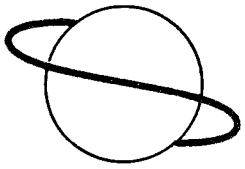

GEF

Global Environment Facility

April 24, 2000

Dear Council Member:

The World Bank, as the Implementing Agency for the project, *Regional (South Africa, Lesotho): Maloti-Drakensberg Conservation and Development*, has attached the proposed project document for CEO endorsement prior to final approval of the project document in accordance with World Bank procedures.

The Secretariat has reviewed the project document. It is consistent with the proposal approved by the Council in March 2000 and the proposed project remains consistent with the Instrument and GEF policies and procedures. The attached explanation prepared by the World Bank satisfactorily details how Council's comments and those of the STAP reviewer have been addressed. I am, therefore, endorsing the project document.

We have today posted the proposed project document on the GEF website at www.gefweb.org. If you do not have access to the Web, you may request the local field office of UNDP or the World Bank to down load the document for you. Alternatively, you may request a copy of the document from the Secretariat. If you make such request, please confirm for us your current mailing address.

Sincerely,

Mohamed T. El-Ashry
Chief Executive Officer
And Chairman

Cc: Alternates, Implementing Agencies, STAP

GEF SECRETARIAT, 1818 H STREET NW, WASHINGTON, DC 20433 USA
TELEPHONE (202) 473 0508 FAX (202) 522 3240/3245

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: April 11, 2000

TO: Mohamed El-Ashry, CEO/Chairman, GEF

FROM: Lars Vidaeus, GEF Executive Coordinator

EXTENSION: 34188

SUBJECT: **South Africa and Lesotho: Maloti-Drakensberg Conservation & Development Final Council Review/CEO Endorsement**

Please find attached the electronic file for the above-mentioned project for review, prior to your final endorsement.

The project document is fully consistent with the objectives and scope of the proposal endorsed by Council as part of the February 2000 work program and reflects comments made during the work program endorsement by GEFSEC, STAP, and Council members as follows:

Since the submission of the GEF Project Brief, the project has not changed in substance, but its presentation has been thoroughly reviewed. Sections have been taken out and new sections have been written. In a large number of instances, wording has been modified. The structure of the document is also not identical to the previous version although there are many similarities. The function of the cover note is to highlight the sections and annexes where changes have been made, but it is not practical to track every detail that has been changed. As requested, the following points have been particularly in focus in the review for the submission for CEO endorsement:

The joint implementation and management arrangements:

First, these arrangements are now summarized in an expanded Section C.4: **Institutional and Implementation Arrangements.** This specifies the role and composition of the bilateral Steering Committee, the domestic Project Coordination Committees, the Project Coordination Units, and the main linkages established or to be established between these entities. There is already agreement in principle on the Memorandum of Understanding and the TORs for the Project Coordination Committees, and full agreement is a condition of effectiveness.

Second, conditionalities (Section G) now specifies no less than fourteen (14) conditions for effectiveness that will ensure the existence of a sound institutional framework for project implementation, including key staffing, financial procedures, and implementation planning.

Third, a new Financial Management Action Plan has been added to the project document as annex no. 15. This is a 4-page summary of a much more detailed document that has been developed specifically for each country as a result of the Financial Management Assessment and the Appraisal Mission.

In conclusion, the institutional arrangements are complex because of the need for inclusion of all the key stakeholders, and because the project spans over two countries and three provinces in one country. Given this reality, the institutional design has been developed in a dialogue with our counterparts, and agreement in principle has already been reached on the main items. The processing of further details has also been agreed.

Financial sustainability and the role of the private sector:

Ecological, social, institutional and financial sustainability are closely linked, and are discussed in section F. The emphasis in the project is investment in human and social capital, rather than physical capital that require expensive servicing. More specifically, a new section (E.2) discusses the Fiscal Impact in detail. Lesotho does have the potential of generating new resources through activities linked to nature-based tourism, tapping into domestic royalties form the Lesotho Highlands Water Project, and attracting additional international funding on the basis of enhanced absorptive capacity. The size of the project in Lesotho has also been trimmed down from the initial submission of the Project Brief.

Private sector development is not a concern in South Africa, which already has a vibrant development in this respect (see annex 14), and no policy or institutional changes are recommended here. In Lesotho the situation is quite different, but as the same annex details, motions are already underway to pronounce a new tourism policy with the assistance of UNDP, to pass new legislation (already prepared) and to upgrade implementation with the help of an ambitious project under preparation by AfDB. At the explicit advice of GEFSEC, the current project has carefully avoided any duplication of the efforts of that project. If successfully implemented, it will provide fertile ground for the private sector to invest in nature-based tourism. The current project can contribute to establishing conservation areas and a National Park that will provide an enabling environment for private sector activities.

The role of the private sector should also be seen in the light of the fact that the project's emphasis is very much on **community capacity building** for small-scale nature-based tourism and conservation. This will not require massive private sector investment, but managerial know-how, marketing skills and modest infusions of capital will be important contributions. Community involvement is the second largest GEF-component of the project. This is closely linked to component 7: Nature-based tourism development. The description in section C and in annex 2 makes it clear that the private sector has an important role to play. Additional text has been entered to clarify that.

Indicators:

The comment from GEFSEC on this point in the PCD was that "The log frame is very general, and the indicators are very aggregate - more as goals of the entire project rather than indicators leading up to that goal."

The PAD now contains eight outcome indicators, and no less than forty-four (44) different output indicators. No component has less than three indicators. The output indicators are usually quite specific: "Recruitment of 1 social ecologist/country." They are often easy to measure in quantitative terms: "Number of kilometers of hiking trails established." They are time-bound in several cases: "At least 100 community entrepreneurs and 10 civil servants trained each year starting in year 2." Other indicators are by nature more general: "Completed biodiversity surveys in priority areas" is one example. Greater precision in such cases can only be provided by sound expert judgment pertaining to the complexities of a particular output.

No indicators can replace the need for a sensible, holistic interpretation of project implementation. The institutional structure that has been designed, enhanced by the Bank's supervision, is meant to ensure a transparent and accountable system where lessons from implementation are continuously interpreted and incorporated in the execution of the project.

Incremental Cost Analysis:

This was the main theme of the concerns expressed by one of the Council members that commented on the project at the time of work program submission. Annex 4 (especially section 3) has been thoroughly re-written to provide for a clearer contrast between the baseline and the GEF alternatives. More detail has been added in terms of describing costs for sub-components, and in appropriate cases to explicitly tie them to the objectives of ensuring global benefits. The entire set of spreadsheets that underpin the component budgets could also be made available if there is an interest in further discussing the details of unit cost derivation and the scale of sub-component activities. It would appear, however, that the current version well meets the common standards for the level of cost detail provided in PADs for approved GEF projects.

Cc: Messsrs./Mmes. King, GEF Program Coordination (GEF); Vidaeus, Aryal, Santos (ENVGC); Bingham, Bojo, Crepin, Kiss, Trepy-Kelly, Mekonnen , Lefevre (AFTE1); AFTE1 divisional file.

PROJECT BRIEF

1. IDENTIFIERS:

PROJECT NUMBER:	P052367 - P052368
PROJECT NAME:	Maloti/Drakensberg Conservation & Development
DURATION:	5 years
IMPLEMENTING AGENCY:	World Bank
EXECUTING AGENCY:	Lesotho: Ministry of Environment, Gender and Youth Affairs (MEGYA) South Africa: Nature Conservation Services in KwaZulu-Natal, Free State and Eastern Cape, and SANP
REQUESTING COUNTRY OR COUNTRIES:	Lesotho and South Africa
ELIGIBILITY:	Lesotho ratified the Convention on Biological Diversity on January 10, 1995 Republic of South Africa ratified the Convention on Biological Diversity on November 2, 1995
GEF FOCAL AREA:	Biodiversity
GEF PROGRAMMING FRAMEWORK:	OP4

2. SUMMARY:

The Maloti/Drakensberg area is quite rich in species and high in endemism. This asset is threatened by excessive livestock grazing and human encroachment, and is not used to its full economic potential to benefit local communities. The GEF objective is to conserve this globally significant biodiversity and to contribute to community development through income generation from nature-based tourism.

3. COSTS AND FINANCING (MILLION US):

GEF:	-Project	US$15.3
	- PDF:	US$0.3 (South Africa)
	Subtotal GEF:	US$15.6
CO-FINANCING:	-IA:	N/A
	-Other International:	US$0.4 (Japanese PHRD prep. Grant-Lesotho)
	-Government of Lesotho	US$1.1
	Republic of South Africa	US$16.8
	-Private	N/A
	Subtotal	US$18.3
TOTAL PROJECT COST:		US$33.9

4. ASSOCIATED FINANCING (MILLION US$)

5. OPERATIONAL FOCAL POINT ENDORSEMENT:

Organization:
Lesotho:
Name: Mr. Bore Motsamai **Title: Principal Secretary**
Organization: MEGYA **Date: February 1, 2000**

South Africa:
Name: Dr. Crispian Olver **Title: Director-General**
Organization: Department of Environmental Affairs & Tourism **Date: February 1, 2000**

6. IA CONTACT:

Christophe Crépin, Africa Region; Tel. # (202) 473-9727; Fax # (202) 473-8185; Internet: ccrepin@worldbank.org

A. Project Development Objective

1. Project development objective: (see Annex 1)

The context of the project is a long-term collaborative initiative between South Africa and the Kingdom of Lesotho to protect the exceptional biodiversity of the Drakensberg and Maloti mountains through conservation, sustainable resource use, and land-use and development planning. The project will focus on the Maloti-Drakensberg mountains, which are situated along the 300 km eastern boundary of the Kingdom of Lesotho with the Republic of South Africa. Three South African Provinces are affected. The western part of the KwaZulu-Natal Province forms the major area, but there are extensions into the Eastern Cape Province to the south and the Free State Province to the north. The Golden Gate National Park, managed by South African National Parks (SANP) also falls within the area. The total area covered in the initial project preparation ("the study area") is more than 13,000 km^2. Gradual delimitation of this vast area has taken place as the preparation has progressed.

The Maloti-Drakensberg transfrontier area encompasses distinct landscape and biological diversity. It is rich in species and high in endemism. However, excessive livestock grazing, crop cultivation on steep slopes, uncontrolled burning, alien invading species and human encroachment threatens this asset. Hence**, the GEF objective is to conserve this globally significant biodiversity**. The project takes a regional approach to conservation and development, and serves to harness the potential of a transfrontier ecosystem. While the ecosystem shows similarities on both sides of the border, there are considerable legal, social, institutional and economic differences between the two countries, which the project design recognizes.

The **secondary objective of the project is to contribute to community development through income generation from nature-based tourism**, by capacity building for sustainable utilization of the natural and cultural heritage of the project area. Again, the approach is a regional one, in that a common tourist area will enhance the attraction for visitors considerably, and in that joint management in a number of areas can capture economies of scale. It is also clear that Lesotho has much to gain from capitalizing on the advanced experience of conservation management in RSA, and its successful development of nature-based tourism, in support of sustainable biodiversity protection.

In both countries, the project will provide new resources for transfrontier collaboration, project management and coordination. A joint information management structure, common workshops, working groups and studies, will allow for better planning of existing Protected Areas (PAs) as well as for wider community-based conservation initiatives, with particular emphasis on rangeland management in biodiversity priority areas. It will support the establishment of viable conservation management institutions at local level to ensure community involvement, and planning and community-level training for nature-based tourism development.

The components are adjusted to the specific situation in each of the countries. For example, there will be further support to national level institution building for conservation in Lesotho, while this is unnecessary in RSA. While the receptive capacity is more limited in Lesotho, the needs are also greater, and the domestic counterpart funding more limited. The transfrontier nature of the project will ensure that the analysis and resolution of conservation problems will be shared, and the resources and expertise in each country complemented.

The GEF incremental cost contribution of $15.25 million for the two countries together should also be seen in the context of major ongoing support to biodiversity conservation in Lesotho (UNDP: $2.5 million), and planned support to nature-based tourism (AfDB: $11.4 million). Both

are counted here as associated financing, in addition to the Lesotho government contribution ($1.1 million). In RSA, the counterpart contribution is estimated as $ 16.8m. Most of this represents expenditure for nature conservation by KZNNCS.

2. Key performance indicators: (see Annex 1)

(i) Globally significant biodiversity maintained and enhanced through protection for key habitats and indicator species.

(ii) Expanded protected areas system in place with adequate buffer zones and community involvement.

(iii) Sehlabathebe National Park in Lesotho formally established and conservation management and development plan agreed and under implementation;

(iv) Community initiatives in nature-based conservation financially viable and benefit transfers working;

(v) Joint declaration by the Government of Lesotho and South Africa of a transfrontier conservation area incorporating Sehlabathebe National Park, the uKhahlamba-Drakensberg Park, and additional areas as appropriate.

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project: (see Annex 1)

Document number: RSA 18995 **Date of latest CAS discussion:** 03/01/99

The primary objective of the Bank's assistance to South Africa is to help reduce the apartheid legacy of poverty and inequality. This work is guided by three subsidiary objectives: (i) promoting growth and higher employment; (ii) social and environmental sustainability; and (iii) regional development. The project will contribute to the first by helping to capture the economic potential of nature-based tourism, thereby creating jobs of which many will require little formal schooling. Through active involvement of local communities, it will also contribute to break down traditional barriers of inequality and exclusion. The link to the second objective is obvious, in that environmental sustainability rests on the wise utilization of natural resources. As one of the most biodiversity-rich countries on earth, South Africa also has a global contribution to make in this respect. The project will contribute to the third CAS objective by furthering collaboration between Lesotho and South Africa in the field of nature conservation and tourism. It will engender positive collaboration between the two countries; enable shared learning and facilitate the process of harvesting joint opportunities, e.g. by creating a regional tourism destination.

Document number: LSO 17751 **Date of latest CAS discussion:** 06/04/98

The primary objective of the Bank's assistance to Lesotho is to support Government's strategy of poverty reduction and its efforts to sustain macroeconomic performance through greater integration into the sub-regional economy. In this context, the Bank will support "a comprehensive approach to the natural resource environment". This project will contribute to the overarching objective on furthering sub-regional integration thanks to its transfrontier nature. Collaboration with South Africa will offer Lesotho access to a great deal of experience in protected areas management. With better access to the Maloti mountain from the South African side, enhanced management and joint marketing, it should be possible for Lesotho to tap into the

considerable tourism flows already available on the other side of the frontier. The project will also address the explicit CAS objective to "ensure conservation of natural resource and protection of the environment".

1a. Global Operational strategy/Program objective addressed by the project:

The project is consistent with the GEF Operational Strategy for Biodiversity Conservation and specifically with O.P.4 (Mountain Ecosystems). Consistent with this program, the project will address conservation and sustainable use in a transfrontier mountain ecosystem in southern Africa, which is under increasing human pressure and imminent threat of degradation. The Drakensberg highlands are a transfrontier area of high biodiversity and cultural value along the borders of Lesotho and KwaZulu Natal, Eastern Cape and the Free State, South Africa. This area lies within one of the 200 Global Ecoregions proposed by World Wide Fund for Nature (WWF); it has been designated as an Afromontane Regional Center of Endemism. The uKhahlamba-Drakensberg Park has been listed as a Wetland of International Importance under the Ramsar Convention, and a substantial part of the project area is proposed as a UNESCO World Heritage Site and Peace Park.

The project is consistent with COP guidance in that it seeks to encourage conservation and sustainable use of threatened habitats and endemic species within a vulnerable montane ecosystem. It responds to COP3 and COP4 guidance through capacity building for sustainable rangeland management. It fosters the ecosystem approach by promoting improved management and sustainable use across national boundaries and an altitudinal gradient of montane habitats under different management regimes, from protected areas to community rangelands. The project further responds to COP4 guidance by promoting incentive measures and community involvement in biodiversity management specifically to attain conservation objectives. It is expected that conservation co-management initiatives developed for the project area will prove relevant to other protected areas and community lands elsewhere. The project will support new and innovative institutional measures to promote regional cooperation and exchange of expertise and to encourage sustainable livelihoods consistent with both biodiversity conservation and poverty alleviation with a particular emphasis on sustainable tourism. By building capacity for community conservation programs and alternative livelihoods based on nature-related tourism the project promotes more equitable sharing of benefits derived from biodiversity conservation and sustainable use.

2. Main sector issues and Government strategy:

A. Lesotho

The project is firmly grounded in major policy and strategy documents of the Government of Lesotho. Lesotho ratified the Convention on Biological Diversity on January 10, 1995. The *National Environmental Action Plan* completed in 1989 states that the most widespread environmental problems are related to overstocking of rangelands. Hence, the NEAP proposed the development of grazing associations, enforcement of grazing regulations and the introduction of grazing fees. Implementation of the NEAP has been very slow, and it was only in 1994 that a small National Environmental Secretariat (NES) was instituted.

With support from UNDP, NES developed a National *Action Plan to Implement Agenda 21* (1994). It lays out a set of strategies including: the use of "low cost, easy to use erosion and rangeland control measures" and the creation of "protected areas to save wildlife, and rare and endemic genetic material." This plan is currently under implementation by the Ministry of Environment, Gender & Youth Affairs (MEGYA).

The *National Environmental Policy* of Lesotho in 1996 promotes sustainable management of natural resources and advocates "broad-based participation of communities in the development and management of public land and village commons". It also notes the need to "collaborate with neighboring countries in the conservation of biological diversity with programs of tourism, water, transport and other sectoral development."

A *National Strategy on Lesotho's Biological Diversity: Conservation and Sustainable Use* (1999) is also available. This document specially identifies the need to "Improve conservation of the Maloti-Drakensberg Ecosystem and reduce over-utilization of the range". Furthermore, it discusses the need to "Create transfrontier linkages in protected areas to ensure that biodiversity-rich ecosystems and habitat are not neglected or over-exploited". It proposes the creation of a transfrontier peace park.

The *National Livestock and Range Management Policy* in 1996 established the overall goal "to achieve greater self-reliance and increased incomes for livestock owners while protecting and regenerating the underlying natural resource environment and resource base." To achieve this goal, the strategy defines a large set of measures, including: the elimination of transhumance from the lowlands to the mountains; adjudication of grazing rights within cattle posts; training of livestock owners in sustainable use of natural resources; creation of Grazing Associations. To address the problem of degraded rangelands, six Range Management Areas (RMAs) have been established covering a total of some 200,000 hectares (which represent about one tenth of the grasslands in the country). The achievements of RMAs include improvement in range conditions, the quality of animals, empowerment of range users in rangeland management. This project will work with the Range Management Division of the Ministry of Agriculture, to manage grazing in areas of importance for biodiversity conservation.

The *Environment Bill (1998)* recently received Cabinet approval. It is scheduled to go before Parliament in the next couple of months. Once the Bill is passed, it will provide a legal foundation for Environmental Assessment in Lesotho, as discussed further below.

Tourism in Lesotho

In 1994, a consultant report, commissioned by the European Union, outlined a comprehensive Tourism Development Plan for the Kingdom of Lesotho which was submitted to the Ministry of Tourism, Sports and Culture but little of the plan has been implemented. The national tourism bodies are small and poorly financed, and the tourism functions of central government are fragmented. The private business sector is particularly weak in tourism and facilities and services are poor. Overall tourism numbers are low, reaching a peak of 416,882 arrivals in 1992. Most visitors are South African and there are very small numbers of non-African international visitors. This is in stark contrast to the explosive development of South African tourism, including the Drakensberg area, which receives approximately 300,000 per year.

Documented problems reveal that in Lesotho the entire legal structure surrounding business development, property law, insurance regulation, conflict resolution, loan guarantees and tourism regulation must be upgraded if the private sector is to be enticed to fully contribute to tourism in Lesotho. Such legal restructuring is being considered and a proposed AfDB project will make a major contribution to tourism policy and implementation, particularly in the Lesotho Highlands Water Project (LHWP) areas. The Maloti-Drakensberg Conservation project will promote development of nature-based tourism in the Maloti range and provide new alternative livelihood opportunities for local communities based on biodiversity conservation.

The Ministry of Tourism has decided to elaborate a national tourism policy. This is seen as a necessary precursor to the passing of the Tourism Development and Incentives 2000 Bill. The Bill provides for the establishment of the Lesotho Development Corporation as a body corporate. All income to the Corporation is applied to the promotion of tourism, with no dividend paid to the shareholder (GoL). The Lesotho Tourist Board will be abolished once the Bill is passed. It also allows for the designation of specific areas for tourism development, where land can be sub-let to entrepreneurs. The Bill provides the legal basis for incentives to the tourism sector.

The planned AfDB-supported Lesotho Highlands Ecotourism Project (LHETP) will bring considerable resources to national level tourism development, as well as specifically to the LHDA project areas. These are distinct from the areas where the current project plans its activities. (Additional details on tourism are provided in annex 14).

B. South Africa

South Africa ratified the Convention on Biological Diversity on November 2, 1995. The *White Paper on Environmental Management Policy* (Department of Environmental Affairs and Tourism, DEA&T, 1997) sets out the vision, principles, strategy goals and objectives and regulatory approach that the government will use for environmental management. It defines a large set of priority areas, including the need to ensure sustainable land utilization, conserve biodiversity, ensure sustainable tourism, and develop integrated coastal-zone management. The White Paper gives a clear indication of the importance of tourism for job creation and economic growth, but emphasizes that realizing the potential for tourism development will depend largely on ensuring that development is environmentally sustainable and does not degrade the environment or reduce biodiversity.

The *White paper on the Conservation and Sustainable Use of South Africa's Biological Diversity* (DEA&T, 1997) presents the following goals:

- conserve South Africa's biodiversity;
- use its biological resources sustainably;
- ensure that benefits derived from its genetic resources serve national interests;
- build human capacity to manage its biodiversity;
- create conducive conditions and incentives for biodiversity conservation;
- promote biodiversity conservation at the international level.

Root causes of biodiversity loss include rapid population growth, agricultural and human habitation expansion into areas of biodiversity significance, soil erosion and the spread of alien invading species that suppress the indigenous vegetation and its related fauna. It is recognized that unless ways are found for local communities to benefit from nature conservation, these trends are likely to continue at an accelerated pace in the future. This project builds on that ambition by expanding biodiversity conservation into community lands through linkages with improved range management and community income generation linked to biodiversity conservation.

South Africa has seen a major expansion in its tourism volume in the last decade to become the number one destination in Africa. Since 1994 the South African foreign-tourist arrivals have expanded at a compounded rate of 20.5% per annum. In 1997 there were 5.5 million tourist arrivals in South Africa, providing receipts of US $2.297 billion. This growth is expected to continue. The volume of domestic tourism in South Africa is twice the size of foreign tourism, and 60% of all foreign tourists to South Africa visit a game reserve or national park, revealing the very important element that parks and game reserves play. The province of KwaZulu-Natal is the most popular domestic holiday destination and the KwaZulu-Natal protected areas support a

mature nature-based tourism industry. This market creates an opportunity to combine biodiversity conservation with economic upliftment of local communities. (Additional details on tourism are provided in annex 14).

Transfrontier Collaboration in Nature Conservation

A formal Memorandum of Understanding, signed September 1, 1998 by the Principal Secretary of the Ministry of Environment, Gender and Youth Affairs (Lesotho) and the Chairman of the KwaZulu Natal Nature Conservation Board (RSA) provides the platform for the *preparation* phase of this project. Both parties formally pledge support for the preparation of a project proposal to create the Maloti-Drakensberg Transfrontier Conservation and Development Area.

For the *implementation* phase, a wider MoU between the two *countries* is more appropriate. This has been agreed as a condition of effectiveness, and a draft is already under consideration. Lesotho in particular has much to gain from a transfrontier project. South Africa already has an advanced system for Protected Area management, and has successfully developed nature-based tourism in border areas with about 300,000 visitors per year. Through enhanced planning and the development of sustainable financing, this effort can be consolidated and applied to adjacent areas in RSA where the policies of the previous government resulted in extensive damage to the resource base and threats to biodiversity. A well-managed transfrontier conservation area will stimulate further investment in tourism in both countries. If only a fraction of these visitors' flows could be encouraged to cross the border and utilize facilities there, the local economic impact could be considerable.

A framework for transfrontier cooperation is already in place through the Southern African Development Community (SADC) environment and wildlife sectors. The SADC coordination Unit for Environment is based in MEGYA. It has been consulted in the preparation process, and expressed support for the project concept.

In addition, the non-governmental Peace Parks Foundation, which has amongst its patrons, President Mandela of South Africa and King Letsie III of Lesotho, has included the Drakensberg-Maloti Transfrontier Conservation and Development Area as one of seven key Peace Park initiatives in the SADC region.

3. Sector issues to be addressed by the project and strategic choices:

Both countries have somewhat similar problems, but there are also pronounced differences in capacity and the development of major sectors such as tourism. The main issues in **Lesotho** are (i) grazing pressure on rangelands containing globally significant biodiversity, (ii) lack of a protected areas system, (iii) lack of conservation management capacity, and (iv) poor utilization of the potential for nature-based tourism.

Lesotho's Biodiversity Strategy identifies the need to manage biodiversity within the context of range management. The project will build on the experience of creating Range Management Areas with their associated Grazing Associations to limit overgrazing and create alternative sources of livelihood through nature-based tourism. The project will also support institution and capacity building measures in Lesotho to safeguard the efficient management of conservation areas. This entails further support for the establishment of community conservation forums at the local level, and for the establishment of a financially viable and properly staffed and equipped conservation agency.

