

# **Gansu Revitalization and Innovation Project**

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## **Environmental & Social Management Framework (ESMF)**

Updated Version for Restructuring

**Gansu Financial Holding Group Co. Ltd**

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# Table of Contents

I. Introduction .....	1
1.1 Project Background .....	1
1.2 Project Description .....	2
1.3 Institutional Arrangements .....	5
II. Introduction on the ESMF .....	7
2.1 Purpose of ESMF .....	7
2.2 Scope of Application .....	7
2.3 Structure of ESMF .....	7
2.4 Applicable World Bank Policies and Chinese Legal Framework together with Gap Analysis .....	8
III. Environmental Impacts and Mitigation Measures .....	12
3.1 Environmental Impacts and Mitigation Measures on Component 1 .....	12
3.2 Environmental Impacts and Mitigation Measures on Component 3 .....	16
IV. Safeguards Management Procedures .....	20
4.1 Subproject Screening (Step 1) .....	20
4.2 Subproject Categorization and Identification of Safeguard Instruments (Step 2) .....	21
4.3 Preparation of Safeguards Instruments (Step 3) .....	23
4.4 Review and Approval (Step 4) .....	23
4.5 Implementation and Supervision (Step 5) .....	23
4.6 Monitoring and Evaluation (Step 6) .....	24
4.7 Information Disclosure and Public Consultation .....	24
4.8 Grievance Redress Mechanism .....	25
4.9 Archiving and Reporting .....	25
V. Institutional Arrangements, Responsibilities and Capacity Building .....	26
5.1 Institutional Arrangement and Responsibilities .....	26
5.2 Capacity Building .....	29
VI. Information Disclosure and Public Consultation of the ESMF .....	32
6.1 Information Disclosure .....	32
6.2 Public Consultation .....	32

## Annexes:

Annex 1: Environmental and Social Screening Form

Annex 2: Template of Environmental Management Plan (EMP)

Annex 3: Resettlement Policy Framework (RPF)

Annex 4: Ethnic Minority Development Framework (EMDF)

# I. Introduction

## 1.1 Project Background

Gansu is an underdeveloped province in the northwest of China. The natural environment, population, geographical location and other factors have restricted the economic development of Gansu to some extent. In recent years, the achievements of poverty alleviation in Gansu Province have been continuously consolidated, but the proportion of rural residents is still large.

On the other hand, Gansu Province is an important origin place of the Chinese civilization and has many tourist and heritage sites along the ancient Silk Road. The richness and uniqueness of natural, cultural, and human resources in Gansu constitutes a unique comparative advantage for the province to develop its culture, tourism, and creative industry as sustainable development sectors with high potentials. The government has mainstreamed these sectors as the key drivers of economic growth and poverty alleviation in Gansu. In this context, the Gansu Revitalization and Innovation Project (the Project) was initiated to supplement and build synergy with the ongoing programs and investments with the World Bank's supports, focusing on maximizing benefits to local communities in Gansu.

The Project is proposed to increase income-generating opportunities, improve access to infrastructure and services, and strengthen the institutional capacity of participating entities in Gansu. The total project cost of US\$280 million, of which US\$180 million is from the IBRD Loan, which will be implemented in 6 years from June 2019 until June 2025. The integrated project approach is structured around three components that support development of a) financial services, b) targeted interventions in infrastructure and public services, and c) institutional strengthening and capacity building, as summarized below.

- **Component 1:** Increased Access to Financial Services for MSEs (Total Investment: US\$150 million, IBRD Loan: US\$50 million). This component supports private sector development through the provision of financing for new or existing MSEs engaged in the cultural, tourism, and creative industries. The component also seeks to support the creation of a sustainable credit market for MSEs by demonstrating the financial viability of the cultural, tourism, and creative sectors and by supporting the recently established provincial holding company to serve as a wholesale vehicle for meeting the demands of the underbanked segments in Gansu and for spurring financial innovation. is to establish a sustainable credit market by providing micro credits to eligible Micro and Small Enterprises (MSEs) on cultural, tourism and creative industry in Gansu Province.
- **Component 2:** Urban-Rural Regeneration (IBRD loan: US\$114 million). This component will make critical investments in small- and medium-scale infrastructure in project areas that will improve living conditions for residents and enable the creation of more income-generating opportunities in creative industries. One focus of the component is on the regeneration of urban areas and villages

with cultural endowments. Another is to expand the cultural, tourism, and creative industries by constructing exhibition sites, spaces for MSE incubation and training, and creating marketplaces. The two sub-components will benefit local residents and visitors and create income-generating opportunities (Annex 2 provides details about the component).

- **Component 3:** Institutional Strengthening and Global Knowledge Transfer (IBRD loan: US\$16 million). This component aims to strengthen the institutional capacity in Gansu to manage economic and social development, using cultural, tourism, and creative industries as a pillar for inclusive and sustainable economic growth and poverty alleviation.

For Component 2, since the subproject contents, investment and locations have been clearly defined, an Environmental Impact Assessment (EIA) report together with a standalone Environmental and Social Management Plan (ESMP) has been prepared. However, the activities to be supported by Component 1 and Component 3 can only be specified during project implementation, a separate Environmental and Social Management Framework (ESMF) has been developed to ensure adequate environmental and social management and full compliance with national environmental regulatory system and the World Bank's safeguards policies during the implementation of Component 1 and Component 3.

As part of the restructuring proposal developed in 2025, Gansu Financial Holding Guarantee Group (GFHG) which is a guarantee group, will be the second implementation institution to implement the newly proposed partial guarantee program under Component 1, and this ESMF provides supplementary description about the proposed partial guarantee program and define the supporting environment and social (E&S) management procedures for the above-mentioned change to Component 1.

## 1.2 Project Description

Component 1 is to establish a Line of Credit (LoC) to directly on-lend IBRD to GFHG, which is the wholesaler financial intermediary and the project implementing unit for this subcomponent. GFHG will enable Bank of Gansu and other Participating Financial institutions (PFIs), through signing subsidiary agreement, to provide line of credit to eligible MSEs on cultural, tourism, and creative industry in Gansu Province. PFIs will provide matching funds of US\$100 million. To maximize impacts, no less than 40 percent of the subcomponent will be invested in micro enterprises, with each single credit of no more than US\$50,000; whereas the remaining 60 percent of the subcomponent will be invested in small enterprises, with each single credit of no more than US\$500,000, with most credits around US\$120,000.

The activities to be supported under Component 1 will be related to cultural tourism development, such as countryside complex, car camping, hotels, catering, handicraft making and selling, logistics, commercial trading, etc. To ensure synergy with Component 2 and 3, and to maximize geographical coverage, no less than 40 percent of the subprojects will be invested in Tianshui, Dingxi, Zhangye and Jiuquan Prefectures; whereas the remaining 60 percent of the loan can be invested in other prefectures of Gansu Province.

Also, in parallel, GFHG plans to invest US\$50 million as paid-in capital. GFGC will use this investment to back up guarantees to be extended to financial institutions lending to MSEs, against the risk of payment default of such MSEs, up to an estimated amount equivalent to US\$200 million. Technical assistance to GFHG under the project will help build its capacity to administer a credit guarantee facility, which may, over time, contribute significantly to improving financial access to MSEs and sustain project impact beyond the closing date. The activities under Component 3 mainly includes: (a) Completion of studies and the development of sustainable site management plans, improved policies and regulations, marketing strategies, and Gansu branding and promotion activities; (b) Provision of technical assistance, trainings and business advisory services to communities, MSEs, participating financial institutions and local and provincial officials; (c) Provision of support for project management and implementation; (d) Establishment of a Gansu culture and tourism knowledge hub and dissemination of knowledge globally. The specific activities remain to be determined during project implementation.

### **E&S performance of Component 1 activities during implementation**

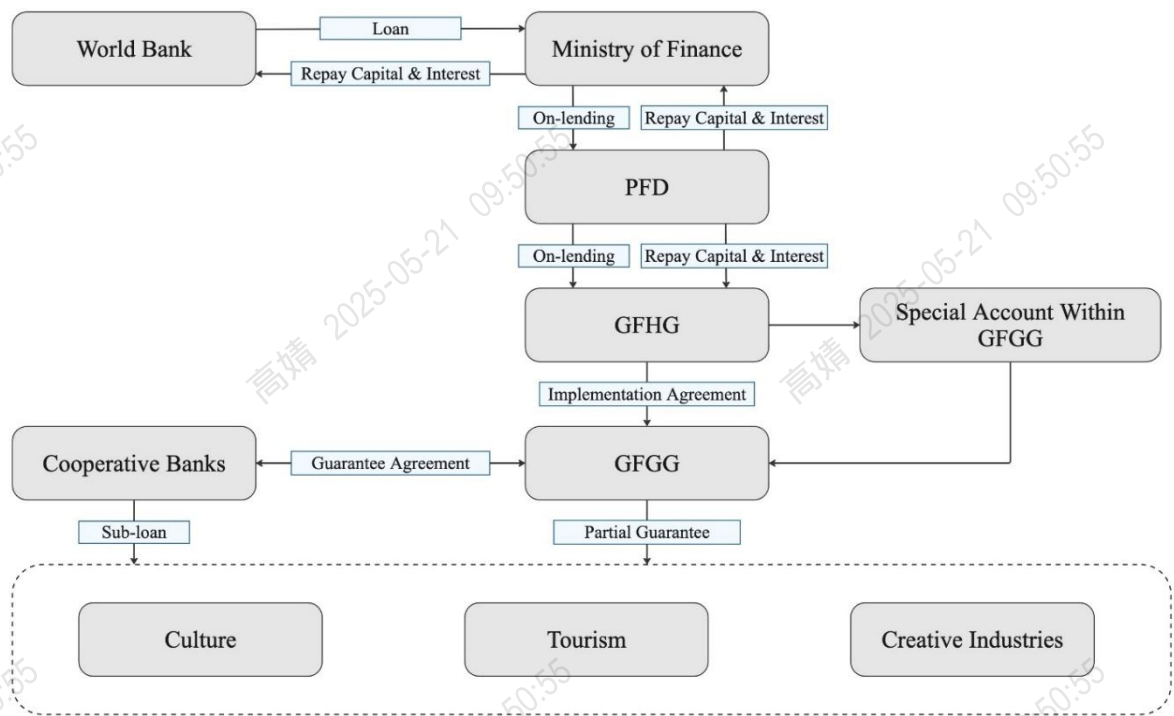
The 1<sup>st</sup> PFI selected for the line of credit (LoC) under Component 1, CD Finance, has fully disbursed its subsidiary agreement amount of US\$25 million of loan proceed. An external E&S monitoring consulting team has been mobilized to oversee the E&S performance of Component 1. According to the provided external monitoring reports, the ESMF has been satisfactorily implemented to support the effective E&S risk screening and management during the implementation of all LoC activities. The risk screening results show that the previous project-supported investments with the LoC financing involved only low or moderate E&S risks, focusing on the supports to MSEs on cultural, tourism, and creative industry in Gansu Province, and the existing E&S risk management procedures are found adequate and effective.

### **Partial Guarantee Program proposed for restructuring**

As part of the restructuring, counterparts in Gansu government and GFHG proposed to invest the remaining US\$25 million under Component 1 in support of partial guarantees to be provided to participating microcredit lenders by its subsidiary, Gansu Financing Guarantee Group (GFGG) to ensure continuous achievement of the component's objective and to close the MSEs financing gap. The product will be implemented in collaboration with a selected number of partner banks with GFGG, acting as PFIs, following procedures and eligibility criteria set forth in the Operations Manual (OM). It is expected that GFHG will sign an Implementation Agreement with GFGG once project restructuring is completed. GFGG will sign Guarantee Agreements with selected partner banks.

For this guarantee product, GFHG will deposit Loan proceeds into a separate account within GFGG dedicated to the new partial guarantee window supported by the Bank. Loan proceeds will support 25 percent of each GFGG guarantee commitment in the new partial guarantee window. The proposed World Bank's support of the new partial guarantee window would be subject to separate oversight arrangements (including flow of funds and proposed ring-fencing of World Bank funds from disbursement, financial management and safeguards perspectives). Chart 1 below illustrates the operational model of the proposed partial guarantee program.

#### **Chart 1: Proposed Operational Model of the Partial Guarantee Program**



**Target clients and sectors:** MSEs engaged in the culture, tourism, and creative industries. As specified in the OM, handicrafts workshops, souvenir shops and other retail culture and tourism shops, cultural performance facilities, art galleries and exhibitions, traditional costumes production and sales, restaurants and cafes, tourism accommodation and hospitality including hotels, boutique hotels, homestays and guesthouses, travel agencies, tour operators and transportation services, and agriculture and agribusiness enterprises which provide food supply to tourism sector.

**Microcredit loan size guaranteed for a single MSE:** Based on market demand analysis carried out by GFGG and the pipeline of microcredit applications received by GFGG's partner banks/PFIs, loan size guaranteed for single MSE client will be under RMB 5.0 million (US\$700,000). This will help to cover the funding gap of the customer segment between what GFGG has been supporting so far (medium-to-large scale cultural and tourism enterprises) and what CD Finance has been successfully supporting (micro enterprises).

