

PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.: PIDC748

Project Name	Mozambique Conservation Areas for Biodiversity and Development Project (P131965)
Region	AFRICA
Country	Mozambique
Sector(s)	General agriculture, fishing and forestry sector (40%), Central government administration (40%), Other industry (15%), Sub-national government administration (5%)
Lending Instrument	Specific Investment Loan
Project ID	P131965
Borrower(s)	Ministry of Planning and Development, Ministry of Planning and Development, Tourism Ministry of Mozambique (MITUR)
Implementing Agency	Ministry of Tourism, Tourism Ministry of Mozambique (MITUR)
Environmental Category	B-Partial Assessment
Date PID Prepared	10-Dec-2012
Estimated Date of Appraisal Completion	
Estimated Date of Board Approval	15-Nov-2013
Concept Review Decision	
Other Decision (as needed)	

I. Introduction and Context

Country Context

About 70 percent of Mozambique's 22.9 million people live and work in rural areas. The country is endowed with a rich natural resource base including arable land, forest, water, and gas and mineral resources. It is also strategically located, bordering six countries and a 2,700 km coast line. In addition, the country's strong ties to the regional economic engine of South Africa underscores the importance of Mozambique's economic, political, and social development to the stability and growth of the region. For the past two decades since the end of the civil war, Mozambique recorded a sustained and impressive rate of growth. Average real GDP growth rate soared from zero percent during the 1981-92 period to 8 percent between 1993 and 2010; and real GDP per capita almost doubled after 1992, making Mozambique one of the best performing countries over the past two decades among African oil exporters. Economic growth has remained relatively strong albeit some slow down during the global food, fuel, and financial crises and consequent global economic slowdown since 2008. While the country's real GDP growth rate fell slightly to 6.3 percent in 2009, it rose to 6.8 percent in 2010 and is estimated to have increased to 7.2 percent in 2011. The rapid economic growth, however, has not translated into rural poverty reduction. Growth was accompanied

by significant strides in reducing poverty up to 2003. Household survey data indicate that the national poverty headcount fell from roughly 69 to 54 percent from 1996 to 2003. The results of the 2008-09 household survey suggest that the response of poverty reduction to economic growth has since weakened. Moreover, the geographical distribution of poverty continues to be concentrated in the rural areas, and in the center and northern part of the country.

Sectoral and Institutional Context

Tourism, which is a substantial source of rural employment, may contribute to the reduction of rural poverty. Mozambique has a great variety of tourism products with beaches, culture, and wildlife areas. Almost 2,500 kilometers of coastline on the Indian Ocean provide the country with some of the best beaches and marine life in Africa. The proximity to South Africa, make tourism a strong sector for development. Between 2007 and 2011, tourism arrival increased by 15 percent annually from about 1 million to more 2 million (generating receipt of US\$231 million in 2011). Arrivals are projected to continue to increase at about 8 percent annually to reach 3 million in 2017. Some of the terrestrial and coastal conservation areas, and some of the coastal districts have particularly high prospects to contribute to this growth because nature-based and sustainable coastal tourism are expected to be the largest growth areas in the coming decades: 60 percent of South Africa's 6 million tourists, for example, now visit protected areas each year, producing revenues of US\$2.5 billion. Tourism directly--and through linkages to transport, agriculture, food, retail, financial services, and construction sectors--offer compelling job creation and economic growth opportunities. Moreover, environmentally sustainable tourism links the conservation and development objectives of conservation areas and natural resources management by providing an economic alternative to unsustainable, destructive use of natural resources, as well as a direct economic incentive to maintain the natural ecosystems and their biodiversity. Tourism is already the third largest investment sector in the country and largely concentrates on coastal conservation areas. Investments in tourism have increased from US\$67 million in 2004 to US\$739 million in 2008. South Africa is the main investor in Mozambique's tourism industry and China has become the main infrastructure investor, financing the refurbishment of the national as well as regional airports. The government of Mozambique expects that a total of US\$ two billion will be invested in the tourism industry between 2010 and 2020. Many of Mozambique conservation areas fall within the biodiversity-rich Zambebian biogeographic region, and contain a wide diversity of habitats including mountainous, woodland, wetland and coastal/marine ecosystems. Mozambique has over 5,500 plant species, 222 mammal species, and 600 bird species. Many of these species are endemic. Its 2,700 km of coastline is unique in the East African Marine Region in terms of the quality, diversity and species richness including some of the most spectacular coral reefs in the world. Some of the most important biodiversity areas are on international well-established tourism routes and adjacent to conservation areas in neighboring countries. These large areas are important because they are historical corridors for large scale animal movements (terrestrial and marine). Among the most significant of these are the Chimanimani massif and the Maputaland area, the Gaza area adjacent to South Africa's Kruger National Park. Furthermore, some of these areas such as Maputaland-Pondoland-Albany, are designated as Biodiversity Hotspots by Conservation International. This conservation areas should be conserved using a broader landscape approach for the provision of ecosystem services.

