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Report No: ICR00004242

IMPLEMENTATION COMPLETION AND RESULTS REPORT

(IBRD-80510)

ON A

LOAN

IN THE AMOUNT OF US$50 MILLION

TO THE

PEOPLE'S REPUBLIC OF CHINA

FOR THE

SHANDONG CONFUCIUS AND MENCIUS CULTURAL HERITAGE CONSERVATION PROJECT (P120234)

December 19, 2017

Social, Urban, Rural and Resilience Global Practice
East Asia And Pacific Region

CURRENCY EQUIVALENTS

Currency Unit	=	Renminbi (RMB)
US$1.00	=	RMB 6.67 (Appraisal, April 1, 2011)
US$1.00	=	RMB 6.78 (Closing, June 30, 2017)

FISCAL YEAR
January 1 – December 31

Regional Vice President:	Victoria Kwakwa
Country Director:	Bert Hofman
Senior Global Practice Director:	Ede Jorge Ijjasz-Vasquez
Practice Manager:	Abhas K. Jha
Task Team Leaders:	Ahmed A. R. Eiweida, Guangming Yan
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ABBREVIATIONS AND ACRONYMS

CH	Cultural Heritage
CBA	Cost Benefit Analysis
COD	Chemical Oxygen Demand
CPS	Country Partnership Strategy
EIA	Environmental Impact Assessment
EIRR	Economic Internal Rate of Return
EMP	Environmental Management Plan
ESW	Economic and Sector Work
FM	Financial Management
FY	Fiscal Year
FYP	Five-Year Plan
GDP	Gross Domestic Product
GOC	Government of China
ICR	Implementation Completion and Results Report
IFR	Interim Financial Report
IOI	Intermediate Outcome Indicator
IP	Implementation Progress
ISR	Implementation Status and Results Report
JMG	Jining Municipal Government
KPI	Key Performance Indicator
M&E	Monitoring and Evaluation
MTR	Mid-term Review
NPV	Net Present Value
O&M	Operation and Maintenance
OP	Operational Policy
PAD	Project Appraisal Document
PDO	Project Development Objective
PIU	Project Implementation Unit
PLG	Project Leading Group
PMC	Project Management Company
PMO	Project Management Office
PPMO	Provincial Project Management Office
QER	Quality Enhancement Review
QR	Quick Response
RAP	Resettlement Action Plan
RF	Results Framework
RP	Restructuring Paper
SACH	State Administration of Cultural Heritage
SME	Small and Medium Enterprise
SPG	Shandong Provincial Government
TA	Technical Assistance
TAN	Total Ammonia Nitrogen
TTL	Task Team Leader
UNESCO	United Nations Educational, Scientific and Cultural Organization
WHC	World Heritage Center
WTP	Willingness to Pay

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DATA SHEET

BASIC INFORMATION

Product Information

Project ID	Project Name
P120234	SHANDONG CONFUCIUS AND MENCIUS CULTURAL HERITAGE CONSERVATION PROJECT (P120234)
Country	**Financing Instrument**
China	Specific Investment Loan
Original EA Category	**Revised EA Category**
Partial Assessment (B)	Partial Assessment (B)

Organizations

Borrower	Implementing Agency
People's Republic of China	PMO for Shandong Confucius and MenciusCulture Heritage Conservation Project

Project Development Objective (PDO)

Original PDO

The project development objective is to assist Shandong Province to enhance cultural heritage conservation and tourism management and development in Qufu and Zoucheng.

Revised PDO

The Project Development Objective is to assist Shandong Province to enhance cultural heritage conservation and tourism services in Project areas in Qufu and Zoucheng.

PDO as stated in the legal agreement

To assist Shandong Province to enhance cultural heritage conservation, development and tourism management in Qufu and Zoucheng.

FINANCING

	Original Amount (US$)	Revised Amount (US$)	Actual Disbursed (US$)
World Bank Financing			
IBRD-80510	50,000,000	45,685,208	45,685,208
Total	**50,000,000**	**45,685,208**	**45,685,208**
Non-World Bank Financing			
Borrower	36,560,000	36,562,670	43,226,613
Total	**36,560,000**	**36,562,670**	**43,226,613**
Total Project Cost	**86,560,000**	**82,247,878**	**88,911,821**

KEY DATES

Approval	Effectiveness	MTR Review	Original Closing	Actual Closing
24-May-2011	11-Oct-2011	27-Oct-2014	31-Dec-2016	30-Jun-2017

RESTRUCTURING AND/OR ADDITIONAL FINANCING

Date(s)	Amount Disbursed (US$M)	Key Revisions
08-Apr-2016	18.35	Change in Project Development Objectives Change in Results Framework Change in Components and Cost Change in Financing Plan Reallocation between Disbursement Categories Change in Disbursements Arrangements Change in Legal Covenants
27-Dec-2016	33.57	Change in Loan Closing Date(s) Reallocation between Disbursement Categories

KEY RATINGS

Outcome	Bank Performance	M&E Quality
Satisfactory	Moderately Satisfactory	Substantial

RATINGS OF PROJECT PERFORMANCE IN ISRs

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US$M)
01	05-Oct-2011	Satisfactory	Satisfactory	0
02	28-Jun-2012	Satisfactory	Satisfactory	5.13
03	15-Jan-2013	Satisfactory	Moderately Satisfactory	5.13
04	24-Oct-2013	Moderately Satisfactory	Moderately Satisfactory	5.13
05	24-Jun-2014	Moderately Unsatisfactory	Moderately Unsatisfactory	5.97
06	29-Nov-2014	Moderately Unsatisfactory	Moderately Unsatisfactory	8.37
07	20-Mar-2015	Unsatisfactory	Unsatisfactory	12.13
08	20-Nov-2015	Unsatisfactory	Moderately Unsatisfactory	12.13
09	09-May-2016	Moderately Satisfactory	Moderately Satisfactory	18.48
10	08-Dec-2016	Moderately Satisfactory	Moderately Satisfactory	33.69
11	08-May-2017	Satisfactory	Satisfactory	37.36
12	30-Jun-2017	Satisfactory	Satisfactory	41.84

SECTORS AND THEMES

Sectors

Major Sector/Sector	(%)
Education	**100**
Primary Education	15
Social Protection	**100**
Social Protection	64
Public Administration - Social Protection	2

Water, Sanitation and Waste Management	**100**
Other Water Supply, Sanitation and Waste Management	19

Themes

Major Theme/ Theme (Level 2)/ Theme (Level 3)	(%)
Private Sector Development	**100**
Jobs	100
Urban and Rural Development	**100**
Cultural Heritage	100

ADM STAFF

Role	At Approval	At ICR
Regional Vice President:	James W. Adams	Victoria Kwakwa
Country Director:	Klaus Rohland	Bert Hofman
Senior Global Practice Director:	John A. Roome	Ede Jorge Ijjasz-Vasquez
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Task Team Leader(s):	Shenhua Wang	Guangming Yan, Ahmed A. R. Eiweida
ICR Contributing Author:		Zheng Jia

Note: Under the “Financing” tab, the original Non-World Bank Financing (Borrower) should be US$80.78 million, and the original Total Project Cost should be US$130.78 million, as reported in the Project Appraisal Document (PAD). The amount could not be fixed in the portal by the team.

I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

A. CONTEXT AT APPRAISAL

Context

At the time of appraisal in 2011, China was experiencing a double-digit annual economic growth for three decades. Shandong Province, located southeast of Beijing, was growing rapidly with over 98 million inhabitants. For centuries, the province has served as the cradle of Chinese civilization. Shandong's cities of Qufu and Zoucheng, with populations of 640,000 and 1,100,000, and GDP per capita of RMB31,767 (US$4,637) and RMB39,790 (US$5,809) respectively, were home to Confucius and Mencius, the two great philosophers of ancient China. The temple, cemetery and family mansion of Confucius (Confucius Complex) in Qufu were inscribed as a UNESCO World Heritage Site. The temple, cemetery and family mansion of Mencius (Mencius Complex) in Zoucheng was a national cultural heritage (CH) site, and was on the World Heritage Tentative List. Qufu and Zoucheng were also titled China's "National Historic and Cultural Cities".

Despite such historical value, these ancient cultural heritage assets had been deteriorating for most of the 20th century due to insufficient funding for conservation and operation and maintenance (O&M), weak urban planning and development controls, and lack of site management plans including tourism management. The urban environment in the historic cities became dilapidated, providing sub-optimum living standards for residents and unattractive destinations for tourists. As a result, Shandong's tourism-related economy fell behind other destinations in China with equally high cultural value.

Government Strategy. The guiding strategy of the Government of China (GOC) was articulated in the State Council's Notice on Strengthening Cultural Heritage Conservation, issued in 2005, which required local governments to make substantial progress in CH conservation. In China's 11th Five Year Plan (FYP) for 2006-2010, CH conservation was accorded high priority in the agenda of the GOC. In this context, Chinese authorities requested World Bank support for a CH conservation project in Shandong, within a broader context of regional revitalization, including infrastructure rehabilitation and institutional development to stimulate the economic potential of tourism in Qufu and Zoucheng.

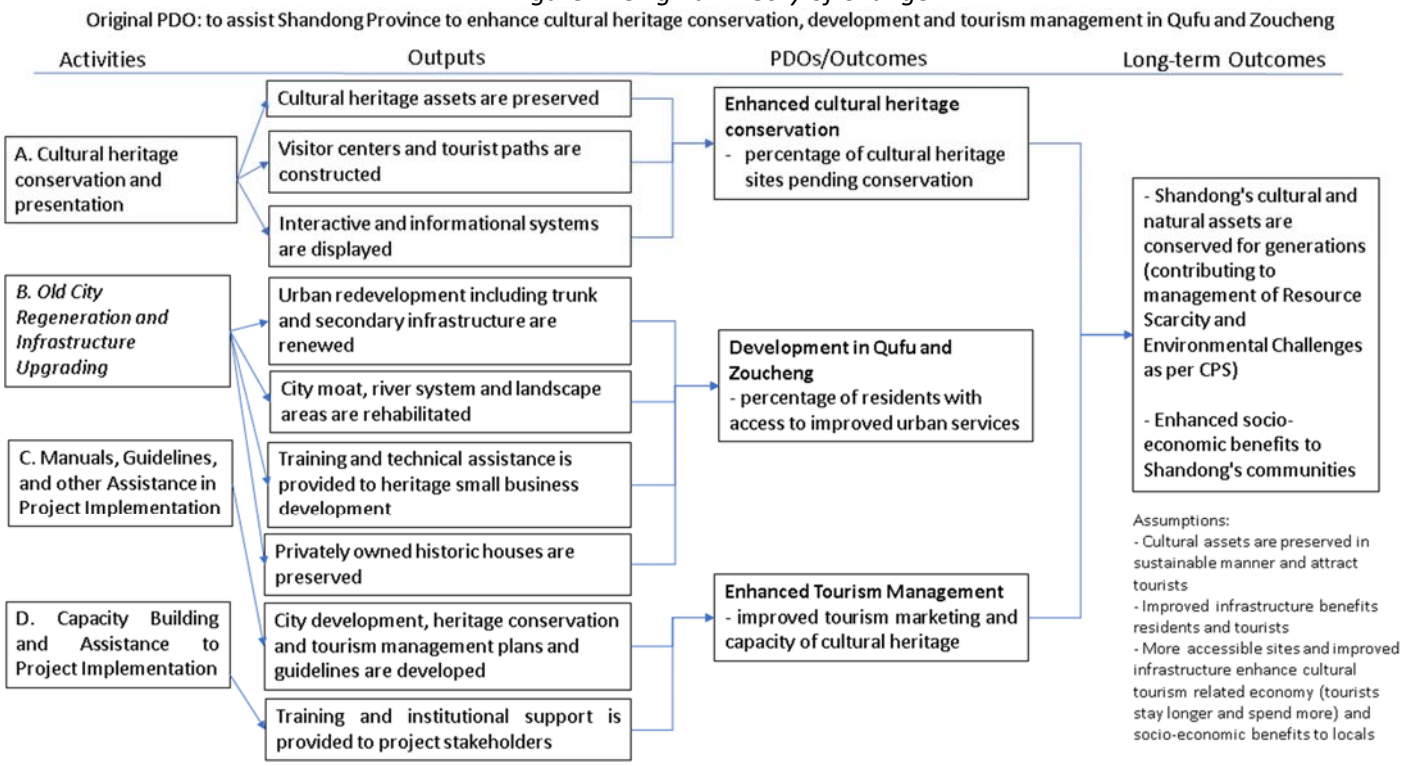
Rationale for Bank Involvement. By 2011, the Bank had gained extensive global and in-country experience on urban and regional development, as well as specific experience on CH conservation in several provinces in China including Liaoning, Zhejiang, Chongqing, Sichuan and Gansu, making the Bank well-positioned to support GOC's request of this project. The Bank was south to bring strong value-added support by addressing deficiencies in CH conservation, old city infrastructure and environment, and institutional capacity. With its global knowledge, the Bank could bring a wealth of experience and expertise on CH conservation and sustainable tourism development. The project was well aligned with the Country Partnership Strategy (CPS) for 2006-2010. It intended to contribute to the "reducing poverty, inequality and social exclusion" and "managing resource scarcity and environmental challenges" pillars. The project aimed to contribute to the achievement of the CPS result to "protect cultural and natural heritage and promote cultural and eco-tourism".

Theory of Change (Results Chain)

The theory of change reflects the development paradigm that conserving CH within a suitable management plan, improving infrastructure conditions to enhance city livability, and institution building for sustainability can increase tourist interest in historic cities and support local economy. Upgrading old city infrastructure can improve access to basic services for residents and, at the same time, benefit tourists by increasing the amenity value of the historic cities and the

surrounding areas of CH sites by making them more attractive, accessible, cleaner and safer, and by facilitating access to historic areas. Offering training to residents in tourism activities (knowledge, skills, hospitality, handicrafts) can improve tourist experience and lead to local job growth. It has been demonstrated globally that having more and better conserved heritage and improved tourist services can lead to increased tourist satisfaction with their experience. Greater satisfaction levels can generate more tourist interest, increasing arrivals, length of stay and spending. Training city authorities in city management and urban planning and budgeting can increase the sustainability of the improved infrastructure surrounding the built heritage, to benefit both tourists and local residents. Assuming that the conserved heritage, museums and infrastructure are well maintained, the benefits of sustainable tourism and proper city planning can enhance community socio-economic benefits and improve living conditions in the historic cities.

Figure 1. Original Theory of Change



Project Development Objective (PDO)

The ICR follows the PDO as stated in the Loan Agreement: "to assist Shandong Province to enhance cultural heritage conservation, development and tourism management in Qufu and Zoucheng". The version in the PAD had a slightly different formulation: "to assist Shandong Province to enhance cultural heritage conservation, and tourism management and development in Qufu and Zoucheng".

Key Expected Outcomes and Outcome Indicators

The unpacked PDO had three objectives: PDOa1 – enhanced CH conservation, PDOb – enhanced development, and PDOc – enhanced tourism management. However, the PDO had only two key performance indicators (KPI): a) number of cultural heritage sites pending conservation; and b) percentage of local residents with access to improved urban services. No KPI was provided for "tourism management".

Components

Component A. Cultural Heritage Conservation and Presentation (Original cost: US$25.42 mil; final cost US$28.12 mil).
A1. Conservation of cultural heritage assets in Qufu Confucius complex and Nishan Mountain including inter alia: conservation of the Confucius temple, mansion and cemetery buildings, traditional pavements, gardens, stone tablets and inscriptions, and modification works for adaptive reuse of heritage buildings; and conservation of the Nishan mountain buildings, and slope protection for ancient trees.
A2. Conservation of cultural heritage assets in Ming Old City of Qufu including, inter alia historic mansions, and Yamen county buildings, archways, ancient wells, ancient trees near temples and mansions, and stone tablets and inscriptions.
A3. Conservation of cultural heritage assets, management and displays in Lu Old City of Qufu including, inter alia: conservation of stone inscriptions, traditional roads, and walkways; protection and display of ancient city moat and wall; rehabilitation of rivers; and construction of wooden walkways, rest areas and sanitation facilities.
A4. Conservation of cultural heritage assets in Zoucheng Old City including, inter alia: conservation of Mencius temple, mansion and cemetery buildings, traditional pavements, gardens and ancient trees; restoration of the cemetery boundary wall, and modification works for adaptive reuse of heritage buildings; construction of a visitor center and parking lot; installation of safety and surveillance systems; and rehabilitation of Xishantou village including roads, water supply, drainage, sanitation facilities, and street lighting.
A5. Signage, interpretation, digital displays and website in Qufu and Zoucheng including, inter alia: development of sound guiding systems, roads and street signs, descriptions and explanations of significance of cultural heritage assets, directions to other heritage sites and resting areas, production and distribution of brochures and promotional materials, interactive digital display systems; and development of a website to depict and disseminate Confucius‟ teachings.

Component B. Historic City Regeneration and Infrastructure Upgrading (Original cost: US$103.1 mil; final cost US$56.89 mil).
B1. Historic city regeneration in Block A of Ming Old City in Qufu including, *inter alia:* urban redevelopment of Block A in the Ming Old City, renewal of all trunk infrastructure in the eastern zone of the Ming Old City, secondary infrastructure in Block A and the Gupan pond block, and firefighting facilities.
B2. Rehabilitation of the city moat and Gupan Pond water system in the Ming Old *City* in Qufu, including: restoration of the water system to supply the city moat and Gupan Pond through diversion of water from the Si River, and landscaping and river course rehabilitation.
B3. Historic city regeneration in the Zoucheng Old City including: urban redevelopment of three street blocks; urban redevelopment of Block A in Zoucheng Old City including housing, infrastructure and firefighting facilities; construction of archways; and reconstruction of the Mencius primary school.
B4. Rehabilitation of the Yinli River in Zoucheng including: river dredging and regulation; river bank rehabilitation including footpaths, roads, wastewater interceptors, lighting, bridge, water retention weirs, public sanitation facilities, and landscaping.
B5. Cultural heritage conservation and tourism management in Qufu and Zoucheng through community participation including: training and technical assistance support for heritage-related small business development, including handicraft development, improving quality of services, and design of marketable products, for selected residents of Qufu and Zoucheng; and conservation of privately-owned historic houses in Qufu including essential structural repairs.

Component C. Manuals, Guidelines and other Assistance to Project Implementation (Original Cost US$0.97 million; final cost US$1.08 million). Development of:
C1. Conservation techniques for wood, color paintings, and stone tablets and inscriptions.
C2. Infrastructure network modeling for the Qufu Ming Old city.
C3. Guidelines for old city regeneration, planning, and development control.

C4. A manual on community participation and sustainable tourism management.
C5. A detailed development plan for the Qufu Ming Old city.
C6. An update of the Qufu Ming Old city conservation plan.

Component D. Capacity Building and Assistance to Project Implementation (Original cost US$1.39 million; final cost US$2.72 million). Provision of:
D1. Assistance for design reviews, project management and monitoring;
D2. Assistance to prepare a management plan for the World Heritage Site and sites on the tentative list.
D3. Training and exchange program on cultural heritage conservation.
D4. Training in sustainable tourism management.
D5. Training and study tours for Project related capacity building.
D6. Institutional support for the Project including office equipment.

B. SIGNIFICANT CHANGES DURING IMPLEMENTATION

Revised PDOs and Outcome Targets

The PDO, outcome indicators, and targets were revised through a Level-1 restructuring approved by the Board on April 8, 2016. The revised PDO is "to assist Shandong Province to enhance cultural heritage conservation and tourism services in Project areas in Qufu and Zoucheng".

Revised PDO Indicators

The restructuring introduced two more outcome indicators: satisfaction of tourists with tourism services; and number of people directly benefiting from this project. The latter included residents and non-local tourists, and percentage of beneficiaries was gender-disaggregated (Annex 1).

Table 1. Comparison of the original and revised PDO and KPIs

The original PDO was to assist Shandong Province to a1) enhance cultural heritage conservation, b) development, and c) tourism management in Qufu and Zoucheng	KPI a) Percentage of cultural heritage sites pending conservation KPI b) Percentage of residents with access to improved urban services
The revised PDO is to assist Shandong Province to a2) enhance cultural heritage conservation and d) tourism services in Project areas in Qufu and Zoucheng	KPI a) Number of CH sites under conservation KPI d1) Satisfaction of tourists with tourism services. KPI d2) Number of people directly benefiting (residents and non-local tourists)

Revised Components

Component A. "Cultural Heritage Conservation and Presentation"(USD$22.25 M)
A1. The subproject related to the construction of gardens was canceled due to late approval by the State Administration of Cultural Heritage (SACH).
A2. Parts of some subprojects were canceled, such as archways (did not obtain SACH approval), ancient wells, ancient trees (funded by domestic funding), and stone tablets and inscriptions conservation.
A3. Parts of some subprojects were canceled, such as conservation of traditional roads, river rehabilitation, and construction of wooden walkways, due to changes in the overall design of the old city walls to be conserved.
A4. Some subprojects were added, such as river rehabilitation in Xishantou Village, and exhibits and displays at Mencius Museum as per Zoucheng's request. Meantime, parts of some subprojects were canceled, such as construction of gardens,

water supply, and sanitation facilities related to the rehabilitation of Xishantou Village infrastructure.

Component B. "Old City Regeneration and Infrastructure Upgrading" was amended to "Old City Infrastructure Upgrading". (USD$ 27.64 M)

B1. The subcomponent was amended to: "Carrying out of urban improvements in the Ming Old City in Qufu, including, inter alia, renewal of trunk infrastructure, and construction of firefighting facilities in the eastern zone of the Ming Old City". The following subcomponents were canceled: (i) Urban redevelopment of Block A in the Ming Old City was canceled due to deficiencies in the proposed design, which involved the resettlement and relocation of a large number of households, and a proposed large-scale redevelopment as well as shortage of time for extensive community consultation and adherence to UNESCO standards; and (ii) remodeling of private houses and infrastructure improvements in Block A and the Gupan pond block was canceled due to a pending UNESCO decision on proposed redevelopment standards.

B2. The rehabilitation of Gupan Pond water system in Mind Old City was also dropped for the same reason as (ii) above.

B3. Four subprojects were canceled: (i) urban redevelopment of Block A in Zoucheng Old City, for the same reason as Block A in Qufu; (ii) remodeling of private houses, due to lack of financial mechanisms to incentivize private households to participate, and appropriate institutional arrangements to operationalize it; (iii) construction of infrastructure and firefighting facilities and construction of archways; and (iv) reconstruction of the Mencius primary school, due to the consolidation of educational resources at the provincial level.

B5. Activities related to handicraft development and design of marketable products were dropped due to lack of expertise and ownership of these activities. (b) "Conservation of privately owned historic buildings in Qufu, including essential structural repairs to stabilize the buildings" was canceled due to the lack of financial mechanisms to incentivize private households to participate, and weak institutional arrangements to operationalize it. (c) New subcomponent B5c "Training in sustainable tourism development, marketing, and tourism management" was added under component B instead of component D.4, which was canceled.

