

**PROJECT INFORMATION DOCUMENT / INTEGRATED SAFEGUARDS DATA
SHEET (PID/ISDS)
CONCEPT STAGE**

Report No.:PIDISDSC16800

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I. BASIC INFORMATION

A. Basic Project Data

Country:	China	Project ID:	P158215
		Parent Project ID (if any):	
Project Name:	Gansu Silk Road Local Economic Development Project (P158215)		
Region	EAST ASIA AND PACIFIC		
Estimated Appraisal Date:	10-Nov-2017	Estimated Board Date:	25-Sep-2018
Practice Area (Lead):	Social, Urban, Rural and Resilience Global Practice	Financing Instrument:	Investment Project Financing
Borrower(s)	People's Republic of China		
Implementing Agency	Department of Culture		
Financing (in USD Million)			
Financing Source			Amount
Borrower			432.00
International Bank for Reconstruction and Development			250.00
Total Project Cost			250.00
Environmental Category:	A-Full Assessment		
Concept Review Decision:	Track II - The review did authorize the preparation to continue		
Is this a Repeater project?	No		
Other Decision (as needed):			

B. Introduction and Context

Country Context

China is undergoing a major economic transformation from a manufacturing- toward a service-based economy. China's old growth model, based on heavy-industrial investments as well as labor- and energy-intensive manufacturing and construction, is transforming into a new growth model that is slower, but more based on services, consumption, innovation and private sector participation. China's 13th National Five-Year Plan (2016-2020) has set out a comprehensive reform agenda to facilitate the

ongoing economic transition to a better quality and more balanced growth, that is both economically and environmentally sustainable, and achieves better social outcomes through greater shared prosperity.

China's remarkable economic growth has resulted in unprecedented poverty reduction, but China still has a sizable population vulnerable to poverty. From 1978 to 2014, China's real per capita incomes increased 16 times, which lifted more than 850 million people out of poverty; an unprecedented achievement in human history. A recent series of poverty alleviation policies and programs launched by the Government of China aims at eliminating absolute poverty by 2020. However, despite progress made in alleviating extreme poverty, China hitherto has a sizable population vulnerable to poverty- as defined by a higher international poverty line of \$3.10 per day of purchasing power parity. According to this higher poverty line, which characterizes those in moderate poverty and vulnerable to poverty, China is projected to have a poverty rate of 3.9 percent (54.6 million people) by 2018. However, the slowing economy may lead to possible impacts on poverty reduction, given that economic growth has been a major driver of poverty reduction in China for nearly three decades.

Gansu is the least developed province among all the 31 provinces in China. Gansu Province is located in the upper Yellow river basin in northwestern China. It covers a land area of 450 thousand square kilometers (km²). With 1.89% of the national population (26 million inhabitants), Gansu had a GDP of RMB 715 billion in 2016, accounting to only 0.96% of the national GDP. Gansu's GDP per capita was RMB 27,458 (US\$4,038) in 2016 – the lowest among all the provinces, while the national GDP per capita was RMB 53,980 (US\$7,938). Nevertheless, the GDP growth in Gansu was 7.6% in 2016, higher than the national growth rate of 6.7%. In sectoral terms, the economy in Gansu had also grown at a higher rate than the national total in 2015, i.e. GVAs of primary, secondary, and tertiary sectors grew at 5.5%, 6.8%, and 8.9% respectively, higher than the national rate of 3.3%, 6.1%, and 7.8% (Gansu Stats, 2017; China National Stats, 2017).

Gansu Province is the second poorest province in China. Despite the remarkable nationwide economic growth in the past decades, regional and urban-rural income disparities in China remain wide. In 2016, the annual disposable income per capita was RMB 14,670 (\$3,779) in Gansu, lower than all other provinces. Among rural residents, the disposable income per capita in Gansu was only RMB 7,457 (\$1,097) - slightly lower than the international poverty line of \$3.10 purchasing power parity per day. In terms of absolute poverty, in 2011, Gansu has 8.42 million people under the national poverty line of RMB 2,300 per year (equivalent to \$1 per day), accounting for 40.5% of the provincial population. In 2015, as a result of the progressive poverty alleviation programs, 3.15 million people or 15% of the provincial population live in extreme poverty based on the national standard (Gansu Stats, 2017; China National Stats, 2017). With 55% of its total population living in rural areas, Gansu still has a large population vulnerable to poverty.

