

P071407 Estimated Disbursements (Bank FY/US\$m):

FY	2005	2006	2007	2008	2009				
Annual	4.15	6.00	7.00	6.00	5.00				
Cumulative	4.15	10.15	17.15	23.15	28.15				

P074258 (GEF) Estimated Disbursements (Bank FY/US\$m):

FY	2005	2006	2007	2008	2009				
Annual	1.00	1.00	1.00	0.50	0.50				
Cumulative	1.00	2.00	3.00	3.50	4.00				

Project implementation period: 5 years**Expected effectiveness date:** 11/01/2004 **Expected closing date:** 10/30/2009

A. Project Development Objective

1. Project development objective: (see Annex 1)

The Project's overall objective is to help reduce the vulnerability of the Zambian economy to shocks by supporting the diversification of its sources of growth. This is to be achieved by improving sector specific policy and regulatory frameworks and strengthening the capacity of Government agencies to implement them. The development objective will also be supported through selective public investments that stimulate private investments and by creating the conditions for increasing the contribution of gemstone, agribusiness and tourism sectors to GDP and export revenues. In addition, the project seeks to improve management of Kafue and Mosi-o-Tunya National Parks to underpin the long-term sustainable development of the tourism sector. The project would thus support the Government's objective of achieving higher growth rates.

2. Global objective: (see Annex 1)

The Project Global Objective (PGO) is to reverse Biodiversity erosion in Kafue National Park and Mosi-o-Tunya National Park and its surrounding areas. The Protected Areas subcomponent seeks to improve the conservation and management of Zambia's selected natural ecosystems, freshwater sources, watersheds and carbon sinks which are globally significant and vital to the sustained livelihood of people living in surrounding areas.

3. Key performance indicators: (see Annex 1)

Performance in the project will be measured by the following key indicators:

- a) Out-grower/smallholder farmers and participating farmer group incomes increased by 20 percent by 2009
- b) 15 farmer-agribusiness partnerships/linkages created by 2009
- c) Employment in participating agro-business production units increased by 20 percent by 2009.
- d) 20 percent increase in number of bed-nights in Livingstone area by 2009;
- e) Adoption of a new tourism and hospitality law by MTENR and business plans for LCC
- f) 20 percent increase in annual revenues in Mosi-o-Tunya National Park by 2009;
- g) Increase in population of key wildlife species as an indicator of ecosystem recovery in the two parks
- h) Adoption of National Mining Policy and improved regulatory framework
- i) 10% average growth in amethyst production in the Mapatizya region
- j) Increase in revenue collections at the Livingstone and Kitwe Mine Bureaux

B. Strategic Context

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

Document number: 27654 **Date of latest CAS discussion:** March 9, 2004

The project is consistent with the new CAS which emphasizes economic growth and diversification. The end of preparation of the PRSP coincided with the withdrawal of Zambia's largest copper producer, Anglo-American, in 2002. This development underlined the importance of stimulating growth through diversification of production and exports. The CAS and PRSP both identify tourism,

agribusiness and gemstones as potential growth sectors, given Zambia's unexploited natural resources. The Government strategy encourages private sector intervention in tourism and increased local value addition in the gemstones and agribusiness sectors, capable of creating well-paying jobs while conserving the environment.

The new CAS projects a four percent growth rate for Zambia. This growth rate reflects the economic reforms that have been made but also the difficulty of reaching a higher growth plane. The project team recognizes that the diversification program will only kick in progressively and has designed the project accordingly. While macroeconomic reforms must continue, it is also clear that there has not been a significant supply response. Under project preparation, IDA set out to find out more about the specific sectors to understand where barriers to entry and gaps in service provision were. The project builds on this information and includes policy measures, finance for public infrastructure and support to encourage firms in the targeted sectors to grow.

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

Zambia's transitional zoogeographical position is of enormous significance to regional and global biodiversity. The proposed project falls under the Biodiversity GEF operational programs, OP#1 (Arid/Semi-Arid Ecosystems) and OP#2 (Fresh water Ecosystems). In line with COP4 guidance, the project contributes to an overall ecosystem approach to biodiversity conservation in a range of ecosystems under different management regimes. The protected area sub-component is nested within the larger tourism component as part of the greater Kafue and Livingstone landscape development. This approach is designed to mitigate the effects of a multitude of factors threatening biodiversity conservation and management in Zambia (See also Annex 11).

Livingstone, the Victoria Falls, Mosi-o-Tunya National Park and communal areas, Kafue National Park have been identified as the focus of tourism development by the SEED project. Significantly, the Victoria Falls and its associated riverine forest and the Victoria Falls World Heritage Site are important areas for biodiversity conservation in their own right. With the assistance of other donors, a landscape approach is initiated by gradually establishing corridors between the Falls area and the Kafue National Park and its Game Management Areas (GMAs). In addition, the project will contribute to ongoing efforts to establish transfrontier linkages between regional protected areas of Zambia, Botswana, Zimbabwe and Namibia.

2. Main sector issues and Government strategy:

Zambia is well endowed with rich natural resources that provide the platform for a diversified and export-oriented economy. Zambia has Victoria Falls, one of the seven Natural Wonders of the World, which can serve as the gateway for a flagship tourism destination. It is endowed with rich biodiversity and wildlife areas that remain largely undeveloped. Zambia also has over 42 million hectares of arable land and ample renewable water resources, with a substantial potential for agricultural production, processing and trade. Moreover, it is rich with semi-precious and precious gemstones, indeed boasting the second largest deposits of high quality emeralds in the world. Despite these assets and the vast potential they provide, the country has not managed to reduce its dependence on the copper sector. Zambia's economy is still heavily dependent on exports of copper and its by-products, which generate over 70 percent of the country's foreign exchange earnings. Zambia's growth is thus strongly correlated with the international price of copper, and performance of the sector is a major factor in the country's lackluster economic performance since independence: real per capita income declined by one third between 1964 and 2000. While

performance of the copper sector is related to the decline in international prices, there has also been a continuous decline in copper production since 1970 as a result of poor management, under-investment and depletion of existing mines.

Recent studies, including "The Challenge of Competitiveness and Diversification" report (No. 25388-ZA) and other analytical work undertaken during project preparation, cite that, during the 1990s, the government introduced a number of fundamental economic policy changes. The dominant role of the Government in commercial activities was substantially reduced. To date about 260 state-owned enterprises have been privatized, although some key utilities (electricity and telecommunications) are still under public ownership and control. The 1990s also saw repeated attempts at macroeconomic stabilization aimed at reducing the Government budget deficit to a sustainable level and achieving low and stable inflation. The results of these reforms were weak for a variety of reasons, as serious constraints to private investment remained. Initial gains from these reforms were not sustained and the supply response has been limited.

The shortage of other economic opportunities is leading to indiscriminate and unsustainable use of natural resources further reducing available livelihood options. Indicators of this trend are an estimated rate of deforestation of 0.5% per annum, the extinction of the black rhinoceros from Zambia, and a reduction in elephant populations of about 80% over the last 25 years. Root causes are multiple: (i) human population growth; (ii) poverty and lack of livelihood options; (iii) advancing technology and development; (iv) growth of markets for wildlife products; (v) corruption; (vi) people's attitudes towards the environment; (vii) inadequate natural resource management skills, knowledge and resources.

Investment Climate

Despite considerable progress in improving the policy framework, there remain serious hurdles to opening and operating businesses in agro-industry, tourism and gemstone mining. While a new Mining Act was passed in 1995, the accompanying regulations have not yet been passed with the result that 98 percent of the gemstone mining licenses are dormant. The high rate of dormancy is due to the large number of license areas awarded to under-capitalized miners, and the absence of a secondary market for mining licenses which would lead to the desirable consolidation of the sector. The ban on non-Zambians being eligible for trading licenses induces illegal trading and hampers vertically-integrated companies. In addition, there is considerable paperwork associated with gemstone mining, pointing to a need for simplification of the fiscal regime for this sub sector. Studies also show that a very large proportion of gemstones produced in Zambia are sold on the black market, as producers seek to avoid the tax burden and inadequate marketing channels currently in place.

A recent analysis of the wildlife sector (SLAMU Phase V – ZAWA/NORAD) shows clearly that under-performance of tourism and safari hunting in Zambia has been a result of over-centralization and lack of empowerment of the private sector, especially local communities living on communal lands. A recent informal ESW on tourism shared these conclusions. In the case of tourism, agribusiness and gemstone sectors, appropriate legislation and regulations have not been put in place. The current laws, especially as they relate to business licensing procedures, taxation, access to land and labor issues are cumbersome and out of line with international best practice. The government has begun preparation of a new framework law for tourism and hospitality and another for private investment in general which would help to reduce the costs of doing business, simplify procedures and licenses required for tourism operations and establish a sound classification system for tourist establishments, as well as adoption of an ethics code. Within the three sectors targeted by the SEED program, public private partnerships, infrastructure and human resource development and information management are weak and fragmented.

Public and Private Sector Support Agencies

Contributing to the difficulties with the regulatory framework are the weaknesses of sector institutions, which is in part the result of slow progress made in reforming the public sector. The Ministry of Tourism, Environment and Natural Resources (MTENR) was only recently created by bringing together its three predecessors. As tourism is cross sectoral and multidisciplinary, questions of coordination and harmonization remain, including the functioning of the Inter-ministerial Committee, which is designed to address these issues. Although some institutions, such as ZAWA which is relatively new, perform fairly well, there is a need to strengthen sectoral institutions to perform their regulatory function.

Performance of agencies responsible for providing private sector support services (e.g., Export Board of Zambia, Zambia Bureau of Standards, Zambia Investment Center, Food Safety and Inspection Council, and the Tourism Council of Zambia) will improve only as they develop their institutional capacity. For example, the absence of a modern food research, testing, and product development facility limit the level of food quality required to compete with imports from South Africa and Zimbabwe, and limit export potential of local products. As a result, most of the larger exporters of horticultural products have their own laboratories as local testing facilities are inadequate to meet stringent food quality requirements required by European and other foreign markets. In the gemstone sector, the Regional Mining Bureaus established to improve access to mining extension services by miners are performing well below the required level because of inadequate capacity.

Infrastructure

Zambia will need to improve the quality and coverage of its infrastructure to enhance its competitiveness and develop its export potential. Zambia is landlocked with only 10 percent of its roads paved. Road transport costs between major regional ports and Lusaka are considerably higher than between these ports and other land-locked commercial centers in Zimbabwe and Malawi. Infrastructure is critical for all exports, including tourism. For tourism, there needs to be a sound transport and communications infrastructure (airports and rail facilities, roads, national grids, etc.) linking tourism centers with anchor cities, regional hubs and local staging points. Some roads are impassable in the rainy season. All-weather roads would facilitate resource management and lengthen the annual tourism season in protected areas thereby improving the parks attractiveness to private investors. Many tourism enterprises rely on the Internet for communication with the outside world but the inadequate telecommunications service in Zambia limits this opportunity. Zambian water supply and sanitation coverage (64 and 78 percent respectively) is well over SSA averages (58 and 53 percent) but nonetheless needs to be improved in both quality of service and coverage attained. The treatment of effluents and management of solid waste are continuing problems. In addition, tourism requires both “soft” and “hard” infrastructure to support the provision of better health and security services.

In all the sectors targeted by the project, high electricity and transportation costs, poor road conditions and the high cost and poor quality of communications infrastructure are binding constraints to growth. For example, the cost of electricity for food processing companies ranges between 25 to 45 percent of total production cost, much higher than in competitor countries. Also, the poor road conditions discouraged retailers from investing in transportation and warehousing facilities due to the heavy 'wear and tear' on new trucks.

Access to remote mining areas is a precondition for investment in the gemstone sector. The largest gemstone mining firms view the lack of infrastructure as the main constraint to investment. Significant mines are on average 70 km. from an all-weather road; 51 km. from electricity; up to 55 km. from water; up to 70 km. from a health clinic; and 21 km from a school. Out of 891 enterprises that have a Gemstone License or Artisans' Mining Rights, only one mines year round. Other firms typically stop work for five rainy months, making it difficult for them to access premium markets, not to mention paying back their

loans carrying interest rates of up to 60%. With a poor investment climate and inadequate investment in roads and electricity, mining costs are up to 400 percent higher than in other gemstone producing countries. As a result Zambia is placed at a comparative disadvantage.

Cost of and Access to Finance

With interest rates of up to 60 percent, access to finance is a major problem for many enterprises - though there are recent signs of interest rates starting to come down. Moreover, very few businesses can sustain these costs. According to the results of the World Bank's Investment Climate Assessment, over 80 percent of Zambian private firms cite cost of financing and access to financing as a major or severe constraint. In this context, most tourism companies, agribusiness enterprises, and small shareholder farmers finance most of their commercial activities internally, relying solely on their own cash flow. Before the recently closed World Bank's Enterprise Development Project's wholesale line of credit, Zambia's financial sector offered no reliable long-term finance. Lack of long-term financial resources, and high inflation and interest rates are two reasons for the lack of long-term lending activity. The larger insurance companies and pension funds, traditional sources of long-term funds elsewhere, are illiquid and/or technically insolvent. Re-flows from the Bank's and other donors' credit lines are expected to be available for reinvestment in bankable projects in the priority sectors to partially address this issue. The Government has recently introduced a Tourism Development Credit Facility to assist small investors, funded initially at K5 billion and now increased by a further K5 billion.

Supply Chain Links Between Producers and Consumers

Zambia's agro-processing firms have encountered difficulty in procuring raw materials. With unreliable raw material supplies, and in the face of constrained domestic demand, much of the agro/food processing sector is operating at low rates of capacity utilization, which makes it difficult for them to achieve economies of scale. This exacerbates the cost disadvantages they face due to relatively high fuel, transport, and packaging costs. There are few intermediaries to serve as channels from multiple smallholder farmers and/or locations for delivery to food processing firms. There is an urgent need to improve these linkages and to extend the markets for agro-industrial products beyond Zambia's borders. Currently, on-farm management is poor and there is a pervasive lack of understanding and discipline among small holder farmers regarding the proper use of fertilizer, chemicals, irrigation, seed selection, all leading to poor quality and low yields per hectare; and there is an absence of support for agro-industry in terms of modern food processing facilities, packaging and label printing facilities. The absence of modern food research, testing and product development facilities limits the level of food quality required to compete with imports and limits the export potential of local products. Current methods of pest management in Zambia are *ad hoc* and are developed mostly at the firm level in response to standards prescribed by importers and buyers, principally in Europe. A number of individual company level activities are focusing on reducing reliance on pesticides, while at the same time, phasing in IPM practices. Nonetheless, there is a gradual shift among Zambian exporters to move away from buyer-specific IPM standards towards compliance with EUREP GAP standards, which will be supported under the project.

In mining, there are typically eight links in the supply chain between mine and retail jeweler, and that between miner and export buyer or importer is particularly suspect. Some four mines have robust linkages with buyers, as do some "table-and-chair" traders. In the absence of accessible formal buyers, illegal operators hold sway for most miners, and distort the market impacting on investment. Improvements in the regulations relating to entry and operations should improve the supply chain. For tourism, as the supply chains (or distribution channels) are dominated by international firms that have a firm grasp on the market through global reservations' systems, smaller operators find it difficult to access the systems and compete with the big players.

Human Capital

Recent surveys and longer-term social indicator trends suggest that Zambia's human capital is at risk. The 2000/2001 Africa Competitiveness Report rated Zambia as one of the worst in a sample of countries in terms of an array of social indicators, including life expectancy, HIV/AIDS prevalence, primary and secondary education, and illness and disease. Literacy rates are average or above average within the region and there have been some improvements over time. Between 1990 and 1999 the literacy levels for the population aged 15 years and above increased from 59 percent to 76 percent. However, school enrollment rates, both at primary and secondary levels, are considerably lower in Zambia than for many SADC countries and have been declining over time.

Medium-sized firms, notably, highlight a shortage of skilled labor. One of the biggest constraints faced by firms is the weakness of supervisors and managers. Also, the World Bank's Investment Climate Assessment (2004) found that value added per worker in Zambia is about \$2700, which is higher than Uganda and Tanzania, but well below Kenya, India, and China. The value added per dollar of capital is 23 cents, the lowest in the sample of ICA countries in the region. This data shows the great need to improve the productivity of Zambia's labor force. Tourism training has not kept up with demand and an assessment of needs is required.

Indeed, international experience, including in East Asia, has demonstrated the importance of skills development in support of rapid economic growth. The Government has developed a multi-pronged strategy to address this broad problem, including through improvements of outcomes in the education sector. Government also recognizes that productivity of existing workforce should be strengthened through training and that private firms should be encouraged to maximize their productivity through know-how acquisition and establishment of effective business linkages.

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

The project supports the Government's program of economic diversification through private investment in sectors with great potential but which are underdeveloped. Sectoral issues to be addressed by the project are summarized below.

Tourism and Protected Areas

Issues to be covered for tourism have been prioritized, as follows: (a) policy, regulatory and legal reform to reduce the costs of doing business, simplify business licensing procedures, improve the classification of tourist establishments and their inspection; (b) strengthen and forge public private partnerships, human resource development, information management; (c) institutional reform for the MTENR and its agencies to support cross-sectoral coordination; (d) improving the statistical base for tourism; and (e) design and implementation of a program to strengthen Livingstone as a hub for tourism and service center for Southern Province through the Livingstone Development Plan, selective upgrades of infrastructure facilities and institutional strengthening for Livingstone City Council.

Government ranks Zambia's tourist industry and protection of biodiversity as mutually inter-dependent priorities, and has identified the Mosi-o-Tunya and Kafue NPs and surrounding communal areas as its priorities for intervention based on their significance as Protected Areas with important biodiversity, together with the economy of surrounding communities and to Zambia as a whole. It is thus appropriate that the tourism and wildlife sectors of these areas provide the entry points for the implementation of an eco-tourism development strategy.

The strategic choices supported by the project in protected areas focus on improving their

attractiveness to investors in order to increase ZAWA's revenues and improve its financial viability and to benefit the local economies. The project therefore focuses on improving the product (biodiversity, wildlife, landscape), access to the product (infrastructure, business incentive, promotion) and ZAWA's capacity to sustainably improve and maintain both. First, it is necessary to ensure that ZAWA's park management units are well established, performing and fully funded. This requires improvement of leadership, streamlining its management processes, improving regulations and procedures and enhancing human resource capacity, performance and incentives. The project will support this process. Second, the private sector's role in conservation and use of natural assets must be gradually increased from "exploitation-ventures" (e.g. lodge management) to "conservation/exploitation-ventures" (e.g. conservation concessions of portions of park land). This would enable ZAWA to focus on core functions--regulation and monitoring--and decrease its operating costs. To stimulate this process and attract tourism professionals, minimal infrastructure and natural resource quality platforms must be established through the construction of roads, electrification of suitable sites, as well as resource management and protection to enhance the tourism value and natural attractiveness of protected areas. In Kafue, because other donors are already involved in assisting communities in the management of GMAs adjacent to the park, by strategy, the project is limited to improving the management of the national park but not of its GMAs.

Agribusiness

Growth of the agribusiness sector would not only strengthen Zambia's export base and strengthen linkages with the tourism industry, but would also improve the incomes of smallholder farmers and increase employment opportunities, both in rural and urban areas. The reforms of the early 1990's resulted in increased FDI and some diversification of agricultural production and agro-food exports. However, some of these earlier gains have not been sustained and Zambian agriculture and agribusiness continue to face major competitiveness challenges. Addressing many of the policy based market distortions and infrastructure constraints facing the agribusiness sector will require macroeconomic, long-term solutions that are beyond the scope of this project. However, there are some specific policy shortfalls, institutional capacity constraints, and initiatives that require concerted public-private collaboration in the short term and will be addressed under the project.

Supply chains and market structure: The project will focus on strengthening supply chains capable of linking Zambian smallholder farmers with agro-food processors and marketing entities in an efficient way. The project will focus on better coordinating farm production with downstream raw material or product requirements, through developing contractual arrangements, pre-financing and/or other types of production support. Such problems in raw material procurement and capacity utilization result in the failure of most Zambian agro-processors to achieve any economies of scale, thus exacerbating the cost disadvantages they face due to high fuel, electricity and transport costs. The project will attempt to increase value added of the sector and focus on strengthening supply chains through matching suppliers and buyers, while strengthening capacity in both.

Quality, Food Safety, Standards, and Pest Management: The project will also address the system of food safety, quality, and other standards throughout Zambia's agro-food system that currently is a deterrent to exports. Firms and associations, especially those with heavy export-orientation, have set their own standards in accordance with market demand. For example, the code of practice established by Zambia Export Growers Association (ZEGA) entails several stages of certification for compliance with environmental and product/quality/safety standards. However, there is still a need for more effective public-private collaboration if agro-food standards and quality control, are to be addressed efficiently and the project will focus on this area.

Gemstones

The objective for mining will be to formulate a sector development strategy to promote broad based growth in the non-traditional mining sector, pilot the support of associated small scale and artisanal mining in selected areas and provide the legal, institutional and fiscal framework that is conducive to private investment in an environmentally and socially sound manner. The issues to be addressed under the mining component are threefold: (a) diversifying the production, trading and export of gemstones; (b) enhancing the investment climate through revision of the Mining Law to address some shortcomings (both to remove barriers e.g. an onerous fiscal code for the gemstone sector) and adoption of clear, comprehensive and transparent regulations; and (c) building up the public sector institutions mandated to manage the sector to improve governance and mining rights administration, strengthening the Mining Bureaus in two key gemstone mining areas (Kitwe and Livingstone), enhancing their monitoring and revenue collection capacity, and providing for the systematic funding of their operations and field programs. The supply chain links and private sector institutions within the gemstones sector would also be strengthened by supporting legalizing and formalization of gemstone producers, and improving community integration within the two selected gemstone producing areas; establishing better public-private institutional arrangements, including strengthening private miner associations; and fostering a downstream gemstone processing industry that would both enhance local value added and improve access to export markets. The project would also complement other donor activities particularly the EU-funded mining diversification project (MSDP) that seeks to address the issues of costs of and access to funds.

C. Project Description Summary

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

SEED consists of four components, described below. Project activities focus on private sector led diversification including tourism, pilot operations in agribusiness and mining, a matching grant component and project implementation.

Component 1: Tourism and Protected Areas

The tourism component is divided into two main areas, tourism and protected area management. Within the tourism component, there are three subcomponents: (a) policy, regulatory and institutional support for MTENR and its agencies; (b) tourism investments and capacity building in the Livingstone area; (c) infrastructure for Livingstone and institutional support for Livingstone City Council. The protected area sub-component covers biodiversity restoration in Mosi-o-Tunya and Kafue National Parks and capacity building for ZAWA.

(a) MTENR: the component includes funding for policy, regulatory and institutional reform for the Department of Tourism Development, through design and implementation of a business plan, design of a new framework Tourism and Hospitality Law covering policy, regulation and training in implementation of the reforms (planning, licensing, tourism classification and inspection, tourism information systems, public/ private partnerships, safety and security and ethics). An adviser to assist the Ministry coordinate and implement the program would be recruited. The adviser would assist in processing of the new framework law, introducing reforms of the institutional and regulatory environment and supporting the implementation of this component.

(b) Tourism in Livingstone and Victoria Falls. This sub-component would have the following elements, mostly through the NHCC and the Museums Board: (i) rehabilitation of historic landmarks, including the museum displays, the Railway Museum and other cultural sites; (ii) enhanced dialogue on public private participation, strengthening of the private sector apex organizations (TCZ and LTA) and

formalization of relationships; (iii) support to encourage linkages between tourism and other sectors, including building on successful handicrafts and cultural activities; and (iv) studies to support enhanced tourism activities;

(c) Livingstone City Council. This sub-component would have the following elements: (i) design and implementation of an integrated development plan (IDP) to direct growth of the town to consolidate Livingstone's position as custodian of Victoria Falls and Mosi-o-Tunya National Park; (ii) a minimum infrastructure platform, including: (A) a solid waste disposal and management system for Livingstone; (B) rehabilitation of selected priority urban roads (including access to the industrial area and tourist attractions), sidewalks and surface drainage, street lighting in the town center; (iii) support to the Town Council to develop a business plan and upgrade its engineering, planning and financial departments with design, installation, and training on, a financial management system, as well as vehicles and IT equipment; (iv) upgrading of Mukuni Park, refurbishment of its handicraft market and rehabilitation of city hall; and (e) project implementation.

Protected areas management. This sub-component consists of two areas of intervention: (a) development of the Mosi-o-Tunya National Park including: (i) park administration by a regionally recruited park adviser and establishment of a cost center; (ii) monitoring, management and rehabilitation of critical habitat and species which seeks to overhaul completely the way resources are monitored and managed to enhance ecosystem viability and attractiveness of the area and its wildlife; (iii) law enforcement to decrease illegal activities such as poaching, pollution, etc.; (iv) infrastructure development and maintenance, which seeks to increase attractiveness of the site by removing derelict infrastructure, and improve ease of use by restoring roads and building a fence encompassing a large portion of the park; (v) public-private partnership and business development to concentrate on establishing good-neighbor relations with Livingstone's main stakeholders, such as LCC, adjacent landowners and already established private operators; and (vi) CBNRM implementation will work on the park periphery in an attempt to start establishing corridors within the landscape by favoring profitable land-use that involves proper management of wildlife and habitat; and (b) development of the Kafue National Park including: (i) park administration by a regionally recruited park adviser and establishment of a cost center; (ii) monitoring, management and rehabilitation of critical habitat and species seeks to organize a standard data collection and management system that feeds into daily management of the park and provide information on its impact; (iii) law enforcement with a focus on anti-poaching and agriculture encroachment at the western periphery; (iv) infrastructure development and maintenance will supplement ROADSIP investments by building tracks following the western limit as well as a network of secondary tracks and firebreaks, by revamping office building and staff housing and organizing an annual road maintenance system; and (v) public-private partnership and business development to organize and establish two additional private concessions, including a flagship concession.

Component 2 – Agribusiness Sector Development

The objective of this component is to increase the value added and competitiveness of the sector by accelerating the development of supply chain linkages from farm to market, improving quality and safety codes of practice, and encouraging new product development.

In this context, the objective of the agribusiness pilot component is to test an innovative corporate linkage model which focuses on developing mechanisms to link smallholder farmer into the supply chain of medium and large companies that export products to both regional and international markets. As a part of this process, the proposed pilot expects to work with corporate intermediaries and their network of out growers/suppliers to channel capital and technical assistance using a matching grant scheme. In addition,

the pilot expects to assist groups of smallholder farmers consolidate their activities by forming a commercial entity which can, over time, become a financially sustainable entity with its own assets based a support infrastructure.

These objectives will be achieved through a demand-driven, matching grant scheme. The demand driven approach will not only encourage the development of solutions tailored to market-determined needs, but will also encourage innovative approaches to these problems. The scheme, guided by a set of key selection criteria, would provide grant financing, hand-holding advisory services, and technical support to recipients ranging from private firms, farmer groups, associations, and agencies. It would cover the following initiatives: (i) stimulating an efficient supply chain structure from farm to market by strengthening business linkages between farmers/farmer groups (suppliers), agribusinesses (intermediary buyers and processors), and local and international markets (buyers), and; (ii) encouraging innovative pilot initiatives to strengthen integrated pest management practices.

Component 3: Gemstones Sector Development

The Gemstones component would support measures aiming to promote gemstones production and trade and facilitate its inclusion into the formal economy, improve the sector's socio-economic contribution at the regional and national levels, and encourage private sector investments. While the project is targeting principally the commercial development of gemstones production in the Ndola Rural and Mapatizya areas, it would also benefit small and artisanal mining and the mining sector as a whole. The component would include the following activities:

Subcomponent 3.1 – Strengthening transparency and governance in mining as a means to improve the sector investment environment and to encourage increased private investment and confidence in the sector by: (i) formulating and adopting a comprehensive mining sector development policy with special emphasis on the gemstone sub-sector (ii) implementing the findings of the EU's diagnostic review of the legal framework under the MSDP project, including needed amending the existing Mining and related Acts, drafting of mining regulations and introducing appropriate fiscal and other incentives; (iii) strengthening the managerial and technical capacity and financial sustainability of the Mining Bureaus in two pilot areas – Kitwe and Livingstone – serving two key gemstones (emeralds) and semi-precious stones (amethysts) producing areas, collecting license fees and other revenues and enforcing work program agreements and "use it or lose it" provisions of the Mining Act and lease conditions, providing formal training to small scale miners, setting-up a modern and transparent regional mining cadastre interface and a field program to record and maintain cadastral data on and status of all licensees and prospective areas.

Subcomponent 3.2 – Strengthening the supply chain through: (i) assistance to small-scale and artisanal mining organizations and communities to legalize and formalize their activities as well as improve their contribution to improved local economies; (ii) establish an institutional set-up to improve the trade conditions for gemstones and (iii) strengthening the representative private sector organizations.

Component 4: Project Management

Beneficiary institutions will play an active role in project implementation. This component will fund:

a) The salaries and equipment for the Project Coordinating Unit (PCU) located in the Ministry of Tourism, Environment and Natural Resources. The Credit will thus finance a team of high caliber local professionals located at the PCU including a project manager, financial and procurement specialists and a program officer.

- b) The fees for a specialized private company to be retained through a competitive tendering process to implement the Agribusiness component.
- d) Salaries and equipment for Livingstone City Council project staff who will be charged with implementing the Livingstone Development Sub-component.
- e) Salary of component technical coordinators in the Ministries of Tourism, Mines and Agriculture
- f) In addition to the salary of these short term and long term project staff, the credit will finance operating costs (including up to 6 vehicles) reference material and supplies as well as training for both project staff and other stakeholders participating in the project.

Component	Indicative Costs (US\$M)	% of Total	IDA financing (US\$M)	% of Bank financing	GEF financing (US\$M)	% of GEF financing
Tourism Component - Comprehensive development of Livingstone as Zambia's flagship tourism destination:	8.64	26.9	8.56	30.4	0.00	0.0
(i) Development and rehabilitation of priority infrastructure in and around Livingstone.						
(ii) Updating the Livingstone Strategic Development Master Plan						
(iii) Regulatory reform and institutional strengthening						
Tourism Component - Protected Areas Management:	12.70	39.5	8.78	31.2	4.00	100.0
Component 2 - Agribusiness Sector development	2.50	7.8	2.50	8.9	0.00	0.0
Component 3 - Gemstone Sector Development	5.00	15.6	5.00	17.8	0.00	0.0
Component 4 - Implementation and Capacity Building	1.30	4.0	1.30	4.6	0.00	0.0
PPF	2.01	6.3	2.01	7.1	0.00	0.0
Total Project Costs	32.15	100.0	28.15	100.0	4.00	100.0
Total Financing Required	32.15	100.0	28.15	100.0	4.00	100.0

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

The project will support national level policy, institutional and regulatory reforms in all the three targeted sectors to facilitate implementation of the diversification strategy, improve the climate for private investment and the competitiveness of the economy. Such reforms include adoption of appropriate sector development policies, preparation of new legislation for the tourism and mining sectors, implementation of the food safety and environmental protections policies. The project will support continued improvement of the legal framework, to increase investor confidence and facilitate investments at different levels of the supply chain, particularly concerning gemstone and agribusiness production and trade. The project would contribute to a simplification of the gemstones tax regime and reduction of tax-induced distortions. It would alleviate administrative barriers, red tape and strengthen supply chains. A direct effect of these reforms will be improved governance through capacity building and reduction of rent-seeking behavior by public officials. The institutional reforms supported by the agribusiness component include addressing the problem of a weak market structure through the development of business linkages from farm to market, including the integration of small shareholder farmers into the supply chain of agricultural exports. The project will also help improve on-farm management and technical skills, from a demand-driven perspective rather than a traditional, government supply driven model. Moreover, the project will address the problem of a deficient system of design and enforcement of quality, food safety, and other standards throughout Zambia's agro-food system by encouraging public-private partnerships.