Component C. "Manuals, Guidelines and other Assistance to Project Implementation". (USD$1.11 M) No change

Component D. "Capacity Building and Assistance to Project Implementation". (USD$2.53 M)

D2. This subcomponent was amended to drop the work related to “the tentative list” due to the municipal government’s decision not to include the Mencius complex in the UNESCO tentative list for World Heritage.

D3. This subcomponent was merged with subcomponent D5, to streamline Project design and implementation, and was revised as set out in D5 below.

D4 "training in sustainable tourism development, marketing, and tourism management" was merged with subcomponent B5 (as a new a subcomponent B5c above) to consolidate Project design, streamline implementation and avoid duplication.

D5 "training and study tours for Project related capacity building" was amended to support training and study tours for Project related capacity building on cultural heritage conservation for staff of cultural heritage conservation agencies in Qufu and Zoucheng.

D6 "provision of institutional support for the Project through acquisition of office equipments" was amended to correct the word “equipment".

D7 subcomponent "provision of consultants’ services to assist in external monitoring of resettlement in Qufu" was added to support the counterparts with better monitoring of resettlement, including improved grievance redress mechanisms.

Other Changes

The April 2016 Restructuring resulted in some other changes. The total project cost decreased from US$130.78 million

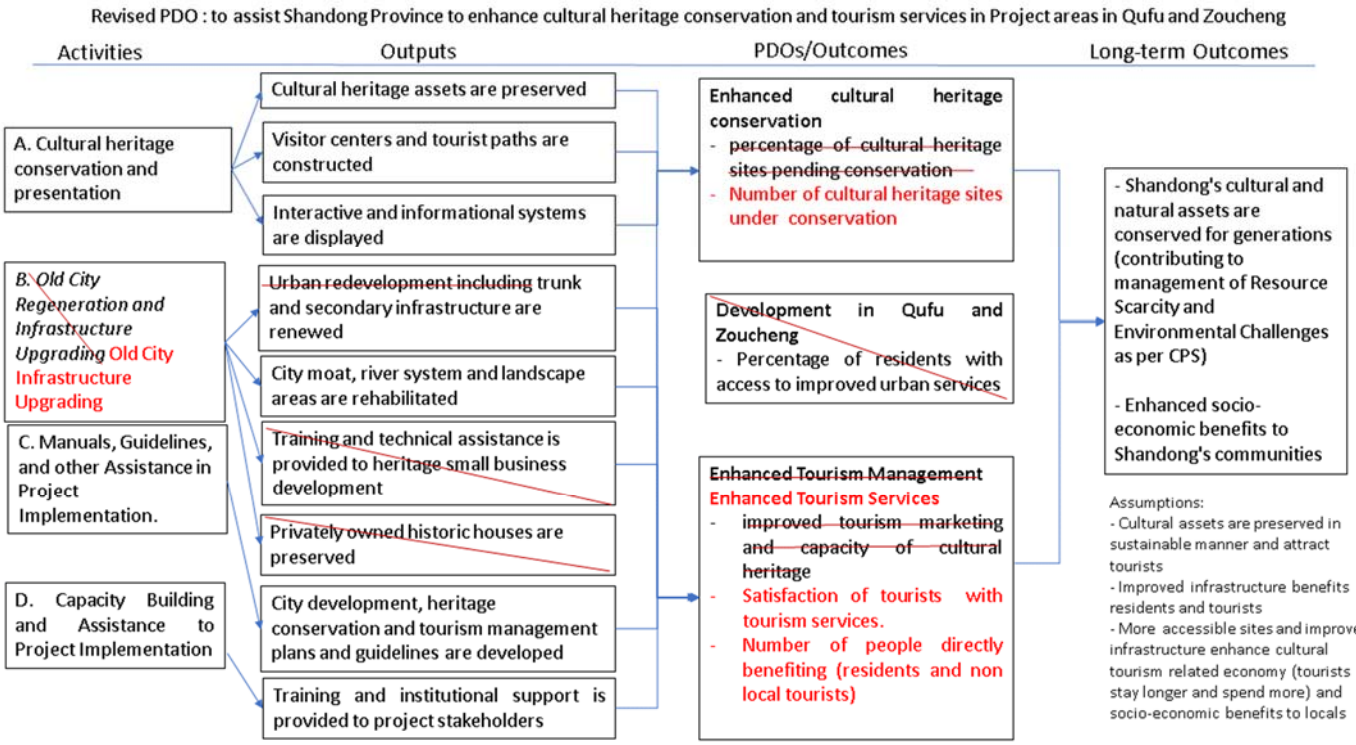
to US$86.56 million[1] (without changing the loan amount), mainly after reducing the urban regeneration activities. The lower cost was reflected in the updated financing plan, which reduced the borrower's contribution from US$80.78 million to US$36.56 million. The loan proceeds were reallocated among the disbursement categories to reflect changes in components and updated contract values. The disbursement percentages were increased to 100% for all categories except for Part B4 (rehabilitation of Yinli River) which remained at 66%.

A Level-2 restructuring was approved on December 27, 2016, to extend the Loan closing date by six months, from December 31, 2016, to June 30, 2017, to ensure quality completion of all contracts and full utilization of funds. It increased the disbursement percentage for Part B4 from 66% to 100% for consistency with the other categories. It also reallocated all undisbursed loan proceeds to one new category to allow flexibility of fund use toward the end of implementation.

Rationale for Changes and their Implication on the Original Theory of Change

The mid-term review (MTR, October 27-December 31, 2014) advised the client to drop some of the sub-components which could not be realistically implemented by closing due to the need for extensive stakeholder consultations, compliance with UNESCO requirements, and complexity of some subprojects design.

Figure 2. Revised Theory of Change



The project was redesigned to identify and emphasize project beneficiaries (residents and tourists) but the overall theory of change has not changed fundamentally and long-term outcomes remained untouched. The main change was that PDOb (enhanced development) was no longer stated in the revised PDO because the old city infrastructure upgrading activities were considered necessary to achieve PDOa2 through conserving CH at the scale of historic cities, and also to

[1] The original non-World Bank financing amount and the total project cost were incorrect in the datasheet that could not be fixed.

achieve PDOd through providing amenity value to the tourist sites and surrounding areas to attract tourists to Qufu and Zoucheng. In this regard, the project's theory of change assumed that project components on conservation, old city upgrading, developing guidelines, and capacity building are interrelated to achieve project objectives to conserve cultural heritage and provide enhanced tourism services, that in the long term contribute to sustainable use of cultural and natural resources, and provide socio-economic benefits to local communities.

II. OUTCOME

A. RELEVANCE OF PDOs

Assessment of Relevance of PDOs and Rating

Rating: High

The PDOs remained highly relevant and fully aligned with the Bank's current Country Partnership Strategy (CPS) for China 2013-2016 (Report No. 67566-CN). Out of the three strategic themes of the CPS, the first theme of *Supporting Greener Growth* included an objective of "*demonstrating ways to integrate cultural heritage conservation and sustainable local economic development, emphasizing that 'conserving the past is a foundation for the future'*". This was part of Outcome 1.2 "*Enhancing Urban Environmental Services*". The revised PDO and activities, including upgrading old-city infrastructure around cultural heritage sites in Qufu and Zoucheng, remained highly relevant to the CPS.

The revised PDO is also highly relevant to the current priorities of GOC under the 13th National Five-Year Plan (FYP) for Economic and Social Development (2016-2020). The 13th FYP highlighted "cultural development" as an overall guiding principle, and included specific sections on strengthening cultural heritage conservation in cities and cultural tourism development. Given the increasing importance of tourism, the National Tourism Development Plan for the 13th FYP was upgraded in 2016 by the State Council as a National-level Strategic Plan for the first time, aiming to develop tourism under a more strategic, comprehensive and sustainable framework. Shandong Province highlighted cultural heritage conservation and tourism development in its 13th Provincial FYP on Cultural Development and 13th Provincial FYP on Tourism Development, which aimed to strengthen its position as a "powerful province in cultural tourism".

B. ACHIEVEMENT OF PDOs (EFFICACY)

Assessment of Achievement of Each Objective/Outcome

A split evaluation is employed here because the PDO and KPIs were formally revised and the scope of the project was reduced in the April 2016 Level-1 Restructuring. For the purpose of this section, the two PDOs will be unpacked as follows. The original PDO had three parts referred to as PDOa1 – enhanced CH conservation, PDOb – enhanced development, and PDOc – enhanced tourism management. Each is given equal weight at 33%. The revised PDO had two parts: PDOa2 – enhanced CH conservation, and PDOd – enhanced tourism services (see p.10 for the revised theory of change). They are weighted at 50% each.

A. Efficacy of Original PDO - *Modest*

PDOa1 - Enhance cultural heritage conservation

Rating: Substantial

Significant results were achieved under PDOa1 on conservation of CH sites, adaptive reuse of CH assets, and O&M mostly through Component A1, A2, A3 for Qufu and Component A4 for Zoucheng. See PDOa2 below for a discussion of specific achievements to avoid repetition.

In addition to conserving built heritage (as described under PDOa2), the project invested in TA and capacity building for CH conservation. At appraisal, studies and plans were lacking on conservation techniques and old-city conservation. Training for staff of cultural heritage conservation agencies was insufficient. Under Component C1, techniques for the conservation of paintings, stone tablets, and inscriptions, were developed through a Bank-executed trust fund, and were employed rigorously by the artisans to restore them under Component A1. Component C6 updated the *Qufu Ming Old City Conservation Plan* to provide critical guidelines and regulations for sustainable CH conservation of the "National Historic and Cultural City" at the scale of old city. Moreover, training and exchange programs (D3), including 11 training sessions and two study tours, were conducted for 286 officials and staff of CH bureaus in Shandong Province, Jining Municipality, Qufu and Zoucheng Cities to enhance their technical capacity on CH conservation.

To achieve PDOa1, the number of cultural heritage sites pending conservation in Qufu was to decline from 24 to four by project closure, meaning at least 20 would be conserved (KPI#1). At loan closure, 22 sites had been conserved. The project adaptively reused 11 CH assets in Qufu, achieving 73% of the 15 targeted (IOI#1)[2]. In the case of Zoucheng, the number of cultural heritage sites pending conservation was to decline from 17 to one (KPI#1), or at least 16 would be conserved. In the end, 18 sites were conserved. The project adaptively reused six CH assets in Zoucheng, achieving 75% of the eight targeted (IOI#1, see Annex 1 for details). In sum, the original target of KPI#1 was exceeded, and IOI#1 was partially (74%) achieved. This was due to delays in obtaining approvals from the State Administration of Cultural Heritage (SACH), use of domestic funding outside the project, as well as changes of proposed uses and the technical design. The planned TA and capacity building results were fully achieved, contributing to IOI#3 and #4. PDOa1 was almost achieved, and is rated *Substantial*.

PDOb - Enhance development

Rating: Modest

Activities contributing to enhanced development were under Components B1, B2, C2, C3, and C5 for Ming Old City in Qufu and B3, B4, and C3 for Zoucheng. Achievement was to be measured by original KPI#2 on "percent of local residents with access to improved urban services" with the baselines, targets and outcomes shown below.

Table 2. Achievement of the Original KPI#2

City	Service access	Appraisal Baseline	End Target	Actual Achieved
Ming Old City	Heating	0	80%	0[3]
Zoucheng Block A	Gas	0	80%	0[4]

[2] The baseline of IOI#1 should have been 0 for both Qufu and Zoucheng, rather than 11 in Qufu and 4 in Zoucheng as reported in the PAD. This was corrected in the April 2016 Restructuring.

[3] Access to heating was not part of the project design. This was a flaw of M&E design. The restructured project upgraded infrastructure including heating in the east zone of Ming Old City. Trunk pipes for heating were installed at the end of the project, but household access was not part of the project and was not provided at loan closure. By the time of ICR, the city government has been providing household access using domestic funds.

[4] Block A was canceled in April 2016 restructuring.

The original IOI#2 "% of the selected basic infrastructure in place against plan" was expected to increase from a zero baseline to 100%. For the most part, the PAD did not provide numerical targets by type of works, nor exact locations, to assist with the assessment. The final achievement for B1 is estimated at 43% and B3 at 39% based on the total sizes of old-city neighborhoods provided with basic infrastructure against the total appraised area[5]. The final achievement for B2 is estimated at 50% as half of the results were completed. The final achievement B4 is estimated at 100%. The table below compares PAD expectations to final achievements using available data. The average achievement of IOI#2 was 58%[6].

Table 3. Infrastructure Outputs of the Original Components B1-4

	Appraisal output targets on infrastructure	*Final achievement*	*Comments*
B1. Urban regeneration in Ming Old City in Qufu			
All trunk infrastructure in the east zone (size: 12.1ha)	Road pavements, water supply, drains, sewer, electricity, gas, heating, fire hydrants, solid waste collection. No numerical targets available.	Roads: 5.5km; Water pipes: 3.2km; Drainage and sewer: 7.2km; Electricity: 5.5km; Gas: 3.4 km; Heating: 3.9km; 47 hydrants; 50 solid waste bins; 56 street lamps; 378 street trees.	Infrastructure installed as designed
Secondary infrastructure and firefighting facilities in Block A (size: 6.4ha)	No numerical target available.	n.a.	Dropped.
Secondary infrastructure and firefighting facilities in Gupan Pond block (size: 9.5ha)	No numerical target available.	n.a.	Dropped.
B2. City Moat and Gupan Pond Water System in Qufu			
Restoration of the City Moat water system	Moat dredging, rubber dam, water diversion and transmission pipelines, landscaping, embankment.	Moat dredging: 5.4km; Rubber dam; Diversion: 1.2km; Transmission: 3.7km; Embankment and landscaping: 5.4km; Walking paths: 5.4km; Pavilion: 1.	Fully achieved as designed
Restoration of the Gupan pond water system	Expansion of the pond, clean up, landscaping, water diversion pipelines, inflow and outflow channels. No numerical target available.	n.a.	Dropped.
B3. Urban Regeneration in Zoucheng Old City			
Urban redevelopment in three street blocks (size: 4.6ha)	Historic roads renovation. No numerical targets available.	Roads: 1.9km; Water pipes: 3.3km; Drainage and sewer: 4km; Electricity: 1.9km; Gas: 0.7km; Heating: 0.5km; 18 hydrants; 23 solid waste bins; street lamps and trees.	Exceeded.

[5] The five intervention areas of Components B1 and B3 in the original project design were homogeneous, low-rise, dense residential and mixed-use neighborhoods with narrow lanes. Since no exact intervention locations, types of work, or numerical targets were defined across the five areas, sizes of the intervention areas are used for estimation given their homogeneous patterns.

[6] Estimated as average of the percentage of achievement in infrastructure of the four components, as no numerical targets were available.

Infrastructure renewal and firefighting facilities in Block A (size: 7.3ha)	Road pavements, water supply, drains, sewer, electricity, gas, heating, fire hydrants, public toilets, solid waste collection. No numerical target available.	n.a.	Dropped.
B4. Rehabilitation of Yinli River in Zoucheng Old City			
Rehabilitation of Yinli River	River dredging, regulation, river bank rehabilitation, including footpaths, roads, wastewater interceptors, lighting, bridge, water retention weirs, public sanitation facilities, and landscaping. No numerical target available.	Dredging, regulation, and embankment of river course: 2.9km; Roads and footpaths upgrading: 3.5km; Wastewater pipes: 6.6km; Lighting; Bridges: 12; Pavements: 1.4ha; Water retention weirs; Toilets: 4; Landscaping: 2.3ha; Pump: 1	Fully achieved as designed.

Except for infrastructure upgrading as measured by IOI#2, Components B1 and B3 also included urban redevelopment and remodeling of private houses in Block A and the Gupan Pond block in Qufu, as well as urban redevelopment including remodeling of private houses, firefighting facilities, construction of archways in Block A and the three-street block, and reconstruction of the Mencius Primary School in Zoucheng. These subprojects were dropped in the April 2016 Restructuring due to i) deficient original designs, ii) pending conclusion from UNESCO about the Gupan Pond area as it was located in the buffer zone of World Heritage (see more in Key Factors), iii) lack of financial mechanisms to incentivize private house owners to participate and appropriate institutional arrangement to manage their housing restoration process, and iv) change of education policy at the provincial level to consolidate resources.

Under Component C, the completed *Infrastructure Network Modeling for Qufu Ming Old City* (C2) guided the technical design of Component B1-4 and addressed technical challenges in old-city infrastructure upgrading[7]. *Guidelines for Old City Regeneration, Planning, and Development in Qufu and Zoucheng* (C3) and the *Detailed Development Control Plan for the Ming Old City* (C5) were completed and approved to govern future development activities (e.g., land use, building height, style, regulations) in the two "National Historic and Cultural Cities" at the old-city scale to ensure sustainable development. These results contributed to the achievement of IOI#3.

In sum, local residents were not provided with heating and gas due to design deficiencies and subsequent cancellations, so KPI#2 was not achieved. Selected basic infrastructure was partially installed (IOI#2), but not completed also due to cancellations. TA results on adoption of a development control handbook and plans (IOI#3) were fully achieved. Other expected results under Component B (not measured by the RF) were partially achieved. The achievement of PDOb was therefore assessed as Modest.

PDOc – Enhance tourism management
Rating: Modest

Activities that were designed to enhance tourism management were included in Component A5-a on signage, interpretation, and digital displays for both cities; A5-b on digital display in Confucius Research Center; B5-a on training

[7] Challenges specific to upgrading infrastructure in old cities given the narrow, dense, complex conditions. Certain pipes could not be installed using conventional construction methods. Challenges were addressed through modeling of old-city infrastructure (Component C2), several technical discussions with experts led by the PMC, and introducing some Japanese construction techniques in upgrading Ming Old City.

and TA support for cultural heritage-related small business; B5-b on conservation of privately-owned historic houses to introduce tourism functions; C4 on community participation and sustainable tourism management manual; D2 on preparation of site management plans for the World Heritage Site and sites on the Tentative List; and D4 on training in sustainable tourism management and marketing.

Under Component A5, 312 signage boards for directing tourists, managing old-city traffic, and explaining the significance of CH were designed and installed to improve tourist management in the CH sites and in the old cities. A total of 700 multi-lingual audio guides and associated equipment were introduced to guide tourists and reduce the noise level from loud speakers. Digital display systems were applied in the Confucius complex, Mencius complex, Confucius Research Center, and the Mencius Museum to disseminate information on Confucian culture and diversify tourists' experience.

Under Component B5, training was provided to 1,926 tour guides, taxi drivers, homestays, home restaurants, tourism management staff, residents near the CH sites, in the two old cities to improve their tourism related skills contributing to IOI#4. However, training and TA support for handicraft development and design of marketable products were dropped due to lack of clear ownership. Moreover, conservation of 69 privately-owned historic houses was dropped due to lack of incentive for residents to participate and weak institutional arrangements to manage such conservation.

Under Component C and D, a *Manual on Community Participation and Sustainable Tourism Management* and a *Confucius Cultural Guidebook for Tourism Operators* (C4)[8] were developed to guide community business and tourism operators, contributing to the achievement of IOI#3. A World Heritage Site management plan was prepared and endorsed by the local government under Component D2 to govern sustainable tourism management in the long term. But the site management plans for Zoucheng were dropped due to the city's decision to not include the Mencius complex in the Tentative List for World Heritage. Training under Component D4 was merged with B5-a (duplicated) and completed.

Though the expected results were achieved under Components A and C, no private houses were conserved against the goal of 69; no training on handicraft development took place; and the site management plans for Zoucheng were not produced, so achievements under PDOc are rated Modest.

Overall, reviewing all the RF results, one KPI and two IOIs were fully achieved whereas one other KPI and two other IOIs were partially achieved[9]. PDOa1 on conservation of CH had substantial achievements, but achievements for PDOb and PDOc were modest. Weighted one-third each, the overall rating for the achievement of original PDO is *Modest*.

B. Efficacy of Revised PDO - *High*

The project fully achieved its revised PDO. By loan closing, all the targets of the three revised KPIs and the six revised IOIs had been achieved or exceeded. The project benefitted a total of 2,347,000 residents and tourists with enhanced cultural heritage conservation, old city infrastructure and tourism services[10].

[8] A total of 7,900 copies distributed to cultural tourism bureaus, tour agencies, hotels, restaurants, and residents in the two old cities.
[9] Achievement of original IOI#4 on % of trainees who apply the knowledge learned in their daily work was not monitored, and this indicator was revised in the Level-1 Restructuring.
[10] See the project website and video at *http://sdcmch.com/* as dissemination was part of the April 2016 restructuring. Also, see the World Bank Feature Story on December 07, 2017 about the project: *http://www.worldbank.org/en/news/feature/2017/12/07/china-heritage-sites-of-confucius-and-mencius-restored-to-glory-better-life-for-local-communities?cid=EAP_ChinaNewsletterEN_M_EXT*

PDOa2 - Enhanced Cultural Heritage Conservation[11]
Rating: High

The project successfully enhanced CH conservation in Qufu and Zoucheng. At appraisal, the Confucius and Mencius CH sites had not seen any extensive conservation investment since the 1930s, and required major conservation work, comprehensive site management and upgraded tourism services. As discussed under the achievement of PDOa1 above, the project financed conservation, adaptive reuse, and O&M of key CH sites mostly through Component A1-3 for Qufu and Component A4 for Zoucheng. All the CH subprojects were completed with high quality, evident in the fact that two subprojects received competitive national awards for best practice CH conservation[12]. The project conserved not only historic monuments and buildings, but also 432 stone tablets, about 7,000 ancient trees, as well as pavements, walls, wells, and slopes to carry out holistic conservation. Through conservation works under the project, the traditional building techniques which were intangible heritage, were also conserved. Historical artifacts such as wood paintings, inscriptions and stone tablets were restored using conservation techniques specifically developed under Component C1 funded by a Bank-executed trust fund which piloted such technical solutions. Conservation of ancient trees and slopes was technically innovative and addressed administrative gaps between the CH mandate and the municipal landscaping mandate. Historic buildings were repaired and modernized with restrooms, electricity, lighting, and railings to allow adaptive reuse of the assets and public access. Using the World Heritage site management plan completed under Component D2, the requirements of UNESCO were fulfilled[13], conservation and tourism management were planned, and institutional responsibilities were defined with budget allocated. Monitoring systems for the CH sites were installed and staff trained under the project to ensure the sites properly maintained. Annex 1 provides details on the renovated sites.

The project significantly transformed the historic urban core landscape surrounding the CH sites. At appraisal, the old neighborhoods adjacent to core CH sites had dilapidated living conditions and lacked basic infrastructure. The ancient moat of Ming Old City was often dry. Yinli River near the Mencius Complex had unstable inflows, with no wastewater collection and unstable embankments. It sometimes flooded in summer and frequently became an unsightly, dirty neighborhood dumpsite, posing health hazards for residents. The national level CH Lu Old City relics were not open to the public and the area was partially an informal dumpsite.