Agricultural development alone will not lift Gansu's poor out of poverty; and the once-powerful heavy industries are declining. Gansu's natural geographic conditions are not ideal for agriculture. The existing arable regions are constantly under threats from climate change, including drought and desertification. Poor natural conditions, overpopulation (compared to the size of arable land), and a landlocked location, had shaped Gansu's consistent poverty over history. The state-led industrialization in the 1950s built heavy industries (e.g., steel, energy, chemical, nuclear) and turned Gansu into a manufacturing-based economy in a few decades. But the top-down industrialization benefited only a fraction of Gansu's population; the urbanization rate is lower than the national average. In recent years, Gansu's manufacturing and mining industries have been threatened by the exhaustion of natural resources. The growing public awareness of environment protection and stricter regulations on pollutions have also constituted a major challenge for Gansu's high-energy-

consumption, high-environmental-impact industries.

Gansu has recently undergone a major economic transformation toward a service-based economy, which demonstrated significant potential for sustainable economic development in future. In 2014, the tertiary sector in Gansu overtook the secondary sector in contribution to GDP for the first time in history, marking a significant milestone of economic structure change in Gansu. The service sector has been the leading economic sector since 2014 and it has been strengthening its leading position. From 2010 to 2015, the value added in the service sector had more than doubled, from RMB 159.9 billion to RMB 334.1 billion. In 2016, the share of tertiary sector in GDP reached 51.55 percent, more than half of the provincial GDP. The finance industry, cultural and tourism industry have been the fastest growing industries in 2015, with a GVA growth of 21.5 percent, 18.2 percent respectively.

Sectoral and Institutional Context

Located between the deserts and the Tibet Plateau, Gansu was the only passageway throughout ancient times connecting China's capital with Central Asia and Europe over land. With its unique history and strategic location, Gansu Province has been defined as the "golden passageway" of the Belt and Road Initiative. The Gansu Provincial Government adopted the Master Plan for Developing the Gansu Section of the Silk Road Economic Belt (2014-2020), with a vision to build on the province's abundant natural resources and unique cultural resources as important nodes along the Silk Road route, and to accelerate regional economic integration, urban-rural development, and poverty reduction along the Silk Road. Under the Plan, Gansu has already started to build more than 70,000 km roads and railways with the aim to complete in six years, and establish new passenger and freight lines to central and western Asian countries. With the improved transportation, Gansu plans to promote economic and technological exchange, industrial cooperation, new economic drivers, cultural exchange, and strategic platforms (i.e., Lanzhou New Area, Dunhuang International Cultural Tourism City, and the "China Silk Road Expo").

The Government requested World Bank Group to supplement such investments, with a focus on a) enabling lower-income communities in historic cities, towns and villages to benefit from the overall Belt and Road Initiative; and b) maximizing partnership with the private sector. With the Silk Road culture as the driving theme, the Government expects the project to regenerate urban and rural spaces, integrate important cultural and natural elements of ancient and modern times from China, and leverage the Silk Road endowments for improved living environments and economic livelihoods of local communities. Five hub cities (prefecture-level) along the Silk Road route have been selected to benefit from the project, namely- Tianshui, Dingxi, Zhangye, Jiayuguan, and Jiuquan (including Yumen and Dunhuang county-level cities). They were selected on the basis of poverty (per capita dispensable income is lower than the provincial average); transformation from manufacturing to services economy; concentration of underutilized cultural and environmental endowments; and location (directly located along the Silk Road and constitute the new Gansu tourism circuit with considerable potentials for local economic development). They were also not sufficiently funded under various silk road programs.

Tourism has huge potential to reduce poverty and improve living standards of the bottom 40 percent population in tourist destination areas. Globally, the tourism and travel sector has recently evolved into a diverse, sophisticated, and sustainable engine of economic growth that creates jobs, attracts investments, increases domestic consumption, and drives the development of critical infrastructure. The sector currently contributes nearly 10 percent of global GDP, 5 percent of global investment, and creates one out of every 11 jobs – with over half of those jobs filled by women and youth (WTTC, 2016). The tourism industry has a high employment multiplier and a relatively low skill threshold, making it an ideal choice of development for poverty alleviation.

China has recognized tourism as a key economic sector and mainstreamed the role of tourism in poverty reduction and local economic development in the national development plan. Along with China's economic transformation, tourism has become in recent years a key economic growth sector. China has the largest number of people employed in the tourism sector in the world; and the second highest contribution to GDP from tourism (WTTC, 2016). In 2015, the travel and tourism sector contributed to 7.9 percent of the national GDP, and 8.4 percent of the total employment (WTTC, 2016). Given the increasing importance of tourism, for the first time the National Tourism Development Plan for the 13th Five-Year Plan period (2016-2020) was upgraded by the State Council as a National-level Strategic Plan, aiming to develop this sector under a more strategic, comprehensive and sustainable framework. Moreover, China has also mainstreamed "poverty reduction through tourism" in this Plan.

