

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

Report No.: AB3065

Project Name	CN-Gansu Cultural and Natural Heritage Protection and Development
Region	EAST ASIA AND PACIFIC
Sector	Other social services (57%); General transportation sector (30%); General water, sanitation and flood protection sector (10%); Solid waste management (3%)
Project ID	P091949
Borrower(s)	PEOPLE'S REPUBLIC OF CHINA
Implementing Agency	
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Environment Category	<input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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1. Country and Sector Background

1. Gansu Province, with its capital of Lanzhou and a total population of 26 million, is located in northwestern China. The economy has traditionally been based on agricultural production, mining of the province's abundant mineral reserves, and heavy industrial development. Poor infrastructure and Gansu's distance from the coast, have largely kept it isolated from the rapid development experienced by other provinces in China over the last two decades. As a result, Gansu is the second poorest province in the country, measured by per-capita GDP. Moreover, the province contains some of the country's poorest communities, as listed on the Government's national poverty register.

2. A major element of Gansu's poverty alleviation and economic restructuring strategy is the development of a sustainable tourism industry. The province has a rich endowment of cultural and natural heritage resources which offer a strong platform for economic development through tourism. The core and unique heritage of Gansu comprises the three great cultural icons of China namely the Great Wall, the Silk Road, and the Yellow River. Gansu's geographic setting includes the Gobi Desert, the Qilian Mountain Range and numerous important oases, wetlands and rivers. As a result, Gansu possesses some of the most significant cultural and natural heritage sites in China, including two UNESCO World Heritage sites (the Mogao

Grottoes and the Great Wall at Jiayuguan). Gansu is also included in a nomination currently being prepared for a UNESCO World Cultural Heritage Route listing of the Silk Road.

3. A feature of many of Gansu's heritage sites is that they are not isolated monuments. Many are very large (tens of square kilometers) and contain a range of cultural assets, ecosystems, and embedded communities, many of which are vulnerable because of poverty and/or ethnicity. These communities have largely lived a subsistence existence off the land, so tourism provides a new and important opportunity for local economic development. This type of activity is already occurring on a small scale at many sites, with local communities developing small guesthouses, restaurants, handicraft associations, and other tourist activities. In places where this has already occurred, the improvement in income and living standards is large.

4. Protection and management of Gansu's cultural heritage is the responsibility of Gansu Provincial Government (GPG) through its Gansu Provincial Cultural Relics Bureau (GCRB) under the sectoral leadership of the State Administration of Cultural Heritage (SACH). Cultural relics in China are managed through a process of listing at various levels of government, depending on the significance of the relic. The level at which each relic is listed determines, by law, the requirements for conservation planning and management and responsibility for financing preservation. State-listed relics, of which Gansu has around 60, are managed on a day-to-day basis by local governments.

5. Many of Gansu's key relics are 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 has been poor, primarily due to a lack of financing and institutional capacity, particularly at the local level. Until recently, Gansu has not been able to prepare cultural conservation plans for its key heritage sites, which has resulted in Gansu's inability to capture state conservation funding, except in emergency situations. Further, institutional barriers have been significant, with authority over the relics and the heritage sites in which they are located, often in conflict or unclear. In many cases, tourism authorities control the sites but are not responsible for the relics within the sites, which has led to over-building of tourism infrastructure around the relics, and little or no preservation of the relics themselves.

6. Tourism is seen by the GPG as a way to generate income to finance heritage protection and as a source of local economic development. However, despite Gansu's rich tourism resources, the sector currently contributes only 3% of provincial GDP. In recent years for which data is available, Gansu attracted only 1 in every 176 of China's international tourists, and 1 in every 113 domestic tourists. This is largely due to limited or substandard infrastructure such as accommodation and local transportation; weak planning, management and marketing skills, and limited local business activities to support tourism.

7. This project does not intend to resolve all of the problems that limit heritage protection and tourism development in Gansu Province, rather, it has been designed as a *barrier removal* and *demonstration* project, which will allow the GPG to build capacity in the province, while testing methods for reducing institutional, planning, and financing barriers at key sites in the province.