Under Component B1-4, the project upgraded old city infrastructure in the buffer zones of CH sites. Infrastructure network modeling developed under Component C2 was used to guide the technical design of Component B1-4 and innovatively solved technical challenges in old-city infrastructure (see footnote 7). At closing, a total of 7.3km streets, serving about 42% of old-city settlements in Qufu and 49% in Zoucheng, were repaved with all basic infrastructure and urban landscape elements provided (i.e., water supply, sewage, gas, heating, electricity, fire hydrants, solid waste bins, street lights, trees, seats, small gardens, and access ramps for the disabled). The 5.4km moat and 2.9km Yinli River were dredged and transformed into clean, attractive recreational areas for residents and tourists alike (Annex 9). The rehabilitation of the moat was integrated into the regional water resource management plan, and the water was diverted from the Si River in a sustainable manner. The rehabilitation of the Yinli River included installation of a wastewater

[11] Results of Component B (original: Old City Regeneration and Infrastructure Upgrading; revised: Old City Infrastructure Upgrading) except Subcomponent B5 contributed to the original PDOb, and to the revised PDOa-2 and PDOd. Component B contributed to the revised PDOa2 because 1) such infrastructure was located within the buffer zones of key cultural heritage sites and was integral part of the tourism circuit and itinerary, and 2) such upgrading enhanced services and connectivity for both residents and tourists. For the Efficacy assessment of the revised PDO, results of Component B were analyzed under PDOa2 to avoid duplication, though these results contributed to both PDOa2 and PDOd.
[12] The Confucius Mansion West Wing Historic Conservation and the Nishan Confucius Temple Conservation were awarded as "Top 10 Historic Conservation Projects of China" in 2012 and 2013 respectively.
[13] When the Confucius Complex was inscribed as a UNESCO World Heritage in 1994, site management plans (SMPs) were not required. Now SMPs are required for all World Heritage Sites. The SMP is also instrumental for compliance with the buffer zone requirements of the Gupan area.

collection system to improve the urban environment. It also enhanced the embankments to reduce vulnerability to floods, and reused treated effluent from a wastewater treatment plant to conserve water and enhance cost-effectiveness. Monitoring of the river's water quality showed that it improved significantly from total ammonia nitrogen (TAN) 20.2mg/L and Chemical Oxygen Demand (COD) 192mg/L before the project, to TAN 1.37mg/L and COD 27.6mg/L after the project. The Lu Old City was transformed into a national archeological park that was open and attractive to the public. In total, the project benefitted 125,000 residents in two old cities through transforming their living environment (see Annex 1 and 9).

At appraisal, studies were lacking on conservation techniques and old-city infrastructure upgrading, as well as city plans for old-city conservation and development control. Training for staff of cultural heritage conservation agencies was insufficient. Under the project, except for Component C1, C2, and D2 as discussed above, parts of Component C financed TA to develop guidelines for historic city conservation and regeneration, including *Guidelines for Old City Regeneration, Planning, and Development in Qufu and Zoucheng* (C3), the *Detailed Development Control Plan for the Ming Old City* (C5), and the updated *Qufu Ming Old City Conservation Plan* (C6). They will be critical to governing future CH conservation (e.g., protected sites and relics, buffer zones, guidelines) and development activities (e.g., functions, height, style, regulations) in the two "National-level Historic and Cultural Cities" at the city scale to ensure long-term sustainability in conservation. Moreover, training and exchange programs (D5), including 11 training sessions and two study tours, were conducted for 286 officials and staff of CH bureaus in Qufu and Zoucheng to enhance their technical capacity on CH conservation.

For all the above conserved CH and upgraded infrastructure in old cities, appropriate O&M equipment was procured, O&M budget was allocated, and responsible agencies were identified (see Annex 10). Satisfactory O&M arrangements, together with the excellent achievements in TA and capacity building as narrated above, warranted the achievement of the project's long-term objective of conserving CH for generations (see I.A Theory of Change).

Following the April 2016 Restructuring, all the revised RF end targets were fully achieved or exceeded. At loan closing, per revised KPI#1, 40 CH sites were conserved. Per revised KPI#3, 125,000 residents directly benefitted from upgraded infrastructure in historic cities. Per revised IOI#1, 17 cultural heritage assets were adaptively reused. Per revised IOI#2 and #3, 7.3km of roads and 8.3km of river courses were renovated in the CH buffer zones in the two old cities. Per revised IOI#4, five studies, manuals and site management plans were completed and approved by the government[14]. Therefore, the achievement of PDOa2 is rated *High*.

PDOd - Enhanced Tourism Services
Rating: High

The project significantly enhanced tourism services in Qufu and Zoucheng. Before the project, these cities lacked tourist services such as infrastructure, signage and information, open public spaces, and visitor centers. Many cultural assets were not open to tourists. The Confucius Museum had inadequate exhibit halls and storage, and Zoucheng did not have a museum worthy of its national status. Tourist site managers and small tourism businesses lacked professionalism. Key CH sites were dilapidated and unattractive. As a result, tourist satisfaction levels hovered around only 48%.

The project took a two-pronged approach to improving tourism services. First, the project installed bridges, walking paths, public restrooms, lighting, trash bins, information boards, as well as museums and visitor centers in Qufu and Zoucheng. The project installed multi-lingual signage systems (including 312 signage panels, some with QR codes), digital displays, and 700 audio guides in all the key tourist destinations to improve information and interpretation, reduce the

[14] The project financed the Confucius Complex World Heritage Site Management Plan which was endorsed by the government. This was in the project design but beyond the RF.

noise level from loud speakers, and improve tourists' experience in the two cities. An existing building was renovated to house the Mencius Museum, and the Confucius Museum was improved with expanded exhibits, storage, and O&M equipment. A visitor center with parking was built to serve the Mencius Cemetery which lacked tourism infrastructure. Together with the CH achievements (PDOa), the two old cities have become more attractive and convenient for tourists.

Second, the project trained a total of 1,926 tour guides, taxi drivers, homestay and home restaurant owners, tourism management staff, and residents near the CH sites, to cultivate their knowledge of tourism skills. This training was well received and the end target of 700 people trained was greatly exceeded (IOI#5). A *Manual on Community Participation and Sustainable Tourism Management* and a *Confucius Cultural Guidebook for Tourism Operators* were developed to guide community business and tourism operators and 7,900 copies were distributed to cultural tourism bureaus, tour agencies, hotels, restaurants, and residents in the old cities. The project also developed a website[15] with a video linked to the provincial tourism homepage for tourism promotion.

At loan closing, per KPI#2, the average tourist satisfaction level in Qufu and Zoucheng had doubled from 48% at appraisal to 96%, significantly exceeding the end target by 28%. Per KPI#3, the project benefitted over 2.2 million tourists (including 58% women), 9% above the end target. In addition, the project contributed to the rapid growth of tourism in the two cities (see the section below). Therefore, the achievement of PDOd is rated *High*.

Long-term Objective - Socio-economic Benefits to Local Communities

The conserved CH, upgraded urban environment, and enhanced tourism services brought significant socio-economic benefits to local communities which was the long-term objective of the project[16]. First, the tourism sector and its contribution to the local economy grew significantly in the two cities. Based on the cities' statistical yearbooks, 1) the number of tourists significantly increased in the Confucius and the Mencius Complexes; 2) total revenues from tourism significantly increased in both cities, and 3) the share of tourism in local GDP increased (Table 4). The project contributed to such local economic development through tourism - the Bank-financed project was one of the main investments in and around core CH sites in Qufu during 2011-2017, and was the main investment vehicle in cultural tourism in Zoucheng old city (see Annex 11 on synergy of the Bank-financed project and relevant domestic projects).

Table 4. Tourism growth and the sector's contribution to local economy in Qufu and Zoucheng

Project City	Qufu		Zoucheng	
Year	2011	2016	2011	2016
Annual number of tourists (Confucius Complex and Mencius Complex respectively)	4.26 million	4.94 million	100,800	256,800
% tourists increase (2011-16)	16%		155%	
Annual total revenues from tourism (RMB billion)	8.9	15.8	2.2	6.1
% tourism revenue increase (2011-16)	78%		177%	
Share of city's GDP (%)	33.5%	40.9%	3.5%	7.0%

Second, tourists stayed longer and spent more money in the two cities. A post-investment tourist survey conducted in 2017 (using 250 sampling size in key project CH sites) revealed significant increases in the average length of stay and average spending compared to similar surveys conducted by city tourism bureaus as baseline in 2008 (Table 5). The project

[15] *http://sdcmch.com/*

[16] The achievement of the other long-term objective of conserving CH for generations is analyzed under PDOa2.

likely contributed to such increases, as evident by the doubling of tourist satisfaction levels (KPI#2), though the increase was also likely a result of China's overall tourism growth.

Table 5. Tourists' length of stay and spending patterns in Qufu and Zoucheng

Project City	Qufu		Zoucheng	
Year	2008	2017	2008	2017
Average number of days spent in the city	0.6	1.8	0.3	1.4
% length of stay increase (2008-17)	200%		367%	
Average tourism spending in the city (RMB/person)	392	1,440	200	1,101
% tourism spending increase (2008-17)	267%		451%	

Third, a post-investment beneficiary survey (with a significant 25% size of sampling) showed that the project brought multi-faceted socio-economic benefits to local residents and businesses; with 100% of residents and business owners in project areas expressing satisfaction with the project results. Surveys of residents in the east zone of Ming Old City in Qufu (164 respondents, 52% female) and three streets in Zoucheng Old City (212 respondents, 46% female) showed that the project significantly improved their living environment and mobility. Key findings are summarized below:

Table 6. Problems before project and benefits after project for residents in project areas in Qufu and Zoucheng

Project neighborhoods	East Ming Old City - Qufu	Three Streets - Zoucheng
I. Problems before the project (2011)	***% respondents***	***% respondents***
Broken roads, inconvenient mobility	53.1	97.2
Inadequate drainage leading to floods	38.4	35.4
Messy, dirty city environment	20.1	74.1
II. Benefits after the project (2017)	***% respondents***	***% respondents***
Improved roads, convenient mobility	82.3	90.6
Improved living environment	62.8	100.0
Satisfied with project results	100.0	100.0

A survey of residents along the Yinli River in Zoucheng Old City (105 respondents, 53% female) showed that the project transformed their living environment, perceived health, and quality of life. Key findings are summarized below:

Table 7. Problems before project and benefits after project for residents along Yinli River in Zoucheng old city

I. Problems before the project (2011)	***% respondents***
Bad water quality	91.4
Bad living environment around the river	87.6
Negative impacts of the Yinli River in everyday lives	90.5
II. Benefits after the project (2017)	***% respondents***
Improved water quality	91.4
Improved living and working environment	100.0
Benefits to physical and mental health	94.3
Satisfied with project results	100.0

A survey of small business owners (predominantly shops, restaurants, and homestays) in the east zone of Ming Old City in Qufu (89 respondents, 52% female) and three streets in Zoucheng Old City (52 respondents, 46% female) showed that the project contributed to attracting more customers and increased revenues through improving the infrastructure and enhancing business knowledge and skills. The increases exceeded the average small business growth in two

comparator control neighborhoods respectively (75 respondents, 53% female in Qufu, west zone of Ming Old City; and 71 respondents, 47% female in Zoucheng, east to the Mencius Temple) during the same period, which pointed to a significant attribution. Key findings are summarized below:

Table 8. Average revenues and numbers of customers of small business in project and comparator control areas

Neighborhoods	East Zone Ming Old City - Qufu		Comparator - Qufu		Three Streets - Zoucheng		Comparator - Zoucheng	
Year	*2011*	*2017*	*2011*	*2017*	*2011*	*2017*	*2011*	*2017*
Average revenue (USD/month)	475	1,027	505	616	374	884	478	565
% revenue increase (2011-17)	116%		22%		136%		18%	
Average number of customers per month	476	665	412	501	368	504	375	418
% customer increase (2011-17)	40%		22%		37%		11%	
Satisfied with project results	100%		n.a.		100%		n.a.	

A survey of business owners along the Yinli River showed that, the number of small businesses (predominantly shops, restaurants, and homestays) along the river increased from 15 in 2011 to 29 in 2017 (93% increase), creating 34 new jobs. The socio-economic impact evaluation is summarized in Annex 8.

Justification of Overall Efficacy Rating

Original: Modest; Revised: High

PDOa1, PDOb, and PDOc are rated Substantial, Modest, and Modest respectively. Therefore, the combined rating for the achievement of the Original PDO is *Modest*. Achievement of the Revised PDO is rated *High* because both PDOa2 and PDOd were fully achieved and the socio-economic benefits to local communities were significant.

C. EFFICIENCY

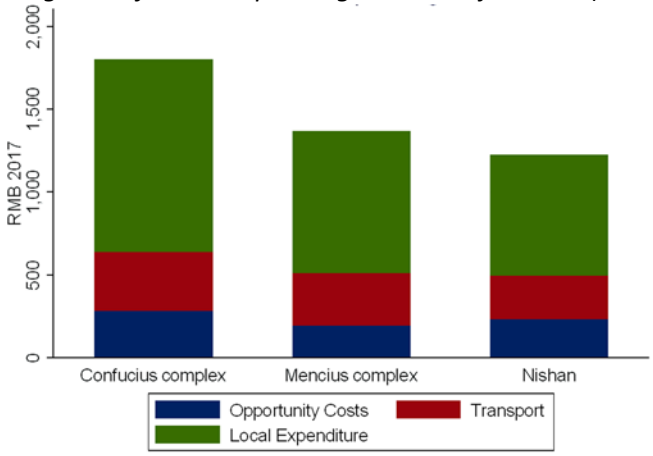
Assessment of Efficiency and Rating

Rating: Substantial

Efficiency of Loan Utilization. At appraisal, a cost-benefit analysis (CBA) was employed to three CH investments grouped by location, i.e., the Confucius Complex and Nishan Mountain (in Qufu) and the Mencius Complex in (Zoucheng Old City). The analysis quantified three streams of direct economic benefits that were expected to materialize for residents and tourists as a result of the project investments: i) higher revenues linked to tourist spending in the local economy; ii) consumer surplus generated for tourists; and iii) appreciation of real estate values. Three different valuation techniques – productivity change, contingent valuation, and hedonic valuation – were employed to estimate the respective economic benefits. A With-and-Without Method was used to compute the incremental change in benefits, with other parameters like tourist growth and project share of city tourists being populated using administrative data.

At the completion stage, the Borrower also undertook a similar CBA to assess the economic viability of sub-projects in both locations. The real estate values appreciation was not taken into consideration due to the cancelation of the urban regeneration subprojects through the restructuring. This ICR also abstracts from benefits due to real estate appreciation, given that any negligible effects due to the project's remaining investments cannot be estimated without a comprehensive, time-consuming and expensive survey.

Figure 3. Categories of Tourist Spending across Project sites (2017)



In this ICR, the CBA framework is again utilized for the Qufu and Zoucheng sub-projects to remain consistent with the PAD. The first set of incremental benefits – additional local revenues – are computed by combining administrative tourist visits and revenue data at the city level (2011 – 2017) with data on baseline spending and estimated growth in local revenues at the sub-project level. Critical projection parameters, such as growth in local revenues, were rigorously estimated using a quasi-experimental econometrics strategy applied to data from post-investment surveys (Annex 4)[17]. The second set of incremental benefits – additional consumer surplus – is computed by utilizing willingness-to-pay estimates and baseline data on tourist characteristics. The Confucius complex generated the highest local revenues and consumer surplus, followed by the Mencius complex and then, the Nishan mountain site. This sub-project level pattern was validated by the results of an end-of-project tourist survey, which showed that the local expenditures, opportunity costs and transport costs borne by the Confucius complex tourists were higher than Mencius complex and Nishan.

The costs of the project mainly included capital investment and O&M costs. Capital investment covered social costs such as land requisition and resettlement. The O&M cost included those of operating tourism services and regular maintenance. The NPV is estimated to be RMB 332 million ($50 million), and the project's economic internal rate of return (EIRR) was 16%, higher than the benchmark rate of 8% used by the Chinese government (Table 9). Annex 4 reports CBA for Qufu and Zoucheng, and discusses the background assumptions and methodology for estimating key parameters.

Table 9. Cost-Benefit Analysis of Shandong Project

Metric	Value	Assessment	Units
NPV	33,200.9	>0	RMB 10,000
BCR	1.2	>1	
EIRR	16	>8	%

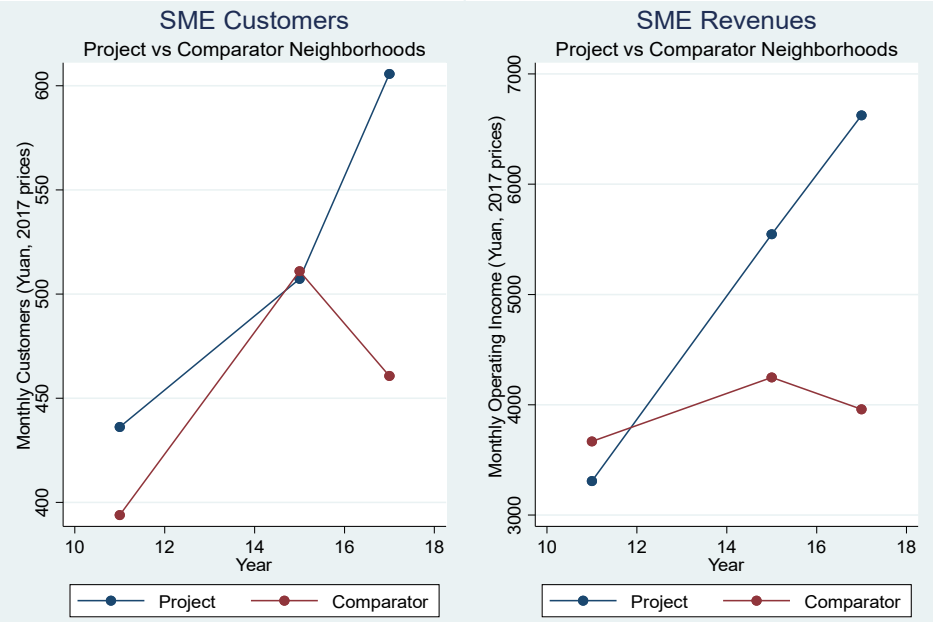
Project's Effects on Small Business Outcomes

End-of-project surveys, covering 25% of local SMEs, showed that small businesses in Qufu and Zoucheng's project neighborhoods experienced large gains in customers and revenues, benefiting from the infrastructure upgrades financed by the project. On average, small businesses in project neighborhoods received nearly 170 extra customers per month –

[17] Post-investment surveys included 1) a socioeconomic impact evaluation survey introduced as part of the project through the April 2016 restructuring, focusing on city-level tourism data analysis and residents' and small business owners' satisfaction and socioeconomic improvements through the upgraded infrastructure under the project; and 2) an additional study funded by the Bank at the ICR stage to conduct control-group surveys at the infrastructure upgrading sites and willingness-to-pay surveys at the cultural heritage sites, using consistent methods as the appraisal CBA and the socioeconomic impact evaluation survey.

2.5 times the incremental customers of businesses in comparator neighborhoods – over the 2011-17 period. In fact, monthly customers were nearly equal in project and comparator control neighborhoods even in 2015, but diverged significantly after the project was restructured and disbursement ramped up in 2016. Corresponding to the gains in customers, average small businesses revenues in project neighborhoods rose by RMB 3,618 – 11.3 times larger than the gains in comparator control neighborhoods. Both outcomes are illustrated in Figure 4 and the difference-in-difference estimation using SME-level data are discussed in Annex 4.

Figure 4. Trends in SME Metrics (Project vs. Comparator Control Neighborhoods)



Efficiency of Bank budget. The project preparation cost US$335,722 of Bank budget and took 16 months from the first identification mission to Board approval (12 months from the concept note to Board). The preparation was efficient and the cost was similar to other lending projects in China. The implementation cost amounted to US$755,482 of Bank budget for five and half years. The implementation cost was higher than other recently completed lending projects in China, but was in a reasonable range comparable to other recent projects that went through major transformation from problem status to satisfactory closure, through two-phased MTR and two restructurings, and/or with Task Team Leaders (TTLs) based in the headquarters (e.g., Guizhou Cultural and Natural Heritage Protection and Development Project, Shanghai Urban Environment - APL III). The 6-months extension, cost US$34,134, was important for successful closure. The overall budget was worth spending as the project achieved satisfactory results for over two million beneficiaries.

D. JUSTIFICATION OF OVERALL OUTCOME RATING

The Overall Outcome Rating is *Satisfactory*, as calculated in Table 10 below.

Table 10. Calculation of the overall outcome rating

	Before Restructuring	After Restructuring
Relevance of Objective	High	

Efficacy (PDO)		Modest	High
A		Substantial	High
B		Modest	-
C		Modest	-
D		-	High
Efficiency		Substantial	
1	Outcome ratings	Moderately Unsatisfactory	Highly Satisfactory
2	Numerical value of the outcome ratings	3	6
3	Disbursement	US$18.5 million	US$27.2 million
4	Share of disbursement	40%	60%
5	Weighted value of the outcome rating	1.2	3.6
6	Final Outcome Rating	Satisfactory (4.8)	

E. OTHER OUTCOMES AND IMPACTS

Gender

The project formalized gender aspects by introducing three gender-disaggregated KPIs as part of the April 2016 restructuring (see Table 11). The project brought significant positive impacts to nearly 1.4 million female beneficiaries, including residents and tourists. The improved street lighting, local roads, water supply, and wastewater collection contributed to safer, cleaner environments for women. Moreover, the improved urban environment around CH sites and the trainings contributed to small business revenue growth and benefitted female owners and operators (see II.B). In addition, the socio-economic survey showed that the opening of a total of 26 new shops, restaurants, and homestays in east zone of Ming Old City, the three streets and along Yinli River in Zoucheng directly created jobs for 39 women.

Table 11. Summary of female beneficiaries in Qufu and Zoucheng

Project cities	Qufu		Zoucheng	
Indicators	*End Target*	*Achieved*	*End Target*	*Achieved*
% Female among non-local tourist beneficiaries	50	59.4	50	51
% female among total resident beneficiaries	48	49	42	45.4
Female beneficiaries	End target=1,068,880 (49.6% of total beneficiaries) Achieved=1,357,722 (57.8% of total beneficiaries)			

Institutional Strengthening

The project strengthened the institutional capacity of the Shandong Provincial Government (SPG), Jining Municipal Government (JMG), and local governments of Qufu and Zoucheng. The project trained 286 officials and staff of the PMOs and PIUs at all levels on project management, procurement and contract management, financial management, safeguards, technical knowledge, cultural tourism, and O&M. The project supported two study tours for officials and staff of local governments with a focus on CH conservation and tourism management. Through working with the World Bank, the extensive training by the PMC, and accumulated on-the-job experience, capacity of personnel of the PMOs was enhanced. The experience gained from the Project will be useful to their future work, including O&M of the conserved CH sites and built assets under the project. Moreover, the training to tourism operators and Handbooks distributed strengthened the capacity of cultural tourism bureaus, tour agencies, hotels, restaurants, and residents in the old cities.