A strategic issue to be addressed is the degree of involvement of the public sector in nature-based tourism facility establishment and management. The World Bank is currently supporting a more

active private sector involvement, and this includes tourism establishments. In this spirit, the role of the public sector in tourism development will be limited to matters of policy, legislation, and supportive infrastructure. The project will work with tourism staff in the public and private sector to implement policy reforms already suggested by previous sector work. Strong conditionality upfront would only serve to stall the process, but the project will support the efforts of GoL and interested donors to undertake appropriate reforms to stimulate private sector investment in tourism.

In **South Africa**, tourism (both national and international) is well developed, much of it focused on national parks, but nature conservation has traditionally been the domain of a relatively privileged elite. This has left a legacy of distrust between local communities and conservation agencies, which are now in the process of being addressed. Nature conservation services throughout South Africa are keenly aware of the need to enhance community relations in order to make nature conservation a mandate with broad popular support.

KZNNCS has initiated a program of community conservation, including a neighbor relations policy, community conservation trust and levy, and associated programs. This policy has progressed far beyond the Board's former approach of providing neighbors on an ad-hoc basis with natural resources such as wood and thatch, harvested in protected areas. Today the policy aims to develop joint participation in conservation programs and shared responsibility between the Service and community which lives adjacent to protected areas. Liaison forums have been created to discuss boundary and land issues, resolve problem animal issues, provide controlled access to protected areas, and to formalize mutual commitments. KZNNCS also gives preference to local communities in employment, seeks to involve local entrepreneurs, helps develop wildlife areas around the protected areas, conducts awareness raising activities, and has a staff-training program for neighbor relations' projects.

The KwaZulu-Natal Nature Conservation Management Act now makes specific provision for the establishment of Local Boards for protected areas, giving communities a statutory role in protected area management. This concept is relatively new, local boards are in the process of being established and the project provides an opportunity to implement this innovative approach. In addition, a community trust and levy has been established, where all visitors making use of the protected areas in KZN contribute. During the past year approximately $0.6 million has been raised, and the issue now is to ensure the equitable allocation of these funds. The local board structure is an essential component of this. The project will strengthen these efforts in KwaZulu-Natal, Eastern Cape and the Free State, and promote community initiatives to find suitable ways of utilizing natural resources, while alleviating chronic unemployment problems.

C. Project Description Summary

1. Project components (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The context of the project is a long-term collaborative initiative between South Africa and the Kingdom of Lesotho to protect the exceptional biodiversity of the Drakensberg and Maloti mountains through conservation, sustainable resource use, and land-use and development planning. The project will focus on the Maloti-Drakensberg Mountains, which is situated along the 300 km eastern boundary of the Kingdom of Lesotho with the Republic of South Africa. Three South African provinces are affected. The western part of the KwaZulu-Natal province forms the major area, but there are extensions into the Eastern Cape province to the south and the Free State province to the north. The Golden Gate Highlands National Park, managed by South African National Parks (SANP) also falls within the area. The total area covered in the initial

project preparation studies is more than 13,000 km2. Gradual delimitation of this vast area has progressed during preparation, as specified below.

The GEF project has eight inter-related components that together serve to conserve globally significant biodiversity, and to develop opportunities for nature-based tourism in the area. These components serve to complement activities in Lesotho funded by UNDP ($2.5 million; ongoing) and AfDB (approximately $11 million; planned), and significant domestic contributions in RSA. Capacity building is a theme that runs through the entire project components in an integrated manner.

The components are *phased* to provide for logical sequencing of tasks, and to allow for basic management through the PCU to be established before actual implementation starts. It is of particular importance that financial management and procurement staff are in place early to handle the processing of financial flows and orders. The phasing of staffing is set to allow for proper time for recruitment in a competitive and transparent manner. Implementation of community-level investments will be preceded by extensive consultation. The legal basis for Sehlabathebe National Park, and recruitment of key staff will be attended to before any on-site investment there is launched.

Component 1. Project management and transfrontier cooperation

The transfrontier nature of this project requires strong regional coordination mechanisms to support an ecosystem management approach in the Maloti-Drakensberg area. A bilateral Steering Committee was established to guide project preparation and will continue to provide guidance to the project. The project will provide the incremental costs associated with transfrontier consultation, cooperation and management through financing for (i) a bilateral collaboration forum (Steering Committee, SC), (ii) national Project Coordination Committees, PCCs, (iii) coordination offices in RSA and Lesotho with full-time coordination, financial management and procurement staff (PCUs), (iv) joint technical working groups to develop and implement action plans to focus on topics and issues of common interest (v) joint workshops to present results and achieve consensus work plans, (vi) communication linkages, including a GIS-based Knowledge Management system served by trained staff, and (vii) joint management activities related to fire protection, rescue service, staff training and nature-based tourism such as marketing, booking and visitor planning. A bilateral MoU, a condition of project effectiveness, will define the parameters for transfrontier cooperation.

The project will provide resources for meetings and activities led by domestic coordination committees within each country, ensuring wide stakeholder representation of all stakeholder groups within the project area on management decisions related to protected areas and community lands within the broader ecosystem. This component will also support an extensive communication program using Internet, radio and newsletters, and community outreach will ensure that stakeholders are informed and involved in project activities.

This component will also address monitoring and evaluation of project progress against key performance indicators through a six-monthly review of results, and involving the PCUs and Steering Committee.

GEF contribution: $2.64 m. Co-financing: $0.49 m.

Component 2. Conservation planning

The preparatory studies generated extensive documentation and data regarding resources in the study area, including physical, biological, social and economic resources and uses. The project concept is for a transfrontier conservation and development area, which needs to be planned and zoned to ensure that areas of global and national biodiversity importance are protected and managed appropriately. This requires that a vision and strategy are prepared following further stakeholder consultation and with the involvement of the relevant authorities on both sides of the border. Conceptual proposals for compatible land-use zonation derived in the preparatory phase need to be negotiated and action plans prepared for implementation. This implies conservation planning at the landscape level, and is designed to be facilitated by appropriate professionals, and with the full involvement of the staff of the respective ministries and departments in both countries. At this scale, there is also a need to harmonize, to the greatest degree possible, the approaches and activities of the five nature conservation management agencies which have a responsibility in parts of the area, namely the Conservation Division of the Lesotho Ministry of Agriculture, South African National Parks, the KwaZulu-Natal Nature Conservation Service, Eastern Cape and Free State Departments of Environmental Affairs and Tourism.

Deficiencies in data, particularly for biodiversity, were identified in preparation, and these will be addressed by focused data collection and further analysis to confirm priority areas. A participatory biodiversity monitoring system will also be designed to ensure that data on trends can be derived for areas across the landscape. Habitat and species data collected under the assessments will provide the baseline for monitoring activities to determine project impact. Field assistants recruited from local communities will also be trained to assist in surveying as a precursor to ongoing monitoring of key components. A core professional support team for biodiversity conservation will be assembled in this component. The project interventions will support the current process whereby posts for specialized functions are being established and filled, especially within the Conservation Division of the Ministry of Agriculture in Lesotho, and will complement the competent but thinly stretched staff in the South African agencies. By building a solid foundation, it will be possible for these agencies to maintain effectiveness beyond the project lifetime, including, in some cases the continuation of employment of specialist staff, for which provision is being made in future planning.

GEF: $1.40 m. Co-financing: $0.50 m.

Component 3. Protected area planning

There are two sets of areas where further detailed planning is required, namely existing protected areas and proposed conservation areas. Planning is carried out in a number of phases, beginning with the overall development and zonation plans for each area, then preparing detailed management programs and finally addressing business planning and sustainability. These phases are described in more detail under each sub-component below. Further detail is provided in annex 2.

Sub-component 3.1. Protected area development planning and zonation

The nature conservation management agencies have been unable to obtain the resources, particularly of manpower, to complete overall detailed conservation development plans for protected areas. In the uKhahlamba-Drakensberg Park, the assignment of nature conservation management to the provinces enabled the consolidation of several separately proclaimed and managed protected areas and state forest nature reserves and wilderness areas into a single entity. Management was rationalized accordingly, but a long-outstanding component has been an overall

concept development and zonation plan for the park, which would ensure that protected area development takes place in an orderly way, that management infrastructure is correctly placed, and to provide a basis for the elaboration of management programs.

In other parts of the study area, there are existing protected areas where no overall development planning and zonation has been conducted, and where there are insufficient skilled staff in the nature conservation agencies to address the deficit. These include Ongeluksnek and Ntsikeni in the Eastern Cape and Sterkfontein Nature Reserve in the Free State. The conceptual development plan for Sehlabathebe requires revision.

Sub-component 3.2 Protected area management planning

The preparation and continual update of protected area management plans is an essential component to guide the operational management of protected areas in an adaptive way. The protected area management team including the specialist input of an ecologist and other professionals usually undertakes this exercise. It is designed to determine the priority management programs for the effective management of the resource and the activities that occur there, and encompasses:

- Management to conserve biodiversity
- Community conservation programs
- Visitor facilities management
- Protected area administration (security, infrastructure, communications etc.)
- Research and information

Objectives are determined for each within the policy framework and zonation established in 3.1 above, management options are detailed and discussed, action plans for implementation are developed, monitoring programs are devised and implemented and essential research is conducted. This allows the management team to implement management programs in pursuit of the protected area objectives and vision. Once the first version of the management plan is in place, it is the management team that will implement and adaptively develop the plan further. The preparatory work for developing this project concept document identified several deficiencies in the existing plans. New areas which are being developed together with communities will require a facilitated planning processes, once the earlier consultations have been conducted.

Sub-component 3.3 Protected area business planning

Nature conservation management agencies have traditionally managed areas on the basis of budgets derived from government subsidies. Whereas, it is likely that subsidies will continue to provide core funding for biodiversity management, there is an increasing requirement to develop alternative sources of conservation funding, preferably through the sustainable use of the resource base and the leverage of funds in other ways. It is therefore essential that business plans be prepared for each managed area. Business plans also encompass the human resources and organizational systems that need to be in place to ensure effective management. Areas of interest for this activity include the need to optimize the returns from the use of the resource base e.g. by tourists, to make contributions to both biodiversity management and community development.

A key strategy adopted in KwaZulu-Natal has been to ensure that nature-based tourism generates sufficient revenues for this, but this has also required the development of appropriate business models to incorporate private sector investment and community equity in developments based in or adjacent to protected areas. The business-planning component of the project activities will investigate all possible options for sustainable financing, and provide a basis for the effective

management of these resources to meet performance targets. In the context of new protected areas, it will also be necessary to demonstrate that the option of conservation/nature-based tourism will generate greater benefits than the current subsistence land-uses.

The planning will be conducted by the core biodiversity conservation support team (Component 2) together with a core planning support team established under this component, and with the assistance of the social ecologists, community extension workers and facilitators (see Component 6).

GEF: $1.35 m. Co-financing: $0.50 m.

Component 4. Conservation management in existing PAs

Components 4 and 5 address many of the same management issues, but with a major difference in context, which has justified their presentation in two components. Major threats to mountain biodiversity include alien plant infestations, historical soil erosion, inappropriate fire management regimes, inadequate security, over-grazing, poor waste management and poor management of cultural resources. In the existing protected areas there is need to develop strategies for effectively intervening and addressing continuing threats and residual impacts. In the areas that have yet to be developed as protected areas, a phased approach will be taken with active management interventions preceded by extensive consultation.

In South Africa, the primary focus will be on the design and implementation of an alien invading species control program, which will build on the successful Working for Water model already applied in some parts of the study area. The hallmarks of this approach are the employment and capacity-building of local communities and the development of entrepreneurial opportunities using the materials that result from the clearing. This component will also support the (incremental costs) of rehabilitation and maintenance of management roads, paths and tracks through conserved areas to minimize damage due to historical damage and poorly maintained infrastructure. In some protected areas, there is a need to devise and implement an appropriate fire management regime, improve wildlife security programs including the training and equipping of field rangers, improve the management of large herbivores and address concerns with priority species, e.g. oribi and sungazer lizards which are threatened.

The major focus for activity in Lesotho concerns Sehlabathebe National Park. This includes the construction of a new office building, a new nature interpretation facility, a dormitory for school groups, upgrading of skills among its staff, the employment of a resident ecologist, improvement of administrative, communication and power facilities, implementation of a fire management program, upgrading of fencing, and acquiring necessary vehicles for park management. Virtually every aspect of protected area management will require the development or transfer of strategy and capacity to achieve effectiveness.

GEF: $3.28 m. Co-financing: $14.90 m.

Component 5. Conservation management outside of existing PAs

Focusing on important areas identified under preparation, the project will work with community conservation forums to understand concerns and problems, and to devise appropriate management solutions to conserve biodiversity and promote sustainable use. The management techniques will draw strongly on strategies devised under Component 4, but will be tailored to the context of open access range management and the specific community context in each area. Of primary concern is the issue of overgrazing. Conditions for sustainable livestock management in

conservation areas will be determined jointly with local communities. The approach to be applied draws heavily on the experience gained in the LHDA Contract 604 situation, where community conservation forums were established to define problems and seek solutions in defined areas under their jurisdiction. Support will be forthcoming from the Divisions of Land-Use Planning and Range Management in Lesotho, and it has been suggested by the Lands, Survey and Physical Planning Unit, that these areas are declared as Planning Areas. Although this is a modest approach to be introduced in fairly small and well-defined areas, it will provide valuable lessons to all stakeholders regarding its applicability in other areas of the range. Within new community conservation areas, the community conservation program will draw on local expertise and employment to build capacity to implement similar conservation measures to those envisaged in Component 4, but focusing mainly on range management and the rationalization and rehabilitation of eroded tracks and paths. In KwaZulu-Natal, in addition to range management, substantial effort will be placed on the eradication of alien plants in the Upper Thukela area.

Cultural heritage management is a part of this component. The project will provide incremental financing to develop teaching materials and displays, restoration of sites and selective development to attract visitors, staff training and community education related to cultural heritage, particularly rock art. This will build on or replicate experience in RSA e.g. the pioneering work done by Bergwatch (an NGO) in the Mnweni area.

GEF: $1.47 m. Co-financing: $0.20 m.

Component 6. Community involvement

The activities in Components 2 to 5 above have emphasized the need for extensive participation and involvement of local communities. This cannot, however be achieved in an ad-hoc way, since process of participation must be built on trust, confidence and an enduring institutional framework. The analysis of stakeholders within the project area has reinforced earlier findings of a complex socio-economic context. Contemporary approaches to participatory learning and action suggest that enhanced natural resource management involves the community at all levels and stages.

Building on the highly successful community conservation programs in KwaZulu-Natal and around the Golden Gate Highlands National Park, the proposed activities will expand these programs into new areas in RSA and in the focal areas of Lesotho. These community conservation programs will promote conservation extension and alternative livelihoods consistent with biodiversity conservation objectives. The project will support staff and equipment needs for community conservation units in each country, coordinated by a professional social ecologist with a support team of conservation extension staff. At the local level the project will encourage partnership fora and employ and train community facilitators to work with local communities. Targeted training will be offered to develop skills related to conservation and cultural and nature-based tourism. Possible areas for support include the establishment of pony trekking stations, training local guides for nature and cultural heritage (e.g. rock art) interpretation services, training in basket weaving, pottery and other craft production and marketing advice, and propagation and sale of medicinal and ornamental plants.

Community conservation programs will serve as an entry point for communication, conflict resolution and development programs, and build and maintain trust between communities and conservation agencies. The long-term nature of this program will demand that there is continuity following project implementation. MEGYA has created capacity for community outreach that could be expanded over the project period to pick up some of these functions. In KwaZulu-Natal,

there is commitment to support and expand community conservation program, and to seek further co-financing.

GEF: $3.05 m. Co-financing: $0.45 m.

Component 7. Nature-based Tourism Development

As discussed in detail in annex 14, nature-based tourism is already a thriving business lead by the private sector in South Africa. In Lesotho, the private sector is still weak in this respect, and poorly supported by the legislative and policy environment. However, changes are imminent, as a new Tourism Policy will soon be prepared in Lesotho, and new legislation has already been drafted. The African Development Bank (AfDB) is preparing a sizable operation in support of tourism development in Lesotho, and the current project has carefully steered clear of any duplication of effort. Hence, the focus will be very much on **community-focused** capacity building. The role of the private sector will be one of supplying managerial know-how, marketing skills, and modest amounts of capital for tourism investment. The project will facilitate such partnerships between the private sector and communities.

While the actual investment in tourism facilities will almost entirely be left to the private sector, there is a legitimate role for the public sector, supported by this project. The project will provide incremental financing for planning for visitor management and sustainable tourism development in connection with areas of particular interest from a biodiversity perspective, as well as providing training for agency staff and local community members in marketing and service skills to promote community ecotourism initiatives. Specific components of this component are a sizable training program directed to community leaders and emerging entrepreneurs in order for local talent to adequately capture commercial opportunities through small-scale enterprises.

An important component especially in South Africa initially, will be the development of models and capacity to support the involvement of local communities in tourism developments associated with existing protected areas and proposed community conservation areas. In both countries this activity will build on experience from KwaZulu-Natal where the use of community tourism levies on visitors to protected areas is generating sufficient funds for communities to invest in equity in planned tourism developments in the uKhahlamba-Drakensberg Park. This component will provide both direct employment opportunities and create an enhanced opportunity for the involvement of local communities in economic opportunities based biodiversity conservation. Private sector developers will also be encouraged to partner communities and the conservation agencies to build the necessary capacity. Entrepreneurs from the private sector have much to contribute to the training programs for communities that the project will sponsor. They can also serve as paid "mentors" for communities.

In Lesotho, there are already some emergent small hiking and pony-trekking businesses with the potential for expansion to incorporate a “transfrontier mountain hiking way” and which could involve many communities in the provision of overnight facilities and provision of food. These opportunities will be explored with the private sector operators and relevant communities. In the Golden Gate National Park, overnight hiking accommodation already generates revenues that match the use of similar land for grazing.

At a regional level, the project will support small incremental costs associated with development of regional tourism information, an awareness program for nature-based tourism.

GEF: $1.65 m. Co-financing: $0.31 m.+ significant AfDB associated financing

Component 8. Institutional development

Lesotho has identified the need to develop an effective nature conservation management agency to manage protected areas and nature conservation generally in the country. The expanded scope and intensity of conservation management at Sehlabathebe, the development of Ts'ehlanyane and Bokong nature reserves and the potential development of new protected areas in the future will place further demands on this capacity. Some fundamental issues need to be addressed, including the drafting of appropriate enabling legislation to create the new agency, and to define its functions and responsibilities. This sub-component is very limited, and will be implemented in close collaboration with the UNDP-funded conservation project to ensure synergy and absence of duplication of effort. At the local level, there will be a need to support the community conservation forums that have already been established.

In KwaZulu-Natal, the introduction of Local Boards for protected areas will require support, following the community consultation and negotiation envisaged under Component 6. In other areas in South Africa, there are emergent community forums that require support to develop in stature and involvement, perhaps along the lines of the KwaZulu-Natal model. The activities in this project will be largely confined to rationalizing some of the legislation, e.g. in the Eastern Cape, where several deficiencies were identified in the preparatory studies.

In both countries, there is a need to support the emergence of Local Boards representing communities around conservation areas (see components 4 and 5). At the local level, community conservation forums established in Lesotho will require further support and formalization. In KwaZulu-Natal, the initiation of the program to establish Local Boards for protected areas will be strengthened. Of primary concern is to establish the *modus operandi* for the local boards, and to build capacity in the nature conservation agency, in the appointed board members and in the community at large to contribute towards the compilation and monitoring of the implementation of the management plans for protected areas which is required by law.

GEF: $0.41 m. Co-financing: $0.54 m.

Note: Figures do not always add up due to rounding, but the totals are consistent.

Component	Sector	Indicative Costs (US$M)	% of Total	GEF financing (US$M)	Bank-financing (US$M)	% of Bank-financing
1. Project Management & Transfrontier		3.13	9.4	2.64	0.00	0.0
2. Conservation Planning		1.91	5.8	1.40	0.00	0.0
3. PA Management Planning		1.85	5.6	1.35	0.00	0.0
4. Conservation Management. PAs		18.18	54.8	3.28	0.00	0.0
5. Conservation Management. Ex-PAs		1.67	5.0	1.47	0.00	0.0
6. Community Involvement		3.50	10.6	3.05	0.00	0.0
7. Nature-based Tourism		1.96	5.9	1.65	0.00	0.0
8. Institutional Development		0.95	2.9	0.41	0.00	0.0
Total Project Costs		33.15	100.0	15.25	0.00	0.0
Total Financing Required		33.15	100.0	15.25	0.00	0.0

Further details on component activities and costs are contained in annex 4.

2. Key policy and institutional reforms supported by the project:

The long-term transfrontier collaboration needs to take on a more firmly agreed, legal basis, to provide a backbone to the implementation of this and possibly other projects related to the same area. A Memorandum of Understanding between RSA and Lesotho, acceptable to IDA, is a condition of effectiveness**.**

In RSA, the success of this project is not dependent on any significant change in policy or institutional arrangements. The basic legislation, policy and regulation for successful conservation and tourism development is already in place, particularly through the National Environmental Management Act, 1998.

The Lesotho Cabinet has recently passed the new Environment Bill, which will now go to Parliament. This will provide an adequate basis for the project in terms of environmental management. For the specific purpose of conservation management, there is a need for additional resources to establish an effective conservation management authority. This could be done in the form of a statutory body, probably linked to MEGYA as a semi-autonomous institution. This would allow the agency to generate and retain earnings from conservation management, with enhanced prospects of financial viability in the future. An institutional arrangement that is satisfactory to IDA is a mid-term review target.

Furthermore, the legal status of Sehlabathebe National Park needs to be formally confirmed. SNP came into existence in 1970 as a wildlife sanctuary and national park, by force of Government Notice No. 34, under the Game Preservation Proclamation No. 33 of 1951. The formal confirmation of its status as a National Park under the more recently promulgated National Parks Act of 1975 is required as a condition for effectiveness.

3. Benefits and target population:

The project will target local communities as major beneficiaries in both countries, and actively include them in the implementation. Land use in the project intervention areas will be enhanced through an adapted RMA approach that will increase local productivity on rangelands in defined areas of high biodiversity value.

Benefit transfer schemes will be designed, so that a part of the increased tourism revenue will flow to surrounding communities. They will also be assisted to better organize themselves to capitalize on the economic opportunities that ecotourism offers. Nature-based tourism development will benefit those directly employed in this diverse service industry as guides, hotel and restaurant employees, drivers, tourism agents, makers and vendors of crafts and so on. There will also be benefits for those indirectly engaged in supplying the tourism industry with its goods and equipment. In addition the project will provide training and opportunities for community entrepreneurs to become involved in developing small businesses related to biodiversity conservation such as ecotourism facilities and services, eradication of alien species etc., and methods of involving communities as direct shareholders in new tourism developments will be investigated and applied. The conservation of globally significant biodiversity will benefit everyone concerned with the preservation of the natural heritage, in line with GEF objectives. International and national visitors to the conserved areas will enjoy recreational and aesthetic use-values, while non-users will derive option and existence value from their conservation.

It is also foreseen that the project could generate insights into successful models of community-based nature conservation, which could be replicated in other projects, and hence benefit other

target communities. Adequate provision has been made in the budget for information and communication about the lessons from project implementation. The project will continue to operate a website through which progress reports, studies and contact details can be disseminated.

4. Institutional and implementation arrangements:

Both countries recognize the need to strengthen transfrontier cooperation with respect to the Maloti-Drakensberg area. A Memorandum of Understanding was signed on September 1, 1998 by the Principal Secretary of the Ministry of Environment, Gender and Youth Affairs (Lesotho) and the Chairman of the KwaZulu-Natal Nature Conservation Board (South Africa) for the *preparation* of the GEF Project. This structure has served to successfully test the ability to shape consensus-type solutions across the frontier.

Based on the experience of transfrontier management during the preparation phase, a Memorandum of Understanding is being discussed between the two countries formalizing their long-term cooperation efforts with respect to the area. Under the proposed MoU, a joint Steering Committee (SC) will be established for the purposes of serving as a forum for developing a combined programmatic and strategic vision for the area. In addition, the Steering Committee will promote policy discussions and issue recommendations concerning the biological conservation and development of the area, as well as coordinate programs, projects and initiatives. Hence, the current project will be one of several initiatives that the new bilateral structure can oversee. The project will lend further support through legal training, to further strengthen the legal basis for collaboration between the two countries.

The proposed composition of the SC includes:

(a) Lesotho: (i) Ministry of Environment, Gender and Youth Affairs (Chair); (ii) Ministry of Agriculture, Cooperatives and Land Reclamation (Conservation Division and Range Management Division); (iii) Ministry of Tourism, Sport and Culture; (iv) Ministry of Local Government; and (v) Ministry of Foreign Affairs. During appraisal, the Ministries of Development, Planning and Finance have also expressed interest in participating.

(b) South Africa: (i) the Department of Environmental Affairs and Tourism (Pretoria: Chair); (ii) KwaZulu-Natal Nature Conservation Service; (iii) Department of Foreign Affairs; (iv) Department of Economic Affairs, Environment and Tourism (Eastern Cape); and (v) Department of Environmental Affairs and Tourism (Free State).

Two Project Coordinators will assist the SC. They will serve as the secretaries of the SC, and have the overall responsibility for day-to-day implementation of the project in accordance with the Project Implementation Plan (PIP). Additional staff agreed upon are two Project Accountants, two Procurement Experts and support staff. Together, these will form two Project Coordination Units (PCUs). The Coordinators and Accountants will be in place as a condition of effectiveness to minimize delay in implementation.