In Gansu, culture and tourism have the potential to significantly impact local economic development and poverty reduction. The richness of tourism resources (both cultural and natural) in Gansu ranks 5th across China's provinces, and thus constitutes a unique comparative advantage for Gansu along with its economic transformation strategy: Gansu has 7 world cultural heritage sites, 153 national-level cultural preservation sites, and 577 provincial ones (The Situation of National Key Cultural Relics Protection Unit in Gansu). The tourism industry has been growing dramatically in recent years, and has become a major frontier for economic development in Gansu. From 2010 to 2015, revenues from the tourism industry had more than doubled, and tourist visits had grown four-folds. The share of the tourism in economy had grown from 6 percent in 2010 to 14 percent in 2015; and contribution to employment had grown to 16 percent (direct jobs created in the tourism industry were 500,000 in 2015) (Gansu Development Yearbook, 2016). Tourism has also shown positive impacts on poverty reduction in Gansu. For instance, from 2010 to 2015, 170,000 people in Gansu were alleviated from poverty through tourism (The State Council Leading Group Office of Poverty Alleviation and Development, 2016).

Gansu has ambitious plans to upgrade and strengthen its cultural tourism industry. Gansu has also launched the provincial "Poverty Alleviation through Tourism" program, aiming at improving rural and urban settlements, infrastructure, and environment, as well as to provide microcredit support to poor households. The province plans to develop and connect to the Silk Road 20 major scenic sites, 20 major cultural tourism attractions, 20 key cultural tourism parks, 20 key enterprises in cultural tourism, 30 historic towns, and make Dunhuang an internationally renowned cultural hub.

However, several obstacles prevent Gansu from fully realizing the socioeconomic potential of the Belt and Road Initiative. Gansu has poorly designed and developed tourism circuits at the city and province levels that does not effectively combine tangible and intangible heritage and leverages private-sector participation. Though tourist visits increased in recent years, tourism spending per trip has not yet increased, implying the need for more tourism products. Gansu is one of the richest provinces in its cultural and natural attractions, yet tourism flow is concentrated in limited number of high-grade attractions without much extension in the value chain to communities as would be expected in a sophisticated tourism circuit. Moreover, disparity of tourism development between different prefectures remains high. In sum, the potentials of cultural and tourism development have not been fully realized to generate more economic returns or expand the benefits to more people in Gansu.

A more enabling business environment and better access to credits with higher value added are needed to create more jobs and generate higher incomes for local people. Gansu, like other western provinces, performs poor in terms of ease of doing business because of certain social and institutional constraints. It shows significant under-development of entrepreneurship. In terms of Small and Medium-sized

Enterprises (SMEs), Gansu has been performing even poorer than other western provinces. Gansu's financial institutions have played a significant role in the underdevelopment of the SMEs. In 2013, the credit availability for SMEs in Gansu was only 46.2 percent. Only until the 1990s, the first generation of privately owned businesses emerged in Gansu. These private firms, however, had suffered from a poorly developed market environment and lack of human capital resources, and therefore are still inadequate in nurturing entrepreneurship. A more enabling business environment and better access to credits are critical in developing a more dynamic tourism sector with higher value added, and to create more jobs and generate higher incomes for local people.

Regenerating urban and rural areas is needed to enable residents to benefit from cultural or natural endowments. Gansu has seven World Heritage Sites and several national, provincial and county-level cultural cities, towns, villages and sites that are unique globally. However, the values of cultural and natural assets are not fully utilized. Historic and vernacular neighborhoods are often left dilapidated. Residents in or near places with unique cultural and natural endowments often live in poor conditions. Leveraging the rich cultural and natural endowments and creating livable cultural towns and villages can improve people's living conditions, socioeconomic livelihood, expand the tourism value chain and enrich tourism experience to generate more revenues to the local economy.

The ecological environment and environmental infrastructure need to be improved for sustainability. Gansu has very diversified natural geographic characteristics. Its main livable land areas are dry, semi-dry or barren lands. Gansu is an ecologically vulnerable province to climate change, yet is a key ecological buffer for China's southeastern hinterland. Meanwhile, Gansu has abundant, unique landscapes with huge potential to become natural parks that can contribute to local economic development. However, such development must be carefully planned and managed to protect the vulnerable environment. Gansu generally lacks adequate urban and rural environment infrastructure. For example, only 17.5 percent of administrative villages have sanitation systems, far below the national level of 48.2 percent. Moreover, mitigation of environmental externalities of future urbanization and tourism development must also be considered. Gansu has prepared master plans to protect its ecological environment, though the source of fund needed for implementing remains insufficient.