III. KEY FACTORS THAT AFFECTED IMPLEMENTATION AND OUTCOME

A. KEY FACTORS DURING PREPARATION

Background Analysis. Several analytical studies were conducted by the Bank to underpin the project design: 1) completion of "Shandong Cultural Heritage Sector Review" (P120553), an Economic and Sector Work (ESW) study providing key city-level socio-economic indicators and tourism market analyses; 2) a tourist satisfaction survey report, identifying challenges in the local tourism industry; and 3) a willingness-to-pay survey on tourists in key CH sites in the two cities, supporting the economic analysis of the project. Global and local lessons on CH conservation were identified and incorporated into the design. However, the background analysis on historic city regeneration -- a major part of the project-- focused too narrowly on architectural styles, spatial design and infrastructure options. In-depth analyses of stakeholder engagement mechanisms, financing mechanisms, institutional and operational arrangements, and common practices on urban regeneration in historic cities in China, were not carried out to guide the project design, leading to challenges of several urban regeneration activities during implementation.

Project Design. The PDOs in the PAD and Loan Agreement did not match fully, but they agreed on PDOa of "enhance cultural heritage conservation" which was clear with appropriate activities and a KPI to monitor results. However, PDOb and PDOc on "development" and "tourism management" respectively were not tightly supported by project components or the RF. This led to difficulties in M&E that were mostly addressed by the April 2016 Restructuring (see section IV.A). The project design rightly integrated cultural heritage conservation, historic city upgrading and regeneration, and sustainable tourism management, which was the Bank's value added. The two project cities - Qufu and Zoucheng - were well selected based on their globally and nationally significance in CH, financial and technical needs for conservation and development, as well as SPG's vision of promoting CH-based tourism. Alternatives on overall project design approach and infrastructure design were compared to justify the design.

Component A on CH conservation and presentation focused on conserving a wide range of CH sites and providing associated tourist infrastructure in the two cities to provide more destinations and an improved experience for tourists. Component C financed TA to address the lack of manuals, guidelines, plans, and technical studies necessary for conservation, development control, and tourism management. Component D on capacity building and project management was designed to address weak institutional capacity and provide skills training to residents, allowing them to take advantage of the growing tourism sector (the M&E design is analyzed under IV.A).

However, Component B on old city regeneration and infrastructure upgrading, originally comprising 78% of the total loan amount, was overly complex and ambitious. The component intended to cover a wide range of civil works in the two cities, including 1) infrastructure upgrading in historic cities, 2) regeneration/redevelopment of historic blocks, 3) water diversion, 4) river rehabilitation, 5) reconstruction of a school, 6) conservation and remodeling of privately-owned old houses, and 7) training and technical support for heritage-related small business. Activity 5) was unrelated to the PDO. The envisaged activities under 2), 6), and 7) were unconventional and new cutting-edge concepts for the cities. They were technically and operationally complicated without clear community buy-in at appraisal. Old city development plans, conservation plans, and regeneration guidelines were critical to guide and regulate these activities, but they would only be prepared under Component C during early implementation. These activities could have been further prepared and discussed with stakeholders. Moreover, Component B did not have a well-defined link to the PDO, and the KPI measured outcomes (heat and gas access) were not even covered by the project design.

Risk and Mitigation Measures. The project's overall risk rating was "Substantial", and most risks were correctly identified with mitigation measures in place. However, several risks were not identified. The institutional arrangements covered three levels of government and multiple sectoral agencies, posing challenges in project coordination and management. Weak institutional and technical capacity was not explicitly identified, though a capacity building component was designed. Regeneration of old city blocks and conservation of privately-owned houses were conceptually new and technically complicated, and their relevant plans, guidelines and regulatory frameworks were not ready, which led to delays and changes in implementation. Moreover, domestic approval procedures for CH-related subprojects, usually taking longer time than regular municipal infrastructure, were not identified as a risk for delay in implementation.

Institutional Arrangements were complex, which posed a potential project coordination, though such risk was reasonable and inevitable given the project's multi-sectoral nature and its institutional background at the time of appraisal. Project management offices (PMOs) were set up at three levels - the provincial (Shandong), prefecture-municipal (Jining), and county-city levels (Qufu and Zoucheng) - with seven corresponding project implementation units (PIUs) in two cities. Such arrangements resulted from the integrated project design, as well as the unique background of Jining being titled as a national-level "Chinese Cultural Landmark City" in early 2008. The subsequently established Offices for the "Chinese Culture Landmark City" at both the provincial and municipal levels led project preparation and coordination. The PPMO and MPMO were both responsible for overall project coordination, management, and selected TA and capacity building activities, whereas most activities were planned to be implemented at the county-city level.

B. KEY FACTORS DURING IMPLEMENTATION

The project made slow progress during its first three years and was a problem project from 2014 to 2016. The Mid-Term Review (MTR) led to a series of actions that significantly improved implementation progress including a Level-1 restructuring. The project closed with satisfactory DO and IP ratings.

Commitment, Leadership and Coordination. Government at all levels was strongly committed to the project as evidenced by staffing of PMOs, actively seeking solutions to problems, supporting M&E, and disseminating results. Nevertheless, project coordination was weak early in implementation. The Offices for the "Chinese Cultural Landmark City" at both the provincial and municipal levels ceased playing leading roles in the PPMO and MPMO during early implementation, creating a leadership vacuum. At the MTR, the provincial and municipal governments acknowledged the issue and assigned the provincial cultural heritage bureau to lead the project, and cultural heritage bureaus at both levels to coordinate implementation. From then on, project leadership and coordination significantly improved.

Project Management and Institutional Capacity. Early on, project management was inefficient due to weak technical capacity in project management. The professional project management company (PMC) was not on board during the first year and half of implementation. A PMC was hired in 2013, and contributed effectively to project management, design reviews, contract and financial management, M&E, and problem solving. The Bank initiated frequent video meetings with the PMOs after the MTR. Over time, project management capacity at all levels grew significantly, and the pace of implementation accelerated significantly later during implementation.

Demolition of Housing around the Gupan Pond (Component B-2). The Gupan Pond area in the Ming Old City is located within the buffer zone of the Confucius Complex World Heritage Site. Two years into implementation, 588 houses in the 13-ha area were demolished in 44 days, except for five designated historic buildings. Neither China's State Administration of Cultural Heritage (SACH), nor the World Bank or UNESCO were informed about the planned demolition. The World Heritage Center (WHC) alerted GOC through a formal committee decision (38 COM 7B.11) that demolition of the Gupan Pond area did not conform to buffer zone requirements for World Heritage Sites. In the April 2016

restructuring, Gupan Pond was canceled from the project, but the compliance with UNESCO requirements and resettlement activity remained linked to the project. This was a wise decision that ensured proper compliance and resettlement and compensation of the affected people. The Bank remained engaged in providing advice to the local government on proper urban design and redevelopment of the site. By closing, the new urban design plan had complied with WHC and SACH requirements, and the remaining resettlement was satisfactorily carried out (see Annex 7).

Changes in Subproject Designs. Some subprojects saw major changes that impeded implementation progress. By the MTR, old city infrastructure upgrading in Qufu was delayed due to several rounds of design optimization to respect the old-city fabric, cope with technical complications of old-city infrastructure, and minimize relocation. Proposals of urban regeneration were changed multiple times due to changing leaders, priorities, and different interpretations. Rehabilitation of Gupan Pond water system and infrastructure upgrading were suspended due to the housing demolition and the warning from UNESCO. Reconstruction of the Mencius School was pending due to educational reform and the subsequent change of plans. The number of privately-owned old houses to be conserved declined significantly from 69 at appraisal to 19, due to residents' limited willingness to participate, constraints in affordability, and the uncertainty of introducing subsidy by the government. Training for handicraft and marketable products had lacked ownership.

Mid-Term Review and Project Restructurings. By October 2014, three years into implementation, the loan was only 17% disbursed, and implementation was facing myriad difficulties: lack of strong project leadership; the Gupan Pond clearance issue and subsequent warning from UNESCO about redevelopment of that area; design changes in several subprojects under Component B; inadequate M&E; and inadequate project and financial management. Bank management requested a two-phase MTR from October to December 2014, as well as a Quality Enhancement Review (QER) to seek expert advice on a restructuring plan. Agreement on a suitable framework for restructuring was reached, and the Bank communicated the plan with the client in the second MTR mission. Actions that proved essential in improving implementation included drawing high-level political attention to the problems, streamlining coordination and management mechanisms, strengthening the role of the PMC, conducting monthly video meetings with the Bank, restructuring project through simplifying the PDO, amending the RF and reducing the project scope, and improving safeguards, procurement and financial management (FM). These changes (discussed in Section 1B above) were reflected in a Level-1 Restructuring (RES18068) approved by the Board on April 8, 2016. After these key changes were made, implementation significantly improved and the project ratings were upgraded to MS on May 9, 2016.

In December 2016, a Level-2 restructuring was approved to extend the loan closing date by six months to ensure quality completion of all contracts, fully utilize loan savings estimated at US$7.1 million (due to competitive bidding and currency fluctuations), improve O&M of the investments, comply with WHC requirements, complete resettlement for the Gupan Pond area, complete a socio-economic evaluation, disseminate results, and prepare the Borrower's ICR.

IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

A. QUALITY OF MONITORING AND EVALUATION (M&E)

Rating: Substantial

M&E Design

The original PDO and results framework (RF) design had several weaknesses. The theory of change behind PDOa on the conservation of CH was clear, and had a relevant KPI and activities that would lead to its achievement. PDOb on enhanced development was less clear, but seemed to relate to the urban upgrading activities, since the related KPI

focused on percent of local residents with access to heating in Qufu and access to gas in Zoucheng. The urban upgrading activities, however, did not include actual household utility connections, only the laying of trunk infrastructure, so an access indicator was not appropriate. PDOc on enhanced tourism management was the least clear, as it did not have a related KPI, and the intermediate indicators did not give a flavor of what was intended by "enhanced tourism management". Activities included community participation and business training development, with an intermediate outcome on numbers of people trained. Activity B5 on "conservation of privately owned historic houses in Qufu" contributed somewhat to both PDOa and PDOc, but neither its expected outputs or outcomes were quantified in the RF. The original M&E design also included surveys of residents' and visitor satisfaction, and use of employment records and CH patrol records, but the RF did not capture the expected targets and results. No final socio-economic survey was foreseen to link the benefits of increased tourism to the local economy of the two cities.

During the MTR, the Bank realized that the original M&E design had some attribution weaknesses, and it amended the PDO and RF in the April 2016 restructuring. The PDO identified the project's main beneficiaries (tourists and residents) and measured their satisfaction with surveys, including a socio-economic survey. PDOc on tourism management was reworded as PDOd on enhancing tourism services to more directly link it to activities such as improved site and visitor management plans and trainings.

M&E Implementation

Early in the project, the RF was used to organize data but the PIUs were inexperienced in conducting M&E and lacked capacity on data collection, and thus data collection stalled. Implementation delays also slowed M&E progress. Overall data collection and reporting improved after the restructuring with additional support from the PMC. The baseline information was checked and updated as the original RF had dubious baseline data on assets adaptively reused and conserved. To improve capacity and support data collection, the project financed an impact evaluation consultancy which helped create reliable baseline information and improved reporting on progress and indicators until the end of the project. Moreover, the provision of consultants' services to assist in external monitoring of resettlement was added through the Level-1 restructuring to support the client with better monitoring of resettlement, including improved practice of grievance redress mechanisms.

M&E Utilization

The Bank used the MTR discussions to conduct consultations and review the RF and M&E strategy with the client. The lack of data on selected indicators informed challenges in the measurability of those indicators and they were restructured. The Bank helped refine the M&E strategy and ensured that all baselines and monitoring data were collected. M&E utilization and reporting improved after the restructuring when particular attention was given to timely delivery of reports that informed decisions and the Bank's Implementation Status Reports (ISRs). The client's capacity improved in M&E through the Bank's active supervision on M&E quality and through outsourcing the socio-economic impact evaluation survey.

Post-Investment Socio-Economic Impact Evaluation Survey. As part of ICR preparation, the Shandong University of Finance and Economics was hired to conduct a Post-Investment Socio-Economic Impact Evaluation to assess the economic and social impact of the project investments. The university collected and analyzed data from project sites and from control group areas as part of a before-and-after exercise in Qufu and Zoucheng. The study demonstrated the added value of investments in cultural heritage in the target cities, and demonstrated the positive socio-economic impacts of the investments, particularly regarding tourism revenue, employment, income generation, and satisfaction. The study analyzed effects on the two major beneficiary groups - residents and tourists. The study applied tested economic methods

for ex-post impact evaluation identifying direct, indirect and induced impacts of the investment (Annex 8).

Justification of Overall Rating of Quality of M&E

The overall rating of Quality of M&E was *Substantial.* Although the original M&E design was modest, at the MTR, undertaken when disbursements were still low, the Bank amended the RF and took steps to improve M&E implementation. Thanks to this swift action, the majority of investments were undertaken after M&E quality improved. By the time of loan closing, the data being collected were reliably informing the project's achievements.

B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE

Environment Safeguards. The project was appropriately classified as Category B as three policies were triggered: Environmental Assessment (OP/BP 4.01), Physical Cultural Resources (OP/BP 4.11) and Involuntary Resettlement (OP/BP4.12). An Environmental Impact Assessment (EIA) and Environmental Management Plan (EMP) were prepared during preparation, addressing the direct and indirect environmental impacts. Civil works had appropriate mitigation measures to minimize construction impacts. The mitigation plans were well incorporated into EMP. The EIA was disclosed in October 2010 locally and in the Bank's Infoshop in January 2011. A Physical Cultural Resource Management Plan (PCRMP) was prepared under the guidance of local cultural bureaus to minimize and mitigate the potential adverse impacts.

During implementation, the PMO assigned a dedicated environmental officer and engaged an external environmental monitoring consultant. Environmental monitoring reports were regularly submitted to the Bank for review. Overall, the project's EMP implementation was satisfactory: (i) the project's TA studies fully incorporated the Bank's safeguard considerations, particularly on physical cultural resources; (ii) the project's civil works activities and associated impacts on physical cultural resources and environmental quality were well managed; (iii) project environmental monitoring was conducted properly and well documented. The PCRMP was satisfactorily implemented through (i) incorporating the measures into bidding documents and contracts, (ii) training of contractors, (iii) qualified supervisors, and (iv) well organized monitoring. In addition, the Chance Find procedure for infrastructure was included in bidding documents and contracts for all civil works. By closing, compliance of OP/BP4.01 and OP/BP4.11 was satisfactory.

Social Safeguards. The project involved resettlement and land acquisition in Qufu and Zoucheng and a Resettlement Action Plan (RAP) was prepared to guide land acquisition and resettlement. The RAP was disclosed locally and in the Bank's Infoshop in November 2010. A subsequent abbreviated RAP was prepared when newly proposed activities were included at restructuring. An abbreviated RAP was locally disclosed in July 2015 and in the Bank's Infoshop in December 2015 for the restructuring. An external monitoring team was engaged to monitor the implementation of OP/BP4.12, and results were communicated to the Bank through satisfactory semi-annual monitoring reports.

One major incident of non-compliance arose concerning the clearance of housing in the Gupan Pond area rehabilitation (Component B2). This subproject also did not comply with UNESCO requirements on buffer zones of World Heritage sites, and was dropped in the restructuring. However, the Bank continued to conduct due diligence on all the linked investments to ensure that affected families were properly resettled. All land acquisition and resettlement were successfully completed by closure, and compliance with social safeguards policies was satisfactory. All affected people received well-constructed new housing units with solar panels, heating, parking and storage. The new site involves mixed land use in the city to ensure access to services and employment. This new site is now considered good practice in offering affected people an integrated housing alternative with job opportunities (see details in Annex 7 and photos in Annex 9).

Procurement. All contracts were procured following the Bank's Procurement and Consultant Guidelines. A total of 23 works contracts, 55 goods contracts and 11 consulting service contracts were procured and successfully implemented in accordance with the legal covenants. Prior and post reviews were carried out satisfactorily. Early implementation saw some procurement delays due to unfamiliarity of PIUs with Bank procurement policies and procedures. The Bank procurement specialist in Beijing efficiently and satisfactorily oversaw the procurement, guided the client, and conducted extensive training. A PMC was mobilized in 2013 and provided substantial support in procurement and contract management. Procurement improved significantly after the restructuring. All PMOs and PIUs agreed that the World Bank procurement policies and procedures were helpful to achieve transparency and fairness in the bidding process.

Financial Management (FM). In general, appropriate FM arrangements were in place to ensure proper use and accountability of project funds. FM performance gradually improved throughout implementation. Project audits were carried out by an independent auditor and audit reports were submitted to the Bank on time in compliance with legal covenants. Unaudited Interim Financial Reports (IFR) were provided with significant delays in the first three years, but reporting had improved since the MTR and was on time in the last two years. Some audit reports raised issues e.g., lack of designated financial staff, incomplete and untimely project accounting, significant delay of financial reports. The slow progress of domestically required technical auditing delayed the project's disbursement during the first four years of implementation (i.e., construction progressed but payment to contractors delayed as domestic technical audits were not completed), and was significantly improved in the last one and half years. These problems were addressed by the Borrower with guidance from the Bank. Overall FM performance was assessed as satisfactory.

C. BANK PERFORMANCE

Quality at Entry

Rating: Moderately Unsatisfactory

The Bank mobilized a large team with specializations in urban development, CH conservation, municipal engineering, procurement, FM, environment, social development, economic and financial analysis, and law. The Bank also engaged global experts on CH conservation and historic city regeneration from UNESCO, International Council on Monuments and Sites, Belgium, the USA, and Brazil for project design or peer review. The team took the project from identification to Board in about 12 months and spent US$335,722 of Bank budget.

The PDO was highly relevant to both the national agenda and the Bank's CPS. The project design adopted an integrated approach and incorporated global lessons. The Bank completed several analytical reports to underpin the project. Several innovative concepts in line with international best practice were introduced (see III.A). The Bank addressed the needs for TA, training, capacity building, and implementation support (e.g., introducing the PMC). Finally, the Bank obtained trust fund resources to support a TA subcomponent on conservation techniques.

Nevertheless, quality at entry was compromised. As already mentioned in the M&E section, the project was too complex and the theory of change had weaknesses especially for PDOb and PDOc. Furthermore, as discussed in section III.A, though ambitious and innovative, the project overlooked the complexities of historic city regeneration and other unconventional activities. There was no historic city regeneration expert familiar with China's context onboard to guide analyses on urban regeneration approaches and mechanisms. Without relevant plans and guidelines, meaningful consultations were not conducted. Some smaller yet unconventional activities such as conserving privately owned buildings and support for heritage-related small business on handicraft and design of marketable products through community participation were innovative concepts but lacked thorough preparation to ensure they were operationalized.

The risks such as implementing a project of this complexity, weak capacity, and SACH approvals were underestimated and therefore not sufficiently mitigated. Many of these issues became key factors in implementation as noted above.

Quality of Supervision

Rating: Satisfactory

The Bank's performance in supervision was satisfactory. During the five and half years of implementation, the Bank undertook regular supervision with a total of 12 full-scale missions and produced 12 candid and comprehensive implementation status reports (ISRs). The supervision task teams largely comprised members with an appropriate skill mix given the scope and status of the project. Site visits to monitor implementation progress and quality of works were carried out during each mission. Fiduciary and safeguards monitoring and guidance were sufficient. Issues were timely reported to Bank management and communicated with the client. Considering the slow implementation, weak project coordination, major challenges in some subprojects, particularly with the safeguards issues in the Gupan Pond area, the team rightly downgraded the project to "Moderately Unsatisfactory" status and elevated the risk to "High" level in June 2014, and further downgraded the ratings to "Unsatisfactory" in March 2015 following conclusions of the MTR.

The Bank undertook serious problem-solving measures to turn the project performance around, backed up by additional budget in FY2014-2015. The team rightly identified problems, provided effective guidance, and closely monitored actions. Senior Bank management communicated with top provincial leaders about implementation issues, which strengthened project leadership and coordination. The Bank highlighted the importance of the PMC to improve project management, and initiated monthly progress reporting and video meetings with the PMOs to increase implementation support. As part of the two-phase MTR, the Bank conducted a QER and defined a thorough restructuring plan that would significantly reduce problematic components, narrow the PDOs and strengthen the RF. With regards to the Gupan Pond subcomponent, the Bank communicated directly with UNESCO and SACH to seek agreement on an appropriate way forward, and succeeded in arranging for a senior SACH expert to provide direct technical guidance. Throughout implementation, the Bank maintained a strong relationship with the Province, the PMOs, and PIUs. The Bank's troubleshooting measures had led to significant improvements in project performance. The project was upgraded to Moderately Satisfactory ratings in May 2016 after the Board approval of the restructuring, and closed satisfactorily.

The team went the extra mile to ensure satisfactory project completion and results. The Bank executed a TA on conservation techniques for wood, color paintings, stone tablets through a trust fund (P125255). The TA results, completed in 2011, provided important guidance for the CH conservation works under the project and in future. Though the Gupan Pond subproject was dropped, the Bank conducted due diligence to ensure compliance with WHC requirements and satisfactory resettlement for the linked project. The Bank undertook several rounds of technical reviews of all the TA outputs and monitored the domestic approval results to guarantee long-term regulatory and direct impacts of the TAs (especially the plans). The Bank supervised subprojects in detail and offered many technical recommendations to ensure high-quality completion of works and maximize benefits to residents and tourists (see Aide Memoires). The team systematically introduced gender in the M&E in restructuring, and initiated a comprehensive socio-economic impact evaluation including a beneficiary survey to improve M&E. The team recommended in the restructuring to add results dissemination activities to showcase the excellent results[18]. The second restructuring in December 2016 allowed achievements of outstanding results through satisfactory completion of all contracts, completion of resettlement, M&E, monitoring compliance related to the Gupan Pond, full utilization of the loan to improve O&M, and results dissemination.

[18] See URLs in footnote 10.

One minor issue was the lengthy period between the MTR and the approval of RP. It took ten months from the first MTR to receiving the client's request for restructuring, and another seven months to the Board approval of the Level-1 restructuring. The restructuring process could have been faster, though the restructuring was very complicated mostly because of changing the PDO, revising the RF, changing the scope, solving myriad of implementation problems, and due to the associated safeguards issues with Gupan Pond and coordination with UNESCO and SACH. The Bank managed to redesign the project with the ownership of the counterparts to reduce its scope and sharpen its theory of change and focus. Ultimately, the project's outputs were in line with the revised objectives, beneficiary satisfaction was strong, and the socio-economic conditions of local communities were enhanced. Overall, considering the dedication of the Bank to the project's goals and the achievements in turning the project around to warrant excellent outcomes, Bank performance in supervision is rated *Satisfactory*.