3. Benefits and target population:

The project will benefit large, medium and small formal sector and informal enterprises. It will assist the private sector by reducing uncertainties related to the investment climate and the high costs of transactions in doing business in Zambia. While most of the benefits will accrue to entrepreneurs in the three targeted sectors other sectors will also derive indirect benefits. For tourism and protected areas, the policy and infrastructure improvements will improve the operating environment for enterprises on the one hand and the matching grant facility will offer opportunities to make gains in efficiency and marketing on the other. Important benefits relate to the development of a new productive asset for communities living in the communal areas and GMAs surrounding Kafue and Mosi-o-Tunya National Parks. This will translate into sustainable employment, direct wildlife-related revenues stream to CRBs for village-based investments, increasing opportunities for village entrepreneurs in a variety of subsectors and for national or foreign investors in tourism. Global benefits are secured through the protection of globally valuable ecosystem processes and species that would otherwise become more endangered.

The project is also expected to stimulate formal and informal sector employment. Increased production and exports of agribusiness (fruits, flowers and vegetables) and gemstones will result in increased incomes for beneficiaries, who are among the poorer segments of Zambia's population. The project is expected to benefit rural families/ communities directly. The agribusiness component fund will target smallholder farmers typically living in remote areas and using low-input technologies and export oriented agro-processing firms that are currently operating at well below capacity. This component will help integrate these smallholder farmers into the supply chain of nontraditional agricultural exports and stimulate employment and income generation opportunities, beyond their current level of farming for household consumption. Export-oriented agro-processing firms will also benefit from this component through assistance in expanding market opportunities in the European Union and other international markets. The gemstone component will target small-scale producers who will benefit from rising incomes resulting from rising production and improved access to markets.

4. Institutional and implementation arrangements:

The project will have an implementation period of 5 years from November 2004 to October 2009. A Project Steering Committee (PSC) comprising private sector representatives and representatives of the relevant technical ministries has been established with overall responsibility for monitoring project progress. It will provide overall guidance and, as the components are interlinked, ensure coordination and good working relations between all agencies.

A project coordinating unit (PCU) will be assigned to the Ministry of Tourism, Environment and National Resources built on the PCU established under the ERIPTA project (closing in September, 2004) and which has competently managed that project. The PCU will be staffed as appropriate for its new mandate. The unit will be responsible for maintaining project accounts, coordination of monitoring and evaluation functions and reporting to the Government and the Bank. It will also be responsible for procurement and disbursements except for those associated with the components where the responsibility has been delegated. The implementation and follow up of each sub-component will be decentralized to the respective sector ministries or agencies. Component Technical Coordinators will be appointed in the Ministries of Tourism (based in Livingstone), Agriculture and Mining to ensure implementation of the program. The management of the matching-grant under the Agribusiness component will be outsourced to a management company.

The approach taken in the design of the implementation arrangements is to integrate project activities into the regular structures of their parent Ministries/agencies as much as possible to help preserve the strong sense of ownership of the sector Ministries/ agencies, build capacity and provide accountability. The Livingstone Development Sub-component will be implemented by a project unit to be established within LCC. The project unit in LCC will have financial management and procurement expertise and will operate its own special account. The Protected Areas subcomponent will be implemented by ZAWA through its existing Project Implementation Unit (PIU), which is a core unit of ZAWA's corporate structure and is in charge of all projects implemented by ZAWA. The ZAWA PIU comprises a Project Manager, a procurement officer, a senior accountant and supporting staff. The procurement officer and senior accountant are mapped to the Procurement and the Financial Management Directorates. In Kafue and Mosi-o-Tunya, ZAWA will recruit new park wardens on the regional market, who will be responsible for project implementation at the parks' level. Initially the current park accountants will handle local financial management operations. However, when cost centers are established, ZAWA will contract experienced financial administrators in the parks. Implementation will be integrated with ZAWA's Performance Based Resource Protection Strategy and its 5-Year Strategic Plan (2003 - 2007).

Accounting, Financial Reporting and Auditing Arrangements

There are many entities that will be involved with implementation of the project. However, the direct responsibility for the handling of project funds will be restricted to only three entities, the Ministry of Tourism, ZAWA and LCC. Therefore, the Project Financial Management and Reporting Systems will be the responsibility of these three entities that will have the role of handling all the funds for the project. In addition, the PCU at the MTENR will have the overall responsibility for coordination, financial monitoring and reporting for the whole project. The governance structure for these implementation arrangements will include peer accountability among the project units, oversight by the PSC and supervision by the World Bank project team.

The Project Accountants in the three entities under the direction of their respective accounting heads will assume full responsibility for project financial management and reporting, ensuring that the financial

management and reporting procedures under SEED are carried out in a manner acceptable to the Government, the World Bank, and other donors. The principal goal of the Financial Management System (FMS) is to support management in their deployment of limited resources with the objective of ensuring economy, efficiency and effectiveness in the delivery of project outputs. Specifically, the FMS must be capable of producing timely, understandable, relevant, and reliable financial information that will enable management to plan, implement, monitor, and appraise the project's overall progress report towards the achievement of the objectives.

The findings on the financial management systems for the implementing entities are summarized below: PCU at the MTENR needs to be strengthened in terms of staffing and development of accounting systems. Currently a manual accounting system is in place complimented by the use of computer spreadsheets. ZAWA's accounting system is based on a Sun Accounting software package. The key accounting staff are professionally qualified and well experienced. The staff have some experience in managing donor funded projects. LCC uses a manual, cash based, non accrual accounting and is not a complete double entry system. This unit will be strengthened under the project.

The overall conclusion is that based on the existing financial management systems, only ZAWA satisfies the World Bank's OP/BP 10.02 minimum requirements. In the case of MoFNP and LCC some weaknesses have been identified which will be addressed to meet the minimum requirements. These weaknesses and the proposed actions to address them are included in an agreed time bound financial management action plan included in annex 6B, whose main feature is the recruitment of staff with the requisite financial management expertise, who should put the FMS in place. Therefore, the project's financial management risks are assessed as low.

There will be four special accounts covering: (i) the PCU to cater for the Agribusiness and Gemstone components and the policy/ legal reform sub-component of the Tourism component; (ii) ZAWA for IDA funds; (iii) ZAWA for GEF funds; (iv) LCC for the Livingstone Development sub-component. Disbursements from IDA will initially be transaction-based, which means that disbursements will be made on the basis of documented expenditures. The Borrower will have the option of using the Report-based (FMR) disbursement method instead of the Transaction-based method. Report-based disbursements offers more flexibility. The project will be subject to both internal and external audit oversights. Details of the auditing arrangements are detailed in annex 6B. The salient features include: The internal audit will be involved in monitoring and review of the project activities. A qualified auditor, using TOR acceptable to IDA, will do the external audit. The audit reports to be submitted to IDA no later than six months after the end of the fiscal year.

5. Monitoring and Evaluation Arrangements

The PCU would be responsible for monitoring and evaluation. A quarterly monitoring table and progress report would be prepared by the PCU. An outcome-oriented approach that adequately tests and captures lessons will be implemented. Such an outcome-focused M&E system will allow correction during implementation to achieve the objectives and enable lessons learned to be fed forward. A Project Implementation Plan (PIP), Financial Management Plan and Procurement Plan were designed during project preparation to produce a Project Implementation Manual (PIM). The PIM will include all periodic reporting, monitoring and evaluation arrangements throughout the project cycle and will call for independent operational audits once a year, which will provide impact assessments, including of the matching grants, and identify ways to improve project implementation. A key challenge faced in the operational audits will be how to separate results that are clearly attributable to the project from those that are caused by external factors. Finally, a mid-term review will be scheduled for by January 2006 with the

objective of assessing progress to date and, if necessary, redirect the project integrating additional lessons learnt and the realities on the ground.

Monitoring and evaluation of the Livingstone hub and tourist activity will be carried out by MTENR regional office located in Livingstone. They will assemble monthly data on tourist arrivals at main gateways and also in accommodations facilities. For the two protected areas M & E will be carried out by ZAWA with information provided by each park warden. Information will be processed and consolidated by ZAWA's Research, Planning and Information Directorate. Data collection will be either outsourced (e.g. aerial surveys) or mainstreamed in operations (e.g. anti-poaching performance). Both Natural Resources Monitoring and Project Component Performance Monitoring and Evaluation will be used to feedback into overall SEED Program implementation, the Tourism Component and ZAWA's adaptive management processes for the tourism and wildlife sectors. Private Sector entities will participate in the monitoring and evaluation. These will be reviewed annually by stakeholders representatives through project implementation workshops. The output of these workshops will serve as a basis for monitoring and evaluating project impact.

D. Project Rationale

1. Project alternatives considered and reasons for rejection:

A number of options were considered in the design of the tourism and protected management component. The first option was to focus on the MTENR and its agencies and protected area management and simply continue a program of policy reforms as a complement to the macroeconomic reform program, designed to improve the climate for investment in tourism. Consideration was given to focusing the tourism component on ZAWA and the wildlife estate, since the wildlife sector will be a critical element in any tourism development program in Zambia. Biodiversity conservation and management support restricted to core protected areas alone would be unlikely to engage support of local communities, and likely to be insufficient to foster economic development or prevent continued decline of biodiversity due to unsustainable exploitation of natural resources and assets. This approach was discarded. Another alternative considered was a tourism infrastructure development project; this approach would go a long way towards encouraging tourism's expansion, but would miss the maintenance of the natural capital, the protected area, and support for enterprise development, upon which tourism can expand from Livingstone. Finally, it was felt that the tourism and protected areas component could focus on a combination of wildlife and support for Livingstone as a hub destination and emphasize better knowledge of sector dynamics and tune the project to removing barriers to enhanced performance of the sector. It was agreed with the Government that rather than implement one narrowly-focused project the Tourism Component would blend the above options and include broad-based policy support, tourism infrastructure, improvements to the business environment, support for enterprises, biodiversity conservation and participatory natural resource management in and around protected areas.

For agribusiness, the Government made significant progress on policy reform in the 1990s and one approach explored was to build on that agenda, which has languished somewhat in recent years and rejuvenate the policy framework as an incentive to investment. However, it was felt that the policy framework, while by no means perfect, was not the stumbling block. Institutional and capacity constraints in farming and agro-processing were more critical barriers. Although the government has made a strategic choice not to intervene directly in the short-and medium-term financing of private inputs and investments, there are other ways to enhance private sector responses. In particular, linkages between the farm gate and processors are weak and strengthening these, at the same time as technical enhancements (food quality and IPM, for example) are made, would be responsive to sector barriers. Accordingly, the agribusiness

component was selected as a pilot that would lead to a full blown operation in the future.

With respect to the gemstone component, providing support to the gemstone sector at the national level was assessed, and rejected, as it would have spread the investment too thinly to have a significant impact. Instead, two key gemstones/semi-precious stones areas - Ndola Rural/Kitwe (emeralds) and Mapatizya (amethysts) - have been selected. However, some of the planned activities, such as those related to the improvement of the legal and regulatory framework, establishment of the regional interface to and data collection for the Modern Mining Cadastre and set up of public-private institutional structures for improved trade, would have positive impacts on the development of the sector as a whole.

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)
<p>Bank-financed</p> <p>The Enterprise Development Project aims to complete and support the ongoing economic reform program in Zambia. Specifically, the project will support firm-level efforts at restructuring by: a) enhancing Zambian firms' technical know-how; b) enhancing Zambian firm's access to finance; and c) strengthening the financial system and availability of information resources.</p>	Enterprise Development Project Credit # 29550	S	S
<p>The objective of the Economic Recovery and Investment Promotion Technical Assistance Credit Project is to support the implementation of the Economic Recovery and Investment Promotion Reform Program and to continue the implementation of reforms that were the focus of previous adjustment operations, namely the privatization of parastatals and the reform of the legal framework governing business activity. The project aims to provide technical assistance and other support to the government of Zambia to implement policy, institutional and regulatory reforms that will support the economic reform program.</p>	ERIPTA Credit # 29750	S	S

<p>The objectives of the Urban Restructuring and Water Supply Project are: 1) provide immediate solutions to the most severe water and sewerage infrastructure deficiencies in nine key urban areas; 2) test out community-generated and managed water and sanitation demonstration projects which meet articulated needs at an affordable price while strengthening local councils capacities to support community based initiatives in Lusaka and the participating Copperbelt councils; and 3) initiate broader institutional and financial reforms required for providing organizational incentives for investing in, operating and maintaining infrastructure based on residents' perceived needs and willingness to pay.</p>	<p>Urban Restructuring and Water Project Credit # 27250</p>	<p>S</p>	<p>S</p>
<p>The overriding goal of the Government for the roads sector is to facilitate economic growth and diversification (particularly in the agricultural sector) through appropriate road infrastructure and through sustainable system for financing and management of the road Network. The Government's medium term program, ROADSIP, is expected over a 10 year time horizon to address this goal.</p>	<p>ROADSIP Credit # 29930</p>	<p>S</p>	<p>S</p>
<p>Other development agencies KFW EU NORAD DANIDA</p>	<p>Water and Sanitation rehabilitation of the Southern Province Infrastructure Development in Livingstone - Airport Development; Support to TCZ, ZNTB & MOT; promotion/accommodation Assistance to South Luangwa NP, to Kafue NP & GMAs; Institutional support to ZAWA Lower Zambezi NP and Kafue eastern GMAs: wildlife preservation and farming to curb poaching</p>		

USAID	Tourism: TA through IESC to improve the capacity of local SMEs to be responsive and competitive in the tourism industry as suppliers of good quality products and services; malaria. Agribusiness: Zambia Agribusiness and Technical Assistance Center Livingstone - urban development		
EU	Private Sector Development Program – Multi-sectoral and Mining Sector Development Program		
FMO	FMO- Cavmont Venture Capital Fund		

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

3. Lessons learned and reflected in the project design:

Particular attention has been paid to ensuring that the project design reflects not only the Bank's experience in Zambia and sub-Saharan Africa, but also integrates approaches being pursued in other developing countries. The important lessons and approaches integrated into the project include the following:

- *Building on existing work helps maintain a momentum towards reform.* The project builds upon work already undertaken under the mining component of the ERIPTA project and the various ESW (Report on privatization, The Challenge of Competitiveness, Investment Climate Assessment and the FIAS Study on Administrative Barriers). It also helps to maintain high visibility of ongoing reform in the protected area and wildlife sector with potential to streamline processes and optimize revenue sharing.
- *A simple and delegated project design that is compatible with political realities and institutional absorptive capacity in Zambia.* The scope and design of the project has been made sufficiently flexible to take into account existing local conditions.
- *Use of local capacity which has been developed through other projects lowers the learning curve and increases efficiency and productivity.* By using the existing ERIPTA PCU, the Government can consolidate experiences and create economies of scale. This will enable transfer of skills and experience from one project to another - including procurement, financial management and disbursement expertise. In addition, the implementation arrangements will ensure that there is an entity formally responsible for project technical coordination and monitoring that has the incentives to solve problems in a timely manner.
- *Matching grant fund operational procedures must ensure expeditious processing of the applications while ensuring the stakeholders fiduciary and governance responsibilities.* The present design of the matching grant facility builds on the Bank's experience from the just closed EDP project in Zambia and from other projects to: (i) maintain sufficient independence in the grant management to minimize the

risk of capture by special interests; and (ii) ensure good monitoring and evaluation capacity.

- *Business Environment.* Thanks to the participation of FIAS in the design and execution of an Administrative Barriers Study, Africa-wide and international experience is fully reflected in the project. One lesson learnt is that initially promising reforms do not necessarily lead to sufficient improvements in the investment climate to stimulate investment. In view of this, reforms need to be underpinned by surveys and quantitative assessments such as the Investment Climate assessment now being completed for Zambia and whose initial results have been incorporated in the design of the SEED program.
- *Public-Private consultations/ partnerships.* The importance of building an effective platform for private-public dialogue is identified as a key area in the Africa region's private sector development strategy. Despite sporadic attempts to improve public-private dialogue in Zambia, it is generally recognized that it remains weak and that concerted effort needs to be made on both sides to improve it. The Project Steering Committee will comprise representatives of the private sector as well as government representatives.
- *Implementation arrangements.* The implementation arrangements follow best practice in private sector development projects where beneficiaries manage their own subcomponents while strong financial management, procurement and monitoring and evaluation capacity is provided by a centralized project management unit.

4. Indications of borrower and recipient commitment and ownership:

The project concept is the result of discussions during the Consultative Group meetings and National Economic Diversification Workshop of 2000 were convened by GRZ with World Bank support, and with participation from other donors and the Economics Association of Zambia. The Workshop objectives were to consider recommendations of the Diversification Task Force which the GRZ had commissioned to develop strategic options for diversifying the economy – in the aftermath of Anglo American's withdrawal from the mining sector in Zambia. The workshop identified tourism, agribusiness and gemstones as the three sectors with the highest potential to drive future economic growth in Zambia. The Government requested World Bank support to implement a sustainable diversification strategy and government agencies were actively involved in project preparation. Throughout the project preparation phase, the GRZ showed strong commitment and ownership of the project and key government agencies were actively involved in project preparation.

The Transitional National Development Plan (TNDP) identified the same three sectors as sources of growth, diversification and poverty alleviation. The Government has just created a fund to support indigenous entrepreneurs in the tourism sector. The Government's own initiative to revive the regulatory frameworks for these key sectors and capacity building to ensure effective public institutions demonstrates a commitment to the reforms necessary for a project to succeed. Moreover, although the experience is still being built up, the Government has involved the private sector through the TCZ and LTA and a dialogue is being nurtured, supported under the project, to bring tourism to the national business council as a sector of importance for the economy.

The Government has encouraged active private sector participation in the preparation of the project reflecting its commitment to the project objectives. The private sector and local communities have endorsed the Project's thrust in particular its economic diversification approach and will be regularly consulted to maintain the consensus and ownership of the project. GRZ used a PPF advance for project preparation, PHRD grant and a GEF grant. Four Zambia-based private companies have agreed to take part in the

agribusiness component while other companies have shown great interest in the tourism component.

The strategic link between economic development and biodiversity conservation is recognized and strongly supported by the Government. The protected area subcomponent is entirely consistent with the priorities outlined in Zambia's National Conservation Strategy (1985), National Environmental Action Plan (1994), and Policy for National Parks & Wildlife in Zambia (1998), as well as the draft National Biodiversity Strategy and Action Plan, the draft National Environmental Policy, and the draft National Policy on Wetlands Conservation. The component is also consistent with the implementation of the restructuring of the wildlife and tourism sectors focused on ZAWA and the MTENR, and has been endorsed by the GEF Focal Point at the MTENR.

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

The Bank is seen by local actors, the donor community and the private sector as having credibility in the fields of private sector development, economic diversification, as well as legal and regulatory issues and competition policy. The Bank has successfully supported Government's previous efforts in these areas through its policy dialogue and various technical assistance projects. Its participation in the financial sector and private sector development through improvement of the enabling economic and regulatory environment would enhance the credibility of Government's efforts, particularly regarding the transparency and soundness of its regulatory framework. Bank support will further provide resources to Government to implement essential policy reforms, undertake key public investments and capacity building efforts. In undertaking this type of project, the Bank provides an opportunity for other bilateral and multilateral sources to leverage the Government's efforts to develop its private sector program.

By helping to conserve wildlife and natural habitat in priority national parks, GEF participation in SEED will help secure global biodiversity assets thereby also improving the attractiveness of protected areas for private investors. In addition to GRZ, IDA & NORAD funds, GEF financing has the potential to improve management in the short term and increase sustainability in the long term by (a) strengthening the management capacity of ZAWA park units by increasing leadership quality, streamlining planning and processes and training, (b) increasing the quality of the wildlife/landscape resources as a tourism product, (c) increasing the financial sustainability of park management with the associated increase in tourism-based revenues, (d) enhancing local community's share of wildlife-based revenues and increasing their incentive for good stewardship of wild lands such as the GMAs; and (e) leveraging additional financing from other donors and the private sector. In the absence of GEF financing, the government may not shoulder the incremental cost of improving management of the two parks.

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

1. Economic (see Annex 4):

- Cost benefit NPV=US\$43.8 million; ERR = 25.8 % (see Annex 4)
- Cost effectiveness
- Incremental Cost
- Other (specify)

The project generates a net present value estimated at about US\$43.8 million corresponding to an internal economic rate of return of 25.8%. The project is expected to positively affect employment as a result of increase demand for labor in all the sectors supported. In total, during the lifetime of the project a minimum of 3410 direct jobs are expected to be created (it is important to emphasize that the acceleration of job-generating investment would be slacked by the relatively low capacity utilization rate at 60 percent on average). This number includes indirect jobs created in the tourism sector but excludes indirect jobs

created in the other sectors for which, contrarily to the tourism sector, the size of the job multipliers are not known. More specifically for the matching grant component, 1 permanent job is created by the beneficiaries for each \$3225 granted by the project. For the matchmaking grant of the agribusiness sector, the ratio is 1 job for each \$3225 granted.

2. Financial (see Annex 4 and Annex 5):

NPV=US\$ million; FRR = % (see Annex 4)

The net present value of the project is estimated at US \$43.8 million for a 12% discount rate, and its internal economic rate of return is estimated at 25.8%.

Fiscal Impact:

The government fiscal position is positively affected. In the 12-year forecast time frame, the project would generate \$17.9 million as the result of incremental personal income taxes, and corporate income taxes. During the lifetime of the project this fiscal impact is estimated at \$17.9.

3. Technical:

The project was designed building on the analytical underpinnings of various studies and reports prepared as prior to and after the National Diversification Workshop of 2002. These studies point to a range of sector issues addressed in Section B, some of which will be addressed under this project. The approach taken is to encourage private-sector led initiatives to spur the diversification strategy while GRZ concentrates on providing an enabling business environment (policies, legislation and building capacity for better provision of public services). The matching grant facility in the Agribusiness component has been designed to take into account developments in this type of program, and will provide a demand-driven instrument to target major gaps while allowing for increased export growth and integration of smallholder farmers and small gemstone producers into the supply chain.

4. Institutional:

The project's success is linked closely to the effective coordination among the various private and public institutions involved with delivery of related services. Capacity building requirements and institutional arrangements to enhance public private partnerships in the targeted sector were assessed during project preparation. The project design takes into account the requirement for efficient coordination mechanisms and consultation processes among various bodies.

4.1 Executing agencies:

A project coordinating unit (PCU) will be assigned to the Ministry of Tourism, Environment and Natural Resources, based on the PCU established under the ERIPTA project (closing in September, 2004) and which has competently managed that project. The PCU will be staffed as appropriate for its new mandate. The unit will be responsible for maintaining project accounts, coordination of monitoring and evaluation functions and reporting to the Government and the Bank. It will also be responsible for procurement and disbursements for the Agribusiness and Gemstone pilot components. The implementation and follow up of each sub-component will be decentralized to the respective sector ministries or agencies. Component Technical Coordinators will be appointed in the Ministries of Tourism, Agriculture and Mining to ensure implementation of the program. The management of the matching-grant under the Agribusiness component will be outsourced to a management company.

4.2 Project management:

There will be four special accounts: (i) one operated by the PCU to cater for the Agribusiness, Gemstone and the policy/ legal reform sub-component of the Tourism component; (ii) two operated by ZAWA, one for GEF funds, one for IDA funds; (iii) one operated by LCC for the Livingstone Development sub-component.

The approach taken in the design of the implementation arrangements is to integrate project activities into the regular structures of their parent Ministries/agencies as much as possible to help preserve the strong sense of ownership of the sector Ministries/ agencies, build capacity and provide accountability. The Livingstone Development Sub-component will be implemented by a project unit to be established within LCC. The project unit in LCC will have financial management and procurement expertise and will operate its own special account. The Protected Areas subcomponent will be implemented by ZAWA through its existing Project Implementation Unit (PIU), which is a core unit of ZAWA's corporate structure and is in charge of all projects implemented by ZAWA. The ZAWA PIU comprises a Project Manager, a procurement officer, a senior accountant and supporting secretarial staff. The procurement officer and senior accountant are mapped to the Procurement and the Financial Management Directorates. In Kafue and Mosi-o-Tunya, ZAWA will recruit new park wardens on the regional market, who will be responsible for project implementation at the parks' level. Initially the current park accountants will handle local financial management operations that will remain minor. However, when cost centers are established, ZAWA will contract experienced financial administrators in the parks. Implementation will be integrated with ZAWA's Performance Based Resource Protection Strategy and its 5-Year Strategic Plan (2003 - 2007).

4.3 Procurement issues:

During project preparation, a review of current procurement practices of the various project related institutions and a procurement capacity assessment of the implementing agencies were carried out. The implementation units assessed are the LCC, ZAWA, ERIPTA PCU located at the Ministry of Finance and National Planning, Ministry of Tourism, Environment and Natural Resources, Ministry of Mines and Mineral Development and Ministry of Local Government and Housing. The types of procurement likely to be undertaken have been defined in the draft procurement plan. At this stage, the main types of procurement expected under this Project are: (i) civil works and equipment in Livingstone under the Livingstone Development Plan and civil works for rehabilitation of priority roads networks in Kafue; (ii) consultancy for studies, workshop facilitation and capacity building; and (iii) goods for institutional development purposes.

The procurement capacity assessment indicated inadequate experienced staff at the implementing agencies to handle the increased responsibilities under the project. The actions agreed to be undertaken to address this have been elaborated in Annex 6(A).

4.4 Financial management issues:

The joint CFAA led by the Bank in conjunction with other donors in November 2003 concluded that weaknesses and perceptions of corruption remain within the Public Financial Management System (PFMS). Problems identified included uneven compliance with or enforcement of existing accounting rules and finance regulations. The lack of counterpart funding has in some cases adversely affected project implementation and performance rating in Zambia. Fiduciary risk manifests itself through non-compliance with audit covenants. On average about 50 % of the audited financial statements are

received within the due dates. Unsupported transactions and missing documents are the main reasons for qualifications. These issues have been addressed in the design of the project.

The project financial management risk is assessed as low: ZAWA has a well functioning financial management system and experience in managing donor funds. As for LCC and MoFNP some weaknesses have been identified and actions to be taken to strengthen the financial management systems before credit effectiveness have been agreed. Therefore, the FM assessment conclusion is that the project's financial management arrangements satisfy the World Bank's OP/BP 10.02 minimum requirements, provided the proposed improvements detailed in annex 6B, financial management action plan are implemented as indicated.

5. Environmental:

Environmental Category: B (Partial Assessment)

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.

Public consultations were held throughout the design process as part of the required EIA process in Zambia. A four-person consulting team carried out the EA work through a combination of document review, field assessment and personal interviews, both formal and informal with as wide a range of potential stakeholders as possible (see list of consultations in Appendix 3 of the Social and Environmental Assessment, dated May 2003). This work gave particular emphasis to the tourism components in Livingstone City and the two national parks. Subsequently, in June 2003, the ZAWA social specialist conducted a series of meetings in the GMAs to ascertain current issues and concerns at the local area, as well as local recommendations for further work. (Please refer to the Resettlement Policy Framework and the Process Framework for further detail.) The significant issues that emerged from these, and other, consultations are detailed below.

A. *Tourism, Livingstone.* The main issues from the Livingstone consultations concern the needs and impacts of increased numbers of tourists and, potentially, more residents. These issues are addressed under the Livingstone City Council Integrated Development Plan. Critical components of the plan include: sanitation and the control and treatment of effluents into the Zambezi River; solid waste disposal and management; transport and circulation in Livingstone, other infrastructure rehabilitation including electricity, water and sanitation, and other works such as jetties in the river, parking for taxis, busses and trucks and recreational areas. A Resettlement Policy Framework has been developed to guide any unavoidable relocation due to these activities. In addition, for tourism facilities, the proposed new framework law for tourism will address licensing and standards, including environmental aspects; EIAs will be prepared for new tourism establishments. Lastly, protection and rehabilitation of cultural heritage sites in Livingstone city is another initiative of the project. For this, the project will help develop architectural guidelines and building codes in Livingstone, to improve the visual environment and protect its cultural heritage.

B. *Tourism, Biodiversity.* In addition to infrastructure development in Livingstone City, the project will enhance infrastructure and management in two national parks, assist Mosi-o-Tunya rural communities to better manage their wildlife and land resources through land-use planning; and strengthen the capacity of national and local institutions to undertake EIAs for tourism-related and other initiatives. To guide these activities, SEED has developed an Environmental Management Plan for the parks, and both a Resettlement Policy Framework for involuntary resettlement of populations resident within the two parks and a Process Framework for local determination of any further restrictions on access to natural resources and their use.

C. *Agribusiness*. On the basis of consultations with growers and processors, SEED has developed a checklist for evaluating agribusiness proposals in order to ensure that farms collaborating in this activity are managed in an environmentally sustainable manner. The checklist covers water use, fertilizer and other chemical use, diseases (e.g., livestock), safety procedures, waste disposal, and organic farming. The checklist will be used to screen proposals for funding under the SEED agribusiness component.

SEED has also developed an Integrated Pest Management Plan (IMP) to guide the use of chemical inputs under the agribusiness component of the SEED project. Overall, the legal and regulatory framework to encourage adoption of IPM methods in Zambia are in place and reflect international norms. Nevertheless, the capacity and capability to implement and monitor IPM activities is such that the agro-processing industry have taken their own initiative to develop and apply codes of conduct that reflect international standards. Therefore, the Zambian Export Growers Association Training Trust will be assisted to enhance the scope and capacity of training, particularly of the training of trainers, in order to provide such advice more systematically than at present. The matching grants will be used for additional IPM initiatives.

D. *Gemstone Mining*. A generic EA for the gemstone mining, which will be further defined once the SEED project is underway, has been carried out during project preparation. More extensive consultation and more detailed environmental assessment will be done once these investment areas are more closely defined. The consultations and assessments will cover both formal gemstone mining and informal or artisanal mining, which also constitutes an environmental risk. A Resettlement Policy Framework will be developed, and approved, should any of these component activities require involuntary resettlement.