Relationship to CAS/CPS/CPF

The proposed project is in line with both strategic themes of the World Bank – China Country Partnership Strategy (CPS 2013-2016). Under Strategic Theme 1: Supporting Greener Growth, the project will enhance urban environmental services in selected areas in the hub cities along the Silk Road route in Gansu. Under Strategic Theme 2: Promoting More Inclusive Development, the project will strengthen skills development programs for residents near cultural or natural endowments for job creation and income generation; and will enhance job opportunities in rural areas and small towns adjacent to cultural and natural endowments through targeted interventions. Moreover, the project will contribute to the Cross-Cutting Theme of Advancing Mutually Beneficial Relations with the World, by supporting South-South cooperation and knowledge sharing, as part of the Master Plan for Developing the Gansu Section of the Silk Road Economic Belt.

This project is fully aligned with the World Bank's twin goals and the infrastructure cascade. As China's economy continues to develop, the needs for economic transformation and development with a greater private sector participation increases. This project focuses on promoting shared prosperity of the bottom 40% of the population and directly benefiting the lower income groups living in or nearby major cultural and natural endowments but not yet benefitting from such endowments. The project aims to leverage government and private sector resources and invests in the poorest province in China, Gansu. The project aims to improve living conditions of the poor households, enable them to access

economic opportunities, and empower them through improved access to financing, tourism market and capacity building.

C. Proposed Development Objective(s)

Development Objective(s) (From PCN)

The project development objective is to improve local economy and living conditions in selected communities in Gansu Province.

The project will contribute to the implementation of the Master Plan for the Gansu Golden Section of Silk Road Economic Belt, the 13th Five-Year Plan of Gansu Province, and the Chinese Civilization Inheritance and Innovation Master Plan. The project is anchored within Gansu Poverty Alleviation through Tourism Program, which aims at improving urban and rural settlements, infrastructure, environment sustainability, and provide microcredit support to poor households. Building on the success of completed and ongoing infrastructure development and cultural conservation in the province, the project will finance incremental improvements needed to connect lower income groups to benefit from major public investments. The project introduces an integrated approach of using local endowments as an economic driver for sustainable local economic development. The project invests in selected locations where lower-income groups living in decaying historic areas could benefit from, and contribute to, the Silk Road economic growth.

Key Results (From PCN)

- Number of project beneficiaries (CSI, gender disaggregated, 50% women target).
- Number of urban and rural locations regenerated with improved living conditions of residents.
- Number of jobs created at project sites for the bottom 40% due to project investments (Disbursement Linked Indicator, gender disaggregated, 50% women target).
- Number of new and expanded micro-enterprises established with project support (Disbursement Linked Indicator, CSI, gender disaggregated, 50% women-led target).
- Number of site management plans prepared and executed to ensure sustainability.
- Number of participants in consultation activities during project preparation and implementation (CSI, gender disaggregated, 50% women-led target).
- Volume of private sector finance leveraged.
- Number of wetlands protected against climate change.
- Length of improved access roads (CSI).
- Piped household water connections that are benefiting from rehabilitation works undertaken by the project (CSI).

D. Concept Description

The project will adopt a "Hub and Spokes" concept of economic clustering. A "Hub" is a historic city along the Silk Road that is well-connected to major transportation corridors, with large population and dense economic activities to host major tourism infrastructure, services and functions. The "Hub" serves as a well-functioning and livable base city for tourists to stay longer and spend more. The "Spokes" represent a satellite system of attractive tourism sites surrounding each hub (e.g., World or National Heritage Site, geological park, historic and cultural towns or villages, or a major scenic or adventures area). Spokes should have good connectivity with their respective hubs and contribute to the overall Silk Road development.

The project will connect the lower income communities to economic opportunities around the "Hubs and Spokes" through direct interventions and community development programs. The project will adopt a multi-sectoral approach that integrates community development, connectivity, cultural &

natural tourism, environmental rehabilitation and capacity building. The project will ensure stakeholders ownership at the national, provincial, local and community levels.

The project's investments in hubs along the Silk Road will focus on low-income residents living in historic but decaying core areas. Investments in urban regeneration activities will: a) improve the living conditions of residents, b) restore traditional houses and public spaces so that such areas could attract tourists to enhance local economy, c) provide micro-credit opportunities to residents so that they can start a new, or expand an existing, micro-enterprise (e.g., homestay, intangible heritage) to improve their economic livelihood, and d) link renovated areas to the tourism circuit to increase visitors to, and spending in, such areas through infrastructure and marketing.

The project's investments in spokes will aim to reduce regional disparities and uneven development within each prefecture under the project. Investments will benefit low-income residents living in historic but decaying small towns and villages. Investments will: a) improve municipal services and infrastructure, b) restore traditional houses and public spaces so that such areas attract tourists from nearby hubs, c) provide micro-credit opportunities to residents so that they can start new micro-enterprises (e.g. homestays, restaurants, shops, handicrafts, intangible heritage) to improve their socioeconomic livelihoods, and d) link renovated areas to the provincial tourism circuit to increase visitors to, and spending in, such areas, and thus create jobs and improve the economic livelihood of lower income communities.