Several institutions in both countries have mandates to manage biodiversity, protected areas and nature-based tourism. To be effective, the project must accommodate this diversity of institutions in an efficient framework. The agreed arrangement on the domestic level will be a Project Coordination Committee (PCC) in each of the two countries. While the representation at the SC level is expected to be at the top decision-making level, the PCC should attract technical level expertise. At that level, inclusion of NGO/CBO representatives will be appropriate, which will be further reinforced by the establishment of community-based conservation fora on a more local level. Draft TORs were agreed in principle at appraisal, while final agreement is a condition for effectiveness.

The PCUs will be overseen by Financial Management Committees (FMC) comprising professional financial management staff from the PCU and external expertise. The FMC will review quarterly Financial Statements, Project Progress Reports and Procurement Management Reports. A draft Financial Management Plans including terms of reference for the FMC were developed at appraisal. Finalization and agreement on these, and installation of adequate financial procedures, are conditions of effectiveness.

In **Lesotho**, the main implementing body will be the Ministry for Environment, Gender and Youth Affairs (MEGYA). The Ministry came about as a result of the amalgamation of the former National Environment Secretariat (NES), SADC-ELMS, Youth Affairs and the Department of Environment, Ministry of Natural Resources. NES was instituted in 1994 as a unit under the Prime Minister's Office. NES within MEGYA is headed by a Director and employs a staff of 31 and manages a budget of approximately $400,000 per year.

The Ministry of Agriculture (MoA) currently oversees Sehlabathebe National Park and other protected areas. Its staff is minimal: 2.5 posts at Headquarters and 12 in the field in Sehlabathebe. Capacity building will be necessary to ensure sustainable management of these and any new areas delineated in the transfrontier area. Under the overall guidance of MEGYA, the Conservation Division of MoA or its successor, will be responsible for managing that part of the grant destined for Sehlabathebe and related capacity building. The Division for Rangeland Management within the same Ministry has also contributed to the design of this project, and will be collaborating in the implementation of rangeland management initiatives.

The Ministry of Tourism will play a leading role in the Nature-based Tourism component of the project in Lesotho. Under the overall guidance of MEGYA, they will be responsible for implementing this component. Under the leadership of MEGYA, the implementing agencies in Lesotho will form a Project Coordination Committee Agreement (PCC). Agreement in principle on a national Project Coordination Committee and draft TORs was achieved at appraisal.

In **South Africa**, the main implementing institution will be the provincial KwaZulu-Natal Nature Conservation Service (KZNNCS). Its role is defined in Act No. 9 of 1997: "The primary function of the Conservation Service is nature conservation inside and outside protected areas" under the guidance of a Board, appointed by the Minister responsible for environmental matters in the province of KwaZulu-Natal". The KZNNCS is the successor in title to the Natal Parks Board and the KwaZulu-Natal Directorate of Nature Conservation. The KZNNCS has a staff of approximately 4,200 and a budget of approximately R250 million ($42 million) for the current year. The KZNNCS is responsible for nature conservation throughout the province, on state, private and communal lands and directly manages 110 protected areas, with a total area of 796 km^2 KZNNCS will implement the project under a management contract with DEA&T (Pretoria). A draft version will be considered at negotiations, and a final version is a condition of effectiveness.

Parts of the project will be implemented by the corresponding nature conservation services in the Free State and the Eastern Cape Province and SANP for the Golden Gate Highlands National Park. The nature conservation service in the Free State is officially named Department of Environmental Affairs and Tourism (DEA&T). It was established by the ordinance #8 of 1969 by FS Provincial Government. The mandate was derived from the constitution. DEA&T in the Free State has a staff of 590 and an annual budget of R50 million (approx. $8 million). The current protected areas within the project study area are the Sterkfontein Dam (18,000 ha) and the QwaQwa National Park (22,000 ha). In addition, 39,000 ha of tribal land conservation status is in the QwaQwa area.

The Eastern Cape Province nature conservation service falls under Eastern Cape Department of Economic Affairs, Environment and Tourism. It was established in 1974 by the Nature Conservation, Act 10, 1987, the Nature and Environmental Conservation Ordinance #19, 1974, and the Environmental Conservation Decree #9, 1992. It has a staff of 940 and an annual budget of R60 million (approx. $10 million). The current protected areas are the Ongeluks Nek Reserve, established in 1990 (11,756 ha), and the Ntsikeni Wildlife Reserve, established in 1950 and extended in 1977 (9,200 ha).

The South African National Parks (SANP) manages 16 parks covering 3.1 million hectares. In 1997/98 these sites catered to 1.5 million visitors. One of these, the Golden Gate National Park, falls within the project study area. SANP is currently a highly successful implementing agency of the Cape Peninsula Biodiversity Project.

Under the leadership of DEA&T (Pretoria), the implementing agencies in RSA will form a Project Coordination Committee (PCC). Agreement on draft TORs was achieved at appraisal. Definite TORs will be agreed at negotiations. The financial management and procurement arrangements will be subject to a detailed inter-provincial agreement that is under discussion. A final, agreed version of this is a condition of effectiveness.

D. Project Rationale

The project area contains biodiversity of global significance. The principal vegetation type is Austral Afro-alpine vegetation, which is floristically distinct from mountainous areas to the north. It is species rich, and the entire Maloti-Drakensberg area contains at least 2,153 plant species, 295 bird species, 60 mammal species, 49 species of reptiles and 26 species of amphibians. It is also distinct, with a high degree of plant, bird and invertebrate endemism estimated at 30% for plants.

This asset is under threat. In the baseline alternative, the pressure on these resources from livestock grazing, invading alien species, crop cultivation on steep slopes, uncontrolled burning, and human encroachment will continue to grow. The root causes behind this development are discussed further in annex 12. The potential for sustainable and economically beneficial use that this asset represents runs the risk of being squandered. GEF funding to cover the incremental cost is necessary to enhance coordination between the two countries, and to undertake the planning and management interventions required to secure prioritized conservation, community consultation and development cooperation to realize the ecotourism potential.

The project is consistent with the GEF Operational Strategy for Biodiversity, especially support for *in-situ* conservation and protected areas under the Operational Program for Mountain Ecosystems. The Drakensberg-Maloti Mountains form a distinct geological and biodiversity entity in the Austral Afro-Alpine region, and is likely to meet the criteria for listing as a World Heritage Site in terms of both natural and cultural criteria. RSA has already submitted a World Heritage nomination proposal for the Ukhahlamba-Drakensberg Park that the IUCN is currently evaluating.

The project is also consistent with Article 8 (in-situ conservation) of the Convention on Biological Diversity. It will provide support for the strengthened protection, management and extension of protected areas in a region of unique biodiversity and will promote the protection of ecosystems, natural habitats and maintenance of viable populations of species within, and beyond protected area boundaries.

Moreover, the GEF alternative will promote the objectives of Agenda 21: Chapter 13 Managing Fragile Ecosystems: Sustainable Mountain Development, by forging a common set of objectives and cooperative management of the mountain ecosystem by communities and landowners adjacent to the protected areas, and in the neighboring territory of Lesotho. The project promotes conservation, sustainable use and the more equitable sharing of the benefits of biodiversity with local communities. The project will also promote sustainable land-use practices in a region characterized not only by exceptional natural resource values including biodiversity and watershed value, but also by great fragility and susceptibility to land degradation.

The project will support and endorse transfrontier cooperation in Southern Africa, consistent with the importance given to sub-regional cooperation in the CAS for South Africa, and the restoration of social and economic stability in the sub-region. It will furthermore unlock the development potential of a region where many people are greatly in need, and where development opportunities are compatible with the sustainable development and use of the biodiversity resources within the transfrontier conservation and development area. It will avert the degradation, which occurs in the absence of comprehensive planning and development control, and maintain the outstanding universal value of this unique area for humanity.

1. Project alternatives considered and reasons for rejection:
It is acknowledged that projects confined to a single country are easier to manage than projects with a transfrontier character. Considerable transaction costs are added to the preparation of the project because two countries and their respective institutions have to agree on a common approach and set of activities. However, the essence of this project concept is to tie together a common ecosystem, and thereby capitalize on the considerable experience and human resource potential that South Africa has built up over decades of active nature conservation. The "twinning" of the two countries in joint management of this area will allow cost-effective, joint activities compatible with national sovereignty, and capacity building with a minimum of institutional boundaries to interfere.

It should be noted that a road component that was previously prepared for Lesotho has been taken out of the current project. Road construction for nature-based tourism and conservation is still vital, but it has been agreed that this component is best pursued as a part of the sizable sectoral program already in existence in Lesotho.

2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
Bank-financed			
Biodiversity Conservation	Cape Peninsula Biodiversity Conservation Project (RSA)	HS	HS
Biodiversity Conservation	Great Addo National Park (identified only) (RSA)		
Tourism Development Research	Nature Tourism's Contribution to Economic Development and Conservation Finance (RSA)		
Biodiversity Conservation	A cluster of MSPs have been prepared (RSA)		
Land Management watershed management, community-based conservation	Land Management Project Lesotho Highlands Water Project (LS)	S	S
Agriculture	Agriculture Policy & Capacity Building (LS)	U	U
Road Maintenance	Roads Rehabilitation and Maintenance Project (LS)	S	S
Poverty alleviation	Community Development Support Project (LS)		
Other development agencies			
EU	Drakensberg-Maloti Conservation Program (LS)		
UNDP	Conservation Mountain Biodiversity in Southern Lesotho		
African Development Bank	Lesotho Highlands Ecotourism Project (LHETP)		

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

3. Lessons learned and reflected in the project design:

The **Land Management Project (LMP)** in Lesotho was designed to develop local skills in the planning and management of nature resources through a participatory approach. The Credit became effective in December 1988, but the project was closed ahead of schedule in June, 1995. The project aimed to prepare and implement 47 Resource Management Plans to improve land management of both range and village lands in seven of the ten districts in Lesotho. The project fell far short of its expectations.

The ICR summarizes a set of lessons learned: the need for careful and detailed preparation; high training needs within Ministries and Councils; decision making at lowest appropriate levels; flexible project design. The current project has spent considerably more time in informing the public and relevant institutions, in gathering necessary information and will build on pilot

experiences to develop community conservation in RSA. There is a strong capacity building component for Lesotho institutions and communities, building in opportunities for training and exchange of expertise between Lesotho and RSA.

The LMP project is said to illustrate that changes in required legislation should be in place before negotiations or that a condition of Board presentation should be that parallel financing should be secured throughout project implementation. The current project requires only a minor change in legislation, which concerns the SNP. This could realistically be in place at the stage of effectiveness. Parallel financing from UNDP is already operational, but serves mainly to support geographically separate areas of conservation. This is also the case for the AfDB financing under preparation. Hence, the success of this project is not strictly tied to those efforts, but will be strengthened by these projects.

Conservation programs require a long-term time horizon. The current project stretches over five years, but aims to build sustainable structures that are financially viable through income-generating nature-based tourism, and substantial investments in training of staff and community members, and investment in planning and basic infrastructure over the long run. The ICR argues that project suspension or restructuring should be used more readily when project implementation problems drag on. This lesson can only apply in an implementation situation, and will have to be assessed if and when such problems occur.

The **Lesotho Highlands Water Project** (LHWP) has initiated community-based conservation schemes in four small areas in the watershed supplying the water for export to South Africa. This is the aspect of the LHWP that is of most direct relevance to the current initiative. A consulting company, Earthplan, manages the implementation of the conservation program. The preparation mission visited these sites and reviewed the experience so far. Progress in terms of community involvement, area and initial construction of tourism infrastructure is quite impressive. However, the Earthplan involvement and LHWP funding is scheduled to terminate during 2000. A new "institutional home" for the selected areas must be found. The LHETP project prepared by the African Development Bank will take on that challenge.

The **Agricultural Policy and Capacity Building Project** in Lesotho became effective only in July 1999 and it would therefore be premature to draw any major conclusions. It is noted, however, that domestic political turmoil and difficulties in donor coordination have delayed the project. Hence, such risks must be assessed and mitigated also in this project. However, no other donor funding is critical for successful implementation of the current project.

The EU-funded **Drakensberg-Maloti Conservation Program** in Lesotho is a preparatory study, undertaken primarily by two consultants (Team Leader and Community Development Specialist) working in Lesotho for a period of 18 months. The Team Leader of this program has been co-opted by the Steering Committee for the current project preparation, in order to ensure full collaboration. Progress reports are also shared on a continuous basis with this program. Major lessons so far are that it takes considerable time and care to develop good community relations. As detailed below, considerable time and resources have been invested already in the preparatory phase of this project to consult communities. Project design also allows for a strong emphasis on community involvement.

The UNDP-funded **Conserving Mountain Biodiversity in Southern Lesotho** has recently started. The long-term program objective is to ensure the conservation and sustainable utilization of unique alpine and montane landscapes in Lesotho. There are two immediate objectives. First, to establish a planned and rational network of small protected areas which adequately protects the full range of Lesotho's mountain biodiversity. Second, to create an environment supportive of

improved resource management systems such that the rate of biodiversity loss outside of formal PAs is reduced. About $1 million of the UNDP-GEF funds of the program are earmarked for PAs and related activities in the **southern** part of Lesotho, i.e. in an area that is separate from the one included in the study area of this project. The remaining approximately $1.5 million are set aside for the creation of a "supportive environment." This entails a policy review, economic valuation of biodiversity studies, support to RMAs, building of community capacity and institutional support to conservation. The program coordinator is based at MEGYA, and regularly attends the Steering Committee meeting for the current project. UNDP and its project staff have been consulted in the preparation of this project, and it is agreed that the two initiatives are complementary. The current project will focus on different geographical areas, and add a considerable transfrontier aspect which is virtually absent in the UNDP project. Recruitment of key staff has been slow in this project. Hence, the current project contains explicit conditionality with respect to early recruitment of key staff.

Lesotho Highlands Ecotourism Project (LHETP): This project is under preparation by the African Development Bank. The area of intervention coincides with Phase 1A and 1B of the LHDA. The objective of the project is to generate revenues at the grass roots level, for private enterprises as well as for the central government to alleviate poverty, while protecting the environment. The project is envisaged to contain four components (i) ecotourism development in the LHDA area, (ii) conservation and natural resource management, (iii) private sector development, and (iv) institutional strengthening The latter is particularly focused on LHDA, private sector interests, the Lesotho Tourist Board and the Ministry of Tourism. Total project cost is in the order of $11.4 million, with a five-year implementation period, starting mid-2000. LHDA is the proposed overall project executing and coordination agency. The proposed Steering Committee includes a representative of MEGYA. The clearly specified geographical and institutional focus of this project facilitates coordination with the current project. The project is expected to be appraised in February, 2000.

In South Africa, the **Cape Peninsula Biodiversity Conservation Project** has been under successful implementation since June 1998. It has pioneered the use of “emerging contractors” recruited from previously disadvantaged areas in Cape Town. The contractors have been given training in group leadership, accounting and management. Gradually, they have assumed a more independent role as competitive bidders for conservation activities. This model will be considered also in the current project. Technical methods for clearing of alien invading species may also be of use in the Maloti-Drakensberg area, as are also lessons learned from the Working for Water Project. The need for close attention to procurement training and management is a lesson that will impact the design of the current project.

A tourism study was launched in 1999 in South Africa: **Nature Tourism's Contribution to Economic Development and Conservation Finance.** The purpose of this research is to develop a general sectoral multi-market analytic framework that clarifies the principal direct and indirect linkages between the economic, environmental, social and policy variables involved in nature tourism. The model will respond to the three key issues, namely: (i) the sustainability of resource use, (ii) the relative benefits from and interactions among multiple users, and (iii) the roles of the public and private sectors in NT activities. Four types of empirical studies will be undertaken in close collaboration with the KwaZulu-Natal Nature Conservation Service and with the support of the KwaZulu-Natal Tourism Authority: (i) Demand studies; (ii) Producer survey; (iii) Ecological study: and Construction of the Social Accounting Matrix. The demand and supply analyses enable an assessment of how changes in policy variables result in changes in the various tourism product markets. These changes will be broken down by region (local, provincial and national). While results from this study will not be forthcoming in time to directly influence the preparation of the project, its results could influence the implementation.

4. Indications of borrower and recipient commitment and ownership:

The Drakensberg-Maloti Program was initiated in 1982 at the request of the Lesotho Government, as a collaborative effort between the two countries. Supervised by an Intergovernmental Liaison Committee, the program was largely funded by South Africa through the Natal Parks Board (now the KwaZulu-Natal Nature Conservation Service - KZNNCS). It continued until 1993 and entered a new phase with the advent of democratic government in South Africa. Since that time, the KZNNCS and the National Environment Secretariat (now within the Ministry of Environment, Gender & Youth Affairs, MEGYA) of Lesotho have been interacting with a range of role-players to maintain the initial momentum of the project, and to secure further funding for the work required.

This collaborative effort took an important step forward in a workshop held at Giants Castle in September 1997. This workshop gathered representatives from the Government of Lesotho, Natal Parks Board and other stakeholders to review the program of collaboration in this area, and its strategic direction. This resulted in a declaration from the participants to: (i) endorse the concept of a transfrontier conservation and development area; (ii) to recommend to the respective governments that they support the initiative; (iii) to establish a joint coordinating unit; and (iv) to seek the necessary funds.

The project concept has also been formally endorsed by the GEF Focal Point in Lesotho: Mr. Bore Motsamai, Permanent Secretary of MEGYA (October 16, 1998). The PCD submission to GEF was endorsed by the same focal point on February 1, 2000. The preparatory activities are supported by in-kind contributions (offices, staff time, and supplies) from MEGYA.

Similarly, the project concept has also been formally endorsed by the GEF Focal Point in South Africa: Dr. Francois Hanekom, Deputy Director-General of the Department of Environmental Affairs and Tourism (letter, November 3, 1998) and re-endorsed by Dr. Patrick Fitzgerald (letter, October 25, 1999), Director-General of DEA&T. The GEF submission of the PCD was endorsed by Dr. Olver on February 1, 2000. The preparatory activities are supported by in-kind contributions (offices, staff time, and supplies) and a considerable financial advance from KZNNCS to cover consultant studies necessary for the preparation of the project.

5. Value added of Bank and Global support in this project:

While there is commitment on both sides of the border, there is clearly a lack of financial resources to enable coordination and to undertake essential investment. The long-term sustainability of this area must rest on private and communal financial viability and sound public management supported by public revenue. To achieve a higher degree of protection of biodiversity, and to harness the ecotourism potential, a period of investment in managerial capacity, planning, and infrastructure is necessary.

In addition to funding, the Bank can offer its experience of similar projects elsewhere. A number of them have offered insight into adequate design and implementation of conservation objectives, in tandem with development efforts, all based on community participation.

Finally, the Bank's GEF-support serves to complement well the ongoing UNDP-sponsored GEF-activities in southern Lesotho, and the planned AfDB-financed support to nature-based tourism development.

E. Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

1. Economic (see Annex 4):

Incremental Cost NPV=US$ million; ERR = % (see Annex 4)
Other:

2. Financial (see Annex 5):
NPV=US$ million; FRR = % (see Annex 4)

The financial management capacity of relevant institutions has been assessed through a separate Financial Management Assessment Mission to both countries (October, 1999). Draft Financial Management Plans for both countries were elaborated at appraisal (January 2000). Agreement was reached in principle during appraisal on the proposed Financial Management Action Plan for Lesotho and its embedded conditions. Most importantly, MEGYA needs to install necessary financial management and procurement capacity to adequately implement the project.

In RSA, the Financial Management Mission observed that the financial management systems operated by the Offices of the National and Provincial Accountants General appear to produce meaningful interim and final financial statements on a timely basis. Internal control procedures appear to be good and are documented in a Financial Handbook. The Office of the Auditor General, a member of the International Organization of Supreme Audit Institutions (INTOSAI), is recognized as being a capable and independent Supreme Audit Institution (SAI). It is a well-respected Institution among members of the accountancy profession. The KZNNCS' financial management framework seems to be well established under competent leadership. It appears that either of the accounting systems reviewed is likely to provide a suitable basis for introducing a PMR Method of disbursement.

Fiscal Impact:

From a national budget perspective, the GEF grant does not entail any repayments, while the investments that it allows will generate modest tax revenues. However, the small enterprises that will most directly benefit from the project will not be significant contributor to the government's revenue stream. Some increased revenue will accrue from the sales tax levied on goods that increasing numbers of foreign visitors will buy. Of more importance to consider are the implications for the budgets of conservation agencies that will be responsible for maintaining the investments that the project will allow.

In Lesotho, the investment in works of about $1.4 million over five years primarily concerns rehabilitation of wetlands, paths and service roads that have degenerated due to past neglect, and some alien plant control (approx. $750 thousand in total). Based on rule of thumb of 3% annual maintenance cost, this implies a fiscal burden of about $20-25 thousand p.a. The other main component concerns Sehlabathebe National Park (SNP) and includes fencing, an environmental education center, upgraded staff accommodation, an entrance gate with reception and shop, and so forth. Based on a rule of thumb of 5% maintenance costs p.a., this implies a fiscal burden of about $30-35 thousand. Investment in goods such as cars, PCS, other office equipment, GIS, etc. amounts to about $450 thousand over the project's lifetime. At a rate of 5% it implies a budgetary burden of about $25 thousand p.a. for maintenance. Adding running expenses, of about $50 thousand p.a. gives a total of close to $75 thousand for maintenance and running of goods. The sum total for Lesotho for works and goods can thus be estimated to in the order of $130 thousand p.a. This should be compared to what Lesotho currently spends on conservation-related activities, i.e. about $220 thousand p.a.

Hence, four types of measures must be put in place to mitigate this burden (i) revenue-generating activities, and (ii) mobilizing new domestic resources, (iii) mobilizing new external

funding, and (iv) if necessary dismantle some of the investments. First, in terms of generation more revenue, it is apparent that the SNP represents a dormant asset that could bring considerable revenues. Assuming that the day visitor rate could be brought up to 20 per day by year 5, each paying $2 in entrance fee, and that the number of night visitors could be brought up to 10 per night on average, each paying $10, the revenue would amount to more than $50 thousand. Other conservation areas could also begin to generate revenue, albeit at a lower rate than SNP. Associated spending on crafts, local guides, horses for excursions, pack lunches and so on would go straight to communities, and have almost no fiscal impact.

Second, if only a fraction of the revenue pool available from the Highlands Water Project will be devoted to conservation purposes, the maintenance bill would be easily met. The annual royalty through this project is currently estimated to $40 million. The UNDP-project in support of nature conservation in Lesotho has identified the establishment of a royalty-based trust fund as one potential source of sustainable income for conservation purposes.

Third, the prospect of attracting additional donor funding appears promising. Many bilateral donors show a propensity to support environmental projects if a viable institutional basis can be demonstrated. The current project will equip Lesotho to with an enhanced absorptive capacity, and to market biodiversity-based activities more effectively to other donors in the future.

Finally, to the extent that increase revenue and existing resources would not suffice to maintain completely the investment, some of it would have to be shed. After 3-5 years, the vehicles would still have a second-hand value, as would some of the office equipment. In the Lesotho case, it may not be realistic to think that **all** staff and their equipment could be maintained after the project's closing, but the investment in planning and compensation for past neglect would still be worthwhile. The staff maintained during the investment phase will have left behind trained counterparts at the national and local level that will be able to carry on the work at lower cost.

For South Africa, the fiscal impact would be negligible. While the level of investment in works and goods through the project are similar in magnitude to those in Lesotho, the annual fiscal burden would be negligible in comparison to the more than $3 million that is already spent p.a. on co-financing activities, most of this in KwaZulu-Natal.

3. Technical:

Methods used for clearing of alien invading species used in the Working for Water Program and in the Cape Peninsula Biodiversity Project will be used as a point of departure for the alien clearing sub-component in this project.

4. Institutional:

4.1 Executing agencies:

In Lesotho, Ministries of Environment, Agriculture and Tourism will execute the project. In RSA, the KZNNCS in KwaZulu-Natal, DEA&T in the Free State, DEA&T in Eastern Cape, and SANP in the Golden National Gate Park are the executing agencies. Other ministries, especially the Departments of Agriculture in the three provinces will also be involved in project implementation, and overall leadership will be provided by the National Department of Environmental Affairs and Tourism.

4.2 Project management:

Overall coordination will be managed by the bilateral Steering Committee with high-level representatives from key institutions in each country. A technical level Project Coordination Committee (PCC) will oversee the domestic implementation. All executing agencies, as well as other key stakeholder institutions will be represented on the PCCs. The Project Coordinators will serve as the Secretaries of this Committee. The coordinators will be supported by adequate financial, procurement, and information management expertise, and secretarial services. Agreement in principle on its terms of reference was achieved at appraisal. A signed MoU between Lesotho and South Africa, acceptable to IDA, is a condition of effectiveness.

4.3 Procurement issues:

A procurement assessment was undertaken before appraisal. The results are summarized in annex 6.

4.4 Financial management issues:

A Financial Management Assessment was undertaken during project preparation. A Financial Management Plan was prepared for both countries. This is summarized in annex 15.

5. Environmental: Environmental Category: **B**

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

EA in Lesotho will receive its formal legal backing once the Environment Bill 1998 has been passed by Parliament. This is expected in the next few months, as the Bill has already received Cabinet approval. The Bill prescribes a detailed procedure for Environmental Assessment, and defines the types of activities for which an EA is required. This Schedule includes the creation of national parks and game reserves, commercial exploitation of natural fauna and flora, establishment of natural heritage sites, policies for management of ecosystems, especially by use of fire, and any government policy on the use of natural resources.

In anticipation of the passing of legislation, guidelines for EA applied on a voluntary basis already exist: *EIA Guidelines for Lesotho* (1997). The preparation mission reviewed these guidelines and found them adequate for the purposes of this project. By agreement with MEGYA, the project is committed to follow the letter and spirit of the guidelines, even in the absence of binding legislation.