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

SEED undertook a Social and Environmental Assessment of its component activities in May 2003. This initial assessment examined the social and environmental implications of each of the component activities.

Subsequently, each component activity has developed, or will develop, specific environmental management plans to guide investment. Tourism development in Livingstone is based on the Integrated Development Plan, and will follow construction guidelines adopted by the Livingstone City Council. ZAWA has defined management plans within the parks and a Process Framework for the buffer zones around the parks. The EMPs for Mosi-o-Tunya Zoological/National Park and Kafue National Park will be further refined during the course of the project. The aim here is to protect sensitive and rare areas within the parks, as well as to rationalize land use within the park (e.g., roads, park service headquarters). In addition, with NORAD and other donor assistance, EMPs will be developed with local communities for GMAs and other communal areas to improve land and wildlife resource management in areas adjacent to the parks. The prerequisites for developing local EMPs have been defined adequately in the SEED Process Framework. On this basis, ZAWA will assist local communities to develop land-use plans for areas abutting the national parks that harmonize local interests and needs with the goal of conservation of natural resources. The responsibility for implementation of these EMPs will rest with the local communities, supported by national and local authorities.

The Agribusiness component will allow for initiatives proposed by the IPM plan to be financed including: pest management approaches; pesticide use and management; policy, regulatory framework and institutional capacity; and monitoring and evaluation. Finally, the gemstone mining component has a generic EA, which will be refined as activities are defined in future years. Importantly, these plans will

cover both formal and informal mining activities, and the Environmental Council of Zambia will review all proposals for adequacy. The EA is building on extensive studies, experiences and planning carried out within the framework of other projects related to mining in Zambia (mining component of ERIPTA, Copperbelt Environment).

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

Date of receipt of final draft: June 2003

GRZ has disclosed, for public information and discussion, various of the planning documents for SEED. The Social and Environmental Assessment report was cleared by ASPEN on June 11, 2003, disclosed in-country since November 14 and at the Bank's InfoShop on December 1, 2003. The Integrated Pest Management Plan was cleared by ASPEN on June 11, 2003 and disclosed in-country since November 14 and at the InfoShop on December 1, 2003. The Resettlement Policy Framework was approved by ASPEN on September 15, 2003 and the Process Framework on October 2, 2003 and both were disclosed in-country on November 14 and at the InfoShop on December 1, 2003. In addition, a Resettlement Action Plan for Mosi-o-Tunya Park was submitted by ZAWA in late September and approved by ASPEN on October 10, 2003 disclosed in-country on November 14, 2003 and at the InfoShop on December 1, 2003.

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?

Public hearings have been conducted with the Livingstone City Council, with each of the three major Chiefdoms in the areas impacted by tourism, and with the Livingstone Tourist Association and the Chamber of Commerce prior to project preparation, and a similar consultation process was used at each stage of the EA process. Further, frequent meetings with private sector groups in agribusiness and gemstone mining were also held during project preparation. Similar meetings have already taken place at the project identification and concept development stages. (See sections 6.1 and 6.2 below for further details)

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?

Project preparation included the establishment of baseline data for Victoria Falls, Livingstone City area, and the Kafue and Mosi-o-Tunya Parks, as well as for communities in which assistance will be provided for improved natural-resource management. Moreover, the local EMPs are designed to monitor project implementation against overall objectives in terms of a set of benchmark indicators.

To this end, the Environmental Council of Zambia (ECZ) has been engaged by the project to provide monitoring services to evaluate project impact. ECZ is the agency legally mandated to review and approve EIAs in Zambia. ECZ also has the mandate to monitor commercial activities that may have an impact on the environment. Because the small staff of ECZ finds it difficult to carry out its mandates, SEED will provide assistance and training to build capacity and develop monitoring systems in ECZ. The ECZ monitoring functions will cover: urban development in Livingstone City, park zoning and management, involuntary resettlement operations, participatory definition of restrictions on access to natural resources and their associated mitigating measures, agribusiness development, and, when activities come on line, gemstone mining.

6. Social:

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

SEED has developed an Environmental Management Plan for the parks and both a Resettlement Policy Framework for involuntary resettlement of populations resident within the two parks and a Process Framework for local determination of any further restrictions on access to natural resources and their use. A Resettlement Action Plan has also been prepared which will guide any resettlement of the villagers at Imusho Village.

Poverty. Seventy-three per cent of Zambia's population lives below the poverty line – and it can reach as much as 90 percent in some local areas. Unemployment in Livingstone is alarmingly high (over 90%) and except for tourism, there is no other major economic activity in the area that could provide gainful employment for the population. The SEED program addresses all three major poverty criteria (incomes, basic needs and the capability to acquire physical needs), albeit indirectly in some cases. In Livingstone and surrounding areas, the project will provide jobs, both short-term during construction and long-term through community-based projects. Training in tourism-related activities (e.g., catering, hotel services, tour operation, wildlife management, production of handicrafts) will enable the communities to respond to the increasing demand for tourism-related goods and services. (Presently, these needs are being met mainly through importation of goods and services from the sub-region -- with very little benefit to the communities whose land and natural resources provide the basis for tourism.) As new hotels and lodges are established and tourist arrivals grow so will the demand for goods and services. The project's objectives are, then: to enable the communities to become partners in development through secure jobs, such as supplying fruits and vegetables and selling handicraft and tourist items. The social development outcomes will be more employment, greater income, and improved access to physical needs.

The project also aims to improve the economic capacity of communities in other ways. Effective implementation of local land-use planning programs will ensure sustainable use of natural resources, through soil conservation, water provision, forestry protection, and wildlife conservation. These activities will provide several benefits to local populations. The communities will use their designated agricultural zones more sustainably. And, better forestry practices and wildlife protection in communal areas (such as GMAs) will provide greater direct monetary benefit, as ZAWA shares its licensing fees with the local communities, as required by law. These initiatives will increase yields, income and nutrition, as well as supporting local initiatives that improve access to basic needs (e.g., water).

Participation. The project's main objective is to stimulate growth and reduce poverty through private sector investment and community-based development using agribusiness, tourism, agribusiness, and gemstone mining as an entry points. The effective participation of the communities in the project's focal areas is crucial to achieving this objective. (See Section 6.2 for further detail.)

Gender. Gender is a cross-cutting theme of particular importance to tourism, and care is being taken under the different project components to ensure an unbiased approach. A particular consideration is prostitution, which can thrive in an environment of poverty. The long-term solution is more jobs and a higher standard of living. While it is impossible to stamp out prostitution, the project can and will support creation of economic activities and adoption of a code of ethics to instill a set of values for tourism, inspired by the World Tourism Organization model.

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

During project identification the team held open meetings where it met with a wide spectrum of stakeholders. These included members of the business community in Livingstone, Lusaka and Mfuwe, the city council members in Livingstone, community representatives in Mfuwe and Livingstone and various government agencies. The team also met with local officials and held community meetings in many areas

around Mosi-o-Tunya and Kafue National Parks. During these consultations, the team received invaluable suggestions on mechanisms that would ensure meaningful stakeholder participation in various stages of project design and implementations.

In addition, several stakeholder workshops related to the different components were held during project preparation. These workshops were instrumental in capturing stakeholder concerns and expectations. The project's final design incorporates recommendations from these workshops, both in terms of physical infrastructure developments and the priorities within the program. The workshops also helped familiarize stakeholders with project activities and helped build ownership in the development process. Further, during project preparation and as soon as the requested trust funds were in place, four workshops, in the form of open meetings, in local language and with local NGO facilitation, were organized in the Livingstone area. Three of the workshops were held in each of the Chiefdoms in the area, and the fourth one in for Livingstone itself where the city council facilitated the process.

With Bank support around Mosi-o-Tunya, and with other donors' projects in Kafue GMAs, the communities, in consultation with ZAWA, will determine the appropriate uses for each zone within their areas, and will be fully engaged in implementing the land-use zoning program. In fact, land-use planning in communal areas that abut the parks is based wholly and integrally on stakeholder participation in that the villagers determine the measures to be implemented and are responsible in large measure for implementing them.

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

Regular briefing sessions and open discussions were conducted throughout project implementation. The frequency, venue and form of these consultations were agreed with the various stakeholders during the first round of workshops at project preparation stage. These consultations took the form of round tables with donors, workshops during supervision missions for the private and public sector operators, and open discussions/consultations with the communities, NGOs and the civil society organizations.

This close collaboration with NGOs and other civil society organizations (CSOs) will continue during project implementation. NGOs and CSOs will be invited to comment on the development plans for Livingstone City, for the national parks and the adjacent communal areas, for agribusiness development, and for gemstone mining. Equally importantly, NGOs and CSOs have a particular role to play in implementing rural land-use planning in the GMAs. Finally, through the Environmental Council of Zambia, NGOs and CSOs may be engaged in the monitoring program.

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

The Government has constituted a steering committee that involves all the line ministries that are responsible for each of the different project component activities. The committee comprises the: MoFNP, MTENR, MMD, MACO, and private sector representatives. This committee is charged with oversight of project implementation, including supervision of project social development outcomes.

The PCU will be adequately staffed and charged with implementing the studies necessary to assess the success of SEED in achieving its social development outcomes, namely, employment generation, income enhancement, and improved access to basic needs. In addition, the PCU will liaise with the Zambia Environmental Council to undertake the monitoring studies of all resettlement operations and all restrictions

on access to natural resources, as necessary. (Section 6.5 below).

Finally, the World Bank, under project auspices, will provide, at least annually, a social specialist to supervise and guide the implementation of project activities for the achievement of its basic social objectives.

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

SEED will monitor its social development performance at each of the three levels. With regard to the poverty-alleviation objectives, the PCU will develop a monitoring program to track key economic indicators in the project area. In the Livingstone area, the monitoring program will focus on the extent of new employment (and its sectors), the increase in incomes (and its generality), and in the access to basic needs (e.g., improved water supply and sanitation). In rural areas, the poverty-alleviation objectives will focus on improved agricultural production and yields, as well as the sharing of licensing fees with local communities for local improvement. The monitoring program in both the urban and the rural areas will disaggregate its analyses in order to identify any differential impact by gender on project populations.

Secondly, the PCU will maintain complete project records on the nature and extent of all public consultation and participation. This includes, as necessary, public informational meetings, neighborhood association meetings, land-use planning meetings, communal investment decisions in both urban and rural areas, extent of community participation in such activities, and local satisfaction with available avenues for participation.

Thirdly, the PCU will engage the Environmental Council of Zambia (ECZ) to sign off the monitoring of impacts of resettlement operations and of any restrictions on natural resource use. ECZ may undertake this work directly or contract the work out. In either case, the monitoring studies will focus on the basic social development objective: restoration at a minimum and improvement at a maximum of livelihoods and incomes of project-affected people.

7. Safeguard Policies:

7.1 Are any of the following safeguard policies triggered by the project?

Policy	Triggered
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Natural Habitats (OP 4.04, BP 4.04, GP 4.04)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Cultural Property (OPN 11.03)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Indigenous Peoples (OD 4.20)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)*	<input type="radio"/> Yes <input checked="" type="radio"/> No

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

Environmental Assessment (OP 4.01). Social and Environmental Assessment was carried out during project preparation on the infrastructure rehabilitation works in Livingstone. The SEA evaluated the project's potential environmental risks and impacts in its area of influence. No substantial technical issue is envisioned. Protected area management remains a specialty involving mostly human skills with

little technological input. Ecological monitoring is an exception, as it requires modern equipment such as GPS, top computer system for GIS, etc. Universities and international NGOs are providing technical assistance to this process, which will largely be contracted out. SEED has developed an Integrated Pest Management Plan (PMP) to guide the use of chemical inputs under the agribusiness component of the SEED project. The PMP focuses on horticulture because that sector would receive most assistance under this component and the loan program. Overall, the legal and regulatory framework to encourage IPM methods in Zambia are in place and reflect international norms. Nevertheless, the capacity to implement and monitor IPM activities is such that the agro-processing industry have taken their own initiative to develop and apply codes of conduct that reflect international standards. Therefore, the Zambian Export Growers Association Training Trust will be assisted to enhance the scope and capacity of training, particularly of the training of trainers, in order to provide such advice more systematically than at present. SEED has developed an Environmental Management Plan for the parks and both a Resettlement Policy Framework for involuntary resettlement of populations resident within the two parks and a Process Framework for local determination of any further restrictions on access to natural resources and their use. A Resettlement Action Plan has also been prepared which will guide any resettlement of the villagers at Imusho village.

Natural Habitats (OP 4.04). One of the main objectives of the project is to conserve and protect natural habitats in two main areas. The protected area subcomponent is designed specifically to address conservation of natural habitats and the maintenance of ecological functions in the Kafue and Mosi-o-Tunya National parks, through specific activities that would secure management and conservation of critical species and habitats that are of key significance to global biodiversity and to Zambia's economic development. The project will also finance rehabilitation of degraded natural habitats in these two parks. This project does not, however, involve conversion or degradation of critical natural habitats.

Pest Management (OP 4.09). This policy is triggered by the project because of the agricultural production required for agribusiness. Thus, a Pest Management Plan has been developed, and the approved plan has been incorporated into project implementation.

Cultural Property (OPN 11.03). A primary objective of the SEED tourism component is restoration of historic structures in Livingstone. This rehabilitation and restoration will be done in accord with international procedures and regulations. In addition, there is a wealth of historical and cultural assets in and about Livingstone City that needs to be preserved for reasons of local and tourist interest. While inventories of cultural assets are available, and the local chiefs are a source of invaluable information, little has been done so far to preserve much of the cultural patrimony. The project therefore addresses priority areas through the National Museum Board that runs the Livingstone Museum (the latter has also received support from the EU). The National Heritage Conservation Commission is very active in Livingstone in a number of activities that will be addressed under the project, including some buildings of cultural value, the railway museum and some arts and crafts activities.

Involuntary Resettlement (OP .4.12). The Ministry of Finance and Economic Development, in consultation and collaboration with all the ministries and agencies involved in the SEED project, has developed an acceptable Resettlement Policy Framework to guide all resettlement operations. The MoFED has also developed an acceptable Process Framework to guide the participatory determination of any additional restrictions to natural resources in protected areas. These policies, to which all the collaborating ministries and agencies subscribe, provide the necessary principles and procedures for the development of particular resettlement plans and process frameworks, respectively.

F. Sustainability and Risks

1. Sustainability:

One risk is the possibility that the implementation of some of the measures may not be completed. This risk is being mitigated by IDA support that will help ensure that human and other resources are available for implementing the programs. By building the participatory approach into the design of the project, timely feedback will be ensured so that corrective action can be taken if necessary. The sustainability will also depend on the success of the cost-sharing grant scheme in catalyzing the growth of the private sector. Sustainability is also contingent on the receptivity of public agencies to ease regulatory obstacles.

Tourism is a massive international industry controlled by relatively few large firms, the result of consolidation in the hotel and airline business. Many new tourism projects assume that the market will emerge, if facilities are constructed around natural resources. Indeed, the two new international class hotels in Livingstone are exerting competitive pressure on existing establishments. Attention must be paid to ensure that tourism activity is scaled up in Livingstone and linked into international marketing channels, to levels that both provide for growth, poverty alleviation and sustainable returns to the economy. To assist in scaling up, the project will focus first on increasing occupancies in existing establishments, adding attractions that should lead to higher tourist spending and on the improvements on roads which should help lengthen the tourist season by increasing access in the rainy months. The project also includes a component to deal with the professional tourism associations in Lusaka and Livingstone that are conscious of the stakes and the need for a healthy public private partnership. The Government's Tourism Development Credit Fund is expected to provide opportunities for small firms in Livingstone to acquire the skills they need to stay competitive. As for the Livingstone City Council, the business plan to be adopted, introduction of a management/ financial information system and training in its use in key departments (planning, engineering, finance and the town clerk's office) are expected to provide the skills needed to improve delivery of service. In addition, the project will support recurrent operating costs of the municipality on a declining basis, as LCC builds its capacity to generate revenue.

The sustainability of investments in protected areas is strongly linked to ZAWA's financial sustainability both in terms of revenues and subventions but also in terms of performance and cost efficiency. The Government's commitment to develop ZAWA into a cost-efficient institution of an international standard is registered in ZAWA's "5-Year Strategic Plan". According to the Strategic plan, over a period estimated at 10 years, as the protected area tourism potential unravels, ZAWA is likely to finance its overhead and recurrent costs. The principle sources of ZAWA's revenue include park entry fees, tourism concession fees, and other user fees for activities within the national parks. ZAWA also retains a proportion of revenues accrued by Community Resource Boards from fees charged for hunting and tourism in the GMA's. This will gradually decrease with ZAWA leaving an increasing proportion of such revenues to CRBs. Mosi's financial sustainability is easily ensured. In 2007, Mosi's revenues will balance operating costs. In 2012, they will cover operating expenditures as well as provide between half to a million USD equivalent to ZAWA's overhead. Kafue financial sustainability is not envisioned in the short or medium term. A reasonably conservative scenario indicates that a shortfall of about USD 2.2 million will remain in 2007. This shortfall will decrease to 1.2 million in 2012. While the trends indicates that financial sustainability is possible in the long term, Kafue still needs subsidies for another 15 years. In the next ten years, this shortfall is apparently covered in part using GMA-based hunting revenues and through NORAD long term support to Kafue. The sustainability of economic activity generated by the SEED Program and environmental sustainability, including the security of Zambia's critical sites, species and habitats of biodiversity conservation concern are mutually dependent. The anticipated strong linkages

of this subcomponent with the private sector (including local communities) are designed to contribute to socio-economic & ecological stability and sustainability.

The agribusiness linkage and matching grant fund is designed to induce and facilitate the formation of more effective supply chains linking entrepreneurs and their markets and facilitating their acquisition of necessary know-how. The cost sharing mechanism is built into the design so that the facility has positive and sustainable market expansion effects rather than creating a dependency on the subsidy. The component provides technical assistance and associated institutional and policy support for a well-defined, time-bound process involving promotion of private sector investment. The irreversible nature of most of these actions and the commitment of the current Government to these reforms, enhances the likelihood that, once implemented, they will be sustainable.

Zambia has good mineral resources potential, in particular regarding gemstones, as evidenced by numerous studies, i.e. produced under the earlier ERIPTA project. However, the Government will encounter difficulty in properly developing the sector and in ensuring the maximum contribution to economic development unless the major governance issues are addressed. If transparent management, proper regulations and enforcement mechanisms as well as a competitive environment are put into place, minerals exploration will accelerate and development of mines will become self-sustaining to provide a continual revenue stream and other economic benefits to the country. Without substantial improvement of governance in the sector, the continuation of informal gemstones production and trade would remain a marginal contributor to the country's regional and national economic diversification and development. The project will contribute to the institutional strengthening of the GRZ in key areas of the mining sector (policy, institutional, social, business environment), through a set of prerequisite steps that will improve the foundation for future private investment. Sustainability will be enhanced through the project's strong emphasis on institutional capacity building, training, human capital development in the public as well as private sectors, and creation of a supportive and enabling investment climate and promotion of FDI.

1a. Replicability:

The tourism component sets a standard for other regions in Zambia. So far, only the Luangwa Valley has reached any sustainable level for tourism, thanks to an investment in infrastructure some thirty years ago. Experience has shown in other countries that Bank supported tourism projects have provided a framework for replicability. For example, Bank-financed tourism projects in the Dominican Republic, Mexico, and Turkey were all replicated in other parts of the respective countries. The component in Livingstone has been designed to provide a framework for replicability and sustainability – it involves all local players, stresses the importance of quality services and emphasizes economic and socio-cultural links with other sectors (handicrafts and horticulture) in the outlying areas around Livingstone through association with local chiefs. The tourism and biodiversity components are mutually reinforcing and provide a framework for conservation of biodiversity and its use as an economic resource as well as one to be protected.

The protected area subcomponent will concentrate on the management of the Mosi-o-Tunya and Kafue National Parks that will extend into associated GMAs and communal areas. It already replicates an approach that was gradually derived from years of experience in the Luangwa valley. The two target parks are a small subset of the extensive wildlife estate in Zambia. It is expected that both the institutional strengthening of ZAWA, as a national institution, but also lesson learned from the new performance-based management system to be applied in Kafue & Mosi-o-Tunya and GMAs will initiate a process in which successes can be adopted as core practices and replicated in other protected area of the country. In the Agribusiness component, the model of business linkages can be replicated to generate numerous

partnerships and is also a model that can be replicated to other sectors. Indeed this component will be supporting the replication of what is already a proven model.

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

Risk	Risk Rating	Risk Mitigation Measure
<p>From Outputs to Objective</p> <p>Insufficient political commitment to wildlife sector. Political interference with the development of ZAWA and the discharge of its technical mandate would undermine development of the wildlife sector.</p> <p>Restrictive administrative, policy, legal and economic environment for investment in tourism, wildlife, gemstone sectors. Private sector investment in wildlife-based activities (including “investment” by local communities) and accessibility of finance will be disabled by restrictive administrative, policy, legal and economic environments.</p> <p>Limited participation of the business community in tourism development. Insufficient attraction to and investment in development of tourism by the Zambian business community will weaken political support for the tourism & wildlife sector.</p> <p>Apart from the Kafue Road, tourism roads are not financed by ROADSIP with ROADSIP priorities shifting to other areas leaving not built the road required to facilitate access and attract investors.</p>	<p>S</p> <p>M</p> <p>M</p> <p>M</p>	<p>Reduction in political interference and increased Government investment in the wildlife sector are conditions for World Bank and wider donor support in this area.</p> <p>Improvements in the enabling environment for hospitality and private sector investment in these sectors are expected to be implemented under the SEED Program, following the recommendations of project preparatory activities and studies.</p> <p>The Zambian business community is an active partner in the program, will be kept informed of project activities and will be encouraged to explore investment options and avail themselves of available tourism investment incentives. The Government's TDCF also allocates funds for SMEs in the sector.</p> <p>Some funds have been reallocated within the budget to improve Kafue roads to a lesser standard that will somewhat improve access to while other financing is sought.</p>
<p>From Components to Outputs</p> <p>Tourism Council of Zambia (TCZ) & the Livingstone Tourist Association (LTA) are not established as viable</p>	<p>M</p>	<p>The tourism component includes measures to strengthen public-private partnership of these agencies and progress is already being made.</p>

spokespersons for the private sector.		This is an on-going task which has already received support for development (via EC).
Insufficient Government budgetary commitments to the tourism & wildlife sectors and to institutions such as LCC or ZAWA undermine their financial sustainability & development of the two sectors.	S	Reduction in political interference and increased Government investment in the wildlife sector are conditions for World Bank and wider donor support for Government. Care will be taken to ensure that annual budget appropriations will include additions to ensure that commitments are met. Increasing tourism activities are expected to boost government revenues at both the local and central levels.
Governance of the wildlife sector. Inadequacy of checks and balances on the performance of ZAWA and accountability of its financial, material and commercial resources will undermine its credibility hence support of the public, investors and donors.	S	Good governance of the wildlife sector is a condition of World Bank and wider donor support, and is an issue addressed by the restructuring program for ZAWA, and implementation of its 5-year Strategic Plan 2003 to 2007. Revision of laws will build in good governance checks and balances.
Lack of support of local communities. Failure by ZAWA to return agreed proportions of CBNRM revenues to local communities will undermine their support for the wildlife sector.	M	Application of wildlife policy & legislation relating to the empowerment of communities and payment of agreed proportions of revenues will be stimulated by project support for tourism development in parks. Also, local associations are involved in the process and will be kept informed. Other donors are helping with the development of CRBs capacity & incentive for sound resource management in the Kafue's GMAs.
Overall Risk Rating	M	Government has shown signs of restraint in political interference and implementing necessary policy reforms.

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

3. Possible Controversial Aspects:

None were identified

G. Main Conditions

1. Effectiveness Condition

- i) Appointing procurement and financial management specialists in the PCU, LCC and ZAWA.
- ii) Adopted the Operational Manual and establish an accounting and financial management system at the PCU and at the two PIUs satisfactory to IDA.
- iii) Appointment of technical coordinators for the Agribusiness and Gemstone components and for

Livingstone City development and Parks Wardens.

iv) Subsidiary agreements with ZAWA and LCC are signed

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

Financial Covenants:

- a) Maintain adequate financial management system and records, prepare financial statements of operations, resources and expenditures of the project
- b) Submit to IDA audited financial statements not later than 6 months after the end of each fiscal year.
- c) Furnish to IDA any other information concerning such records, accounts and financial statements, and the audit as may reasonably be requested.
- d) The PCU and PIUs shall furnish FMRs not later than 45 days after the end of each calendar quarter. The first FMR shall be furnished to IDA within 45 days after the end of the first calendar quarter after Credit effectiveness date and shall cover the period from the first expenditure under the program.

Covenants relating to:

- i) Monitoring and Evaluation: annual progress reports.
- ii) Applicable safeguard policies
- iii) Adequate funding for Livingstone and Kitwe mining bureaux, MTENR, LCC and ZAWA.
- iv) Staffing of and budgetary allocation and arrangements for the Mine Bureaux in Kitwe and Livingstone

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):

Capacity assessments of procurement and financial management have been carried out.

I. Compliance with Bank Policies

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

This project complies with all applicable bank policies

- Social and Environmental Assessment (SEA) – cleared by ASPEN
- Pest Management Plan (PMP) – cleared by ASPEN
- Resettlement Process Framework - cleared by ASPEN.
- Resettlement Policy Framework - cleared by ASPEN.

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Country Director

Annex 1: Project Design Summary

ZAMBIA: Support for Economic Expansion and Diversification (SEED)

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Sector-related CAS Goal: Higher economic growth and living conditions for population in targeted project areas.</p>	<p>Sector Indicators: 1. Tourism, Agribusiness, and Gemstone shares of GDP increased 20% by end of project</p>	<p>Sector/ country reports:</p> <ul style="list-style-type: none"> ● CSO and BoZ statistics ● Periodic Labor Statistics Report ● National Accounts and Trade Report 	<p>(from Goal to Bank Mission)</p>
<p>GEF Operational Program:</p> <p>Biodiversity: OP1 Arid and semi-arid ecosystem (Kafue and Mosi-o-Tunya); OP2 Marine and fresh water (Kafue and Mosi-o-Tunya)</p> <p>The erosion of wildlife population & natural habitat in Kafue & Mosi-o-Tunya NPs has significantly diminished</p>	<p>Outcome / Impact Indicators:</p> <p>Improvement of vegetation indicator as mean Y1/2 vs. mean Y4/5 is 5% in Busanga (papyrus indicator) Kafue N & S (dry deciduous forest indicator) & Mosi-o-Tunya (perennial grass cover & composition for fenced area monitored in 100 plots)</p> <p>Improvement of key wildlife population indicators is 10% in Busanga (red lechwe & puku), 10% in Kafue N & S (buffalo & elephant) & absolute number of reintroduced cape elans reaches 30 in Mosi-o-Tunya</p>	<p>Permanent vegetation monitoring and exploitation of information system</p> <p>Aerial and ground survey of wildlife</p>	
<p>Project Development Objective: To help reduce the vulnerability of the Zambian economy to shocks by supporting the diversification of its sources of growth.</p> <p>Project Global Objective: To reverse Biodiversity erosion in Kafue and Mosi NPs and its surrounding areas.</p>	<p>Outcome / Impact Indicators:</p> <p>A. Tourism</p> <p>1. Number of bed-nights in lodging facilities in Livingstone increased by about 20% from a base of 80,000 (end-2003) and number of direct jobs in tourism related facilities grows by about 20% from a base of 1000.</p> <p>2. Enactment of Tourism and Hospitality Law; and business plans for Livingstone City Council and MTENR</p> <p>3. ZAWA's tourism-related revenue increases from \$380 000 (Y0) to \$500 000 (Y5) in</p>	<p>Project reports:</p> <p>Periodic Project Management Report for each component and sub-components</p> <p>Firms' Financial statements</p> <p>Labor Statistics Report</p> <p>National Accounts and Trade Report</p> <p>Annual tourism reports</p>	<p>(from Objective to Goal)</p> <p>No major exogenous events disrupting travel flows to Africa or world recession.</p>

	<p>Mosi-o-Tunya (excluding Falls revenues)</p> <p>4. Management effectiveness, as measured by the WB/WWF tracking tool, has improved from 46 (Y0) to 68 (Y5) for Mosi-O-Tunya and 41 (Y0) to 64 (Y5) for Kafue.</p> <p>B. Agribusiness</p> <p>5. Revenues of participating smallholder farmers increased by 20%.</p> <p>6. Employment in participating export- oriented agro- businesses (flowers, fruits and vegetables) increased by 20% .</p> <p>C. Gemstone</p> <p>7. National gemstone exports sub-sector growth increased on average by 10% annually.</p> <p>8. Amethyst production growth in Mapatizya increased annually by 10%</p> <p>9. Adoption of a revised Mining Sector development Policy to include small scale mining</p> <p>10. Amendments to Mining Act and mining regulations promulgated</p>	<p>Management effectiveness report is filled out by independent parties.</p> <p>Periodic Trade and Agriculture Report</p> <p>Central Statistical Office and MMMD records</p>	<p>World commodity prices for agro-processed product remain stable.</p> <p>Continued GRZ and MMMD ownership of project development objectives.</p> <p>Continued and efficient sector reform and privatization of GRZ mines.</p> <p>Economic and financial stability.</p>
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C. TOURISM AND PROTECTED AREAS

The public and private sector capacity to integrate and manage tourism and protected areas in the greater Livingstone and Kafue landscape has improved.

