

## PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC1097

Public Disclosure Copy

<b>Project Name</b>	Sustainable Production Systems and Conservation of Biodiversity (P145621)
<b>Region</b>	LATIN AMERICA AND CARIBBEAN
<b>Country</b>	Panama
<b>Sector(s)</b>	General agriculture, fishing and forestry sector (70%), Public administration- Agriculture, fishing and forestry (30%)
<b>Theme(s)</b>	Biodiversity (40%), Rural non-farm income generation (20%), Micro, Small and Medium Enterprise support (20%), Participation and civic engagement (10%), Decentralization (10%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P145621
<b>Parent Project ID</b>	
<b>Borrower(s)</b>	
<b>Implementing Agency</b>	
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	26-Aug-2013
<b>Date PID Approved/ Disclosed</b>	
<b>Estimated Date of Appraisal Completion</b>	11-Dec-2013
<b>Estimated Date of Board Approval</b>	28-Feb-2014
<b>Concept Review Decision</b>	Track II - The review did authorize the preparation to continue
<b>Other Decision (as needed)</b>	

Public Disclosure Copy

### I. Introduction and Context

#### Country Context

Panama is a country of contrasts, with strong economic growth and progress on poverty reduction, yet high levels of poverty in rural areas, particularly in indigenous comarcas. As the land bridge connecting North and South America, Panama has extraordinary biodiversity and the country has established a system of protected areas covering nearly 38 percent of its territory many of which are part of the Mesoamerican Biological Corridor. The rural and indigenous areas adjacent or

contiguous to the protected areas with the highest levels of biodiversity also have the highest poverty levels. Annually from 1990-2000, approximately 41,324 hectares of forest cover were lost to non-forest production systems. In the last decade, government efforts for reforestation through different programs, institutions, and projects have been successful in slowing down the deforestation rate to 12,166 hectares of forest cover per year. In 2008, 40 percent of the total surface area of Panama was covered by forests. Despite all these efforts, deforestation continues to be a main threat for Panama's biodiversity, most of it of global importance. This risk is also critical considering that forests are essential for absorption of greenhouse gases that fuel global warming. Among other threats, environmental degradation can lead to poor water quality and pollution and subsequent impacts on human health and treatment costs and affect the Panama Canal economic activities. Other potential issues include unplanned tourism development forested and rural areas, and unregulated hunting activities.

**Protected Areas System.** In 1998, the Autoridad Nacional del Ambiente (National Environment Authority, ANAM) was created by Law 41 (General Environmental Law) and Article 66 created the National Protected Areas System (NPAS), which includes all legally established or to be established protected areas (PAs). The number of PAs increased from 43 in 1998 to 105 in 2013, and nearly doubled the protected surface area from 1.9 ha to 3.6 million ha, of which 2.7 million ha are terrestrial land. While protected areas have provided good coverage in terms of national area, government efforts can be improved in terms of more effective protected areas management, involvement of local people in conservation actions and generation of benefits derived from biodiversity. Attaining financial sustainability of PAs and NPAS constitutes a long-term objective and remains a challenge for Panama.

**Production Systems and Biodiversity.** Pressure from extensive traditional production systems and subsistence farming near the PAs (including the conversion of forest to pasture or crops, overgrazing, and poor cultivation practices leading to land degradation and loss of soil fertility) significantly affects the conservation of biodiversity and decreases the effectiveness of PAs management and sustainability. In fact, one of the main challenges for land use in Panama is to address the increasing demands for agricultural products, while preserving biodiversity and maintaining food security for the rural population.

### **Sectoral and Institutional Context**

**Rural Poverty and Biodiversity Conservation.** In order to meet rural poverty and conservation challenges, ANAM and the Ministry of Agricultural Development (MIDA), in 2004, established a partnership through two now closed Bank-supported projects: Rural Poverty and Natural Resources (Loan 4158-PAN) and Atlantic Mesoamerican Biological Corridor – MBC Project (CBMAP, GEF TF020454). The Rural Poverty project initiated a process of community-driven development, mainly supporting social infrastructure. The MBC Project consolidated the institutional framework for environmental management and supported the integrated management of protected areas.

Building on the success of these projects, since 2007, ANAM and MIDA have been implementing the Rural Productivity Project (Loan 7439-PA), partially blended with a GEF project for Rural Productivity and Consolidation of the Atlantic Mesoamerican Biological Corridor (CBMAP II, TF56628) (closing in July 2014). As of mid-2012, the Rural Productivity Project has supported 121 productive alliances, working with 4,400 producers to increase productivity while ensuring the sustainable use of natural resources. The GEF project, which worked in 14 protected areas, has supported mainstreaming of biodiversity in sectoral policies, helped bring 36,126 ha of forests and

other natural ecosystems of global biodiversity significance in the buffer zones of protected areas under effective conservation and supported 350 environmental investments to develop organizational, administrative and technical capacity in rural, indigenous, and extremely poor communities.