Leveraging private financing, the project's interventions will contribute to local economic development and facilitate economic transformation in Gansu Province. With the project's targeted interventions in hubs and spokes, Gansu will offer a series of circuits and tourism products that are unique (not competing or repetitive within the province), attractive (attract tourists to stay longer in Gansu and spend more on local and regional economy), varied (a series of connected but different tourism options), integrated (incorporation of different systems) and high-quality (good infrastructure, good service, good environment, and authentic tourism experiences). These, together, will strengthen the current tourism and service sector in Gansu.

Components:

Component 1. Community local economic development (US\$50.00 millions).

Community development activities for residents in project areas, using mechanisms of business-start up/expansion advisory service, as well as microcredit for community entrepreneurship. The component will benefit households who would like to preserve intangible heritage or start/expand a new business, such as a homestay, restaurants, artisan workshop, café, souvenir shop, or any other tourism or cultural related enterprise (micro, small or medium size). This component will be implemented by a combination of a commercial bank and a micro financial institute (MFI) (to be competitively selected based on this EOI and certain criteria) using a credit guarantee financing instrument (with specific performance indicators attached). A risk sharing guarantee will be used with the selected bank and MFI. Under such an instrument, the Bank's and possibly IFC financing will reimburse the selected bank or MFI the loss agreed in advance. The geographic scope will focus on Gansu province, with a particular focus on the project cities and town. Microcredits will only finance a positive list of small-scale investments that fall under category C or B environment. The component builds on past experience in China under the Poor Rural Communities Development Project, other state programs, and will coordinate with the Jiangxi Farm Produce Distribution System Development Project.

Component 2. Urban regeneration of hubs (US\$150.00 millions).

Subcomponent 2.1. Urban regeneration of historical neighborhoods in hub cities and towns along the Silk Road. Proposed sites include Tianshui Xiguan Old City, Qin'an County-seat City (Urban/rural regeneration; Cultural park; Tourist infrastructure; Cultural heritage conservation; Intangible heritage);, Lintao County-seat City (Rural regeneration; cultural heritage conservation; tourist infrastructure; intangible heritage);, Zhangye historic city center (Rural regeneration; municipal infrastructure upgrading); , Longcheng Town, Wulan Old Town-Folklore Village, households next to Jiayuguan World Heritage , and Wei-Jin Tombs (Tourist infrastructure, museum).

The subcomponent will also invest in incremental improvements of urban infrastructure, cultural parks and discovery centers, with a focus on intangible heritage, e.g., Fuxi Temple – Xiguan Old City (Urban regeneration; cultural park; tourist infrastructure; municipal infrastructure rehabilitation; intangible heritage support);, Qin'an Opera, Tianshui lacquerware construction, Majiayao incubation center, Zhangye General Commander's Hall revitalization, Jiayuguan World Heritage Park (Urban regeneration, tourist infrastructure; intangible heritage support);, Wei-Jin Tombs, and Black Mountain Rock Painting (Tourist infrastructure; Museums).

Subcomponent 2.2. Public-Private Partnership (PPP) in development of a selected number of museums, art centers and discovery centers, e.g., Tongwei small town of calligraphy and paintings, Dadiwan, Majiayao Museum;; Construction of Jiuquan Silk Road Research Center and Library (Research; educational; exhibition center); and Xuanquanzhi Posthouse conservation and discovery center (Cultural heritage conservation; Tourist infrastructure; Environmental conservation).

Component 3. Development of spokes (\$30.00 millions).

Development of natural parks, wetlands conservation for climate change resilience, environmental infrastructure for neighborhoods in and around cultural tourism sites, pollution reduction in water bodies, and environment risk mitigation. Proposed sites include Jiayuguan World Heritage Park, Caohu Wetland (Wetland rehabilitation; Tourist infrastructure; Museum);, Yumen Danxia Landform and Petrified Wood Geological Park (Environmental protection; Cultural heritage conservation; Tourist infrastructure), and Xuanquanzhi valley conservation.

Component 4. Institutional development and project management (US\$20.00 millions).

This component includes preparation of site management plans, market demand analysis, tourism development plans, urban and rural regeneration plans, community development studies and plans, marketing and promotion, workforce development, knowledge exchange and conferences, safeguards monitoring, monitoring and evaluation of project impact, socioeconomic evaluation, project management support and operating cost.

Subprojects evaluation criteria and principles: The above identified subprojects went through thorough system of identification, screening and selection observing the following criteria and principles:

- Linkage with high-level plans. The proposal must have a clear, demonstrated link to the One Belt One Road Initiative, the 13th Five-Year Plan of Gansu, the Chinese Civilization Inheritance and Innovation Master Plan, and other relevant provincial development plans.