<p>1. Number (x000) of annual tourist visits in year 5 equals :</p> <p>Livingstone: 100 Mosi-o-Tunya: 18 Kafue: 5</p> <p>2. Degree of completion of planning instruments (total of 12 points):</p> <p>Livingstone Integrated Development Plan: signature of contract and mobilization (2 points); interim report (3), final draft report (3) points, final report (4);</p> <p>Livingstone City Council Business Plan: signature of contract and mobilization (2 points); interim report (3), final draft report (3), final report (4);</p> <p>3. Completion of tourism infrastructure in Livingstone:</p> <ul style="list-style-type: none"> ● Urban roads, sidewalks and storm drainage. ● Solid waste system; and ● Other small works such as signing, industrial area access road and street lighting. <p>4. Number of effective public/private/community partnerships* established for tourism & protected areas = 8 completed of a potential 18</p> <p>* ZAWA/NHCC for Mosi-O-Tunya; Choma museum; handicrafts; Mukuni Parks; Tourism forum; 9 Tourism concession in Kafue and 4 in Mosi-O-Tunya.</p> <p>5. Progress on implementation of Tourism Satellite Account (TSA) established = 8 out of 12*</p>	<p>Tourism statistics from MTENR; Bank of Zambia; and Immigration data.</p> <p>Environment Sector Periodic Report</p> <p>Ministry of Local Government and Housing Reports</p> <p>ZAWA PIU and senior warden's annual reports; Study reports; Field mission reports, maps</p> <p>Livingstone Tourism Association, Livingstone Chamber of Commerce, and Livingstone City Council reports.</p> <p>Minutes of work completion visits.</p> <p>Donor supervision missions.</p>	<p>is not significantly affected by regional and global upheavals (economic, political, security, etc.)</p> <p>Private sector response to better investment climate and minimum investment platform is positive.</p> <p>No unusually strong and lasting droughts occur during the project period.</p> <p>Construction of the Kalomo road and the Kafue “spinal” road.</p> <p>Government commitment to support an independent wildlife sector</p>
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	<p>* TSA to be implemented progressively over its nine accounts module. Under project: TORs (1 points), launch of works (1 points); each of 2 interim reports (4 points); implementation of two accounts (2 points); [Subsequent phase: implementation of five accounts (4 points).]</p>	
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Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Project Components / Sub-components:</p> <p>A. AGRIBUSINESS</p> <p>1. Linkages Grant Fund</p> <p>2. Pest Management Plan</p> <p>B. GEMSTONE</p> <p>3.1 Strengthening transparency and governance in mining</p> <p>3.1.1 Review and complete the legal and regulatory framework</p> <p>3.1.2 Strengthen Public Mining Institutions</p> <p>(a) Kitwe and Livingstone Mining Bureaus</p> <p>(b) Training center for small scale miners piloted in Lusaka or the regional centers</p> <p>(c) Provide regional interface for Mining Cadastre System and collect required cadastral data</p> <p>3.2 Strengthening of the supply chain</p> <p>3.2.1 Communities and small-scale and artisanal gemstone mining</p> <p>3.2.2 Public and private institutional set-up for gemstone management</p> <p>3.2.3 Capacity building of private sector associations</p> <p>3.3 Monitoring and evaluation</p> <p>C. TOURISM</p> <p>Regulatory reform & Institution strengthening in public & private sector</p> <ul style="list-style-type: none"> ● Support to MTENR ● Institutional support ● Establishment of TSA ● Support to HTTI ● Policy reforms ● Public awareness 	<p>Inputs: (budget for each component)</p> <p>1. Out-grower/smallholder farmers and participating farmer group incomes increased by 20% by 2009.</p> <p>2. Employment in participating agro-business production units increased by 20%.</p> <p>US\$2.55 million</p> <p>US\$2.25 million</p> <p>US\$0.15 million</p> <p>IDA: US\$2.1 million</p>	<p>Project reports:</p> <p>Project Supervision and progress Report</p> <p>Disbursement Reports</p> <p>Quarterly Financial Management Reports</p> <p>Project progress reports</p> <p>Review reports</p> <p>Published regulations</p> <p>Project progress reports and supervision aide memoires</p> <p>Cadastre Register</p> <p>Consultant reports; community surveys</p> <p>Consultant reports; stakeholder surveys; export statistics</p> <p>Stakeholder surveys</p> <p>Annual work program and reports, Audits, Multi-donors supervision missions</p>	<p>(from Components to Outputs)</p> <p>Counterpart funds are available in a timely fashion</p> <p>Government commitment to reform</p> <p>Government and institutional ownership of project objectives</p> <p>Maintained stakeholders' support</p> <p>Government and stakeholders' commitment</p> <p>Private sector commitment</p> <p>National budget support for tourism increased to reflect the enhanced national priority for the tourism sector.</p>

<ul style="list-style-type: none"> ● Support for culture, crafts & artisans ● Promotion of tourist product ● Project administration 			
<p>Integrated tourism development for Livingstone</p> <ul style="list-style-type: none"> ● Support to LCC ● Minimum infrastructure platform ● Capacity building ● Studies & consultancies ● Project administration ● Support to private sector ● Workshops ● Promotions ● Institution strengthening 	<p>IDA: US\$6.5 million</p>	<p>Annual work program and reports, Audits, Multi-donor supervision missions.</p>	<p>Capacity building for MTENR established and operating well. Tourism Council of Zambia (TCZ) and Livingstone Tourist Association (LTA) established as viable spokespersons for the private sector.</p>
<p>Protected area management</p> <ul style="list-style-type: none"> ● Support to Kafue NP ● Park administration <p>Monitoring, management and rehabilitation of critical habitat and species</p> <ul style="list-style-type: none"> ● Law enforcement ● Infrastructure development and maintenance ● Public-private partnership and business development ● Support to Mosi-O-Tunya NP ● Park administration ● Monitoring, management and rehabilitation of critical habitat and species ● Law enforcement ● Infrastructure development & maintenance ● Public-private partnership & business development ● CBNRM implementation 	<p>IDA: \$ 5.0 m GEF: \$ 4.0 m Cofinancing: \$ 10.7 m * GRZ Taxes: \$ 5.5 m GRZ/ZAWA: \$ 1.0 m Sub-Total: \$ 26.2 m</p> <p>* Cofinancing for investments and activities within Kafue NP's boundaries; NORAD and ROADSIP contribution to 330 km gravel road</p>	<p>Annual work program reports, Audits, Multi-donor supervision missions</p>	<p>National budget support to ZAWA is upheld at \$1.5 m through out the project to reflect enhanced national priority for the wildlife & protected area sector.</p> <p>The structuring and evolution of ZAWA as a good-governance performance-based enterprise proceeds with out internal or external political interference.</p> <p>ZAWA returns agreed proportions of CBNRM revenues to local communities stimulate their support for the wildlife sector.</p>

Annex 2: Detailed Project Description

ZAMBIA: Support for Economic Expansion and Diversification (SEED)

While Zambia has been implementing macroeconomic reforms, its GDP growth rate is only about 4% (or less than 2% in per capita terms). This falls short of Zambia's potential for growth; and current rates cannot make significant inroads on poverty. The supply response has been weak at a time when the country needs investment to create jobs, wealth and tax revenues. The macro economic reform program should be underpinned by additional support to address barriers to growth. Three additional sets of conditions appear important as a minimum: a better understanding of the dynamics of sectors that have not responded to the macro reform agenda; plugging gaps in infrastructure; and more attention to the overall business environment. This project addresses these areas and supports the Government's objective of private sector led expansion of nontraditional activities. Its main focus is tourism, with pilot activities in agribusiness and gemstone mining sub sector; it also seeks to support enterprise across sectors through policy measures and a matching grant scheme to enhance skill transfer to firms. In line with the government's strategy, the program strongly emphasizes conservation of biodiversity and of the country's eroding ecological balance.

By Component:

Project Component 1: Tourism and Protected Areas - US\$17.30 million

Introduction and Sectoral Background. Zambia has great potential for tourism but it is still one of the lesser-known destinations in Africa and its potential is largely unrealized; one notable exception is the Luangwa Valley, where the country created a cluster that has attracted tourists for over 30 years. With this experience, the country is set to expand tourism by creating additional hubs. In terms of spatial priorities, the Government is focusing on, in descending order of priority: Livingstone, Victoria Falls, Mosi-o-Tunya National Park and surrounding areas; Kafue National Park and surrounding Game Management Areas; the Lower Zambezi (Siavonga to Feira); Lusaka and surrounding areas; and upgrading installations in the Luangwa Valley. An ESW, *Tourism in Zambia*, is available on file and is summarized below.

The essence of Zambia's tourism is its natural resource base. Zambia's best-known destination is Victoria Falls near Livingstone, designated as a World Heritage Site by UNESCO. It has considerable biodiversity, some of it unique in the world; its waterfalls, lakes, mountains and rivers provide resources for a variety of adventure activities; and a strong cultural and historic heritage, whose interpretation adds immeasurably to the value added of tourism and at the same time ensures its preservation. Scenic attractions hinge on the two major watercourses, the Zambezi and Luangwa, and their broad valleys that form part of the Great Rift Valley. Zambia has 19 National parks and 34 game management areas (GMAs). Zambia's people, its festivals, handicrafts and cultural traditions and history (festivals and rock art, for example) are an integral part of the tourism mix.

Travel and tourism accounted for US\$ 71 million, or US\$158 million with indirect effects included 4% of GDP. Travel and tourism employs about 24,000 people directly, about 2% of total employment (World Travel and Tourism Council and Zambian data) and at least twice that if indirect effects are included. These data are subject to variable quality and must be interpreted with care; they compare to world averages for tourism which account for roughly 10% of GDP and 10-12% of employment. With the efforts Zambia is now making, it can look forward to a growing sector, provided its vision is clear and stakeholders work together for success.

In terms of demand, although Zambia received almost 600,000 visitors in 2002, only 60% were on leisure visits. The base of tourists using mainly formal accommodation is of the order of 75,000 – 100,000. The recent investment in two new hotels at Victoria Falls, the Zambezi Sun and Royal Livingstone, as well

as the proliferation of guest houses and Bed and Breakfasts, signals a real interest in developing tourism. In terms of supply, Zambia has some 5,000 hotel rooms (8,000 beds) in a variety of five, four and three star operations, as well as guest houses. It has about 140 other tourism establishments, including tour operators and travel agents, excursion and car rental companies. The country is served by four international airlines (British Airways (UK and RSA), South African Airways, KLM/Kenya Airlines and Nationwide Airlines of South Africa), a number of regional carriers and two railways that provide limited passenger service (Benguela Railway and Tazara) and a road network that includes a core network of paved roads linking main centers, 8,500 km. of gravel roads, 22,000 km of earthen roads and 30,000 km of unclassified roads.

Livingstone will celebrate its centenary in 2005 – a rallying call for promoting tourism and urban renewal. Livingstone must reinforce its position as custodian of Victoria Falls, at the frontier between Zambia and Zimbabwe on the majestic Zambezi River. It is strategically located on the rail/water route from Capetown to Cairo; close to the burgeoning South African market and to assets such as Botswana's Chobe and Okavango Delta, recreation on Lake Kariba on the Zambezi, Africa's largest national park (Kafue) and Hwange National Park in Zimbabwe; and on rail corridors leading to Africa's East coast through Tanzania and Mozambique. A comprehensive and ambitious effort to achieve the town's true potential will create an unrivalled tourist destination and protect Victoria Falls and its surrounding natural and cultural patrimony and biodiversity resources for future generations. A revitalized Livingstone will create job and entrepreneurial opportunities and enhance incomes for residents of the city and surrounding villages. For the Centenary, a number of events are planned, including opening of the rehabilitated museum, reviving its annual festival of folklore, including the "Lukuni Luzwa Buuka" in August, the height of the tourist season, with open air concerts and traditional dancing and music. Upgrading Livingstone is also a priority for purely practical reasons – the town lost much of its industrial base and its infrastructure has deteriorated considerably in recent years. With a current population estimated at 180,000 people (Central Statistics Office, 2000 Census and LCC), Livingstone's population growth rate has exceeded 6% recently, outstripping the national average (2.9%).

The Ministry of Tourism Environment and Natural Resources (MTENR), responsible for tourism and environmental policy has under its leadership: the Zambia National Tourism Board (ZNTB), responsible for marketing; the National Heritage Conservation Commission (NHCC), the National Museums Board (NMB) and the Hotel and Tourism Training Institute (HTTI). For the environment, its main agencies are the semi-autonomous Zambia Wildlife Authority (ZAWA); and the Environmental Council for Zambia (ECZ).

The Tourism Council of Zambia (TCZ) is the private sector apex organization dealing with tourism; the Livingstone Tourism Association (LTA) serves Livingstone and the Chamber of Commerce there is also active in tourism.

The consensus in industry is that, for success, tourism requires effective business and environmental plans – the component gives Zambia the tools and investments to develop both. To realize them, the project has two main subcomponents: (a) **Tourism**, through: (i) strengthening MTENR and its agencies nationally; and (ii) tourism-related interventions in Livingstone through MTENR and Livingstone City Council; and (b) **Protection** of two major areas, the Mosi-o-Tunya National Park, which is contiguous to Livingstone, and Kafue National Park, one of the largest in Africa; and strengthening of the key sector organization, ZAWA.

SC1.1 Policy, Regulatory and Legal Reform and Institutional Support at the National Level.
A major constraint to tourism development in Zambia is the lack of integrated strategic sector planning. For the public sector, tourism is cross-sectoral and the MTENR should be in a close working relationship with

many functional ministries (Works and Supply, Finance, Commerce and Trade, Agriculture, Health, Customs and Excise, the Central Statistics Office and the Bank of Zambia). In the private sector, there are many stakeholders who do not always work together to effect change in policy and the practice of tourism. There are few information-sharing mechanisms and therefore little basis for planning, capacity-building or well-meant development interventions. A strategy of gradually bringing stakeholders together in meaningful dialogue to allow better information flow is an integral part of the project. The project addresses barriers to growth:

(a) *Hospitality and Tourism Law and Business Plan.* The component includes design and implementation of a new framework Hospitality and Tourism Law, related Statutory Instruments (SIs), and a Business Plan for MTENR to improve the business environment for tourism, using a participatory process with stakeholders. Preparation of the Hospitality Law and the Business Plan will be processes leading to an appropriate strategic framework for a modern tourism sector and guide regulatory reform to reduce transactions costs, revise and streamline licensing and establish enterprise entry/exit rules. They will address such topics as: hotel and tourism licensing and classification/ inspection; safety and security regulations; a code of ethics and conduct; improving sector statistics; tourism training and the role of sector institutions and their interface with the private sector. An essential part of the process will be to consolidate sectoral institutions – the former Departments of Tourism, Environment and Natural Resources were only brought together in a single Ministry over the past two years; the resulting institutional framework includes the Ministry and its agencies, ZNTB, the Museums Board, the NHCC and ZAWA (this last to be addressed under the Protection component below). Lastly, the current tourism statistical base makes it difficult for the Government to measure the impact of sector policies and attract foreign investment; it is also not possible for the private sector to make investment decisions based on the current database. To achieve reforms, the subcomponent includes:

(b) *Institutional support.* Funding for an adviser for three years to improve coordination among key players, encouraging partnerships between stakeholders (NGOs and private associations), improve the functioning of the Inter-ministerial and Natural Resource Committees and advising on the policy and regulatory reform agenda; funding is also included for a regional representative to be part of project coordination in Livingstone. Provision is also made for office equipment. Lastly, funding for short-term marketing support for ZNTB is included.

(c) *Capacity building.* Funding is included to carry out diagnostic work, design instruments and train staff in their implementation. In addition, funding is included in the program for feedback from stakeholders and a related public information campaign; and

(d) *Improving the Statistical Base.* The system to be supported by the project would be in line with the Tourism Satellite Account (TSA), a comprehensive sector statistical database framework approved under the United Nations System of National Accounts. The TSA expands basic national accounting data with detailed information on tourism. A steering committee made up of the MTENR, the Bank of Zambia, Immigration, the Central Statistics Office and the private sector would guide this activity;

(e) *Refurbishment of kitchen equipment* for HTTI includes kitchen equipment for a practice kitchen and finance for a needs assessment to determine training requirements for the hospitality industry; and

(f) *Recurrent costs.* The Zambian Government has been operating under a tight budgetary constraint in recent years, and its agencies often lack resources for capital or operating purposes, beyond salaries. The project will make provisions to ensure that budgets to ensure effective implementation of the

project are allocated by Government. To facilitate this, budgetary support for operating expenses is also included, on a declining basis for the five-year period of the project.

SC1.2 Regional tourism actions for Livingstone. In anticipation of the long-term master plan for Livingstone (see SC1.3 below), immediate tourism investments and programs to improve Livingstone as a tourist destination and hub are included as part of a strategy to create or rehabilitate a series of attractions in the town. They include:

(a) *Culture, Handicrafts and Linkages.* Livingstone is fortunate in that it already has historical significance, although with recent budgetary constraints, much of it is in a parlous state. The city of Livingstone has several other parts of its historic and cultural patrimony that are in urgent need of repair and would be candidates for rehabilitation under the project. Local crafts and artisans are an integral part of this cultural and historic heritage, as well as being a valuable selling point for the town. The project will assist in the restoration of the city's charm and help integrate local small- and medium-scale businesses into the mainstream of economic life in Livingstone. Activities under this rubric include:

(i) *Livingstone Museum.* The Livingstone Museum collection represents the country's largest collection of moveable heritage, including wildlife and its 19th century history as a missionary outpost and is second only to the Falls as a tourist attraction. It is currently undergoing extensive, high quality renovation funded by the EU (US\$450,000). The EU grant does not include rehabilitation of the display cabinets and museum installations, which will be supported by SEED.

(ii) *Upgrading the Railway museum.* The project will support rehabilitation of the storyboards, which are gradually fading and decaying (termite infestation), as well as the public areas of the museum; and

(iii) *Linkages.* Handicrafts are widely produced in Zambia and their quality is improving. Under the project, linkages between NGOs and artisans to promote the handicrafts industry and tourism in Zambia would be forged. IFC is already partnering with Aid to Artisans (ATA), where they have completed successful pilots with handicraft producers in Zambia, but much more is needed. In addition, the Choma Museum and Crafts Center Trust, on the main road from Livingstone to Lusaka, pursues socio-economic growth in the Southern Province through production and sale of crafts. Over 700 women are directly benefiting from the crafts business. Under the project, support for expansion of the supply chain for handicrafts and technical support for design, marketing and production of handicrafts will be provided around the ATA and Choma core programs.

(b) *Studies.* The component includes studies to prepare the works and improvements set out above, including but not limited to: the railway museum and Livingstone museum; tourism needs assessment; a Business Plan for the Southwest Region of the NHCC, in the context of NHCC's global national strategy; and

(c) *Business associations* (Tourism Council of Zambia, TCZ, the national umbrella organization, and its local association, the Livingstone Tourist Association, LTA), the Livingstone Chamber of Commerce and the District Business Association). Support to strengthen public private partnerships in tourism. This funding would be used for those associations that show willingness to work constructively within the objectives of the project. The private public dialogue will address the framework tourism and hospitality law; improving communications and planning; defining marketing needs; promoting investment; promoting quality standards and ethics; statistics; and human resource training. Private associations are expected to encourage public private partnership from their members in town and in the surrounding rural

areas.

SC1.3 Livingstone City Council. The infrastructure program will be executed through the Livingstone City Council and will have the advantage of supporting both the resident and tourist populations. It includes:

(a) *Integrated Development Plan (IDP).* The IDP that focuses not only on an urban/regional plan but also clusters for hotel and tourism development, new residential areas and improvements and up-grading of its infrastructure (also serving other economic sectors) over the next 20 years. Following an IDA-approved process, signature of a contract to start works is imminent and the IDP will be completed over 18 months. The IDP will address strategic issues such as; handling commercial traffic entering Zambia from Zimbabwe and its routing and customs processing; a ring road around Livingstone and Mosi-o-Tunya National Park, relocation of certain public functions for the downtown area which are creating congestion and pollution (mostly the customs port and parking for large trucks), enhancements such as a cultural village, a new market and taxi terminals;

(b) *Minimum Infrastructure Platform.* Priority infrastructure requirements in Livingstone are included in the project. Feasibility studies, design work and bidding documents have been completed and the works can begin after Credit effectiveness. They include:

(i) *Solid Waste Management.* Solid waste is expected to triple over the next 10 years to about 90,500 tonnes per annum (V3 Engineers, 2003). The component consists of rehabilitation of the existing city landfill and the landfill near the Sun Hotel complex; construction of an access road to a new site; construction of the new landfill; and equipment to operate the landfills. LCC is evaluating options for management and agreement on this matter will be reached during appraisal.

(ii) *Road Rehabilitation, Drainage, Sidewalk Improvement and Street lighting.* Livingstone has a road network of approximately 165 km, comprising 80 km. of bituminous roads and 85 km. of gravel and earthen roads, which have deteriorated over the past 15 years, as there has been almost no rehabilitation or maintenance. The overall result has been low serviceability; high vehicle operating costs for all users and poor access to tourist sites, particularly during the rainy season. The drainage system in Livingstone was designed and constructed in 1954 and a greater part of it is silted and run down, with flooding during the rainy season. Sidewalks in the city also urgently need repair. The current system of street lighting is rundown and creates a security hazard for pedestrian and vehicular traffic. Rehabilitation should be completed in time for the Centenary in 2005. The component includes: (i) *Roads:* an estimated 37 km. of black top roads and 64 km. of all weather gravel roads will be eligible for upgrading. Design for Mosi-o-Tunya Avenue has been included under ROADSIP II, as part of the Zimba to Zimbabwe border road, and the EU will fund works; (ii) *Drainage.* Sidewalks and drainage for the main Mosi-o-Tunya Avenue and for two blocks on either side of it, for a total of about 26 km, will be upgraded under the project; the main storm water collector, running parallel to the railway will be upgraded as a separate contract; and (iii) *Street Lighting.* The component includes installation of new standard lamps in the city center.

(c) *Capacity Building in Livingstone City Council (LCC).* During pre-appraisal, it became clear that LCC operates under severe constraints. Strengthening its capacity to manage its daily business is a priority if Livingstone is to realize its goals as an urban environment responsive to its residents' and businesses' needs, as well as emerge as a tourism hub. To this end, the project includes:

- (i) Preparation of a Business Plan to set implementable goals, raise a greater share of its own resources and rationalize its costs in a prioritized action program;
- (ii) Introduction of a new computerized management information system (with particular emphasis on financial and accounting management in a first phase);
- (iii) Acquisition of computing equipment and proprietary software; and
- (iv) Capacity building for the Town Clerk's Office, the Planning, Health, Finance and Engineering offices through the appointment of: a civil engineer, a financial specialist, a procurement specialist and an inspector of works, who will work in the respective departments in tandem to transfer skills to municipal staff; and
- (v) Equipment, including three vehicles for site visits;

(d) *Rehabilitation of Mukuni Park* and its facilities. Mukuni Park is in the center of Livingstone and is a good focal point for attracting visitors to the center of the town. Under the project, the park and its facilities will be upgraded and the curio sellers' market restructured; and

(e) *Recurrent costs.* Livingstone City Council has been operating under a tight budgetary constraint and often lacks resources for capital or operating costs, beyond salaries. To address overstaffing, a plan for retrenchment has been prepared and will be financed under the Bank's PSCAP project. The project will make provisions to ensure that budgets to ensure effective implementation of the project are allocated by Government. To facilitate this, budgetary support for operating expenses is included for the five-year period of the project.

Sub-Component 2. Protected Area Management-US\$26.5

(IDA: US\$ 5.0 millions; GEF: US\$ 4.0 millions; GRZ: US\$ 6.8 million (including taxes); others (NORAD & ROADSIP): US\$ 10.7 million)

This Sub-Component will be essential for the development of an effective biodiversity conservation program that can adapt to changing circumstances over time, particularly in relation to population movements and the envisaged expansion of wildlife-based tourism in Zambia. This sub-component includes: (1) development of the Mosi-o-Tunya National Park, and (2) Development of the Kafue National Park. Details are given in the paragraphs below.

Financing rule: (1) IDA finances civil works and transport/heavy equipment in both parks; (2) GEF finances office/field equipment, consultant services & trainings in both parks, as well as operating costs in Mosi-o-Tunya. NORAD will contribute to operating costs in Kafue as well as to other activities complementary to GoZ, IDA and GEF (to be identified prior to SEED effectiveness).

SC2.1 *Development of the Mosi-o-Tunya National Park*

Over next 5-year, the Mosi-o-Tunya NP will be developed as a model of protected area and sustainable use in a management-intensive environment. The Mosi-o-Tunya National Park is the smallest National Park in Zambia (6,600 ha). It attracts the most intensive economic activity of any Protected Area in the country due to its co-location with the City of Livingstone, "Tourist Capital" of Zambia. Unlike most National Parks in Zambia, Mosi-o-Tunya is not surrounded by GMAs, but a combination of City Council, private and communal lands. The Park is geographically and socio-economically integrated with its adjacent communities, and must therefore demonstrate effective management of its multi-purpose roles,

including an array of joint-management activities with other institutions (NHCC and Livingstone City Council, for example), the private sector (Sun International, for example), and local communities (local Chiefs and their subjects, for example). The wide-ranging and intensive interests offered by the Park will provide an incentive for tourists to extend their stay in Livingstone, offering visitors a preview of Zambia's more extensive wildlife resources found in the larger National Parks, while also offering a range of services to encourage sustainable resource utilization amongst the various communities engaged in wildlife-based enterprises.

Park administration. SEED will help: (1) organize the leadership and management of the park management unit; (2) ensure appropriate planning, reporting, financial management and procurement at the level of the park, (3) establish the park as a self-managing costs center with decentralized performance management system. IDA will finance 2 vehicles. GEF will finance office equipment including computers, the position of a high-caliber senior area warden as well as services to design and test a new management system, to update the General Management Plan, to facilitate annual internal review of implementation and to carry out mid-term and project-end external reviews. GEF will also finance management training to the park management team as well as contribute to operating costs of the management unit.

Resource management and monitoring. SEED will help: (1) Support activities to identify and monitor Critical Species and Habitats in and around the park, and identify and monitor threats to biodiversity; (2) implement management planning recommendations for the rehabilitation of aquatic and terrestrial critical habitats and recovery of aquatic and terrestrial critical species, including improved law enforcement, fencing (to provide mutual protection between conflicting land-uses), fire-breaks, water management, (3) adjust wildlife stocking rates by destocking & restocking and focusing on critical species and rhinos; (4) assess the effects of water flow and pollution on critical species and habitats above and below the Victoria Falls; (6) assess the limits of sustainable use of natural resources in and around the National Park, (7) stop illegal hunting and natural resource exploitation in the National Park; (8) stop destruction of critical habitats such as the Victoria Falls World Heritage Site, from factors such as encroachment and unauthorized settlement, livestock farming and agriculture, fires, pollution, and tourism pressure. IDA will finance 3 vehicles. GEF will finance patrol & monitoring equipment & radios. GEF will finance consultant services to design and test a new ecological monitoring system, to optimize management of the rhino population & to study the feasibility of ZESCO power plant removal/modification. GEF will finance training of patrol supervisor, investigation officers and scouts. GEF will also contribute to operating costs of resource management and monitoring.

Infrastructure development & maintenance. SEED will help: Maintain the infrastructure regularly, and construct/remove infrastructure to return the park as near a natural state as possible. IDA will finance civil work in order to (a) realign, expend and maintain the road network, (b) extend effective wildlife area by fencing the entire park and sinking bore holes, (c) rehabilitate sewer (southern water) with Livingstone City Council, (d) rehabilitate and construct tourism and park management infrastructures (new park office at Maramba, staff housing outside park, gates, signage, rainforest balustrade & pathway, picnic sites, jetties, etc.), (e) remove/bury obsolete and derelict infrastructure (old staff housing in park, fences, pipes, ZESCO cables, etc.). If they are willing to relocate, GEF will finance the design the resettlement of Imusho village according to the process framework for resettlement (to be possibly implemented in subsequent phase). GEF will also contribute to engineering studies & operating costs for infrastructure maintenance and monitoring.

Partnership & business development. SEED will help: (1) increase tourism use and satisfaction and income, without reducing the quality of the experience or damaging the environment, (2) inclusion of Park planning in Livingstone tourism master plan, (3) develop an MoU with the LCC (and others) for a

join approach and sharing of responsibilities (e.g. for land agreement or sewer rehabilitation), (4) develop and implement an MoU with NHCC for the exploitation of the Victoria Fall portion of the park including control of public & litter, (5) attract private investors in new eco-friendly tourism venture. GEF will finance consulting services in order to (a) prepare a business plan, (b) rationalize the provincial policy, planning and regulatory frameworks for approved investments in tourism and associated wildlife-based enterprises, (c) develop and broker for an investment portfolio, (d) design and manage a tourism database in cooperation with Livingstone Tourism Association (LTA). GEF will also contribute to operating costs of the establishment and monitoring of such partnerships and businesses.

CBNRM implementation. SEED will help: (1) Generate community support and appreciation of the ecological functions and roles of the National Parks and its surrounding areas, particularly as reservoirs of important biodiversity and linkages to broader landscape; (2) Attract the participation and investment of communities in biodiversity conservation and management activities. GEF will finance consulting services in order to develop a strategic plan for the management of wildland and wildlife outside the park and land-use planning program in the context of establishing connectivity with other protected areas. GEF will also finance training of CRBs members that will establish themselves during the course of the project. GEF will contribute to operating costs required for the establishment of CRBs and other outreach and awareness building activities.

SC2.2 *Development of the Kafue National Park*

With 2,240,000 ha, Kafue National Park is one of the largest National Parks in the world with such a high diversity of fauna and flora. The Park is the most accessible extensive National Park in Zambia for visitors to Livingstone. It represents an outstanding opportunity for the development of a tourism circuit between Livingstone and other destinations in the country. Over the next 5-year, the Kafue NP will be developed as a model of protected area management and sustainable use in a management-extensive environment. Kafue will provide a premier wilderness destination for local tourists as well as international tourists coming into the country through Livingstone or Lusaka. Significant tourism re-investment by the private sector has begun in the park, particularly the northern sector. This now requires expanding throughout the park, and linking with related initiatives including the development of Livingstone as Zambia's tourist hub under the SEED Project. The implementation of the project will be linked to investment initiatives that facilitate the development of economic activity in the Park and its surrounding GMAs, and contribute to the conservation of biodiversity. Assuming two phases of capital investment, the Park should be able to finance a significant portion of core operational costs from its own revenues within a 10 year period.

Park administration. SEED will help: (1) organize the leadership and management of the park management unit; (2) ensure appropriate planning, reporting, financial management and procurement at the level of the park, (3) establish the park as a self-managing costs center with decentralized performance management system. IDA will finance two vehicles. GEF will finance office equipment including computers. GEF will finance the position of two high-caliber senior area warden as well as services to (a) design and test a new management system, (b) update the General Management Plan, (c) facilitate annual internal review of implementation and (d) carry out mid-term and project-end external reviews. GEF will also finance management training to the park management team. GEF will contribute to operating costs of the management unit.

Resource management and monitoring. SEED will help: (1) Implement management planning recommendations for the rehabilitation of aquatic and terrestrial Critical Habitats and recovery of aquatic and terrestrial Critical Species, including improved law enforcement, fire-breaks, water management, or similar interventions as necessary, (2) Stop destruction of critical habitats in prescribed areas and zones of

the National Park (such as the Busanga Swamps and Plains), particularly from factors such as encroachment and unauthorized settlement, incursions of domestic livestock and agriculture, fires and tourism pressure (3) Support activities to identify and monitor Critical Species and Habitats in and around the National Park, and identify and monitor threats to biodiversity; (5) assess the limits of sustainable use of natural resources in and around the National Park, (5) implement a resource monitoring and quota-setting program in the GMA. IDA will finance 14 vehicles. GEF will finance field patrol and monitoring equipment as well as radios. GEF will finance consultant services to (a) design and test a new ecological monitoring system including a ground-based antelope survey and a new fire management program, (b) carry out annual aerial wildlife surveys of the park and GMAs, and (c) study fisheries within the park. GEF will also finance training of patrol supervisor, investigation officers and scouts.