**The business process** for the partial guarantees provision will follow the existing GFGG approach which was assessed by the Due Diligence Assessment as well-structured and effective:

- i. **Application Stage:** Clients initiate the process through various channels (apply through partner banks), leading to preliminary screening by a project manager.
- ii. **Investigation & Evaluation Stage:** If application is accepted, additional client information is gathered for in-depth analysis and due diligence, conducted by a specialized team.
- iii. **Approval Stage:** This investigation will result in a detailed report

reviewed by both the Business Transaction and Risk Control Departments (project review committee).

iv. Following approval from the project review committee, legal contracts will be prepared, reviewed, and signed. In cases of conditional approval, specific conditions will be implemented by relevant departments. The process will also include client notifications for fee payments, collateral arrangement and documentation, and thorough underwriting procedures.

v. On-going monitoring stage: Loan disbursement will be performed based on necessary banking contracts and documentation. GFGG will issue the Loan Disbursement Notice to the Bank.

## 1.3 Institutional Arrangements

### 1. Institutional Arrangements of Component 1

Component 1 will be implemented by Gansu Financing Holding Group (GFHG) (as the line of credit PPMO responsible for micro-credit management under component 1) and competitively selected PFIs, including. The Gansu Provincial Financial Bureau will supervise and provide guidance during the Component implementation. Partners responsibilities in the Component are listed below.

- **Gansu Financial Holding Group Co. Ltd (GFHG)**, where the PPMO for Component 1 (the “Microcredit PPMO”) is housed, responsible for the overall implementation of project activities. it will provide loans to the small and micro enterprises of the Pan cultural and tourism industries through PFI .
- **PFI**, provide sub-loans to the MSEs in the cultural, tourism and creative industries development in Gansu through their own lending channel.
- **Gansu Provincial Financial Department (GPFD)** is the administrative authority responsible for providing guidance and administrative instructions to the financing of subprojects under Component 1.
- **World Bank (WB)**, provides guidance and implementation support during the preparation and implementation of this Component.

**With the proposed partial guarantee program**, GFHG will sign an Implementation Agreement with GFGG satisfactory to the World Bank and in compliance with the updated OM. GFGG will set up a special account for the Bank loan proceeds which will be separate from GFGG’s other financing products, and subject to Bank fiduciary oversight. GFHG shall make proceeds of the Loan available to GFGG against actual amounts of letters of guarantees extended by GFGG to partner banks at the rate of 25 percent. The funds will be allocated to the special account in GFGG. Any Loan proceeds sitting in the special account after the Closing Date will be eligible for continuing “recycling” into future guarantees by GFGG.

As the executing agency of the partial guarantee program, GFGG will select PFIs from among its cooperative partner banks, and sign Guarantee Agreements with them. The Guarantee Agreements will comply with OM and specify, among other things, qualified beneficiaries of the Project. The guarantee agreements signed between

GFGG and each of partner banks will be valid for 3-5 years to help the sustainable development of the culture, tourism and creative industry in the province.

## **2. Institutional Arrangements of Component 2 & 3**

Both Component 2 and Component 3 will be implemented by the Gansu Provincial Culture Department (GPCD) and the project management office under it (“the Culture and Tourism PPMO”). The World Bank and Gansu Provincial Culture Department (GPCD) will supervise and provide guidance during the implementation of Component 2 and 3. Partners responsibilities are listed below.

- **Gansu Provincial Culture Department (GPCD)**, where the PPMO for Component 2 and Component 3 is housed, responsible for the overall implementation of the components; at the same time, GPCD, as the provincial authority for cultural heritage protection, will also take the responsibilities to guide and supervise the project implementation following the applicable national and local laws and regulations on cultural heritage protection.
- **Gansu Provincial Development and Reform Commission (GPDRC)**, is the administration agency responsible for giving administrative instructions and approval to activities under the components.
- **World Bank (WB)**, guidance and implementation support during the preparation and implementation of the components.

No changes will be made for the above institutional arrangements for the proposed restructuring.



## II. Introduction on the ESMF

### 2.1 Purpose of ESMF

The purpose of this ESMF is to instruct the customs to screen the proposed subproject activities whose construction contents and sites are still unsure before project appraisal in using the World Bank loan, based on the World Bank safeguards policies and practices. From the perspective of environmental and social sustainable management, the ESMF will be used for screening project activities, assess its environmental impact, preparing the effective measures to mitigate the negative impact of the project, and to regulate the management of environmental and social impact to the coming subproject activities in future, so as to maximally avoid the negative environmental and social impact caused by the implementation of the projects, and ensure each subproject activity could remain consistence with the requirements of the World Bank safeguards policies and domestic relevant polices and regulations.

### 2.2 Scope of Application

This ESMF is applicable to the activities under the Component 1 to be supported by the World Bank loan (US\$50 million) and the counterpart fund from GFHG and other PFIs (US\$100 million). Additionally, the ESMF will also be applied to Component 3 of the Project.

During the Mid-Term Review (MTR), this version of ESMF has been updated to cover the proposed partial guarantee program as part of the project restructuring.

### 2.3 Structure of ESMF

This ESMF is an integral part of the Legal Document for this project, which is composed of the Text and three attachments. The Text of the ESMF includes Project Description, introduction of Environmental and Social Management Framework (ESMF), Environmental Impact Description to the Supported Project Activities, Processing Procedures of Environmental and Social Issues, Institutional Arrangement and Responsibilities, Capacity Building. Additionally, the ESMF includes public participation, grievance redress mechanism (GRS), and the recommended screening tool, which is applicable for all sub projects. The attachments include the Environmental and Social **Screening Form**, Sample of the EMP, the Resettlement Policy Framework (RPF) and the Ethnic Minority Development Framework (EMDF).

The main text of this ESMF will focus on environmental management, while all

the social management issues (including resettlement, social assessment, indigenous people and so on) will be addressed in Annex 3 Social Management Policy Framework (SMPF).

## **2.4 Applicable World Bank Policies and Chinese Legal Framework**

### **2.4.1 World Bank and Domestic Policy Framework**

#### **1. Safeguards policies of the World Bank possibly to be triggered**

The follows are the safeguards policies of the World Bank possibly to be triggered by the subprojects under Component 1:

- OP/BP4.01 Environmental Assessment
- OP/BP4.04 Natural Habitats
- OP/BP 4.09 Pest Management
- OP/BP 4.11 Physical Cultural Resources
- OP/BP 4.36 Forestry
- OP/BP 4.37 Safety of Dam
- OP/BP 4.10 Indigenous People
- OP/BP 4.12 Involuntary Resettlement

Regarding the subprojects which trigger any of the above-mentioned safeguards policies of the World Bank, the ESMF has put forward relevant requirements on the preparation of relevant safeguard documents, as detailed in Annex 2.

There will be no changes to the triggering of safeguard policies for the proposed restructuring.

**Indigenous Peoples' Policy.** The overall GRIP triggered Indigenous Peoples' Policy (OP/BP4.10) preemptively at the preparation stage to manage risks associated with ethnic minorities through the Ethnic Minority Development Framework (EMDF). The legal and institutional frameworks that were appropriate for ethnic minority residents, have been reviewed, ensuring that these frameworks are suitable for the project's scale and scope. Baseline data on the population, social, cultural, and political characteristics of minority communities in project area was collected. This included information on livelihoods such as land and resources traditionally owned, used, or occupied by these communities.

Although ethnic minority groups as defined by Bank's Indigenous Peoples' Policy were not identified at preparation stage in the project's counties and municipalities, the project prepared an EMDF to ensure that persons belonging to an ethnic minority group doing migrant work in project areas benefit in a culturally

appropriate manner. The Gansu Project Management Office (PMO) commissioned in 2020 an external monitoring team to review implementation of OP/BP4.10. Arrangements were made for the micro loan investments under the project to promote support to vulnerable groups, i.e., the bottom 40% of income groups, to meet the results indicators.

## 2. Chinese Environmental Laws and Regulations

- Environmental Impact Assessment Law of the People's Republic of China (amended in July 2016);
- Environmental Protection Management Directories for Construction Projects (2017);
- Environmental Protection Law (June 1, 2015);
- Water Pollution Prevention and Control Law (January 2018);
- Air Pollution Prevention and Control Law (January 2016);
- Solid Waste Pollution Environmental Protection and Control Law (amended in 2016);
- Ambient Noise Pollution Protection and Control Law (Oct. 1996);
- Law of the People's Republic of China on Protection of Cultural Relics (amended in Nov. 2017);
- Environmental Protection Management Regulations for Construction Projects (issued by the State Council 253#), Nov. 1998;
- Regulations of the People's Republic of China on Nature Reserves (Oct. 1994);
- Regulations of the People's Republic of China on the Protection of Wild Plants (Oct. 2017) ;
- Regulations on Pollution Prevention and Management of Drinking Water Source Protection Areas (2010);
- Law of the People's Republic of China on Water and Soil Conservation (March 2011);
- Law of the People's Republic of China on Wildlife Protection (July 2016);
- Law of the People's Republic of China on Water Pollution Prevention and Control (January 2018);
- Regulations of Gansu Provincial on Environmental Protection and Supervision Management Responsibility (Gansu provincial government 101#, Aug. 7, 2013)
- Regulations on Pesticide Management (June 2017);
- Standards for Safe Application of Pesticide (June 1982);

- Law of the People's Republic of China on Grassland (June 2013);
- Regulations of the People's Republic of China on Safety Management of Reservoir Dams (March 1991);
- Forest Law of the People's Republic of China (April 1998).

## 2.4.2 Gap Analysis between World Bank Safeguards Policies and Chinese Environmental Regulations

This project is a World Bank-financed project, which should comply with both Chinese environmental laws and regulations and the World Bank safeguards policies. Relevant World Bank safeguards policies were compared against the environmental laws and regulations in China to see if there is any gap.

### 1. Project EA categorization and EA instruments

Regarding the intensity and the forms of document of EA, the difference existed between the Environmental Protection Law in China and the World Bank OP4.01 as follows:

**Table 2.4-1 Comparison between China's Environmental Impact Assessment Law and World Bank Safeguards Policy OP4.01**

	<b>Environmental Impact Assessment Law of China</b>	<b>OP/BP4.01 Environmental Assessment</b>
1	For the projects which might cause significant environmental impacts, an Environmental Impact Assessment Report should be prepared to conduct the full environmental impact assessment	Category A projects might produce significant negative environmental impacts. The impacts are sensitive, diverse or unprecedented, and the scope of impacts might exceed the project areas or the construction area. A full Environmental Impact Assessment (EIA) report and Environmental Management Plans (EMP) need to be prepared.
2	For the projects which might cause insignificant environmental impacts, the EIR form should be prepared, to conduct specific environmental impact assessment or specific evaluation of the projects	Category B projects refer to the potential environmental impacts of projects on human populations or environmentally sensitive areas (including wetlands, forests, grasslands and other natural habitats) that are relatively small compared with category A projects. For some relatively simple Category B projects, only Environmental Management Plans (EMP) needs to be prepared, without needs for the preparation of Environmental Impact Assessment EIA report or only for briefly assessment.
3	For the projects which might bring limited environmental impact, not need to carry out EIA, but only needs to fill the Registration Form of environmental impact assessment.	Category C projects, on the other hand, have minimal or no environmental impact. In the form of the EIA document. For Category C projects, no environmental impact assessment is required.

### 2. Applicable WB safeguards policies

For the other environmental safeguards policies of the World Bank deemed triggered by the project activities except OP/BP4.01 on environmental assessment, there are equivalent Chinese laws and regulations applicable, as listed in Table 2.4-2.

**Table 2.4-2 Equivalent Relevant Safeguard Policies Between the World Bank and China**

No.	World Bank's Safeguards Policies	Chinese Laws and Regulations
1	OP4.09 Pest Management	Regulations on Pesticide Management, Standards for Safe Application of Pesticide
2	OP/BP4.04 Natural Habitat	Regulations of the People's Republic of China on Nature Reserves; Regulations on Pollution Prevention and Management of Drinking Water Source Protection Areas; Law of the People's Republic of China on Prevention and Control of Water Pollution; Law of the People's Republic of China on Grassland.
3	OP/BP 4.11 Physical Cultural Resources	Law of the People's Republic of China on Protection of Cultural Relics
4	OP4.37 Safety of Dams	Regulations of the People's Republic of China on Safety Management of Reservoir Dams
5	OP4.36 Forests	Forest Law of the People's Republic of China

In general, regarding the main World Bank safeguards policies of this project involved, the corresponding laws or regulations have been available in China. There is no significant difference between the requirements of the World Bank safeguards policies and the requirements of relevant laws and regulations in China. The construction and operation of this project are regulated and restrained by relevant laws and regulations. Supervision and capacity building should be strengthened during project implementation to ensure implementation.

### III. Screening of Environmental Impacts and Mitigation Measures

#### 3.1 Environmental Impacts and Mitigation Measures for Component 1

Component 1 is designed to support only the micro and small-scale investments in cultural, tourism, and creative industries. According to the Market Demand of Credit Loan for Small and Micro Enterprises (MSEs) in Cultural and Tourism Industry, the investments will mainly include catering, wholesaling and retailing, lodging (countryside complex/farm entertainment/homestays/camping), tourism products (handicraft workshops and souvenir shops), manufacturing and various leisure/tour services. For these typical project activities anticipated under Component 1, the potential environmental impacts and their mitigation measures have been screened during the ESMF preparation, as presented below (the social impacts and mitigation measures are presented separately in Annex 3 and Annex 4.)