- Anchored in the Silk Road Programs. Any subproject proposal must be already included in one of the Silk Road strategies/action plans, reflect the theme of Silk Road culture with certain representative and

unique features, enriched with historical value and practical significance for inheritance.

- Geographic locations. The subproject falls within the selected cities for the project- namely, Tianshui, Dingxi, Zhangye, Jiayuguan, and Jiuquan (Dunhuang and Yumen). Other important nodes of the Silk Road can be possibly covered. The cultural resources can be connected in clusters and linked with the important tourist routes in Gansu.

- Connectivity. The cultural resources in the proposal should be connected in clusters and linked with important tourist routes in Gansu.

- Impacts on local communities. The proposal should demonstrate how the proposed investment will benefit local communities through development of a tourism product or site, with outstanding historical or natural value and surrounding local economic initiatives (e.g. income generation, job creation, poverty alleviation, livelihood improvement, access to basic services, improvement of living environment, and improvement of community life).

- Local economic development. The proposal should demonstrate support for local economic development, as evidenced by the relevant government plans (including the province-level plans and city-level Master Plans), with quantitative evidence of growth to-date and future projections for growth of the relevant sectors.

- Leveraging and financial capacity. The subproject must be part of a larger Silk Road program for which sources of finance will be leveraged from different government or donor funds. The local authority has demonstrated financial readiness and capacity to borrow/repay and prepare counterpart funding for the proposal.

- Innovation. The proposed subproject must have an innovative dimension (related to policy reform, sustainability, using technology or leveraging funds).

- Scale. The subproject scale should be relatively large with relatively concentrated investment and certain demonstration and piloting effects.

- Economic Viability. The proposed subproject must demonstrate good prospects for development with certain profitability and repayment.

- Sustainability. Equal attention needs to be paid to both hardware construction and software development, and integration of culture and tourism. Capacity building is equally important.

- Ownership, implementation and O&M. Ownership of the proposed sub-project will be taken by a central/provincial/local authority, with an adequate institutional arrangement, financial resources and clear Operations & Maintenance (O&M) plans in place to ensure sustainability.

- Commitment and Capacity. The local authority must demonstrate commitment and capacity to implement the project.

- Safeguards. The proposal is in line with the World Bank's environmental and social safeguards. It should NOT involve any large-scale resettlement, land acquisition, or negative environmental or social impacts (including economic livelihoods of residents and property owners) that cannot be mitigated under the project.

- Readiness. The preliminary feasibility study/design for the subproject is completed or the proposing city is ready to finance the subproject design.

- Timeline. The subproject proposal should be a high priority for municipal government projects to start implementation in 2018 or 2019.

Project Innovations

New public policy for greater efficiency: The project adopts an integrated "hubs with spokes" concept to direct investments along the Silk Road – clustered multi-sectoral investments based on targeted interventions, improved connectivity and institutional development for greater impacts. The project will develop integrated packages for each "hub and spokes" system and limited number of subprojects for effective project management. National, provincial and local governments are taking a whole-of-government approach in the design of the project.

Poverty & gender: The project invests directly in lower-income communities, with a gender focus, adjacent to Silk Road endowments, enabling them to benefit from the Belt and Road Initiative through improved socioeconomic livelihoods. The project will invest in community participation and development through microcredits and incubation of household and community SMEs to reduce poverty, create jobs, and generate incomes

Spatial inclusion: The project invests in urban and rural regeneration of historic core areas of cities and upgrading of small towns and villages with unique endowments. This is a relatively new area of World Bank investment in China. The project will introduce a more inclusive and participatory approach, different from the common demolish-resettle-rebuild practice in China (under the Shantytown development program) that clears all current buildings and resettles the lower income groups, leading to large-scale urban gentrification and increased liability on local governments' accounts.

Climate change and environment sustainability: The project will pilot integrated conservation plans of wetlands and national parks to protect them climate change and integrate them in the Silk Road based on sustainable development plans. The project will introduce international best practice in managing national parks and conserving wetlands, to protect the fragile ecosystem and enhance gains from the natural endowments.

Analytical underpinning: The project design is underpinned with good analytical work on regional and local disparities and economic opportunities in Gansu based on WDR 2009 (Reshaping Economic Geography), which was undertaken by the team as part of this project's identification (World Bank 2017, unpublished report). The project design will link supply (the size and type of infrastructure and facilities) to market demand (projected number of users/tourism visitors) to avoid commonly over-sized construction and weak economic returns in China. Further studies on community microcredit and SMEs, as well as urban and rural regeneration will also be conducted to improve the quality of the project.