The project will be implemented under the leadership of an organization whose main objectives concern environmental protection: MEGYA. The other major institutional stakeholders include the Conservation Division of the Ministry of Agriculture, whose mandate it is to manage Protected Areas in Lesotho, the Range Management Division of the same Ministry, and the Ministry of Tourism, for which the development of nature-based tourism is a key objective.

The legal context is that environmental assessment in South Africa is governed by regulations under the Environmental Conservation Act at a national level. Any development in the region concerned will be subject to these regulations which make provision for authorization by the Minister of Environmental Affairs and Tourism. The provincial department of Traditional and Environmental Affairs, under which the KZNNCS also rests, is responsible for the

administrative process in KwaZulu-Natal. It requires the scoping of environmental impacts, a full public participation procedure and the preparation of specialist studies. The provincial department makes a recommendation to the National Minister. Arrangements in the Free State and Eastern Cape Provinces are the same as those in KwaZulu-Natal.

Institutionally, the project will be implemented by organizations whose main objectives concern nature conservation. Hence, the environmental objectives of the project are not in danger of being compromised due to conflict of interest type of situations within the implementing bodies. Significant parts of the project implementation area are already under PA management status. The major area of implementation falls under KZNNCS, which as an organization has an outstanding record of successful nature conservation. Several on-site visits by the project team and careful study of annual and special reports, and meetings with key officials have thoroughly established this fact. Similarly, SANP, which only manages a minor portion of the project area (Golden Gate National Park), is well known for its conservation track record. There is also direct experience of successful implementation of a GEF project through SANP, as described above: The Cape Peninsula Biodiversity Conservation Project.

In both countries, project implementation is also associated with clear environmental benefits:

Significant biodiversity assets will be carefully assessed, mapped and awarded better protective status under active management;
Communities concerned will be consulted and their active collaboration sought;
The capacity of both communities and implementing agency staff for effective environmental management will be enhanced;
Visitor pressure will be more effectively channeled through upgraded tracks and paths, information to visitors about appropriate behaviors enhanced, and enforcement of environmental regulation enhanced;
Eradication of alien invading species will contribute to preserve the indigenous flora and contribute to a more attractive landscape.

A systematic search for environmentally negative impacts related to the project yields few results and all of them can be appropriately mitigated:

Potential erosion of hillsides due to removal of vegetation. Limiting removal areas in size, leaving litter for ground cover, and generally building upon best practice from the Working for Water Project and the implementation of the Cape Peninsula Project will mitigate this.

Potential health damage related to application of herbicides. In RSA, application of herbicides can only be carried out by staff who have received adequate training and are licensed for the task. Proper protective clothing and supervision will be supplied by the project.

Potential damage to the natural environment from herbicides. The use of herbicides is strictly regulated in RSA, and only a few registered and well-tested options exist. Amount of herbicide applied will be very limited, and application will be done directly onto stems, not using aerial or even knapsack ground-spraying techniques. Herbicides will be chosen to minimize residual time in nature.

Increased visitor pressures leading to littering, erosion of tracks, suppressing of indigenous flora, illegal hunting of wildlife, etc. Planning carefully for the development of Protected Areas and specific sites will mitigate this. This is a major reason behind the high level of attention given to the planning stages in the project. Furthermore, some of the resources of the project are specifically destined to upgrade the infrastructure to better handle visitor pressure. Finally, it

should be recalled that visitor pressure per unit area is expected to remain within reasonable limits even with upgrades of the area's attractions. The project area is not, and is not likely to be, the scene of mass tourism.

It should be pointed out that removal of alien invading vegetation will be a marginal activity in Lesotho, as opposed to South Africa, where this features strongly. Vegetative growth is less vigorous on the highly elevated Lesotho side, and the few trees that sprout often fall prey to browsing livestock or the firewood needs of the limited human population that is active in the area. Hence, erosion associated with felling of trees, health and natural hazards associated with unwise use of herbicides and so forth, are not concerns in Lesotho.

The reservation of some areas for biodiversity purposes could possibly lead to increased grazing pressure in other areas. First of all, the areas concerned will be small in relation to the overall grazing areas in the region. Second, this should be seen in the context of the establishment of Grazing Management Associations, associated introduction of rotational grazing, and upgrading of existing pastures and livestock. Implications for surrounding areas will be carefully considered in collaboration with the Range Management Division of the Ministry of Agriculture, and in agreement with concerned local communities and livestock managers. Care will be taken for the appropriate selection of indigenous species in any fodder enhancement program. Grazing restrictions will only work if they have the full support by affected communities. The Protected Areas established in association with LHDA, in the LHWP phase 1A-project area illustrate that such agreements are possible to reach. Attention will be paid to the need for maintaining the genetic diversity of the livestock herd, to the extent that new breeds of stock might be promoted.

In conclusion, the environmental benefits of the project are clear and tangible. In terms of managing any negative impacts, the legal, institutional and managerial basis is well established.

5.2 What are the main features of the EMP and are they adequate?

As the nature of the project is to enhance management of the environment, it is not applicable to speak of a separate EMP in this case.

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft:	EA work was integrated in several consultant reports that were finalized in December, 1999. See annex 8.

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

Please refer to section 6 below and to annex 11 for details on the consultative process.

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

Monitoring the environment is at the core of the project's indicators as reflected in annex 1.

6. Social:

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

Community involvement during the preparation has been extensive and is documented further in section 7 and in annex 11. KZNNCS already has considerable experience in this regard, and the experience of LHDA and prior rangeland management project has provided encouraging evidence of such models. A major theme of this project is community involvement, and considerable resources are requested to underpin this vital aspect of the project.

6.2 Participatory Approach: How are key stakeholders participating in the project?

A critical factor for the success of the project is that it involves communities and is supported by them. The participation of communities was therefore a top priority already during the initial planning phase of the project. The details of the approach adopted are given in Annex 6.

As part of the project preparation process, social assessments were commissioned for both South Africa and Lesotho to assess project impacts and to map out the processes for community involvement (Annex 11). The main factors contributing to loss in biodiversity are a) overgrazing of communal lands, b) out of season burning regimes and uncontrolled wild fires, c) increased cultivation on steep slopes of the mountain, d) livestock trespassing across borders, and e) the invasion of alien plant species. Project components that will address some of these root causes (e.g. revitalization of range management areas, clarification of customary land tenure and training programs to support community conservation bodies) are outlined in Annex 12.

a: Primary beneficiaries and other affected groups (see annex 11 for details):

Lesotho:

The social assessment in Lesotho targeted four districts Qacha's Nek, Thaba Tseka, Mokhotlong and Butha Buthe A sample of 36 randomly selected villages and 790 respondents were included in the participatory land use planning surveys.

In addition, the national environment secretariat of Lesotho commissioned a participatory rural appraisal of six villages in the Mokhotlong District to determine the perspectives of the people in conserving the ecosystem of the area.

South Africa

The consultants charged with social assessment in South Africa adopted a different approach to that used in Lesotho. They had a far more diverse area and a much smaller budget and chose to base their conclusions on existing studies. Nevertheless, several community groups in each of the three provinces were consulted.

6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

For projects expected to receive authorization to appraise/negotiate (in principle) prior to April 30, 2000, this section may be left blank.

6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

For projects expected to receive authorization to appraise/negotiate (in principle) prior to April 30, 2000, this section may be left blank.

6.5 How will the project monitor performance in terms of social development outcomes?

For projects expected to receive authorization to appraise/negotiate (in principle) prior to April 30, 2000, this section may be left blank.

7. Safeguard Policies

7.1 Do any of the following safeguard policies apply to the project?

Policy	Applicability
Environmental Assessment **(OP 4.01, BP 4.01, GP 4.01)**	Yes
Natural Habitats **(OP 4.04, BP 4.04, GP 4.04)**	Yes
Forestry **(OP 4.36, GP 4.36)**	Yes
Pest Management **(OP 4.09)**	Yes
Cultural Property **(OPN 11.03)**	Yes
Indigenous People **(OD 4.20)**	Yes
Involuntary Resettlement **(OD 4.30)**	No
Safety of Dams (**OP 4.37, BP 4.37)**	No
Projects in International Waters **(OP 7.50, BP 7.50, GP 7.50)**	No
Projects in Disputed Areas **(OP 7.60, BP 7.60, GP 7.60)**	No

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

The EA safeguard applies as this is classified as a category B project. However, as the nature of the project is to enhance environmental quality in the project area, the entire project could be seen as an EA and EMP that ensures compliance. This is the main management objective of the institutional structures that the project will establish. The safeguard for Natural habitats is applicable only in the sense that such areas will be enhanced by the project, through measures to decrease the grazing pressure and manage visitor flows in sensitive areas. The forestry safeguard is concerned only insofar as clearing of alien invasive tree species will be undertaken as part of the project. This does not involve logging or the purchase of logging equipment for use in primary tropical moist forest, or even any area that would generally be referred to as "forest" rather than "woodland" or "brushland." Local stakeholders will be identified and consulted in each area where alien clearing operations will be taking place.

The safeguard for Pest Management is applicable insofar as limited amounts of herbicide will be used to prevent certain species from coppicing after the initial clearing. This will be applied directly to the stump of the tree, not by spraying of large areas. South Africa's regulatory and institutional capacity for safe, effective and environmentally sound pest management has been found satisfactory. To the extent that herbicides will be used at all in Lesotho, their use will be governed by the same considerations.

The impact on cultural property was assessed during appraisal. It was fond that the project will impact positively on this heritage, as it will assist in their identification, preservation and utilization as part of the efforts to develop nature-based tourism. With respect to Indigenous People, its was found that most stakeholder in the project area are Zulu, Sotho, Thembu and Xhosa, and could be considered "indigenous." They will be fully involved in the implementation of the project, as community involvement is a major component. The San population no longer occupies the areas concerned. In Lesotho, the local stakeholders belong to the same group as

nearly everyone in that country: the Basotho. In terms of vulnerability, no particular group was identified that could suffer hardship as a result of the project.

With respect to involuntary resettlement, this is not foreseen to be a result of the project. If, contrary to expectations, this would take place in support of the project's objectives, the World Bank's safeguard would apply, and a resettlement plan would have to be submitted to the Bank for approval. The project does not involve the construction of dams, nor will it impact international waterways or involve any disputed territory.

F. Sustainability and Risks

1. Sustainability:

First, the project will bring new resources to correct for what are currently unsustainable practices. Second, the transfer of capacity is built into the project, with heavy emphasis on training and institution building. Third, the domestic resource commitment to environmental management is actually increasing in Lesotho, which is the country of most concern in this respect. Finally, not all activities need to be sustained at full cost level, as some items represent investments that only require small maintenance costs or marginal upgrades. These points are elaborated below.

The project will enhance *ecological* sustainability by identifying biodiversity areas, and work towards the appropriate level of protection status. Past neglect in controlling erosion along roads, trails and paths in sensitive areas will be remedied, and invading alien species will be suppressed to promote the indigenous flora and associated fauna. The project will also enhance s*ocial* sustainability through its emphasis on community-centered capacity building. Building good community relations between conservation staff and community members, and illustrating in tangible forms the benefits of nature conservation will influence the incentives and mindsets of local people. Experience in both countries show that it can be done.

Institutional sustainability will be enhanced through investment in legal platforms for nature protection, establishment of community conservation fora, staff training, participatory planning processes, basic buildings and equipment. While the latter requires some maintenance, the expenditure level will be much lower than during the investment phase. This has been discussed in some detail above in Section E.2. Given the already considerable financial revenues from nature-based tourism in RSA, and the prospect of raising them considerably in Lesotho, this is an acceptable burden. Moreover, once transfrontier collaboration has been well established, Lesotho can enjoy the benefits of having good access to training facilities and the impressive experience in conservation management available across the border.

Through investment in ecological, social and institutional sustainability, the road is paved towards financial sustainability. The potential of nature-based tourism can be harnessed. The opportunity to ensure sustainability comes from tapping the source of large tourism-flows adjacent to Lesotho, and encouraging a portion of those visitors to venture a bit further by enhancing the "package" of experiences offered, and by marketing this jointly with efforts made in South Africa. Entrance fees to PAs, camping fees and community levies will be instituted and contribute to financial sustainability. The establishment of an overall conservation management fund is being investigated by the UNDP-funded conservation project in Lesotho. This would build on the considerable royalties that accrue from the LHWP, and could also contribute to the financial sustainability of conservation in Lesotho.

In South Africa, there are already well developed institutions for nature conservation, but their short-term sustainability is undermined by severe cuts in the provision of subsidies from central and provincial government. This tendency can be expected to continue, given the changes in political priorities that necessitate urgent investment in the provision of social services to previously disadvantaged communities. This political reality has forced the re-thinking of conservation management in South Africa, and an opening up of collaboration with the private sector, including surrounding communities, to a new degree. The project will assist in establishing such partnerships, on the basis of financial sustainability. Private sector capacity is already strong in RSA, and there is high interest in investing in nature-based tourism development. The exceptional biodiversity assets in RSA, and strong technical and managerial skills available in the country, bode well for the future sustainability of nature conservation.

The investments made in staff and consultant services are not necessary to maintain at the same level after five years of implementation. The same applies to some of the equipment (e.g. computers) that the project will fund. Other equipment will be gradually phased out as it becomes obsolete, and the strengthened institutions will have to replace it, but probably on a lower level. Plans developed and agreed should have a considerable lifetime beyond the project and could be implemented with fewer staff.

One could also approach the issue of sustainability from another angle: without interventions like the current project, development would continue on a non-sustainable path.

2. Critical Risks (reflecting assumptions in the fourth column of Annex 1):

Risk	Risk Rating	Risk Minimization Measure
From Outputs to Objective		
1. Bilateral and domestic administrative dissonance	M	1. Recruitment of SC and PCCs with wide representation
2. Disagreement on conservation priorities among stakeholders	M	2. Thorough technical surveys as basis for priorities; and consultative process
3. Legal and administrative process stalled	H	3. Continued efforts to enhance the environmental dialogue with DEA&T (Pretoria)
4. Disagreement on area designations	S	4. Consultative process with local stakeholders and planning authorities
5. Ineffective conservation management	M	5. Capacity building & local ownership
6. Community participation ineffective	S	6. Consultative process based on local experience
7. Main stakeholders disagree on benefits of project	M	7. Strong communication program
8. Ineffective leadership for domestic and international coordination	M	8. Strict and consultative selection procedure
9. Discontinued constructive bilateral relationships	N	9. Steering Committee leadership
From Components to Outputs		
1. Disagreement on data storage, access to information, supply of data and surveys	N	1. Demonstration of joint benefits

2. Incompatible regional land-use plans	M	2. Consultation with relevant agencies
3. Skilled staff not available for employment	N	3. Adequate marketing
4. Alien control technically ineffective	N	4. Building on best practice from Cape Peninsula Project and Working for Water
5. Lack of acceptance of effective grazing protection and anti-poaching measures	S	5. Community dialogue and mobilization
6. Benefit transfer to community ineffective	M	6. Strict financial procedures
7. Non-acceptance of institutional models	N	7. Dialogue to achieve local ownership
8. Lack of interest in participating in training	N	8. Adequate marketing
Overall Risk Rating	M	

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N(Negligible or Low Risk)

3. Possible Controversial Aspects:

The determination of financial allocations among executing agencies may become controversial, but is best resolved within the framework of national PCCs and the bilateral SC.

G. Main Conditions

1. Effectiveness Condition

- Final MoU between the two countries signed and in effect
- Final TOR for the PCCs in both countries
- Project Coordinators in place
- Acceptable PIP
- Appointment of FMC; finalization of terms of reference and composition.
- Financial Procedures Manual developed including: Chart of Accounts; Format and Content of Monthly/Quarterly/Annual Financial Reporting (selection of accounting policies and accounting standards).
- Accounting system installed/operating (i.e. Government system plus appropriate software).
- Funding:
  (a) Bank Accounts opened (e.g. $ Special Account for GEF Funds and Rand/Maloti Account for Counterpart Funds).
  (b) World Bank advised of authorized check signatories/specimen signatures.
- Initial capacity building completed (e.g. Procurement, Special Account, SOEs, computer skills etc.)
- Suitable logistical arrangements for PCU in place (e.g. office accommodation, furniture/equipment, telephone, fax and email)
- External auditor appointed on approved terms of reference
- Sehlabathebe proclaimed as a National Park in accordance with the 1975 National Parks Act and notice in the Gazette published (Lesotho).
- Final inter-provincial agreement on implementation arrangements signed and in effect (RSA).
- Management contract between DEA&T (Pretoria) and KZNNCS signed and in effect (RSA).

2. Other [classify according to covenant types used in the Legal Agreements.]

Negotiations Conditions:

- Draft Memorandum of Understanding (MoU) between Lesotho and RSA with respect to project oversight
- Draft Project Implementation Plan (PIP) for the entire Transfrontier Project
- Draft TOR for the Project Coordination Committees in Lesotho and RSA respectively
- LACI/PMR Certification signed by the FMS, Procurement Specialist, TTL and Disbursements Officer.
- Counterpart Funds – finalization of financial arrangements.
- Assurances that the process of having Sehlabathebe proclaimed as a National Park in accordance with the 1975 National Parks Act has been initiated (Lesotho)
- Draft inter-provincial agreement on implementation arrangements (RSA).
- Draft management contract between DEA&T (Pretoria) and KZNNCS (RSA).

Dated Covenants:

- The Project Accountant in Lesotho and RSA respectively in place not later than 2 months prior to effectiveness.

H. Readiness for Implementation

1.a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.

1. b) Not applicable.

2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
4. The following items are lacking and are discussed under loan conditions (Section G):

Project Implementation Plan. Agreed MoU between RSA and Lesotho. Agreed TORs for the PCCs.

I. Compliance with Bank Policies

1. This project complies with all applicable Bank policies.
The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

Jan P. Bojö **Team Leader**	Charlotte S. Bingham **Sector Manager/Director**	Pamela Cox **Country Manager/Director**

Annex 1: Project Design Summary

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
Sector-related CAS Goal: 1. Ensure environmental sustainability 2. Promote growth and higher employment 3. Enhance sub-regional integration	**Sector Indicators:** 1. Red Data classification 2. Real GDP growth and labor force growth 3. Export - import data	**Sector/ country reports:** 1. National State of the Environment Report 2. National Accounts: Real GDP growth and labor force data 3. Trade statistics	**(from Goal to Bank Mission)** 1. Poor benefit the most from better environmental quality 2. Poor people gain employment 3. Poor regions benefit
GEF Operational Program			
Global Objective: GEF Global Objectives: To conserve globally significant biodiversity in the Maloti-Drakensberg mountains within a transfrontier conservation and development area framework Stakeholders work together to realize nature-based development opportunities.	**Outcome / Impact Indicators:** Endemic species maintained. Viable populations of threatened species. Improvement in terms of IUCN categories of threat Protected area system in place, benefit transfers in $ terms, number of people employed as a result of project increased , number and size of entrepreneurial activities in response to project initiatives	**Project reports:** State of the Environment Reports. Survey reports. Red Data Reports Project progress reports, supervision missions	**(from Objective to Goal)** Sustained financing and political commitment Bilateral political harmony; Continued growth in international tourism to Southern Africa; Stable energy prices
Output from each component: 1. Project Management and Transfrontier Collaboration	**Output Indicators:** 1. Bilateral Memorandum of Understanding. Steering Committee established. Project Coordination Committees, Project Coordination Units	**Project reports:** 1. Minutes of meetings of Steering Committee, PCCs, and PCUs. Minutes of quarterly FMC meetings to consider the PMRs. Project Annual	**(from Outputs to Objective)** 1. Bilateral and domestic administrative coherence

	and Financial Management Committees constituted. Recruitment of senior PCU Staff. Timely delivery of Project milestones. Endorsement of Cash Forecasts. Financial Management System in place.	Reports. Disbursement Reports. Audit Reports. Evaluation Reports, Supervision Missions, Mid-term Review.	
2. Conservation Planning	2. Completed biodiversity surveys in priority areas. New PAs identified and delineated. Biodiversity conservation program finalized and implemented	2. Survey Reports. Protected area maps. Local knowledge on biodiversity documented through participatory involvement	2. Compatible regional land-use plans. Local agreement to supply data and allow surveys.
3. Protected Area Management Planning Conducted	3. Revised Development and Zonation plans for PAs. Initiated process of development and zonation planning for the identified proposed conservation areas. Completed Management and Business plans for PAs, using a participatory approach.	3. Development, Zonation, Management and Business plan documents	3. Agreement on conservation priorities among stakeholders. Agreement on area designations, and effective conservation management institutions in place. Competent technical leadership.
4. Conservation Management in PAs	4. No populations of threatened species in decline, extent of alien plant invasion reduced significantly, sustainable range management in key areas. Rock art sites protected. Effective anti-poaching, visitor management and rescue service, prevention of illegal grazing,	4. Implementation Agency Reports. Patrol logs, visitor statistics per area, rescue reports, stock counts. Supervision missions	4. Effective conservation management institutions in place. Competent technical leadership supported with adequate local representation.

	institutionalized social fencing		
5. Conservation Management improved ex-PAs	5. Improved range condition and basal cover. Education program on grazing management implemented. Resource management plan for improved range condition and animal productivity in place within two years of project implementation.	5. Results of vegetation surveys undertaken every two years in areas of intervention. Education program report. Resource management plan and survey of implementation	5. Agreement on area designations, and effective conservation management institutions in place. Competent technical leadership supported with adequate local representation.
6. Community Involvement	6. Recruitment of 1 social ecologist/country. Creation of 3 community conservation centers with curio shops by end of year 2. Recruitment of community extension officers (EOs) for the centers as completed. Not less than 10 community facilitators per community center, before the end of year 2. Preparation of training materials, visual aids within 12 months. Annual training of trainers' workshops for EOs and community facilitators. Workshops with at least 50 herdboys p.a. At least 1 training workshop for principal and local chiefs & VDCs and livestock owners p.a.	6. Recruitment records. Existence of community centers. Forum records. Training programs and evaluation reviews	6. Community interest.
7. Nature-based Tourism	7. At least 200 people employed in local nature-based tourism	7. Local tourism plans, records from workshops.	7. Communities and private commercial sector derive benefits

	enterprises by end of year 2 and additions of 300 p.a. Nursery output. Local tourism plans community areas finalized. At least 100 community entrepreneurs and 10 civil servants trained each year starting in year 2. No. of km hiking & 4x4 trails installed p.a. At least 2 village nurseries installed by end of year 2, with additions of 2 every year thereafter.	Trail maps & verification walks/drives. Nursery visits and accounts. Local employment surveys. Visitor counts and client feedback surveys.	from investment in nature-based tourism and respond will to the enabling environment.
8. Institutional Development	8. Establishment of Community Conservation Forums. Support development of national and local institutions for nature conservation and land use planning measures in priority areas. Staff training program implemented.	8. Community Conservation Forums documents. Gazetted establishment of national conservation institution in Lesotho. Training programs reports.	8. Agreement about institutional models and staff interest in training.
Project Components / Sub-components:	**Inputs: (budget for each component)**	**Project reports:**	**(from Components to Outputs)**
1. Project management & transfrontier cooperation: Bilateral MoU, PCCs & PCUs with FMCs, GIS capacity	$3.1 Million	1. Bilateral MoU. PCC minutes. PCU Coordinators' progress reports	1. Bilateral harmony Institutional commitment at national and provincial levels. Agreement on storage & access to information.
2. Conservation planning: Design of protected area system. Conceptual development planning. Participatory planning Comprehensive biodiversity surveys. Participatory data collection	$1.9 Million	2. Strategy Plan Participation Plan. Survey reports.	2. Compatible regional land-use plans. Local agreement to supply data and allow surveys.

3. Protected area management planning	$1.9 million	3. Strategy documents and progress reports from implementing agencies	3. Institutional basis established in Lesotho
4. Strengthening of PA management, including fire management, security management and wildlife management programs	$18.2 million	4. Conservation Agency Reports	4. Acceptance of effective grazing protection and anti-poaching measures and inter-agency support
5. Conservation management · Addressing threats and impacts posed by alien plants, soil erosion and unsustainable range management	$1.7 million	5. Project annual reports	5. Alien eradication and erosion control technically effective, and community cooperation in enforcing agreements.
6. Community conservation program: Community conservation centers, Conservation Forums and Local Boards	$3.5 million	6. Strategy plan Extension staff installed. Forum bylaws.	6. Benefit transfer to community effective Local community acceptance of local forums and programs.
7. Nature-based tourism development: Community training and entrepreneurial development	$2.0 million	7. Records from training courses.	7. Synergy between the project and other nature-based tourism promotion exercises.
8. Institutional development including comprehensive nature conservation staff development program effective.	$1.0 million	8. Regulations and bylaws for conservation institutions. Progress reports	8. Agreement on institutional reforms and counterpart funding.

Annex 2: Project Description

The project has eight interrelated components:
By Component:

Project Component 1 - US$3.11 million

The first component is **project management and transfrontier cooperation**. This component consists of (i) a bilateral collaboration forum ("Steering Committee"; SC), (ii) coordination offices will full-time coordination, financial management and procurement staff, (iii) domestic coordination committees with wide stakeholder representation, (iv) joint working groups for technical work on topics of common interest, (v) joint workshops to present results and achieve consensus work plans, (vi) a GIS-based Knowledge Management system served by trained staff, and (vii) joint activities with respect to marketing, booking, visitor planning, fire protection, rescue service and so forth.