Infrastructure development & maintenance. SEED will help develop a major infrastructure rehabilitation program in order to facilitate resource protection and monitoring as well as lift access and circulation that currently constraint tourism development. IDA will finance machinery, such as tractors, graders, and front loaders, in order to set-up two road maintenance units. IDA will also finance civil work in order to (a) rehabilitate, and construct, park gates, (b) build two new field air strips, (c) construct, rehabilitate, or renovate as need be, staff housing and offices, (d) construct a boundary gravel track along the western border, (e) open secondary tracks, with culverts/weirs and fire breaks. GEF will finance engineering consulting services and training of the road maintenance units.

Public-private partnership & business development. SEED will help to stimulate the establishment, test and monitor conservation/tourism concessions of portion of the park as well as the installation “classic” tourism lodges and camps. GEF will finance consulting services in order to (a) prepare a tourism strategic and business plan, (b) develop, and actively broker, an investment portfolio, (c) design and test a tourism monitoring system.

Project Component 2: Agribusiness Sector Development - US\$2.50 million

Zambia has a substantial, yet underdeveloped, potential for agricultural production, processing and trade. It is endowed with over 42 million hectares of arable land, of which only slightly less than 6 million (14 percent) are used for agricultural production. Nonetheless, Agriculture provides employment to some 67% of the labor force and provides raw materials to agro-related industries which account for some 84% of manufacturing value-added. In 2001, agriculture, forestry and fisheries accounted for approximately 20% of national GDP, while other elements of agribusiness—including agro-industry, food distribution, and agricultural trade contributed a further 21% of GDP. 59% of wholesale/retail GDP is attributed to the agro-food system, as this is the share of household expenditures on food. A conservative estimate of one-third of transport, storage, and communications GDP is attributed to the agro-food system. Hence, overall, the agro-food complex accounts for more than 40% of Zambia’s GDP and about 15% of its merchandise exports. Despite efforts by the Government to strengthen the competitiveness of the agricultural sector, overall performance of the sector has not taken off. Critical constraints prevent the value-added agricultural sector and the food processing industry from developing fully. These constraints cover four broad areas:

Policy-based market distortions: Zambia is landlocked and its farmers face high input costs: diesel is 2.7 times higher than in South Africa as duties and levies add 60% to the pump price; electricity charges ranges between 25 and 40% of total production costs, higher than in other countries in the region (10% of total production costs for commercial maize farms, for example); and fertilizer and chemicals, mostly imported constitute up to 74% of total production cost for small shareholder

farmers (SSFs) and 37% of total production cost for commercial farmers in the horticultural sector. Moreover, no industry has developed to process by products of agriculture;

Industry constraints; These include the high cost and poor quality of communications infrastructure both in terms of access and cost; the high cost of transportation due to the limited road network, road standards and maintenance, as haulage charges are five times those in South Africa (\$0.10/ton/km compared to \$0.02/ton/km); and the high cost of capital, as the system relies on internal cash generation for financing operations and cash payments as a principal form of commercial transaction. Moreover, the absence of clearly defined relationships and access to current market price information even in Lusaka between growers, intermediaries, buyers, and processors results in price distortion, lack of transparency and the absence of quality standards;

Human resource and management constraints; Human resource/management constraints, including a lack of market discipline where pricing changes are not passed on under out grower schemes and there is no recourse for contractual defaults. On-farm management is poor and there is a pervasive lack of understanding, discipline and regiment among small shareholder farmers regarding the proper use of fertilizer, chemicals, irrigation, seed selection leading to poor quality and low yield per hectare. Finally, absence of middle management and supervisory skills among the local labor force requires farm operators to constantly monitor workers; and

Absence of supporting industries: Lastly, there is an absence of support for agro-industry in general as there are no modern food processing facilities (most companies rely on manual process equipment and use costly semi-processed imported inputs); no canning and bottling facilities operating (although one exists but remains idle); and packaging and label printing facilities are poor. The absence of a modern food research, testing and product development facilities limit the level of food quality required to compete with imports from South Africa and Zimbabwe, and limit export potential of local products.

This component seeks to increase the value added and competitiveness of the sector by accelerating the reinforcement of supply chain linkages from farm to market, improving quality and safety codes of practice and encouraging new product and packaging development. These objectives will be achieved through a demand-driven, match-making grant facility, which will not only encourage market based solutions but also innovative approaches.

The matching grant facility (MGF) will be contracted out to a private professional firm with the requisite experience in the agricultural sector, selected through a transparent bidding process. The selected consultant will provide management oversight of the project, vet and approve applications, provide overall coordination and proper delivery of technical and administrative support. The MGF will provide matching grants (50 percent) to farmer-firm partnerships for technical assistance or skill transfer such as on-farm technical support, strengthening the functions/capacity of the farmer producer groups, restructuring relationships between out growers and Zambian processors, quality certification, and access to new export markets. The program will emphasize the improvement of the yield rate, productivity, and increasing the competitiveness of small farmers.

Beneficiaries would include private firms, farmer groups, associations, and agencies. In order to be eligible for the matching grant, the farmer and the agro-business will form a partnership and draw up an agreement, an agreed business plan. The application for a grant will cover: the objectives of the grant; a detailed action plan; budget details, including those that will be used as the matching grant contribution; financial information on the partners; and indicators to measure the impact. At signature, evidence of a

minimum 50% contribution from the partnership will be required. Eligible uses and criteria are further detailed in the Project Implementation Manual.

Guided by a set of key selection criteria, the MGF would provide grant financing, advisory services and technical support to recipients, for the following initiatives:

(i) *Stimulating an efficient supply chain structure from farm to market by strengthening business linkages.* Most small shareholder farmers who will benefit from this component will typically be subsistence farmers owning 0.5 to 4 hectares and using low-input technology. This component will help integrate them into the supply chain for non-traditional agricultural exports and stimulate employment and income generation opportunities, beyond their current level of farming for household consumption, and link them to agro-processors. Agro-processing firms will benefit through access to expanding market opportunities;

(ii) *Institution Capacity Building.* Improving yield rates, product quality, and compliance to international standards such as reducing pesticide load is paramount to linking smallholder farmers to regional and international markets. As such, if sourcing raw materials from out growers and local suppliers while simultaneously generating farm-based employment is to be a pivotal strategy for the Government to integrate smallholder farmers into export oriented production, the ability to effectively deliver technical assistance will be a key determinant to success.

As the matching grant can only be used to purchase and deliver technical assistance to out growers/suppliers, substantial need exists to strengthen the ability of local institutions to respond to the technical needs of smallholder farmers, as well as to institutionalize the delivery of services into a financially self-sustainable activity. As the outreach to smallholder farmers will be through the supply chain of corporate intermediaries, the pilot project is expected to create demand for technical services from a large number of smallholder farmers.

The current capacity of training institutions, particularly those dedicated to supporting export growers, is highly limited, both with respect to the number of relevant service modules available for delivery and qualified trainers to deliver such services to meet the requirements which the corporate intermediaries must respond to in order to compete effectively in the export market. Consequently, the success of the matching grant, and ultimately to link smallholder farmers to export markets is expected to hinge on the ability of local institutions to work with corporate intermediaries to deliver commercially sustainable technical support services to smallholder farmers.

As a pilot, it is anticipated that the project will test a number of service packages and delivery mechanisms to check for effectiveness and impact, both with respect to responding to the technical needs of smallholder farms, and in meeting the needs of corporate intermediaries in strengthening its forward linkages with key export markets. In addition, the pilot is expected to test a number of technical service delivery options to identify key issues that inhibit effective outreach to smallholder farmers in various geographic locations where services are less accessible.

(iii) *Strengthening and encouraging innovative pilots for integrated pest management.* There is a gradual shift among Zambian exporters to move away from buyer-specific IPM standards towards compliance with EUREP GAP standards. In fact, the urgency to adapt IPM practices, particularly those prescribed under EUREP GAP, are driving export oriented commercial farms to pick up the pace of reducing their reliance on pesticides. According to commercial farmers, full compliance under EUREP GAP is expected by 2005 and export oriented farmers and their out growers are already using EUREP

GAP standards as a benchmark and target. The MGF will address compliance through matching grants for firms, farmer groups, NGOs, associations, or agencies. During project preparation, potential IPM initiatives were identified that could be financed through the MGF, including: expanding the capability of the ZEGA Training Trust; improving the basic research capability of research and government organizations; encouraging commercial viable non-chemical IPM options; pilot demonstration insectaries to stimulate biological solutions and thus reduction of pesticide use.

Project Component 3: Gemstone Sector Development - US\$ 5.00 million

SC3.1: Strengthening transparency and governance in mining

3.1.1 Formulation of Mining Sector Strategy. GRZ will be assisted under this component to develop on the basis of international best practice, a formal policy of Mining Sector Development with emphasis on the gemstone sub-sector. This will include a review of all existing minerals policies, a comparative study and on-site review of international and regional practices and assessment of Zambia's specific characteristics and needs. The policy formulation and adoption by GRZ will constitute a formal output of the component.

3.1.2. Adjustment and completion of the legal framework. The current Mining Act was prepared with the support of the World Bank (ERIPTEA project) and introduced in 1995. It is modern, regionally competitive, and one of the few that accommodates small-scale and artisanal mining. However, regulations have yet to be put in place. This project will fund consulting services to: (i) update the Mining and related laws on the basis of the MSDP's diagnostic review and recommendations; and (ii) prepare sector regulations, focusing on equal access to resources, promotion of commercial sectoral development and support for small and artisanal mining, harmonization of the tax regime, trade liberalization and export promotion.

3.1.2. Strengthening of Public Mining Institutions. In Zambia, Mining Bureaus, responsible to the MMMD, are already established and their mandates and responsibilities correspond to modern practice. However, they are under-funded and under-staffed and have difficulties in fulfilling their functions. The project would support the following activities of the Kitwe and Livingstone offices:

(a) *Institutional Infrastructure and Capacity Building.* Emphasis will be on developing the proper regulatory framework and the provision of technical assistance for capacity building, including training; modernization and upgrading of infrastructure in the Kitwe and Livingstone offices through acquisition of field and office equipment and facilities, provision of incremental costs of regional field work programs, and retention of a geologist and gemologist to support small and artisanal miners on a pilot basis. Bureau staff will be trained in management techniques and incentive structure designed to encourage strict monitoring and implementation of the regulations, license fee/revenue collections, supply of fee based services and progressive move toward financial self sufficiency and longer-term sustainability. This sub component will also include expanded and rehabilitated office accommodation. Detailed technical specifications for equipment, work program requirements and specific training programs will be determined during the early stages of project implementation.

(b) *Training Center.* A training center, training materials and formal program for artisanal and small scale miners will be established, staffed and funded in a suitable location to supplement the rural on-site MSDP program, the ILO's downstream gemstone processing training facilities in Ndola and ad-hoc diploma courses offered by the University of Zambia. This will include the rehabilitation/building of suitable premises, preparation of course material and provision of a full

time training coordinator. The program is intended to provide managerial, technical and financial training to informal miners to facilitate safer and more environmentally benign practices, enhanced mineral processing, classification/certification and value added, access to credit and more mechanized mining and processing methods, and accelerate the transition to the formal mining sector.

(c) *Mining Cadastre and Registry System.* Activities under this sub-component include: i) the organizational setting for the mining cadastre at regional levels; ii) definition of the regional cadastral functions and procedures, including interaction and interface with central offices for the collection of data, data capture, verification and transmission of applications; iii) interface with and collection of data for the modern computerized Central Mining Cadastre System (MCS) provided by the EU under the MSDP project, including the supply of hardware, software and programming, survey and field equipment and vehicles; iv) implementation of the operating procedures, including digitization of existing information; v) training of staff in technical and legal aspects of mining title administration and operation of the regional MCS interfaces; and vi) strengthening of the technical capacity at the regional levels, in terms of data processing, topographical and office equipment. To allow the incorporation of GPS instruments, some technical verifications and definitions will need to be carried out at the start of the Project.

SC3.2 - Strengthening the supply chain

Communities and artisanal and small-scale mining. This component will support integrated assistance with the purpose of promoting and establishing the sustainability of small-scale and artisanal mining. Geographically, it will focus on the Ndola rural (emeralds) and the Kolomo/Mapatizya (amethysts) areas. It will aim to raise awareness and induce small-scale and artisanal miners to improve their technical and environmental performance and moderate the impact of their activities on associated communities. Support will be provided to: (i) raise awareness on regulatory matters and mineral rights, and promote the organization of such miners in small groups and/or cooperatives; (ii) conduct pilot programs aimed at promoting integrated management, improve technical approaches and performance, reduce environmentally adverse effects, enhance the living conditions of the miners and related communities, and increase fiscal revenues; (iii) design and deliver extension services by the DGSM, including technical guidance on mineral reserves and development of pilot training centers for small-scale mining; and (iv) execute safety campaigns to improve conditions at small-scale, artisanal mining areas.

Support will also be provided for the design and implementation of assistance programs aimed at promoting small-scale and artisanal mining integrated with downstream products. These programs will be multi-disciplinary and include: (i) execution of a baseline study on small-scale and artisanal mining in Zambia; (ii) small-scale enterprise organization, management and accounting, including assistance to encourage the miners to form cooperatives, improve their access to micro-finance, and identify potential private partners interested in partnerships or joint-venture operations; (iii) legal and fiscal matters and assistance to regularize informal operations and to enforce updated mineral law and regulations; (iv) dissemination of efficient, safe and environmentally acceptable technologies for small-scale mining; (v) design and implementation of campaigns for environmental sensitization, awareness and controls; (vi) establishment of pilot training centers for small-scale and artisanal miners and for increased output of downstream products; and (vii) support for campaigns to improve health conditions and prevent malaria and HIV/AIDS at communities related to small-scale and artisanal mining.

3.2.2. Establishment of a gemstone institutional framework: creation of a gemstone certification program, creation of a one-stop-shop for gemstone exports, and of a gemstone exchange. This activity would start with funding for a feasibility study, which would include: technical assistance to set up a

private sector exchange facility, establishment of a Gemology Institute of Zambia (GIZ) and of a national program for the certification and quality control of gemstones. The Gemology Institute would be run by the private sector under a management contract and would house gemstone evaluators, promote international standards for cutting and polishing of gemstones and provide training to local firms. The certification and quality control of Zambian gemstones will be supported by partnerships with international gemstone evaluation services and laboratories, and academic institutions. The Gemology Institute would also coordinate a national training program for gemstone cutting. The component would also fund a “one-stop-shop” for gemstone exports to simplify marketing channels and to fight smuggling and fiscal evasion. It would take the lead in certification, evaluation, export and visa services for unprocessed and processed gems, as well as for jewelry.

3.2.3. Strengthening of private sector associations. This activity will assess the current status of existing private sector organizations and offer demand-oriented support for institutional strengthening. The project will also lay the groundwork for establishment of partnerships between mining companies and small-scale miner organizations, on the basis of lessons learned from experience elsewhere. It will assist in establishing an enabling framework with incentives to foster such partnerships.

Project Component 4: Implementation and Capacity Building - US\$1.30 million

The Government will establish, prior to effectiveness, a Project Steering Committee (PSC) comprising the Permanent Secretaries for Tourism, Mines, Agriculture, Local Government and Housing, three private sector representatives (from each of the three sectors addressed by the project). The PSC will be chaired by the Secretary to the Treasury and will be responsible for policy oversight, coordination and monitoring progress. The Government will also establish prior to effectiveness a Project Coordination Unit (PCU) which will be built upon the ERIPTA PCU to take advantage of the capacity that already exists in that unit. The Government decided and it was agreed that the PCU will be located at the Ministry of Tourism, Environment and Natural resources and will be strengthened in line with recommendations of the capacity assessments carried out by the Bank’s procurement and financial management specialists. The capacity assessments showed the need to strengthen both financial management and procurement capacity in all project implementing agencies. The PCU will be responsible for operating project accounts, monitoring and evaluation, procurement and disbursement (except for the Livingstone City development and ZAWA subcomponents where this will be delegated to those units). Technical Coordinators will be appointed in the Ministries of Agriculture and Mines for the Agribusiness and Gemstone components, respectively. At the park level, three high-level park wardens will be recruited.

While partner organizations and institutions have the some capabilities in the complex activities supported by the project, strong complementary implementation capacity is needed to ensure that project objectives are met. The Credit will thus finance a team of high caliber local professionals located at the PCU and consisting of a project manager, financial and procurement specialists, program officer and an assistant. In addition to the salary of these short-term and long-term project staff, the credit will finance operating costs (including up to three vehicles) reference material and supplies as well as training for both project staff and other stakeholders participating in the project. This component will also finance the contractor who will manage the Agribusiness component; short and long term consultants, equipment vehicles materials and supplies for ZAWA and the Livingstone City Council.

Annex 3: Estimated Project Costs
ZAMBIA: Support for Economic Expansion and Diversification (SEED)

	IDA		GEF		Total	
	\$'000	%	\$'000	%	\$'000	%
A Tourism & Protected Areas						
1 Tourism						
Regulatory and Institutional reform	2013	7.2	94	2.4	2107	6.6
Tourism Intervention in Livingstone	6533	23.2	0	0.0	6533	20.3
Subtotal Tourism	8546	30.4	94	2.4	8640	26.9
2 Protected Areas development						
a. Support to Mosi-O-Tunya						
Park management and administration	220	0.8	378	9.5	598	1.9
Resource management and monitoring	611	2.2	739	18.5	1350	4.2
Infrastructure development	1400	5.0	126	3.2	1526	4.7
partnership & business development	115	0.4	134	3.4	249	0.8
Support tp CRBs	12	0.0	183	4.6	195	0.6
	2358	8.4	1560	39.0	3918	12.2
b Support to Kafue						
Park management and administration	394	1.4	777	19.4	1171	3.6
Resource management and monitoring	955	3.4	940	23.5	1895	5.9
Infrastructure development	5060	18.0	406	10.2	5466	17.0
partnership & business development	0	0.0	223	5.6	223	0.7
	6409	22.8	2346	58.7	8755	27.2
Subtotal Protected areas	8767	31.1	3906	97.7	12673	39.4
Subtotal A: Tourism and Protected Areas	17313	61.5	4000	100.0	21313	66.3
B Agribusiness						
1. Matching Grants	2127	7.6			2127	6.6
2. Pilot Insectaries	226	0.8			226	0.7
3. Capacity building	157	0.6			157	0.5
Subtotal B: Agribusiness	2510	8.9			2510	7.8
C. Gemstones						
1. Transparency and Governance	2571	9.1			2571	8.0
2. Supply chain	2281	8.1			2281	7.1
3. Monitoring and Evaluation	163	0.6			163	0.5
Subtotal C Gemstones	5015	17.8			5015	15.6
D Implementation and capacity building	1302	4.6			1302	4.0
E. PPF	2010	7.1			2010	6.3
TOTAL PROJECT	28150	100.0	4000	100.0	32150	100.0

Annex 4: Cost Benefit Analysis Summary
ZAMBIA: Support for Economic Expansion and Diversification (SEED)

[For projects with benefits that are measured in monetary terms]

	Present Value of Flows		Fiscal Impact	
	Economic Analysis	Financial Analysis ¹	Taxes	Subsidies
Benefits:	63.7		32.5	n.a.
Costs:	22.1		n.a.	n.a.
Net Benefits:	41.6		32.5	n.a.
IRR:	31.6			

¹ If the difference between the present value of financial and economic flows is large and cannot be explained by taxes and subsidies, a brief explanation of the difference is warranted, e.g. "The value of financial benefits is less than that of economic benefits because of controls on electricity tariffs."

Summary of Benefits and Costs:

Base Case Results.

The cost-benefits analysis of this project presents some limits mainly due to the lack of time series data and therefore difficulty in computing relevant coefficients of correlation. However, calibration factors were obtained based on market assessments and experience from the implementation of similar projects in other developing countries. Where explicit prices were not available, appropriate proxies were used. Both direct and indirect effects of the project components were estimated taking into account the difficulty to quantify inter-firm linkages and intersectoral dependencies. The difficulty in quantifying the economic benefits results mainly from the lagged effects of the project and from the indirect relationship between the technical assistance/institutional development provided under the project, and the stream of benefits.

After running the model based on conservative assumptions, the project generates a net present value estimated at about US\$41.6 million corresponding to an internal economic rate of return of 31.6%. The project is expected to positively affect employment as a result of increased demand for labor in all the sectors supported. However, the relatively low capacity utilization rate of 60 percent would hinder the rate of job creation. That said, during the **lifetime** of the project a minimum of 3832 jobs are expected to be created. This number includes indirect jobs created in the tourism sector but excludes indirect jobs created in the other sectors for which, contrarily to the tourism sector, the size of the job multipliers are not known. More specifically for the matching grant component, 1 permanent job is created by the beneficiaries for each \$2647 granted by the **project**. For the matchmaking grant of the agribusiness sector, the ratio is 1 job for each \$4180 granted.

Table 1: Results by Components (12-year forecast timeframe)

	Tourism	Gemstone	Agribusiness	Overall Project (a)
NPV (US\$ million)	30.4	4.4	2.5	41.6
ERR (%)	34.1	26.9	26.4	31.6
Break even time (yrs)	5.5	8	5	5.7

(a) The overall ERR is weighed by the relative size of each component.

The government fiscal position is also positively affected. Indeed, for the 12-year forecast time frame, the project would generate \$32.5 million as the result of incremental personal income taxes, and corporate income taxes. For all the projects components, as shown in table 1 above, the ERRs are greater than the discount rate of 12%, indicating that the project is robust.

Benefits from the project

The main economic benefits and the monitoring tools are presented below:

Nature of benefits / Indicators	Monitoring Tools
Increased capacity utilization rates in all the sectors supported	Base case / end of project survey
Increased productivity and outputs in supported agribusiness	Base case / end of project output levels (control “partnership” group)
Increased production and exports in Gemstone sector	Statistics from the Ministry of Mining
Job creation in the supported sectors	Number of employees at beginning / end of project in the sectors
Increased number of tourists	Statistics from the Ministry of Tourism
Improved cost of doing business in supported sectors	RPED follow up survey
Increased Government tax revenue from the sector supported	Statistics from Ministry of Finance Reports

Main Beneficiaries

The main beneficiaries of the project would be: (i) the BDS providers and facilitators (ii) the farmers and their agribusiness partners with better and more quality products as well as increased access to foreign markets; (iii) the tourists with better quality of services and products; (iv) national and foreign investors especially in the gemstone and tourism sectors with an improved investment climate; (v) the government with improved tax revenues and foreign reserves.

Main Assumptions:

1. For the agribusiness component, the rate of job creation has been calculated taking into account a shadow yearly worth of output per worker of US \$2700. The rates are discounted to take into account the sectoral capacity utilization rates. For the tourism and gemstones components, the rates of job creation are exogenous. They are extrapolated from past trends and expected to increase only starting from the third year of project implementation.

2. The additional output created by grant beneficiaries is defined as the difference between the level of output achieved by farmers assisted by the project and the level of output these same farmers would have achieved without the project. Without the project, based on experience from the Uganda BUDS scheme, it is assumed that only 50% of the farmers will undertake the activity supported by the project.

3. The average yearly shadow wage in the tourism sector is \$1200 based on data from the Zambian Government. The tourism income multiplier is assumed to be 1.25 considering a marginal propensity to save of 0.2 and a marginal propensity to import of 0.6.

4. In the base case, the increase in firms' output is discounted by two-third to take into account the social costs of other resources in the economy that are diverted into the project from other activities not directly supported by the project.

5. Government commitment to private sector development and diversification of the economy.

Sensitivity analysis / Switching values of critical items:

Three sensitivity tests were carried out by switching values of critical variables. The results are presented in table 3 below.

i) The first test decreases the social cost of resources diverted into the project from 66 percent to 50 percent; the NPV jumped to US\$81.1 million with a corresponding ERR of 44.5 percent. 4895 jobs are created during the 5-year lifetime of the project.

ii) The second test assumes a 75 percent social cost of resources diverted into the project, the NPV considerably decreased to US\$22.0 million while the ERR dropped to 23.8 percent. About 3235 jobs are generated during the 5-year lifetime of the project.

iii) The fourth test elongates the disbursement period by three years, the NPV decreased to US\$36.1 million while the ERR came down to 29.7%. The number of jobs created remains the same as in the base case with however a slightly lower rate of job creation.

iv) The fiscal impact is positive in all the scenarios.

Table 3: Sensitivity Analysis Summary (12-year forecast timeframe)

Scenario	Sensitivity Performed	Cases	Variable Amount	NPV (\$m)	ERR (%)	Fiscal Impact (\$m)	New Jobs in 5-yrs
Overall Project							
Delayed Project Implementation	Elongated Disbursement period	(a) Base	(a) Regular Disbursement	41.6	31.6	32.5	3832
		(b) Alternate	(b) Slow Disbursement	36.1	29.7	29.3	3832
Change in Diversion Assumption	Percent reduction in increase in Output attributed to diversion from other sources	(a) Base	(a) 66% Reduction	41.6	31.6	32.5	3832
		(b) Alternate	(b) 75% Reduction	22.0	23.8	30.6	3235
		(d) Alternate	(c) 50% Reduction	81.2	44.5	37.3	4895
Expected Change in Output for each farmer-agribusiness linkages	Increase in average expected change in output for each farmer-agribusiness linkages	(a) Base	(a) 5 Times	41.6	31.6	32.5	3832
		(b) Alternate	(b) 10 Times	47.2	34.1	34.1	4503

Annex 5: Financial Summary
ZAMBIA: Support for Economic Expansion and Diversification (SEED)
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	6233.0	6578.0	6695.0	5971.0	595.0	0.0	0.0
Recurrent Costs	678.0	1105.0	1350.0	1590.0	1355.0	0.0	0.0
Total Project Costs	6911.0	7683.0	8045.0	7561.0	1950.0	0.0	0.0
Total Financing	6911.0	7683.0	8045.0	7561.0	1950.0	0.0	0.0
Financing							
IBRD/IDA	5175.0	5720.0	6016.0	5655.0	1443.0	0.0	0.0
Government	899.0	988.0	1035.0	972.0	248.0	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/GEF	856.0	949.0	1007.0	947.0	241.0	0.0	0.0
User Fees/Beneficiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project Financing	6930.0	7657.0	8058.0	7574.0	1932.0	0.0	0.0

Main assumptions:

Annex 6(A): Procurement Arrangements

ZAMBIA: Support for Economic Expansion and Diversification (SEED)

Procurement

General

A Country Procurement Assessment Review (CPAR) was carried out in Zambia in FY 2003 (2002 CPAR) to review the ongoing Public Procurement Reforms. The implementation of the Action Plan and recommendations of Country Procurement Assessment Review undertaken earlier in 1997 (1997 CPAR) marked the commencement of the Procurement Reforms in Zambia. The main recommendations of the 2002 CPAR were as follows: (a) decentralization of the procurement function to Procurement Units in the Ministries; (b) establishment of a cadre of professional procurement staff and supporting training institutions in training; (c) strengthening the audit and oversight function of the Zambia National Tender Board (ZNTB); (d) creation of the Advisory Council and (e) revision of the Tender Board Act (f) establishment of an independent complaints body. The CPAR exercise has concluded that the rate of progress of the implementation of the 1997 CPAR action plan has been very slow as the delegation of authority of the procurement function to the Ministries and other institutions has not been achieved. In addition, the Zambia National Tender Board (ZNTB) still undertaking the procurement function with very minimal oversight activities, therefore the change of role to regulatory, oversight and policy making has not been implemented. There has been a recognition of the need to build on to the achievements attained so far to ensure the implementation of the Procurement Reforms in Zambia is completed. The recommendations of the 2002 CPAR for the country's procurement system are mainly issues which were identified in the 1997 CPAR but have not been fully implemented. The CPAR Report and Action Plan has been presented to Government who have commented. The Government is preparing the Public Expenditure Management and Financial Accountability (PEMFA) programme document which includes the implementation plan and costings for the Procurement Reform Programme.

Procurement of goods, works and services will be carried out following Annual Procurement Plans agreed with the Bank. 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 Standard Bidding Documents (SBD) and Standard Bid Evaluation Forms will be used.

Consultant services contracts financed by IDA will be procured in accordance with the Bank's *Guidelines for the Selection and Employment of Consultants by World Bank Borrowers published in January 1997 and revised in September 1997 and January 1999 and May 2002*. The Bank's Standard Request for Proposals (RFP) will be used for Quality and Cost Based Selection (QCBS) and Standard Forms of Contract as needed (lump-sum, time-based, and/or simplified contracts for short-term assignments and individual consultants) and also the Sample Form of Evaluation Report for the Selection of Consultants.

Advertising

The PCU will be responsible for publishing of the General Procurement Notice (GPN) for the project. The draft GPN will be submitted to the Bank for prior review before advertisement. The General procurement Notice will be published in the United Nations Development Business (UNDB), Development Gateway's market and in a local newspaper of wide circulation after Board approval. The GPN shall list the project components and goods, works and consulting services for which specific contracts will be

advertised. The GPN will be updated annually and submitted to IDA. The Borrower will keep a roster of the responses received from the potential bidders interested in the contracts. The GPN shall be updated and submitted to IDA annually for outstanding ICB contracts and large consultancy services assignments.

Specific Procurement Notices (SPN) for goods and works to be procured under ICB shall be published in a national newspaper of wide circulation and may also be advertised in the United Nations Development Business (UNDB) and Development Gateway's dgmarket in order to solicit for the broadest interest possible from potential bidders. Such contracts may be advertised in the "on-line version" of UNDB to save time as only five days notice is required for advertising. The date of the SPN should coincide with the date that the bidding documents are available for purchase by interested bidders.

Consulting services will be advertised in the "on-line version" of the UNDB, Development Business Gateway's dgmarket and in an international or technical newspaper, in order to seek expressions of interest (EOI) prior to the preparation of the shortlist. Copy of this advertisement will be sent to those firms which responded to the expression of interest for consultancy contracts listed in the GPN. The implementing agency is also encouraged to contact embassies and professional organizations. Request for EOI for other consulting services will be advertised in a national newspaper of wide circulation. A minimum period of two weeks should be allowed for submission of expression of interest.

Procurement Capacity Assessment

Procurement Capacity Assessments were undertaken in accordance with OPCPR Instructions of July 15th 2002 for MTENR where the PCU shall be established and the other implementing agencies that will carry out procurement. All implementing agencies shall carry out procurement for the project therefore capacity assessments were undertaken for ZAWA, LCC, MLGH, and MMMD.