Justification of Overall Rating of Bank Performance

Rating: Moderately Satisfactory

The quality of Bank performance at entry was Moderately Unsatisfactory, and the quality of Bank supervision was Satisfactory. Given the satisfactory overall outcome, the overall rating of Bank performance is *Moderately Satisfactory*.

D. RISK TO DEVELOPMENT OUTCOME

Risk of poor O&M of conserved CH and built assets: ***Modest*.**

The project allocated loan proceeds to support O&M equipment and invested in monitoring systems of CH sites. The project also emphasized the O&M budget and institutional arrangements in the design and implementation. By loan closing, SACH and the provincial CH bureau had allocated significant funding for continued conservation of the Confucius and Mencius Complexes. The TAs developed under the project and practical experience grained through the project will continue to guide and regulate the conservation and development at the city, site, and technique levels. The city governments had designated responsible agencies and allocated sufficient budget for O&M of the upgraded infrastructure (Annex 10 & 11). Nevertheless, O&M of CH sites, infrastructure, and tourism services in historic cities are costly and complex, which requires continued plans and budgets.

Risk of inadequate management of cultural heritage sites and buffer zones: ***Modest*.**

The project invested in installation of signage, audio guides, guidebooks, and training to improve site management, as well as conservation and management plans for CH sites, and historic city conservation plans and development control plans for the buffer zone management. Nevertheless, rapidly increasing domestic tourism especially during peak seasons, may overcrowd the limited carrying capacity of the sites. Site management plans will need updating after a few years. Balancing conservation of buffer zones and the demands of urban redevelopment in old cities remains a challenge not only in Shandong but in China generally.

Risk of unsustainable socio-economic development in project cities and communities: ***Low*.**

The project facilitated increasing number of tourists, their satisfaction and spending levels, tourism revenues, and share of GDP from tourism in the project cities. China's tourism sector is projected to continue to grow and to play a significant role in the national economy[19]. With major cultural tourism attractions, Shandong Province, Jining Municipality, Qufu and Zoucheng are all committed to strengthening the cultural tourism sector, sustaining these trends, and providing

[19] According to China's latest statistical yearbook, tourism contributed to 11% of the national GDP in 2016. National Tourism Development Plan for the 13th FYP was upgraded in 2016 by the State Council as a National-level Strategic Plan for the first time.

quality services. The socio-economic impact survey showed that 100% of resident beneficiaries were satisfied with the project results. A total of 26 small tourism-related businesses opened in project areas and their revenues significantly increased significantly (see II.C, Annex 4 & 8). The socio-economic benefits from cultural tourism are likely to continue in the cities and communities.

Risk of natural disasters and climate change: ***Modest*.**

Jining Prefecture is located in a low-risk earthquake zone. In general, the prefecture is not exposed to disasters, but is vulnerable to droughts and flooding. The project strengthened CH structures, installed monitoring systems, improved drainage in upgraded neighborhoods, installed flood risk management measures along the rehabilitated river courses, and enhanced open spaces that can facilitate emergency evacuation. Moreover, in late 2014, Jining launched a prefecture-wide *Disaster Risk Analysis and Action Plan for Emergency Responses* using government budget. Yet, climate change may raise the disaster risk and worsen chronic hazards.

V. LESSONS AND RECOMMENDATIONS

An integrated approach can achieve multi-faceted results when there is strong government leadership, coordination among institutions, effective project management and capacity building. The integration of improving cultural heritage site management, old city infrastructure upgrading, and tourism services improvements of this project yielded multi-faceted results. It benefitted 1) residents, with improved living environments, quality of life, satisfaction levels, knowledge about local CH, and skills to operate tourism-related business; 2) tourists, with improved tourism experience, convenience, and increased satisfaction levels; 3) local micro, small and medium enterprises, with improved physical environment, increased business opportunities, customers and revenues; and 4) historic cities, with improved attractiveness, competitiveness, revenue from tourism, job opportunities, and transforming economy. Such cultural tourism projects require strong government commitment and leadership for coordination among jurisdictions. Institutional settings need to be simple and able to mobilize resources and resolve problems. Project management support, such as hiring a professional PMC, is very useful and should be a procurement priority in the first year of implementation. Capacity building should be given high attention with sufficient resources allocated.

Project design needs to be realistic and preparation needs to be thorough, especially for innovative aspects in local context, such as urban regeneration and conservation of private houses. The project was underpinned by well-conducted analytics which introduced an integrated approach and global lessons. However, the project was too ambitious to cover a large number of diverse activities, including several challenging concepts in the context of China, such as regeneration of old city blocks and conservation of privately-owned old houses. Urban regeneration was not clearly defined, consensus was not built among all stakeholders, and the operational mechanisms were not well prepared. The conservation of private houses missed the buy-in from house owners, consensus building, and clarity of financial and operational mechanisms. The complexity, uncertainty, risks, or readiness were not appropriately evaluated at appraisal, which led to major obstacles and restructuring during implementation. Complex projects need realistic designs, thorough preparation, sometimes a slightly longer implementation period, and to be piloted in phases before being taken to scale.

The M&E system, including the theory of change and impact evaluation, needs to be rigorously designed. M&E design needs a sound design of the theory of change (results chain), M&E methodologies, baseline data, clear responsible entities, and incorporating expected impacts on residents, tourists, and local economy. The project benefited from improved M&E through restructuring, including a more focused PDO, clear results chain, measurable indicators, and commissioning an impact evaluation. The project's socio-economic impact evaluation survey proved effective in

measuring the project's impacts on its beneficiaries and the local economy. Such surveys can be further developed and introduced at preparation stage to monitor socio-economic data at baseline and benefits at MTR and at closing.

Turning problem projects to satisfactory performance requires not business as usual measures. This project performance was significantly improved and transformed through effective measures, such as dialogue with high-level leadership, a two-phased MTR, a QER during MTR to improve the restructuring plan, thorough revision of the results chain, monthly reporting and video meetings with all PMOs, directly engaging UNESCO and SACH for guidance, etc. Moreover, the Bank conducted due diligence after cancelation of the Gupan Pond subproject for satisfactory compliance and introduced post-investment impact evaluation and results dissemination activities that contributed to successful closure.

Adequate technical assistance (TA) is important to support long-term success and sustainability of CH projects. One excellent achievement of this project was the TA results that addressed regulatory and technical gaps at the city, site, community, and technical levels. The TAs were instrumental to enhancing sustainability in CH conservation, urban development, and tourism development in the long term. The World Heritage Site Management Plan addressed sustainability of CH conservation, tourism management, and institutional mechanism, which were very important for projects related to CH and tourism sites as well as their sustainability.

For projects involving World Heritage sites, supporting and monitoring both the sites and their buffer zones, as well as engaging UNESCO and national cultural heritage authorities, are important for quality heritage conservation and management. The project included significant activities at a World Heritage Site and its buffer zone. The approval and monitoring arrangements needed to be clarified in project design. The Bank engaged UNESCO and SACH experts to ensure compliance with relevant requirements and laws, as well as to provide technical guidance. Involvement of both international experts and domestic authorities brought international best practices and domestic experience to the project design, implementation, and troubleshooting.

ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS

A. RESULTS INDICATORS

A.1 PDO Indicators

Objective/Outcome: Enhanced cultural heritage conservation (PDOa1-original, PDOa2-revised)

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of cultural heritage sites conserved	Number	0.00 31-Dec-2010	41.00 31-Dec-2016	41.00 30-Jun-2017	40.00 30-Jun-2017
In Zoucheng	Number	0.00 31-Dec-2010	18.00 31-Dec-2016	18.00 30-Jun-2017	18.00 30-Jun-2017
In Qufu	Number	0.00 31-Dec-2010	23.00 31-Dec-2016	23.00 30-Jun-2017	22.00 30-Jun-2017

Comments (achievements against targets): The original target under the PDOa1 (cultural sites pending conservation) was to reduce the number of cultural heritage sites pending conservation from 41 to 5 sites so that required to conserve 36 sites as an original target. At the project closure, the original target was exceeded by 11% as 40 sites were conserved.

In Qufu, 24 sites were identified pending conservation. The target was to reduce this number down to 4 so that 20 sites needed to be conserved (KPI#1). At the project closure, 22 sites were conserved.

In Zoucheng, the number of cultural heritage sites pending conservation was to decline from 17 to 1 (KPI#1), or at least 16 to be conserved. At the project closure, 18 sites were conserved.

The restructured target of 41 conserved cultural heritage sites fell short by one site and was considered fully (98%) achieved. The old mansion No.10 in Ming old city of Qufu was canceled due to the unsolved property rights as the land belonged to the military which reformed during project implementation.

Objective/Outcome: Development in Qufu and Zoucheng (PDOb-original)

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Direct project beneficiaries	Number	0.00 31-Dec-2010	2155000.00 31-Dec-2016	2155000.00 30-Jun-2017	2349000.00 30-Jun-2017
Female beneficiaries	Percentage	0.00 31-Dec-2010	49.60 31-Dec-2016	49.60 30-Jun-2017	57.80 30-Jun-2017
Number of local residents directly benefitting from the project in Qufu	Number	0.00 31-Dec-2010	4000.00 31-Dec-2016	4000.00 30-Jun-2017	17000.00 30-Jun-2017
Number of local residents directly benefitting from the project in Zoucheng	Number	0.00 31-Dec-2010	103000.00 31-Dec-2016	103000.00 30-Jun-2017	108000.00 30-Jun-2017
% of female among the total	Percentage	0.00	48.00	48.00	49.00

residents directly benefitting from the project in Qufu		31-Dec-2010	31-Dec-2016	30-Jun-2017	30-Jun-2017
% of female among the total residents directly benefitting from the project in Zoucheng	Percentage	0.00 31-Dec-2010	42.00 31-Dec-2016	42.00 30-Jun-2017	45.40 30-Jun-2017
Number of non-local tourists directly benefitting from the project in Qufu	Number	0.00 31-Dec-2010	1831000.00 31-Dec-2016	1831000.00 30-Jun-2017	1968000.00 30-Jun-2017
Number of non-local tourists directly benefitting from the project in Zoucheng	Number	0.00 31-Dec-2010	217000.00 31-Dec-2016	217000.00 30-Jun-2017	256000.00 30-Jun-2017
% of female among non-local tourists directly benefitting from the project in Qufu	Percentage	0.00 31-Dec-2010	50.00 31-Dec-2016	50.00 30-Jun-2017	59.40 30-Jun-2017
% of female among non-local tourists directly benefitting from the project in Zoucheng	Percentage	0.00 31-Dec-2010	50.00 31-Dec-2016	50.00 30-Jun-2017	51.00 30-Jun-2017

Comments (achievements against targets): All targets were exceeded. This target was added through restructuring.

Objective/Outcome: Enhance tourism management (PDOc-original)

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Tourist satisfaction level with tourism services (weighted average)	Percentage	48.00 31-Dec-2010	75.00 31-Dec-2016	75.00 30-Jun-2017	96.00 30-Jun-2017
In Qufu	Percentage	48.00 31-Dec-2010	75.00 31-Dec-2016	75.00 30-Jun-2017	96.40 30-Jun-2017
In Zoucheng	Percentage	48.00 31-Dec-2010	75.00 31-Dec-2016	75.00 30-Jun-2017	94.10 30-Jun-2017

Comments (achievements against targets): Exceeded by 28%. This target was introduced through restructuring. The data came from Tourist Satisfaction Surveys conducted in Confucius Complex in Qufu and Mencius Complex in Zoucheng. The actual achieved result at completion was weighted average of Qufu and Zoucheng.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Direct project beneficiaries	Number	0.00 31-Dec-2010	2155000.00 31-Dec-2016	2155000.00 30-Jun-2017	2349000.00 30-Jun-2017
Female beneficiaries	Percentage	0.00	49.60	49.60	57.80

		31-Dec-2010	31-Dec-2016	30-Jun-2017	30-Jun-2017
Number of local residents directly benefitting from the project in Qufu	Number	0.00 31-Dec-2010	4000.00 31-Dec-2016	4000.00 30-Jun-2017	17000.00 30-Jun-2017
Number of local residents directly benefitting from the project in Zoucheng	Number	0.00 31-Dec-2010	103000.00 31-Dec-2016	103000.00 30-Jun-2017	108000.00 30-Jun-2017
% of female among the total residents directly benefitting from the project in Qufu	Percentage	0.00 31-Dec-2010	48.00 31-Dec-2016	48.00 30-Jun-2017	49.00 30-Jun-2017
% of female among the total residents directly benefitting from the project in Zoucheng	Percentage	0.00 31-Dec-2010	42.00 31-Dec-2016	42.00 30-Jun-2017	45.40 30-Jun-2017
Number of non-local tourists directly benefitting from the project in Qufu	Number	0.00 31-Dec-2010	1831000.00 31-Dec-2016	1831000.00 30-Jun-2017	1968000.00 30-Jun-2017
Number of non-local tourists directly benefitting from the project in	Number	0.00 31-Dec-2010	217000.00 31-Dec-2016	217000.00 30-Jun-2017	256000.00 30-Jun-2017

Zoucheng					
% of female among non-local tourists directly benefitting from the project in Qufu	Percentage	0.00 31-Dec-2010	50.00 31-Dec-2016	50.00 30-Jun-2017	59.40 30-Jun-2017
% of female among non-local tourists directly benefitting from the project in Zoucheng	Percentage	0.00 31-Dec-2010	50.00 31-Dec-2016	50.00 30-Jun-2017	51.00 30-Jun-2017

Comments (achievements against targets): All targets were exceeded. This target was added through restructuring.

Objective/Outcome: Enhance tourism services (PDOd-revised)

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Tourist satisfaction level with tourism services (weighted average)	Percentage	48.00 31-Dec-2010	75.00 31-Dec-2016	75.00 30-Jun-2017	96.00 30-Jun-2017
In Qufu	Percentage	48.00 31-Dec-2010	75.00 31-Dec-2016	75.00 30-Jun-2017	96.40 30-Jun-2017
In Zoucheng	Percentage	48.00 31-Dec-2010	75.00 31-Dec-2016	75.00 30-Jun-2017	94.10 30-Jun-2017

Comments (achievements against targets): Exceeded by 28%. This target was introduced through restructuring. The data came from Tourist Satisfaction Surveys conducted in Confucius Complex in Qufu and Mencius Complex in Zoucheng. The actual achieved result at completion was weighted average of Qufu and Zoucheng.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Direct project beneficiaries	Number	0.00 31-Dec-2010	2155000.00 31-Dec-2016	2155000.00 30-Jun-2017	2349000.00 30-Jun-2017
Female beneficiaries	Percentage	0.00 31-Dec-2010	49.60 31-Dec-2016	49.60 30-Jun-2017	57.80 30-Jun-2017
Number of local residents directly benefitting from the project in Qufu	Number	0.00 31-Dec-2010	4000.00 31-Dec-2016	4000.00 30-Jun-2017	17000.00 30-Jun-2017
Number of local residents directly benefitting from the project in Zoucheng	Number	0.00 31-Dec-2010	103000.00 31-Dec-2016	103000.00 30-Jun-2017	108000.00 30-Jun-2017
% of female among the total residents directly benefitting from the project in Qufu	Percentage	0.00 31-Dec-2010	48.00 31-Dec-2016	48.00 30-Jun-2017	49.00 30-Jun-2017

% of female among the total residents directly benefitting from the project in Zoucheng	Percentage	0.00 31-Dec-2010	42.00 31-Dec-2016	42.00 30-Jun-2017	45.40 30-Jun-2017
Number of non-local tourists directly benefitting from the project in Qufu	Number	0.00 31-Dec-2010	1831000.00 31-Dec-2016	1831000.00 30-Jun-2017	1968000.00 30-Jun-2017
Number of non-local tourists directly benefitting from the project in Zoucheng	Number	0.00 31-Dec-2010	217000.00 31-Dec-2016	217000.00 30-Jun-2017	256000.00 30-Jun-2017
% of female among non-local tourists directly benefitting from the project in Qufu	Percentage	0.00 31-Dec-2010	50.00 31-Dec-2016	50.00 30-Jun-2017	59.40 30-Jun-2017
% of female among non-local tourists directly benefitting from the project in Zoucheng	Percentage	0.00 31-Dec-2010	50.00 31-Dec-2016	50.00 30-Jun-2017	51.00 30-Jun-2017

Comments (achievements against targets): All targets were exceeded. This target was added through restructuring.

A.2 Intermediate Results Indicators

Component: Component A. Cultural Heritage Conservation and Presentation

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of cultural heritage assets adaptively reused	Number	0.00 31-Dec-2010	17.00 31-Dec-2016	17.00 30-Jun-2017	17.00 30-Jun-2017
Number of cultural heritage assets adaptively reused: Qufu	Number	0.00 31-Dec-2010	11.00 31-Dec-2016	11.00 30-Jun-2017	11.00 30-Jun-2017
Number of cultural heritage assets adaptively reused: Zoucheng	Number	0.00 31-Dec-2010	6.00 31-Dec-2016	6.00 30-Jun-2017	6.00 30-Jun-2017

Comments (achievements against targets): The revised target was fully achieved. The original target was partially (74%) achieved. The baseline of this indicator should have been 0 for both Qufu and Zoucheng, rather than 11 in Qufu and 4 in Zoucheng as reported in the PAD. This was corrected in the April 2016 Restructuring.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Length of river course renovated	Amount(USD)	0.00 31-Dec-2010	8.30 31-Dec-2016	8.30 30-Jun-2017	8.30 30-Jun-2017
In Qufu (unit: km)	Amount(USD)	0.00 31-Dec-2010	5.40 31-Dec-2016	5.40 30-Jun-2017	5.40 30-Jun-2017

In Zoucheng (unit: km)	Amount(USD)	0.00 31-Dec-2010	2.90 31-Dec-2016	2.90 30-Jun-2017	2.90 30-Jun-2017

Comments (achievements against targets): Target met. This target was introduced at restructuring.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of development control manuals and development plans prepared and duly recognized by the government under the project	Number	0.00 31-Dec-2010	5.00 31-Dec-2016	5.00 30-Jun-2017	5.00 30-Jun-2017

Comments (achievements against targets): Target met. The original target was designed in percentage format instead of in number. The number in the original target in this table was converted from the percentage based on the project description in the PAD.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Roads rehabilitated, Non-rural	Kilometers	0.00 31-Dec-2010	6.30 31-Dec-2016	6.30 30-Jun-2017	7.33 30-Jun-2017
In Zoucheng	Kilometers	0.00 31-Dec-2010	1.30 31-Dec-2016	1.30 30-Jun-2017	1.88 30-Jun-2017

In Qufu	Kilometers	0.00 31-Dec-2010	5.00 31-Dec-2016	5.00 30-Jun-2017	5.45 30-Jun-2017

Comments (achievements against targets): Target exceeded by 16%. This target was introduced at restructuring.

Component: Component B: "Old City Regeneration and Infrastructure Upgrading" restructured as " Old City Infrastructure upgrading"

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Length of river course renovated	Amount(USD)	0.00 31-Dec-2010	8.30 31-Dec-2016	8.30 30-Jun-2017	8.30 30-Jun-2017
In Qufu (unit: km)	Amount(USD)	0.00 31-Dec-2010	5.40 31-Dec-2016	5.40 30-Jun-2017	5.40 30-Jun-2017
In Zoucheng (unit: km)	Amount(USD)	0.00 31-Dec-2010	2.90 31-Dec-2016	2.90 30-Jun-2017	2.90 30-Jun-2017

Comments (achievements against targets): Target met. This target was introduced at restructuring.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Roads rehabilitated, Non-	Kilometers	0.00	6.30	6.30	7.33

rural		31-Dec-2010	31-Dec-2016	30-Jun-2017	30-Jun-2017
In Zoucheng	Kilometers	0.00 31-Dec-2010	1.30 31-Dec-2016	1.30 30-Jun-2017	1.88 30-Jun-2017
In Qufu	Kilometers	0.00 31-Dec-2010	5.00 31-Dec-2016	5.00 30-Jun-2017	5.45 30-Jun-2017

Comments (achievements against targets): Target exceeded by 16%. This target was introduced at restructuring.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of people attending project training and study tours	Number	0.00 31-Dec-2010	700.00 31-Dec-2016	700.00 30-Jun-2017	2212.00 30-Jun-2017

Comments (achievements against targets): Target exceeded highly due to high demand and interest in the provided training.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of people participating in project consultation	Number	0.00 31-Dec-2010	2400.00 31-Dec-2016	2400.00 30-Jun-2017	2603.00 30-Jun-2017
In Qufu	Number	0.00	1500.00	1500.00	1595.00

		31-Dec-2010	31-Dec-2016	30-Jun-2017	30-Jun-2017
In Zoucheng	Number	0.00 31-Dec-2010	900.00 31-Dec-2016	900.00 30-Jun-2017	1008.00 30-Jun-2017

Comments (achievements against targets): Target exceeded by 8%.

Component:

Component C: Manuals Guidelines and other Assistance to Project Implementation

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of development control manuals and development plans prepared and duly recognized by the government under the project	Number	0.00 31-Dec-2010	5.00 31-Dec-2016	5.00 30-Jun-2017	5.00 30-Jun-2017

Comments (achievements against targets): Target met. The original target was designed in percentage format instead of in number. The number in the original target in this table was converted from the percentage based on the project description in the PAD.

Component: Component D. Capacity Building and Assistance to Project Implementation

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised	Actual Achieved at Completion

				Target	
Number of development control manuals and development plans prepared and duly recognized by the government under the project	Number	0.00 31-Dec-2010	5.00 31-Dec-2016	5.00 30-Jun-2017	5.00 30-Jun-2017

Comments (achievements against targets): Target met. The original target was designed in percentage format instead of in number. The number in the original target in this table was converted from the percentage based on the project description in the PAD.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of people attending project training and study tours	Number	0.00 31-Dec-2010	700.00 31-Dec-2016	700.00 30-Jun-2017	2212.00 30-Jun-2017

Comments (achievements against targets): Target exceeded highly due to high demand and interest in the provided training.

Note: The unit of measure for the indicator “length of river course renovated” should be kilometers. This is a system error that could not be fixed by the team.