The Government of Panama has requested GEF support in two strategic areas to ensure the sustainability of efforts carried out under the CBMAP projects. The first area would support ANAM's efforts to build wider participation within protected areas management to support long-term financial sustainability. As proposed, the project would target ten protected areas and their buffer zones that were already involved in the CBMAP II, based on criteria described in Section III. A.1. The second area would support communities and small-scale producers to enhance their capacity for greater market access, develop marketing strategies for their biodiversity-friendly products, and promote climate-smart agriculture practices, while improving their quality of life, and reducing the development pressure on the PAs. The project aims to work under a landscape approach (that includes protected areas and their buffer zones within the Mesoamerican Biological Corridor) while improving land-use practices, identification and conservation of ecosystem services, and implementation of climate-smart and biodiversity-friendly production systems.

Currently, ANAM is leading efforts toward the creation of a public-private foundation known as "Foundation of Protected Areas and Biological Corridors." The proposed project will help ANAM seek out and develop different mechanisms to increase the financial sustainability of the PAs, promote more effective use of the information generated by the SNIMDB, and launch a South-South Cooperation among the MBC countries.

### **Relationship to CAS**

The proposed project is aligned with the Panama Country Partnership Strategy (CPS), recently updated by a Progress Report (FY2011-2014) dated February 13, 2013 (Report No. 74313-PA). The proposed project responds specifically to Pillar 1: Economic growth that builds on Panama's competitive advantages with actions in four areas, including in agricultural productivity, biodiversity and conservation. The proposed project provides an opportunity to scale up the actions initiated with CBMAP II and support the NPAS to test financial mechanisms to achieve financial sustainability. The proposed project also emphasizes the need to develop efficient production systems adapted to climate change and to promote conservation of biodiversity as a value-added production.

One of the objectives of the World Bank partnership with Panama has been to help decrease gender gaps, improving the lives of poor and indigenous women in particular. The participation of women in environmental subprojects of the on-going GEF CBMAP II Project is 46 percent of the total, exceeding the targeted 40 percent of beneficiaries. The proposed project aims to strengthen further the participation of women. Another important objective is focusing on reducing poverty and inequality within the most vulnerable indigenous communities. Indigenous and poor communities will be direct beneficiaries of the proposed project.

The proposed project will contribute to two of the four strategic objectives of the Biodiversity Focal Area of the GEF: a) improve the sustainability of protected areas systems, and b) mainstream biodiversity in production landscapes/seascapes and sectors. It will also contribute to the achievement of the Aichi Targets of the Convention on Biological Diversity (CBD), specifically: Target 1 on awareness of values of biodiversity; Target 4 on actions taken by governments and

stakeholders on sustainable production and consumption; Target 7 on areas under agriculture, aquaculture and forestry managed sustainably; Target 11 on areas of importance for biodiversity and ecosystems services under effective management; Target 14 on restoration and safeguarding of ecosystems; and, Target 18 on traditional knowledge, innovation and practices of indigenous and local communities. The project also contributes to the Millennium Development Goal for environmental sustainability and responds to the mandates and agreements of the MBC and United Nations Framework Convention on Climate Change.

## II. Proposed Development Objective(s)

### Key Results (From PCN)

The following key results are expected: (a) increase in number of hectares under biodiversity-friendly production systems in buffer zones of selected PAs, (b) increase in protected areas management score as recorded by the GEF Management Effectiveness Tracking Tool (METT), and (c) decrease in funding gap for management of protected area systems as recorded by protected area financing scorecards. The specific indicators, baselines, and targets will be defined during project preparation.

The project will seek to measure a contribution to climate change directly or indirectly by reduction, avoidance or displacement of emissions through the different practices. It will continue to measure vegetation cover and seek to measure indicator species of conservation interest that were outcome indicators in CBMAP-II.

## III. Preliminary Description

### Concept Description

The proposed project will be implemented in approximately 10 selected PAs including their buffer zones geographically located in the central-eastern part of the country within the Panamanian MBC. The PAs will be selected based on the following criteria that will be further refined during preparation: (a) relative value in protecting biodiversity of national and global importance, (b) density of indigenous and non-indigenous populations in poverty/extreme poverty in their buffer zones, (c) production processes incubated by the CBMAP II, which require additional support to become sustainable green businesses, (d) sufficient organizational capacity among producers that will help streamline the project implementation, and (e) level of market integration or marginalization. The area proposed is expected to cover between 500,000 and 700,000 hectares (approximately 20-25 percent of the total land area protected), and be stretched over six provinces, two comarcas (i.e., Ngabe-Bugle and Kuna) and the Naso-Teribe Indigenous Territory in part of the Changuinola District, Bocas del Toro Province.