Infrastructure cascading: The project will leverage additional state and private-sector financing (proposed total project cost about US\$682 million, of which IBRD loan US\$250m, i.e. 3:1 ratio). The project will pilot Public-Private Partnership (PPP) in the culture and tourism sector, and involve private sector entities upstream in consultation and project design.

Global partnership: The project involves an upstream partnership with UNESCO, which joined

project's identification to advise the client on best practice conservation, site management and community involvement in cultural heritage development. It is expected that UNESCO will continue to provide workforce development under an advisory service contract under component 4. Further partnership will be established with UNWTO and its Silk Road initiative.

Climate Co-Benefits

On the adaptation side, the project will contribute to better water resource management systems and biodiversity protection in an arid and ecologically fragile part of China, as well as introduce resilient, pervious infrastructure in national parks to be more adaptive to flash floods and climate change (Component 3). The water supply, sanitation and storm water drainage systems in selected project areas of five project cities will be improved in consideration of climate change and resilience, including water harvest and reuse (Component 3).

On the mitigation side, the settlement upgrading in five project cities will introduce energy efficient bulbs in streets and public spaces to save energy and reduce O&M costs (Component 2). The renovated buildings and newly built cultural centers will adopt green building principles (Component 2). And the conservation of wetland parks as carbon sink will contribute to the carbon reduction (Component 3).

II. SAFEGUARDS

A. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The project sites are located along the east-west axis of Gansu Province, Midwest of China. The subprojects in eastern part of the province (Tianshui, Dingxi and some of their respective districts or county-level cities) are located on loess plateau of 1000m above sea level with semi-arid climate and annual precipitation of 450-600mm. Other subprojects are located along Hexi corridor, which is the backbone of ancient silk road since all routes have to pass through it. With a length more than 1000km at altitude of 1500m, it is formed by Qilian mountain range to the south and Gobi desert and low hills to the north. The oases on the corridor, fed by melting snow of the mountain, have provided caravans shelter and lodge for two thousand years. Most of them have developed into major cities today, including project cities Jiayuguan, Zhangye and Yumen or their respective districts. They have semi-arid to arid climate with annual precipitation around 100 mm.

Most of project cities have buildings built in the 1980s and are in poor conditions. Some of sites targeted for urban regeneration are older and considered as historic core cities, cultural towns or cultural villages.

High percentage of labors are doing migrant work, leaving their elderly and children behind. Existing tourism development programs invested by the private sector provided some job opportunities to local residents, but mostly at lower level such as shop keepers, waitresses, etc.

B. Borrowers Institutional Capacity for Safeguard Policies

A Provincial Project Management Office (PPMO) has been established within the Gansu Provincial Culture Department. The PPMO will comprise at least the following staff: project management person with experience working with the World Bank or other international development organization; environment and social safeguards specialists; experts in cultural heritage and tourism; experts in engineering and contract management; procurement specialist; financial management specialist; and a translator. A Project Management Office (PMO) at each city will be established and be supervised by the PPMO.

A Project Leading Group (PLG) has been established and will lead and oversee the project. The PLG is led by the Vice Governor of Gansu and composed of leaders of provincial authorities including the Provincial Finance Department, Provincial Development and Reform Commission (DRC), Provincial Culture Department, Provincial Tourism Commission, Provincial Land Resource Department, Provincial Transport Department, Provincial Housing and Urban-Rural Development Department, Provincial Environment Protection Department, Provincial Forestry Department, etc. The Provincial Finance Department and Provincial DRC will supervise, coordinate, and fully support the Provincial Project Management Office (PPMO). A professional Project Management Company (PMC) will be hired by the PPMO to provide technical support in project management, including safeguards support. The institutional arrangement is subject to the project identification, preparation, and appraisal.

Although the provincial PMO has no experience with the WB project, some of the project cities (e.g., Jayuguan, Zhangye and Tianshui) were part of the Gansu cultural heritage and tourism development project, completed in 2015. However, current staff of most PMOs are new with limited knowledge and experience about the WB safeguard policies and requirements. The Bank team has provided training on safeguard and will continue capacity building in safeguard preparation and implementation throughout the project cycle.

C. Environmental and Social Safeguards Specialists on the Team

Aimin HaoGSU02

Xin RenGEN2A

D. POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered ?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>Activities proposed for the WB finance include urban regeneration of cultural towns and villages, construction of tourism/cultural facilities and associated roads /paths in or near various protected areas such as natural reserves, wetland and geological parks. Given the cultural, historical and natural significance and sensitivity of the sites involved, and limited capacity at local level, a category A is proposed.</p> <p>An Environmental Assessment (EA) report will be prepared to consolidate all subprojects domestic EAs. Off-site impacts need to be assessed beyond project's physical boundary, e.g., impacts of borrow pit and disposal site on water and soil erosion, and disposal of garbage and manure collected from the tourism area. The current garbage, manure and sewage treatment and disposal facilities in each subproject and nearby cities/towns need to be investigated in the EA process with the result being fed into the project design.</p>