The subproject screening process will exclude from the project financing any proposal involving sensitive receptors with high environmental or social significance, such as protected nature reserves, drinking water protection zones, primary grassland, forest parks and listed heritage conservation units. Based on the experience from similar projects in the region, negative environmental impacts are anticipated during the implementation of civil works, including indirect impacts on cultural heritage sites, loss of surface vegetation, soil erosion, noise and air pollution, construction wastewater and construction waste, traffic disturbance, etc. These temporary and site-specific environmental impacts can be adequately mitigated with easily accessible measures.

For operation period, the tourism services on catering, accommodation, leisure services, wholesaling and retailing (accounting for 86% of the cultural tourism industry based on the market demand survey) are anticipated with insignificant or minor impacts on the environment considering the limited magnitude of activities to be supported by the component. However, some handicrafts business, such as carving, will produce dusty emission during processing, which requires mitigation measures to be taken. On the other hand, the handicrafts manufacture involving lacquer painting may lead to the emission of Volatile Organic Components (VOCs), thus requiring the preparation of EIA report for domestic approval and will be excluded from the project financing as it is equivalent to the Bank's Category A projects.

**Table 3-1 Environmental Impacts and Mitigation Measures for Typical Types of Microcredit Subprojects**

Type of Activities	Negative Environmental Impacts and Mitigation Measures
	Construction Period

Type of Activities	Negative Environmental Impacts and Mitigation Measures
<p>Civil Construction involving no conversion or degradation of key sensitive receptors, such as nature reserves, drinking water protection zones, primary grassland, forest parks and listed heritage conservation units, etc.</p>	<ol style="list-style-type: none"> <li>1. The generic environmental impacts and mitigation measures for construction period include:</li> <li>2. Materials supply (gravel, concrete, asphalt, etc.): to ensure environmental compliance by controlling dust and material spillage/loss during transport, delivery and storage, sustainability of the source of natural materials, licensed sources of aggregates.</li> <li>3. Air pollution: regular water sprinkling on the construction site, covering construction materials with tents, particularly in windy days.</li> <li>4. Construction wastewater: to be treated with temporary sedimentation tank and reused on the construction site</li> <li>5. Construction waste: to be used for site leveling or delivered to the designated construction waste disposal sites.</li> <li>6. Noise: to set up sound insulation screen around construction sites and prohibit construction activities at night.</li> <li>7. Ecological impacts such as land occupation, soil erosion, loss of surface vegetation, etc.: Site-specific soil and water conservation measures should be developed and implemented, vegetation restoration should be immediately conducted upon the completion of site construction.</li> <li>8. Indirect impacts on and chance find of PCRs: Protection measures of identified PCRs, awareness campaign among construction workers and development of chance-find procedure before construction</li> <li>9. Traffic disturbance: advanced planning of construction activities, temporary access roads and early notification of local communities.</li> </ol>
<b>Operation period</b>	
<b>Catering</b>	
<p>Catering</p>	<ol style="list-style-type: none"> <li>1. Catering wastewater after oil separation treatment will be discharged into the municipal sewage network for further treatment to minimize the impacts on water environment.</li> <li>2. The cleaning and transportation of domestic waste and the collection of catering waste by special qualified units, without impact on the environment.</li> <li>3. Exhaust gas: to be released after the treatment with small-scale household smoke exhaust ventilator, and most of the medium or large scaled restaurants will discharge gas emission at the top of roof after treatment with electrostatic lampblack purifier.</li> </ol>
<b>Wholesaling and retailing</b>	
<p>Wholesaling and retailing</p>	<p>No/minimal negative impacts</p>
<b>Accommodation</b>	

Type of Activities	Negative Environmental Impacts and Mitigation Measures
Accommodation (without catering)	Small-scale accommodation facilities generally no catering available, only involves municipal sewage, domestic waste, municipal sewage pipeline network. Domestic waste would be periodically cleaned, without environmental impact.
Hotel	The complex of catering and accommodation, taking the similar mitigation measures, with less environmental impact.
<b>Leisure Services</b>	
Farmers' Restaurant	It is basically as same as that for catering and accommodation. Sewage for some Farmers' Restaurants cannot enter the municipal pipe network, but it will be recycled after the underground integrated sewage treatment facility is adopted, with little impact.
Countryside Complex	In addition to domestic sewage, solid waste, it will produce some solid waste by removing weeds etc, which will be delivered to the animal raising farm as forage in surrounding area, with less environmental impact.
Amusement and entertainment places	It will produce noise impact, municipal sewage and solid waste, with less environmental impact.
Culture museum	No/minimal negative impacts
Car camping	Car exhaust, tourists' household waste;
Leasing industry	No/minimal negative impacts
The botanical garden	In addition to domestic sewage, solid waste, it will produce some solid waste by removing weeds etc, which will be delivered to the animal raising farm in surrounding area.
<b>Tourism Services</b>	
Development and design of cultural tourism products	No/minimal negative impacts
Calligraphy, Paper cutting, Straw painting and other technical training	No/minimal negative impacts
<b>Tourist Products (Handicrafts) Processing</b>	
Color pottery	Waste ceramics (transported away as construction waste), waste gas fired by ceramics (using natural gas furnace), can also be burned by electric furnace (no waste gas generated). Very little impact.
Clay sculpture	Waste ceramics (transported away as construction waste), without impact;
Paper cutting	No/minimal negative impacts
Stone carving	Carving waste gas containing dust (water spraying dust or underwater carving), carving wastewater (recycling after precipitation), carving waste scrap (as construction waste).



Type of Activities	Negative Environmental Impacts and Mitigation Measures
Straw painting, embroidery, beads, Lantern making, Horsetail pouch and sachet	No/minimal negative impacts
Straw weaving and other hand knitting	When the project does not involve the painting of lacquer, it will only cause minor impacts on environment. When the project involves lacquer painting, it would produce a certain amount of Volatile Organic Compound (VOC) emission and will be excluded from project financing as Cat. A subproject.
Root carving, wood carving	Carving dusty waste gas; Waste leftover material (recycled by granule plate factory); Equipment noise;
Hetian jade (design, processing, marketing), jade carving	Carving waste gas containing dust (water spraying, underwater carving); Waste off cuts (construction waste); Carving spray wastewater (after sedimentation for recycling)
China's Ink Stone Production	Carving waste gas containing dust (water spraying, underwater carving); Waste off cuts (construction waste); Carving spray wastewater (after sedimentation for recycling)
Carved Lacquerware	Only dust pollution is involved in the carving process, but some workshops use oil paint as raw material, which produces a small amount of Volatile Organic Compound (VOC) emission and will be excluded from project financing as Cat. A subproject.

### **Analysis of Environmental Risk/Impacts for the New Partial Guarantee Program**

For the new guarantee program, the World Bank remaining US\$25 million will be invested in support of partial guarantees to be provided to participating microcredit lenders by GF GG, which will enable a much broader coverage of Micro, Small and Medium Enterprises (MSMEs) compared to traditional lending due to the high leveraging ratio. The WB US\$25 million partial guarantee amount will leverage US\$75 from GF GG and US\$ 100 million from PFIs for microcredit loans. However, for individual MSEs to be supported, the proposed program will not change the sectors, types and size of targeted investments currently covered by the LoC component. Based on market demand analysis carried out by GF GG and the pipeline of microcredit applications received by GF GG's partner banks/PFIs, loan size guaranteed for single MSE client in will be under RMB 5.0 million (US\$700,000), benefiting local cuisine restaurants, homestays, tour operators, agriculture products and agribusinesses, trade, handcrafts, and other tourism sectors, cultural and creative industries. Therefore, other than the due diligence of one additional implementation agency (GF GG) and potential PFIs, the implementation of this new guarantee program is not expected to result in any new environmental risks/impacts not described in the above Table 3-1.

Ringfencing of the World Bank Financing Part of the New Partial Guarantee Product: Arrangements will be made for ringfencing the World Bank financing under the partial guarantee program. GFGG will set up a special account for the Bank loan proceeds which will be separate from GFGG's other financing products. From disbursement perspective, eligible expenditures will be partial guarantee amounts extended by GFGG for the new dedicated partial guarantee program which supports MSEs in the culture, tourism and creative industry sectors. World Bank loan proceeds will be advanced to the Designated Account based on the pipelines established by the GFGG and reviewed and approved by the Bank. The Advances will be documented against withdrawal applications with a customized Statement of Expenditure template based on the Letters of Guarantee issued by the GFGG and the percentage agreed in the Implementation Agreement between GFHG and GFGG. Any undocumented DA balance will be refunded to the Bank. With these arrangements, the safeguards assessment for the restructuring of Component 1 is limited to the guarantees issued under this new window, which concludes that the existing safeguards screening checklist and procedures that have been well observed by GFHG and the 1st PFI (CD Finance) under Component 1 are adequate for the partial guarantee product and should be also applied to the partial guarantee program by GFGG. The project OM has been accordingly updated to cover the partial guarantee program.

### **3.2 Environmental Impacts and Mitigation Measures for Component 3**

Component 3 will not support specific construction and production activities, without direct environmental impacts. However, technical assistance on cultural site management planning and studies is anticipated with indirect environmental impacts on the involved PCRs and other cultural tourism sites.

## **SOCIAL IMPACTS AND MITIGATION MEASURES**

### **3.3 Social Impacts and Mitigation Measures for Component 1**

Component 1 is designed to support only the micro and small-scale investments in cultural, tourism, and creative industries. According to the Market Demand of Credit Loan for Small and Micro Enterprises (MSEs) in Cultural and Tourism Industry, the investments will mainly include catering, wholesaling and retailing, lodging (countryside complex/farm entertainment/homestays/camping), tourism products (handicraft workshops and souvenir shops), manufacturing and various leisure/tour services. For these typical project activities anticipated under Component 1, the potential social impacts and their mitigation measures have been screened during the ESMF preparation, as presented below.

The subproject screening process will exclude from the project financing any proposal involving sensitive receptors with high environmental or social significance (see

section 4.2 below) such as protected nature reserves, production or activities involving harmful or exploitative forms of forced labor/harmful child labor or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples

Social impacts of Component 1 are expected to be localized and reversible. These are temporary and site-specific social impacts that can be adequately mitigated with easily accessible measures.

### Positive impacts

#### (1) Improving women's participation in social labor and family status

Local women usually do housework and farm work, and take care of the family in daily life. Few women work at local restaurants and guesthouses. Their overall social participation rate is low. Men mostly work outside to earn money. Due to the division of labor by gender in the project area, where males deal with external affairs, while females with internal affairs, women have to stay at home as housewives, and their social status is low. The Project will help women get employed locally by offering jobs and improve their social status by increasing their income.

#### (2) Changing farmers' mind to promote urban-rural interaction and integration

In the project area, rural tourism and tertiary industries (farmhouse, accommodation, catering, etc.) have been developed to help local farmers improve their incomes, such as in Qin'an County, Lintao County, Maiji District, Tongwei County and Wushan County. However, these businesses are mostly run by villagers independently, are small in number and scale, and scattered, so their social and economic benefits are limited. Local residents will receive financial support under the Project to develop small businesses, such as farmhouse accommodation and catering, thereby attracting more tourists into the project area. This will create greater social integration between rural and urban population.

#### (3) Promoting cultural heritage, traditional skills and innovation

The project area has a long history and has been a cradle of heritage. It boasts a brilliant traditional culture created by working people, including folk handicrafts and colorful folk customs. However, due to the marginal status and long payback period of the cultural industry, many traditional handicrafts are on the verge of being lost. The project's support for traditional crafts will boost their production and promote the continuation of traditional skills.

### Negative impacts

### (1) Potential increase of the mental pressure and affordability of borrowers

Under Component 1, small loans will be facilitated to help local residents develop small businesses. They are still debts for residents. Since there are great uncertainties in business operations, especially for some poorly educated and ill-informed villagers who deal mainly with purely physical labor in Chechuan Wushan County, Hekou and Majiayao Villages, Lintao County, and Shaodian Village, Qin'an County, there is a concern about loan repayment.

### (2) Potential impacts of external labor influx during operation

The Project will involve catering, wholesaling and retailing, lodging (countryside complex/farm entertainment/homestays/camping), which may lead to influx of people. The influx of non-local laborers will lead to some social and health risks, including disseminating epidemic and infectious diseases (AIDS, influenza, etc.), and may lead to conflicts with local residents due to the lack of understanding of local customs (religions, festivals, etc.).

### (3) Conflicting approaches in cultural heritage protection and utilization among residents

There are some conflicts in cultural heritage protection and utilization. The most critical factor is the unclear land ownership of world cultural heritage sites. Some sites are owned jointly by the government and residents, resulting in conflicts during renovation. Many residents expect demolition in view of monetary compensation, but the government wants to renovate and protect these residences. This discrepancy in approaches can lead to disaffection unless consultations are undertaken to elicit the opinions of local people and solutions are sought.

### (4) Excessive development and distortion in local intangible heritage utilization

During the development of the economic value of intangible cultural heritage, more stress is laid on development than protection.. In Zhangye City, the government has extended the paper cutting technique in rural areas to promote poverty reduction. Although this has expanded the influence of this technique to some extent, some farmers have not mastered its essence and the resultant items produced are not commensurate with the demands of the traditional craft.