Proposals for improved project management and transfrontier cooperation were derived from several sources, including the experience of the coordinators of the preparation phase over the past year, the suggestions of the bilateral steering committee, the workshops which have been held with the various government agencies in both Lesotho and South Africa, and the suggestions made in the report on legal and institutional issues prepared by Enact (1999). Because of the large number of stakeholders, both in government and in community-based and non-governmental organizations, the domestic coordination committees and an extensive communication program using Internet, radio, newsletters and community outreach will ensure that stakeholders are informed and involved in project activities.

An essential component is the derivation of an overall strategy for the transfrontier conservation and development area, a process which was strongly recommended in several of the preparatory studies, including Richard Davies and Associates (1999), Loxton, Venn and Associates (1999) and ECRA (1999). In addition, a firm basis for decision-making using information at an appropriate accuracy and resolution will be provided by enhancing the GIS which has been a product of the preparation phase (Environmap, 1999).

Project Component 2 - US$1.90 million

Conservation planning forms the second component. Annex 13 provides greater detail on the hierarchical nature of conservation planning from the landscape level to focused business plans for individual protected area. The preparatory studies generated extensive documentation and data regarding resources in the study area, including physical, biological, social and economic resources and uses. The project concept is for a transfrontier conservation and development area, which needs to be planned and zoned to ensure that areas of global and national biodiversity importance are protected and managed appropriately. This requires that a vision and strategy are prepared following further stakeholder consultation and with the involvement of the relevant authorities on both sides of the border. Conceptual proposals for compatible land-use zonation derived in the preparatory phase need to be negotiated and action plans prepared for implementation. This implies conservation planning at the landscape level, and is designed to be facilitated by appropriate professionals, and with the full involvement of the staff of the respective ministries and departments in both countries. At this scale, there is also a need to harmonize, to the greatest degree possible, the approaches and activities of the five nature conservation management agencies which have a responsibility in parts of the area, namely the Conservation Division of the Lesotho Ministry of Agriculture, South African National Parks, the

KwaZulu-Natal Nature Conservation Service, Eastern Cape Nature Conservation and Free State Nature Conservation.

Deficiencies in data, particularly for biodiversity, were identified in preparation (e.g. CSIR, 1999), and these will be addressed by focused data collection and further analysis to confirm priority areas. A participatory biodiversity monitoring system will also be designed to ensure that data on trends can be derived for areas across the landscape. Habitat and species data collected under the assessments will provide the baseline for monitoring activities to determine project impact. Field assistants recruited from local communities will also be trained to assist in surveying as a precursor to ongoing monitoring of key components. A core professional support team for biodiversity conservation will be assembled in this component. The project interventions will support the current process whereby posts for specialized functions are being established and filled, especially within the Conservation Division of the Ministry of Agriculture in Lesotho, and will complement the competent but thinly stretched staff in the South African agencies. By building a solid foundation, it will be possible for these agencies to maintain effectiveness beyond the project lifetime, including, in some cases the continuation of employment of specialist staff, for which provision is being made in future planning.

The project components will supplement the resources of the nature conservation agencies to eliminate the backlog of conservation planning, and ensure a sound foundation for further planning and action.

The third major component of the project is **Protected Area Planning**. There are two sets of areas where further detailed planning is required, namely existing protected areas and proposed conservation areas. Planning is carried out in a number of phases, beginning with the overall development and zonation plans for each area, then preparing detailed management programs and finally addressing business planning and sustainability. These phases are described in more detail under each sub-component below.

Sub-component 3.1 Protected area development planning and zonation

The nature conservation management agencies have been unable to obtain the resources, particularly of manpower, to complete overall detailed conservation development plans for protected areas. In the uKhahlamba-Drakensberg Park, the assignment of nature conservation management to the provinces enabled the consolidation of several separately proclaimed and managed protected areas and state forest nature reserves and wilderness areas into a single entity. Management was rationalized accordingly, but a long-outstanding component has been an overall concept development and zonation plan for the park, which would ensure that protected area development takes place in an orderly way, that management infrastructure is correctly placed, and to provide a basis for the elaboration of management programs. This exercise will entail the appraisal of all previous plans, the conduct of workshops with management staff and with adjacent communities and the drafting of the appropriate maps and documentation. The statutory requirement for this planning to undergo a public participation process demands expert facilitation.

In other parts of the study area, there are existing protected areas where no overall development planning and zonation has been conducted, and where there are insufficient skilled staff in the nature conservation agencies to address the deficit. These include Ongeluksnek and Ntsikeni in the Eastern Cape and Sterkfontein Nature Reserve in the Free State. The conceptual development plan for Sehlabathebe requires revision.

Through this process, managers will build an understanding of the vision for the protected area in the landscape, and the opportunities and constraints for management. The zonation plan and associated schedules, which describe the limits of acceptable change, become the basis for all future management and development activities. It is usually unnecessary to revisit this level of planning at the same detail, because the recurrent nature of operational management plans ensures adaptation of the conceptual planning and zonation to emerging circumstances. The intervention will therefore overcome a significant hurdle to effective conservation management.

Sub-component 3.2 Protected area management planning

The preparation and continual update of protected area management plans is an essential component to guide the operational management of protected areas in an adaptive way. The protected area management team including the specialist input of an ecologist and other professionals usually undertakes this exercise. It is designed to determine the priority management programs for the effective management of the resource and the activities that occur there, and encompasses:

- Management to conserve biodiversity
- Community conservation programs
- Visitor facilities management
- Protected area administration (security, infrastructure, communications etc.)
- Research and information

Objectives are determined for each within the policy framework and zonation established in 3.1 above, management options are detailed and discussed, action plans for implementation are developed, monitoring programs are devised and implemented and essential research is conducted. This allows the management team to adaptively implement management programs in pursuit of the protected area objectives and vision. Once the first version of the management plan is in place, it is the management team that will implement and adaptively develop the plan further. The preparatory work for developing this project concept document identified several deficiencies in the existing plans. New areas which are being developed together with communities will required more extensively facilitated planning processes, once the earlier consultations have been conducted.

In Lesotho, the Sehlabathebe Management Plan will be revised and updated, involving both park staff and local communities. In the identified priority areas, including Phofung-Mont-aux Sources, Senqu Sources, and Ntabana Ntlenyana-Sani Top, the process will be more extensive, beginning with extensive consultation with stakeholders. As a first step, the areas are likely to be managed as Managed Resource Areas, and initial management plans will be drafted, with ecological and planning experts working with and being guided by social ecologists, extension workers and community facilitators.

In the RSA, deficiencies in management plans for component parts of the uKhahlamba-Drakensberg Park will be addressed, and in accordance with the statutory requirements, with the full involvement of Local Boards which are being established. New management plans will be prepared for Ongeluksnek, Ntsikeni and Sterkfontein. In the priority areas of QwaQwa and the Upper Thukela, a similar process to that envisaged for Lesotho will be adopted, involving local communities, community-based organizations and some active NGOs and other organizations.

Sub-component 3.3 Protected area business planning

Nature conservation management agencies have traditionally managed areas on the basis of budgets derived from government subsidies. Whereas, it is likely that subsidies will continue to provide core funding for biodiversity management, there is an increasing requirement to develop alternative sources of conservation funding, preferably through the sustainable use of the resource base and the leverage of funds in other ways. It is therefore essential that business plans be prepared for each managed area. Business plans also encompass the human resources and organizational systems that need to be in place to ensure effective management. Areas of interest for this activity include the need to optimize the returns from the use of the resource base e.g. by tourists, to make contributions to both biodiversity management and community development.

A key strategy adopted in KwaZulu-Natal has been to ensure that nature-based tourism generates sufficient revenues for this, but this has also required the development of appropriate business models to incorporate private sector investment and community equity in developments based in or adjacent to protected areas. The business-planning component of the project activities will investigate all possible options for sustainable financing, and provide a basis for the effective management of these resources to meet performance targets. In the context of new protected areas, it will also be necessary to demonstrate that the option of conservation/nature-based tourism will generate greater benefits than the current subsistence land-uses.

For Sehlabathebe, it will be necessary to fulfill promises that the protected area will generate greater benefits than the former use of the rangeland for cattle production. Business planning expertise will be required to supplement the conservation planning and management teams to achieve this greater level of sophistication in planning. This component is likely to develop many options that have the potential to inform nature conservation management, community involvement and tourism planning in other protected areas in the Southern African sub-region and beyond.

The planning will be conducted by the core biodiversity conservation support team (Component 2) together with a core planning support team established under this component, and with the assistance of the social ecologists, community extension workers and facilitators (see Component 6). In South Africa, it is envisaged that one team will be established and based near the Upper Thukela component of the study area. To ensure greatest interaction and effectiveness, the biodiversity conservation and planning support teams (1 ecologist, 1 planner, 1 technician) will be based together with the Social Ecologist.

In Lesotho, it is envisaged that two teams will be necessary to span the geographic area and achieve the planned activities. One team will be based in Sehlabathebe National Park in the south, and one team will possibly be based in the town of Mokhotlong, a central point accessible to both the Phofung/Mont-aux Sources and Senqu areas and the Ntabana-Ntlenyana/Sani top areas.

It will be possible to reduce the level of staffing once the initial planning has been conducted. In Lesotho, the first ecologist in the Conservation Division is about to be appointed, and the envisaged core team will provide substantial support for ecological advice in the early stages of this appointment. It is anticipated that Lesotho will require at least two ecologists to provide an acceptable level of support for long-term conservation management, but it will be possible to scale down the remainder of the support team following the project implementation.

Conservation management in existing protected areas forms the fourth major project component. The threats to biodiversity and the management interventions required were identified in several preparatory reports including CSIR (1999), Davies and Associates (1999), ECRA (1999), Loxton, Venn and Associates (1999). These include alien plant infestations, soil

erosion, inappropriate fire management regime, inadequate security, over-grazing, poor waste management and poor management of cultural resources. Dealing with threats requires the formulation of strategy, and the design and implementation of appropriate management programs for each threat, and a tailoring of these in accordance with the capacity and specific context. The approach which will be adopted is to use these interventions as a participation learning and action program for both protected area managers and communities alike, with recruitment and training of local community members to carry out the bulk of the works. In South Africa, the primary focus will be on the design and implementation of an alien invading species control program, which will build on the successful Working for Water model already applied in some parts of the study area. The hallmarks of this approach are the employment and capacity-building of local communities and the development of entrepreneurial opportunities using the materials that result from the clearing. It also concerns the rehabilitation and maintenance of management roads, paths and tracks through conserved areas to minimize historical damage. Finally, wildlife management programs, e.g. management for priority species, will be developed for selected areas.

The major activity in Lesotho concerns Sehlabathebe National Park. This includes the construction of a new office building, a new nature interpretation facility, a dormitory for school groups, upgrading of skill among its staff, the employment of a resident ecologist, improvement of administrative, communication and power facilities, implementation of a fire management program, upgrading of fencing, and acquiring necessary vehicles for park management.

Conservation management outside of existing protected areas is the fifth component. Focusing on areas outside the existing protected areas which have been identified in the preparation as being of high biodiversity value, the approach will be to establish and work with community conservation forums to understand concerns and problems, and to devise appropriate solutions. Of primary concern is the issue of overgrazing. Rather than promoting the exclusion of the existing land-uses, the community conservation program will draw on local expertise and employment to build capacity to implement conservation measures. As within PAs, this entails the design and implementation of an alien invading species control program. It also concerns establishment, rehabilitation and maintenance of paths and tracks through conserved areas to minimize damage to biodiversity under the pressure of increasing visitor flows. Conditions for sustainable livestock management in conservation areas will be determined jointly with local communities. Cultural heritage management forms a part of this component. It entails the development of teaching materials and displays, restoration of sites and selective development to attract visitors, staff training and community education related to cultural heritage, particularly rock art. The identification of priorities, approaches, methods has been derived from the preparatory studies, especially those dealing with threats and impacts (CSIR, 1999), cultural resource management (Amafa, 1999) and the reports on land-use planning and zonation (Metroplan, 1999; Loxton, Venn and Associates, 1999), informed by the studies which have identified stakeholders and socio-economic issues (ECRA, 1999; Kiepiel and Associates, 1999).

Community involvement is an element that runs through several components, but it is also one component in its own right, and the sixth one. The analysis of stakeholders has reinforced earlier findings of a complex socio-economic context. Contemporary approaches to participatory learning and action suggest that enhanced natural resource management involves the community at all levels and stages. Building on the highly successful community conservation programs in KwaZulu-Natal and around the Golden Gate Highlands National Park, the proposed activities will expand and strengthen these programs into new areas in RSA and in the focal areas of Lesotho. The core of this is the development of an expanded community conservation program, supported by community conservation units in each country. The program in each country will be supported and coordinated by a professional social ecologist with a support team of conservation extension

staff. These will in turn employ community facilitators drawn from the local communities and who will be the focus of the training of community members involved in other conservation management and tourism activities.

These units will require infrastructure, equipment and means of transportation to fulfill their function. A partnership forum will be established to engage local communities, and the component will fund frequent meetings with all community members, and targeted training to develop skills related to conservation and nature-based tourism. Possible areas are support for the establishment of pony trekking stations, development of local guides for nature and cultural heritage (e.g. rock art) interpretation services, training in basket weaving, pottery and other craft production and marketing advice for sale to visitors, and sale of medicinal and ornamental plants. Community conservation programs are often described as an open starting point for any or all of communication, conflict resolution and development programs, where building and maintenance of trust is a critical component, and which results in enhanced awareness of environmental problems and demonstrated capacity to devise and implement solutions. The vision for this activity is that the consistent engagement of communities in these programs in their areas will engender sustainable approaches to natural resource management with the continued support of the community conservation units.

Primary sources of information regarding the design and costing of these activities was obtained from the reports prepared by ECRA (1999), Kiepiel and Associates (1999) and the ongoing successful models being applied in nature conservation management in the region.

Nature-based tourism planning forms the seventh major component. While the actual investment in tourism facilities will almost entirely be left to the private sector, there is a legitimate role for the public sector, supported where appropriate by this project, to attend to planning, environmental assessments, marketing, and training of both agency staff and communities. Specific components of this component are a sizable training program directed to community leaders and emerging entrepreneurs in order for local talent to adequately capture commercial opportunities through small-scale enterprises. An awareness program for nature-based tourism, and a training program for community members with a declared interest to join, will be conducted. PA management staff will also be trained to manage tourism flows.

An important component will be the development of models and capacity to support the involvement of local communities in tourism developments associated with existing protected areas and proposed community conservation areas. In KwaZulu-Natal, the use of community tourism levies is generating sufficient funds for communities to invest in equity in planned tourism developments in the Ukhahlamba-Drakensberg Park. In addition to the increased number and diversity of employment opportunities created, this facility also creates an enhanced opportunity for the involvement of local communities in economic opportunities based on sustainable and local biodiversity conservation. The high social costs of private sector developers including communities in new projects will be addressed by the capacity-building and empowerment activities supported by this project. Private sector developers will also be encouraged to partner communities and the conservation agencies to build the necessary capacity. The design and costing of the activities prepared in this component of the project were derived principally from the reports and workshop inputs of AfED (1999).

Institutional development is the eighth component. In both countries, there is a need to support the emergence of local boards and forums representing communities around conservation areas. Lesotho needs to upgrade its conservation management capacity to adequately manage not only the Sehlabathebe NP, but also several sizable that will be handed over to government from the Lesotho Highlands Development Authority during 2001. In addition, new areas are expected to

emerge as a result of the planning exercises that the project will fund. This component will therefore undertake the legal preparation for an upgraded conservation management authority, possibly in the form of a statutory nature conservation agency. This could be linked to MEGYA as a semi-autonomous agency. This institutional base would allow Lesotho to join appropriate international conventions, and to submit nominations for international recognition of specific sites. This sub-component is very limited, and will be implemented in close collaboration with the UNDP-funded conservation project to ensure synergy and absence of duplication of effort.

At the local level, community conservation forums established in Lesotho will require further support and formalization In KwaZulu-Natal, the initiation of the program to establish Local Boards for protected areas will be strengthened. Of primary concern is to establish the *modus operandi* for the local boards, and to build capacity in the nature conservation agency, in the appointed board members and in the community at large to contribute towards the compilation and monitoring of the implementation of the management plans for protected areas which is required by law. A review of the legal and institutional framework that enabled the identification and costing of activities under this component was derived from the report prepared by Enact (1999).

Annex 3: Estimated Project Costs

Project Cost By Component	**Local** US $million	**Foreign** US $million	**Total** US $million
Project Management	1.96	0.76	2.72
Conservation Planning	1.20	0.46	1.66
PA Management Planning	1.17	0.44	1.61
Conservation Management.: PAs	11.48	4.33	15.81
Conservatopm Management.: Ex-PAs	1.05	0.40	1.45
Community Involvement	2.21	0.83	3.04
Nature-based Tourism	1.24	0.47	1.71
Institution Building	0.60	0.23	0.83
Total Baseline Cost	20.91	7.92	28.83
Physical Contingencies	1.05	0.39	1.44
Price Contingencies	2.09	0.79	2.88
Total Project Costs	24.05	9.10	33.15
Total Financing Required	24.05	9.10	33.15

Project Cost By Category	**Local** US $million	**Foreign** US $million	**Total** US $million
Goods	3.07	1.19	4.26
Works	4.79	2.06	6.85
Services	11.02	4.54	15.56
Training	3.67	0.93	4.60
Operational costs	1.50	0.38	1.88
Total Project Costs	24.05	9.10	33.15
Total Financing Required	24.05	9.10	33.15

Annex 4

1. Baseline Scenario

The project area contains biodiversity of global significance. The principal vegetation type is Austral Afro-alpine vegetation, which is floristically distinct from mountainous areas to the north. It is species rich, and the entire Maloti-Drakensberg area contains at least 2153 plant species, 295 bird species, 60 mammal species, 49 species of reptiles and 26 species of amphibians. It is also distinct, with a high degree of plant, bird and invertebrate endemism estimated at 30% for plants. A substantial part of the area is already listed as a Wetland of International Importance under the Ramsar Convention, and is also being evaluated as a World Heritage Site under the applicable convention. The area is attracting a considerable number of visitors; around 300,000 registered visits per year on the South African side, while the Lesotho side remains rather inaccessible and under-appreciated. Therefore, its economic potential is not realized, and the local population remains in poverty.

This asset is under threat. In the baseline alternative, the pressure on these resources from livestock overgrazing, improper cultivation, invading alien species, and improper development and poaching will continue to grow. The potential for sustainable and economically beneficial use that this asset represents runs the risk of being squandered. There is significant deterioration due to both natural and human causes. Underlying factors are the pervasive poverty and lack of economic opportunities that most of the area's population is facing. It has been estimated that some 250,000 people are indirectly or directly dependent on resource utilization within the Lesotho sections of the study area, while some 600,000 people live in the RSA section of the study area. Many of these lack alternatives to continued unsustainable use of the land. (See Annex 11). The threats to biodiversity are discussed further in annex 12.

The Lesotho Government and the Basotho at large recognize that their natural environment is suffering from considerable stress. There is also general agreement that the country's natural beauty is a considerable, but virtually untapped source of wealth. It is also clear that current institutions and financial arrangements do not adequately harness this potential, neither in terms of conservation nor in terms of tourism, development. MEGYA does receive support from UNDP ($2.5 million) through the GEF project entitled Conserving Mountain Biodiversity in Southern Lesotho. This amount will be spent roughly in parallel with the current project, and is therefore entered as base case contributions. Furthermore, EU is funding the Drakensberg-Maloti project in a first Phase with some $0.7 million. However, this resource will be exhausted by the time the current project is ready for implementation.

Lesotho has one of the smallest protected areas in relative terms of any country in the world. The only legally protected area is the tiny Sehlabathebe National Park (SNP). SNP is located in the southeastern corner of Lesotho in the Drakensberg Mountains i.e. along Lesotho's eastern border to South Africa. It is about 7,239 hectares of highland species-rich vegetation ranging from around 2,200 m to about 2,600 m above sea level (Sub-alpine zone) with nearly 100 % short grass and no significant ground cover of tall grass, or woody vegetation.

There are also patches of marshlands and wet meadow at all altitudes, in addition to small areas of dwarf shrub heaths on steep and rocky ground, which have been badly damaged by uncontrolled burning. Aquatic vegetation is also present in the Tsoelikane River, its Oxbow Lakes and in rock pools. In addition there are scattered tall shrubs of *Polemannia montana, Rubus ludwigii, Rhus* spp., *Leucosidea sericea, Euryops* spp. and *Helichrysum* spp. on cliffs,

rocky grounds and other places protected from fire and browsing animals. Rocklands constitute about 13%, wetlands 11%, and grasslands 76 % of the area.

Even this tiny piece of protected area is under threat from persistent grazing encroachment, poaching and loss of biodiversity, related to deficient management, poor community relations, decaying fences and lack of funds, training and equipment. The 4-km road from the unmarked gate to the lodge takes one hour to travel by terrain vehicle. With a regular car, it is impassable. Capacity utilization at the lodge is below 5%. In the baseline alternative, decay will continue. No significant external support to SNP has been identified in the base case. The responsibility of managing PAs rests with the Conservation Division of the Ministry of Agriculture, which only has 2.5 staff at Headquarters to attend to conservation management in the country. In the baseline therefore, PA management will continue to be neglected.

UNDP is already offering support to MEGYA through its recently started project: **Conserving Mountain Biodiversity in Southern Lesotho**. The long-term program objective is to ensure the conservation and sustainable utilization of unique alpine and montane landscapes in Lesotho. There are two immediate objectives, namely to establish a planned and rational network of small protected areas which adequately protects the full range of Lesotho's mountain biodiversity, and to create an environment supportive of improved resource management systems such that the rate of biodiversity loss outside of formal PAs is reduced. About $1 million of the UNDP-GEF funds of the program are earmarked for PAs and related activities in the **southern** part of Lesotho, i.e. in an area that is separate from the one included in the study area of this project. The remaining approximately $1.5 million are set aside for the creation of a "supportive environment." This entails a policy review, economic valuation of biodiversity studies, support to RMAs, building of community capacity and institutional support. This support is valuable, but will only allow a partial approach to biodiversity conservation in Lesotho, with a focus on the southern part of the country. It will not provide sufficient resources for transfrontier collaboration, and establishment of new PAs in the Maloti chain.

Another project is under preparation by the African Development Bank: the **Lesotho Highlands Ecotourism Project (LHETP)**: The area of intervention coincides with Phase 1A and 1B of the LHDA. The objective of the project is to generate revenues at the grass roots level, for private enterprises as well as for the central government to alleviate poverty, while protecting the environment. The project is envisaged to contain four components (i) ecotourism development in the LHDA area, (ii) conservation and natural resource management, (iii) private sector development, and (iv) institutional strengthening. The latter is particularly focused on LHDA, private sector interests, the Lesotho Tourist Board and the Ministry of Tourism. Total project cost is in the order of $11.4 million, with a five-year implementation period, starting mid-2000. LHDA is the proposed overall project executing and coordination agency. The proposed Steering Committee includes a representative of MEGYA. The clearly specified geographical and institutional focus of this project facilitates coordination with the current project. This project can provide an important boost to baseline activities in tourism management. Its focus, however, is not in the Maloti chain, and institutionally it is addressing tourism more than biodiversity.

The baseline alternative for RSA looks rather different. South Africa has already the listing of the uKhahlamba-Drakensberg Park as a Wetland of International Importance under the Ramsar Convention, and the uKhahlamba Drakensberg Park is currently being evaluated as a World Heritage Site. The nominated site covers an area of approx. 243,000 ha. It comprises almost equal proportions of Wilderness Areas and National Park and equivalent reserve. The Park is the largest protected area established on the Great Escarpment of the southern African subcontinent. The rock art of the Drakensberg is regarded as being the best preserved of any region in Sub-Saharan Africa. The number of sites is about 600, and the number of individual images is

estimated to at least 35,000. The Park can accommodate 2,000 persons per night. In addition, about 2,200 beds are provided by private enterprises outside the Park, but in close proximity. The number of visitors in 1996/97 was 288,200. These are tremendous assets, but there are also threats: an area of about 2,500 ha is described as infested with alien plants, and a costly clearing program is needed to address this. There is a need to expand the participation of local communities in both protected area management and in deriving economic benefits from sustainable nature-based tourism.

The country has several very large park systems. The South African National Parks agency manages 16 parks covering 3.1 million hectares. In 1997/98 these sites catered to 1.5 million visitors, of which 31% were foreigners. The KwaZulu-Natal Nature Conservation Service manages 80 sites, covering almost 0.7 million hectares. In 1997/98 they serviced 1.1 million visitors, of which 13.2% were foreigners. (Information about the park systems in the Free State and Eastern Cape will be included here when available). There are an estimated 300 private game lodges in South Africa, with about 9,000 rooms and 18,000 beds. These private lodges cater to the upper level of the price and service levels. The parks cater to a more modest level of price and service. Many of the private game reserves are located adjacent to government-owned parks. The private reserves take advantage of the ecological benefit obtained from being near the parks, and provide significant levels of additional environmental protection by providing wildlife habitat

In terms of nature-based tourism, South Africa has excellent natural assets. It has a very good range of natural-environment types, from ocean shores to mountain heights. It has a solid set of national parks and other types of protected areas, run by both national and provincial agencies, that provide experiences, tourism infrastructure and site management at world class levels. The transportation infrastructure, international airports, regional and local roads are the best in Africa. But most importantly, South Africa has a sophisticated and modern tourism business system that enables the country to penetrate international markets to a significant degree. Further details are contained in Annex 14.