One of the key strategies to conserve this important biodiversity and develop tourism lies in the development of conservation areas (including natural resources management for the production of ecosystem services) including seven National Parks, six National Reserves and eleven controlled hunting concessions. The currently gazetted conservation areas cover 13 million hectares, which represents 17% of the country's land surface. The coverage of conservation areas was the result of government's commitment to the international agreements (e.g. as signatory to the Convention on Biological Diversity) and support from its development partners. The creation of new conservation areas (e.g. Ponta d'Ouro Marine Reserve or Lake Niassa Reserve) and corridors, the improvement in

the management effectiveness of some conservation areas, and the improved natural resources management is the result of the successful partnership between the government and the Agence Francaise de Developpement (AFD), the World Bank (WB), the International Finance Corporation (IFC) and the Global Environment Facility (GEF) over the past 10 years.

Although significant progress has been made, some major threats to the country's environment—and therefore to the tourism potential—still remain. Some of the key threats include illegal mining and logging, agriculture encroachment, commercial poaching specially of elephant and overfishing. To address these threats, Mozambique's institutions and policies need to be strengthened and working effectively. The proposed project, thus, will contribute to the GOM's long term program to strengthen its tourism sector through enhancement of nature based tourism, provision of ecosystem services and diversification of livelihood.

Despite few references quantifying the specific causes of deforestation and forest degradation, various studies indicate that agriculture and fuel wood use constitute the two major causes. Agriculture is developed in small-scale both for subsistence (mainly maize) and for commercial purposes (sesame seed, tobacco and cotton) in family-based models with no external inputs. Charcoal, used particularly in urban areas, is commercialised mainly through the informal sector. This type of charcoal originates from unmanaged natural forests, which are not cultivated to sustain charcoal production, and is produced using methods and technologies such as traditional ovens (which are not very effective) as well as equipment such as stoves (which are not very efficient). In some cases, these causes of deforestation act together, insofar as agriculture needs energy (for example, to dry tobacco) and fuel wood and charcoal production promote the establishment of agricultural fields. Current agricultural and forestry policies have good intentions regarding the reduction of negative environmental impacts and the promotion of sustainable use of natural resources; nonetheless, the practice shows that its implementation is still weak. Commercial logging is done selectively and known to be unsustainable. It is less directly associated with deforestation, but instead with forest degradation. Its indirect link with deforestation consists of promoting other activities, such as charcoal production and agriculture. Meanwhile, uncontrolled fires seem to be part of the dynamic of the dry forest ecosystem (typically the Miombo); although the impact of these fires is not well known, it may well be more than the ecosystem can handle. Other causes of deforestation and forest degradation, such as mining and infrastructure development, have an indirect impact and limited magnitude (The context of REDD+ in Mozambique-Drivers, agents and institutions- CIFOR 2012). The project will deal with some of issue at the local level by developing local land use plans and local sustainable management practices, and by working with communities to use more efficient stoves and biodigestor, while the FCPF grant will work at the national level to develop a national strategy to deal with the reduction of deforestation and forest degradation (REDD+).

The GOM has requested a third phase of the TFCA program to build on the achievements and lessons learned from the successful TFCA II partnership to further strengthen the effective management of the conservation areas, the production of ecosystem services and their contribution to the diversification of economic opportunities. The proposed project would support the development of the tourism sector through key investments that will link infrastructure, skill development and private sector participation in targeted landscapes. All this will be done in and around targeted conservation areas. Conservation areas for this third phase are being selected to form clusters that link the coastal and inland areas to increase tourism products that mainly visit the coast. The project is being designed to enhance the

economic benefits from tourism and other development activities to the communities in and around these conservation areas. The third phase project is therefore expected to be the main instrument to the implementation of the 2009 Conservation Policy using an integrated ecosystem services approach. In fact, the project will promote conservation and enhancement of carbon stocks through sustainable management of land and forest resources (both closed and open forests) to reduce deforestation and forest degradation

Relationship to CAS

The 2012-2015 CPS (Report No. 66813-MZ) of the World Bank Group supports the development of Mozambique over 2012-15 and has an overarching goal of promoting broad-based, inclusive, and pro-poor growth. The proposed project would contribute to each of the three CPS pillars. Under Pillar I, Competitiveness & Employment, it contributes to Objective 1.2 Increased productivity in agriculture and other potential growth sectors. Tourism is of the key growth sector with high employment potential. Under Pillar II, Vulnerability & Resilience Governance, the project contributes to Objective 2.2 Improved resilience to natural disasters and impacts of climate change. Natural ecosystems in conservation areas are most effective natural buffers to floods and drought and in general climate change. Finally, under Pillar III Public Sector Capacity, the project contributes to Objective 3.3 Strengthened non-renewable, renewable natural resources and environmental management.