## Mitigation measures

### (2) Public Participation Plan

A detailed information disclosure and public participation plan has been developed by

the Project based on the basis of the fieldwork through participatory observation. This Plan should continue to be implemented during project extension and ensure that consultations are conducted in a timely manner with all stakeholders to discuss any issues related to cultural enterprise development, loan management etc.

### (3) Monitoring & Evaluation (M&E)

M&E is an important way to ensure that the Project is implemented as planned. M&E is also an important error-correcting and participation mechanism for the Project. In view of this, an M&E mechanism has been established for the Project, including internal supervision and external M&E.

Internal supervision is conducted by the PMO on project implementation progress, the implementation of the Social Action Plan, progress of information disclosure and public participation, fund use, the implementation of rules and regulations, etc.

The PMO will appoint an independent M&E agency to conduct external M&E on the implementation of the Social Action Plan. The external M&E agency will conduct regular M&E, give advice, and submit M&E reports to the Bank.

*Ethnic Minorities:* There is no minority population that triggers OP4.10 in the 8 subproject areas, so it is impossible to organize eligible minority population for project identification, public participation and analysis, and to analyze the Project's positive and negative impacts on minority residents, and the free, prior and informed consultation process does not apply. Although there is a Yugur autonomous county (Sunan) in Zhangye City, OP4.10 does not apply to it because it is not within the project area, and there is no need to prepare an EMDP. Activities under project restructuring are not likely to impact ethnic minorities. However, a Ethnic Minority Development Framework was preemptively prepared by the Project at the time of appraisal (Annex 3) and this can be used to prepare Plans in the event that such groups are impacted by the project.

### **Social Impacts and Mitigation Measures for Component 3**

Component 3 will not support specific construction and production activities, without direct social impacts. Technical assistance on cultural site management planning and studies is anticipated with indirect social impacts on the involved PCRs and other cultural tourism sites.

## IV. Safeguards Management Procedures

In terms of environmental management, the procedures during the subproject “life cycle” will consist of six steps:

**Step 1:** Subproject screening (see section 4.1)

**Step 2:** Subproject categorization and identification of safeguards instruments (see section 4.2)

**Step 3:** Preparation of safeguards instruments (see 4.3)

**Step 4:** Reviewing and approval of safeguard documents (see section 4.4)

**Step 5:** Implementation and supervision (see section 4.5)

**Step 6:** Monitoring and Evaluation

In addition, three more tasks will be implemented throughout the subproject “life cycle”, namely (1) public consultation and information disclosure (see section 4.7), (2) Grievance Redress Mechanism (GRM) (see section 4.8) and (3) Archive management and reporting (see section 4.9).

The following sections mainly illustrate the specific content of Safeguards Management Procedures related to activities under Component 1, which is also applicable to activities under Component 3, but the institutional arrangement of Component 3 is different from Component 1. Institutional arrangement of Component 3 can be found in Chapter V.

For restructuring, the guarantee product will not result in any change to the safeguards management procedures.

### 4.1 Subproject Screening (Step 1)

The MSEs applying for the microcredit should prepare and submit to GFH the **Environmental and Social Screening Form** (Part 1, Annex 1 of the ESMF) together with their project proposal. GFH, with the assistance of its environmental and social consultants, will complete the safeguards screening by reviewing the **Environmental and Social Screening Form** and determine whether to support the proposal under the Component.

The following negative list will be applied to the subproject screening and have been integrated into the Environmental and Social Screening Form in Annex 1.

### Negative List

- 1) Any activity not relevant to cultural, tourism, and creative industry;
- 2) Any production or trade of product deemed illegal under Chinese laws or regulations or international conventions and agreements;
- 3) Any activity involving significant conversion or degradation of critical natural habitats;
- 4) Any activity that will significantly damage non-replicable cultural heritage property;
- 5) Any activity anticipated with significant adverse environmental impacts that are sensitive, diverse or unprecedented, i.e., the project is classified as Category A as defined in the World Bank's safeguard policy OP/BP4.01 Environmental Assessment or requiring an EIA report for domestic approval according to China's EIA law;
- 6) Any activity with the production, trade or use of radioactive materials;
- 7) Production or trade of products containing PCBs;
- 8) Gambling, casino and equivalent enterprises;
- 9) Production or trade in weapons and munitions;
- 10) Production and/or use of asbestos-containing products;
- 11) Production, dissemination and sale of illegal pesticides/herbicides or pesticides/herbicides subject to international phase outs or bans;
- 12) Production or trade in wood or other forestry products from unmanaged forests;
- 13) Production or activities involving harmful or exploitative forms of forced labor/harmful child labor;
- 14) Production, trade, storage, or transport of significant volumes of hazardous chemicals or commercial scale usage of hazardous chemicals;
- 15) Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples;
- 16) Trade in wildlife or wildlife products.

## **4.2 Subproject Categorization and Identification of Safeguard Instruments (Step 2)**

This component will thus only finance Class B or Class C subprojects based on the screening results of Step 1. The FI's environmental and social management staff should further complete the **Environmental and Social Screening Form** (Part 2, Annex 1 of the ESMF) to categorize the selected subprojects and determine the

applicable environmental safeguards instruments. Following the Chinese environmental regulations and the Bank's safeguards policies, the criteria for subproject categorization and the applicable environmental safeguards instruments are defined as below:

**Table 4.2-1 Criteria for Subproject Environmental Categorization and Applicable Environmental Safeguards Instruments**

Category	Criteria for Subproject Categorization	Applicable Environmental Safeguard Instrument
B	Projects classified as Category B as defined in the World Bank safeguards policy of OP4.01 Environmental Assessment, i.e., projects required the preparation and approval of Environmental Impact Assessment Form based on the Chinese EIA regulations, <i>Lists of Category Management on Environmental Impact Assessment for the Project Under Construction</i> .	Environmental Impact Assessment Reporting Form (EIA form), integrated/standalone Environmental Management Plan (EMP)
C	Projects classified as Category B as defined in the World Bank safeguards policy of OP4.01 Environmental Assessment	Environmental Impact Registration Form (EIRF) if required by Chinese EIA regulation

The **Environmental and Social Screening Form** (Annex 1) will also determine the triggering of other WB safeguards policies other than OP4.01. Based on the understanding of potential subproject types to be supported and subproject uncertainties, the following instruments may be needed depending on the triggering of relevant policies.

**Table 4.2-2 Criteria for Subproject Environmental Categorization and Applicable Environmental Safeguards Instruments**

Name of WB Safeguards Policy	Triggering Conditions under the Project	Applicable Environmental Safeguard Instrument
OP4.04 Natural Habitats	Project with potential insignificant impacts on non-critical natural habitats such as natural rivers, lakes, wetlands, etc.	Impacts to be assessed project EIA and Mitigation measures to be integrated into EMP
OP4.11 Physical Cultural Resources	Projects with potential insignificant impacts on identified Physical Cultural Resources	Physical Cultural Resources Management Plan (PCRMP), to be integrated into project EMP
OP4.09 Pest Management	Project involving the production, procurement or disposal of large quantities of pesticide	Pest Management Plan (PMP), to be integrated into project EMP
OP4.37 Dam safety	Projects depending on the operation of existing dams	Dam safety assessment to be conducted and mitigation measures to



Name of WB Safeguards Policy	Triggering Conditions under the Project	Applicable Environmental Safeguard Instrument
		be integrated into EMP
OP4.36 Forestry	Projects to bring changes in the management, protection or utilization of natural forests or plantations	Impacts to be assessed project EIA and Mitigation measures to be integrated into EMP

### 4.3 Preparation of Safeguards Instruments (Step 3)

Based on the results of Step 2, the loan applicants should be responsible for the preparation of the required environmental safeguards documents according to Chinese laws/regulations and the World Bank's safeguards policies. The qualified and experienced environmental consultants should be engaged by the loan applicants to provide technical supports during the document preparation. Annex 2 provides a template of EMP, including PCRMP and PMP as the reference. All the environmental safeguards documents will be submitted to the FI in Chinese.

### 4.4 Review and Approval (Step 4)

The loan applicant should be responsible for following domestic EIA review and approval procedure in compliance with the Chinese regulations. At the same time, the EA documents and domestic approval (when applicable) should be submitted to the FI and be reviewed and cleared by the environmental manager in the FI with the supports of external professional consultants. The World Bank will only conduct post-review of EA documents on a random basis during the Component implementation. Specific review and approval requirements for various categories are listed below.

1. Category B projects: EIA Form to be reviewed and approved by local Environmental Protection Bureau (EPB); while the EIA approval and EMP should be submitted to the FI for review and clearance.
2. Category C projects: Only the online environmental impact registration and filing in the Chinese EPB system should be completed if applicable, and the completed online Environmental Impact Registration Form (EIRF, with the official seal of the enterprise) generated automatically should be submitted to the FI for review.

### 4.5 Implementation and Supervision (Step 5)

#### 1. Implementation

The loan applicants, namely the MSEs, are responsible for the implementation of the environmental mitigation measures as described in the EA documents.

During design, the MSEs shall ensure that environmental impact mitigation measures are incorporated into the detailed design of the subproject. For subprojects involving civil works contracts, the MSEs shall integrate the EMP/environmental mitigation measures into bidding documents and contracts to ensure the implementation of environmental protection measures by the contractors.

During construction, the MSEs should submit the project progress report to the FI on a regular basis, which should include the implementation status of safeguards measures.

## 2. Supervision

Throughout the project implementation, the PFI or its third-party environmental consultants would be responsible for guiding and supervising the implementation of safeguards measures by the MSEs.

The World Bank will supervise the implementation of ESMF during the Component implementation, including site visits sites and spot check of EA documents and approvals particularly for Cat. B subprojects.

## 4.6 Monitoring and Evaluation (Step 6)

The GFHG will designate a qualified and experienced consulting team to perform external environmental monitoring of the Component, review the environmental performance of subprojects and the effectiveness of planned mitigation measures. This will enable the government and the World Bank to evaluate the performance of the ESMF and take corrective actions when necessary.

## 4.7 Information Disclosure and Public Consultation

Information disclosure and public consultation are necessary and important to maximize environmental benefits of the subprojects and to address public concerns on potential negative environmental impacts. For Category B and C projects, information disclosure and public consultation are required to be conducted by the loan applicants, at least one (1) round during subproject preparation.

Public consultation should be targeted at the project-affected persons and other identified stakeholders/interested parties to seek their opinions during subproject planning and implementation, which could be conducted by the means of questionnaire, field interview, consultation meetings, etc. The feedback from public consultation should be reflected and addressed in the project design or implementation in a timely manner.

Disclosure of information will include, at a minimum, basic project information, anticipated environmental impacts and mitigation measures. Relevant

documents/information should be disclosed in the ways easily accessible for the affected groups and other interested groups, such as posters, brochures, newspapers, online disclosure, community meetings and so on. It should be conducted before public consultation to lay a solid ground for the meaningful public consultation. During project design and implementation, project-related information should be updated and continuously shared with stakeholders as needed. The FI should maintain a copy of the disclosure material on its website, for projects that are extended as part of the Line of Credit (LoC) and the partial guarantee product.

#### **4.8 Grievance Redress Mechanism**

A Grievance Redress Mechanism (GRM) should be established by the GFHG and the FI during subproject preparation and implementation. The GFHG and the FI shall designate some full-time personnel or a specific department to accept, handle and respond to the complaints from individuals or groups on subproject-related environmental issues, which should be timely registered and reported. All the complaints received should be properly filed.

#### **4.9 Archiving and Reporting**

##### **1. Archiving**

The FI responsible for the implementation of microcredit component should establish archiving system covering each subproject. The environmental documents to be archived should include: project proposal, completed environmental and social screening form, EIA form and the official approval, Environmental Management Plan (EMP), project implementation progress reports, etc.

##### **2. Reporting**

The FI should submit semi-annual project implementation progress reports to the World Bank and include the following contents in the reports with the supports of its environmental consultants: (1) Implementation progress of subprojects; (2) Environmental management status of ongoing subprojects.

## V. Institutional Arrangements, Responsibilities and Capacity Building

### 5.1 Institutional Arrangement and Responsibilities

#### 1. Component 1

The implementation of the safeguards of Component 1 will integrate into the overall processes of project implementation and management. In the specific process, different institutions assume different roles and responsibilities, including the World Bank (WB), Provincial Finance Department (PFD), also known as Gansu Finance Bureau (GFB), Gansu Financing Holding Group (GFHG), PFIs (CD-finance and others), Micro and small enterprise (MSE), and Local Environmental Protection Bureau (EPB). The institutional arrangement of the project is shown in figure 5-1.