In summary, there is every reason to assume that South Africa has good prospects for financial sustainability in the tourism industry. However, the picture for nature conservation is rather different, at least for the next few years. Previously relatively generous subsidies have been cut drastically in the last few years. This is not surprising, as the apartheid era has left a heritage of vast unmet social needs. These have now advanced to the top of the political agenda, and nature conservation is under severe stress to accommodate the new demands. A transition through commercialization, out-sourcing and staffing reductions is taking place, but if this is driven too far, the core values of conservation will be compromised. There are clear signals that reductions in subsidies to nature conservation agencies will continue; with or without GEF, this is a given baseline scenario.

In the baseline alternative, research on biodiversity would still go on in RSA, but mostly confined to universities, with very limited resources to carry out directly management-relevant studies for conservation implementation. There would also be continued efforts to enhance tourism planning in the region. Road investment would also be considerable. For example, the areas south-east of the Lesotho border around Matatiele have long been neglected, although they hold a substantial population. This upgrading, however, would stop at the border, and tourism flows would be discouraged by the sharp decline in road standard on the Lesotho side. Small-scale community programs would continue, but would lack resources to branch out in the northern and southern parts of the study area in South Africa.

2. Global Environmental Objectives

The objective of the project is to protect the globally significant biodiversity in the Maloti-Drakensberg mountains through a two-pronged approach: (i) identifying, zoning and protection biodiversity areas of high significance, and (ii) establishing alternative livelihoods for the affected population so as to change the incentives from degrading to enhancing from a biodiversity perspective. This will be done through an integrated program outlined in detail in the next section.

3. GEF Alternative

In a previous section, the general threats against the biodiversity assets in the project study area were discussed. Annex 14 discusses some general remedies, and proceeds to outline specific project components. In responding to the identified threats, and building a set of opportunities for alternative livelihoods for local communities, the project has been designed as eight inter-related components that together serve to conserve globally significant biodiversity, and to develop opportunities for nature-based tourism in the area. Annex 2 above provides considerable detail, but the current annex summarizes the incremental costs and provides some further details in this respect, and in terms of co-financing.

The GEF project has eight inter-related components that together serve to conserve globally significant biodiversity, and to develop opportunities for nature-based tourism in the area. These components serve to complement activities in Lesotho funded by UNDP ($2.5 million; ongoing) and AfDB ($11.4 million; planned), and significant domestic contributions in RSA. **Capacity building** is a theme that runs through the entire project components in an integrated manner.

Project Components

The summary tables at the end of this annex show both the baseline costs and the incremental costs per component and country, as well as total costs per component for the entire transfrontier project. The costs have been derived through detailed consideration of unit costs and activity proposals, much of it contained in the preparatory consultant report listed in annex 8. Unit cost data from the preparatory phase implementation has also been used. The detailed cost break-downs are available in the project file, but for the purposes of this annex, they are grouped together in functional aggregates.

1. The first component is **project management and transfrontier cooperation**. The contribution to global benefits of this component is to provide "the glue" that keeps the entire project together as a transfrontier concept, ensures implementation in accordance with GEF objectives through its monitoring and evaluation reporting, and lays the foundation for long-term sustainability.

In the baseline alternative, Lesotho would spend a minimal amount (as shown in the table below) over five years to maintain a core environment data unit and to participate in ad-hoc international meetings. South Africa would be spending closer to $300,000 over five years in the baseline option. There would be no full-time staff dedicated to transfrontier collaboration. The GIS capacity would be sufficient to serve the needs of KZNNCS, but there would be not institutional links to the other implementing organizations in South Africa or Lesotho.

In the GEF alternative, this component consists of (i) coordination offices with full-time coordination, financial management, procurement staff, support staff, office equipment and vehicles, domestic coordination committees with wide stakeholder representation, and an external

communication program ($1.8m); (ii) a GIS-based Knowledge Management System, including new hardware and software extended into all the main implementing organizations, served by increased core staff with new external technical support ($1m); (iii) A bilateral collaboration forum ("Steering Committee"; SC, meeting four times per year) and associated strategic planning workshops, and joint working groups for technical work on topics of common interest, such as with respect to marketing, booking, visitor planning, fire protection, and rescue service, meeting ten times per year ($0.35m),

2. **Conservation planning** forms the second component. In the baseline alternative, Lesotho would have no capacity at all to undertake such planning. South Africa, especially KZNNCS and SANP would have capacity to undertake some biodiversity surveys and conservation planning, while activity in the Free State and Eastern Cape Provinces would be minimal.

Annex 13 provides greater detail on the hierarchical nature of conservation planning from the landscape level to focused business plans for individual protected area, and the derived needs for staffing. The preparatory studies generated extensive documentation and data regarding resources in the study area, including physical, biological, social and economic resources and uses. The project concept is for a transfrontier conservation and development area, which needs to be planned and zoned to ensure that areas of global and national biodiversity importance are protected and managed appropriately. In the GEF alternative, biodiversity assessments ($1.6m) would be possible to undertake to thoroughly document biodiversity assets of global interest The detailed costs have been derived in the framework outlined in annex 13, and with teams of one ecologist in Lesotho (two in RSA), two technicians in Lesotho (one in RSA) and three field assistants in each country. Local community members would be trained in biodiversity data collection: 60 in Lesotho and 40 in RSA. These efforts also require two vehicles per country, computer and other office equipment. Designing a protected area system is the other main sub-component, ($0.3m) which would require a set of workshops organized by the same staff, in collaboration with overall project coordination staff. Annual unit cost per staff type is available in the project file.

3. The third major component of the project is **Protected Area Planning**. In the baseline alternative, Lesotho would not have any financial means at all to undertake this type of activity. No new areas could be added to the system, and existing area would not benefit from any enhancement in planning. In South Africa, most of the funds available would pertain to KwaZulu-Natal and SANP which already have good planning capacity, with limited capacity in the Eastern Cape and Free State Provinces.

There are two sets of areas where further detailed planning is required, namely existing protected areas and proposed conservation areas. Planning is carried out in a number of phases, beginning with the overall development and zonation plans for each area, then preparing detailed management programs and finally addressing business planning and sustainability. See annex 13 for further detail. In the GEF alternative, Lesotho and the weaker provinces in RSA would be able to benefit from experience learned in the other institutions. They would also enjoy a new level of resources to build their own capacity directly. Using the results of the preliminary biodiversity survey in the preparatory phase and the priority areas identified in the main text of this document (four areas in Lesotho and five in RSA) and the staffing plan and approach outlined in annex 13, the cost for PA planning was derived as almost $0.5m for Lesotho and approximately $0.6m for RSA. In Lesotho, about $70,000 would be spent on a business plan for the SNP and four other identified priority areas. In RSA, close to $0.2m would be spent on similar plans for six priority areas under provincial management, and the community management area in Upper Thukela QwaQwa Highlands and East Griqualand

4. **Conservation management in existing protected areas** forms the fourth major project component. The threats to biodiversity and the management interventions required were identified in several preparatory reports including CSIR (1999), Davies and Associates (1999), ECRA (1999), Loxton, Venn and Associates (1999). These include alien plant infestations, soil erosion, inappropriate fire management regime, inadequate security, over-grazing, poor waste management and poor management of cultural resources. See annex 12 for further discussion.

In the baseline alternative, the Ministry of Agriculture would maintain an annual level of about $100,000 for the funding of a small conservation management unit and the upkeep of Sehlabathebe National Park (SNP). As described, in the main text, SNP is degrading environmentally, and utilized only to a fraction of its potential. This would not change in the baseline. In South Africa, significant resources would be available to KZNNCS and in relation to areas covered, to SANP. Resources in the other two provinces would be very limited. Even in the case of KZNNCS, the declining path of public subsidies would put a strain on management capacity, that can only be alleviated by investing now for long-term financial viability in partnership with the private sector and local communities.

In the GEF alternative, The Sehlabathebe National Park would get a complete overhaul as described in detail in annex 2, for an incremental cost of close to $1m. In South Africa, the most costly incremental component would be alien invasive clearing ($1 m) based on area estimates from preparatory studies and unit cost data from the Working for Water Project. Almost as costly ($0.9m) would the erosion control sub-component be, including compensating for past neglect of erosion control around tracks and paths in conservation areas.

5. **Conservation management outside of existing protected areas** is the fifth component. In the baselines alternative, Lesotho would have no resources at all to spend for conservation purposes in the areas identified as priorities outside of Sehlabathebe National Park. Limited capacity would continue to exist in South Africa, with an accumulated spending in the order of $0.2m over five years, mostly in KwaZulu-Natal.

Focusing on areas outside the existing protected areas which have been identified in the main text of this document as being of high biodiversity value, the approach will be to establish and work with community conservation forums to understand concerns and problems, and to devise appropriate solutions. Of primary concern is the issue of overgrazing. Rather than promoting the exclusion of the existing land-uses, the community conservation program will draw on local expertise and employment to build capacity to implement conservation measures. It also includes measures to enhance alternative livelihood activities, such as capitalizing on the cultural heritage. The project's success with communities hinges on its ability to deliver tangible benefits from activities that are environmentally sustainable. Hence, activities which are not immediately related to biodiversity conservation, but indirectly serve to underpin that goal, are necessary to achieve the overall objective of conserving globally significant biodiversity.

In the GEF alternative, erosion control would be the most expensive sub-component ($0.7m), followed by fire management, range management, and alien clearing (all in the range of $0.2m). Smaller sums have been allocated to office infrastructure in support of the community management work, and to cultural heritage activities (about $0.1m each).

6. **Community involvement** is an element that runs through several components, but it is also one component in its own right, and the sixth one. In the baseline alternative, a limited program would be undertaken in Lesotho under the auspices of the Conservation Division of the Ministry of Agriculture, but it would not have dedicated staff for the program, sufficient transportation, or

locally recruited facilitators In RSA, a successful model already exists, but it is constrained in its coverage by lack of funds.

Building on the highly successful community conservation programs in KwaZulu-Natal and around the Golden Gate Highlands National Park, the proposed activities in the GEF alternative will expand and strengthen these programs into new areas in RSA and in the focal areas of Lesotho. The core of this is the development of an expanded community conservation program, supported by community conservation units in each country. The program in each country will be supported and coordinated by a professional social ecologist with a support team of conservation extension staff (three in each country). These will in turn employ community facilitators drawn from the local communities (36 in each country) and who will be the focus of the training of community members involved in other conservation management and tourism activities. Each team will need four vehicles to adequately reach out to communities. In total, the community support teams as defined here, would cost about $1m for Lesotho, and $1.1m for South Africa. Capacity building measures, including workshops for community members, establishment of community fora, and support to locally managed conservation activities (erosion control, fire management, alien clearing) would require about $0.3m in Lesotho and $0.5m in RSA.

7. **Nature-based tourism planning** forms the seventh major component. While tourism development *per se* is not a GEF objective, the level of domestic benefits from tourism development in the project area is not on a level that attracts private sector investment without the creation of an enabling environment. Without this component, the project would be more constrained in the incentives it can offer to communities for their interest and collaboration.

In the baseline alternative, Lesotho would have some resources (approx. $0.1m) to spend on nature-based tourism planning on a more general scale, but without the possibility to target training and development activities to the eastern Highlands. South Africa would have about twice as much resources than Lesotho for this particular area, and the indirect support of an already vibrant private sector. However, it would not much resources for community-based training.

While the actual investment in tourism facilities will almost entirely be left to the private sector, there is a legitimate role for the public sector, supported where appropriate by this project, to attend to planning, environmental assessments, marketing, and training of both agency staff and communities. The most sizable sub-component is a training program directed to community leaders and emerging entrepreneurs in order for local talent to adequately capture commercial opportunities through small-scale enterprises (approximately $0.7m for both countries). In Lesotho, there is a need for basic product development, development of a forum that gathers the main stakeholders, and marketing efforts ($0.5m). PA management staff will also be trained to manage tourism flows, and some training will be directed towards provincial and national level staff in order to create the necessary linkages between them and the emerging local capacity for tourism ($0.3m). In Lesotho, a modest infrastructure will be designed and installed: hiking trails, 4x4 tracks, basic trail shelters and so forth ($0.3m). In both countries, village-level nurseries for the propagation of indigenous, commercially attractive species will be established and community members trained ($0.1m).

8. **Institutional development** is an eighth component. The achievements of the project will not be sustainable if there is an inadequate institutional structure to "inherit" the results, and to ensure their long-term sustainability. In the baseline, Lesotho is likely to see some improvement on the national level, thanks to support from the GEF-funded UNDP-implemented project focusing on southern Lesotho. Localized support in the LHWP area is also likely from a project under preparation by the AfDB. In South Africa, the core institutions at the provincial and national

level are already well established, but local activities would be very limited in the project area, and coordinated landuse planning would remain weak in the Free State and Eastern Cape Provinces.

In the GEF alternative, the project would support the emergence of local boards and forums representing communities around conservation areas. Community conservation forums established in Lesotho will require further support and formalization In KwaZulu-Natal, the initiation of the program to establish Local Boards for protected areas will be strengthened, at a cost of about $0.4m for both countries. An approximately equal amount would be spent on coordinating landuse planning across agencies and stakeholders. Lesotho would upgrade its conservation management capacity to adequately manage not only the Sehlabathebe NP, but also several areas that will be handed over to government from the Lesotho Highlands Development Authority during 2001. National level support would be limited (less than $0.1m) as it would build upon already available GEF-support through UNDP.

4. Incremental cost matrix ($US million)

Component	Base case	GEF alternative	Incremental cost
1. Project management & transfrontier collaboration	0.49	3.13	2.64
2. Conservation planning	0.50	1.91	1.40
3. PA management planning	0.50	1.85	1.35
4. Conservation management. PAs	14.90	18.18	3.28
5. Conservation management. Ex-PAs	0.20	1.67	1.47
6. Community involvement	0.45	3.50	3.05
7. Nature-based tourism	0.31	1.96	1.65
8. Institutional development	0.54	0.95	0.41
Totals	17.87	33.15	15.25

Note: There are rounding errors in this table, but the totals are consistent.

Incremental Costs per Country

Component	Lesotho GEF (US$M)	RSA GEF (US$M)	Co-financing Lesotho	Co-financing RSA
1. Project management & transfrontier collaboration	1.3	1.4	0.2	0.3
2. Conservation planning	0.6	0.8		0.5
3. PA management planning	0.5	0.8		0.5
4. Conservation management. PAs	1.1	2.2	0.6	14.3
5. Conservation management. Ex-PAs	1.0	0.4		0.2
6. Community involvement	1.4	1.6	0.2	0.3
7. Nature-based tourism	1.2	0.5	0.1	0.2
8. Institutional development	0.2	0.2		0.5
Total Project Costs	7.3	7.9	1.1	16.8

Annex 5: Financial Summary
Years Ending

	IMPLEMENTATION PERIOD						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Total Financing Required							
Project Costs							
Investment Costs	1.8	3.0	4.9	6.2	5.6	0.0	0.0
Recurrent Costs	1.0	1.7	2.7	3.3	3.0	0.0	0.0
Total Project Costs	2.8	4.7	7.6	9.5	8.6	0.0	0.0
Total Financing	2.8	4.7	7.6	9.5	8.6	0.0	0.0
Financing							
IBRD/IDA	1.0	2.0	4.0	5.0	3.3	0.0	0.0
Government	1.8	2.7	3.6	4.5	5.3	0.0	0.0
Central	0.3	0.4	0.5	0.7	0.8	0.0	0.0
Provincial	1.5	2.3	3.0	3.8	4.6	0.0	0.0
Co-financiers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
User Fees/Beneficiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project Financing	2.8	4.7	7.6	9.5	8.6	0.0	0.0

	OPERATIONAL PERIOD						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Total Financing Required Project Costs							
Investment Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recurrent Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing							
IBRD/IDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provincial	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Co-financiers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
User Fees/Beneficiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Main assumptions:
Services approximately 47% (recurrent) works approximately 20% (investment), goods approximately 13% (investment), training approximately 14% (recurrent), operational cost approximately 6% (recurrent).

Annex 6: Procurement and Disbursement Arrangements

Procurement

General: Procurement of goods, works, and services will be carried out following Annual Procurement Plans agreed with the Bank as part of the Annual Work Plan. Procurement of goods and works will be in accordance with the Bank's "*Guidelines for Procurement under IBRD Loans and IDA Credits*" (January 1995, revised in January and August 1996, September 1997 and January 1999) and procurement of Consulting Services will be in accordance with the Bank's "*Guidelines for Selection and Employment of Consultants by World Bank Borrowers*" (January 1997, revised September 1997 and January 1999). The Bank's Standing Bidding Documents (SBD) will be used for all International Competitive Bidding (ICB) and Bank's Standard Request for Proposals (RFP) will be used for Consulting Services under QCBS.

Civil works: This category consists of erosion control works, alien clearing and fixed infrastructure. The erosion control refers to rehabilitation of wetlands, paths and management tracks that have degraded due to past neglect. The alien clearing program will be substantial in South Africa, but very limited in Lesotho. The built infrastructure mainly concern Lesotho, where the Sehlabathebe National Park (SANP) will be upgraded in terms of the entrance gate, reception, administration and research center, water supply, power, environmental education center and staff accommodation. Limited infrastructure is also planned for Sani Top. New trails for hiking and small huts along these will also be constructed. The total for both countries is $6.8, of which $3.15 million will come from GEF. No ICB is foreseen, as all contracts will be below $0.5 million. NCB is expected to amount to about $0.4 million of the GEF financed activities, primarily related to the works in SNP. A major part will consist of Small Works, where the experience from the Cape Peninsula in terms of training local, small-scale contractors will be utilized. Small Works estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $2.75 million equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully. All procurement documents relating to Small Works will be properly filed and retained by the main coordinating agencies for post review and audit by the Bank.

Goods: This category includes several vehicles (2 cars and 19 4WDs) and office equipment such as PCs, printers, faxes and so on, and GIS hardware, software and peripherals. This investment is necessary to underpin the objectives of community involvement, biodiversity surveying and coordination in a very inaccessible environment and over a large project implementation area. Some of these purchase can be lumped together for ICB (about $0.6 m), while others will have to be staggered to coincide with the demands of staff. NCB is expected to amount to $0.8 m. Smaller items will be handled through Shopping, and all procurement documents relating to Shopping will be properly filed and retained by the main coordinating agencies for post review and audit by the Bank.

Services: This category refers mainly to individual, long-term consultant who will be engaged in assisting the implementing agencies, and who will also build capacity among long-term staff to continue their work after project implementation. The PCUs in each country will be staffed with a Coordinator, a Financial Manger, a Procurement Specialist and support staff. Specialists in

ecology, park planning, field technicians, social ecologists, community facilitators, cultural heritage specialists, tourism consultants, micro-enterprise consultants, marketing consultants, and legal expertise will also be engaged. A few large contracts (e.g. for GIS services) are expected to fall under QCBS ($1.0 m), while most of the services pertain to small, individual contracts ($6.2 m). Where contracts are not prior reviewed by the Bank, all procurement documents will be properly filed and retained by the main coordinating agencies for post review and audit by the Bank.

Training: This category includes numerous workshops, training courses and study tours. The training program will be submitted annually to the World Bank, and reviewed every 6 months as part of the supervision missions. As for services, the type of selection method will depend on the size of the contract. A total of $2.1 is earmarked for training.

Procurement methods (Table A)

Table A: Project Costs by Procurement Arrangements
(US$ million equivalent)

Expenditure Category	Procurement Method[1] ICB	NCB	Other[2]	N.B.F.	Total Cost
1. Works	0.00 (0.00)	0.40 (0.40)	2.75 (2.75)	3.69 (0.00)	6.84 (3.15)
2. Goods	0.60 (0.60)	0.80 (0.80)	0.56 (0.56)	3.31 (0.00)	5.27 (1.96)
3. Services	0.00 (0.00)	0.00 (0.00)	7.16 (7.16)	8.40 (0.00)	15.56 (7.16)
4. Training, workshops, study tours	0.00 (0.00)	0.00 (0.00)	2.12 (2.12)	2.48 (0.00)	4.60 (2.12)
5. Miscellaneous	0.00 (0.00)	0.00 (0.00)	0.86 (0.86)	0.00 (0.00)	0.86 (0.86)
Total	0.60 (0.60)	1.20 (1.20)	13.45 (13.45)	17.88 (0.00)	33.13 (15.25)

1/ Figures in parenthesis are the amounts to be financed by the . All costs include contingencies

2/ Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to managing the project.

Table A1: Consultant Selection Arrangements (optional)
(US$ million equivalent)

Consultant Services Expenditure Category	Selection Method							
	QCBS	QBS	SFB	LCS	CQ	Other	N.B.F.	Total Cost[1]
A. Firms	1.00 (1.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	1.68 (0.00)	2.68 (1.00)
B. Individuals	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	6.16 (6.16)	6.72 (0.00)	12.88 (6.16)
Total	1.00 (1.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	6.16 (6.16)	8.40 (0.00)	15.56 (7.16)

1\ Including contingencies

Note: QCBS = Quality- and Cost-Based Selection
QBS = Quality-based Selection
SFB = Selection under a Fixed Budget
LCS = Least-Cost Selection
CQ = Selection Based on Consultants' Qualifications
Other = Selection of individual consultants (per Section V of Consultants Guidelines), Commercial Practices, etc.

N.B.F. = Not Bank-financed
Figures in parenthesis are the amounts to be financed by the Bank .

Prior review thresholds (Table B)

Table B: Thresholds for Procurement Methods and Prior Review [1]

Expenditure Category	Contract Value Threshold (US$ thousands)	Procurement Method	Contracts Subject to Prior Review (US$ millions)
1. Works	>500 50 - 500 <50	ICB NCB Small Works	0.0 0.4 Prior review first 3 contracts
2. Goods	>100 30 - 100 < 30	ICB NCB Shopping	0.6 Prior review first 3 contracts only. Post review
3. Services	>100 50 - 100 < 50	QCBS QCBS/CQ/Other QCBS/CQ/Other	1.0 All contracts >$50,000 for individual consultants and >$100,000 for firms. Post review
4. Training, Workshops and study tours (Review of training proposals will be carried out on the basis of IDA-approved annual training programs that would identify the nature of training/study tours/workshops, institutions were training/study tours/workshops would be conducted (selection of institutions and justification thereof), cost estimates, and contents of the course. These will be reviewed by IDA on an annual basis.)	>100 (firms) >50 (indiv.)	Other	2.0
5. Operating Expenses	N/A	N/A	Post review

Total value of contracts subject to prior review: $4M.

Overall Procurement Risk Assessment

High

[1] Thresholds generally differ by country and project. Consult OD 11.04 "Review of Procurement Documentation" and contact the Regional Procurement Adviser for guidance.

Frequency of procurement supervision missions proposed: One every 6 months (includes special procurement supervision for post-review/audits)

The following major **findings and actions** were identified as part of the Procurement Assessment:

South Africa:

Procurement regulations differ between implementing agencies, and some aspects of provincial procurement regulations in the Free State are problematic from a World Bank perspective. There is no procurement capacity for this type of project within DEA&T (Pretoria), and limited capacity within DEA&T in Eastern Cape and the Free State. The KZNNCS manages most of the geographical area of the project on the RSA side, and is expected to spend most of the grant within its provincial boundaries. Hence, it is agreed that:

1. All procurement activities, including procurement planning, for this project should be centrally managed by KZNNCS. This should be done in coordination with all the other beneficiary agencies. Minor procurement of goods could be delegated to the other beneficiary agencies within agreed authority limits (i.e. all orders/contracts for goods below Rand 15,000 (approx. US$2,500 However, monthly reports on such procurements should be submitted to KZNNCS' coordinating unit for consolidated reporting under the project.

2. KZNNCS will fill the vacant procurement officers' positions with qualified and experienced personnel. Rigorous training on the Bank's procurement procedures is required.

3. KZNNCS will submit a procurement procedures and implementation manual, and a standard bidding document for National Competitive Bidding for review and acceptance by IDA.

4. IDA will organize a procurement workshop to all the key personnel who are involved with this Project prior to or at the time of launching the projects

Lesotho:

MEGYA and MOT have no experienced staff to handle either simple or complex procurements, and although MoA has a few trained personnel, mainly in the stores function, the current staffing arrangements are totally inadequate to handle complex procurements. Hence, it is agreed that:

1. MEGYA as the lead implementing agency should appoint, on a competitive basis, a qualified and experienced consultant procurement specialist to supervise, coordinate and implement all procurement activities under the project. One of his/her immediate responsibilities should include setting up of proper procurement systems (including filing, communication links, procurement planning, reporting formats etc.) and the preparation of a draft procurement procedures manual. The consultant procurement specialist will be one of the members of the Project Coordination Unit within MEGYA.

2. Minor procurement of goods could be delegated to MoA and MOT, within their current authority limit (i.e. all orders/contracts for goods below Maloti 10,000). However, monthly reports on such procurements should be submitted to the PCU for consolidated reporting under the project.

3. IDA will organize a procurement workshop to all the key personnel who are involved with this Project prior to or at the time of launching the projects.

Disbursement

Allocation of proceeds (Table C)

The proposed GEF Grant of US$15.25 million would be disbursed over five years with an expected Project Completion Date of November 30, 2005 and a Closing Date of May 30, 2006. The proposed allocation of Grant proceeds is shown in table C.