The proposed project is also consistent with the priorities specified under Mozambique's Initial National Communication (INC) to the UNFCCC was published in 2003 and raises awareness of several issues. Mozambique faces a tremendous challenge in protecting and assessing carbon stocks on its land. The analysis of land-use changes included in the Inventory of the INC demonstrates that 83% of the country's GHG emissions come from land-use related emission sources. Improved management of carbon stocks on forests, rangeland and farmland is clearly one of the primary climate change mitigation priorities for Mozambique.

The proposed project is also consistent with GEF strategies and policies. It contributes to the GEF's Biodiversity focal area strategic objective – Improve Sustainability of Protected Area Systems, and the Climate Change focal area strategic objective 5, 3, and 2– Promote Conservation and Enhancement of Carbon Stocks through Sustainable Management of Land Use, Land-Use Change, and Forestry; Energy efficiency and Renewable energy activities. By promoting sustainable land management practices in a broader landscape, the project contributes to the reduction of greenhouse gases emission. The GEF funded activities would all be incremental to the overall program and address the institutional and financial sustainability of public conservation areas, private sector game farms and community conserved areas.

II. Proposed Development Objective(s) (Display Only - Pulled from PCN)

Proposed Development Objective(s) (From PCN)

The Development Objective of the proposed project is to strengthen the effective management of conservation areas and their contribution to the diversification of economic opportunities.

Key Results (From PCN)

Five major outcomes are expected that would lead to achieving the PDO:

- (a) Increase in the number of beneficiaries from conservation and tourism activities in and around targeted conservation areas;
- (b) Increase in the total annual revenues generated from tourism activities in targeted conservation

areas;

(c) Increase in the score number of the management effectiveness tracking tool for targeted conservation areas;

(d) Increase in sighting and/or population of a key indicator species per targeted conservation areas; and

(e) Reduction of the area with incompatible land uses in and around targeted conservation areas.

Additional Global Environmental Objectives and Indicators are presented below.

III. Preliminary Description

Concept Description

Past experiences show that growth of nature-based tourism in Southern Africa has been highly dependent on the quality of landscape management, conservation areas as tourism destination (pristine beaches, unique coral reefs, spectacular landscape, adventure and wildlife) leading to a conclusion that there is a strong link between landscape management, biodiversity management and tourism. Access to and traffic within these destinations as well as availability of communication infrastructure, electricity, experienced tour operators and readily available credits is also important to attract private investments, and to lower investment and operating costs to investors. Tourism investors also require clear rules of engagement, e.g. transparently secured concession contracts. Past experiences also show that, community incentives for conservation are more likely to emerge when a project addresses existing livelihoods systems and conservation compliance at the same time and when such support is of significant scale to impact at the household level.

Given these experiences, and other more practical lessons from the implementation of recent projects, the GOM has adopted a set of strategic orientation for the proposed project. These are: (1) focus more on national issues than on transfrontier issues; (2) emphasize marine or coastal conservation (oceanscape approach) areas which can rapidly generate revenues from tourism, and therefore, contribute faster than terrestrial areas to financial sustainability; (3) consider various tourism options including sport hunting; (4) explore new funding mechanisms that can support conservation areas after project end (Endowment and Sinking Fund); (5) scale-up attention to communities living around and within conservation areas with the view to improve livelihoods and participation in tourism ventures; (6) support complementary institutions such as ANAC, BioFund, MITUR, MICOA and INGC that link conservation and tourism development; (7) include a strong human resources and awareness building component (which was absent in the TFCA II); and (8) ensure experience sharing and feedback from M&E into implementation and sector policies.