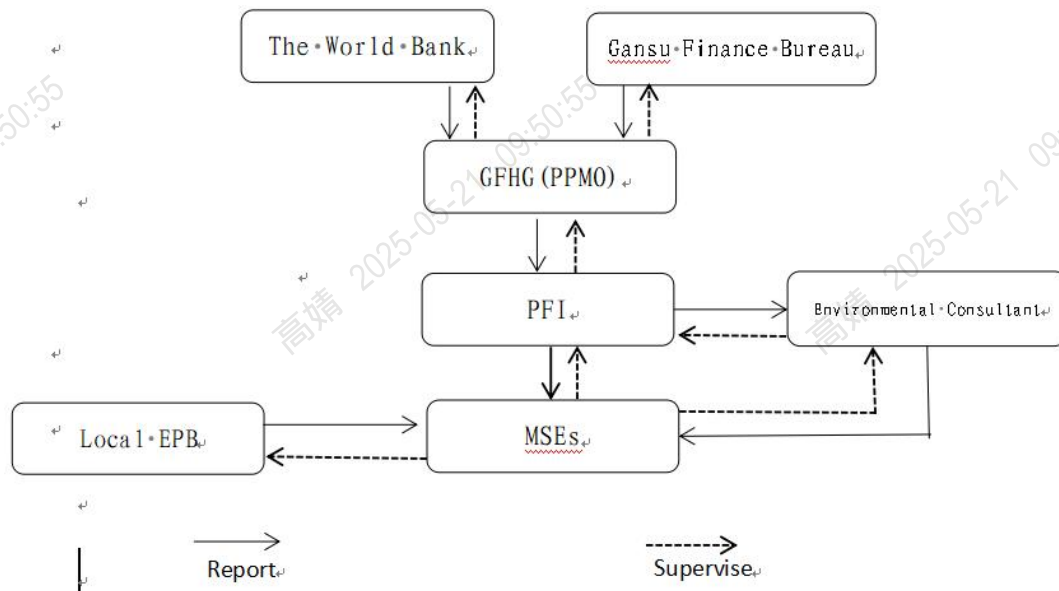


Figure 5-1 Diagram of Institutional Arrangement of Component 1

Table 5-1 shows the respective duties and responsibility for each involved agency during the implementation of the ESMF.

Table 5-1 Environmental Management Responsibilities for the Involved Agencies

No	Name of Institution	Environmental Management Responsibilities
1	WB	The World Bank mission will visit the project areas for reviewing the implementation of environmental safeguards document. It will periodically visit the project areas during the project implementation period, to check and supervise the implementation of each sub project.
2	GFB	It will directly provide policies instruction and administration to the implementation of the Subproject of Financing implemented by GFHG
3	GFHG	GFHG will carry out semi-annual supervision to 10%

No	Name of Institution	Environmental Management Responsibilities
		of loan after lending, which mainly review if the requirements of the World Bank safeguards policies have been followed during lending loan by Gansu Bank.
4	BoG/PFIs	The FI will be responsible for the ordinary screening of environmental and social issues of the sub projects, the tracing, recording of the implementation of environmental safeguards document, and the performance of environmental and social management of the project during project construction period. The professional independent consultation institute could be entrusted to perform the relevant responsibility.
5	Independent consultation agency	Entrusted by the PPMO, it will be responsible for the screening of environmental and social issues of the sub projects, the tracing, recording of the implementation of environmental safeguards document, and the performance of environmental and social management of the project during project construction period.
6	MSEs	Responsible for the planning, designing and implementation of each subproject activity, including the preparation and implementation of environmental and social safeguards document for each sub project
7	Local EPB	Responsible for the reviewing of domestic environmental assessment document and supervising the applicants if the mitigation measures of environmental impact have implemented.

For restructuring, the institutional arrangements are similar to the description above, but with Gansu Financing Guarantee Group (GFGG) added under GFHG to implement the guarantee program, as shown in figure 5-1.

**Figure 5-2 Diagram of Institutional Arrangement of Component 1**

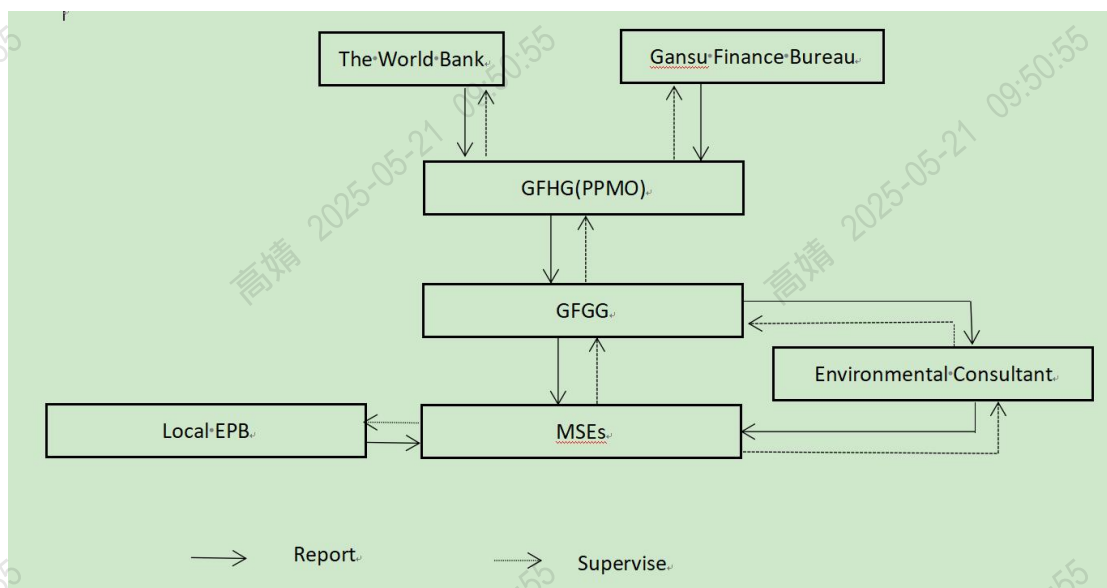


Table 5-2 shows the respective duties and responsibility for each involved agency during the implementation of the guarantee program.

**Table 5-2 Environmental Management Responsibilities for the Involved Agencies**

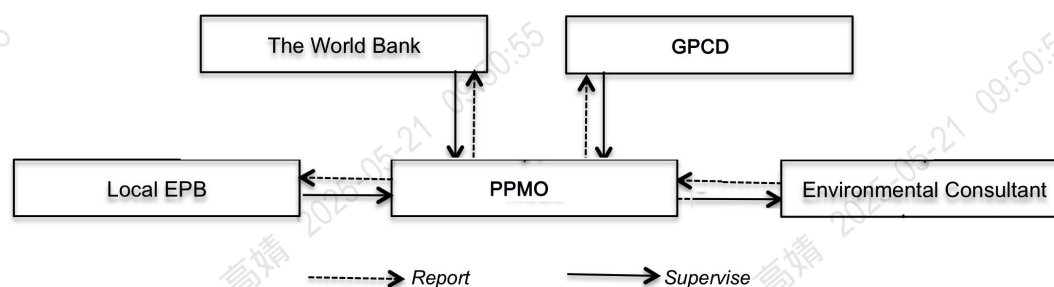
No	Institution	Environmental Management Responsibilities
1	WB	The World Bank mission will visit the project areas for reviewing the implementation of environmental safeguards document. It will periodically visit the project areas during the project implementation period, to check and supervise the implementation of each sub-project.
2	GFB	It will directly provide policies instruction and administration to the implementation of Component 1 implemented by GFHG
3	GFHG (PPMO)	GFHG will carry out semi-annual supervision covering 10% of loan supported by the guarantee program, reviewing if the requirements of the World Bank safeguards policies have been followed during lending by the selected PFIs. GFHG will prepare and provide semi-annual progress report to the Word Bank.
4	<u>GFGG</u>	<u>GFGG will be responsible for the selection of PFIs/local banks and will cause selected PFIs to implement the screening of environmental and social issues of subprojects/microcredits, the tracing, recording of the implementation of environmental safeguards document, and the performance of environmental and social management of the project during the implementation of guarantee program. The independent consultants could be entrusted to perform the relevant responsibilities.</u>
5	Independent consultant	Entrusted by the PPMO, it will be responsible for the screening of environmental and social issues of the sub projects, the tracing, recording of the implementation of environmental safeguards document, and the performance of environmental and social management of the project during project construction period.
6	MSEs	Responsible for the planning, designing and implementation of each subproject activity, including the preparation and implementation of environmental and social safeguards document for each sub project
7	Local EPB	Responsible for the reviewing of domestic environmental assessment document and supervising the applicants if the mitigation measures of environmental impact have implemented.

## 2. Component 3

The institutions associated with Composition 3 include the cultural PPMO, the World Bank (WB) and Gansu Provincial Culture Department (GPCD), Local Environmental Protection Bureau (EPB) as shown in figure 5-2. Their responsibilities

in Component 3 are listed in Table 5-2.

**Figure 5-1 Diagram of Institutional Arrangement of Component 3**



**Table 5-2 Responsibilities for the Involved Agencies of Component 3**

No	Name of Institution	Environmental Management Responsibilities
1	WB	The World Bank mission will visit the project areas for reviewing the implementation of environmental safeguards document. It will periodically visit the project areas during the project implementation period, to check and supervise the implementation of each sub project.
2	GPCD	It will directly provide policies instruction and administration to the implementation of <b>Component 3</b>
3	Independent consultation agency	It will be responsible for the screening of environmental and social issues of the sub projects, the tracing, recording of the implementation of environmental safeguards document,
4	PPMO	Responsible for the planning, designing and implementation of each activity, including the preparation and implementation of environmental and social safeguards document for each sub project
5	Local EPB	Responsible for the reviewing of domestic environmental assessment document and supervising the applicants if the mitigation measures of environmental impact have implemented.

## 5.2 Capacity Building

### 1. Capacity Building for first PFI

#### (1) Arrangement of staff availability and training

CD-finance , as the first PFI, has accumulated abundant relevant working experiences, and has built a professional team involving in environmental and social management working experiences.

CD-finance has dedicated staffs specialized in relevant environmental and social management experiences, responsible for the coordination working with the World Bank, Gansu Financing Holding Group (GFHG). At the same time, being responsible for the regularly supervision to the branches of Bank of Gansu in each project counties (district) in the process of lending according to the requirements of Environmental and Social Management Framework (ESMF). It includes the environmental screening of relevant project counties, tracing and recording the implementation of safeguards document, as the supervision of project implementation. Participate regularly in the World Bank's environmental and social management training.

## (2) Contracting of Environmental Consultants

In the first year of the implementation of this project, CD-finance shall recruit competent third-party consulting units to assist them in the implementation of the environmental and social management framework (ESMF). The contracted unit would not only environmental screening, but also the supervision and monitoring of the implementation of sub-projects and the preparation of periodic implementation reports.

### 2. Capacity Building for the Applicants

To strengthen the capacity building for the applicants of the project in the process of loan lending, training sessions and relevant documents will be provided to the loan applicants on the requirements of environmental safeguard document, due responsibility in environmental management, environmental management and supervision of construction contractor and the contact information of environmental and social responsible unit and corresponding branches of CD-finance in project counties. The applicant may at any time to consult the relevant staff in the relevant branches of CD-finance on environmental and social management.

### 3. Capacity Building for GFHG

Gansu Financing Holding Group Ltd. Co (GFHG) has arranged full-time staff responsible for the implementation and supervision of the project. It will supervise the PFIs, including CD-finance, to implement Component 1. The external environmental and social management consultants will be hired and at least a dedicated staff will be assigned for environmental and social management. The dedicated staff in the GFHG would receive regular training on safeguards management.

### 4. Capacity Building for GHGG

As a subsidiary of GFHG, GFGG is the largest guarantee holding group in Gansu Province with extensive business network established across Gansu Province which comprises 14 guarantee companies. GFGG is compliant with regulatory requirements, has adequate level of capital, governance structure and appropriate risk management system. The conducted due diligence assessment shows that GFGG has put in place a



guarantee assessment system, decision-making procedures, post-event recourse, risk warning mechanisms, and emergency response systems. Appropriate business operating procedures, aligned with applicable standards, have been developed and are being complied with. For the new partial guarantee program, the GFHG has made commitments to comply with the World Bank's safeguards policies and implement the environmental and social management procedures designed and applied to the guarantee activities. The GHGG will assign at least a dedicated staff to coordinate the environmental and social management for the project-supported guarantee program, with the supports of external environmental and social management consultants to be hired.

### 5. Capacity Building for PPMO of Component 3

The dedicated staff in the PPMO of Component 3 would receive regular training on safeguards management. The cultural PPMO will share with PPMO of Component 1 the same Independent consultation agency entrusted by Gansu Bank.

Table 5-2 shows the detailed plan on capacity building and training for the Component.

**Table 5-2 Overview of Capacity Building and Training Plan**

Trainee	Main training content	Number of participants (persons)	Duration (days)	Costs (0000' Yuan)
Environmental and social management staff in selected PFIs and PPMO of Component 3	1. Contents of the ESMF; 2. Use of Environmental and Social Screening Form (Annex 1 of ESMF); 3. WB safeguard policies and document requirements, archive management, reporting requirements, etc; 4. Supervision and monitoring of safeguards management for subprojects, and preparation the project implementation progress reports.	60+10	5	10+2
Applicants of loan	1. Use of Environmental and Social Screening Form (Annex 1 of ESMF); 2. Preparation of safeguard documents; 3. Information disclosure, public consultation, grievance redress mechanism 4. Environmental management responsibilities of loan applicants;	60+20 persons /time, 4 times/year	2 days/ time	40+3
Environmental and social management staff in GFHG and GFHG	1. Contents of the ESMF; 2. Screening of relevant safeguard documents; 3. Supervision for safeguards management of subprojects.	2+1	4	2.5+1

## **VI. Information Disclosure and Public Consultation of the ESMF**

### **6.1 Information Disclosure**

#### **1. First Round Information Disclosure**

The first round of information disclosure was conducted during the period from July 26 to August 2, 2018 when the EA team conducted the field survey with posters at each visited site. The disclosed information includes the briefing of microcredit component, preliminary safeguards screening criteria, introduction of ESMF approach. No public opinion was received.