		<p>A Social Impact Assessment (SA) will be prepared separately and with EA to form Environmental and social Impact Assessment (ESIA). The SA will assess livelihoods impact to local communities, impact if any on ethnic minorities, gender, and citizen participation.</p> <p>An Environmental Management Plan (EMP) will be developed learning from the experience of the phase I-II Gansu Cultural Heritage Protection project. It will include general mitigation measures by major type of activity and site-specific measure for each subproject, taking into account the WB' Environmental, Health and Safety (EHS) Guidelines applicable to the project.</p> <p>As not all subprojects will be fully prepared by appraisal, an Environmental and Social Management Framework (ESMF) will also be prepared prior to appraisal. It will cover, among others, small business by micro credit under Component 1. As such, the ESMF will include screening and selection criteria from environmental and social perspective, and procedures and requirements to identify and manage adverse impacts.</p>
Natural Habitats OP/BP 4.04	Yes	Project activities include civil work in national/provincial level protected areas, such as wetland and geological parks. Systematic investigation will be carried out during the EA process with mitigation measures and monitoring to be included in the EMP.
Forests OP/BP 4.36	No	The project is not expected to involve any forest.
Pest Management OP 4.09	No	The project is not expected to involve any change in pest management or purchase of pesticide.
Physical Cultural Resources OP/BP 4.11	Yes	Activities proposed include conservation of different level of physical cultural resources (PCR) as defined by this OP or civil work in their vicinity. An PCR management plan will be developed separately in addition to the EMP. The project include only one World Heritage Site, i.e. Dunhuang Postoffice. The project will focus on site management and tourism facilities outside the UNESCO-recorded buffer zone of the site. UNESCO has

		be involved in identification mission to advise the counterparts on correct steps. UNESCO will continue to be involved during the process under a Service Agreement paid under the loan to provide guidance and capacity building to Dept of Culture in various tangible and intangible conservation and development aspects. This is pilot under the renewed WB-UNESCO global partnership agreement. The TTL is the WBG global lead and focal point to coordinate WBG global efforts with UNESCO.
Indigenous Peoples OP/BP 4.10	Yes	Proposed project cities along the silk road are historical places where different races came together attracted by trading. However, project activities will not take place in any of the two designated autonomous prefectures or seven autonomous counties. A social impact assessment to be commissioned by the client will provide more information on whether there are ethnic minority concentrations that will be affected by the project. An Ethnic Minority Development Plan/Framework will be prepared if the social impact assessment report indicates that project activities have impact on any ethnic minorities.
Involuntary Resettlement OP/BP 4.12	Yes	The project will most likely involved land acquisition or resettlement as part of infrastructure rehabilitation or urban regeneration. The extent to which land acquisition and resettlement will be needed will be further assessed during project preparation. The identification process already made initial selections where activities that require large scale resettlement have been excluded or revised. A social impact assessment will be conducted by the client to make detailed assessment of livelihoods impact the project will bring. A Resettlement Policy Framework (RPF) will be prepared to guide OP/BP4.12 compliance if not all information on livelihoods impact become available by project appraisal. Resettlement Action Plans (RAPs) will be prepared for each county/city when detailed project design and related impact become clear either at preparation or implementation stages.
Safety of Dams OP/BP 4.37	TBD	Some proposals involve construction of cultural facilities with landscaping in semi-

		desert area. Water resources and soil availability are limiting factors for their long term sustainability. Should water from reservoir be involved as indicated by some proponents, the OP 4.37 on dam safety might be triggered, pending on further information available.
Projects on International Waterways OP/BP 7.50	No	Not applicable
Projects in Disputed Areas OP/BP 7.60	No	Not applicable

E. SAFEGUARD PREPARATION PLAN

1. Tentative target date for preparing the Appraisal Stage ISDS:

15-Jan-2018

2. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal-stage ISDS.

ESIA (including an assessment of cumulative and indirect impact of tourism increase) as well as ESMF, RPF and PCR will be completed by end of 2017 and appraised in January 2018. If any of first year subprojects will require RAP, it will also be prepared. An Ethnic Minority Development Plan/Framework will be prepared if necessary.

III. Contact point

World Bank

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V. Approval

Task Team Leader(s):	Name: Ahmed A. R. Eiweida	
<i>Approved By:</i>		
Safeguards Advisor:	Name: Surhid P. Gautam (SA)	Date: 18-Jun-2017
Practice Manager/Manager:	Name: Abhas Kumar Jha (PMGR)	Date: 18-Jun-2017
Country Director:	Name: Zoubida Kherous Allaoua (CD)	Date: 19-Jun-2017

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

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