The project will be implemented through five components:

- Component 1: Institutional and Human Resources Capacity Building
- Component 2: Strengthening Commercial Utilization of Conservation Areas
- Component 3: Conservation Areas and buffer zone Management
- Component 4: Strengthening Livelihood for Local Communities in Buffer Zones
- Component 5: Project management and monitoring

(i) Institutional and Human Resources Capacity Building. The objective of this component is to strengthen the main institutions in charge with the management of conservation areas by increasing their effective administrative and financial management systems and human resources development. This component would support staffing, equipment, training and skill development as well as the development of administrative and management systems and regulations required within DNAC, ANAC and several other public institutions to improve the management of conservation areas and

nature-based tourism development. The component would also strengthen the operation of BioFund to secure medium and long term funds for sustainable landscape/oceanscape management and conservation areas management from Government and from various funding sources. It is critical at this point in time, to prepare a pool of qualified people in the various trades of conservation and tourism.

(ii) **Strengthening Commercial Utilization of Conservation Areas and surrounding landscape.** This component would support ANAC and other public and private institutions in charge for tourism development in Mozambique to strengthen nature-based tourism licensing and registration and to promote nature-based tourism investment and facilitation in conservation areas and surrounding landscape. The component would develop an effective commercial branch within ANAC that would market and monitor consumptive and non-consumptive tourism concessions and other tourism products within Conservation Areas and their buffer zone. This component would encourage tourism concessions through tenders and direct negotiations and would provide guidance on environmental, social and economic sustainability of tourism businesses. It will also ensure that the new tourism businesses provide local benefits to communities in and around conservation areas.

(iii) **Conservation Areas and Buffer Zone Management.** The objective of this component is to improve the infrastructure, equipment, protection, management, research and monitoring of several conservation areas in Mozambique. The conservation areas to be financed have been identified through a participatory process with key conservation stakeholders in the country using selection criteria. These areas will be confirmed at appraisal and include: (1) Maputo Special Reserve and Ponta do Ouro Marine Reserve; (2) Banhine and Zinave National Parks; (3) Chimanimani Reserve; (4) Limpopo National Park; (5) Pomene National Reserve and Bazaruto Archipelago National Park; (6) Malhazine National Reserve; and potentially (7) Primeiras e Segundas Islands (if gazetted as conservation area before project start) and Gile Reserve. One sub-component will focus on sustainable forest management. The GEF funds on CC and SFM will support the following activities: (i) mapping of land use patterns within buffer areas of the conservation areas; (ii) analysis of the causes and trends of deforestation and forest degradation and identification of priority areas for intervention and; (iii) investment in pilot SFM projects to rehabilitate degraded forests, expand community forestry and improve management to cover at least 150,000 ha (iv) improve energy efficiency by using improved stoves and promoting alternative energy (biogas digesters). The preliminary estimation of the total conservation area to benefit from this component is 1 Million ha

(i) (iv) **Strengthening Livelihood for Local Communities in Buffer Zones.** The objective of this component is to support income opportunities (such as, tourism, agriculture natural resources & wildlife-based activities) for local communities around the conservation areas selected under the project. The component would likely focus its activities on the buffer areas and coutadas that are adjacent to the following conservation areas: (1) Maputo Special Reserve/Ponta do Ouro Marine Reserve; (2) Banhine/Zinave National Parks; (3) Chimanimani Reserve; (4) Limpopo National Park, (5) Pomene National Reserve/Bazaruto Archipelago National Park; (6) Gile Reserve; and, possibly, (7) Tchuma Tchatu community conservation areas. Low carbon technologies such as cook stoves, biogas digesters will also be eligible. These technologies will reduce pressure on forest and woodlands by reducing demand for fuelwood, and reduce GHG emissions and indoor air pollution by fuel switching to cleaner options.

(v) **Project Management.** The component would support a team of experts in MITUR, whose task would be to ensure that the project planning, implementation, procurement, financial management and monitoring are carried out with diligence and integrity.

An indicative budget for the project by funding sources for each components/sub-components is presented below. GOM's contribution is currently estimated at about \$2 million per year. The level

of funding and allocation by component will be finalized during preparation. IFC will focus on scoping for tourism investment opportunities and then assure transaction facilitation to identify investors. Associated financing is already mobilized by USAID, KfW, UNDP (GEF4) and several NGOs for other conservation clusters such as Gorongosa National Park, Maromeu Reserve and Lake Niassa Reserve. Ongoing projects from various donors are already supporting the overarching TFCA program.