B. KEY OUTPUTS BY COMPONENT

Objective/Outcome 1: Enhance cultural heritage conservation in project areas in Qufu and Zoucheng (PDOa1, PDOa2)	
Outcome Indicators	1. Number of cultural heritage sites conserved under the project
Intermediate Results Indicators	1. Number of cultural heritage assets properly reused 2. Roads rehabilitated 3. Length of river course rehabilitated 4. Number of development control manuals and development plans prepared and duly recognized by government under this project 5. Number of people participating in the project consultation 6. Number of beneficiaries 7. Number of people attending project training and study tours
Key Outputs by Component (linked to the achievement of the Objective/Outcome 1)	**A. Cultural Heritage Conservation and Presentation** **The component completed conservation of 22 cultural heritage sites in Qufu and 18 sites in Zoucheng; Total of 17 assets were adoptively reused and the presentation of the sites were improved.** A1. Qufu Confucius complex including 20 ancient buildings were conserved and renovated; 102 stone tablets were preserved; 319 meters of slopes were protected in Nishan; 0.3 km of river embankments were rehabilitated; around 700 ancient trees were treated with physical and chemical control for longer preservation, new drainage constructed and nearby area treated for erosion. The displays for Confucius culture were modeled per historic records, and digital exhibition room and library ware established to improve presentation. A2. Old Mansion and ancient county government buildings were conserved and repaired in Ming old city of Qufu. A3. The pavilion and stone tablet in Quanchi pond were restored and the Lu old city wall was conserved. Other outputs included constructing a sightseeing bridge, pathways and landscaping and providing O&M equipment. A4. Mencius Complex was conserved including 15 ancient buildings, with protection of 330 tablets, 1047m long fencing walls and 4546m^2 traditional road surface, ancient trees and embankment rehabilitation. It also included new construction of tourist footpaths, fencing walls, fire-fighting access in the Mencius Cemetery. A tourism center

with parking was constructed for the Mencius Cemetery. The Mencius Museum was completed through renovating an underutilized government building and equipped with digital information technology.

B. Historical City Infrastructure Upgrading
Component B activities for historic city infrastructure upgrading contribute to cultural heritage conservation efforts by building improved roads, water and drainage systems, and improved urban environment.

B1. Rehabilitation and upgrading of Ming Old City in Qufu consisted of: 5.4 km of road rehabilitation; 7.2 km of drainage pipeline; 3.2 km of water pipeline; 3.6 km of heating pipeline; 3.4 km of gas pipeline. Further 47 fire hydrants, 50 dustbins, 56 street lamps were installed and 378 trees planted. Street sweeping and snow removal equipment was procured.
B2. Rehabilitation of the city moat and Gupan pond water system in the Ming Old City. Project laid 1200m of diversion pipeline; built a sightseeing pavilion and a tourist footpath; improved 5.4 km of embankments along the city moat and landscaping. Qufu has built the ecological water system and water landscape around the moat that became a recreational area for residents and tourists.
B3. Upgrading of old urban area in Zoucheng. Project upgraded 1.9 km of roads, 4 km of drainage pipelines; 3.3km of water pipelines; 485m of heating pipelines; 761m of gas lines. It also installed 18 hydrants, 23 dustbins.
B4. Rehabilitation of the Yinli River. The project carried out 2.9 km of embankment works; built 12 bridges; upgraded 3.5 km of roads; laid 6.6 km of drainage pipes; conducted embankment works up to 13800 m2; and landscaped 2.3 km2. It installed 4 public toilets, 1 waste water pump room and provided lighting facilities.

C. Preparation of Project Implementation Manuals, Detailed Guidelines for Implementation and other supports
Component C activities were crucial to provide detailed guidelines and insure quality of designs and community participation for cultural heritage conservation

C1 Conservation techniques for wood, color paintings and stone tablets and inscriptions were developed and approved by a panel of experts and applied accordingly in the project works.
C2 Infrastructure network modelling for the Qufu Ming Old City was integrated into the design for the pipeline network of Ming Old City eastern zone infrastructure construction works.
C3 Guidelines for historic city regeneration, planning and development control were developed by experts and adopted for Qufu and Zoucheng.

	C4 Manual on community participation and sustainable tourism development was developed by experts and adopted by the project for community training. C5 Detailed development plan for the Qufu Ming Old City was developed and approved by the government. The plan was adopted by the project in infrastructure upgrading. C6 Updated Qufu Ming Old City conservation plan was approved by Shandong Provincial Government. **D. Capacity Building and Project Management** **Project D activities supported project management and capacity building for cultural heritage conservation** D1. PMC experts assisted PMOs and PIUs in design reviews, project management and monitoring. D2. Management Plan for "Three Kong" World Heritage Site per the World Heritage Convention was prepared by leading experts and approved by Shandong Provincial Cultural Relics Bureau. D3/D5. Training and study tours on cultural heritage conservation in Qufu and Zoucheng benefited around 286 government officials and staff to enhance their knowledge. D7. External resettlement monitoring consultancy service for Qufu provided resettlement standard adherence monitoring and support
Objective/Outcome 2: Enhance Tourism Services in Project area in Qufu and Zoucheng (PDOd)	
Outcome Indicators	1. Tourist satisfaction with tourism services 2. Number of direct project beneficiaries
Intermediate Results Indicators	1. Number of development control manuals and development plans prepared and duly recognized by government under this project 2. Number of people attending project training and study tours 3. Number of people participating in project consultations
Key Outputs by Component (linked to the achievement of the Objective/Outcome 2)	**A. Cultural Heritage Conservation and Presentation** **Component A activities that focused on the presentation of the cultural heritage sites contributed to enhanced tourism services; 17 assets were properly reused that contributed to enhanced tourism services.** A3. Sightseeing bridge, tourist paths, signage, and landscaping were completed in Lu old city. A4. Mencius museum and tourism center were constructed allowing enhanced cultural heritage presentation and exhibitions.

	A5. The signage in and around the Confucius complex and Mencius complex was improved by adding 312 interpretation and guiding boards. A total of 700 sets of audio tour equipment (four languages) were introduced for the Confucius complex and Mencius complex. Equipment for the digital exhibition hall in the Confucius Research Center was installed to enhance the visiting experience. **B Historical City Infrastructure Upgrading** **Component B activities have contributed to enhanced tourism services by improving urban environment, tourism infrastructure and training.** B2. One sightseeing pavilion and tourist footpath were constructed in Ming Old City B5 Cultural heritage conservation and tourism management through community participation in Qufu and Zoucheng: In Qufu, 105 persons were trained through four tour guide trainings focusing on etiquette. Additional training focused on etiquette, taxi driver training, home restaurant management and Confucius culture as well as training for managerial staff. Zoucheng organized three batches of training for tour guides. University experts delivered lectures, with 186 participants. The training focused etiquette, taxi driver training, home restaurant management, Confucius culture as well as training for managerial staff. **C. Preparation of Project Implementation Manuals, Detailed Guidelines for Implementation and other supports** **Component C activities provided detailed guidance for the area development and community involvement to promote development of enhanced tourism services.** C3 Guidelines for historic city regeneration, planning and development control were developed by experts and adopted for Qufu and Zoucheng. C4 Manual on community participation and sustainable tourism development was elaborated by experts and adopted by the project for community training. C5 Detailed development plan for the Qufu Ming Old City was elaborated and adopted by the project **D. Capacity Building and Project Management** **Component D deliverables of management plans and training supported not only quality conservation of the heritage sites but better presentation and enhanced services for tourists.** D2. Management Plan for “Three Kong” World Heritage Site per World Heritage Convention was designed by leading experts and approved by Shandong Provincial Cultural Relics Bureau.

	D3 Training and study tour programs delivered on cultural heritage conservation for personnel from the cultural heritage conservation authorities in Qufu and Zoucheng D9. Project dissemination videos, websites and brochures were prepared and shared with tourists and residents showing the value of cultural heritage
Other output supporting overall project implementation goals	D6. Project has provided institutional support, including office equipment to PMOs to improve their capacity. D8. Project's social and economic impact evaluation was conducted to disseminate project experience in cultural heritage conservation and sustainable tourism development

Objective/Outcome 3: Enhanced Development (PDOb), Dropped	
Outcome Indicators	1. Percentage of residents with access to improved urban services (dropped) 2. Suggested PDOd indicator: Number of beneficiaries (resident beneficiaries benefiting with enhanced urban services)
Intermediate Results Indicators	1. Roads rehabilitated 2. Length of river course rehabilitated 3. Number of development control manuals and development plans prepared and duly recognized by government under this project 4. Number of beneficiaries
Key Outputs by Component (linked to the achievement of the Objective/Outcome 3)	B. Historical City Infrastructure Upgrading Component B activities for historic city infrastructure upgrading contribute to cultural heritage conservation efforts by building improved roads, water and drainage systems, and improved urban environment. B1. Rehabilitation and upgrading of Ming Old City in Qufu consisted of: 5.4 km of road rehabilitation; 7.2 km of drainage pipeline; 3.2 km of water pipeline; 3.6 km of heating pipeline; 3.4 km of gas pipeline. Further 47 fire hydrants, 50 dustbins, 56 street lamps were installed and 378 trees planted. Street sweeping and snow removal equipment was procured. B2. Rehabilitation of the city moat and Gupan pond water system in the Ming Old City. Project laid 1200m of diversion pipeline; built 1 sightseeing pavilion and a tourist footpath; improved 5.4 km of embankments along the city moat

	and improved landscaping. Qufu has built the ecological water system and water landscape around the moat that has become a recreational area for residents and tourists. B3. Upgrading of old urban area in Zoucheng. Project upgraded 1.9 km of roads, 4 km of drainage pipelines; 3.3km of water pipelines; 485m of heating pipelines; 761m of gas lines. It also installed 18 hydrants, 23 dustbins. B4. Rehabilitation of the Yinli River. The project carried out 2.9 km of embankment works; built 12 bridges; upgraded 3.5 km of roads; laid 6.6 km of drainage pipes; conducted embankment works up to 13800 m2; and landscaped 2.3 km2. It installed 4 public toilets, 1 waste water pump room and provided lighting facilities. C. Preparation of Project Implementation Manuals, Detailed Guidelines for Implementation and other supports Component C activities provided detailed guidance for the area development and community involvement to promote development of enhanced tourism services. C3 Guidelines for historic city regeneration, planning and development control were elaborated by experts and adopted for Qufu and Zoucheng. C4 Manual on community participation and sustainable tourism development was elaborated by experts and adopted by the project for community training. C5 Detailed development plan for the Qufu Ming Old City was elaborated and adopted by the project
Objective/Outcome 4 Enhanced tourism management (PDOc); Restructured to Enhanced tourism services (PDOd)	
Outcome Indicators	1. Improved tourism marketing and capacity of cultural heritage (Original outcome indicator dropped/restructured) Suggested PDOd indicators: 2. Tourist satisfaction with tourism services 3. Number of direct project beneficiaries
Intermediate Results Indicators	1. Number of development control manuals and development plans prepared and duly recognized by government under this project 2. Number of people attending project training and study tours 3. Number of people participating in project consultations
Key Outputs by Component	C. Preparation of Project Implementation Manuals, Detailed Guidelines for Implementation and other supports C3 Guidelines for historic city regeneration, planning and development control were elaborated by experts and adopted for Qufu and Zoucheng.

(linked to the achievement of the Objective/Outcome 4)	C4 Manual on community participation and sustainable tourism development was elaborated by experts and adopted by the project for community training. C5 Detailed development plan for the Qufu Ming Old City was elaborated and adopted by the project D. Capacity Building and Project Management D2. Management Plan for "three Kong" World Heritage Site per World Heritage Convention was designed by leading experts and approved by Shandong Provincial Cultural Relics Bureau. D3 Training and study tour programs delivered on cultural heritage conservation for personnel from the cultural heritage conservation authorities in Qufu and Zoucheng D9. Project dissemination videos, websites and brochures were prepared and shared with tourists and residents showing the value of cultural heritage

Note:

Cultural heritage sites conserved in Qufu: 1. Buildings in the east wing of Nishan Mountain (2013; classroom in the east wing, gate); 2. Buildings in the middle wing of Nishan Mountain (2013; Bedchamber in Dacheng Hall); 3. Buildings in the west wing of Nishan Mountain (2013; Qisheng King Hall, Bedchamber in Qisheng King); 4. Nishan Institute (2013); 5.Renovation of spring pond in Lu Old City (2013); 6. Tablet pavilion (2013) 7. Conservation and renovation of ancient buildings in The Fourth Mansion (2014); 8.Conservation and renovation of ancient buildings in County Yamen (2014); 9. Works of ancient trees and slope protection in Nishan Mountain (2014); 10.East room in the middle wing of Kong Mansion, east wing room of front main room in Kong Mansion (2014); 11.Buildings from main gate to the second gate of Cemetery of Confucius (2014) 12.Conservation and renovation of ancient buildings of the Tenth Old Mansion in Ming Old City (2016); 13.Restoration works of stone tablets in the Temple of Confucius (2015) 14. Baoben Hall and Mu-en Hall in Kong Mansion (2015); 15.Courtyard of Yiguang Hall in Kong Mansion (2015); 16.Courtyard of Great Hall in Kong Mansion (2016); 17.Second Hall and Supporting Room of Kong Mansion (2016); 18. Front buildings in the middle wing of Temple of Confucius (Morality Room, turret, Hongdao Gate, Thirteen Tablet Pavilion 2016); 19. Buildings in the west wing of Temple of Confucius (Qisheng King Hall, Bedchamber in Qisheng King 2016); 20.Buildings in the middle wing of Cemetery of Confucius (Xiang Hall, Tablet Pavilion 2015); 21.Three Main Halls and Wing Room in the middle wing of Kong Mansion (2016); 22.Gate of Great Achievements and East & West Veranda Buildings in the Temple of Confucius (2015); 23. Buildings in the east wing of Temple of Confucius (Chengsheng Gate, Poetry Hall 2015).

Cultural heritage sites conserved in Zoucheng: 1. Yasheng Hall (2016) 2.Meteorological gate in Mount Tai (2014) 3.Chengsheng Gate (2014) 4.Qisheng Hall in Mencius Temple (2015); 5.Main gate in Mencius Mansion (2015); 6.Yi Gate in Mencius Mansion (2015); 7.Great Hall in Mencius

Mansion (2016); 8.The No. 1 Front Private School (2015); 9.The No. 2 Front Private School (2015); 10.The No. 3 Front Private School (2015); 11.Warehouse in Mencius Mansion (2015); 12.Xiang Hall in Cemetery of Mencius (2015); 13.Walls of Mencius Mansion (2016); 14.Walls of Mencius Temple (2016); 15.East wing room of Mencius Mansion (2015); 16.West wing room of Mencius Mansion (2015); 17.Conservation works for ancient trees in the Mencius Mansion, the Mencius Temple and the Mencius Cemetery (2016); 18. Conservation works for stone tablets and inscriptions in the Mencius Mansion, the Mencius Temple and the Mencius Cemetery (2016).

Cultural heritage assets adaptively reused in Qufu: 1. East room in Kong Mansion; 2. Three Halls in the east of Kong Mansion; 3.West wing room of front main room in Kong Mansion; 4.Mu-en Hall in Kong Mansion; 5.Yiguan Hall in the Kong Mansion; 6.Poetry Hall in the Temple of Confucius 7.Chongsheng Ancestral Temple in the Temple of Confucius 8.Buildings in the middle wing of Nishan Mountain; 9.Buildings in the west wing of Nishan Mountain; 10.Xiang Hall in the Cemetery of Confucius; 11. Si Hall in the Cemetery of Confucius.

Cultural heritage assets adaptively reused in Zoucheng: 1. The No. 1 Front Private School; 2. The No. 2 Front Private School; 3. The No. 3 Front Private School; 4. Warehouse in Mencius Mansion; 5. East wing room in Mencius Mansion; 6.West wing room in Mencius Mansion.

Roads and infrastructure upgraded in Qufu: the total length of renovated roads was 5445.6 meters. Name of renovated roads: East Bridleway, South Bridleway (east section); North Bridleway (east section), Dongmen Street, Yanmiao Street, Xinwenhua Street, Southeast Gate Street, Xinglong Street, Longhu Street, Sanhuangmiao Street, Louxiang Street, North Wumaci Street, Jieyi Lane.

Roads and infrastructure upgraded in Zoucheng: the total length of renovated roads is 1881 meters. Name of renovated roads: Yashengfu Street, Yasheng Street, Guojiepeng Street.

ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

A. TASK TEAM MEMBERS

Name	Role
Preparation	
Shenhua Wang	Task Team Leader
Guido Licciardi	Team Member
Chongwu Sun	Environmental Safeguards Specialist
Jian Xie	Team Member
Chaogang Wang	Team Member
Guangming Yan	Team Member
Jun Zeng	Social Safeguards Specialist
Yuan Wang	Procurement Specialist
Haixia Li	Financial Management Specialist
Louisa Huang	Team Member
Mesky Brhane	Team Member
Haiyan Wang	Finance Officer
Zhuo Yu	Finance Officer
Robert O'Leary	Finance Officer
Marta Molares-Halberg	Counsel
Solange A. Alliali	Counsel
Akiko Ogawa	Counsel
Xiaofan Du	Team Member
Chandra Godavitarne	Team Member
Donald Hankey	Team Member
Wu Ning	Team Member

Supervision/ICR	
Ahmed A. R. Eiweida, Guangming Yan	Task Team Leader(s)
Yuan Wang	Procurement Specialist
Haixia Li	Financial Management Specialist
Joseph A. Gadek	Team Member
Yan Zhang	Team Member
Yongli Wang	Environmental Safeguards Specialist
Hongwei Zhao	Team Member
Alejandro Alcala Gerez	Counsel
Zijing Niu	Team Member
Yang Shen	Team Member
Aimin Hao	Social Safeguards Specialist
Zheng Jia	Team Member, ICR main author
Ketevan Nozadze	ICR contributor
Ashesh Prasann	ICR contributor

B. STAFF TIME AND COST

Stage of Project Cycle	Staff Time and Cost	
	No. of staff weeks	US$ (including travel and consultant costs)
Preparation		
FY10	2.340	10,175.57
FY11	44.686	325,546.84
FY12	0	0.00
Total	**47.03**	**335,722.41**
Supervision/ICR		
FY10	0	1,785.60
FY11	0	0.00
FY12	21.250	135,761.05

FY13	17.796	85,681.01
FY14	35.653	165,663.63
FY15	39.459	157,604.71
FY16	17.826	92,621.04
FY17	18.660	82,231.39
FY18	7.785	34,133.63
Total	**158.43**	**755,482.06**

ANNEX 3. PROJECT COST BY COMPONENT

Components	Amount at Approval (US$M)	Actual at Project Closing (US$M)	Percentage of Approval (US$M)
Cultural Heritage Conservation and Presentation	25.42	28.12	111%
Old City Infrastructure Upgrading	103.10	56.89	55%
Manuals, Guidelines and Other Assistance to Project Implementation	0.97	1.08	111%
Capacity Building and Assistance to Project Implementation	1.39	2.72	196%
Total	**130.94**	**88.95**	**68%**

ANNEX 4. EFFICIENCY ANALYSIS

This CBA computes local revenues and consumer surplus generated at each of the three sub-projects – Sankong (Confucius Complex), Nishan, and Zoucheng – for a twenty-year period (2011 – 2031). Similar to assessment, prices in costs and benefits are market prices without large deviations from its economic values, so shadow price and conversion coefficient are not used. Economic costs and benefits are both calculated based on the constant price level of 2017. Neither includes inflation, duties and taxes; social discount rate is assumed to be 8%.

Calculation of Benefit Streams

a) **Local Revenue:** Aggregate consumption by tourists in the local economy, when visiting sub-project sites. This consumption is inclusive of entry ticket fees and purchases at site, hotel and restaurant expenditures, as well as spending on local small businesses. The CBA estimates the additional local revenue accrued to the local economy that is attributable to Project investments. The local revenue column is a product of incremental visits and incremental revenue per visit.

b) **Consumer Surplus**: The difference between willingness to pay (WTP) and market value (entry fee) for sub-project improvements. Since there was no hike in entry fee for any of the sub-project sites, consumer surplus equals WTP in this analysis. The CBA applies the WTP survey estimate based on the conditional value evaluation method used during the assessment stage, multiplying it with the number of tourists and share of tourists that visit the sub-project sites for the first time.

Table 1. Net Flows Statement – Qufu

Confucius Complex			*Nishan Mountain*		*Qufu Sub-project*		
Year	Local Revenue	CS	Local Revenue	CS	Total Benefits	Total Costs	Net Flows
2011	0.0	0.0	0.0	0.0	0.0	74.9	-74.9
2012	1212.1	180.0	20.4	3.8	1416.3	829.7	586.7
2013	2135.7	149.5	47.7	4.2	2337.1	2492.6	-155.4
2014	3819.4	169.3	82.9	4.7	4076.1	3418.1	658.1
2015	6184.4	201.3	124.1	5.1	6514.9	3090.8	3424.1
2016	7944.1	204.4	172.7	5.6	8326.9	8062.7	264.2
2017	9567.9	202.6	230.8	6.2	10007.6	10335.8	-328.2
2018	11637.1	209.0	687.6	6.8	12540.6	13779.5	-1238.9
2019	13829.2	215.4	838.2	7.5	14890.3	15157.4	-267.1
2020	16142.5	221.9	1012.4	8.2	17385.0	16673.2	711.9
2021	18576.0	228.3	1213.4	9.1	20026.7	18340.5	1686.2
2022	21128.5	234.7	1444.7	10.0	22817.9	20174.5	2643.4
2023	23799.5	241.1	1710.4	11.0	25762.0	22192.0	3570.0
2024	26588.3	247.5	2015.1	12.1	28863.0	24411.2	4451.8
2025	29494.5	254.0	2363.8	13.3	32125.5	26852.3	5273.2
2026	32517.7	260.4	2762.3	14.6	35555.0	29537.5	6017.5
2027	35657.5	266.8	3217.1	16.1	39157.6	29537.5	9620.0
2028	38913.8	273.2	3735.5	17.7	42940.2	32491.3	10448.9
2029	42286.4	279.7	4325.5	19.4	46910.9	35740.4	11170.5
2030	45774.9	286.1	4996.3	21.4	51078.7	39314.5	11764.3

2031	45868.8	286.5	5498.8	23.5	55772.6	23785.3	31987.4
NPV	142078.9	1217.1	10635.5	3.1	155555.3	128227.6	**27327.8**
BCR							**1.2**

Note: All monetary values are in 10,000 RMB.

Table 2. Net Flows Statement – Zoucheng

Mencius Complex			*Zoucheng Sub-project*		
Year	Local Revenue	CS	Total Benefits	Total Costs	Net Flows
2011	0	0	0	220	-220
2012	39.77602	6.100784	45.8768	1583.66	-1537.78
2013	74.31293	6.925801	81.23873	6861.63	-6780.39
2014	110.2137	7.235183	117.4489	6440.35	-6322.9
2015	290.3868	12.88004	303.2668	6794.95	-6491.68
2016	491.7736	13.93845	505.7121	11093.7	-10588
2017	622.2102	16.41512	638.6253	4581.03	-3942.4
2018	868.7689	20.0273	888.7963	251.32	637.4763
2019	1191.284	24.43436	1215.719	276.45	939.2688
2020	1611.586	29.8112	1641.397	304.09	1337.307
2021	2157.317	36.37122	2193.688	334.5	1859.188
2022	2863.478	44.37479	2907.853	367.95	2539.903
2023	3774.348	54.13957	3828.487	404.75	3423.737
2024	4945.887	66.05311	5011.94	445.22	4566.72
2025	6448.743	80.58825	6529.331	489.75	6039.581
2026	8372.01	98.32189	8470.332	538.72	7931.612
2027	10827.93	119.9578	10947.89	592.59	10355.3
2028	13957.77	146.3549	14104.12	651.85	13452.27
2029	17939.15	178.5606	18117.71	717.04	17400.67
2030	22995.23	217.8533	23213.08	788.74	22424.34
2031	28074.97	265.7924	28340.76	477.19	27863.57
NPV	33554.09	5.680927	33973.8	28100.7	**5873.102**
BCR					**1.243197**

Note: All monetary values are in 10,000 RMB.