During the project preparation period, Gansu has made significant advances in resolving one of the key barriers – a lack of planning in the heritage and tourism sectors – through the commissioning of high-quality, consistent provincial, municipal and site-level tourism, development and conservation plans. This provides, for the first time, a sustainable foundation for heritage protection and cultural tourism in the province and specifically, at the project sites. Moreover, GPG has already started to expand this planning work to other cultural tourism sites outside the project, demonstrating that this aspect of the project design is already replicating throughout the province.

8. At the level of the individual sites, the project will also address some of the key physical barriers to sustainable cultural tourism development, ensuring that communities within and around the project sites as well as tourists experience direct benefits from improvements in basic infrastructure such as water and sanitation, power supply, , solid waste management and access to markets. The project will finance conservation works and protection for key cultural and natural heritage assets including the provision of safety and security systems, effectively resolving the financial barrier to heritage preservation at the project sites. Moreover, tourism infrastructure will be upgraded through provision of visitor facilities and exhibitions, upgrading of tourism management and planning; and strengthening of research, interpretation and presentation of the heritage.

9. Finally, the project will support the greater involvement in and acceptance of sustainable tourism by the community through the project's training program and several key activities such as the Folk Culture Center at Mati Temple Scenic Area, and the Local Handicrafts Development Center at Maijishan. The development of local entrepreneurial activities based on tourism (e.g., handicrafts, home stays, guiding) will be supported through technical assistance and community training in business planning, hospitality skills, marketing, and promotion.

2. Objectives

10. The project development objective is to generate benefits for local communities from the development of sustainable cultural tourism in Gansu Province.

3. Rationale for Bank Involvement

11. The rationale for Bank involvement in the project is strong because this project is intended to be a demonstration for Gansu and more broadly, for China. The Bank will provide Gansu with the benefit of its extensive global and China experience in heritage protection, sustainable tourism, institutional development, and financial management. The Bank has had a long and successful engagement in China on the protection of cultural heritage, including the Leshan Grand Buddha, the Shenyang Imperial Palace, Chongqing's Huguang Huiguan, and the historic city center of Shaoxing. Moreover, the Bank has collaborated with SACH, Ministry of Construction (MOC) and other Chinese authorities in the dissemination of international and Chinese best practice on heritage protection and financing, and sustainable tourism development, through a pair of international conferences in China in 2000 and 2006. In addition, the Bank has extensive experience in similar projects in other regions of the world, including Peru, Ethiopia and Morocco, which it will bring to the project, as appropriate.

12. The project is inherently cross-sectoral and the Bank is well-placed to support GPG as it coordinates the many actors required to ensure the success of sustainable tourism development. In addition, since Gansu is one of China's poorest provinces, the level of financing that the Bank is able to provide to this sector is significant, allowing Gansu to successfully conduct the program in multiple municipalities for greatest capacity and awareness building benefit. Even though Gansu has worked with the Bank in other sectors, this is the first project in the heritage and tourism sectors. The province has benefited from the analytical rigor of Bank project preparation and appraisal to achieve optimal project design. Value-added during implementation would include cost savings through procurement under Bank guidelines, and improved project management and construction quality.

13. Finally, as per the priorities of the central government, the Bank is well-placed to assist China in disseminating its experiences in this sector and in particular in this project, to a wider audience around the world. As this is a new sector of focus for China, and one which holds significant potential for economic development in China's lagging hinterland, the Bank's assistance in dissemination of the project experience will help China attract further financing for the heritage and tourism sectors in the future.