It was observed during the procurement capacity assessment that all the implementing agencies have a procurement section/ units in the Ministries established and undertaking procurement. The procurement capacity assessment revealed that there was limited experience in Bank financed procurement therefore, there shall be need to engage a Procurement Specialist for the PCU who will work in close collaboration with the MTENR Procurement Unit. Due to the large number of high value contracts that are to be procured, the MTENR will need to apply to ZNTB for certification to a higher threshold than the current one. In addition, there is also inadequate staffing levels for procurement at ZAWA and LCC, project. At ZAWA the procurement unit was established last year and two qualified officers seconded from ZNTB. It is planned that a Procurement Specialist shall be engaged within the structure of ZAWA as currently the two qualified officers are seconded from ZNTB. LCC does not have a procurement unit but procurement is carried out by the buyer and the procurement officer seconded from ZNTB who are part of the Finance Department of the Council. For the implementation, Procurement Specialist shall be engaged for the PCU at LCC to undertake project procurement. A Procurement Specialist shall be engaged at the PCU, ZAWA and LCC to be responsible for carrying out the procurement functions at each of these implementing agencies.

The procurement capacity assessments also revealed that there is experience in Bank procurement procedures and practices in these implementing agencies. Still, enhancement of the procurement capacity through training will be implemented to ensure that procurement is carried out in accordance with the Bank procurement procedures and guidelines. Procurement training will be ongoing during implementation of the project.

Procurement will be carried out by all the implementing agencies within the ZNTB certified thresholds. For all the agencies that procurement capacity assessments were carried out for there are only

one implementing agencies that had attained a high threshold i.e. MLGH. All the procuring agencies are encouraged to embark on a programme for certification to high thresholds by ZNTB.

Procurement Planning

The PIUs will work closely with the PCU in preparing a consolidated procurement plan for the project. The Procurement Plan will include relevant information on all goods, works, consulting services, and training to be undertaken under the Project as well as the scheduling of each milestone in the procurement process. The procurement plans will show the step-by-step procedures and processing times for procurement including: contract packages for goods, works, consultant services and training; estimated cost; procurement/ selection method; bidding, evaluation and contract award; the activities which follow contract signature such as manufacture, shipment, delivery and installation of goods; mobilization, construction and completion of works. The draft procurement plan for the first 18 months has been prepared and reviewed by the Bank. The management and actual status of all procurement will be reflected in the quarterly reports which will be submitted to IDA. Three months prior to the start of each subsequent fiscal year, the Borrower will submit an updated annual procurement plan for the following year to the Bank for review and approval.

Procurement Management and Implementation

The PCU will be responsible for procurement in respect of the Agribusiness and Gemstones components and the Tourism policy development sub-component, and for supporting the procurement activities to be undertaken by LCC and ZAWA. All project implementing units responsible for undertaking procurement shall be responsible for ensuring that satisfactory procurement documentation is prepared and utilised for the procurement processes. The PCU will support capacity building for the PIUs, where required. The PCU will be established at MTENR.

Each of the Implementing Agencies involved in the implementation of a component for project will carry out procurement within the thresholds certified by Zambia National Tender Board. Procurement Specialists will be recruited at the PCU, ZAWA and LCC. Employment of these three procurement officers is critical to the success of the project therefore, their employment will be a condition of effectiveness. A short term procurement consultant shall be engaged during the initial phase of the project to undertake procurement until the Procurement Specialists are on board. The Agribusiness component will be contracted out under a management contract. The management contractor shall be supervised by the PCU and by the Component Technical Coordinator in the Ministry of Agriculture.

The Procurement Procedures Manual which provides guidelines on the procurement practices and procedures to be followed during implementation of the project has been prepared and reviewed during appraisal.

Procurement monitoring

During project implementation, the PCU will provide half yearly reports on progress of procurement highlighting difficulties encountered in the past, and how they would be addressed in the future to ensure timely project completion. There will be procurement supervision every six months which will include special procurement supervision for post-review/audits. During these missions, IDA will review one in five randomly selected contracts which are below the prior review thresholds specified above.

Training

During the life of the project training, workshops and study tours will be carried out on the basis of a training plan to be approved by the Bank. The training plan will constitute (a) the title of the workshop/ training/ study tour (b) the person to be trained, (c) institution where the course is offered, (d) cost estimate

and (e) duration of course.

Procurement Methods

Goods: Various types of construction and office equipment, furniture computers, vehicles, etc estimated to cost US\$ 3.9 million equivalent will be procured through International Competitive Bidding following Bank procurement guidelines and using Bank Standard Bidding Documents with appropriate modifications. Procurement of goods will be carried out in accordance with Guidelines for Procurement under IBRD Loans and IDA Credits (January 1996, August 1996, September 1997, January 1999). To the extent possible, contracts for the large ticket items shall be grouped into packages estimated to cost US\$150,000 equivalent or more and will be procured through International Competitive Bidding (ICB).

For goods contract estimated to cost more than US\$ 30,000 but less than US\$150,000 procurement may be utilising National Competitive Bidding (NCB). The standard bidding document for NCB will be submitted to IDA by Procurement Unit for prior review. The approved document will form the basis of all NCB procurements under this project

Goods estimated to cost less than US\$30,000 equivalent per contract, may be procured through shopping procedures by soliciting at least three quotations from different suppliers, in accordance with IDA Procurement Guidelines (Paragraph 3.5 and 3.6) and June 9, 2000 Memorandum "Guidance on Shopping" issued by the Bank. Use of the shopping procurement method will involve solicitation for bids through a written request for quotations and evaluation of written price quotations received from at least three qualified suppliers and contract award of fixed price contracts. Procurement of goods and hiring of facilities for training purposes, such as workshops, will also be carried out using shopping procurement method procedures.

Contracts estimated to cost less than US\$100,000, may be procured through United Nations Agencies (IAPSO) in accordance with the provisions of paragraph 3.9 of the Guidelines.

Civil Works: Civil works will consist of rehabilitation of roads, street lighting, side walks, sanitation, landfill, stormwater drainage, etc estimated to cost US\$ 9.4 million equivalent. Civil works contracts of an estimated cost US\$500,000 equivalent or above may be procured through International Competitive Bidding ICB. Contracts estimated to cost US\$500,000 or less will be awarded on the basis of National Competitive Bidding (NCB) procedures acceptable to IDA.

Minor Works costing less than the equivalent of US\$50,000 per contract may be procured under lump-sum, fixed price contracts on the basis of quotations obtained from at least three qualified domestic contractors invited in writing to bid. The invitations shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to IDA, and relevant drawings where applicable. The awards will be made to the contractors who offer the lowest price quotation for the required work, provided they demonstrate they have the experience and the resources to complete the contract successfully.

Consultancy Services: Engagement of consultants for the various studies, technical assistance and consultancy services for the various components of the program shall be selected through Quality and Cost Based Selection (QCBS) method unless otherwise specified. Procurement of consultant services will be in accordance with the Bank guidelines for the Selection and Employment of Consultants published in January 1997 and revised in September 1997, January 1999 and May 2002. For consultancy services contracts estimated to cost US\$50,000 selection will be through competition among qualified short listed consultants based on the Least Cost Selection method which would be applicable to consultancy

assignments for auditors, civil works supervision etc. For assignments estimated to cost US\$ 100,000 or less consultant firms may be contracted on the basis of selection based on Consultant Qualifications (CQ). For consultancies requiring individual consultants, the selection will follow the procedures stipulated in section (v) of the Consultant Guidelines. In the case of assignments estimated at US\$100,000 or less, the assignment may be advertised nationally and the shortlist may be made up entirely of national consultants, provided that at least three qualified national firms are available in the country. However, if foreign firms have expressed interest they will not be excluded.

The Standard “Request for Proposals (RFP)” and Form of Contract as developed by the Bank will be used for appointment of consultants. Simplified contracts will be used for short term assignments, i.e. those not exceeding three months, carried out by firms or individual consultants. Firms would be invited to submit expressions of interest for each assignment.

Procurement methods (Table A)

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

Expenditure Category	Procurement Method ¹				Total Cost
	ICB	NCB	Other ²	N.B.F.	
1. Works	5.94 (5.94)	2.68 (2.68)	0.00 (0.00)	0.00 (0.00)	8.62 (8.62)
2. Goods	3.20 (3.20)	0.97 (0.97)	0.50 (0.50)	0.46 (0.00)	5.13 (4.67)
3. Services	()	()	6.32 (6.32)	2.96 (0.00)	9.28 (6.32)
4. Miscellaneous	0.00	0.09	1.42	0.58	2.09
4.1 Incremental Operating Costs	(0.00)	(0.09)	(1.42)	(0.00)	(1.51)
4.2 Other	0.19 (0.19)	3.27 (3.27)	1.57 (1.57)	0.00 (0.00)	5.03 (5.03)
Refund of PPF Advance	0.00 (0.00)	0.00 (0.00)	2.00 (2.00)	0.00 (0.00)	2.00 (2.00)
Total	9.33 (9.33)	7.01 (7.01)	11.81 (11.81)	4.00 (0.00)	32.15 (28.15)

^{1/} Figures in parentheses are the amounts to be financed by the IDA Credit. All costs include contingencies.

^{2/} Includes civil works and goods to be procured through national shopping, consulting services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

NBF refers to GEF Grant of \$4.0 million

Prior review thresholds (Table B)

Prior review thresholds

Prior review thresholds are presented in Table B below. Contracts for goods estimated to cost US\$150,000 or more will be subject to prior review. All civil works contracts estimated to cost US\$ 200,000 or more will be subject to IDA prior review. For civil works contracts under NCB the first two contracts estimated to cost less than US\$200,000 shall be subject to prior review. In addition, civil works contract under "procurement of small works" estimated to cost US\$50,000 and below, the first two contracts shall be subject to prior review. Contracts for consultant services estimated to cost US\$100,000 or more for firms and US\$50,000 or more for individual consultants will be subject to prior review by IDA. Terms of Reference and Single Source Selection for all consultant services will require prior review by IDA regardless of the contract value. Prior review by IDA will apply for: (i) contracts to be awarded on the basis of sole source recruitment; (ii) selection procedures, short-lists and Request for Proposals (RFP), qualifying technical proposals, final evaluation reports and draft contracts when the estimated cost of the contract exceeds US\$50,000 for individual consultants and US\$100,000 for firms; (iii) assignments of a critical nature (as reasonably determined by the Bank) for individuals and firms estimated to cost less than US\$50,000 and US\$100,000 respectively; and (iv) contract amendments raising the values over US\$50,000 and US\$100,000 for individuals and firms respectively. These prior review thresholds may be revised after the first year of the project based on an assessment of the performance of the PCU and implementing agencies to execute the procurement function.

Table B: Thresholds for Procurement Methods and Prior Review¹

Expenditure Category	Contract Value Threshold (US\$ thousands)	Procurement Method	Contracts Subject to Prior Review (US\$ thousands)
1. Works	> 500,000 < 500,000 < 50,000	ICB NCB Quotation	All contracts First two Contracts <200,000 First two contracts <50,000
2. Goods	> 150,000 < 150,000 < 30,000 < 100,000	ICB NCB Shopping UN Agencies	All Contracts None - All Post Review None - All Post Review All
3. Services			
Firms	> 100,000 < 100,000	QCBS CQ/ LC	All Contracts None - All Post Review
Individuals	> 50,000 < 50,000	IC IC	All Contracts None - All Post Review

Total value of contracts subject to prior review:

Overall Procurement Risk Assessment: High

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

The overall procurement risk assessment for the project at both levels is rated **High** and the

following action plan is designed to mitigate the high procurement risk:

Risk Mitigation Procurement Action Plan

Action	Responsibilities	Indicative Deadline
1. Engagement of Procurement Specialist at PCU/ ZAWA/ LCC.	PCU/ ZAWA/ LCC	Project Effectiveness
2. Develop and execute training plan for Bank procurement training for all implementing agencies.	PCU/MTENR/MLGH/ MMD/LCC/ZAWA	Plan to be prepared by first Quarter of project implementation. Training execution ongoing.
3. Engage Procurement Consultant to develop and set up reporting systems, standard formats, filing systems guidelines, etc.	PCU/ Consultant	Second quarter of project implementation
4. Preparation of Procurement Procedures Manual	PCU/ Consultant	Prior to negotiations
5. Preparation of Procurement Plan for the first 18 months.	PCU/Consultant	By negotiations
6. Certification of Ministry by ZNTB to higher procurement threshold.	MMD/ MTENR/ LCC/ ZAWA	First year of project implementation
7. Setting of Procurement Filing System in the MTENR, MMD. LCC. ZAWA and upgrading of procurement record keeping and filing systems at MLGH.	PCU/ MTENR/ MMD/ LCC/ ZAWA/ MLGH/ Consultant	Second Quarter of project implementation.

Frequency of procurement supervision missions

Once every six (6) months (including special procurement supervision for post-review/audits).

¹⁾ Thresholds generally differ by country and project. Consult "Assessment of Agency's Capacity to Implement Procurement" and contact the Regional Procurement Adviser for guidance.

Annex 6(B): Financial Management and Disbursement Arrangements ZAMBIA: Support for Economic Expansion and Diversification (SEED)

Financial Management

1. Summary of the Financial Management Assessment

1.1 Country Issues Recent studies by the Bank have concluded that “the challenges faced by Zambia in public expenditure management have been long-standing and will require targeted efforts as well as a strong degree of political will to address”. Furthermore, the overall conclusion of the joint CFAA led by the Bank in conjunction with other donors is that “there remain substantial weaknesses and risks within the public financial management system of Zambia” The CFAA specifically identified problems of: lack of compliance or enforcement of existing accounting rules and finance regulations; weak institutions of accountability: the office of the Auditor General and Parliament are ill-equipped to provide adequate oversight because of lack of funding, low technical capacity, and insufficient authority to ensure follow up; excessive discretion given to the Minister of Finance to change the budget and the agreed spending priorities without further recourse to parliament or timely accounting for it; poor information management and reporting: reports on government commitments and expenditures are usually late and incomplete; and lack of transparency concerning the cost of public sector activities: because the annual budget under-estimates the cost of functions, it presents a misleading picture of the economic trade-offs. With the help of the Bank and other cooperating partners Government is trying to address all these problems of public finance management and accountability.

1.2 Implementing Units The Project Accountants in the three entities, to be specifically recruited for the project, under the direction of their respective accounting heads, will assume full responsibility for project financial management and reporting, ensuring that the financial management and reporting procedures under SEED are carried out in a manner acceptable to the Government, the World Bank, and other donors. The principal goal of the Financial Management System (FMS) is to support management in their deployment of limited resources with the objective of ensuring economy, efficiency and effectiveness in the delivery of project outputs. Specifically, the FMS must be capable of producing timely, understandable, relevant, and reliable financial information that will enable management to plan, implement, monitor, and appraise the project’s overall progress report towards the achievement of the objectives. The assessment conclusions on the financial management systems for the three implementing entities are summarized below:

1.2.1 Existing PCU based at the MoFNP. This unit is currently implementing the ERIPTA project, another IDA supported project. The current accounting system in place is mainly manual assisted by a part time consultant in preparing the books for audit. The unit will be relocated to MTENR and needs to be strengthened by the recruitment of a professionally qualified and experienced financial accountant on a full time basis to assume overall responsibility for accounting for project funds and the installation of an acceptable financial management system capable of producing useful and timely information to enable project management to monitor and coordinate the implementation of the SEED project. The system to be established should incorporate the internal audit functions. In this regard the establishment of a financial management system and the recruitment of the financial consultant will be conditions of effectiveness.

1.2.2 Zambia Wildlife Authority. ZAWA is a body corporate established by an Act of Parliament No. 12 of 1998. It is governed by an Authority with representations from relevant stakeholder government ministries/statutory bodies, private sector and civil society, who are appointed by the Minister. The Authority’s accounting system is based on a SUN ACCOUNTING software package. The key accounting staff are professionally qualified and well experienced. The staff have some experience in

managing donor funded projects such as NORAD, UNDP, EU, DANIDA and USAID. ZAWA have plans to recruit an Accountant to be specifically responsible for Projects. The Authority have had externally audited reports with unqualified audit opinions and produced within the statutory time table. There is an Internal Audit department headed by a professionally qualified accountant. However, the internal audit function needs strengthening. The existing staff of 2 is inadequate for the size of ZAWA with accounting functions that are widely spread throughout the Country. Furthermore, due to logistical constraints there is more reliance on returns than physical visits. Nevertheless, the FMS as it exists is assessed as adequate and is capable of meeting the financial information requirements of all stakeholders.

1.2.3 Livingstone City Council. LCC is a body corporate established by statute, under the Local Government Act 1991. The Council uses a manual, cash based non accrual accounting and is not a complete double entry system. However, MLGH under the Municipal Accounts Rehabilitation Program, a Financial Systems Consultancy was initiated. In 2002 a Pastel Accounting Software Package on a stand alone computer, running in parallel with the manual system was installed by consultants. Under this consultancy, the Council managed to produce for the first time ever, financial statements for the year ended 31 December 1999. Under the project LCC will engage an accountant to be in charge of accounting for the project funds. The accountant will work under the LCC Director of Finance and building on what had been achieved under the Municipal Accounts Rehabilitation Program, get the Accounting System enhanced by getting Pastel Package licensed to LCC; assist LCC with the identification and installation of an Integrated Management Information System (IMIS); build capacity by training all the staff in the use of the installed IMIS. Therefore, the establishment of a financial management system and the recruitment of the accountant will be conditions of effectiveness.

1.2.4 Assessment Conclusions. The overall conclusion is that based on the existing financial management systems ZAWA satisfies the World Bank's OP/BP 10.02 minimum requirements. In the case of PCU and LCC some weaknesses have been identified which will be addressed to satisfy the minimum requirements. These weaknesses and the proposed actions to address them are included in an agreed time bound financial management action plan. Therefore, the project's financial management risks are assessed as low provided the financial management arrangements are well implemented and the various mitigation measures proposed in the following action plan are addressed satisfactorily by credit effectiveness.

1.2.4.1 SEED Project -Financial Management Action Plan

#	Required Action	Responsibility of	Completion Date	Comment
1.	Engage qualified financial management consultants to take charge of project funds at: MoFNP – PCU and LCC	MoFNP LCC	30 August 2004	Effectiveness condition
2.	Install financial management systems for project funds at: MoFNP – PCU and LCC	Financial Management Consultants to be recruited in 1 above	30 September 2004	Effectiveness condition
3.	Produce a financial accounting and procedures manual for: MoFNP – PCU, LCC and ZAWA	Financial management consultants ZAWA	30 September 2004	
4.	ZAWA to recruit a Project Accountant	ZAWA	30 September 2004	
5.	Develop and agree with IDA the terms of reference for the conduct of the audit by	MOFNP, LCC ZAWA, World	30 September 2004	

	external auditors.	Bank		
6.	Agree reporting formats for FMRs and Annual Financial Statements	MOFNP, LCC ZAWA	30 September 2004	Effectiveness condition
7.	Open Special and Project Bank Accounts	MOFNP, LCC ZAWA	30 September 2004	
8.	Demonstrate readiness of the FMS to produce reports (FMRs, financial statements)	MOFNP, LCC ZAWA	30 September 2004	
9.	Subsidiary agreements with ZAWA and LCC signed	MOFNP, LCC ZAWA, IDA	30 August 2004	Effectiveness condition

1.3 Accounting Policies and Procedures The principal goal of the Financial Management System (FMS) is to support management in their deployment of limited resources with the objective of ensuring economy, efficiency and effectiveness in the delivery of project outputs. Specifically, the FMS must be capable of producing timely, understandable, relevant, and reliable financial information that will enable management to plan, implement, monitor, and appraise the project's overall progress report towards the achievement of its objectives. A demonstration that SEED project financial management and accounting systems will meet these criteria will be required by September 2004.

1.3.1 Procedures Manual As part of the PIM, an Accounting and Financial Procedures Manual (AFPM) will be produced for each of the implementing Units (IU). The manual should include major accounting policies and procedures, accounting and internal control system including description of functional responsibilities of the accounting staff, a brief description of the accounting system; payment procedures; budget guidelines; reporting requirements reporting and auditing arrangements; filing procedures; and specimen of the various forms/documents in use and the samples of the agreed reporting (FMR) formats. In addition the manual should document the various procedures relating to the sources of funds; IDA Special Accounts and disbursement & replenishments requirements. The production of the procedures manuals is an important factor in determining the adequacy of the SEED project financial management systems at the PIUs.

1.3.2 Budgeting The 3 SEED implementing units will have procedures in place to ensure that the budgets are properly prepared and compiled which will be included in the financial procedures manual in the PIP. The budgets will have to include sufficient activity target details to allow for full project FMRs which includes both financial and physical progress. All budgets have to be approved by their respective controlling bodies i.e. the Board in case of ZAWA, the Council in case of LCC and the Coordinating Committee in case of MoFNP.

1.4 Reporting and Monitoring Program monitoring will take the following forms: Project Steering Committee oversight of PCU; ZAWA Board Oversight of ZAWA component, Council and MLGH of the LCC component; the Bank Supervision Missions; and the Annual external audit of the Program finances. The following quarterly FMRs, to be generated from the FMS, will be produced for the Committee of Ministers, ZAWA Board, LCC Council and MLGH; the Bank and other Donors:

- Financial Reports:
- Sources and Uses of Funds (by funding source and expenditures by Credit Category and Component)
 - Uses of Funds by program Component/Activity
 - Physical Progress Report linked to financial information (Output Monitoring)

- Procurement Monitoring Reports

1.4.1 Project Financial Statements In addition to the periodic quarterly monitoring reports, each implementing unit will produce annual Project Financial Statements for analytical and audit purposes. These Financial Statements (outline of the expected contents to be agreed during negotiations) will under the Cash Basis of Accounting comprise at the minimum of the following:

- a) A Consolidated Statement of Receipts and Payments, which recognizes all cash receipts, cash payments and cash balances controlled by the entity; and separately identifies payments made on behalf of the IU by third parties;
- b) Additional disclosure note of amounts received in Development Assistance (**Attachment 2 on page 14 - Guidelines: Annual Financial Reporting And auditing For the Bank - Financed Activities**);
- c) Significant Accounting Policies Adopted and Explanatory Notes. The explanatory notes should be presented in a systematic manner with items on the Statement of Cash Receipts and Payments being cross referenced to any related information in the notes. Examples of this information include:
 - A summary of fixed assets by category of assets
 - A summary of accounts receivable and accounts payable;
- d) A Management Assertion that Bank funds have been expended in accordance with the intended purposes as specified in the Development Credit Agreement; and
- e) Any supplementary information or explanations that may be deemed appropriate by management to enhance the presentation of a "true and fair view."

1.5 Bank Account Signing Arrangements Signing arrangements will follow the two panel system. Details of this will be included in the financial procedures manual to be produced by project effectiveness.

Bank Account

1.6 Bank Account Reconciliations All bank accounts will be reconciled monthly and a Monthly Status of Funds Report will be prepared. Bank reconciliations will be approved by the Finance Manager on a timely basis. Identified differences will be expeditiously investigated. Control procedures over all bank transactions (e.g. cheque signatories, transfers, advances etc.) will be documented in the Financial Procedures Manual.

1.7 The following two documents, which are distributed by the Loans Disbursement section of the Bank, should enable the implementing units to keep its records up-to-date, in relation to the SA and the Credit ledger account. The **Payment Advice** when the Bank executes a payment will be sent to implementing unit promptly giving all the payment details; A **Monthly Disbursement Summary** produced in two parts will give the following information: **Part 1:** Opening balance and list of all transactions under the Credit during the previous month, including all applications paid or refunds processed, along with value dates, currencies and amounts charged to the Credit; and **Part 2:** End-of-month balances for each category and for the Credit as a whole, as well as amounts set aside to cover Special Commitments.

1.8 Supervision Plan Financial management supervision will be carried out regularly by the project FMS at least twice a year. The FMS will also review the, fulfillment of any Financial Management effectiveness/disbursement conditions; financial component of the quarterly FMRs as soon as they are submitted to the Bank; and the annual Audit Reports and Management letters from the external auditors and follow-up on material accountability issues by engaging with the TTL, Client, and/or Auditors.

2. Audit Arrangements

2.1 Internal Audit The 3 IUs will incorporate the internal audit functions.

2.2 External Audit An external audit will be carried out annually by the Auditor General (AG), who has outlined in the Constitution of Zambia Act 1996, is responsible for the external auditing of all Government Funds, though in practice, because of capacity constraints, the AG frequently appoints private sector auditors acceptable to IDA on approved terms of reference . In such cases, the private sector auditor reports directly to the AG who retains the overall signing responsibility for the audit opinion.. The auditor will conduct the audit according to International Standards on Auditing and agreed TOR acceptable to IDA. The auditor will express an opinion on the consolidated financial statements based on the Bank's new audit policy. The auditor for the project should be appointed shortly after effectiveness. Reasonable audit costs can be financed from the Credit on request from the borrower. Financial audit reports will be submitted to IDA no later than six months after the end of the fiscal year.

2.2.1 Management Letter In addition to the audit report, the auditor will be required to prepare a separate report to Management, giving significant weaknesses that the auditor came across during the course of the audit that are not reflected in the audit opinion. These may include weaknesses in the internal control systems, inappropriate accounting policies and practices, issues regarding general compliance with broad covenants such as implementing the project with economy and efficiency, and any other matters the auditor considers should be brought to the attention of the borrower, and providing recommendations for improvements.

2.2.2 Audit reports required The following audit reports would be required

Audit Report	Due Date
Consolidated Project Financial Statements for each of the 3 Special Accounts, with ZAWA electing for the Entity FS with disclosures for donor funding as per new audit policy	30 June 2005

3. Disbursement Arrangements

3.1 Disbursements from IDA will initially be Transaction-based. This means disbursements will be made on the basis of documented expenditures. The Transaction-based disbursement mechanisms will include Direct Payment, Special Commitments, Reimbursements and use of SOE. Direct Payments involves full documentation payment request by the Borrower to a third party for works, goods and services. Payments can also be made to a Commercial bank against expenditures under a letter of credit by IDA giving a special commitment to pay after satisfying agreed conditions. This method stops commercial banks from getting SA funds as collateral to issue the LC because the Bank's rules do not allow Credit proceeds to be held as collateral. To qualify for the Direct Payment and Special Commitment disbursement methods the minimum Withdrawal Application size is 20 % of the advance in the Special Account. When the Borrower pays IDA's share of eligible expenditure from own resources, the Borrower qualifies to seek reimbursement of this expenditure from the proceeds of the Credit.

3.2 The following table outlines the supporting documentation required for Transaction-based disbursement.

Reimbursement
1. For contracts above the prior review threshold: <ul style="list-style-type: none">· Summary Sheet and full supporting documentation

<ul style="list-style-type: none"> · Invoice from the supplier · Evidence of payment to the supplier · Proof of shipment of goods or delivery of services <p>2. For contracts below the prior review threshold:</p> <ul style="list-style-type: none"> · Statement of Expenditure (supporting documentation as noted above is retained by the PIU for inspection by the Bank, upon request)
<p>Direct Payment</p> <p>3. For goods: Invoice from the supplier and proof of shipment of goods</p> <p>4. For services: Payment certificate and proof of delivery of services</p>
<p>Special Account (SA) Replenishment</p> <p>5. SA reconciliation statement</p> <p>6. SA bank statement</p> <p>7. Replenishment documentation (as noted above)</p>

3.3 The Borrower will have the option of using the Report-based (FMR) disbursement method instead of the Transaction-based method. Report-based disbursement offers more flexibility. Upon effectiveness, aggregate disbursement request not exceeding project expenditure forecast for the next two reporting periods is payable by the Bank upon receipt of a Withdrawal Application from the Borrower. Supporting documentation for these disbursements is submitted with the subsequent FMR and reviewed by the Bank to confirm eligible expenditures during the period covered by the FMR. The FMR also gives a new forecast for the next two FMR reporting periods.

3.4 The following is the documentation required for the Report based disbursements.

- a) Required minimum FMR content on financial, procurement and physical progress, plus:
- b) Statements containing Institutional Information.
- c) Summary Statement of Special Account Expenditures for contracts subject to Prior Review.
- d) Summary Statement of Special Account Expenditures not subject to Prior Review.
- e) Special Account Activity statement.
- f) Special Account bank statement.

3.5 ZAWA and LCC will particularly benefit from the adoption of Report based disbursements because of the civil works components under them. Report-based disbursement arrangements among other reasons are intended to facilitate disbursements of the size and frequency needed by Borrowers for smooth project implementation and speed disbursements by reducing the processing time for most withdrawal applications and avoiding disbursement interruptions while FMRs are being reviewed by the Bank. Nonetheless, for ZAWA and LCC to benefit from this flexible method of disbursement, the accounting and financial management capacity needs to be strengthened, particularly on the ability for FMRs to be produced directly by the system. Therefore, it is in the best interest of ZAWA and LCC to work towards graduating to report based disbursement to be able to access adequate funds for smooth implementation. ZAWA and LCC will enter into subsidiary agreements with the Borrower to enable them to receive funds to implement their components of the project.

3.6 Disbursement and withdrawal procedures are detailed in the Bank Disbursement Handbook [and the Financial Monitoring Reports: Guidelines To Borrowers](#). All disbursements will be governed by the conditions in the Development Credit Agreement and the procedures defined in the Disbursement Letter that will be sent to the borrower after effectiveness. This will include the remedies available to IDA in

cases of ineligible expenditures made from the SA, the SA account remaining inactive, and when the reporting requirements are not complied with.

Allocation of credit proceeds (Table C)

The proceeds of the Credit will be disbursed over a period of five years under the four main disbursement categories indicated in Table C below.

Table C: Allocation of Credit Proceeds

Expenditure Category	Amount in US\$million	Financing Percentage
Civil Works	13.03	100% of foreign and 100% of local expenditures
Goods	2.32	100% of foreign and 100% of local expenditures
Consultants' Services	3.25	100 %
Matching Grants	2.10	50%
Operating Costs	1.30	100%
Refund of PPF Advance	2.00	
Total Project Costs with Bank Financing	24.00	
Total	24.00	

The \$4.0 million GEF funds will all be allocated as follows:

Table C(2): Allocation of GEF Grant

Expenditure Category	Amount in US \$million	Financing percentage
Goods	0.46	100%
Consultancy services	1.73	100%
Training	1.23	100%
Operating Costs	0.58	100%
Total	4.00	

Use of statements of expenditures (SOEs):

4.1 All applications to withdraw funds from the IDA Credit and the GEF Grant will be fully documented by the Implementing Units except for expenditures for contracts with an estimated value of: (i) \$500,000 or less for works; (ii) \$150,000 or less for goods; (iii) \$100,000 or less for consulting firms; (iv) \$50,000 or less for individual consultants; and (v) all operating costs which may be claimed on the basis of certified statements of expenditure (SOE). Documents supporting these expenditures will be retained by the Implementing Units and will be made available for review upon request by the Bank supervision missions

and project auditors.