Methodology and Assumptions

When available, retrospective data for variables at the sub-project level is utilized for the first five years and projected forward for the remaining fifteen years (eg. visits, defined as Tourists*Number of Sites Visited in China). For other variables, data at the sub-project level is interpolated using available data points (eg. sub-project level revenues). Lastly, counterfactual data (without project) is generated using available data and parameters, which are either assumed conservatively or rigorously estimated (see Table 3).

Table 3. Parameter Values and Data Sources

Parameter	*Confucius Complex*	*Nishan*	*Mencius Complex*	*Source*
Sub-project Visits/Tourists	2.5	2.5	2.5	Feasibility study (2010)
First-timer share of tourists	0.56	0.93	0.83	Feasibility study (2010), Tourist Survey (2017)
WTP per Tourist	45.62	22.18	41.37	Willingness to Pay study (2010)
Share of visits attributable to project	0.04	0.04	0.04	Feasibility study assumption (2010)
Local Expenditure, RMB (2017)	1159.9	726.6	855.8	SME Survey (2017)
Percentage increase in local expenditure	0.91	0.91	0.91	Difference-in-difference estimate, SME Survey (2017)
Growth in Visits	Linear	Linear	Exponential	Assumption based on sub-project data (2011 - 16)
Growth in Local Tourism Revenue	Linear	Linear	Linear	Assumption based on city-level data (2011 - 16)

As part of the post-investment surveys, the ICR team collected data on 287 SMEs located in 4 neighborhoods – 2 project and 2 comparators – to apply a difference-in-difference strategy and rigorously estimate the attributable effects of the project on small business outcomes. Specifically, we estimate the causal impact of the project on monthly customers and revenues of small businesses, if the parallel trends assumption of our strategy holds. We find that, on average, the project raised monthly revenues of small businesses rose by RMB 3023.4, and this effect is significant at the 1% level. We also estimate, on average, a relative increase of 102.7 monthly customers in project neighborhoods, significant at the 10% level (Table 4). To the extent that comparators benefited from positive spillovers generated by infrastructure upgrades, the local expenditure growth parameters are biased downwards and are thus conservative.

Table 4. Difference-in-difference (Project vs Comparator Neighborhood SMEs)

	Revenues (monthly)	Customers (monthly)
Post	292.605	66.754
	(399.497)	(58.938)
Treat	107.945	124.204***
	(309.658)	(46.908)
Post*treat	3,023.427***	102.657*
	(404.356)	(59.114)
Time Trend	Yes	Yes
Neighborhood FE	Yes	Yes
Constant	3,522.345***	361.591***
	(302.516)	(46.798)
N	540	541

Note: .01 - ***; .05 - **; .1 - *;

ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS

A complete Borrower's ICR is available.

The Borrower reviewed the full draft of the Bank's ICR, and provided the following comments in December, 2017:

- Including information about the Mencius Complex and the title of National Historic and Cultural Cities for Qufu and Zoucheng in the Context part;
- Revising the year when the cultural heritage assets were built;
- Sequencing the government's high-level policies;
- Revising the date of the second restructuring;
- Including conservation of intangible heritage under PDOa2;
- Updating the government's ongoing works in providing access of heating to households;
- Updating the list of acronym.

These comments were discussed with the Borrower and were incorporated in the final ICR.

ANNEX 6. SUPPORTING DOCUMENTS

1. Project Concept Note
2. Project Appraisal Document (Report No. 57689-CN)
3. Loan Agreement and Project Agreement
4. Aide Memoires
5. Restructuring Paper (Report No. RES18068)
6. Amendment to Loan Agreement and Amendment to Project Agreement
7. Implementation Status Reports
8. Environmental and Social Safeguards Documents (Environmental Impact Assessment, Environmental Management Plan, Social Assessment, Resettlement Action Plan)
9. Post-investment Socio-economic Impact Evaluation Report
10. Borrower's Implementation Completion Report (Borrower's ICR) and Annexes
11. End-of-Project Social Safeguards Monitoring Evaluation Summary Report
12. O&M Arrangements and Budget after the Project Closure

ANNEX 7. Social Safeguards and Demolition of Houses in the Gupan Pond Area

The project triggered Involuntary Resettlement policy (OP/BP4.12), where both resettlement and land acquisition in project cities of Qufu and Zoucheng could not be avoided. A RAP was prepared to guide land acquisition and resettlement at project preparation stage. Subsequent RAPs were prepared during project implementation when new activities were included at restructuring. An external monitoring team was committed to monitor implementation of OP/BP4.12, and results were communicated to the Bank team through semiannual external monitoring reports.

All land acquisition and resettlement work was successfully completed by loan closure. There has been a turnaround in terms of enforcing compliance and public consultation. This learning curve helped project PIUs appreciate and implement Involuntary Resettlement Policy. A summary of planned and actual resettlement and land acquisition work is provided in Table 1. A comparison of actual land acquisition and resettlement impact with RAP is provided in Table 2.

Table 1. Summary of Planned and Actual Activities Involving Resettlement and Land Acquisition

City	Planned Resettlement and LA in RAP	Actual Resettlement and LA
Qufu	B2-QFHDC1 Water Pipe in Sihe	No impact.
		A3-QFLGCC3 West section of Lu Old City wall protection and exhibition (added by restructure). Compensation for temporary structure clearance and planted vegetables.
	B2-QFHDC3 Gupan Lake water rehabilitation	Linked project when this activity was dropped. Resettlement of 588 households, 3 enterprises, 200 shops.
	B1-QFGXC1 Ming old city block A regeneration	No impact. Dropped.
	B1-QFGXC2 Urban infrastructure upgrade	No impact. Construction on existing road.
Zoucheng	B3-ZCGXC1 Rehabilitation work at Yasheng street, Guojiepeng street, and Yasheng road	No impact. Repair on existing structures.
	B3-ZCGXC2 Block A	No impact. Dropped.
	B3-ZCGXC3 Construction of Mencius Primary School	No impact. Dropped.
	B4-ZCHDC1 Yinli river middle section treatment	Resettlement of local households. State owned land transfer. Resettlement of 190 households, 4 shops, 9 enterprises. Transfer of state land 209.99mu.
	B4-ZCHDC2 Yinli river upper section treatment	
		A4-ZCM5 Tourist center and parking lot at Mencius Cemetery (added by restructuring). LA of 16.84mu collective land. Resettlement of one enterprise.
		A4-ZCMZC2 protection of Mencius temple, residential houses, and tombs. A4-ZCMZC6 Mencius Cemetery sacred road protection (added by restructuring). Resettlement of 12 households. Temporary land use 5.6mu.

Table 2. Comparison of the RAP and Actual Land Acquisition and Resettlement Impacts

City	Impact category	Unit	RAP			Actual			Notes
			Quantity	Affected households	Number of people	Quantity	Affected households	Number of people	
Qufu	Permanent occupation of state-owned land	mu	94.3	/	/	206.5	588	2800	
	Temporary	mu	163.2	/	/	32.4	/	/	

City	Impact category	Unit	RAP			Actual			Notes
			Quantity	Affected households	Number of people	Quantity	Affected households	Number of people	
	occupation land								
	Demolition of urban residential buildings	m^2	40524	346	1211	86300	588	2800	The same 588 households similar to the permanent occupation of state-owned land
	Residential housing for commercial use	m^2	2450	45	138	26000	200	1000	Affected households are included in 588 households
	Demolition of enterprise	m^2	300	1	24	4718.07	3	/	
	Demolition of unlicensed buildings	m^2	1574	91	319	2673.7	194	692	
	Affected attached	category	13	/	/	11	/	/	
Zoucheng	Permanent occupation of state - owned land	mu	144.1	/	/	209.99	/	/	
	Rural collective land expropriation	mu	/	/	/	16.84	6	33	
	Temporary occupation land	mu	42.6	/	/	24.1	/	/	
	Demolition of urban residential buildings	m^2	45865.9	342	1198	33274.86	190	760	
	Demolition of rural residential buildings Demolition of rural residential housing	m^2	/	/	/	2051.88	12	52	
	Demolition shops	m^2	12557.4	101	354	1396.71	4	14	
	Demolition of enterprises	m^2	/	/	/	176.95	1	16	
	Demolition of public institution	m^2	18080	2	/	4308.52	9	/	
	Unlicensed	m^2	31290.8	240	841	5758.31	78	213	

City	Impact category	Unit	RAP			Actual			Notes
			Quantity	Affected households	Number of people	Quantity	Affected households	Number of people	
	buildings								
	Affected attached and special facilities	category	13	/	/	36	/	/	

In sum, a total of 790 households were resettled, 588 in Qufu and 202 in Zoucheng, affecting 3,612 persons. A total number of 204 shops were demolished, affecting 1,014 persons. A total of 16.84mu collective-owned land was acquired, affecting 33 persons from 6 households. A total of 56.5mu land was temporary used. Resettlement work in Qufu costed a total of 492.63 million CNY yuan, and the work in Zoucheng costed 178.83 million CNY yuan. The grievance redress mechanisms were provided and valid in Qufu and Zoucheng.

Lessons Learned

OP/BP4.12 non-compliance. There has been a learning curve on the part of the PIU in terms of World Bank's OP/BP4.12 compliance. A non-compliance was found when local PIU moved ahead with resettling local residents at Gupan Pond without an approved RAP. This sub-project was also in non-compliance with UNESCO cultural heritage protection policy. The sub-project was dropped due to cultural heritage issues. Even when activities at Gupan Pond were dropped from the project, the World Bank task team decided to take on the management of resettlement for affected families to ensure that these families are properly relocated . Since the start of resettlement at Gupan Lake where the 251 households originally lived, house value of the area has risen from around 3,000 CNY to 5,600 CNY per square meter. Distance between the original houses and the resettlement compound is around 500 meters. Families relocating to the compound are from the same neighborhood, and thus maintained social connections of the community.

Monitoring of resettlement progress for affected families in this area has been throughout the whole implementation until the last day. Through intensive hand-holding in management of resettlement work at Gupan Pond, Qufu PMO became fully aware of OP/BP requirements, and put in extra efforts to mobilize resources, so that all affected households received their satisfactory resettlement houses before project closure.

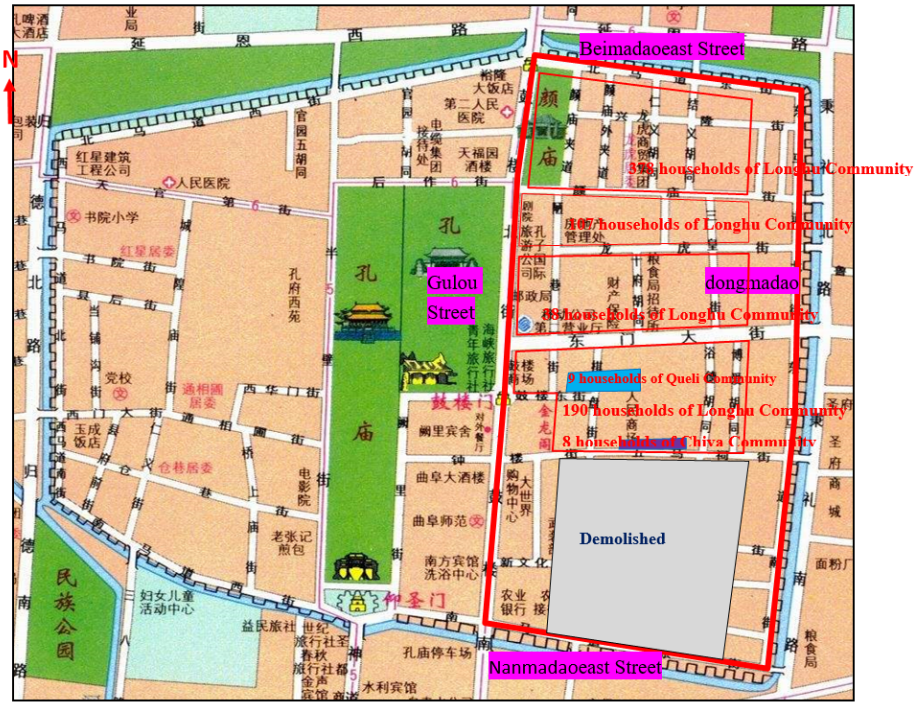
Public consultation. There has been a lack of public consultation at the beginning of project implementation. Project activities were largely decided without sufficient consultation with local communities. Following recommendations from World Bank task team, the PIU commissioned a social development team for the whole duration of the project to assist public consultation and project design. Through the process of public consultation to assess local communities' needs, and then design project activities to satisfy actual need, the PIU benefited from people centered approach. This was an important step in the learning process, after which, project implementation became more effective.

ANNEX 8. Summary of Post-Investment Socio-Economic Survey

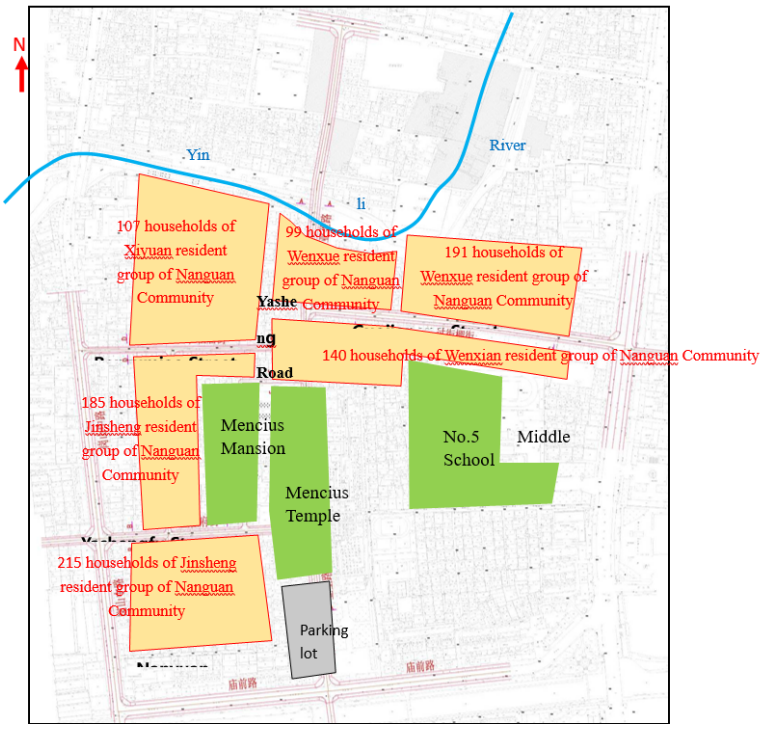
Scope of the social economic investigation

According to the suggestions of experts in World Bank investigate team, the investigation scope for this time arethirteen streets in East town district of Ming Ancient City of Qufu, three blocks (Yasheng Road, Yashengfu Road and Guojiepeng Street) of Zoucheng and along Yinli River.

Investigation scope of Qufu: (east to Dongmadao, south to Nanmadaoeast Street, north to Beimadaoeast Street, west to Gulou Street), involves thirteen streets in East zone which are Beimadaoeast Street, Xinglong Street, Dongmadaonorth Street, Louxiang Street, Yanmiao Street, Sanhuangmiao Street, Longhou Street, Dongmen Street, Nanmadaoeast Street, Nanmen Street, Dongmadaosouth Street, Wumacinorth Street and Qipan Street. The scope is shown below.



Investigation scope of Zoucheng: Three blocks of Zoucheng and Yinli River.“Three blocks” are Yasheng Road, Yashengfu Road and Guojiepeng Street. The investigation scope of residents in “three blocks”: Mainly includes the “Jinsheng resident group” (east to Yasheng Road, south to Nanyuan Street, west to Fifth Lane of Nanyuan Street and Mengciwest Hutong, north to Renzu Street), “Xiyuan resident group” (east to Yasheng Road, south to Renzu Street, west to extension of Mengciwest Hutong, north to Yinli River), “Wenxue resident group” (east to Yishanmiddle Road, south to Guojiepeng Street, west to Yasheng Road, north to Yinli River) and “Wenxian resident group” (east to Yishanmiddle Road, south to northern wall of Mencius Temple and playground of No.5 Middle School, west to Yasheng Road, north to Guojiepeng Street) of Nanguan Community of Qianquan Street in Zoucheng; from the source of Yinli River to Sanliying Beijing-Shanghai railway bridge, whose total length is 2.9 kilometers. The investigation scope is shown below.



Methodology

According to the project implementation places, determine the boundaries of residential quarters and shops. Ensure uniform distribution of samples in the project areas by adopting random start and equidistant sampling methods. The specific requirements are as follows:

a. After arriving at the designated spots, walk along the boundaries to investigate and count the numbers of households and shops.

b. According to the total number of households and shops at the investigation areas, calculate the step length and extract households and shops (main samples) at the site nodes according to the route as samples.

c. Extraction of backup samples. In the investigation progress, if main samples are not interviewed successfully, backup samples shall be extracted and replace according to right hand principle (to walk on the right-hand side of the designated route, and extract households or shops at a certain interval on the right hand side) until the interview is successful.

Sampling

Per the current quantities of shops in three blocks and the number of residents in east town district of Ming Ancient City of Qufu, “three blocks” of Zoucheng andalong the bank of Yinli River, the extracted sample size shall not be less than 25%.

Table. Infrastructure Upgrading of Ming Old City of Qufu - list of shops sample distribution

No.	Block names	Number of shops	Sample size	Sampling percentage (%)
1	Yanmiao Street	49	12	25.0
2	Xinwenhua Street	49	12	25.0
3	Louxiang Street	6	2	25.0

4	Beimadao east Street	2	1	25.0
5	Dongmadao	10	3	25.0
6	Dongmen Street	128	32	25.0
7	Nanmen street	110	28	25.0
8	Wumaci north Street	12	3	25.0
9	Xinglong Street	0	0	0
10	Renyi Hutong	0	0	0
11	Jieyi Hutong	0	0	0
12	Sanhuangmiao Street	0	0	0
13	Longhu Street	0	0	0
Total		366	93	25.0

Table. Infrastructure Upgrading of Ming Old City of Qufu - list of residents sample distribution

No.	Name of communities	Number of households	Sample size	Sample percentage (%)	Notes
1	Longhu Community	713	179	25.0	378 households in the north of Yanmiao Street; 335 households in the south of Yanmiao Street
2	Chiya Community	8	2	25.0	
3	Queli Community	9	2	25.0	
Total		730	183	25.0	

Table. Infrastructure Upgrading of "three blocks" of Zoucheng - list of shops sample distribution

No.	Name of blocks	Quantity of shops	Sample size	Sample percentage (%)
1	Yasheng Road	76	19	25.0
2	Yashengfu Street	24	6	25.0
3	Guojiepeng Street	119	30	25.0
Total		219	55	25.0

Table. Infrastructure Upgrading of "three blocks" of Zoucheng - list of residents sample distribution

No.	Resident groups of Nanguan Community	Number of households	Sample size	Sample percentage (%)	Scope
1	Jinsheng resident group	400	100	25.0%	East to Yasheng Road, south to Nanyuan Street, west to Fifth Lane of Nanyuan Street and Mengciwest Hutong, north to Renzumiao Street
2	Xiyuan resident group	107	27	25.0%	East to Yasheng Road, south to Renzumiao Street, west to extension of Mengciwest Hutong, north to Yinli River
3	Wenxue resident group	290	73	25.0%	East to YishanMiddle Road, south to Guojiepeng Street, west to Yasheng Road, north to Yinli River

4	Wenxian resident group	140	35	25.0%	East to YishanMiddle Road, south to northern wall of Mencius Temple and playground of No.5 Middle School, west to Yasheng Road, north to Guojiepeng Street
Total		937	235	25.0%	

Table. Rehabilitation of Yinli River of Zoucheng - list of residents along the river sample distribution

No.	Sections	Number of households	Sample size	Sample percentage (%)
1	From the source to Changqing Road	30	8	25.0
2	From Changqing Road to Yishanmiddle Road	204	51	25.0
3	From YishanmiddleRoad to Yasheng Street	167	42	25.0
4	From Yasheng Street to Gangshanmiddle Road	17	4	25.0
5	From Gangshanmiddle Road to Railway Bridge	42	10	25.0
6	Total	460	115	25.0

Table. Questionnaire collection of the social economic investigation

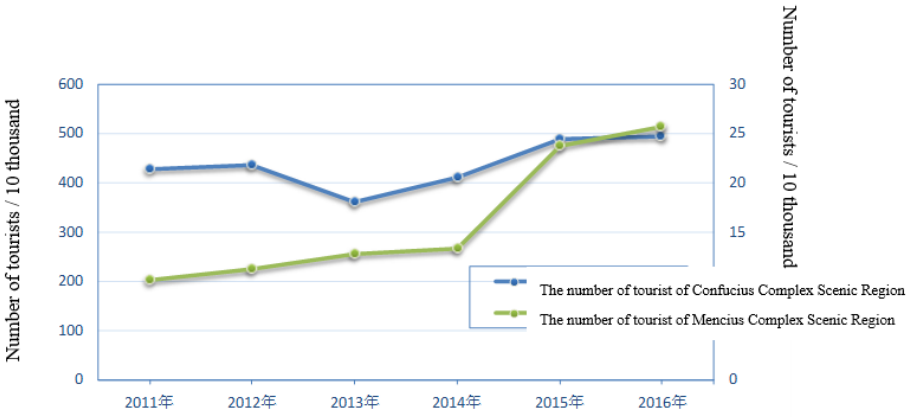
Group	Quantity of released questionnaires	Number of valid questionnaires	Effective percentage of questionnaires	Male/Female Ratio
Small business in east town district of Ming Old City	93	89	95.70%	48.31%:51.69%
Small business in three blocks	55	52	94.55%	53.85%:46.15%
Residents of east zone of Ming Old City	183	164	89.62%	47.56%:52.44%
Residents of three blocks	235	212	90.21%	53.77%:46.23%
Residents along the Yinli River	115	105	91.30%	46.67%:53.33%
Total	681	622	91.34%	

Results

Promote the development of local tourism and economy

(1) Number of tourists in scenic sites shows an overall trend of growth. The number of tourist of Confucius Complex Scenic Region had been increased from 4.26 million in 2011 to 4.942 million in 2016 with an average annual growth of 136.4 thousand. Comparing to the beginning year of the implementation of the project (2011), in 2016, the number of tourists increased by 682 thousand with a growth rate of 16.01%; the number of tourist of Mencius Complex Scenic Region had been increased from 100.8 thousand in 2011 to 256.8 thousand in 2016 with an average annual growth of 31.2 thousand. Comparing to the beginning year of the implementation of the project (2011), in 2016, the number of tourists increased by 156 thousand with an increase of 1.55 times. It is predicted that the number of tourists will still be increasing in the future. In 2017, the number of tourist of Confucius Complex Scenic Region will reach 5.246 million, and that of Mencius Complex Scenic Region will reach 290 thousand. In 2018, the number of tourist of Confucius Complex Scenic Region will exceed 5.48 million, and that of Mencius Complex Scenic Region will reach 326 thousand.