Incremental Reasoning:

The Global Environment objective (GEO) is to promote the production of environmental services in selected areas of Mozambique

The proposed project is a fully blended operation combining IDA resources and GEF co-financing. The project is developed as a multi-focal operation combining the goals of several GEF focal areas, namely:

- **Biodiversity:** Its goal is the conservation and sustainable use of biodiversity and the maintenance of ecosystem goods and services. To achieve this goal, the strategy encompasses five objectives, among them the following are particularly pertinent: (i) Improve the sustainability of protected area systems (BD 1).
- **Sustainable Forest Management/REDD+ Strategy:** The goal for GEF-5 investment in SFM is to achieve multiple environmental benefits from improved management of all types of forests. One objective, driving the SFM portfolio and contributing to the goal is to reduce pressures on forest resources and generate sustainable flows of forest ecosystem services (SFM-1).
- **Climate change mitigation:** Its goal is to support developing countries and economies in transition toward a low-carbon development path. Within this focal area, the objective relevant for this project is to promote conservation and CC 5 (enhancement of carbon stocks through sustainable management of land use, land-use change, and forestry) ; CC-2 (Promote Market Transformation for Energy Efficiency in Industry and Building Sector) , CC-3 (Promote Investments in Renewable Energy Technologies).

The US\$6,92 million of GEF funds are incremental to the overall TFCA program. The GEF funds will contribute to improve conservation and sustainable use of biodiversity, ensure the maintenance of ecosystem goods and services through a variety of practices and techniques. To achieve this goal, the project will: (i) Improve the sustainability of protected area systems; (ii) support an integrated ecosystem management and landscape approach that generates multiple wins (from food security and livelihoods to carbon sequestration); and restore/deforested and highly degraded land by adopting sustainable forest management practices. Under the Biodiversity focal area, the funds will be used to develop sustainable financing mechanisms for conservation of biodiversity of global significance including providing seed capital in an endowment fund. In addition, they will also support the strengthening of conservation areas management effectiveness of selected sites with globally significant biodiversity including some of the iconic wildlife in the country, and improving biodiversity conservation in buffer zones. Under the Climate Change focal area, the project will support the development of good management

practices in LULUCF in forest lands around selected Conservation Areas. These activities will be aimed at improving forest conservation, reduced forest degradation and SFM. It will also strengthen local environmental committees dealing with locally-implementable mitigation measures to reduce greenhouse gas emissions and ensure the resiliency of the system (efficient stove and biodigester). These will complement the SFM activities envisaged under the project. With Sustainable Forest Management support, the project will reduce pressures on forested communal lands around a selected number of the project's Conservation Areas by developing and testing SFM tools to better adapt them to pilot areas around protected areas. Since the project encompasses three focal areas under a landscape approach, activities in one of the focal areas will also contribute to the other and as such there is a strong linkage among the focal areas. All focal areas will contribute to increased capacity to manage sustainably the landscape for the production of ecosystem services. In addition under Component 1 the funds will be used to mainstreaming *environmental sustainability* considerations within the local planning by : 1. Improving governance of land management decisions towards sustainable use of natural resources and biodiversity conservation at the national and local level. 2. Improving community participation in planning and implementation of local development plans, stressing social and environmental sustainability; 3. Promote understanding of the landscape approach and its incorporation in land use planning

GEF Indicators

Additional land area under Sustainable Forest Management (SFM) practices (150,000 hectares)

Tons of CO2 avoided

BD Tracking tools

CC Tracking tools

SFM Tracking tools

During preparation, the IDA Project Preparation Advance (PPA) will fund a study to select the forested communal lands where the CC and SFM activities will be carried out. The study will also assess the existing baseline activities in those selected areas and how they affect the existing carbon stocks and show how GEF CC and SFM funds will enable CO2 benefits that are unachievable with only the baseline activities. The study will also identify how GEF CCM and SFM funds will be used; what additional global environmental benefits are to be achieved; and how the project will ensure CO2 benefits are sustained into the future. The results of these particular activities will be summarized in the project appraisal document. A very preliminary analysis shows that under the baseline scenario, the current estimated rates of deforestation and forest degradation would prevail, with a resulting loss in forest areas and reduced forest carbon stocks on the reduced forests. The project is targeting sustainable forest management activities on a maximum of 150,000 ha of woodland. This woodland is subject to pressure from deforestation (i.e., conversion of forest land to agricultural land or land under other uses) and forest degradation (i.e., reduction of standing stock on remaining forest land), so the project will help to increase carbon sequestration. In addition the project will pilot the introduction of improved stoves and biodigester that will also contribute to carbon sequestration. A very preliminary estimate is that the project will contribute to the sequestration of 500,000 tons of CO2 equivalent (net of tourism related emission generated by the project).

IV. Safeguard Policies that Might Apply

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

V. Tentative financing

Financing Source	Amount
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	70.00
Global Environment Facility (GEF)	6.32
Agence Francaise pour le Developpement (AFD)	23.8
International Finance Corporation (IFC)	1.0
Total	94.8

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