4. Description

14. The project comprises two components, the first of which is conducted at each of nine key cultural and natural heritage sites within the following six municipalities in Gansu Province: Jiuquan and Jiayuguan Municipalities in the west; Zhangye, Baiyin and Lanzhou Municipalities in central Gansu; and Tianshui Municipality in the east. The second component, an institutional strengthening and capacity building component, will benefit the citizens, government officials and others at all nine project sites and within the municipal and provincial governments. The two components are:

Component 1 – Protection and Development of Priority Sites: The following activities would be carried out at each of the eleven project sites:

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

1.2 Infrastructure, Tourism Services and Environmental Protection – investment in high priority physical infrastructure 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 including project management strengthening, training of site managers, staff and local residents in heritage conservation, site management and tourism development, a province-wide study on tourism market development, and several site-specific studies and plans on tangible and intangible heritage

5. Financing

Source:

(\$m.)

Borrower	19.35
International Bank for Reconstruction and Development	38.40
Total	57.75

6. Implementation

15. **Project Management.** The Gansu Provincial Leading Group (GLG), chaired by a Vice Governor of Gansu, will provide high-level guidance to the project, and coordinate on policy and institutional issues related to the project. A Provincial Project Management Office (PPMO) under the Social Development Department of the Gansu Provincial Development and Reform Commission has been established with sufficient staff to provide overall project management. The PPMO will be assisted by a panel of thirteen technical specialists on engineering, planning, cultural heritage and other topics. The members of the panel are recognized experts employed by relevant Gansu Provincial Government bureaus and universities.

16. Municipal Leading Groups (MLGs) and Municipal Project Management Offices (MPMOs) have been set up in the six Gansu municipalities of Lanzhou, Jiuquan, Jiayuguan, Zhangye, Baiyin and Tianshui for the preparation and implementation of their projects with similar arrangements as GLG and the PPMO. The MPMOs are located within the following municipal government agencies: Development and Reform Commission for Jiuquan Municipality; Tourism Bureau for Baiyin and Zhangye Municipality; Culture Bureau for Lanzhou Municipality, Culture, Broadcasting and Television Bureau for Jiayuguan Municipality; and Maijishan Scenic Area Administration Bureau for Tianshui Municipality. The responsibilities of the MPMOs are to guide preparation and execution of project components within their jurisdictions, and to coordinate activities with the PPMO. Project Implementation Units (PIUs) have also been established in the nine project scenic areas to be responsible for project implementation, construction supervision and management in their respective scenic areas.

7. Sustainability

17. Gansu is strongly committed to the development of sustainable cultural tourism. The Vice-Governor of Gansu, the Directors of the various Gansu bureaus and commissions, the Vice-Mayors of the six municipalities, and other senior provincial and city officials have actively participated in discussions with Bank missions during preparation and appraisal.

18. However, the proposed investments do not lend themselves to predictable, recurring revenue flows, such as from utility tariffs. Most of the proposed subcomponents are attempts to generate cultural tourism activity from a non-existing or very low existing base. Aside from uncertainties over the extent and timing of market acceptance of these sites as tourism destinations, macro-economic shifts that could have major impacts on domestic and foreign tourism (e.g. fuel prices, exchange rate fluctuations, events and policies affecting disposable incomes of domestic households) are well beyond the influence of PIUs or the Gansu Provincial Government.

19. The project has been designed with respect for the uncertainties of the market, with an emphasis on providing a balance between heritage protection, improvements to local community standard of living, and environmental protection on the one hand, and tourism service infrastructure on the other. Conservative estimates of tourism demand have been used to evaluate the sustainability of the proposed investments, and operation and maintenance has been supported through the inclusion of key maintenance equipment in the project. Marketing and information systems are also included to promote tourism in Gansu.

20. Furthermore, the project includes training of about one hundred local site managers and workers, and more than 4,000 community members. Community training will include awareness-raising on the benefits and impacts of tourism, and business skills to assist local communities participate successfully in tourism.