The project would be organized into four components:

Component 1 - Participatory Management of Protected Areas (US\$3.6 million estimated for GEF financing)-- would support ANAM's efforts to strengthen the management of the selected PAs, promote partnerships with local government, communities, NGOS, and the private sector to achieve financial sustainability of PAs. It would test alternative financial mechanisms, such as trust funds, cost-sharing arrangements, co-management arrangements with local government and communities, and administration contracts. . The component would continue to support some activities carried out

under CBMAP II, particularly for implementation of municipal environmental plans and for the establishment of the NPAS Trust Fund. A contribution of at least US\$1.0 million to the endowment of this trust fund will be financed, and some expenses for the operational manual and investment policy of the fund.

Component 2 - Biodiversity and Sustainable Productive Landscapes (US\$3.3 million estimated for GEF financing)-- would focus on activities to mainstream biodiversity and sustainable production landscapes in production areas in the buffer zones of selected PAs. The project will support producer groups or producer associations that live in the buffer zones, and that have implemented successful subprojects with financing of CBMAP II, to scale up their operations and implement biodiversity-friendly production and management practices with a focus on gaining or increasing access to markets for their products so that biodiversity-friendly practices become economically sustainable. Subprojects to be developed under this component may include adoption of practices for biodiversity-friendly production, such as use of organic compost and living fences, use of native species, as well as exploring ways of including adaptation to climate change elements associated with the diversification of products, soil erosion control, and resilience to climatic pressures. A detailed list of potential activities will be developed during preparation. Training and technical assistance will be provided to producers for implementation of subprojects and improvement of their technical and business management skills.

Component 3 - Knowledge Management and Communication (US\$1.8 million estimated for GEF financing)-- would promote awareness and offer training to key project stakeholders of both genders (e.g., producers, indigenous peoples, local government, and private sector) on good practices and knowledge management at local and regional levels to support biodiversity mainstreaming and promote the consumption of bio-labeled goods. This component includes the development of a strong communication and outreach strategy for dissemination of information, and support to capacity-building activities to both technical assistance providers and producers. This component will support strengthening the capacity of the recently established economic unit in ANAM to lead the authority's efforts to carry out environmental economic analysis that could demonstrate clearly the economic value of biodiversity to decision-makers in Panama. This will support ANAM as it seeks to enhance the financial sustainability of Panama's protected area system. A subcomponent for promoting partnerships and South-South cooperation is also included in this component. This will allow ANAM to work together with the National Commission for the Knowledge and Use of Biodiversity, CONABIO, in Mexico in the implementation of a regional program for training and technology transfer related to sustainable production, and the development of biodiversity standards and/or market labels, and certification. In particular, this project will seek to learn from the progress being made under the GEF-financed, World Bank implemented "Sustainable Production Systems and Biodiversity Project" in Mexico.

Component 4 - Project Management and Monitoring and Evaluation (US\$0.9 million estimated for GEF financing)- would support the technical and administrative coordination, supervision, monitoring, and evaluation of the project.

The project implementation period will be five years. The Recipient will be the Republic of Panama represented by the Ministry of Economy and Finance (MEF), and the implementing agency will be ANAM, in particular the Department of Protected Areas and Wildlife (DAPVS), in charge of the NPAS.

**IV. Safeguard Policies that might apply**

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>	<b>TBD</b>
Environmental Assessment OP/BP 4.01			
Natural Habitats OP/BP 4.04			
Forests OP/BP 4.36			
Pest Management OP 4.09			
Physical Cultural Resources OP/BP 4.11			
Indigenous Peoples OP/BP 4.10			
Involuntary Resettlement OP/BP 4.12			
Safety of Dams OP/BP 4.37			
Projects on International Waterways OP/BP 7.50			
Projects in Disputed Areas OP/BP 7.60			

**V. Financing (in USD Million)**

Total Project Cost:	39.96	Total Bank Financing:	0.00
Total Cofinancing:		Financing Gap:	3.00
<b>Financing Source</b>		<b>Amount</b>	
BORROWER/RECIPIENT		7.63	
Global Environment Facility (GEF)		9.59	
International Fund for Agriculture Development		5.71	
Municipalities of Borrowing Country		0.10	
LOCAL BENEFICIARIES		1.00	
Non-Government Organization (NGO) of Borrowing Country		0.94	
Foreign Private Commercial Sources (identified)		12.00	
Total		36.96	

**VI. Contact point****World Bank**

Contact: Teresa M. Roncal  
Title: Operations Analyst  
Tel: 473-0751  
Email: troncal@worldbank.org

**Borrower/Client/Recipient**

Name:  
Contact:  
Title:  
Tel:  
Email:

**Implementing Agencies**

Name:

Contact:

Title:

Tel:

Email:

**VII. For more information contact:**

The InfoShop

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 458-4500

Fax: (202) 522-1500

Web: <http://www.worldbank.org/infoshop>