#### **2. Second Round Information Disclosure**

Started from Sep. 4th, 2018, this Environmental and Social Management Framework (ESMF) was publicized on the official websites of Gansu Financing and Holding Group Ltd. Co. The website of information disclosure is as follow: <http://www.gsjkt.com/news/bulletin>. During the period of information disclosure, there is not any public response received.

#### **3. Disclosure of Updated ESMF dated March 2025**

This version of updated ESMF for restructuring will be disclosed both locally and on the Bank's external website upon finalization.

### **6.2 Public Consultation**

#### **1. First Public Consultation**

During the period from July 26 to August 2, 2018, the EA team visited the project sites to conduct environmental impact assessment. By carrying out conference consultation on the contents of the ESMF, including the criteria of screening environmental impact, the proposed environmental safeguards and polices document, the environmental protection responsibilities that should be fulfilled by the owner of project etc, it has acquired the public opinions on these regards. The public opinions received include follows: (1) It is suggested that the questions in Table of Screening Potential Environmental and Social Safeguards Issues should be set as "True of False"; (2) It is suggested that the prepared environmental assessment report for the proposed sub projects should be approved by domestic EPBs. The responses from the publics have been accepted and integrated into this ESMF.

#### **2. Second Public Consultation**

Upon the completion of the draft ESMF, the unit of preparing this ESMF has widely acquired the opinions from the Financial Intermediaries, the Financing

Holding Group etc., and has modified the version of ESMF based on the responses. Main opinions suggested by relevant departments are as follows: (1) The language used in the Environmental and Social Screening Form should be simple and easy to be understood; (2) The Component should not support handicraft production business involving volatile organic emission, such as carved paint. All the opinions mentioned above have been integrated into this ESMF.

### 3. Public Consultation for ESMF Updating

During restructuring, the updated ESMF has been prepared and consulted with key stakeholders, including the representatives of GFHG and GFGG, the beneficiaries of GFGG operations. The interviewees were supportive the proposed partial guarantee program and agreed with the integration of environmental and social screening and management procedures based on the understanding of previous practice under LoC activities.

# Annex I: Environmental and social screening form

## Environmental and Social Screening Form

### Part A: To be filled by the Applicant

Owner of the project: \_\_\_\_\_

Location of the project: \_\_\_\_\_

Main activities: \_\_\_\_\_

Estimated Costs: \_\_\_\_\_

Expected Starting Date: \_\_\_\_\_

Based on the national issued the Directory of Classified Management of Environmental Impact Assessment for the Project Construction , what is the requirements for Environmental Protection Department to approve the project?

EIA Report: Yes: \_\_\_\_\_ NO: \_\_\_\_\_

EIA Form: Yes: \_\_\_\_\_ NO: \_\_\_\_\_

EIA on-line Registration: Yes: \_\_\_\_\_ No: \_\_\_\_\_

No	Questions	Answers		If “Yes”, what policies of the World Bank are triggered?	If “Yes”
		Yes	No		
1	Does the project occupy or seriously affect the buffer and core areas of the nature reserve, the drinking water source protection area, the basic grassland, and the forest park?			OP4.04Natural Habitats	Not supported by the project
2	Does the project occupy or affect rivers, lakes, wetlands, etc.?			OP4.04Natural Habitats	EMP
3	Will it occupy or affect listed cultural heritage conservation unit and ancient trees?			OP4.11 Physical Cultural Resources	Not supported by the project
4	Does the occupation/impact on the listed building control belts and ancient trees?			OP4.11 Physical Cultural Resources	EMP (Physical Cultural Resources Management Plan-PCRMP)
5	Does the project involve the production, use or disposal of a large number of pesticide products?			OP4.09 Pest Management	EMP (Pest Management Plan)
6	Does the project depend on the operation of existing dams? Such as power plants, pools, irrigation facilities and other water facilities which directly fetch water from the dam?			OP4.37 Dam safety	EMP
7	Does the project destroy natural forests or planted forests?			OP4.36 Forestry	EMP
8	Does it involve permanent acquisition of rural collective land?			OP/BP4.12 Involuntary resettlement	Number of affected land: _____Mu
9	Does it involve temporary occupation of rural collective land?			OP/BP4.12 Involuntary Resettlement	Number of affected land: _____Mu
10	Does it change the nature of the land?			OP/BP4.12 Involuntary Resettlement	Number of affected land: _____Mu

11	Is housing demolition involved?			OP/BP4.12 Involuntary Resettlement	Number of affected land: _____ m <sup>2</sup>
12	Does it belong to the group of higher income (annual income over 1 million yuan)?				
13	Whether it involves traditional culture, costume or handicraft industry of ethnic minorities (if yes, please answer the following questions; If not, skip to question 13)			OP/BP 4.10 Indigenous People	
	① Whether the project has caused resentment or doubts among local minorities?			OP/BP 4.10 Indigenous People	
	② Whether to respect the cultural traditions and customs of local minorities			OP/BP 4.10 Indigenous People	
	③ Whether the local minority culture industry has a driving role			OP/BP 4.10 Indigenous People	
14	Do you employ local people?				Number of affected people: _____
15	Do you employ female staff?				Number of affected people: _____
16	Are employees employed with annual income below 15,000 yuan?				Number of affected people: _____
17	Whether to employ local vulnerable groups (female-headed families, single-parent families, disabled people, low-income households, etc.)				Number of affected people: _____

Remarks:(1) If 8-13 items of the screening conditions(which are negative indicators for this project) are triggered, the project is considered as a subsequent alternative; (2) Priority will be given to project implementation support and sponsorship if 14-17 of the screening criteria are triggered(being a positive indicator of the project); The more the corresponding number is driven, the greater the degree of support

**I have truthfully filled in the above information according to the project situation.**

**The applicant signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Part B: To be filled by the Environmental and Social Management Staff**

In line with the Safeguards Policies of the World Bank, this project is cataloged to be Category A, B or C, do you agree: \_\_\_\_\_

If you agree, the following security measures need to be taken:

- 1、 \_\_\_\_\_
- 2、 \_\_\_\_\_
- 3、 \_\_\_\_\_

Environmental and Social Management Staff, Signature : \_\_\_\_\_

Date : \_\_\_\_\_

## Annex II: Environmental management plan

### A Sample of Environmental Management Plan (EMP)

The EMP mainly includes the follows:

1. Mechanism of Environmental Management : It clearly describes the institutional arrangement that is responsible for the environmental management during project construction period and operation period. Clarify the requirements of all parties (i.e., project offices at all levels, project owner units/executing agencies, contractors, construction supervision, environmental monitoring agencies, competent departments, etc.) in terms of responsibilities and personnel allocation in environmental protection. (That is more obvious in tabular or graphical form)

2. Mitigation Measures: Corresponding to the negative impacts identified in the EIA, specific and operable prevention and control measures should be formulated according to the design, construction and operation stages, and who should implement and supervise such measures. General, it requires to use the form. Specifically, it shows as the following table:

Overview Table of Environmental Impact and Mitigation Measures

Stages	Main Activities	Main Negative Impact	Mitigation / Protection Measures	Implementer	Supervisor
Project designing period					
Project construction period					
Project operation period					

3. Monitoring measures: It includes monitoring period, monitoring indicators, monitoring sites and monitoring frequency.

4. Pest Management Plan (PMP): Regarding the projects which involve in the production, use or disposal of a large amount of pesticide, it requires to prepare Pest Management Plan (PMP) document, as a part of Environmental Management Plan. A PMP should include the following contents:

1) Pest management and control measures, concretely including:

Schedule of Pest Management and Control Measures

Objects of protection	Name of Pests	Prevention Measures	Pest Control or Treatment Measures	Implementer	supervisor

2) Working plan and budget;

3) Monitoring and Evaluation, including monitoring objects, monitoring site, monitoring frequency, monitoring budget etc

5. Physical Cultural Resource Management Plan (PCRMP): Regarding the projects which occupy or impact the construction-controlled areas of cultural relics protection units and ancient trees etc, it requires to prepare Physical Cultural Resource Management Plan (PCRMP), as the component of Environmental Management Plan (EMP). The PCRMP should include the following

contents:

1) Physical Cultural Resources Impact Mitigation Measures. See the following table in detail.

Schedule of Impact Mitigation Measures to Physical Cultural Resources (PCRMP)

	Impact Mitigation Measures	Implementer	Supervisor
Project designing period			
Project construction period			
operation period			

2) Monitoring measures : It includes monitoring objects, monitoring method, monitoring frequency and monitoring budgets etc.

#### 6. Training Plan

It needs to prepare training plan on environmental management specifically to the contractors, project operation and management staff, construction workers, which should include trainees, training content, number of participants, training period and budget etc.

## Annex II: Resettlement Policy Framework (RPF)

### A Introduction

1. The World Bank-financed Gansu Silk Road Revitalization Project (hereinafter, the “Project”) is a key project in Gansu Province. Gansu Province is located on the golden segment of Silk Road Economic Belt – the segment with the most well preserved cultural relics on the Silk Road. The 13<sup>th</sup> Five-year Development Plan of Gansu Province proposes to accelerate the construction of the Silk Road Economic Belt, promote poverty reduction through industry and cultural tourism development, and modern public service system building, and build a strong cultural province. Therefore, the provincial government has applied for a loan with the Bank for the Project.

2. The Project integrates community development, transport, natural and cultural tourism, environmental rehabilitation and capacity building in a multi-sector collaborative approach, with focus on: 1) improving the living conditions of local residents; 2) renovating traditional residences and improving the public environment to attract more tourists and promote local economic development; 3) granting small-amount loans to local residents to start up new small and micro enterprises, or expand existing ones (e.g., guesthouses and nonmaterial cultural heritage display), and improve their income level; and 4) attracting more tourists through infrastructure improvement and market development.

3. The Project consists of 8 subprojects in 8 counties / districts: 1) Majiayao Culture Exhibition Center and Majiayao Site Scenic Zone; 2) Jiuquan Silk Road Research Center and Library; 3) Xuanquanzhi Site Protection and Demonstration in Dunhuang City; 4) Lacquer Ware Skills Inheritance and Development in Maiji District; 5) Hanmo Culture and Art Center in Tongwei County; 6) Cultural Heritage Protection, Inheritance and Development in Ganzhou District, Zhangye City; 5) Dadiwan Site in Qin’an County; 8) Mandarin Duck Jade Origin Town in Shandan Town, Wushan County. See Appendix 1.

4. According to the state and Bank requirements for project management, project leading groups and PMOs have been established at the provincial and county / district levels. The PMOs are composed of professionals in finance, management and procurement to ensure successful project implementation.

5. By the early of November 2018, among the 8 subprojects, Hanmo Culture and Art Center in Tongwei County, Dadiwan Site in Qin’an County, Cultural Heritage Protection, Inheritance and Development and Wulan Ancient Town Folklore Village in Ganzhou District, Zhangye City, and Mandarin Duck Jade Origin Town in Shandan Town, Wushan County involve LA and/or HD. The Gansu PMO has prepared RAPs for these subprojects. In addition, the LA and/or HD work of Majiayao Culture Exhibition Center and Majiayao Site Scenic Zone, Hanmo Culture and Art Center in Tongwei County, and Lacquer Ware Skills Inheritance and Development in Maiji District was completed in the past 3 years. According to the Bank’s social safeguard policies, the Gansu PMO has conducted resettlement due diligence on them and prepared due diligence reports for Bank review.

6. Since the Project is still at the preparation and preliminary design stages, its scope and scale of construction may vary due to detailed design, optimization or adjustment, so that extra LA and involuntary resettlement may occur at the construction stage.

7. Based on paragraphs 5 and 6 above, since the Project may involve LA and involuntary resettlement, the borrower has prepared this Resettlement Policy Framework (RPF), and related principles and guidelines in accordance with the Bank’s policy OP4.12 to guide resettlement activities.

### B Objectives, Principles and Terms

8. This RPF is based on OP4.12 “Involuntary Resettlement” in the World Bank Operational Manual issued in December 2001, and the overall objectives are:

➤ Involuntary resettlement should be avoided where feasible, or minimized, exploring all viable alternative project designs;

➤ Where it is not feasible to avoid resettlement, resettlement activities should be conceived and executed as sustainable development programs, providing sufficient investment resources to enable the persons displaced by the project to share in project benefits;

➤ Displaced persons should be assisted in their efforts to improve their livelihoods and standards of living or at least to restore them, in real terms, to pre-displacement levels or to levels prevailing prior to the beginning of project implementation, whichever is higher.

9. This RPF defines the principles and objectives of resettlement, and appropriate guidelines, rights, and legal and institutional framework, compensation and restoration patterns, participation characteristics,



and appeal procedure for resettlement, and is used to guide compensation, resettlement and restoration matters.

