 percent). Urban jobs created from tourism development could make a significant contribution to accelerate urbanization in Longdongnan region, where traditional industrial investments are largely restricted due to its sensitive ecosystems.

⇒) - In 2013, about 52.4 percent of Gansu Province's rural poor population lived in the Longdongnan region and it is one of the poverty regions prioritized in China's state poverty reduction schemes. Investments in Longdongnan tourism development will provide significant opportunities to the province's rural poor communities.

Rural Poverty Reduction and Tourism Development. In November 2015, the Chinese Government announced an ambitious program to eliminate remaining rural poverty in the country by 2020. As part of the new program, China announced a scheme for rural poverty reduction through tourism development in over 6,000 designated poverty villages, including 368 poverty villages in Gansu Province, and 48 poverty villages in the six project counties/district. Nineteen of these poverty

villages are targeted by the proposed Project.

Value Added of World Bank Support. Bank support for the proposed Project will bring the Bank's considerable global and local knowledge of cultural and natural heritage conservation and tourism development to the province. The Bank has already assisted Gansu through the First Gansu Cultural and Natural Heritage Project, which concentrated on the Hexi Corridor and Central Gansu. In addition, the Bank has supported numerous cultural heritage projects in China (including in Guizhou Province, Shandong Province, and Hubei Province) as well as in other countries, including Tunisia, Lebanon, Morocco, Bosnia Herzegovina, and Jordan. Continued Bank support will scale-up good practice from the earlier project in Gansu and help the province to further harness the potential of cultural and natural heritage sites for local economic development in a less developed part of the province.

II. Proposed Development Objectives

To conserve cultural and natural heritage, enhance tourism services and improve community services in selected project sites in Gansu Province.

III. Project Description

Component Name

Component 1: Heritage Conservation and Tourism Services Improvement

Comments (optional)

- i) Protection and conservation of cultural and natural heritage and cultural relics etc.
- ii) Construction, rehabilitation and/or upgrading of tourist roads, footpaths, pedestrian bridges, and scenic lookouts etc.
- iii) Provision and upgrading of services including water supply, drainage, wastewater collection and disposal, solid waste collection, etc.
- iv) Construction and/or rehabilitation of selected scenic areas' administration facilities, museums, heritage and service centers, and parking space associated thereto;
- v) Implementation of mitigation measures and works for natural heritage aimed at landslides, floods etc
- vi) Development of a tourism information system and website for each of the project sites, which is fully integrated with the project sites

Component Name

Component 2: Community Basic Services Delivery

Comments (optional)

This component will support construction, upgrading and/or rehabilitation of basic infrastructure, and provision of basic services to the communities in the Project Sites, consisting of, inter alia: (i) improvement of pavement for village access roads; (ii) provision of water supply, wastewater collection and disposal; (iii) solid waste collection and sanitation improvements; (iv) street lighting; (v) construction of a wastewater collection network in Kongtong Scenic Area, a wastewater treatment plant along with a collection network in Hua'er Songmingyan Scenic Area; and (vi) construction of village classrooms for teaching and practicing local intangible cultural heritage.

Component Name

Component 3: Capacity Building, Institutional Strengthening, and Project Management Support

Comments (optional)

- i) Provision of training to selected Project-related staff, scenic area administrators and operators, and

residents of local communities in the Project Sites

ii) Provision of (a) training to residents of local communities in the Project Sites on topics of start-up etc; and (b) technical assistance to local communities for incubating community-level small business associations and cooperatives.

iii) Provision of Project management support and technical assistance on design review; project management, contract monitoring and supervision; construction supervision; project reporting; independent monitoring etc

iv) Carrying out studies on heritage preservation and the culture of local ethnic minorities, as well as on the overall management of scenic sites (including asset management).

IV. Financing (in USD Million)

Total Project Cost:	160.76	Total Bank Financing:	100.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			60.76
International Bank for Reconstruction and Development			100.00
Total			160.76

V. Implementation

GPG has appointed the Gansu Provincial Foreign Loan Administration Committee as the project leading agency (PLA) for high-level guidance for the project and for coordination on policy, financial and institutional issues. A provincial PMO (PPMO) has been established under the PLA for day-to-day project management, including monitoring implementation progress, assisting in procurement activities, carrying out financial management, and preparing consolidated project reports. The PPMO is housed within Gansu Highway, Aviation and Tourism Investment Group Co., Ltd, which is a state owned company under Gansu Provincial Government.

At the district/county level, a PMO has been established in the district/county Development and Reform Commissions (DRC); however, in Kangxian County the PMO is located in the Kangxian County Culture and Tourism Bureau. Each PMO is led by a director and is composed of core staff from the district/county government and related implementation agencies. The PMOs are responsible for the preparation and execution of project components within their jurisdiction and for coordination with the PPMO.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10	x	
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x

Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)**VII. Contact point****World Bank**

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