Special account:

5.1 To facilitate disbursement of eligible expenditures, Government will open and maintain three Special Accounts in US Dollar in a commercial bank acceptable to the Association. The accounts will be maintained by each of the three implementing Units (PCU, LCC and ZAWA. After credit effectiveness IDA will at the borrower's request (by submitting an Application For Withdrawal on Form 1903), advance the Borrower from the proceeds of the Credit an agreed amount (Authorized Allocation- usually an amount to cover 4 months' average projected expenditures from the Special Account.). The Special Account (SA) will be used to finance the IDA's share of the program expenditures.

5.2 The borrower will establish and maintain a fourth Special Account in US Dollar in a commercial bank acceptable to the Bank for the GEF grant disbursements. The account will be operated by ZAWA.

Annex 7: Project Processing Schedule
ZAMBIA: Support for Economic Expansion and Diversification (SEED)

Project Schedule	Planned	Actual
Time taken to prepare the project (months)		
First Bank mission (identification)		
Appraisal mission departure		01/19/2003
Negotiations	03/16/2004	04/19/2004
Planned Date of Effectiveness	10/22/2004	

Prepared by:

Mehrnaz Teymourian was the original team leader for the project and began its preparation. in 2002. Constantine Chikosi took over as new team leader in January 2003.

Preparation assistance:

Project preparation was facilitated by a PHRD grant of US\$435,250.00 (TF026797) and two PPFs (Q300 and Q341) of US\$2.0 million

Bank staff who worked on the project included:

Name	Speciality
Constantine Chikosi	Sr. Operations Officer, TTL, AFTPS
Vyjayanti Desai	Private Sector Development Specialist, AFTPS
Mehrnaz Teymourian	Sr. Technical Specialist, AFTPS
Iradj Alikhani	Lead Economist, AFTPS
Edith Mwenda	Sr. Counsel, LEGAF
Charles Husband	Lead Mining Specialist, COCPD
Jeam-Michel Pavy	Sr. Environmental Specialist, AFTS4
Davies Makasa	Highway Engineer, AFTTR
Iain Christie	Consultant, Tourism Sector Development
Gerald Tyler	Consultant, Gemstone Sector Development
Yasuo Konishi	Consultant, Agribusiness Sector Development
Chitalu Fenwick	Financial Management Specialist, AFTFM
Bwalya Mumba	Procurement Officer, AFTPC
Modupe Adebawale	Sr. Disbursement officer, LOAG1
Stephen Jaffee	Peer Reviewer, PRMTR
Agi Kiss	Peer Reviewer, ECSSD
Richard Cambridge	Operations Adviser, AFTQK
Hermine Martinez	Consultant, Quality Assurance
Patricia Gleason	Consultant, Global Environment Fund
Gayatri Kanungo	Consultant, Global Environment Fund
Gotthard Walser	Senior Mining Specialist, COCPD

Annex 8: Documents in the Project File*
ZAMBIA: Support for Economic Expansion and Diversification (SEED)

A. Project Implementation Plan

Detailed Cost Table
Project Implementation Manual

B. Bank Staff Assessments

Aide memoires from identification, pre-appraisal and appraisal
Zambia - Tourism Framework
Gemtone Sector Study

C. Other

GEF Broject Brief
Financial Management Assessment
Procurement Assesment
*Including electronic files

Annex 9: Statement of Loans and Credits
ZAMBIA: Support for Economic Expansion and Diversification (SEED)
03-Feb-2004

Project ID	FY	Purpose	Original Amount in US\$ Millions		Cancel.	Undisb.	Difference between expected and actual disbursements ^a	
			IBRD	IDA			Orig	Frm Rev'd
P070962	2003	Copperbelt Environment	0.00	19.00	0.00	40.56	-0.61	0.00
P003248	2003	HIV/AIDS (ZANARA)	0.00	0.00	0.00	48.11	-2.11	-1.67
P080612	2003	Emergency Drought Recovery Project	0.00	30.00	0.00	28.16	30.07	0.00
P070122	2001	Regional Trade Fac. Proj. - Zambia	0.00	15.00	0.00	11.75	5.75	0.00
P057167	2001	TEVET	0.00	25.00	0.00	24.74	-1.69	0.00
P003227	2001	ZAMBIA RAILWAYS RESTRUCTURING PROJEC	0.00	27.00	0.00	4.78	3.87	0.00
P050400	2000	PUB SVC CAP (PSCAP)	0.00	28.00	0.00	9.68	9.16	0.00
P063584	2000	Social Investment Fund (ZAMSIF)	0.00	64.70	0.00	37.34	12.89	0.00
P064064	2000	MINE TOWNSHIP SERVICES PROJECT	0.00	37.70	0.00	22.45	19.02	0.00
P003249	1999	Basic Ed. Subsect. Inv. Pgr	0.00	40.00	0.00	16.63	16.97	3.05
P003236	1998	ZM NATIONAL ROAD	0.00	70.00	0.00	10.89	10.91	0.68
P035076	1998	Zambia POWER REHAB	0.00	75.00	0.00	25.45	25.47	10.83
P040642	1996	ERIPTA	0.00	23.00	0.00	12.51	-5.09	-5.09
Total:			0.00	454.40	0.00	293.03	124.63	7.80

ZAMBIA
STATEMENT OF IFC's
Held and Disbursed Portfolio
June 30 - 2003
In Millions US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1998	AEF Amaka Cotton	1.30	0.00	0.00	0.00	1.30	0.00	0.00	0.00
2001	AEF Chingola Htl	0.91	0.00	0.00	0.00	0.91	0.00	0.00	0.00
1998	AEF Drilltech	0.12	0.00	0.15	0.00	0.12	0.00	0.15	0.00
1999	AEF Esquire	0.23	0.00	0.00	0.00	0.23	0.00	0.00	0.00
1997	AEF JY Estates	0.89	0.00	0.00	0.00	0.89	0.00	0.00	0.00
2001	AEF Michelangelo	0.20	0.00	0.00	0.00	0.20	0.00	0.00	0.00
2000	APC Ltd.	1.14	0.00	0.00	0.00	1.14	0.00	0.00	0.00
1972/73	Bata Shoe ZA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2000	Marasa Holdings	4.05	0.00	0.00	0.00	4.05	0.00	0.00	0.00
1998	NICOZAM	0.00	0.18	0.00	0.00	0.00	0.18	0.00	0.00
1999/00	Zamcell	1.98	0.44	0.00	0.00	1.98	0.44	0.00	0.00
	Total Portfolio:	10.82	0.62	0.15	0.00	10.82	0.62	0.15	0.00

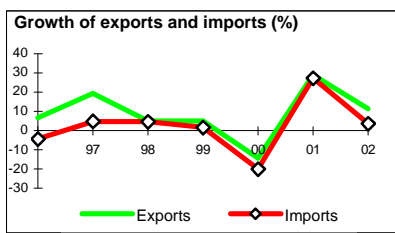
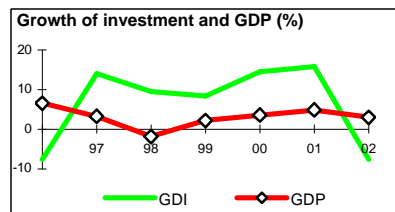
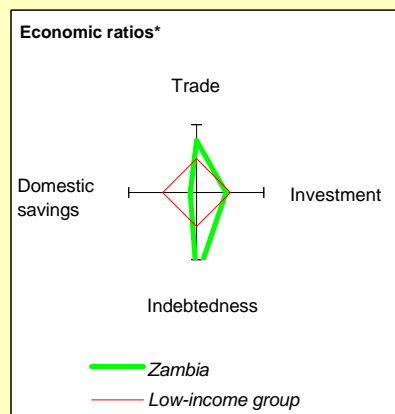
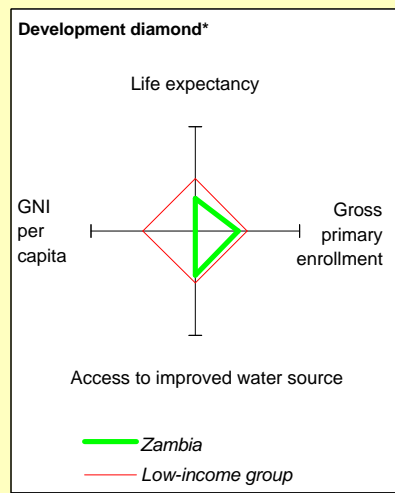
FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
	Total Pending Commitment:	0.00	0.00	0.00	0.00

Annex 10: Country at a Glance

ZAMBIA: Support for Economic Expansion and Diversification (SEED)

POVERTY and SOCIAL	Zambia	Sub-Saharan Africa	Low-income		
2002					
Population, mid-year (millions)	10.5	688	2,495		
GNI per capita (Atlas method, US\$)	..	450	430		
GNI (Atlas method, US\$ billions)	..	306	1,072		
Average annual growth, 1996-02					
Population (%)	2.1	2.4	1.9		
Labor force (%)	2.6	2.5	2.3		
Most recent estimate (latest year available, 1996-02)					
Poverty (% of population below national poverty line)	73	..	..
Urban population (% of total population)	40	33	30		
Life expectancy at birth (years)	37	46	59		
Infant mortality (per 1,000 live births)	112	105	81		
Child malnutrition (% of children under 5)	24	..	..
Access to an improved water source (% of population)	64	58	76		
Illiteracy (% of population age 15+)	20	37	37		
Gross primary enrollment (% of school-age population)	78	86	95		
Male	80	92	103		
Female	76	80	87		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1982	1992	2001	2002	
GDP (US\$ billions)	3.9	3.2	3.6	3.7	
Gross domestic investment/GDP	16.8	11.9	20.0	18.0	
Exports of goods and services/GDP	27.7	36.4	27.1	29.3	
Gross domestic savings/GDP	8.0	0.3	9.8	3.8	
Gross national savings/GDP	1.1	-10.6	5.4	0.1	
Current account balance/GDP	-14.5	
Interest payments/GDP	2.2	3.1	1.0	3.1	
Total debt/GDP	94.7	210.8	155.8	147.1	
Total debt service/exports	32.0	28.9	12.0	45.5	
Present value of debt/GDP	110.9	..	
Present value of debt/exports	373.7	..	
	1982-92	1992-02	2001	2002	2002-06
<i>(average annual growth)</i>					
GDP	1.1	1.5	4.9	3.0	4.1
GDP per capita	-1.9	-0.9	2.9	1.3	2.7

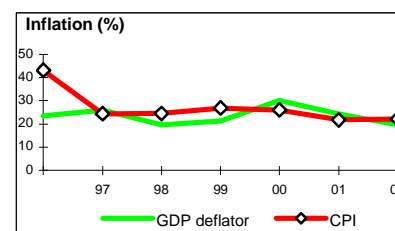
STRUCTURE of the ECONOMY	1982	1992	2001	2002
<i>(% of GDP)</i>				
Agriculture	14.9	23.8	22.1	22.0
Industry	39.0	49.0	25.6	26.3
Manufacturing	20.6	37.2	11.1	11.6
Services	46.1	27.2	52.3	51.7
Private consumption	64.3	84.7	77.2	84.4
General government consumption	27.7	15.0	13.0	11.7
Imports of goods and services	36.5	48.0	37.3	43.5
	1982-92	1992-02	2001	2002
<i>(average annual growth)</i>				
Agriculture	1.6	4.2	-2.4	-4.1
Industry	2.0	-2.7	9.2	11.3
Manufacturing	5.7	1.8	4.2	5.8
Services	0.3	3.9	4.9	3.2
Private consumption	2.7	0.8	-3.6	4.4
General government consumption	1.4	-5.3	44.7	-11.9
Gross domestic investment	-3.8	7.5	15.9	-7.6
Imports of goods and services	-1.4	2.6	27.2	3.5



* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

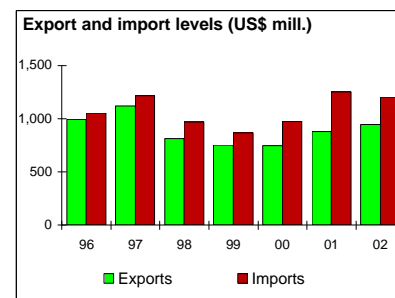
PRICES and GOVERNMENT FINANCE

	1982	1992	2001	2002
Domestic prices				
(% change)				
Consumer prices	..	197.4	21.7	22.2
Implicit GDP deflator	6.1	165.6	24.3	19.7
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	18.4	19.1	18.0
Current budget balance	..	-8.9	-0.5	-1.5
Overall surplus/deficit	..	-12.6	-13.0	-13.9



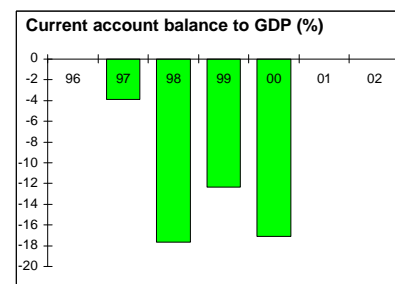
TRADE

	1982	1992	2001	2002
(US\$ millions)				
Total exports (fob)	..	1,120	884	945
Copper	..	867	504	520
Cobalt	..	135	86	39
Manufactures	..	62	203	213
Total imports (cif)	..	1,302	1,253	1,204
Food	..	258	10	11
Fuel and energy	..	53	220	247
Capital goods	..	349	460	325
Export price index (1995=100)	..	81	65	60
Import price index (1995=100)	..	92	87	88
Terms of trade (1995=100)	..	88	74	68



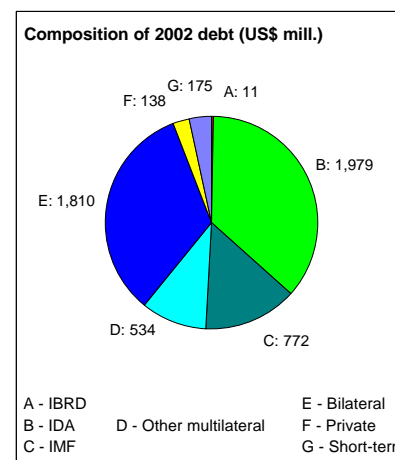
BALANCE of PAYMENTS

	1982	1992	2001	2002
(US\$ millions)				
Exports of goods and services	1,044	1,204	1,058	1,081
Imports of goods and services	1,291	1,586	1,625	1,602
Resource balance	-247	-383	-567	-521
Net income	-399	-328	-140	-144
Net current transfers	-28	-33	-20	7
Current account balance	-561	..	..	..
Financing items (net)	623	..	..	..
Changes in net reserves	-63	-76	-115	-187
Memo:				
Reserves including gold (US\$ millions)	..	..	..	306
Conversion rate (DEC, local/US\$)	0.9	178.9	3,610.9	4,398.6



EXTERNAL DEBT and RESOURCE FLOWS

	1982	1992	2001	2002
(US\$ millions)				
Total debt outstanding and disbursed	3,665	6,709	5,671	5,419
IBRD	348	289	17	11
IDA	12	643	1,869	1,979
Total debt service	334	351	129	505
IBRD	43	107	10	7
IDA	0	6	12	26
Composition of net resource flows				
Official grants	69	642	271	..
Official creditors	176	149	121	-17
Private creditors	57	-13	54	-12
Foreign direct investment	39	45	72	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	61	253	40	0
Disbursements	27	174	126	123
Principal repayments	19	72	13	18
Net flows	9	102	114	105
Interest payments	25	41	9	15
Net transfers	-16	61	105	90



Note: This table was produced from the Development Economics central database.

8/20/03

Additional GEF Annex 11: Summary of Biodiversity Relevance, Threats and Mitigation Actions ZAMBIA: Support for Economic Expansion and Diversification (SEED)

Global Operational strategy/Program objective addressed by the project

Zambia's transitional zoogeographical position is of enormous significance to regional and global biodiversity. Inter-regional transitions form broad ecotones in Zambia that consist of a mix of flora and fauna from neighboring centers of endemism. It is estimated that there are 3,774 and 3,637 species of flora and fauna respectively (excluding micro-organisms), although these are certain to be significant under-estimates because little field work to update the inventory of Zambia's natural resources has been conducted in recent years. Of Zambia's known flora and fauna, 316 endemic, 174 rare, and 31 endangered or vulnerable species have been identified, many of which are of global significance (BSAP, in prep.).

Zambia ratified the Convention on Biological Diversity on 28th May, 1993. The proposed operation is consistent with the GEF Operational Strategy for biodiversity, particularly OP 1 (Arid/Semi-arid ecosystems) through open savanna and miombo habitats conservation in and around Kafue and Mosi-o-Tunya NPs, OP2 (Fresh water ecosystem) through extensive swamps in the southern and northern portion of Kafue NP. The program is consistent with Conference of Parties to the Convention of Biodiversity guidance because it focuses on the conservation of critical ecosystems and threatened endemic species. It also supports local community involvement in management decisions as beneficiaries of wildlife area management. The overall design is consistent with the guidance from the Conference of Parties to address in situ conservation activities as it includes: (1) capacity building; (2) strengthening the conservation, management, and sustainable use of ecosystems and habitats; (3) strengthening the involvement of local communities; and (4) integrating social dimensions including those related to poverty. The proposed project has been designed in line with the emerging GEF strategic priorities for biodiversity. In line with COP4 guidance, the project takes an ecosystem approach to biodiversity conservation. It does this in a range of ecosystems under different management regimes, involving all the stakeholders local communities, the private sector, and government agencies.

The protected area sub-component focuses on biodiversity conservation. It is nested within the larger tourism component as part of the greater Kafue and Livingstone landscape development. Economic diversification is the focus of the overall SEED, with the alleviation of poverty being centerpiece. SEEDs also include support to small scale enterprises in the tourism sector thereby further mainstreaming the conservation of biodiversity into private sector development. The project will develop mutual catalytic effects on the economic and natural asset conservation and management objectives of the respective project components. This approach is designed to mitigate the effects of a multitude of factors threatening biodiversity conservation and management in Zambia.

Biodiversity relevance

Zambia is a large country (750,000 km²) with a diversity of ecosystems represented amongst its forest, woodland, grassland, aquatic and anthropogenic biomes. These include afro-montane ecosystems in the Nyika Plateau to the east, tropical rainforest around the source of the Zambezi to the north-west, extensive wetlands, lacustrine and riverine systems, and miombo woodlands covering some two thirds of the country, jointly comprising some of the world's most important and largely undisturbed ecosystems, freshwater sources and carbon sinks, with their accompanying biological diversity, thus making Zambia's transitional zoogeographical position both regionally and globally significant. Inter-regional transitions form broad ecotones in Zambia that consist of a mix of flora and fauna from neighbouring centres of endemism.

The importance of Zambia to regional and global perspectives of floristic biodiversity is captured by the following extract from Zambia's National Biodiversity Strategy and Action Plan (BSAP, in prep.) :

Floristically, Zambia lies within the Zambebian regional centre of endemism which borders the Guineo-Congolian region to the north and the Karoo-Namib region to the south and southwest (White, 1983). Inter-regional transitions form broad ecotones that consist of a mix of flora from neighbouring centres of endemism.

Whilst the endemism of Zambia's flora is not particularly exceptional (although undoubtedly much higher than currently known), it is estimated that 54% of the species in the regional Zambebian Phytochorion are endemics (White, 1983).

Miombo woodland, which dominates Zambia's landscape, is perhaps Zambia's most important ecosystem for many reasons. Firstly, the sheer scale and size of the woodland biome has significant implications in terms of its ecological functions – Zambia contains some of the region's largest carbon stocks (second only to Angola) predominantly within the miombo ecosystem. Zambia is the centre of diversity of the Genera *Brachystegia* and *Monotes* that are the dominant trees of miombo woodland, and represented by 18 and 11 species respectively (in fact, localised hybridisation is so extensive that it is often impossible to definitively allocate a sample to one species or another). Exceptional diversity of herbaceous species is associated with miombo woodland, particularly the orchids (*Orchidaceae*) and the milkweeds (*Asclepiadaceae*).

A similar picture is apparent regarding Zambia's importance to regional and global faunal diversity as indicated by the following extract from WWF's profile of Zambia's natural resources (1996) :

Zambia ranks third with Malawi only to the Republic of South Africa and Angola in the sub-region in terms of its vertebrate diversity, if marine fish are excluded from the ranking. The exceptional faunal diversity of Zambia is illustrated by the presence of mammals normally restricted to neighbouring countries.

The Genus *Kobus* is an Indicator of the faunal diversity of Zambia. This Genus includes 2 endemic subspecies (*Kobus leche kafuensis* and *Kobus leche smithemani*), 1 near-endemic but extinct subspecies (*Kobus leche robertsi*), as well as other *Kobus* species including *leche*, *ellipsiprymnus*, *ellipsiprymnus crawshayi*, and *vardonii*. Such a concentration of closely related mammalian species and sub-species within a relatively small geographic area is exceptional.

The majority of Zambia's biodiversity is contained within Zambia's extensive wildlife estate (National Parks and Game Management Areas) and forest estate, although there are gaps in Protected Area coverage that exclude important areas of high biodiversity and local centres of endemism. Zambia has 19 National Parks (NPs) and 36 Game Management Areas (GMAs) that jointly cover some 23 million hectares or about 30% of the country (8% and 22% respectively). Protected Forest Areas (PFAs) cover another 9-10% of the country. The National Heritage Conservation Commission (NHCC) has listed over 1,700 potential sites for tourism development that remain un-developed. Zambia has over 35% of the water resource in Southern Africa offering enormous tourism potential, such as the Victoria Falls at Livingstone. The highest level of Protected Area status is in Zambia's National Parks' estate, whereas other areas enjoy far less legal protection.

Mosi-o-Tunya National Park

The Mosi-o-Tunya National Park is the smallest National Park in Zambia (6,600 ha), whilst attracting the most intensive economic activity of any Protected Area in the country due to its co-location with the City of Livingstone, Provincial Capital of the Southern Province and nominal “Tourist Capital” of Zambia.

The Mosi-o-Tunya National Park (6,600 ha) around the Victoria Falls *includes* a mosaic of riparian (dominated by *Diospyros mespiliformis* and *Syzigium* spp.), mopane (dominated by *Colophospermum mopane*), miombo (dominated by *Brachystegia* and *Julbernardia* spp.), teak (dominated by *Baikiaea plurijuga*) and Kalahari woodlands, *Combretum-Terminalia* thickets, rain forest in the gorges that are kept permanently moist by spray from the falls, and grasslands.

The rain forest is not true rain-forest, but rather riparian woodland (dominated by *Diospyros* and *Syzigium* spp.) which has adapted to the higher “rainfall” conditions of the falls. It does however include at least 9 rare plant species that are dependent on its high moisture levels.

In spite of its small size, the Mosi-o-Tunya NP has a diverse fauna, including the following Critical Species of special concern :

- **Mammals:** Endangered (White rhinoceros, African elephant, Wild dog), Vulnerable (Lion, Leopard, Aardwolf, Springhare), possibly Vulnerable (Sable antelope)
- **Birds :** Endangered (near-endemic Black-cheeked lovebird)Vulnerable (Taita falcon, Black eagle, Corncrake, Lesser kestrel)

Two Threatened species of fish, the ocellated spiny eel and broad-headed catfish, occur just upstream from the Victoria Falls in the Katima Mulilo locality, but it is uncertain whether or not they have been recorded in the waters of the Mosi-o-Tunya National Park. Many of the fish that are found in the upper Zambezi River (that is, above the falls) also occur in the Kafue River system, such as the African pike.

Kafue National Park

The Kafue National Park is one of the largest National Parks in the world (about 2,240,000 ha), with a high diversity of fauna and flora. The Park is the closest and most accessible extensive National Park in Zambia for visitors to Livingstone, and represents an outstanding opportunity for the development of a tourism circuit between Livingstone and other destinations in the country.

The Kafue National Park comprises a rich variety of Critical Habitats including riverine, mopane, miombo (the dominant habitat), and termitaria woodlands, teak woodlands/forests, dambos (headwater valley grasslands), wetlands such as the Busanga Swamps, and aquatic habitats in the Kafue River and its tributaries and Lake Itezhi-tezhi (a man-made hydro-electric storage dam), with an equally diverse fauna including the following Critical Species of special concern :

- **Mammals:** Endangered (Black rhinoceros, African elephant, Wild dog), Vulnerable (Cheetah, Lion, Leopard, Aardwolf, Springhare, Pitman’s shrew, Anchieta’s pipistrelle), possibly Vulnerable (Roan antelope, Sable antelope)
- **Birds :** Endangered (near-endemic Black-cheeked lovebird), Vulnerable (Slaty egret, Lesser kestrel, Wattled crane, Corncrake, Cape vulture)

- **Fish** : Possibly Vulnerable (African Kafue pike, Melland’s spiny eel, Blotched barbel, Bottlenose, Red-breasted bream, Silver barbel)

Threats, Root causes and proposed mitigations

The shortage of alternative economic opportunities is leading to indiscriminate and unsustainable use of natural resources further reducing available livelihood options. Indicators of this trend are the extinction of the black rhinoceros from Zambia, a reduction in elephant populations of about 80% over the last 25 years, and an estimated rate of deforestation of 0.5% per annum.

Some of the species requiring urgent attention in the context of biodiversity conservation in these and other Protected Areas of Zambia include black rhinoceros (*Diceros bicornis*), African elephant (*Loxodonta africana*), red lechwe (*Kobus leche leche*), the Kafue lechwe (*Kobus leche kafuensis*), the black lechwe (*Kobus leche smithemani*), roan antelope (*Hippotragus equinus*), wild dog (*Lycaon pictus*), cheetah (*Acinonyx jubatus*), the shoebill (*Balaeniceps rex*), wattled crane (*Bugeranus carunculatus*), the extensive species diversity and endemism of the ichthyofauna of Lake Tanganyika, the endemic Nyika dwarf chameleon (*Chamaeleo goetzei nyikae*) of the Nyika Plateau, the extensive species diversity around the source of the Zambezi, as well as the flora of associated Critical Habitats that are threatened by encroachment and unregulated exploitation.

Major Threats	Root Causes	Proposed Actions/ Mitigation Measures
Unsustainable subsistence hunting and harvesting of wildlife products, agriculture and settlement practices, poaching and habitat degradation	Inadequate policies and laws or applications thereof to promote community (and individual) rights, responsibilities, and accountability for uses of wild resources and natural habitats	Coordinate and streamline policies, planning and regulatory frameworks and development programs affecting NRM, biodiversity across all relevant sectors
	Weak monitoring and evaluation of wildlife and natural habitat	Carrying out Environmental Impact Assessments and publishing Impact Statements relevant to biodiversity conservation
	Growth of markets for wildlife products	Developing a strong biodiversity Monitoring and Evaluation system for monitoring the status and trend of critical species and habitats
	Insufficient technical knowledge within communities regarding ways and means of managing wild resources to achieve higher sustainable yields	Assessment and restocking of the NPs, including the fenced areas of the Mosi-o-Tunya NP
	Insufficient capacity in government and local communities to design and implement sustainable use activities in agriculture and biodiversity conservation	Upgrading law enforcement operations for resource protection Development of environmentally sustainable economic opportunities and market research for sustainable use of wildlife, natural and cultural resources
		Promote effective wildlife management practices in the NPs and GMAs. (other donor)

		Formation and development of Community Resource Boards (CRB's) responsible for community-based resource protection and community development based on land use planning, zoning and sustainable utilisation practices (other donors)
Weak infrastructure in NPs and GMAs	<p>Inadequate management infrastructure in the NPs and GMAs</p> <p>Limited support from Government for road sector rehabilitation in the NP areas</p>	<p>Installation of a Park Management Unit with management, budget and expenditure controls decentralised to the Park level to maximise the effectiveness of operations in the field</p> <p>Promoting and developing environmentally sustainable economic opportunities and private sector development</p> <p>Provision of transport, communications and equipment required for Park management</p> <p>Rehabilitation and construction of tourism and park management infrastructures</p>
Encroachment and Disturbance in Ecosystems	<p>Population growth and settlement leading to human encroachment and unsustainable use of Protected Areas</p> <p>Unrestricted grazing</p> <p>Elimination of Critical Habitats and refuges for Critical Species of flora and fauna</p> <p>High rate of unemployment following the decline in the industrial base (mining, tobacco) leading to use of traditional livelihood options in protected areas</p>	<p>Strengthening policy, regulation and law enforcement in the areas to contain encroachment</p> <p>Develop interventions necessary for species' removals and re-introductions</p>
Pollution	<p>Limited support from government for water supply, drainage and solid waste disposal</p> <p>Unregulated water consumption by certain sectors (tourism, hydro-power, and agriculture)</p> <p>Low local understanding of the human impact on natural resources (aquatic habitats)</p>	<p>Rehabilitation and construction of tourism and park management infrastructures including for water supply</p> <p>Assess effects of water release programs and pollution and promote water management (WWF projet on Kafue river)</p> <p>Promote awareness on impacts of tourism and other human activities</p> <p>Support implementation of management</p>

	Advancing technology and development	planning recommendations for rehabilitation of aquatic and terrestrial habitats
Weak management practices and lack of coordination among various agencies and stakeholders	<p>Insufficient technical capacity of Ministries and Agencies concerned with development of biodiversity related tourism</p> <p>Lack of knowledge and institutional capacity and of appropriate natural resource management systems</p> <p>Indifferent attitudes of stakeholders and communities residing in the project areas towards environmental sustainability and lack of environmental awareness</p> <p>Inadequate public and political awareness of the economic opportunities and safeguards of sustainable private-sector led Protected Area management concessions</p> <p>Little access to other direct sources of funding and inadequate central government funding</p>	<p>Support training and capacity Building activities in the NPs</p> <p>Implementation of updated National Parks' General Management Plans</p> <p>Involving traditional leaders and local community members in integrated management practices in the NPs and GMAs</p> <p>Environmental Education and Awareness building at political, governmental, public, and community levels through media outreach and technical training</p> <p>Develop marketing and management skills to promote opportunities for sustainable use</p> <p>Encouraging private sector participation in the biodiversity and tourism related activities of the NPs and GMAs</p> <p>Facilitation of approved investments and capture of sustainable revenue potential from tourism and associated wildlife-based enterprises</p>

Additional GEF Annex 12: Incremental Cost Analysis ZAMBIA: Support for Economic Expansion and Diversification (SEED)

Overview

The Principle objective of the GEF alternative is to help Zambia conserve critical species, habitats and its ecosystem, which are both globally significant and vital to the sustained livelihoods of people living in the surrounding areas. This objective will be achieved through a combination of conservation activities, strengthened protection, enhancing tourism through increased private sector investment and capacity building. The GEF alternative intends to achieve these outputs at a total incremental project cost of US\$ 15 million (US\$ 4 million from GEF).

Context and Broad Development Goals

Zambia's transitional zoogeographical position is of enormous significance to regional and global biodiversity. The majority of Zambia's biodiversity is contained within Zambia's extensive wildlife estates (National Parks and Game Management Areas) and forest estates, although there are gaps in Protected Area coverage that exclude important areas of high biodiversity and local centers of endemism.