Table C: Allocation of Proceeds

Expenditure Category	Amount in US$million	Financing Percentage
Goods	1.96	90% local, 100% foreign (Lesotho) 80% local, 100% foreign (RSA)
Works	3.15	90% local, 100% foreign (Lesotho) 80% local, 100% foreign (RSA)
Services	7.16	100%
Training	2.12	100%
Operating Expenses	0.86	80%
Total Project Costs	15.25	
Total	15.25	

Use of statements of expenditures (SOEs):

All applications to withdraw proceeds from the Grant will be fully documented, except for: (a) expenditures of contracts with an estimated value of US$50,000 each or less for works and (b) US$ 100,000 or less for goods and consultants' services provided by firms; and (c) US$50,000 or less for individual consultants; and (d) all operating costs, which may be claimed on the basis of certified statements of expenditure (SOEs). Documentation supporting expenditures claimed against SOEs will be retained by PCU and will be made available for review when requested by IDA supervision missions and project auditors. All disbursements are subject to the conditions of the Development Credit Agreement and the procedures defined in the Disbursement Letter.

Special account:

To facilitate disbursements of eligible expenditures for works, goods and services, the Government will open a Special Account in a commercial bank to cover the part of GEF's share of eligible expenditures to be managed and administered by the PCU. The Authorized Allocation of the Special Account would be US$ 1 million, covering an estimated four months of eligible expenditures financed by GEF. Initially, the authorized allocation will be limited to an amount of US$ 0.5 million until the aggregate amount of withdrawals from the Credit account plus the total amount of all outstanding special commitments entered shall be equal to SDR 10.0 million. The PCU will be responsible for submitting monthly replenishment applications with appropriate supporting documents for expenditures. To the extent possible, all of GEF's share of expenditures should be paid through the special account.

Annex 7: Project Processing Schedule

Project Schedule	Planned	Actual
Time taken to prepare the project (months)	18	28
First Bank mission (identification)	09/01/97	09/01/97
Appraisal mission departure	01/10/2000	01/09/2000
Negotiations	03/15/2000	
Planned Date of Effectiveness	11/30/2000	

Prepared by:

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Preparation assistance:

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Bank staff who worked on the project included:

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Gaginis, Steve	Disbursement
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Mackinnon, Kathy	Peer Reviewer
Mpoy-Kamulayi, T.	Country Legal Matters
Ninio, Alberto	Environmental Law
Seth, Subhash	Roads
Sugar, Marcos	Disbursement

Annex 8: Documents in the Project File*

A. Project Implementation Plan

To be prepared as draft for negotiations and in final form for effectiveness.

B. Bank Staff Assessments

Financial Management Assessment
Procurement Assessment

C. Other

Report from Project Identification Workshop (September, 1997)
Minutes from PCD Review Meeting (April, 1999)
Aide-memoire from Preparation Mission (May, 1999)
Minutes from Decision Meeting (December, 1999)
Aide-memoire from Appraisal Mission (January-February, 2000)
Progress reports from Project Coordinators
Minutes from Steering Committee Meetings
Nomination Proposal for the Drakensberg Park, alternatively known as uKhahlamba Park, to be listed as World Heritage Site. Detailed cost break-downs for each component

Consultant reports (available on CD-ROM):

Task	Title	Date	Consultancy Firm
1	Information Management Standards and Guidance	December 1999	Enviromap GIS Consultants
2	Biodiversity Assessment	December 1999	Environmentek CSIR, Pretoria
3	Assessment of threats and impacts, priorities and necessary management interventions.	December 1999	Environmentek, CSIR, Pretoria
4	Road Feasibility Assessment	December 1999	Muir Associates, Consulting Engineers
5	Economic Assessment & Development Planning Conclusions and recommendations with cost estimates for inclusion in the Project Concept Document	December 1999	Associates for Economic Development
6RSA	Social Assessment - South Africa	December 1999	Kiepiel & Quinlan
6LES	Social Assessment	December 1999	ECRA Consulting (Pty) Ltd

7	Cultural Heritage Audit	December 1999	Amafa aKwaZulu-Natali Heritage / Erfenis KwaZulu-Natal
8RSA	Transition Management & Development Planning – Rep. of S.A.	December 1999	Metroplan Development Consultants
8LES	Lesotho Transition Zone Management & Development Planning	December 1999	Loxton, Venn & Associates
9	The legal and institutional framework for conservation and natural resource management in the proposed Maloti-Drakensberg Transfrontier Conservation and Development area	December 1999	EnAct International
10	Protected area management and development planning	December 1999	Richard Davies & Associates
11	International Recognition Volumes I-III	December 1999	Environmentek, CSIR, Durban

*Including electronic files

Annex 9: Community Consultation and Social Assessments

Introduction

The Maloti-Drakensberg Transfrontier Project supports a conservation and development program, whose primary goals are i) to protect globally significant biodiversity and ii) to facilitate development initiatives for the communities in the program area. Involvement of these communities is central to the design and implementation of the project. As part of project preparation, the coordinators carried out extensive consultations with the communities in the study area. In addition, social assessments were commissioned for both South Africa and Lesotho to assess project impacts and to map out the processes for community involvement in the long-term biodiversity conservation program.

The key elements in the preparation of these social assessments include the analytical components that address i) stakeholder analysis and ii) institutional analysis; and the process components, which address long-term participatory aspects. The process components deal with the mode of engagement of stakeholder in the project (i.e. their consultation and participation) and the framework for monitoring (participatory monitoring, program monitoring and impact monitoring) and evaluation. The analytical aspects in this project clarify the different stakes involved and the stakeholders, as well as the institutional arrangements underpinning existing relationships.

It is on this basis of this framework that the social assessments for South Africa and Lesotho are presented. Although this is a transfrontier project, this distinction between the two countries is relevant because the social issues and trends are not the same and different consultants carried out the studies.

Part 1: Social Assessment – South Africa

The South African social assessment was carried out in four areas, as follows:

(i) The Maluti area of the Eastern Cape Province is dominated by service delivery activities. The service sector accounts for about 57.8% of all employment according to the 1991 DBSA census data. Apart from the employment opportunities provided by the service sector, the overwhelming majority of the households rely on subsistence agriculture practiced on communal lands. Most of the villages in this study zone are located in the montane zone and are therefore dependent on the project area for their livelihoods.

(ii) St. Bernard's Peak in KwaZulu-Natal is characterized by commercial farmlands, and private property holdings. There is a high rate of unemployment and male absenteeism for the few jobs that exist. Most of the properties adjoining the project area is privately owned, and subsistence use poses little pressure on the biodiversity of these areas. However, existing and potential land-uses including commercial afforestation have resulted in significant impacts on the mountain environment and need to be addressed through effective land-use planning.

(iii) The Upper Thukela area, also in KwaZulu-Natal, is a traditional rural area with high levels of unemployment. Even where opportunities exist, there is also a high level of male absenteeism. This is a locality where NGOs, such as Bergwatch, are involved in community conservation. The Rand Water Mnweni Trust has also initiated greater community participation in conservation activities.

(iv) The QwaQwa area in the Free State was formerly a self-governing territory under the previous regime. This economy of the area is dominated by employment in the mining sector, albeit a declining activity in the Free State. Having been subjected to self-government, the power of traditional authority is omnipresent and is manifested in the control of land allocation. Unfortunately, the area has high unemployment, stock theft, random burning of the rangelands, and overgrazing. These negative trends consequently exert undue pressure on natural resources to sustain the livelihoods of people and livestock.

In summary, the four study zones are characterized by a high level of unemployment, an unusually high proportion of females and children which negatively affects decision making in livestock management, and in most cases reliance on natural resources for sources of livelihood. In those areas where common property resources are still managed by local chiefs and their agents, free rider problems associated with overgrazing are predominant. For a population of approximately 600,000 (excluding St. Bernard's Peak) the employment profile is as follows:

- Formal employment 34.0%
- Informal sector 13.1%
- Marginal sector (subsistence) 26.7%
- Unemployed 26.2%

These figures show significant levels of poverty. It is therefore not surprising that most stakeholders expressed the following needs and concerns:

- Unemployment was seen as the main concern and priority should be given to job creation in the project;
- Stock theft, uncontrolled burning of rangelands, and livestock trespassing negatively affects the biodiversity of the study area;
- Overgrazing, especially on communal land, was widely reported to negatively impact tourism;
- Infrastructure investments, including water supply, roads, and telecommunications, were identified as factors that will increase the tourism potential of the area;
- Finally, there was a strong interest in training and capacity building (e.g. biodiversity assessments, tour guides).

Given these concerns, and the natural beauty of the landscape, the overriding view of stakeholders was that nature-based tourism development, which emerged as a key component in the resolution of the huge problem of unemployment, would be a major force behind rural economic restructuring. The project was therefore visualized as setting the stage for an expansion of livelihoods and bringing about the convergence of conservation and development (e.g. rehabilitation of thatch-producing grasslands for income generation).

Institutional Issues

On institutional analysis, there is a list of the different government, parastatal, provincial, and local level institutions operating in the four study areas (Kiepiel & Quinlan 1999). This list describes the attributes of these organizations but does not provide an adequate basis to assess their efficiency and effectiveness. It is generally noted that areas under common property regimes are subjected to high levels of resource degradation. This has prompted communities to take their own initiative in the implementation of resource conservation in their areas. Consequently, the lessons of such initiatives as Landcare and Working for Water are cited as models worthy of further studies during implementation.

Further institutional analysis will be required during the early phase of program implementation to clarify the institutional platform (rules, regulations, normative systems, etc.) on which various actors stand to articulate their claims. That analysis should further provide insights into those actors who can deliver on project outcomes, other actors who have veto power in the system, and how to engage these groups of actors to move in the desired direction.

Also worth mentioning as part of the institutional and cultural landscape of the project area is the existence of historically dated and culturally significant San rock paintings. These rock art resources, which provide us with glimpses of other times, are of global cultural significance.

Consultation and Participation

On the consultation process, it is obvious that no viable conservation approach can achieve any long-term success in any of the four regions without the involvement of local communities. The social assessment therefore advocates community involvement in the planning and implementation of the project.

Although the South African study relied mainly on secondary data sources, a strong case has been made for involving the communities in biodiversity conservation. It is highly recommended that intensive consultations be carried out with various stakeholders during the entire implementation of this program.

Monitoring and Evaluation

Finally, benchmarking the social assessment, as a process, needs to carried out. This phase of both program and impact monitoring is critical in the design and implement of the different components of this project for each of the biodiversity hot spots.

Social Safeguard Issues

The possibility of project-induced involuntary resettlement in South Africa is not envisaged in any of the areas identified as hot spots that require immediate investments. Agricultural pressure, which is the common form of economic displacement, is not an issue in the afro-alpine reaches on project area. However, the project aims to work with the communities outside the project zone as a strategy to enhance conservation efforts within afro-alpine biodiversity areas.

At first sight, the prevalence of rock art resources within the project area might suggest that issues of cultural property might become topical. But in view of the fact the project aims at conservation of biodiversity and setting the stage for nature-based tourism, these cave paintings stand a much better chance of conservation with the project than without the project.

There is no question of indigenous peoples' policy being triggered, as the stakeholders are all indigenous to the region. When an analysis of vulnerability was carried out, no particular ethnic or social group could be said to suffer undue impacts as a result of project implementation.

Part II: Social Assessment – Lesotho

A key challenge for project design and implementation in Lesotho is the fact that the rangeland is a common property resource, whose management regime is a mixture of the traditional system of *maboella* and the state sponsored system of the range management area (RMA). The local

perception that rangeland can be exploited for free, challenges concepts of conserving biodiversity that is of global significance. It is in search for common ground, which blends conservation with development that necessitated the commissioning of a social assessment for the project. The underlying assumption is that the success of the project is contingent on a community-driven approach, which involves the stakeholders during the initial planning phase as well as the implementation phase.

Stakeholder Analysis

Pursuant to this goal, the four districts of Qacha's Nek, Thaba Tseka, Mokhotlong and Butha Buthe were targeted for social analysis. A sample of 36 villages and 790 respondents were included in the participatory land-use planning surveys. Workshops in Makanyaneng, Mashai and Linakaneng were conducted to identify the principal environmental concerns and perceptions of the users. All these groups were within the Thaba Tseka District and use the Sani and Sehlabathebe summer grazing areas. The groups' composition included chiefs, headmen, livestock owners, women's group, Stock Theft Control Unit members and members of the Village and District Development Councils.

In the field, proven social science research tools, including participatory rural appraisals, participatory stakeholder workshops, participatory land-use planning, and institutional surveys were carried out to elicit the relevant information as well as engage the stakeholders in the assessment of the issues. This consultation process laid the foundation for long-term engagement of the stakeholders in the management of the resource base. Furthermore, the national environment secretariat of Lesotho commissioned a participatory rural appraisal of six villages in the Mokhotlong District to determine the perspectives of the people in conserving the ecosystem of the area. The concerns of the communities will be addressed in this project.

The stakeholder analysis identified three levels of stakeholding: i) individual actors, ii) households, and iii) communities. Although the household emerged as the primary unit of analysis, with an average size of 5.8 persons in the project area, other institutional actors such as chiefs, principal chiefs, VDCs, etc. were identified as significant actors in the project context. Approximately 250,000 people depend on natural resources from the area.

A generalized finding of poverty and unemployment, expressed in terms of lack of cash (monemetrics), was identified as a serious problem facing most households. This situation has recently been compounded by the retrenchment of Basotho men from the mines in South Africa. This has significant consequences on household incomes and the living standards in the study areas. To cope with these hardships, many households have resorted to beer brewing, an occupation carried out primarily by women. Other sources of income include livestock products (wool and mohair), cattle sale during auctions, herders wages, sale of firewood, sale of vegetables, etc. The vast majority of these beneficiaries rely on rangelands for their livelihoods.

The data also show that 79% of the households are male-headed, and that most of the female-headed households are those occupied by old widows. Educational attainment in the study area is significantly below the national average of 78%; 31% of people surveyed had no formal education. Livestock herding kept most of the boys out of school.

When viewed from the standpoint of the rangeland resources, 93% of the households surveyed utilize these resources as their primary source of livelihood. Farming pressures on the land are not reported, the main source of pressure on the range is overgrazing.

Consultations during the preparation of the social assessment produced the following conclusions:

All communities were aware that rangelands particularly in the summer grazing areas are seriously degraded;
Stock theft is a major concern of these communities;
Communities are aware that wetlands in the area are severely damaged and are drying up;
There are problems in the administration the areas due to disagreements between headmen and chiefs.

Other Forums for Stakeholder Consultations

In addition to the consultations carried out by the social assessment team, the project carried out multiples sessions of consultations with institutional stakeholders as part of the project preparation effort. These included:

(i) NGOs: At an NGO meeting held on October 13, planned project activities were discussed and views from the various groups will be incorporated into the planned activities. The following NGOs were present: Lesotho Red Cross, Lesotho National Wool & Mohair Growers Association, World Vision International (Lesotho), Lesotho Durham Link Office, Church Action Group (an advocacy group), Plenty Lesotho, Christian Council of Lesotho, Helvetas Swiss Development Corporation, GROW - Mokhotlong, Community Legal Resource and Advice Center, Development for Peace Education, Transformation Resource Center, Highlands Church Action Group. NGOs in Lesotho, having understood the project objectives are now keen to contribute to implementation.

(ii) Local Government: Several meetings have been held with District Secretaries of the affected districts. In the districts of Butha-Buthe Mokhotlong and Thaba Tseka, the District Management Teams also attended the meetings with the District Secretary. The District Management Teams comprise the District Senior sectoral and departmental Officers: Agriculture, Tourism, Health, Roads and Planning. The major conclusions from the meetings were:

- careful participatory planning of the transfrontier area must be undertaken;
- grazing in the RMAs must be controlled;
- mechanisms to protect the wetlands should be developed and implemented;
- community involvement in the management of resources within the RMAs is critical.

(iii) National Government and Parastatal Organizations: Consultations with the national Government leaders have been with the senior officials of the Ministry of Works, Roads Department, Ministry of Tourism, Sports and Culture, and the Lesotho Tourism Board. Officials from these ministries have also been taken to the project study area. Since parts of the project study area are within the LHDA jurisdiction, consultations took place with the Authority Nature Conservation Officers, the Infrastructure and engineering officers, Tourism Officers, LHDA Environment and Social Services Group and the LHDA Contract 604 (design of nature conservation areas in LHDA areas). These consultations complemented our understanding of the institutional issues.

Institutional Issues

The institutional analysis for Lesotho highlighted a complex web of relationships relating to rangeland management (see Annex 7). The function and role of these institutions must be determined if interventions in range management are to be successful.

The introduction of range management areas and grazing associations has been met with mixed feelings (Annex 7). Proper range management rotations have been ignored for fear of livestock theft. In fact, the fear of livestock theft is a major threat to rational rangeland management.

Emphasis on de-stocking has been met with resistance on both cultural and marketing grounds. First, on cultural grounds, local livestock owners perceive cattle as a store of value, not as an economic factor of production. According to local registers of value, owning large heads of cattle enhances a person's status in the community. Second, markets are said to be inaccessible in the highlands for those livestock owners who want to de-stock. Access to adjoining markets in South Africa has been restricted and owners are obliged to take their livestock to markets in the lowlands or the foothills of Lesotho. These issues need to be during the project design and implementation phase, if globally significant biodiversity is to be conserved.

Implications for the project

Both the analytical and processing aspects of the social assessment emphasize community engagement during the design and implementation of this project. The following implications are derived from the Lesotho study where there was ample consultation of stakeholders during the survey.

(i) Preparatory workshops undertaken during the social assessment will provide a sound basis for future participatory work with the relevant stakeholders. The identification of the relevant institutions and their relative power should form the basis for future planning of activities.

(ii) The main needs identified by the communities were the need for income generating activities (including nature-based tourism) and training. These should be given top priority in proposed project activities.

(iii) The social assessment discussed four models for sustainable land management:

- total exclusion;
- formation of range management areas;
- traditional range management involving resting of certain areas (*maboella*);
- mixed use.

The model that was favored by most communities was an **adapted range management area model**. If this model is adopted it should be legitimized by the government. The communities stated the need for strict law enforcement to support the model.

(iv) The social assessment identified the need to train communities in grazing management. It is apparent from the detailed description of the traditional *maboella* system that livestock managers have a sound understanding of the principles of grazing management. The reasons for the breakdown of the system (both political and social) need to be identified and solutions sought.

(v) The identified need for education on the hydrological cycle and importance of wetlands should be highlighted as a project activity.

(vi) The social assessment recommended the promotion of abattoirs and markets to encourage de-stocking.

(vii) The central tenet of the social assessment is the involvement of communities at all levels of project design and implementation. The request for the formation of community committees (e.g. community conservation forums) and their participation in regular meetings and follow-up session should be institutionalized and monitored.

The same framework for monitoring and evaluation proposed above for the South African version applies to Lesotho.

Social Safeguard Issues

No specific social safeguard issues have been identified in Lesotho. However, due to rapid emergence of unplanned settlements close to government offices, especially at Sani Pass, a decision may be taken during the implementation phase to move out the residents from these unplanned settlements. If that scenario were to take place in any of the project areas not visited by the appraisal mission, resettlement planning consistent with world Bank guidelines on involuntary resettlement, must be followed and a plan submitted to the Bank for approval.

Annex 10: Rangeland Management and Biodiversity

An assessment of the biodiversity content of the Maloti-Drakensberg area, which is considered to be an area of high regional plant endemism, shows some significant deterioration due to both natural and human causes. Factors contributing to such resource deterioration include: (i) overgrazing of communal lands, (ii) out of season burning regimes and uncontrolled wild fires, (iii) increased cultivation on steep slopes of the mountain, (iv) livestock trespassing across borders, and (v) the invasion of alien plant species. The aim of this section is to identify some of the underlying causes of biodiversity loss and to propose ways of addressing such root causes within the project components.

(i) Overgrazing of communal lands

In Lesotho and South Africa rangeland is a communal resource to which every community member has the right of use, but not ownership. Prior to the 1900's there was little pressure on the rangelands and people could graze their animals wherever they liked. However, increased population growth and their dependence on livestock have resulted in greater pressure on the natural resource base and degradation of the rangelands. Increased stock theft has also constrained some stockowners to keep animals close to their homesteads for long periods, further engendering overgrazing of the rangeland.
In South Africa many of the communal areas were subject to "Betterment" planning by the government in the 1950's. The areas were divided into three zones (grazing camps, villages and croplands) which were fenced to control livestock movement. During summer, livestock were kept in grazing camps in the higher lying areas, but had open access to the rangeland and crop residues near the villages during winter. Although this system still operates in many communal areas today, lack of consultation with the communities led to the breakdown of the fences and uncontrolled use of the rangelands.

The government of Lesotho has put considerable effort and resources into developing management strategies to address the problem of overgrazing in communal areas. Although it is apparent from the long history of government and donor aid programs that there is no simple solution, there are a number of lessons that can be learnt from these interventions.

A review of these interventions (Hartley 1999) illustrates Lesotho's strong history of grazing management. Under the traditional transhumance grazing system there is a seasonal migration of livestock from the permanently settled arable areas to the pastoral summer grazing areas in the high mountains. In winter the grasses are dormant and have low nutritive value so that it is necessary for the livestock to feed on crop residues close to the villages. During the growing season (summer) the livestock are moved up into the mountains when the grazing value of natural grasslands is high and livestock damage to crops is minimized. Traditionally, chiefs were responsible for managing grazing by controlling stock numbers in certain grazing areas and setting aside areas for protection of thatch grass, reed beds, tree planting and rotational grazing. Historically, chiefs were powerful and effective administrators, but today their effectiveness in regulating grazing control has been eroded (Motsamai 1991). The main contributing factors to this are diminishing range resources, expansion of settlements, increased stock theft and lack of administrative capacity (e.g. manpower, support services). Several state interventions (e.g. the establishment of Village Development Councils) were subsequently initiated to address these problems. However, the transfer of power from Chiefs to Village Development Councils has caused serious tensions and conflicts within many communities and has hampered the effective management of rangeland resources (Loxton, Venn & Associates 1999).

Livestock owners and mangers in Lesotho currently operate under two institutions:
1) *Chieftainship* which comprises traditional leaders, and
2) *Central government*, which enacts legislation and operates through professional civil servants and elected bodies (Tshabalala 1995).

Although the statutory regulations were meant to provide a means of regulating land use their implementation has failed, largely due to lack of proper institutions to administer them (Loxton, Venn & Associates 1999). Another problem is that responsibility and jurisdiction over natural resources is scattered across many government ministries and departments as well as across several local structures. Consultation and collaboration with all these ministries will be crucial for successful range management policy formulation and implementation.

One of the most substantial interventions in Lesotho has been the Range Management Areas (RMAs) Program initiated in 1982 by the Range Management Division with donor assistance from USAID (Hartley 1999). Areas were set aside for the exclusive use of a set number of communities, whose livestock keepers were members of a legally registered Grazing Association. The main principles of RMAs are:

- increase the productivity and income of rural livestock producers;
- facilitate commercialization of the extensive livestock industry, while at the same time satisfying the subsistence needs of rural households and
- initiate management of renewable resources in a manner that is sustainable and socially acceptable to rural Basotho.

Perceptions on the success of RMAs range from "considerable success" in some areas (Weaver 1991) to its rejection in Mokhotlong (Hartley 1999). Indicators of the success of the Sehlabathebe RMA (Weaver & Sekoto 1991) were:

- increased livestock productivity (50 kg per oxen);
- a decrease in percentage bare ground from 26.8% to 20.3%;
- an 16% increase in range condition; and
- a 33.8% increase in species diversity.

In the Pelaneng/Bokong RMA that was initiated by the Lesotho Highlands Development Authority, the main achievements have been an increase in community income generation through tourism, the initiation of planted pastures for livestock and an increase in the number of livestock auctions.

Social and political issues appear to be the main reasons for dissatisfaction of RMAs (e.g. election of political members on to committees, lack of community input in decision making, poor communication, lack of perception of benefits). These issues need to be addressed through the project if future interventions are to be successful.

In conclusion, a number of factors that must be addressed by the project to achieve sustainable management of communal resources in the study area are:

- the development of community conservation forums to ensure the participation of all the people who depend on the resources.
- facilitation of the development and implementation of a resource management plan by the community to control the manner and rate of resource exploitation. This can be

achieved through consultation and participation of all the stakeholders and by supporting and strengthening the institutions involved.

- the employment and training of extension staff and the provision of adequate resources and incentives to support them.
- employment and training of community facilitators to implement the management of the resources.
- education of herd boys to support livestock management plans.
- facilitation of legislation to support local government structures and implementation of resource management plans.
- facilitation of market-based tourism opportunities to support the people's need for income generation.
- introduction of alternative fodder programs.
- build on transfrontier co-operation between Lesotho and South Africa so that livestock owners have ready access to markets and auctions.

(ii) Out of season burning of the rangelands

Fire management is a critical and time-tested mechanism for range rejuvenation and environmental management in the locality. However, when mismanaged, it can cause serious damage to the rangelands. Two factors account for the uncontrolled wild fires in the Maloti-Drakensberg area. Firstly, out of season burning (e.g. summer burning) reduces the high quality grazing species resulting in the encroachment of low quality forbs and unpalatable grasses. Secondly, the unchecked actions of community members, especially the herd boys, who put in fires during the dry winter period to promote new flushes of growth often results in uncontrolled wild fires that are a threat to property and biodiversity.

The project aims at dealing with uncontrolled fires through the implementation of better fire management practices (e.g. seasonal burning programs, firebreaks, etc.) and as part of the educational aspects of the community outreach program. Communities will also be associated with the fire fighting strategies that the project will develop.

(iii) Increased cultivation on the slopes of Maloti-Drakensberg Mountains

Rapid population increase in the highlands due, *inter alia*, to the retrenchment of Basotho mineworkers in South Africa, has exerted undue pressure on limited land resources. Moreover, dam construction on both sides of the borders, especially the Katse dam in Lesotho, has attracted more migrants into the highlands and further has increased the need for cultivable lands. This increase in population trend has undoubtedly brought into agricultural production more marginal and fragile lands along the slopes of the mountain range.