8. Lessons Learned from Past Operations in the Country/Sector

21. Over the past 15 years, the Bank has gained experience through a series of projects supporting heritage conservation in China and through a recent analysis of the cultural heritage sector entitled *Management of Urban Cultural Heritage in China: A Sector Overview*.¹ The key lessons have been incorporated into the design of the project as follows:

22. ***Comprehensive and Coordinated Planning.*** The *Sector Overview* and project experience have found that planning authorities in China would benefit from more assistance in developing plans that address the impacts and trade-offs among different land use categories. During project preparation, the team has found that local plans for heritage conservation, urban upgrading and tourism development are often done without the necessary consistency and coordination. Many of these issues were addressed during project preparation through the screening and upgrading of all these plans for suitability and consistency. The project will continue to provide guidance on these planning issues as it progresses.

23. ***International Standards in Heritage Site Conservation and Interpretation.*** Previous EASUR projects in China have found that local officials and practitioners tend to follow conservation and interpretation practices which are outdated in China and employ lower standards than current international practice. To encourage international practices, the project activities will emphasize use of the *Principles for the Conservation of Heritage Sites in China*, which is a set of guidelines for international best practice recently issued by China's State Administration for Cultural Heritage and ICOMOS Chapter. The project will also support international experts to provide guidance on conservation and interpretation activities at the project sites.

24. ***Sustainable Tourism Development.*** Recent studies on heritage sites and trends in China's tourism sector suggest that there has been a tendency toward excessive exploitation of heritage assets, and a lack of understanding of the negative impacts of tourism on the part of government bodies. To address the issues of sustainable tourism planning, the project will make use of the lessons learned in the development of cultural heritage tourism strategies for Shaoxing

¹ World Bank, 2005. *Management of Urban Cultural Heritage in China: A Sector Overview*. Working Paper No. 2, Urban Development Working Papers, East Asia Infrastructure Department. Washington D.C.

and Ningbo under the Zhejiang Urban Environment Project. These strategies include: (1) strengthening and coordination of key agencies; (2) improving tourism market research and analysis; (3) developing appropriate levels of tourism, based on realistic visitor numbers; and (4) planning that emphasizes cooperation, rather than competition among local tourist destinations.

25. **Community Benefits and Poverty Reduction.** Previous projects in both heritage and environmental conservation have established the importance of minimizing negative impacts and maximizing benefits for nearby communities in order to reduce poverty and engage their support for project conservation goals. This project will focus on community benefits through: (1) provision of basic infrastructure services to communities near project sites (e.g. water and sanitation, road improvements etc.); and (2) support for training in local economic activities, such as souvenir sales, restaurants, and guest houses.

26. **Gansu Fiscal Capacity.** Gansu has participated in several World Bank projects in the past, primarily in the rural and transport sectors. Experience on these projects has shown that implementation is often delayed due to a lack of available counterpart financing. This project has attempted to address the problem through: (a) increasing the World Bank financing percentage of the project to 70%; (b) developing counterpart funding plans during preparation; and (c) reaching agreement with local authorities for ensuring that counterpart financing will be available at the appropriate time. (See Financial Analysis sections for further detail.)

9. 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]
Pest Management (OP 4.09)	[]	[X]
Physical Cultural Resources (OP/BP 4.11)	[X]	[]
Involuntary Resettlement (OP/BP 4.12)	[X]	[]
Indigenous Peoples (OP/BP 4.10)	[X]	[]
Forests (OP/BP 4.36)	[]	[X]
Safety of Dams (OP/BP 4.37)	[X]	[]
Projects in Disputed Areas (OP/BP 7.60)*	[]	[X]
Projects on International Waterways (OP/BP 7.50)	[]	[X]

10. List of Factual Technical Documents

1. Project Documents
 - a. Project Proposal
2. Procurement Assessment Report
3. Procurement Capacity Assessment Report
4. Financial Management Assessment Report

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

5. Consolidated Environmental Assessment/Environmental Management Plan Report (Chinese and English)
6. Consolidated Resettlement Action Plan and Resettlement Policy Framework (Chinese and English)
7. Consolidated Feasibility Study Report (Chinese)
8. Indigenous Peoples Plan for Mati Temple (Chinese and English)
9. Letters, Decrees, Policy Papers
10. Various Reports and Studies
 - a. Strategic Overview Report
 - b. Review of Solid Waste Management Investments

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