Within the Tourism sector, the GEF Alternative seeks to support the Zambia Wildlife Authority's (ZAWA) efforts to secure the national protected area system by ensuring the management and conservation of Critical Species and Habitats of Core Protected Areas and Buffer Zones that are of key significance to global biodiversity. The objectives are to be achieved through public/private partnership for building an enabling environment conducive to private sector growth and community-based development, and by preserving Zambia's extensive cultural, natural and wildlife assets.

Significantly, the main biodiversity enhancement objectives aim to: a) establish and monitor the status and trend of biodiversity in the project's target areas; b) identify and monitor threats to biodiversity conservation and management and incorporate mitigating actions into project implementation; c) sustain the integrity of Critical Sites (the core Protected Areas) of the project areas; and d) rehabilitate selected, prioritized Critical Habitats and Species that have been degraded.

GEF System Boundary

In geographical terms, the systems boundary for the project includes the Mosi-o-Tunya and Kafue NPs and surrounding communal areas for development intervention, including effective management and conservation activities. Although the project outputs would directly benefit the target areas, lessons learned would be critical for future replication in adjacent areas. The time boundary for the cost assessment would be the lifetime of the GEF intervention in this project.

Baseline

Under the baseline scenario, grant agreements between the Government and international cooperation agencies and NGOs will continue to be the main source for funding the protected areas during the duration of the project. With the current sources, the government will cover basic operational costs and limited investment costs during project implementation, but will not be able to make additional investments to improve management within the system. The GRZ and ZAWA's resources are sufficient only to

maintain basic Protected Area Management Systems in the Mosi-o-Tunya and Kafue National Parks. Notably, the baseline initiatives that would be complementary to the project include ZAWA's Emergency Performance Based Resource Protection Strategy (financed by NORAD) and the 5-Year Strategic Plan (financed by the EU), both of which are lending support to the project as co-funding agencies.

Besides, initiatives such as the Environmental Support Program (ESP), its associated Pilot Environmental Fund (PEF), the Zambia Social Investment Fund (ZAMSIF) supported by the Bank and, those financed by other international developing agencies including NEAP formulation (supported financially by UNDP, the World Bank and NORAD) and the Zambia Forestry Action Plan (ZFAP) formulation process (supported by UNDP, the Royal Netherlands Government and FAO) would provide a crucial link to developing and guiding approaches that will encourage natural resource management and biodiversity conservation and, stimulate economic growth and diversification. Whilst, there are a limited number of donors supporting community-based natural resources management initiatives in the communal areas and GMAs, there is only minor donor support for management and conservation of the NPs themselves. In the baseline alternative some NGO-implemented conservation activities, such as the Community Based Natural Resource Management and Sustainable Agriculture (CONASA) project supported by USAID in the Kafue National Park though based on the principle of sustainable natural resources utilization, has targeted activities mainly on managerial and business skill development, micro-grants, and marketing support in the context of food security, rather than biodiversity conservation in the Parks. A similar CBNRM program supported by DANIDA is also being implemented in the region, but in GMAs other than those targeted by this project. In view of the ongoing activities in the target region, the SEED project has been carefully designed to avoid any overlap and to promote complementary inter-linkages with the baseline activities. For example, the implementation of the SEED Biodiversity's CBNRM support activities will thus be channeled naturally through ZAWA's, GMA Directorate as part of its statutory functions, and in this way will automatically interact with the CONASA project. but insufficient to prevent observed encroachment, illegal exploitation, pollution and mismanagement of natural resources, resulting in the continuing decline of biodiversity. In such a scenario Zambia would be able to only provide basic recurrent costs, which would be insufficient to ensure an operational and financial sustainability.

The baseline scenario in Zambia's wildlife sector economy is that although tourism development is occurring through private sector investment, its economic effectiveness and impact are constrained by lack of sound commercial policies, inadequate development of tourism infrastructures, and poor wildlife resources management performance, particularly in the core Protected Areas. Early economic returns from tourism development are unlikely to be sufficient to support initiatives to secure the biodiversity of the target areas (Mosi-o-Tunya and Kafue National Parks and surrounding municipal and communal lands and Game Management Areas), as initial private sector re-investment is most likely to be targeted at essential business development needs. Having said this, there is a tradition of the private sector providing consistent baseline support for wildlife management activities in the field, and in some areas major wildlife resources would have been wiped out without this support.

In a realistic scenario, the global benefits derived from baseline alternative would include costs of some natural resource management conservation activities, environmental education and support to CRBs but would not match the need for conservation activities such as containing illegal hunting and natural resource exploitation and assessment of information on the status and trend of biodiversity in the project areas, on threats to biodiversity and mitigating actions to protect and manage the Critical Species and Habitats of Core Protected Areas and Buffer Zones that are of key significance to global biodiversity. Also, there would be no resources at all in the baseline alternative to extend the strategic biodiversity conservation planning within the tourism sector to other significant Park and associated GMAs and

communal areas. Therefore, while the estimated resources for baseline activities (US\$ 11 million) are substantial, and represent a strong national commitment in the face of other pressing needs, they would be insufficient to prevent observed encroachment, illegal exploitation, pollution and mismanagement of natural resources, resulting in the continuing decline of biodiversity. In such a scenario Zambia would be able to only provide basic recurrent costs, which would be insufficient to ensure an operational and financial sustainability. Notably, these baseline initiatives which would be complementary to the project include ZAWA's Emergency Performance Based Resource Protection Strategy (financed by NORAD) and , the 5-Year Strategic Plan (financed by the EU), both of which are lending support to the project as co-funding agencies.

Besides, and initiatives such as the Environmental Support Program (ESP), and its associated Pilot Environmental Fund (PEF), and the Zambia Social Investment Fund (ZAMSIF) supported by the Bank and, those financed by other international developing agencies including NEAP formulation (supported financially by UNDP, the World Bank and NORAD) and the Zambia Forestry Action Plan (ZFAP) formulation process (supported by UNDP, the Royal Netherlands Government and FAO) would provide a crucial link to developing and guiding approaches that will encourage natural resource management and biodiversity conservation and, stimulate economic growth and diversification. Whilst, there are a limited number of donors supporting community-based natural resources management initiatives in the communal areas and GMAs, there is only minor donor support for management and conservation of the NPs themselves. The Community Based Natural Resource Management and Sustainable Agriculture (CONASA) project supported by USAID in the Kafue National Park though is based on the principle of sustainable natural resources utilization, it has targeted activities mainly on managerial and business skill development, micro-grants, and marketing support in the context of food security, rather than biodiversity conservation in the Parks. A similar CBNRM program supported by DANIDA is also being implemented in the region, but in GMAs other than those targeted by this project. In view of the ongoing activities in the target region, the SEED project has been carefully designed to avoid any overlap and to promote complementary inter-linkages with the baseline activities. For example, the implementation of the SEED Biodiversity's CBNRM support activities will thus be channeled naturally through ZAWA's GMA Directorate as part of its statutory functions, and in this way will automatically interact with the CONASA project. Therefore at the end of the project period, over-exploitation of most of the National Park and GMA areas would continue.

In Zambia's wildlife sector economy, the baseline scenario is that although tourism development is occurring through private sector investment, its economic effectiveness and impact are constrained by lack of sound commercial policies, inadequate development of tourism infrastructures, and poor wildlife resources management performance, particularly in the core Protected Areas. Early economic returns from tourism development are unlikely to be sufficient to support initiatives to secure the biodiversity of the target areas (Mosi-o-Tunya and Kafue National Parks and surrounding municipal and communal lands and Game Management Areas), as initial private sector re-investment is most likely to be targeted at essential business development needs. Having said this, there is a tradition of the private sector providing consistent baseline support for wildlife management activities in the field, and in some areas major wildlife resources would have been wiped out without this support.

While it is expected that ZAWA will attempt to seek greater private sector support, raise funds and use its commercial potential to help finance Park development, the pace at which this is occurring is too slow to prevent the alarming loss of biodiversity and cater for the demands of the private sector investment in tourism activities. Meanwhile, the shortage of finance in ZAWA needed to manage the National Parks has resulted in all GMA revenues (mainly from hunting) being retained by ZAWA instead of being remitted as required to the community resource boards on behalf of their local communities participating in

ZAWA's CBNRM Program. This in turn is undermining initiatives designed to encourage local communities to conserve biodiversity and manage its sustainable use. Therefore it is unlikely that in the baseline situation, the decline of biodiversity could be reversed and economic expansion through improved tourism improved. In order to enable communities to make the shift from the normal, highly damaging practices to sustainable management, intensive, participatory training beyond the general programs is required.

Global Environmental Objectives

The Global Biodiversity Enhancement Objective of the Biodiversity Sub-component is to secure the conservation and management of Zambia's selected natural ecosystems, freshwater sources, watersheds and carbon sinks which are globally significant and vital to the sustained livelihoods of people living in the surrounding areas. The global objective would contribute to the expansion and improved sustainability of Zambia's protected area system, catalyzing the linkages between local community use practices, developing capacity for long-term sustainability of the PA system and policy and legal reform necessary to improve management.

The Government ranks Zambia's tourist industry and the wildlife components of its biodiversity as mutually inter-dependent development priorities, and has identified the Mosi-o-Tunya and Kafue NPs and surrounding communal areas as priorities for development intervention. Both the Mosi-o-Tunya and Kafue NPs contain biodiversity of global significance and are listed as Critical Sites (including Critical Habitats) by IUCN (1990), which also lists most of the wildlife of both areas as Critical Species. The ZAWA has responsibility for oversight of the entire PA system within Zambia. As such, it has identified these two areas, due to their combination of wildlife and cultural resources of importance to the wildlife and tourism sector, as the most appropriate entry points for the implementation of biodiversity conservation activities and economic development in Zambia.

GEF Alternative

Under the GEF alternative scenario, the incremental cost implications of GEF support are three-fold in terms of benefits: improved management of the protected area and wildlife estate, leading to greater security of biodiversity, feeding back into improved capacity and long-term sustainability of natural resources through economic development secured through alternative livelihoods and tourism. Sustainability of conservation management and biodiversity protection would be accomplished by ensuring that the local people directly and indirectly benefit from economic development activities centered round the conservation of biodiversity, thereby moving away from direct and unsustainable utilization of sensitive natural resources.

Financing from the IDA and co-operating partners will enable ZAWA to improve natural resources management infrastructures and operations, attract investment and private sector participation, and increase revenues from wildlife-based enterprises, resulting in stabilization of gross ecosystem status and functioning. GEF financing will enable ZAWA to focus its interventions on biodiversity conservation and management issues resulting in enhancements to the status of specific, prioritized biodiversity. In the alternative scenario, the Biodiversity component will be implemented within the frameworks of and support from ZAWA's Emergency Performance Based Resource Protection Strategy and its 5-Year Strategic Plan.

It is envisaged that tourism and biodiversity related activities of this project will work in tandem. The proposed project will work to mainstream biodiversity concerns into the tourism sector in several ways. First, within the overall framework of the Master Development Plan for the tourism sector, the

project will establish mechanisms, such as the proposed Intersectoral Committee, that will provide viable options for biodiversity conservation and sustainable development both at local and national levels and facilitate the active involvement of the stakeholders concerned with ecotourism.

Second, the project will build institutional capacity of the environmental authorities concerned with tourism and biodiversity such as the Ministry of Tourism, Environment and Natural Resources, Zambia National Tourism Board (ZNTB), Zambia Wildlife Association (ZAWA), Zambia Investment Center, and others. The project will establish specific training programmes and awareness campaigns for tourism enterprises and protected areas staff to promote exchange of information and interest the mass tourism market in nature oriented tourism activities

Third, the project will facilitate new as well as already committed investments to support the development of wildlife-based tourism enterprises. The project will establish mechanisms to capture the revenue potential from this sustainable tourism development in order to contribute to greater revenues to ZAWA, MTENR/ZNTB and the local communities and thereby generate economic support for conservation of natural areas.

And fourth, the project will support land-use planning at the local level in coherence with the procedural guidelines for CBNRM in the GMAs under the broader existing policy and legal framework, thereby ensuring sustainability (and environmental compatibility) of tourism development. Further, the project will lead to the adoption of updated general management plans for the targeted National Parks, which would build a key element for development of sustainable biodiversity-based tourism in line with the strategic Development Master Plan being developed for the Livingston area under the tourism sector. In the alternative scenario, the Biodiversity component will be implemented within the frameworks of and support from ZAWA's Emergency Performance Based Resource Protection Strategy and its 5-Year Strategic Plan.

In order to introduce functioning biodiversity conservation management, collation and assessment of a range of Natural Resources Monitoring information would be done, including monitoring of natural and anthropogenic environmental impacts on the proposed protected areas and their buffer zones, as would the necessary institutional and financial mechanisms for effective implementation. The Project Implementation and Monitoring Unit will be put in place. Capacity building on the local level would seek to build a basis for active involvement of the local communities. Resources would also be made available to ensure continued monitoring of the ecological status of identified critical habitats and species allowing early warning in case of imminent threats and enabling remedial action. The development process would be based on the Strategic Development Master Plan being developed for the entire Livingstone Area (including municipal components) by the SEED Project. The development of the Parks as more popular tourist attractions will also encourage participation of the private sector (including local communities) in their management and sustainable utilization. The project will thus, produce institutional and financial conditions that will enable the two important national parks to be well functioning.

The alternative will undertake actions principally at three levels – site, national and regional. More specifically the proposed GEF alternative will expand the baseline of the 5 sub-components in the following ways:

In summary, this sub-component consists of two areas of intervention: (i) development of the Mosi-o-Tunya National Park including: (a) park administration by a regionally recruited park warden and establishment of cost center; (b) monitoring, management & rehabilitation of critical habitat & species which seeks to overall completely the way resources were monitored and managed to enhance ecosystem

viability and attractiveness of the area and its wildlife; (c) law enforcement to decrease illegal activities such as poaching, pollutions, etc.; (d) infrastructure development & maintenance seeks to increase attractiveness of the site by removing derelict infrastructure, and improve easiness of usage by restoring roads and building a fence encompassing a large portion of the park; (e) public-private partnership & business development to concentrate on establishing good-neighbor relations with Livingstone main stakeholders such as LCC, adjacent landowners and already established private operators; and (f) CBNRM implementation will work in the park periphery in an attempt to start establishing corridors within the landscape by favoring profitable land-use that involves proper management of wildlife and habitat; and (ii) development of the Kafue National Park including: (a) park administration by a regionally recruited park warden and establishment of cost center; (b) monitoring, management and rehabilitation of critical habitat and species seeks to organize a standard data collection and management system that feeds into daily management of the park and inform of its impact; (c) law enforcement with a focus on anti-poaching and agriculture encroachment at the western periphery; (d) infrastructure development & maintenance will supplement ROADSIP investments by building tracks following the western limit as well as a network of secondary tracks & firebreaks, by revamping office building and staff housing and organizing an annual road maintenance system; and (e) public-private partnership & business development to organize and establish two additional private concessions including a flagship concession.

In sum, building upon the experiences with participatory extension developed under the baseline activities and the experiences with various local initiatives, the GEF alternative would be an important step towards the long-term achievement of biodiversity conservation. Without the conservation activities which will be achieved through the proposed project, biodiversity protection of these parks will be limited and not secured in the long-run. *Total expenditures under the GEF alternative are estimated at US\$ 15 million.* The estimated sub-components costs from the various sources of finance are shown in Annex 4-A.

Incremental Costs

The total costs of the baseline scenario are estimated at US\$ 11 million (IDA \$5.0M, NORAD \$ 3.0M, EU \$2.0M, GRZ \$1.0M). The difference between the cost of the baseline scenario and the cost of the GEF alternative (US\$ 15 million) is estimated at US\$ 4 million. This represents the Incremental cost for achieving global environmental benefits and is the amount requested from the GEF (see incremental cost matrix for details).

Incremental Cost Matrix

Component sector	Cost Category	Cost (million)	Domestic Benefit	Global Benefit
Installation of Project Implementation and Monitoring Unit	Baseline	US\$ 0.70	Basic project management capacity integrated with ZAWA.	
	GEF Alternative	US\$ 1.2	Enhanced implementation of the project through effective, adaptive management and minimized administrative burdens. Efficient coordination with other GEF projects and associated biodiversity initiatives.	Improved capacity for management of biologically diverse protected areas both locally and nationally.

			Efficient coordination of ZAWA's projects, cooperating partners, and sources of finance.	
	Incremental	US\$ 0.50		
Development of the Mosi-oa-Tunya National Park as a model	Baseline	US\$ 2.2 million	Park management supported with moderate expenditures to safeguard baseline conservation and management of the Mosi-oa-Tunya National Park.	
	GEF Alternative	US\$ 3.2	Biodiversity conservation enhanced through effective management planning & implementation, training, capacity building, and awareness generation among local and tourist populations. Improved wildlife management, and increased tourism and participation of the private sector (including local communities) in park management and development.	Sustainable management and protection of globally important biodiversity. Replicable experience from pilot activities in attracting private investors for ecologically sound tourism.
	Incremental	US\$ 1.0		
Development of the Kafue National Park as a model	Baseline	US\$ 5.2	Park management and development supported to safeguard baseline conservation and management of the Kafue National Park.	
	GEF Alternative	US\$ 6.2	Conservation of important biodiversity hotspots, enhanced through effective management planning & implementation, training, capacity building, and awareness generation among local and tourist populations. Increased tourism and participation of the private sector (including local communities) in Park management and development.	Sustainable management and protection of globally important biodiversity. Replicable experience from pilot activities in attracting private investors for ecologically sound tourism.
	Incremental (GEF)	US\$ 1.0		

Facilitation of Community Based Natural Resource Management (CBNRM) Program	Baseline	US\$ 1.7	Creation, activation and regulation of community resource boards. Equitable sharing of costs and benefits established. Protection and monitoring of wildlife resources. Formulation and implementation of land-use plans and zones in the GMAs.	
	GEF Alternative	US\$ 2.2	Capacity building and enhanced participation of local communities in CBNRM, Enhanced access to finance and investment in CBNRM activities.	Conservation and management of biodiversity of global importance supported by local communities.
	Incremental (GEF)	US\$ 0.50		
Implementation of ZAWA's Research, Planning and Information Directorate's Program	Baseline	US\$ 1.2	Baseline status and trend of wildlife resources will be known and understood.	
	GEF Alternative	US\$ 2.2	Status and trend of critical species and habitats monitored. Information feedback provided to project management and ZAWA's management, research, planning and information activities.	Effective conservation and management of global biodiversity, including sustainable use, achieved through linkages between research, management, planning and information activities at the local, national and international levels.
	Incremental (GEF)	US\$ 1.0		
Totals	Baseline	US\$ 11.0		
	GEF Alternative	US\$ 15.0		
	Incremental	US\$ 4.0		

**Additional GEF Annex 13: Major Related Projects Financed by the GEF, Bank and/or other
Development Agencies
SEED - Biodiversity Component
ZAMBIA: Support for Economic Expansion and Diversification (SEED)**

Table 1. GEF Initiatives

	Project Name	Implementing Agency	Remarks
1.	Reclassification and Sustainable Management of Zambia's Protected Areas System	MTENR/UNDP/GEF	
2.	National Biodiversity Strategy & Action Plan (BSAP)	MTENR/UNDP/GEF	
3.	Lukanga Wetlands Project	AfDB/World Bank/GEF	PDF-B Pipeline entry approved.
4.	Pollution control and other measures to protect biodiversity in Lake Tanganyika. Regional Project involving Tanzania, Zambia, Congo and Burundi (project based in Tanzania).	UNDP/GEF	Ongoing.
5.	A strategy for integrated conservation of dry land biodiversity through land rehabilitation in the arid and semi-arid regions of Mozambique, Zambia and Zimbabwe (Regional Project)	UNEP/UNDP/GEF	
6.	Okavango River Basin Project (Regional Project involving Botswana, Namibia, Angola and Zambia)	GEF	

Table 2: Other Related Projects and Programs (Ongoing)

	Project Name	Responsible Agency	Cost
1.	Social Recovery Project (SRP)	World Bank/GRZ.	
2.	Economic Recovery Programme (ERP)	IMF/World Bank/GRZ	
3.	Support for the South Luangwa Area Management Unit (formerly LIRD)	NORAD	US\$ 9.7 m proposed for next phase
4.	Support for the Administrative Management Design Program (CBNRM) in GMAs	USAID	
5.	Support for Zambia's Wetlands Program, Land Use Planning, Training, and Aerial Wildlife Surveys	WWF	
6.	Support for the North Luangwa Conservation	Frankfurt Zoological	US\$ 300,000

	Project (NLCP)	Society	per annum
7.	Development of the Kafue NP general Management Plan, and support for volunteer biologists in SLNP and KNP	JICA.	
8.	Support for Kasanka NP	Kasanka Trust.	
9.	Technical Assistance for the Nyamaluma Wildlife Training College	WCS.	
10.	Support for the conservation and management of the Lower Zambezi National Park and Chiawa GMA	DANIDA and EU.	
11.	CBNRM in GMAs around the northern Kafue National Park – CONASA	USAID with Care International and WCS.	US\$ 6-7 m
12.	Four Corners Project	USAID with AWF.	US\$ 3 m
13.	CBNRM in GMAs around the eastern side of Kafue National Park	DANIDA (US\$ 2m).	
14.	Technical and financial assistance supporting the development of ZAWA.	NORAD, DANIDA, and EU.	
15.	Wildlife Conservation Society of New York (WCS) Support for Community Scouts in GMAs.	EU	EUR 300,000
16.	ZAWA's Emergency Performance Based Resource Protection Strategy	NORAD	US\$ 500,000
17.	ZAWA 5-Year Strategic Plan 2002 -2007	EU	EUR 80,000
18	Development of a Policy for Rhino Management	US Fish & Wildlife	US\$ 16,500

The SEED-Biodiversity Component will work in parallel with the SEED Project and associated tourism components being implemented by the MTENR. The proposed project will be implemented within the frameworks of ZAWA's Emergency Performance Based Resource Protection Strategy (financed by NORAD) and its 5-Year Strategic Plan (financed by the EU). The proposed biodiversity component will also be closely co-ordinated with any initiatives related to the development of Livingstone under the Livingstone City Council, including the Victoria Falls World Heritage Site which is under the jurisdiction of the National Heritage Conservation Commission (NHCC) but lies within the Mosi-o-Tunya National Park.

Additional GEF Annex 14: STAP Technical Review
ZAMBIA: Support for Economic Expansion and Diversification (SEED)

General Comments:

Zambia has biodiversity concerns that are of global importance as stated correctly by the PAD (p.2). Thus, a GEF program focused on alleviating a portion of the country's biodiversity problems is well-justified. The PAD (p. 3) states that the main objective or purpose of the project is, "*To reverse the decline of wildlife and degradation of natural and cultural assets in the Mosi-o-Tunya and Kafue National Parks, surrounding municipal and communal lands, and game management areas.*" A similar goal is presented in Annex 4 (Incremental Cost Analysis) as well, "*The Principle [sic] objective of the GEF alternative is to help Zambia conserve critical species, habitats and its ecosystem, which are both globally significant and vital to the sustained livelihoods of people living in the surrounding areas.*" These goals, along with the remainder of the introductory section of Annex 4, are entirely appropriate, accurately reflecting the purposes of the GEF program. However, it is not obvious how the specific objectives ("*outputs*" or "*sub-components*" in the PAD, pp. 3-4) relate to these goals. At present, the "*outputs*" cover a range of organizational and operational plans. These include: 1) installation of a project implementation and monitoring unit, 2) development of Mosi-o-Tunya National Park, 3) development of Kafue National Park, 4) community involvement in park buffer zones, and 5) implementation of research, planning, and information actions at the parks by the Zambia Wildlife Authority. These "*outputs*" need to be replaced by specific, measurable biodiversity enhancement objectives. The current list of "*outputs*" may serve as procedural steps, but only to the degree that they can be demonstrated to relate directly to the biodiversity enhancement objectives.

The project's objectives should derive from the known problems threatening biodiversity in the parks, buffer zones, and game management areas covered by the proposal. The PAD refers to these problems in general terms (e.g., "*...these natural assets are being depleted due to unsustainable practices...*") (PAD, p. 2), but there should be information on their specific nature. For instance, the "*National Biodiversity Strategy and Action Plan,*" funded by GEF, must have presented specific recommendations. Also, the PAD (pp. 20-21) mentions other existing plans that could serve as valuable sources for specific biodiversity enhancement objectives including: 1) Integrated conservation of dry land biodiversity (UNEP/UNDP/GEF regional project with Mozambique, Zambia, and Zimbabwe), 2) WWF Zambian wetlands program, 3) Kafue National Park management plan supported by the Japanese International Cooperation Agency, 4) multiple programs supporting community-based natural resource management in buffer zones and game management areas around Zambia, and specifically for Kafue National Park supported by the Danish Agency for Development Assistance, U.S. AID, the Norwegian Agency for Development Cooperation, the European Union, and the Wildlife Conservation Society, 5) rhino management plan supported by the U.S. Fish & Wildlife Service. The reports from these projects should provide information on the critical biodiversity needs of Zambia in general as well as on issues that relate to the two parks that form the focus of this proposal.

Some examples of the kinds of biodiversity enhancement objectives that might be included in the SEED-Biodiversity Component are as follows:

- 1) Stop poaching of critically endangered species, e.g., rhinoceros, elephants, and parrots on park lands.
- 2) Stop destruction of critical park habitats by encroaching subsistence farmers, livestock, human-caused fire, or other factors.

- 3) Continue efforts to identify critical species and habitats in and around the parks.
- 4) Use information on critical species and habitats to devise rehabilitation plans for park aquatic and terrestrial habitats and critical fish and wildlife populations through enforcement patrols, fencing (to exclude livestock), fire-breaks, or similar actions as necessary.
- 5) Assess effects of water release programs from the Itzhi-Tezhi dam on fish and wildlife resources above and below the dam.
- 6) Develop sustainable harvest rates for fish and wildlife species hunted for food or recreational use, and develop knowledge-based enforcement.
- 7) Assess effects of water flow and pollution on fish and wildlife in and around the Zambezi at Victoria Falls and other park wetlands.
- 8) Use basic GIS and remote sensing technology to map and quantify critical habitats and surrounding areas. This procedure will enable accurate measure of success of efforts to rehabilitate habitats. It will also greatly facilitate planning, so that infrastructure changes (e.g., roads, buildings, power lines, etc.) can be placed with minimal effect on fish and wildlife resources.

The central thesis of this project is that poverty is, “*the root cause of biodiversity loss*” (PAD, pp. 2, 5, 9, 23, 30: Annex 4, p.2). Poverty may be a cause of biodiversity loss, but it is not the cause, a fact well-documented by a number of studies by the World Bank and other institutions (Heywood 1995, McNeely et al. 1995). People have been poor in Zambia for millennia, but biodiversity loss has occurred principally within the last half century - associated with human population growth, technological advancement, development, pollution, growth of markets for wildlife products, and changes in philosophy towards the value of human relationships with the environment (McNeely et al. 1995, Freese 1997). To suggest that poverty is the cause, is to suggest that the solution is to alleviate poverty, and that any project that will alleviate poverty will help biodiversity. This logic has been shown to be incorrect in repeated projects by development agencies throughout the world (Wells and Brandon 1992), as well as by the example of numerous biodiversity problems in the world’s wealthiest countries (Noss et al. 1997). Indeed, the PAD itself notes the potential lack of connection between poverty alleviation and biodiversity enhancement (p. 20).

Nevertheless, it makes sense for a GEF biodiversity grant to be a component of the bank’s tourism project. Efforts to enhance tourism will certainly affect biodiversity. As noted in the PAD (p. 25), biodiversity is the resource upon which a significant portion of tourism is based. Also, as noted in World Bank and GEF studies of parks and people, the best way to ensure conservation of biological diversity is to reconcile management of protected areas with the social and economic needs of local people (Wells and Brandon 1992, Smith and Martin 2000), a fact that is recognized in the PAD (p. 19). However, for the biodiversity component of the project, biodiversity must be central, as is made clear by the GEF mandate. The problems affecting Zambian biodiversity are well known (IMERCSA 2003). If specific biodiversity objectives, such as those listed above, are not given the highest priority in a project of this kind, then a positive effect on biodiversity is unlikely.

A complete list of meanings for all acronyms used should be provided.

[Answer to STAP Review - Indication on how the STAP comments are accounted for in the new version of the PAD](#)

Much of the reviewer’s feedback stems from solely reviewing the description of the biodiversity component rather than as part of an integrated economic development project. The Biodiversity component of the SEED project has subsequently been blended with the overall SEED Project Brief, providing a better overview of the objectives and linkages among the project components. Accordingly, early sections of the

document under review have been placed in logical context within the SEED Project, and reflect therefore the overall structure, including Development Objective, Global Objectives and Outputs of the SEED Project in the first instance, not the Biodiversity Component per se. Nevertheless, more specific information on the Outputs of the Biodiversity Component has been introduced into the main body of the document and appropriate Annexes.

It should be noted that the GEF contribution to just the Biodiversity Component is only about 15% of the proposed financing, the balance being contributions from IDA, other donors, and Government of the Republic of Zambia/Zambia Wildlife Authority. As such, the Project Brief must reflect the overall priorities of the Implementing Agencies and their co-operating partners, not just those of significance to biodiversity issues. The development approach of the Biodiversity Component of the SEED project may thus be summarised in three levels as follows:

- The baseline is that GRZ and ZAWA's resources are sufficient only to maintain basic Protected Area Management Systems in the Mosi-o-Tunya and Kafue National Parks, but insufficient to prevent observed encroachment and illegal exploitation of natural resources resulting in the continuing decline of biodiversity.
- IDA's and co-operating partners' financing will enable ZAWA to improve natural resources management infrastructures and operations, attract investment and private sector participation, and increase revenues from wildlife-based enterprises, resulting in stabilisation of gross ecosystem functioning.
- GEF financing will enable ZAWA to focus its interventions on biodiversity conservation and management issues resulting in enhancements to the status of specific, prioritised biodiversity.

Therefore, the reviewer's comments have been applied, where appropriate, to (i) those specific sections of the Brief that are relevant to biodiversity-specific issues as opposed to the overall SEED Project, and (ii) those specific sections where additional information on biodiversity has become available from the draft reports of some of the preparatory studies.

The PAD has been largely reworked since GEF Council. All editorial suggestions were taken into account and/or accounted for in the Mosi-o-Tunya and Kafue Implementation Plans. The project logframe was reworked to ensure that biodiversity outcome and output were indeed captured and detailed arrangements were proposed to monitor them. The project maintained the interdependent relationship between the enhancement of biodiversity for global sake and enhancement of biodiversity as a tourism product in order to fulfill both ecological and economical goals. The PAD was also edited to alleviate the misconception that support to Mosi would essentially install a pseudo-zoo. The Bank team dispute this analysis, but has worked to ensure that SEED is unambiguously not supporting the creation and management of such a pseudo-zoo but instead working to maintain ecosystem processes in a management intensive environment.