10. Each RAP should be based on identifiable basic information collected, and include the following aspects:

- Those whose farmland or rural houses together with housing sites is/are wholly or partly affected by the Project (permanently or temporarily);
- Urban houses wholly or partly affected by the Project (permanently or temporarily);
- Commercial facilities (enterprises and stores) wholly or partly affected by the Project (permanently or temporarily);
- Young crops and ground attachments wholly or partly affected by the Project (permanently or temporarily).

11. The key principles and objectives of this RPF are as follows:

- Acquisition of land and other assets, and related resettlement should be minimized where possible;
- As of the baseline survey date, all APs are entitled to restoration measures to help them improve or at least their living standard, ability to earn income and production level; the lack of legal title to asset losses does not impede their entitlement to resettlement measures;
- The resettlement measures available include: (1) residential houses and other buildings are compensated for at replacement cost free from depreciation or recovery of residual value; (2) cash or other means of compensation, such as land replacement and endowment insurance; (3) equal replacement of housing and housing sites acceptable to APs; and (4) subsidies for relocation and living;
- If APs can accept the replacement of housing, housing sites and farmland, replacements should be as close to their lost land as possible;
- The transition period of resettlement should be minimized, and restoration measures should be made available to APs at the project site before the preset starting date;
- The acquisition plan of land and other assets, and the restoration measures offered shall be negotiated with APs repeatedly to ensure minimum interference; APs will be empowered before the preset starting date;
- The existing community service and resource levels should be maintained or improved;
- Whenever and wherever necessary, financial and material resources for resettlement and restoration must be available; the budget in the RAP should include contingencies;
- The institutional and organizational arrangements should ensure that assets and resettlement are designed, planned, consulted and implemented effectively and timely;
- The implementation of the RAP shall be supervised, monitored and evaluated effectively and timely.

### **C RAP Preparation and Approval**

12. When the Project is approved and implemented, the local governments and IAs will prepare RAPs according to the applicable state laws and regulations, and the Bank's Policy on Involuntary Resettlement (OP4.12).

13. The preparation and implementation of the RAP (including the payment of all resettlement costs) will be the responsibility of the borrower. The Provincial Departments of Culture and Finance are fully responsible for the Project.

14. When the affected population of the Project exceeds 200, the provincial and local PMOs will prepare an RAP in coordination with the local governments, and submit it to the Bank; in addition, APs should be fully consulted so that they have a chance to participate in the design and implementation of the RAP.

15. On the basis of the Operational Policy on Involuntary Resettlement (OP4.12), the RAP will cover the following (if relevant), and anything unrelated to the Project should be specified in the RAP:

- General description of the Project;
- Identification of potential impacts of the Project;
- Objectives (the main objectives of the resettlement program);
- Socioeconomic studies: The findings of socioeconomic studies to be conducted in the early stages of project preparation and with the involvement of potentially displaced people;
- Legal framework: The findings of an analysis of the legal framework, covering the scope of the power of eminent domain and the nature of compensation associated with it, the applicable legal

and administrative procedures, environmental laws and social welfare legislation, laws and regulations, and any legal steps necessary;

- Institutional framework: covering the identification of agencies responsible for resettlement activities and NGOs that may have a role in project implementation; an assessment of their institutional capacity, and any steps that are proposed to enhance their institutional capacity;
- Eligibility: Definition of APs and criteria for determining their eligibility for compensation and other resettlement assistance;
- Valuation of and compensation for losses;
- Resettlement measures: a description of the packages of compensation and other resettlement measures;
- Resettlement site selection, preparation and rearrangement;
- Offering of housing, infrastructure and social services;
- Environmental protection and management;
- Public participation and consultation, where the APs and the related communities must be included;
- Integration with host populations: measures to mitigate the impact of resettlement on any host communities;
- Grievance procedures: affordable and accessible procedures for third-party settlement of disputes arising from resettlement;
- Organizational responsibilities;
- Implementation schedule;
- Costs and budget;
- M&E.

16. The RAP should be completed no later than 6 months before the starting date of resettlement, and submitted to the Bank for consideration at least 3 months before that. Only after the Bank has accepted the RAP can compensation, resettlement and restoration activities begin. Such activities should be completed before the commencement of civil engineering.

17. When the affected population of a component does not exceed 200, the provincial PMO will prepare an abbreviated resettlement action plan (ARAP), and submit it to the Bank; in addition, APs should be fully consulted so that they have a chance to participate in the design and implementation of the RAP.

18. On the basis of the Operational Policy on Involuntary Resettlement (OP4.12), the ARAP covers the following minimum elements:

- a census survey of APs and valuation of assets;
- description of compensation and other resettlement assistance to be provided;
- consultations with displaced people about acceptable alternatives;
- institutional responsibility for implementation and procedures for grievance redress;
- arrangements for monitoring and implementation; and
- a timetable and budget.

19. The ARAP should be completed no later than 4 months before the starting date of resettlement, and submitted to the Bank for consideration at least 3 months before that. Only after the Bank has accepted the ARAP can compensation, resettlement and restoration activities begin. Such activities should be completed before the commencement of civil engineering.

## **D Institutional and Legal Framework**

20. The local governments, the Gansu PMO and local PMOs will be responsible for LA and resettlement coordination, RAP implementation, fund preparation and LAR progress reporting. The local PMOs will be responsible for RAP preparation and implementation, including detailed measurement survey, resettlement policy and compensation rate consulting, resettlement site construction, etc. Affected assets will be appraised by an appraisal agency selected by the APs. In addition, the provincial land and resources department, municipal / county land and resources bureaus, and HD management offices will be responsible for resettlement management and supervision.

21. The legal framework guiding the implementation of the RAP is based on the Bank's policy on involuntary resettlement (OP4.12), the applicable laws, regulations and ordinances of the state, and the project province and cities.

22. The PRC has developed a complete legal framework and policy system on LA, HD, resettlement and compensation, including the Land Administration Law of the PRC (amended on August 28, 2004).

Within the state legal and policy framework, local governments have promulgated relevant local regulations and policies to manage and direct local LA, HD, resettlement and compensation work. The provincial government has promulgated local regulations and policies in accordance with the applicable state laws and policies to manage and direct relevant local work.

23. The key laws, regulations and ordinances of the PRC used to prepare this RPF and ensure its legal validity include:

- Land Administration Law of the PRC (amended on August 28, 2004)
- Regulations on House Acquisition on State-owned Land and Compensation (Decree No.590 of the State Council) (January 21, 2011)
- Notice of the Ministry of Land and Resources on Doing a Better Job in LA Management (MLR [2010] No.238, November 3, 2004)
- Notice of the Gansu Provincial Government on Issuing Location-based Land Compensation Rates and Uniform AAOV Rates of Gansu Province (GPGO [2017] No.17)
- Notice on Further Strengthening Land Acquisition Management, and Protecting Lawful Rights and Interests of the Public Practically (GPGO [2010] No.115)

See Appendix 3 for details.

24. The purpose of preparing the RAP is to ensure that the APs have sufficient opportunities to replace their lost assets, and improve or at least restore their income level and living standard. To realize this purpose, all APs should be identified, and it should be ensured that all APs think the remedies defined in the RAP are rational. In consideration of the main types of impacts (e.g., LA, demolition of urban and rural residential houses, demolition of non-residential properties (enterprises, stores, etc.)), the following measures are usually taken:

25. APs losing farmland will be entitled to the following compensation and restoration measures:

- Land reserved for resettlement obtained through LA should be used to develop the collective economy with the consent of villagers, offer collective jobs for collective resettlement, generate operating income, etc.
- Where land reallocation is impossible, land-expropriated farmers must be identified. They will be provided with jobs with a remuneration level at least equivalent to their lost income, or receive a resettlement subsidy at 4-6 times the average annual output value (AAOV) of the acquired land in the 3 years before LA. If the former living standard of the APs still cannot be fully restored like this, resettlement subsidy may be increased to 15 times the AAOV.
- If land compensation fees and resettlement subsidy are still insufficient to restore the living standard of the APs, they will receive subsidies from fees on the use of state-owned land.
- Land compensation fees and resettlement subsidy will be paid to the affected village committees, and used to: (1)increase cultivated area if land is available; (2)improve agriculture through irrigation, etc.; and (3)develop nonagricultural income. Like fixed assets, affected young crops, fruit and commercial forests will be compensated for at replacement cost.
- The lost income, young crops and infrastructure, and land restoration costs of the persons affected by temporary land occupation will also be compensated for.
- Eligible APs will be included in endowment insurance for LEFs or the social security system; and
- The APs will have priority in receiving job opportunities and skills training under the Project.

26. Demolished houses and attachments will be compensated for as follows, and the following restoration measures will be taken:

- Supply of resettlement housing of equal value;
- Compensation at full replacement cost;
- Reconstruction or restoration of all affected facilities and services (e.g., roads, water and power supply, telephone, cable TV, schools);
- The subsidy during the transition period should ensure that all assets are relocated or temporary housing is obtained.

27. APs losing operating income (or employment income) will be entitled to the following restoration measures:

- Mitigation measures for lost operating income mainly include: 1) offering a commercial site of similar size and customer volume; 2) granting cash compensation to the proprietor at full replacement cost; and 3) granting transitional compensation for all relocation expenses and lost sales revenue during the non-operating period.

➤ Mitigation measures for lost employment income mainly include: 1) offering a job of the same pay; 2) granting cash compensation of at last 3 times the lost annual pay; and 3) granting a transition subsidy and offering reemployment training, or taking other necessary measures to help the AP get reemployed.

28. The RAP should include an entitlement matrix for the APs. See Appendix 4 for a sample.

## **E Implementation Process**

29. The RAP should include an implementation schedule for all activities to be conducted. If necessary, compensation payment, other entitlement restoration measures (in cash or in kind) and resettlement should at least be completed one month before LA. If full compensation is not paid or necessary assistance measures are not available before LA, a transition subsidy should be provided.

## **F Financial Arrangements**

30. The provincial and local PMOs will bear all costs related to LA and resettlement. Any RAP consistent with this RPF must include estimated costs and a budget. Whether identified as APs at the RAP preparation stage or not, and whether sufficient funds are available or not, all those adversely affected by LA and HD are entitled to compensation or any other appropriate relief measure. For the above reason, the budget in the RAP should include contingencies, which are usually 10% or more of the estimated resettlement budget in order to cover contingent resettlement costs.

31. The compensation rates specified in the RAP provide a basis for the calculation of compensation fees for resettlement, which should be fully paid to individuals or collectives losing land or other assets, and should not be deducted for any reason. The RAP should describe by what means compensation fees are paid by the component owners to the affected villages or villagers. A rationale is that the fund flow should be as direct as possible with minimum intermediate links.

## **G Public Participation and Information Disclosure**

32. Public participation is whole-process, especially in the detailed measurement survey, resettlement measure development and resettlement implementation.

33. The RAP should describe the measures taken or to be taken, and enable the APs to participate in the proposed project activities. Public participation should be implemented ahead of project design, and must run through the whole process of RAP implementation and external M&E.

34. At the draft and final RAP preparation stages, the PMO should also disclose the RAP to the APs and the public at certain places and in certain languages. The draft RAP should be disclosed at least one month before Bank review, and the final RAP must be disclosed after the Bank approval.

## **H Grievance Redress Mechanism**

35. Since the resettlement work is conducted with the participation of APs, no substantial dispute will arise. However, in order to ensure that APs have a channel to file an appeal on any issue concerning land acquisition and resettlement, the following grievance redress mechanism has been established:

➤ **Stage 1:** An AP may file an oral or written appeal with the employer or village/community committee. In case of an oral appeal, the employer or village/community committee shall keep a written record. Such appeal should be solved within two weeks.

➤ **Stage 2:** If the AP is dissatisfied with the disposition of Stage 1, he/she may file an appeal with the owner or county / district appeal office within one month after receiving such disposition, which shall make a disposition within 3 weeks.

➤ **Stage 3:** If the AP is dissatisfied with the disposition of Stage 2, he/she may file an appeal with the municipal appeal office within one month after receiving such disposition, which shall make a disposition within 4 weeks.

➤ **Stage 4:** If the AP is still dissatisfied with the disposition of Stage 3, he/she may file a suit in a civil court.

## **I M&E**

36. The Gansu PMO will supervise and monitor RAP implementation, and results will be included in quarterly reports for reporting to the Bank.

37. Internal monitoring and supervision:

- Checking all baseline resettlement information, appraisal of lost assets, compensation provisions, and the implementation of resettlement and restoration measures according to this RPF;
- Checking if the RAP is implemented as planned;
- Checking if funds under the RAP are disbursed timely and fully, and used in a manner consistent with the RAP;
- Recording all complaints and solutions to ensure that they are handled timely.

38. External monitoring: External M&E will be conducted by an independent agency appointed by the PMO through public bidding over all resettlement activities of the Project semiannually until project completion. Such independent agency may be an academic institution, NGO or consulting firm, but it should have qualified and experienced staff, and its TORs should be accepted by the Bank.

39. Corresponding to internal supervision and monitoring, the external M&E agency will conduct a sampling survey on 5-20% of the AHs after 6 months of RAP implementation for the purpose of:

- Evaluating if the participation and compensation procedures, and restoration measures are implemented, and consistent with this RPF and the RAP;
- Evaluating if the objective of “improving or at least restoring livelihoods and standards of living” is realized;
- Collecting qualitative social and economic indicators;
- Giving suggestions on the improvement of the RAP implementation procedure to realize the principles and objectives of this RPF.