A land use planning exercise, with the involvement of the communities, will complement some of the initiatives being implemented by the Lesotho Highland Development Authority along the margins of the project area.

(iv) Livestock Trespassing across Borders

Given the transhumance nature of cattle management in the highlands, stock owners tend to see land in terms of territory for grazing purposes, unmindful of national borders. In some cases, these transhumance corridors predate the establishment of national boundaries. Hence, South Africa conservation authorities have been registering cases of cattle trespassing across the borders into protected areas.

The effective organization and enforcement of rules within the RMA will institutionalize more structured grazing practices in the program area. The project's contribution to this process will consist of revamping the RMAs or the creation of new RMAs. In addition to project-level intervention, bilateral discussions on the enforcement of border controls might be required, if community-level intervention fails to work

(v) Alien plant species

The invasion of most alien plant species, as a result of overgrazing and human settlement, is a major threat to biodiversity and water resources in the catchment areas. The major problem plants are *Acacia dealbata*, and *Pinus patula*, which have invaded approximately 44,000 ha of the project area. The removal of these species in the Maloti-Drakensberg area is necessary if biodiversity of the project area is to be conserved. Project activities that will address this problem include an alien clearance program, where local communities will be trained and employed to manually remove the problem plants. This will be combined with an education program on land management and rehabilitation. Herbicides will be used sparingly, and only by trained staff on species that coppice aggressively without such treatment. Direct application will be used, as opposed to general spraying. The alien eradication program will be used as a springboard to train emerging entrepreneurs from previously disadvantaged communities. Through training in management skills, including accounting, tendering procedures, group leadership and so forth, these entrepreneurs will be ready to take on increasingly sophisticated tasks.

MANAGING RANGELAND IN THE COMMUNAL AREAS OF SOUTH AFRICA

In South Africa, communal rangelands support approximately a quarter of the human population and half the livestock population of the country. These high population pressures have resulted in degradation of natural resources and decreased productivity. In the past, development initiatives aimed to achieve sustainability through the control of excessive livestock numbers. These efforts failed because they clashed with the basic reasons for which people were keeping cattle (milk, draft, security etc.). Following the 1994 democratic elections in South Africa, a number of new resource conservation and land management programs have been initiated to deal with the problem of resource degradation. This report is an overview of current issues (historical, social, ecological, and institutional) that need to be addressed to achieve sustainable land management in communal areas.

1. Historical issues

Traditionally the response of African pastoral societies to variable forage availability was to retain a high degree of mobility (nomadic pastoralism). Increased population pressure and political changes have contributed to the breakdown of this type of pastoralism.

With the implementation of the 1913 Land Act, rural people were settled into “homelands” and forced to subsist either on marginal agricultural land or on high potential land which required large amounts of capital and an in-depth knowledge of intensive production systems in order to use it effectively. Livestock numbers began increasing beyond the carrying capacity of this rangeland and signs of over-utilization became evident. In 1932 a Commission of Enquiry into the Agricultural Economy of ”Bantu Reserves” warned that accelerated soil erosion through over-grazing was turning developing areas into deserts. This led to the proclamation of “Betterment” Areas in 1939.

“Betterment” Planning

Many communal areas in South Africa were subjected to ”betterment”, which was implemented in the 1950's. Communal areas were divided into three main resource areas by planners who sought to impose a “scientific” resource management regime. Each resource area had unique tenure arrangements and rules (Von Maltitz 1998).

The homestead area

The traditional settlement pattern of scattered homesteads was replaced by villages. Each family was allocated land on which to build their homestead. Tenure for this land was generally secure. It was common for this area to be fenced and used for kraaling livestock, keeping poultry and growing fruit and vegetables.

The fields

Households had usage rights to specific fields. Tenure of this land was relatively secure and was allocated by the “tribal authority”. Rights to exclusive use of the fields was reserved for the summer months. In winter the fields were used for communal grazing. All maize stalks (stover) were considered to be part of the communal winter grazing resource. Fields could be reallocated under specific conditions such as continued non-use. In some cases land was rented out.

Rangeland

This area was designated largely for summer grazing, but was also used for other resources such as water, thatch grass, fuel wood, timber and medicinal plants. All members had access to this area, and use patterns were controlled by local regulations. There was no limit to the number of livestock that an individual could keep. In some areas permits were required to keep livestock, but these were not used to control numbers.

Although some communal areas still operate under the “betterment” system, it is no longer functioning in many areas. The main reason for this was the top-down approach and lack of consultation with the people on key issues such as fence boundaries.

Intervention in communal rangelands must focus on the people and make production an integral part of sustainable land management.

Land reform in South Africa is currently underway to address the past history of unequal land distribution. Many planners have called for privatization of land to stop overgrazing. However, in many cases resource productivity per unit area is not high enough to guarantee the individual or group the returns needed to sustain private property regimes. In addition, resource poor people that have been allocated private property regimes may not be able to bear the cost that these systems impose. Turner (1995) suggests that the solution to natural resource management problems in southern Africa is to be found in a combination of institutional arrangements that combine the best attributes of private, common and state property.

New land policy therefore needs to take into account the diversity of conditions under which rangelands are used in South Africa, the range of stakeholders involved and the variety of socio-economic conditions under which rangelands are managed.

2. Social issues

Past failures of development initiatives to solve the problems of environmental degradation in South Africa have been attributed to the lack of consultation and involvement of the rural population. In the past, the top-down approach to implementing management strategies excluded the local people from decision making. Participation will empower people and give them a sense of ownership in management decisions. New conservation policies are based on the need to adopt more socially responsible methods of conservation management.

Participatory methods must play a central role in development work in rural communities. Extension officers must receive appropriate training in participatory methodology to work with the people in participatory partnership.

3. Ecological issues (range and livestock management)

When “betterment” was first initiated a destocking campaign was implemented by the government, but after strong opposition this was discontinued. Traditionally, livestock management was the responsibility of the men and herding was carried out by young boys. Today women play a major role in livestock management. As men migrate to industrial and mining sites in search of jobs, women are left in rural areas as heads of households. Although women's interactions with cattle have increased over the years, decisions on issues such as slaughtering and selling are still vested with the men.
During the 1950's when “betterment” was implemented, the grazing area was fenced off from the cropping area and individual grazing camps were also fenced. However, the fencing system has collapsed largely through theft and lack of maintenance. It is clear that any cattle and rangeland management strategy will require some mechanism to control cattle movement. Cattle movement can be controlled by physical fencing or ‘social’ fencing such as herding.

Management of individual livestock herds on communal rangelands is largely exercised by herders and the level of herding varies. Over much of South Africa the absence of young boys, who now attend school, imposes a major limitation to livestock management, though in Lesotho large numbers of herders guard access to grazing. Increased social development, including increased schooling, effects a breakdown in the traditional herding system. This results in losses through the theft of stock and conflict between crop and cattle owners when crops are destroyed by untended cattle. One solution to this may be a system based on the Lesotho model whereby herders are paid, either in money or livestock, to look after livestock.

The grazing system in communal rangelands closely follows the cropping cycle. During the cropping season in summer the cattle are moved away from the crop fields to graze on the surrounding natural grasslands. Milk cows and calves are usually kept in the vicinity of the homesteads. In winter, following harvest of the crops, the cattle graze on the maize stalks in addition to rangeland. Fodder shortage, especially during the dry winter season, is one of the main constraints to livestock production. Agroforestry species have the potential to provide an affordable fodder supplement for increasing cattle productivity.

Another problem that will have to be addressed by rangeland managers is the very skewed ownership of livestock (De Bruyn 1998) and the tendency for a large proportion of the livestock to be in the hands of absentee members employed in industry outside the communal area. The livestock which such individuals accumulate in the communal area, primarily for the purpose of storing their wealth, denies the local inhabitants of a large proportion of the resources of the rangeland.

* *Unequal livestock ownership must be recognized when planning range management strategies.*

* *Alternatives to destocking (e.g. control of animal movement) need to be investigated.*

* *Recognized agroforestry systems that are successful in other African countries should be adapted for South African rangelands. The potential of alternative fodder crops needs to be investigated.*

4. Institutional issues

Communities dependent on common property resources have adopted various institutional arrangements to manage these resources. The varying degrees of success that have been achieved is dependent largely on the effectiveness of the Tribal elders managing the communities under their control.

Local institutions are likely to be the key to future sustainable range management

In South Africa the protection and conservation of biodiversity has been carried out largely through the creation of national parks with patrolled perimeters (Dikeni, Moorhead & Scoones 1996). Local communities generally did not receive significant benefits from these areas and often had no access to the resources. The KwaZulu-Natal Conservation Services is currently investing considerable financial and manpower resources into involving local people and communities in the running of parks and in policy decisions on how they should be managed. Processes are currently taking place whereby local boards are created and community members can be appointed onto these boards to promote more effective regulation of protected areas.

Communities surrounding protected areas should have the opportunity to benefit from such resources (e.g. product harvesting, employment opportunities and revenue sharing) and be represented on management bodies of such areas. The capacity of these communities needs to be built in areas of conservation management and tourist development.

When the apartheid administration came to an end with South Africa's first democratic elections in 1994 a number of studies were initiated to identify major environmental policy issues surrounding rangeland use. The cornerstone of development policy for the new South African Government is the Reconstruction and Development program.

Under the current conditions of rapid change in South Africa, there is an urgent need to develop a local, provincial and national policy framework based on continued input and negotiations amongst all stakeholders in rangelands. The Maloti-Drakensberg Transfrontier project should play a key role in the initiation of environmental projects and policy development surrounding rangeland use. It should work within the framework of the Reconstruction and Development Program.

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Annex 11: Conservation planning

A key component of the project is the provision of technical support for addressing the backlog of conservation planning which serves as the framework for future management action. Building on contemporary best practice in bioregional planning, and protected area management planning, the planning process is a phased but also adaptive progression from the broad scale strategic plans to more detailed and focused action plans.

Project activities dealing with conservation planning are divided into a nested hierarchical sequence of conservation planning levels, encompassing the following components, but with crosscutting relevance to all other project components:

Component 2:	Landscape level conservation planning for the Transfrontier Conservation and Development Area;
Component 3:	Protected area planning for component protected areas and priority areas; including
Sub-component 3.1	Conservation development planning and zonation;
Sub-component 3.2	Management planning;
Sub-component 3.3	Business planning;

Component 2: Landscape level conservation planning for the Transfrontier Conservation and Development Area

The preparatory studies generated extensive documentation and data regarding resources in the study area, including physical, biological, social and economic resources and uses. The project concept is for a transfrontier conservation and development area, which needs to be planned and zoned to ensure that areas of global and national biodiversity importance are protected and managed appropriately. This requires that a vision and strategy are prepared following further stakeholder consultation and with the involvement of the relevant authorities on both sides of the border. Conceptual proposals for compatible land-use zonation derived in the preparatory phase need to be negotiated and action plans prepared for implementation. This implies conservation planning at the landscape level, and is designed to be facilitated by appropriate professionals, and with the full involvement of the staff of the respective ministries and departments in both countries. Deficiencies in data, particularly for biodiversity, were identified in preparation, and these will be addressed by focused data collection and further analysis to confirm priority areas. At this scale, there is also a need to harmonize to the greatest degree possible the approaches and activities of the five nature conservation management agencies which have a responsibility in parts of the area, namely the Conservation Division of the Lesotho Ministry of Agriculture, South African National Parks, the KwaZulu-Natal Nature Conservation Service, Eastern Cape Nature Conservation and Free State Nature Conservation.

Component 3: Protected area planning for component protected areas and proposed protected areas

There are two sets of areas where further detailed planning is required, namely existing protected areas and proposed conservation areas. Planning is carried out in a number of phases, beginning with the overall development and zonation plans for each area, then preparing detailed management programs and finally addressing business planning and sustainability. These phases are described in more detail under each sub-component below.

Sub-component 3.1 Protected area development planning and zonation

The nature conservation management agencies have been unable to obtain the resources, particularly of manpower, to complete overall detailed conservation development plans for protected areas. In the Ukhahlamba-Drakensberg Park, the assignment of nature conservation management to the provinces enabled the consolidation of several separately proclaimed and managed protected areas and state forest nature reserves and wilderness areas into a single entity. Management was rationalized accordingly, but a long-outstanding component has been an overall concept development and zonation plan for the park, which would ensure that protected area development takes place in an orderly way, that management infrastructure is correctly placed and to provide a basis for the elaboration of management programs. This exercise will entail the appraisal of all previous plans, the conduct of workshops with management staff and with adjacent communities and the drafting of the appropriate maps and documentation. The statutory requirement for this planning to undergo a public participation process demands expert facilitation. It is through this process that managers build an understanding of the vision for the protected area in the landscape, and the opportunities and constraints for management. The zonation plan and associated schedules, which describe the limits of acceptable change become the basis for all future management and development activities. It is usually unnecessary to revisit this level of planning, because the recurrent nature of operational management plans ensure adaptation of the conceptual planning and zonation to emerging circumstances.

Sub-component 3.2 Protected area management planning

The preparation and continual update of protected area management plans is an essential component to guide the operational management of protected areas in an adaptive way. This exercise is usually undertaken by the protected area management team including the specialist input of an ecologist and other professionals. It is designed to determine the priority management programs for the effective management of the resource and the activities which occur there, and encompasses:

- Management to conserve biodiversity
- Community conservation programs
- Visitor facilities management
- Protected area administration (security, infrastructure, communications etc.)
- Research and information

Objectives are determined for each within the policy framework and zonation established in (ii) above, management options are detailed and discussed, action plans for implementation are developed, monitoring programs are devised and implemented and essential research is conducted. This allows the management team to adaptively implement management programs in pursuit of the protected area objectives and vision. Once the first version of the management plan is in place, it is the management team which will implement and adaptively develop the plan further. The preparatory work for developing this project concept document identified several deficiencies in the existing plans. New areas which are being developed together with communities will required more extensively facilitated planning processes, once the earlier consultations have been conducted.

Sub-component 3.3 Protected area business plans

Nature conservation management agencies have traditionally managed areas on the basis of budgets derived from government subsidies. Whereas, it is likely that subsidies will continue to provide core funding for biodiversity management, there is an increasing requirement to develop

alternative sources of conservation funding, preferably through the sustainable use of the resource base and the leverage of funds in other ways. Business plans also encompass the human resources and organizational systems, which need to be in place to ensure effective management. Areas of interest for this activity include the need to optimize the returns from the use of the resource base e.g. by tourists, to make contributions to both biodiversity management and community development. A key strategy adopted in KwaZulu-Natal has been to ensure that nature-based tourism generates sufficient revenues for this, but this has also required the development of appropriate business models to incorporate private sector investment and community equity in developments based in or adjacent to protected areas. The business planning component of the project activities will investigate all possible options for sustainable financing, and provide a basis for the effective management of these resources to meet performance targets. In the context of new protected areas, it will also be necessary to demonstrate that the option of conservation/nature-based tourism will generate greater benefits than the current subsistence land-uses. For Sehlabathebe, it will be necessary to fulfill promises that the protected area will generate greater benefits than the former use of the rangeland for cattle production. Business planning expertise will be required to supplement the conservation planning and management teams to achieve this greater level of sophistication in planning.

Envisaged methods, activities and costs, and sustainability

The preparatory studies considered and costed these planning steps as a series of specialist consultancies. The project preparation has preferred to adopt the approach of building capacity in the respective agencies by establishing and managing a conservation planning support team to work interactively with park managers and communities through each phase in the planning process, and so build capacity through participatory learning and action. Specialist expertise, e.g. for cartography, will be needed, but the whole effort will be supported by the envisaged team, including protected area managers, ecologist, conservation planner, social ecologist, technical support and information management expertise. A preliminary breakdown of the roles and responsibilities of these support teams is provided in the Table 1 below. For each major activity, it is envisaged that any additional specialist skills required, will be source through consultant services.

In terms of sustainability after the end of the project period, it is considered that there will be a continuing need for ecological advice to protected area management and specialist expertise for community conservation programs in Lesotho. Planned appointments in the Conservation Division of the Ministry of Agriculture (1 ecologist) will partially meet this need, but there will be a need for a further ecologist at least to ensure long-term sustainability. This is within the capacity of Lesotho to put in place. In MEGYA, there will be a need for the Community Outreach program to include at least one Social Ecologist. The foundations of this support are already in place in the Ministry and will be sustainable after the completion of the project.

In South Africa, there will be long-term need to sustain the additional community conservation activities in the Upper Thukela, Eastern Cape and Qwaqwa sections of the study area. In the Upper Thukela, the KZNNCS has agreed in principle to expand the community conservation program and has already expanded the professional support unit based in Pietermaritzburg. There will be a need for continued support from NGOs who are already active in the Eastern Cape and Upper Thukela areas, but revenues from water use of these catchments is already being used to support community conservation action, and will be sustained.

The other support units will not be required after the project activities are complete as a firm strategic and management planning framework will have been achieved. The conservation agencies will be able to maintain the ongoing activities with existing resources.

Table 1. Project components and specialized support unit composition and responsibilities

Project component	Biodiversity conservation support team	Planning support team	Social ecology support team	Counterpart resources
Team composition	· ecologist (1 Les, 1 RSA) · technician (2 Les, 1 RSA) · field assistants (3 Les, 3 RSA)	· conservation planner (1 Les, 2 RSA) · technician (1 Les, 1 RSA)	· social scientist (1 Les, 1 RSA) · extension staff (3 Les, 2 RSA) · community facilitators (18 Les, 18 RSA)	· ecologist (1 Les, 6 RSA) · conservation planner (1 RSA) · social scientist (1 RSA) · extension staff (2 RSA)
Component 2. Landscape-level conservation planning	Address information deficits Spatial analysis of biodiversity components and processes	Integrate biophysical, social and economic information. Derive opportunities and constraints Cartography	Continue consultation with key stakeholders Contribute to design of community based data collection	Biodiversity, ecological advice and planning staff (KZNNCS) Community conservation team (SANP, KZNNCS) Management staff (all agencies) Ecologist (Lesotho)
Component 3. Protected area planning				
3.1 Development planning and zonation	Identification of priority components	Undertake resource analysis and strategic environmental assessment	Conduct public involvement program	Protected area management is fully involved
3.2 Management planning	Design of appropriate monitoring programs	Facilitate management planning workshops Determine standards and review documentation	Integrate local boards and other stakeholder interests Training workshops	All protected area managers
3.3 Business planning		Specialist advice required		
Component 4. Conservation management in existing protected	Ecological advice	Planning advice	Social scientist advice	All protected area managers

areas				
Component 5. Conservation management in proposed protected areas	Ecological advice	Planning advice	Social scientist advice Extensive consultative process planned and implemented Community training	All protected area managers
Component 6. Community conservation			Overall community conservation program designed, training conducted and community consultation effective	Community conservation team (KZNNCS) Social ecology team (SANP) Community outreach (NES)
Component 7. Nature-based tourism planning	Ecological advice and review of plans	Planning advice and review of plans	Community consultation and involvement Community training Contribute to and review social impact assessment	Conservation planner (KZNNCS)
Component 8. Institutional development			Support for local boards and other community conservation forums	Community conservation team (KZNNCS)

Annex 12: Nature-based tourism in Lesotho and South Africa

Lesotho

The Ministry of Tourism has decided to elaborate a national tourism policy. This is seen as a necessary precursor to the passing of the Tourism Development and Incentives 2000 Bill. The Bill provides for the establishment of the Lesotho Development Corporation as a body corporate. All income to the Corporation is applied to the promotion of tourism, with no dividend paid to the shareholder (GoL). The Lesotho Tourist Board will be abolished once the Bill is passed. It also allows for the designation of specific areas for tourism development, where land can be sub-let to entrepreneurs. The Bill provides the legal basis for incentives to the tourism sector.

In 1994 a consultant report, commissioned by the European Union, outlining a comprehensive Tourism Development Plan for the Kingdom of Lesotho was submitted to the Ministry of Tourism, Sports and Culture. In the absence of a formal policy, this document is often referred to as providing guidance. The report proposed an ambitious program of activities to develop the tourism industry in Lesotho. Unfortunately, little of the plan has been implemented. The lack of plan implementation appears to flow from several factors. The national tourism bodies are small and poorly financed, and the tourism functions of central government are fragmented. The private business sector is particularly weak in tourism.

The Lesotho Tourism Board statistics on tourist arrivals from 1981 to 1998 show that visitor arrival increased over the period, peaked, then declined. The highest arrival numbers occurred in 1992, with 416,882 arrivals. The numbers dropped down to an estimated 225,000 in 1998. The majority of arrivals are traveling for visiting of friends and relatives, with South Africans constituting the vast majority of foreign travelers. Very small numbers of non-African international visitors arrive in Lesotho. In 1998 only 1,016 came from the Americas, 4,266 from Europe and 1,053 from Asia and Oceania. This is in stark contrast to the explosive development of South African tourism. Already existing visitor numbers to the Drakensberg area is in the order of 300,000 per year.

There are important constraints to the development and operation of tourism in Lesotho. The accommodation capacity is small. As of 1998 there were only 24 hotels, 21 lodges and 8 hostels in the country, providing 1500 rooms and 3800 beds. This small capacity, and its concentration in Maseru, severely limits travel in the country, and particularly in the Maloti-Drakensberg transfrontier region. Generally there is a poor standard of accommodation, with the majority of rooms being in small hotels with only very basic standards. Service in the industry is weak, with a lack of training in tourist service workers. Business management skills are weak, leading to tourism management problems. The low tourism volumes provide little incentive for an upgrading of the private business tourism sector.

Through 1998 and into the first part of 1999 considerable effort was placed into the restructuring of the legal structure governing tourism, tourism development and incentives. A major consultancy report recommended sweeping changes to the legislative framework governing tourism management in Lesotho. A total of 118 recommendations were made. A new Tourism Development bill is recommended, and a draft bill is included in the report. This bill sets out explicitly the functions of the Ministry of Tourism Sport and Culture, and the relationships of this Ministry to other Ministries. The report recommends that the Lesotho Tourist Board Act be repealed and that a new Tourism Promotion and Development Corporation be established.

The documented problems reveal that in Lesotho the entire legal structure surrounding business development, property law, insurance regulation, conflict resolution, loan guarantees and tourism regulation must be upgraded if the private sector is to be enticed to fully contribute to tourism in Lesotho. Such legal restructuring is being considered in the country and must be encouraged to continue to completion. There can be a constructive role in this process for the World Bank. The complementary AfDB project will make a major contribution to tourism policy and implementation, particularly in the LHWP areas.

South Africa

A very high 60% of all foreign tourists to South Africa visit a game reserve or national park, revealing the very important element that parks and game reserves play in the attraction and management of foreign tourists.

The country has several very large park systems. The South African National Parks agency manages 16 parks covering 3.1 million hectares. In 1997/98 these sites catered to 1.5 million visitors, of which 31% were foreigners. The KwaZulu-Natal Nature Conservation Service manages 80 sites, covering almost 0.7 million hectares. In 1997/98 they serviced 1.1 million visitors, of which 13.2% were foreigners. (Information about the park systems in the Free State and Eastern Cape will be included here when available). There are an estimated 300 private game lodges in South Africa, with about 9,000 rooms and 18,000 beds. These private lodges cater to the upper level of the price and service levels. The parks cater to a more modest level of price and service. Many of the private game reserves are located adjacent to government-owned parks. The private reserves take advantage of the ecological benefit obtained from being near the parks, and provide significant levels of additional environmental protection by providing wildlife habitat

In terms of nature-based tourism, South Africa has excellent natural assets. It has a very good range of natural-environment types, from ocean shores to mountain heights. It has a solid set of national parks and other types of protected areas, run by both national and provincial agencies, that provide experiences, tourism infrastructure and site management at world class levels. The transportation infrastructure, international airports, regional and local roads are the best in Africa. But most importantly, South Africa has a sophisticated and modern tourism business system that enables the country to penetrate international markets to a significant degree.

Within the study area in South Africa, the nature-based tourism industry is mature. The KwaZulu-Natal parks have decades of experience, with a corresponding tourism market profile. Golden Gate, managed by South African National Parks, is also important. There is a mature industry of hotels, farm stays, vehicle rentals, guiding companies, information providers and voluntary groups in the area. Within environmentally significant areas that are not parks, important tourism feasibility studies and discussions with local people are well advanced. The work underway in the Mnweni Valley is a good example of such work.

Economic Assessment and Development Planning

As part of the preparatory studies commissioned by the project preparatory phase, Associates for Economic Development (AfED, 1999) carried out a study with the title as above. Among the key findings of this voluminous report is that “a nature based tourism industry can be developed in the Maloti-Drakensberg region that can provide significant economic upliftment and biodiversity protection.”

However, the authors caution that ecotourism alone will be insufficient to meet the vast economic needs of the population in the area. They estimate that such tourism can bring about 10,000-

15,000 visitors to the project study area in Lesotho. In order to reach much higher impacts, and attract in the order of 200,000 visitors per annum to the Maloti area, considerable investment in roads ($25 m) and supporting infrastructure ($3m) is needed. In addition, considerable private sector investment in bed capacity (around 600 beds for $14 m) would be needed. Product club development and effective marketing are other necessary ingredients.

The project team takes note of these observations, but must shape its proposals within the mandate of GEF. Hence, only investment that supports biodiversity conservation through the development of nature-based tourism that generates alternative livelihoods for local communities are included in the current project. Even a flow of 15,000 visitors to the Maloti mountain areas would imply considerable local economic opportunities, in relation to what is currently available.