Change of number of tourists of Confucius and Mencius Complex Scenic Sites from 2011 to 2016



(2) Satisfaction degree of tourists has been increasing continuously. With the implementation of the project, the satisfaction degree of tourists in Qufu Confucius Complex Scenic Region and Zoucheng Mencius Complex Scenic Region has been increasing. According to the investigation results of satisfaction degree of tourists from Project Office of Qufu City and Zoucheng City , in the second half of 2015, the satisfaction degree of tourists was 79.1% and 77.5% respectively in Qufu and Zoucheng, and the comprehensive satisfaction degree was 78.8%; in the first half of 2017, the satisfaction degree of tourists was 96.4% and 94.1% respectively in Qufu and Zoucheng, and the comprehensive satisfaction degree was 96.0%; the satisfaction degree of tourists in Qufu has increased 17.3%, and the satisfaction degree of tourists in Zoucheng has increased 16.6%. The comprehensive satisfaction degree of tourists has increased 17.2%.

(3) Ticket income of scenic region shows a trend of fluctuation. Compared to the beginning of the implementation of the project (2011), in 2016, the ticket income had decreased by 14 million yuan with the scale of decrease as 7.73%. Despite the rise in number of tourist in 2016, ticket income had decreased, and there are some main reasons. Since January 1st, 2015, citizens with Qufu household register can visit Confucius Complex Scenic Region free while citizens of Jining can buy discount tickets to visit it; the scenic region had carried out free admission for people who aged over 60, young people, active servicemen and teachers, and the policy of half price for students.Compared to 2011, in 2016, the population of free visits to Confucius Complex Scenic Region increased, and the number of visitors who buy tickets decreased.

Ticket income of Mencius Complex Scenic Region increased from 1.7414 million yuan in 2011 to 3.015 million yuan in 2016, compared to the beginning of the implementation of the project (2011), in 2016, ticket income had increased by 1.2736 million yuan with the scale of increase as 73.14%.

Ticket income of Scenic Regions will continue to grow in the future. According to forecasts, in 2017, ticket income of Confucius Complex Scenic Region will reach 187 million yuan, an increase of 20 million yuan over 2016; ticket income of Mencius Complex Scenic Region will reach 3.173 million yuan, an increase of 158 thousand yuan over 2016. In 2018, ticket income of Confucius Complex Scenic Region will reach 191 million yuan, while ticket income of Mencius Complex Scenic Region will reach 3.453 million yuan.

(4) The social income of tourism of Qufu and Zoucheng shows a trend of growth. According to the statistics of tourism industry of Qufu Cityfrom 2011 to 2015, both social revenue of tourism and per capita consumption of tourists showed an increasing trend. The social revenue of tourism had increased from 8.902 billion yuan in 2011 to 15.8 billion yuan in 2015, with an average annual growth of 1.724 billion yuan and an average annual growth rate of 19.37%;the per capita consumption of tourists had increased from 796.96 yuan per person in 2011 to 864.8 yuan per person in 2015, with an

average annual growth of 16.96 yuan per person.Compared to the beginning of the implementation of the project (2011), in 2015, social revenue of tourism had increased by 6.898 billion yuan with a growth rate of 77.49%; per capita consumption of tourists had increased by 67.84 yuan per person with a growth rate of 8.51%.

According to the statistics of tourism industry of Zoucheng City from 2011 to 2016, the social revenue of tourism showed an increasing trend. The social revenue of tourism had increased from 2.16 billion yuan in 2011 to 6.12 billion yuan in 2015, with an average annual growth of 0.79 billion yuan and an average annual growth rate of 36.57%. Compared to the beginning of the implementation of the project (2011), in 2016, social revenue of tourism had increased by 3.96 billion yuan with an increase of 1.8 times.

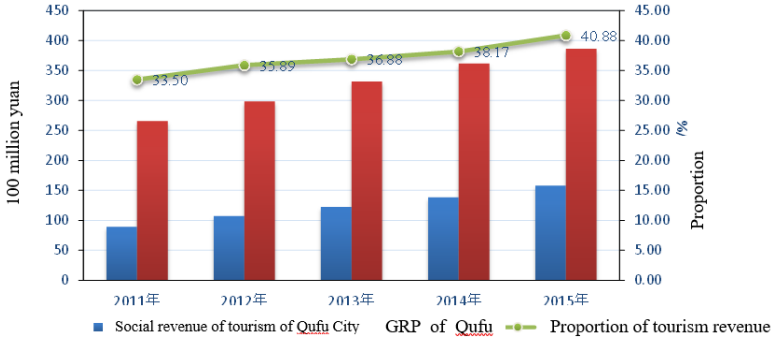
(5) The development of tourism promotes the development of local economy. The results of Pearson correlation test showed that at 0.01 significant levels, tourism revenue in Qufu and Zoucheng had significant positive correlation with regional GDP, and the correlation coefficients were 0.995 and 0.950 respectively. The results showed that the development of tourism in Qufu and Zoucheng had promoted the increase of GRP in the region, and played an important role in promoting regional economic development, while the role of Qufu city was more prominent.

From 2011 to 2015, the social revenue of tourism in Qufu had risen from 8.902 billion yuan to 15.8 billion yuan. In the same period, the regional GDP had increased from 26.576 billion yuan to 38.651 billion yuan, with an average annual increase of 3.019 billion yuan; the proportion of tourism revenue to GRP had increased from 33.50% to 40.88%, and the increase of tourism revenue had directly contributed to the increase of regional production in Qufu. From 2011 to 2016, the social revenue of tourism in Zoucheng had risen from 2.16 billion yuan to 6.12 billion yuan. In the same period, the regional GDP had increased from 61.127 billion yuan to 86.929 billion yuan, with an average annual increase of 5.16 billion yuan; the proportion of tourism revenue to GRP had increased from 3.53% to 7.04% (source: statistical yearbooks).

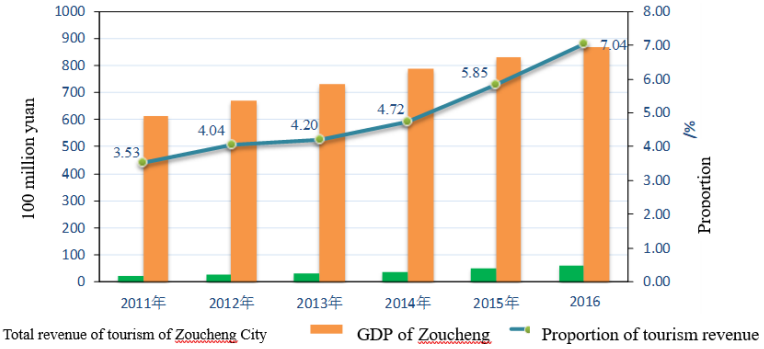
Proportion of tourism revenue to GDP of Qufu and Zoucheng

Year	Qufu City			Zoucheng City		
	Social income of Tourism (100 million Yuan)	GDP (100 million Yuan)	Proportion of tourism revenue in GDP (%)	Social income of Tourism (100 million Yuan)	GDP (100 million Yuan)	Proportion of tourism revenue in GDP (%)
2011	89.02	265.76	33.50	21.6	611.27	3.53
2012	107.1	298.44	35.89	27.1	671.32	4.04
2013	122.32	331.66	36.88	30.7	731.58	4.20
2014	138.14	361.88	38.17	37.3	790.32	4.72
2015	158	386.51	40.88	48.6	830.69	5.85
2016	--	413.69	--	61.2	869.29	7.04

Changes of tourism revenue in GDP, Qufu



Changes of tourism revenue in GDP, Zoucheng



Increase in employment opportunities.

Enhance commercial appeal by infrastructure improvement and construction and restoration and governance of river ways. Before and after the project implementation, there had increased 8 shops in east town district of Ming Ancient City of Qufu as well as 39 small craftsmen and traders including 16 for women; there had increased 4 shops in three blocks of Zoucheng as well as 21 small craftsmen and traders including 9 for women. Before the governance of Yinli River, there had been 11 hotels (restaurants) along the riverbank, 1 family inn and 3 commodity stores; after the governance of Yinli River, there were 17 hotels (restaurants) along the riverbank, 5 family inns and 7 commodity stores. There had increased 6 hotels (restaurants) along the riverbank, 4 family hotels and 4 commodity stores, directly promoted employment of 34 residents along the riverbank including 14 for women.

Increase in the income of residents and small business.

(1) Increase in operation revenue of small craftsmen and traders. Comparing the period of infrastructure improvement and construction of east town district of Ming Ancient City (2015) with current year (2017), the monthly operation revenue of small craftsmen and traders of Qufu City has increased by 1439 yuan; comparing the beginning year of the implementation of the project (2011) with current year (2017), the monthly operation revenue of small craftsmen and traders of Qufu has increased by 3755 yuan. Comparing the period of infrastructure improvement and construction of three blocks (2016) with current year (2017), the monthly operation revenue of small craftsmen and traders of Zoucheng City has increased by 755 yuan; comparing the beginning year of the implementation of the project (2011) with current year (2017), the monthly operation revenue of small craftsmen and traders of Zoucheng has increased by 3468 yuan.

(2) Increase in resident income. Comparing with the beginning year of the implementation of the project (2011), in 2016, the household income of residents in blocks of east town district of Ming Ancient City of Qufu had increased by 21260 yuan with a growth rate of 63.3%; the household income of residents in three blocks of Zoucheng had increased by 23860 yuan with a growth rate of 66.1%.

Promote the upgrade of value of shops and housing

(1) Both the selling price and rental price of shops have been increased. Comparing the beginning year of the implementation of the project (2011) with current year (2017), the selling price of shops in east town district of Ming Ancient City of Qufu has increased 2300 yuan per square meter with a selling price rising rate of 79.31%, and the rental price of shops has increased 42.5 yuan per square meter per month with a rental price rising rate of 70.83%; comparing the period of infrastructure improvement and construction of east town district of Ming Old City (2015) with current year

(2017), the selling price of shops has increased 1100 yuan per square meter with a selling price rising rate of 26.83%, and the rental price of shops has increased 17.5 yuan per square meter per month with a rental price rising rate of 20.59%.

After the infrastructure improvement in three blocks of Zoucheng, the selling price and rental price of shops had been increased. Comparing the beginning year of the implementation of the project (2011) with current year (2017), the selling price of shops has increased 2500 yuan per square meter which has gone up 1.1 times, and the rental price of shops has increased 208 yuan per month for one shop which has gone up 1 times.

(2) House prices have been increased. Before and after (2015, 2017) the rehabilitation of Yinli River of Zoucheng, the house price along the bank of Yinli River has increased 1250 yuan per square meter with a price rising rate of 55.56%; before and after (2011, 2017) the implementation of Work Bank project, the house price along the bank of Yinli River has increased 2000 yuan per square meter which has gone up 1.33 times. At the same time, in 2011, the average residential price of Zoucheng City was 3719 yuan per square meter; in May 2017, the average residential price was 4767 yuan per square meter. Compared to 2011, the average residential price has increased by 28.18%. Therefore, the implementation of the project drove the rise of housing prices along the bank of Yinli River.

The satisfaction degree of project construction effect reaches 100%

Through a series of project construction such as infrastructure improvement and construction of east town district of Ming Ancient City of Qufu, environment improvement and water system restoration of Lu Ancient City and Ming Ancient City, historical town district renewal and infrastructure improvement of Zoucheng and environment improvement and water system restoration of historical town district of Zoucheng etc., the infrastructure and the ecological environment of the project implementation sites had been improved, and the production and living environment of the local residents had been optimized and improved. The project has benefited more residents, and the number of local residents directly benefited from the project has reached 125 thousand, of which 17 thousand in Qufu, with 49% for women; of which 108 thousand in Zoucheng, with 45.4% for women. At the same time, the number of tourists directly benefited from the project was 1.968 million with the proportion of female tourists as 54.8% in Qufu and was 256 thousand with the proportion of female tourists as 49.5% in Zoucheng.

Through investigation and statistics, 100% small craftsmen and traders and 100% interviewed community residents showed satisfaction to the effects after the infrastructure improvement and construction of east town district of Ming Ancient City of Qufu and three blocks of Zoucheng, 100% interviewed residents along the bank of Yinli River showed satisfaction to the effects after the governance of Yinli River. 100% interviewed immigrant-influenced households showed satisfaction to the resettlement compensation policy.

Enhanced capacity for sustainable development

The achievements such as National Famous Historical and Cultural City Protection Plan of Qufu City, Detailed Rules for the Implementation of the Revitalization, Planning and Development control of Historical Cities of Qufu City and Zoucheng City, Constructive Detailed Planning of Ming Ancient City of Qufu City, Design of infrastructure network model of Ming Ancient City of Qufu City, Research on Protection of Ancient Paintings, Wooden Structure, Stone Tablets and Stone inscriptions, Handbook of Heritage Conservation and Tourism Development with Community Participation constructed and formed by the project had established a protective shield for historical city protection of Qufu and Zoucheng as well as filled the blank of related planning and research in nationwide. These achievements have important guiding significance for the protection of the ancient city and the planning of urban construction in Qufu and Zoucheng.

The tourism municipal logos, LED panels, city attractions maps, brands of scenic pots, signboards, explanation boards, self-service data acquisition systems and VI systems of Confucius Complex Scenic Region in Qufu, Mencius Complex Scenic Region in Zoucheng and surrounding urban areas had completely solved the noise pollution problem caused by horns in Confucius and Mencius Complex Scenic Region over the years, purified the tourism environment, greatly improved the experience of tourists perception, and enhanced the capacity for sustainable development of scenic spots.

The training and study tours of construction of project-related abilities have raised the management level of cultural heritage protection personnel in Qufu and Zoucheng.

Further promote the spread of culture of Confucius and Mencius

The implementation of protection projects of cultural heritage site of Confucius and Mencius has promoted the value of the historical and cultural heritage of Confucius and Mencius, and played a good role in strengthening cultural exchanges and promoting the spread of culture of Confucius and Mencius. Through the introduction of the world's advanced management tools to promote the development of cultural concepts as well as the management, maintenance, development control of famous historical and cultural city, and development, marketing and management of sustainable tourism. The project had a positive effect on the tourism industry, so that more people have the opportunity to accept the edification of traditional culture in close distance, and a better understanding of the thoughts of Confucius and Mencius and Confucian culture. It has an important significance to inherit the culture of Confucius and Mencius and enhance the influence of traditional culture.

ANNEX 9. Photos of Project Results

Chongsheng Ancestral Hall, Confucius Temple (before)

Chongsheng Ancestral Hall, Confucius Temple (after)

Ancestral Well Tablet Pavilian, Confucius Complex (before)

Ancestral Well Tablet Pavilian, Confucius Complex (after)

Mu'en Hall, Confucius Mansion (under conservation)

Mu'en Hall, Confucius Mansion (after)

Yu's Archway, Confucius Cemetery (before)

Yu's Archway, Confucius Cemetery (after)

Nishan Confucius Temple (after)

Nishan Slope Rehabilitation (after)

Yasheng Hall, Mencius Temple (after)

Stone tablet (after)

Protection of ancient trees, Mencius Temple

Protection of ancient trees, Mencius Temple

Conservation of color painting for display, Confucius Complex

Conserved color painting, Yi Gate, Mencius Mansion


Upgraded street in east zone of Ming Old City, Qufu


Upgraded street in east zone of Ming Old City, Qufu


Upgraded street in east zone of Ming Old City, Qufu


Upgraded street in east zone of Ming Old City, Qufu


Upgraded street, Zoucheng Old City


Upgraded street, Zoucheng Old City


Fire hydrant in the upgraded street


Waste bins in the upgraded street

Customized access ramp, extracurricular homestay, Qufu

Homestay in east zone of Ming Old City, Qufu

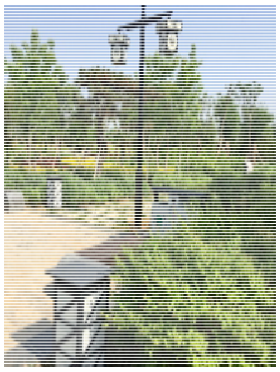
Yinli River (before)

Yinli River (after)

Bridge across Yinli River

O&M equipment

Lu Old City National Archeological Park



Lu Old City National Archeological Park

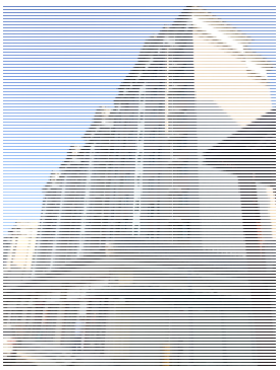
Multi-lingual interpretation board, Mencius Temple

Audio guide for tourists, Mencius Complex

Visitor center, Mencius Cemetery

Exhibition in the Mencius Museum

Resettlement housing for affected people from Gupan Pond area



Resettlement housing for affected people from Gupan Pond area

Resettlement housing for affected households, Zoucheng

Project results dissemination event

ANNEX 10. O&M Arrangements

Institutional Arrangements for O&M:

The implementation institutions are the client units of the sub-projects, which are responsible for design & construction, project report summary, handling withdrawal & reimbursement application and financial management of all sub-projects and the specific work of facility maintenance upon project completion, or hand over the completed projects to the operation and maintenance units.

- Shandong Province: Shandong Provincial Cultural Heritage Bureau;
- Jining City: Jining Cultural Heritage Bureau;
- Zoucheng City: Zoucheng Cultural Relics Bureau, Zoucheng Housing and Urban-Rural Construction Bureau and Zoucheng City Municipal Water Resources Bureau;
- Qufu City: Qufu Planning Bureau, Qufu Culture and Tourism Bureau, Qufu Management Committee of Cultural Industry Park and Qufu Water Conservancy Bureau.

Financial Arrangements for O&M:

According to the loan agreement with the World Bank, the city governments of Qufu and Zoucheng have committed to increase the budget for O&M of CH. Throughout implementation, the city governments realized the commitment.

Investment in O&M of CH assets in Qufu by the city government

Year	Commitment with the World Bank (RMB 10,000, 10% increase per year)	Actual investment in O&M (RMB 10,000)
2012	1032	9420
2013	1135.2	10571
2014	1248.72	13240
2015	1373.6	20812
2016	1510.96	11388

Investment in O&M of CH assets in Zoucheng by the city government

Year	Commitment with the World Bank (RMB 10,000, 10% increase per year)	Actual investment in O&M (RMB 10,000)
2012	50	155.9
2013	55	158.3
2014	60.5	165.2
2015	66.55	179.74
2016	73.2	207.7

After loan closure, the two city governments have financial plans. Especially for public subprojects without much profits such as the historic city infrastructure upgrading, the governments have committed budget. Qufu had a budget of RMB 270 million in O&M of infrastructure in 2017 for the entire county city. Zoucheng had a budget of RMB 1.24 million specifically in O&M of infrastructure in 2017 for Yinli River and the three streets. The O&M budget will increase 8%-10% annually from 2016 onwards. For profitable subprojects, such as the Confucius Complex, Mencius Complex, and Nishan Mountain, the O&M budget of the sites comes from both ticketing income (Annex 8) and government subsidy.

Committed budget in O&M of CH assets and infrastructure in Qufu by the city government (RMB 10,000)

Year	O&M of infrastructure	O&M of CH assests	Total
2017	27,510	12,527	40,307
2018	30,261	13,779	44,040
2019	33,287	15,157	48,444
2020	36,616	16,673	53,289
2021	40,277	18,340	58,617

Committed budget in O&M of CH assets and infrastructure in Zoucheng by the city government (RMB 10,000)

Year	O&M of Yinli River	O&M of three streets	O&M of Mencius Complex assets	Total
2017	104.2	19.2	689.32	812.72
2018	111.96	21.12	749.62	882.7
2019	120.37	23.23	815.48	959.08
2020	129.47	25.56	887.68	1042.71
2021	139.34	28.11	966.97	1134.42

ANNEX 11. Synergy with Related Domestic Investments in Project Areas

The World Bank lending project has close synergy with domestic plans and projects at the national, provincial, and city levels. Major synergies include: the Lu Old City National Archeological Park, the Nishan Mountain Geological Park (provincial level), and the Si River diversion to the water system in Qufu city. Since last year, SACH has subsidized the conservation of color paintings in Confucius Temple, Mansion, and Cemetery over three to five years (total budget RMB 320 million).

Lu Old City National Archeological Park:
The Lu Old City National Archeological Park became one of the 23 national archeological parks endorsed by SACH in 2010. The project commenced in 2012; and is now partially completed. The conservation and display of ruins of the northeast wall and southeast wall are subsidized by SACH. The conservation, management, and display of the western section of the north city wall, as well as the restoration of the stone tablet pavilion and the spring pond are under the World Bank project.

Nishan Mountain Geological Park:
The conservation of cultural heritage assets in Nishan Mountain is a key component of the provincial-level Nishan Mountain Geological Park. The initiation of the park was approved by the Shandong Province Land and Resource Department in 2012. After three years of construction, the conservation and infrastructure have been completed. The conservation of cultural heritage assets under the World Bank investment has been completed, and won the “National Award for Top Ten Cultural Heritage Conservation Projects”. The park completed all domestic procedures, and is ready to open in 2016.

Si River Diversion to Qufu:
The World Bank investment diverted fresh water from Si River, 4km north to Qufu, into Qufu City. The diversion connected six canals in Qufu, including Ming Old City Moat, Xiaoyi River, Dayi River, Xiaolin River, Liao River, and Zhushui River. The project transformed the dirty and smelly moat, rejuvenated the waterfront spaces for citizens, and successfully restored the entire water system in Qufu city.

SACH Subsidy in the Conservation of Color Paintings in “Three Kong”:
Since last year, conservation work has begun on a RMB 320 million budget to repair the color paintings in “Three Kong” World Heritage. This project, subsidized by SACH, is the first of this kind since similar work was carried out over 100 years ago in Qing Dynasty. The ongoing color painting conservation and the conservation subprojects under the World Bank investment will complete the major conservation work at the “Three Kong” World Heritage Site. Studies completed on color painting conservation techniques (under the World Bank project) could be useful resource in guiding the new color painting conservation project. China Daily published an article on the SACH project on April 9-10, 2016 (p.4).

Project Map (IBRD 37926)