## **Annex III: Ethnic Minority Development Framework (EMDF)**

### **A. Purpose of this EMDF**

The World Bank-financed Gansu Silk Road Revitalization Project (hereinafter, the “Project”) aims to promote local poverty reduction, and improve the project area’s economic level and living conditions by protecting and inheriting the Gansu Silk Road heritage, building a cultural brand, and promoting culture and tourism integration. It integrates community development, transport, natural and cultural tourism, environmental rehabilitation and capacity building in a multi-sector collaborative approach, with focus on: 1) improving the living conditions of local residents; 2) renovating traditional residences and improving the public environment to attract more tourists and promote local economic development; 3) granting small-amount loans to local residents to start up new small and micro enterprises, or expand existing ones (e.g., guesthouses and nonmaterial cultural heritage display), and improve their income level; and 4) attracting more tourists through infrastructure improvement and market development.

The Project consists of 8 subprojects in 8 counties / districts: 1) Majiayao Culture Exhibition Center and Majiayao Site Scenic Zone; 2) Jiuquan Silk Road Research Center and Library; 3) Xuanquanzhi Site Protection and Demonstration in Dunhuang City; 4) Lacquer Ware Skills Inheritance and Development in Maiji District; 5) Hanmo Culture and Art Center in Tongwei County; 6) Cultural Heritage Protection, Inheritance and Development in Ganzhou District, Zhangye City; 7) Dadiwan Site in Qin’an County; 8) Mandarin Duck Jade Origin Town in Shandan Town, Wushan County.

Since the Project is still at the preparation and preliminary design stages, its scope and scale of construction may vary due to detailed design, optimization or adjustment. Once such change goes beyond the planned project area, some minority habitats may be involved, and may fall into the Bank’s Policy on Indigenous Peoples (OP4.10). Thus, an Indigenous Peoples Policy Framework (IPPF) will be prepared.

This IPPF has been prepared in accordance with the applicable PRC laws and regulations, and the Bank’s OP4.10 to ensure that affected minority residents receive social and economic benefits suited to their cultural customs, and measures are taken to avoid, minimize or compensate for negative impacts on minority residents.

### **B. EMDP Preparation and Approval**

#### **1. Identification and screening of ethnic minorities**

##### **1.1 Basis of identification**

An “ethnic minority” means a unique, vulnerable social and cultural group with the following features to varying degrees:

- Self-identification as a member of a unique minority cultural group, and such feature is recognized by others;

- Collectively attached to a geographically unique residential area or ancestral estate in the project area, and to the natural resources of such residential area or estate;
- Having traditional cultural, economic, social or political institutions different from the mainstream society;
- Having a minority language different from the official language of the country or region.

#### 1.2 Methods of identification

1) fieldwork—learning local population and ethnic composition, and identifying any minority village or habitat;

2) Data collection and literature review—collecting statistical yearbooks, reports, annals and other literatures reflecting local population, ethnic groups, culture, customs, etc. to learn production and living differences between ethnic minorities and the Han people

#### 1.3 Screening

At the early preparation stage, the PMO will conduct screening to see if there is any ethnic minority in the project area or if any ethnic minority is attached collectively to the project area. In order to conduct screening, the Bank will engage qualified and knowledgeable social experts.

Gansu is a province in which minority residents are scattered in all counties, cities and districts. The identification of minority impacts in the 8 project counties (cities / districts) is shown in Appendix 1. The minority population in the 8 project counties (cities / districts) has the following features: 1) The minority population in the project area is scattered, mostly being Hui, Mongolian, Zhuang and Yugur people entering the project area for marriage and work. However, this minority population is very small, and they have no fixed community, no common language and no common culture, and show no difference from the mainstream ethnic group of Han in terms of social welfare, rights, protection, cultural customs and lifestyle. In addition, local minority residents enjoy the same public services as the Han people; 2) Minority residents are scattered, and there is no fixed minority settlement or ancestral estate in the project area; and 3) No minority population will be affected by LA and HD for the Project. Minority residents will benefit from the Project indirectly other than directly, and the Project will have almost no negative impact on them.

Therefore, no ethnic minority development plan will be developed for the Project. However, if any centralized minority group is identified due to any change in the project area in future implementation, OP4.10 will be triggered, and an ethnic minority development plan (EMDP) will be developed to protect the rights and interests of minority residents.

## 2. SA

The breadth, depth and type of analysis match the nature and extent of potential impacts of the Project. As necessary, the SA Report will include the following:

- Reviewing the legal and institutional framework suited to minority residents on a scale appropriate to the Project;

- Collecting baseline information on the population, social, cultural and political features of affected minority communities, land and estates traditionally owned, used or occupied by them, and natural resources on which they rely;
- Identifying primary stakeholders, and drafting a detailed and culturally appropriate ethnic minority consultation procedure for all stages on the basis of the review results and the baseline information;
- Evaluating the Project's potential positive and negative impacts on the basis of free, prior and informed consultation with affected minority residents, and analyzing their relative vulnerability and potential risks;
- Determining and evaluating measures to avoid or minimize negative impacts on the basis of free, prior and informed consultation with affected minority residents, and ensuring that minority residents benefit from the Project in a culturally suited manner

### 3. EMDP Preparation

If the Bank finds that there is any ethnic minority in the project area or any ethnic minority is attached collectively to the project area, the Gansu PMO will conduct SA to evaluate the Project's potential positive and negative impacts on such ethnic minority, and prepare an EMDP through consultation.

The PMO will determine if affected minority communities can provide extensive support to the Project based on SA, and free, prior and informed consultation. If such support is available, the borrower should prepare a detailed EMDP. As necessary, the EMDP will include the following:

- An information summary: reviewing a legal and institutional framework suited to minority residents on a scale appropriate to the Project; collecting baseline information on the population, social, cultural and political features of affected minority communities, land and estates traditionally owned, used or occupied by them, and natural resources on which they rely;
- An SA summary;
- A summary of free, prior and informed consultation: conducting such consultation at the preparation stage in minority communities for extensive community support;
- A framework document that ensures that free, prior and informed consultation is conducted with affected minority communities at the implementation stage;
- An action plan to ensure that minority residents receive culturally appropriate social and economic benefits, including measures to improve the capacity of the IAs if necessary;
- An appropriate action plan to avoid, minimize or compensate for potential negative impacts on minority residents;
- Budget and financing plan of the EMDP;
- An appropriate and understandable grievance redress procedure for minority communities, established by reference to common local judicial recourse and dispute settlement mechanisms;



- An appropriate EMDP implementation M&E and reporting mechanism, including arrangements made for free, prior and informed consultation with affected minority communities

#### 4. EMDP Approval

In order to determine if the Project is eligible for Bank funding, the PMO should submit an EMDP that complies with the Bank’s social safeguard policies to the Bank for review two months before implementation. The Project will be implemented until the EMDP is approved, and the approved EMDP should be disclosed on local newspapers and government websites.

##### C. Prevailing IPPF

The EMDP should be prepared in accordance with the applicable state and provincial laws and regulations, and the Bank policy on indigenous peoples (OP4.10 and BP4.10). See Appendix 8 for the policy framework. See Table 2.

Both PRC and Bank policies have the same goal in respect of ethnic minorities, namely fully respecting their dignity, power, economy and culture, promoting their equality and development, and paying special attention in their economic, social and cultural development to protect their rights and interests, and improve their social and economic status.

Both PRC and Bank policies lay stress on the public participation of minority communities, and the action plan across all stages, the provision of all relevant information in a culturally appropriate manner, and the collection of comments, attitudes and expectations of minority residents to win their extensive support.

Both PRC and Bank policies emphasize that a series of measures be taken to ensure that affected minority residents receive social and economic benefits suited to their cultural customs, and measures be taken to avoid, minimize or compensate for negative impacts on minority residents.

Table 1 Ethnic Minority Policy Framework of the PRC and the Bank

Type	Policy / regulations	Contents and key points
State laws and regulations	State laws and regulations: Constitution of the PRC, Law of the PRC on Regional Ethnic Autonomy, Law of Organization of Villager Committee of the PRC, Regulations on the Administrative Work of Ethnic Minority Xiangs the PRC, 13 <sup>th</sup> Five-year Plan for Ethnic Minority Programs, Decision of the Central Government on Some Major Issues in Deepening Cultural Restructuring	①In addition to the same powers as local governments, the authorities of the localities of ethnic autonomy also have the following rights: autonomous legislative power; autonomy in the administration of local political, economic, financial, scientific, educational and cultural affairs, the right to organize local public security forces, and the right to use and develop ethnic minority languages, etc. ②Citizens of the PRC shall have freedom in religious belief, and the state and the authorities of the localities of ethnic autonomy shall guarantee such freedom for citizens of all ethnic groups. ③Administrative regulations for ethnic minorities shall be formulated to promote the development economic and cultural programs of ethnic minority Xiangs, protect the lawful rights and interests of ethnic minorities, and enhance the unity among different ethnic groups. ④Except those deprived of political rights, villagers attaining 18 years of age, regardless of ethnic group, race, sex, occupation, family background, religious belief, education, property condition or term of residence, shall have the right to vote and the right to be elected. ⑤The state shall support all ethnic minorities financially, materially and technically to accelerate their economic development, cultural and other social programs. ⑥All ethnic languages shall be equal. All ethnic groups shall be free to use and develop their own languages, and shall be encouraged to learn from one another’s language. ⑦The protection of ethnic folk cultures shall be subject to the principles of protection mainly, rational development, government dominance and social participation.

World Bank	Operational Policy (OP4.10) and Bank Procedure (BP4.10)	<p>This policy aims to ensure that the development process fully respects the dignity, human rights, economies, and cultures of Indigenous Peoples.</p> <p>(1) The Bank recognizes that the identities and cultures of Indigenous Peoples are inextricably linked to the lands on which they live and the natural resources on which they depend. These distinct circumstances expose Indigenous Peoples to different types of risks and levels of impacts from development projects, including loss of identity, culture, and customary livelihoods, as well as exposure to disease. Gender and intergenerational issues among Indigenous Peoples also are complex. As social groups with identities that are often distinct from dominant groups in their national societies, Indigenous Peoples are frequently among the most marginalized and vulnerable segments of the population. As a result, their economic, social, and legal status often limits their capacity to defend their interests in and rights to lands, territories, and other productive resources, and/or restricts their ability to participate in and benefit from development. At the same time, the Bank recognizes that Indigenous Peoples play a vital role in sustainable development and that their rights are increasingly being addressed under both domestic and international law.</p> <p>(2) Bank-financed projects include measures to (a) avoid potentially adverse effects on the Indigenous Peoples' communities; or (b) when avoidance is not feasible, minimize, mitigate, or compensate for such effects. Bank-financed projects are also designed to ensure that the Indigenous Peoples receive social and economic benefits that are culturally appropriate and gender and inter-generationally inclusive.</p> <p>(3) When a project affects Indigenous Peoples, the TT assists the borrower in carrying out free, prior, and informed consultation with affected communities about the proposed project throughout the project cycle. At all stages of the project, the parties consulted have prior access to information on the intent and scope of the proposed project in a culturally appropriate manner. It shall also be determined that if the affected communities give broad support to the project based on the SA and consultation process.</p> <p>(4) The EMDP should be flexible and practical, and include the following: legal and institutional framework suited to ethnic minorities; information on demographic, social, cultural and political features of affected communities, ancestral territories owned, used or occupied by them, and natural resources on which they live; a summary of SA; a summary of free, prior, and informed consultation results in affected communities at the preparation stage, which has gained broad community support for the project; a framework for ensuring free, prior, and informed consultation with affected communities during project implementation; an action plan for ensuring that ethnic minorities receive culturally appropriate social and economic interests; after potential negative impacts on ethnic minorities have been determined, an appropriate action plan that avoids, minimizes or mitigates, or compensate for such impacts; the financial budget and financing plan for the EMDP; a procedure for addressing appeals from minority communities arising from project implementation; and an M&amp;E and reporting mechanism, and indicator system suitable for the implementation of the EMDP.</p>
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#### **D. Implementation Process**

The EMDP should propose a specific implementation schedule for all required activities, appoint agencies responsible, and fix funding sources. At the implementation stage, the PMO will be responsible for the implementation of the EMDP, and take appropriate measures to enhance the Project's positive benefits and mitigate its negative impacts.

Funds needed for the implementation of the EMDP will be from the budget, government finance, special funds of competent authorities and publicly raised funds.

#### **E. Public Participation and Information Disclosure**

The EMDP must describe the measures taken or to be taken, enable affected minority residents to participate in the proposed project activities, conduct free, prior and informed consultation with affected minority communities, provide all relevant information in a

culturally appropriate manner, and determine if affected minority communities can provide extensive support to the Project based on SA, and free, prior and informed consultation.

At the draft and final EMDP preparation stages, the PMO should also disclose the EMDP to the APs and the public at certain places and in certain languages. The draft EMDP should be disclosed at least one month before Bank review, and the final EMDP must be disclosed after the Bank approval.

During public participation and EMDP disclosure, opinions of the APs were collected for this IPPF, which was also disclosed in the project area.