

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA8099

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Project Name	Mozambique Conservation Areas for Biodiversity and Development Project (P131965)
Region	AFRICA
Country	Mozambique
GEF Focal Area	Biodiversity
Sector(s)	General agriculture, fishing and forestry sector (40%), Central government administration (40%), Other industry (15%), Sub-national government administration (5%)
Theme(s)	Biodiversity (30%), Rural non-farm income generation (30%), Environmental policies and institutions (25%), Other environment and natural resources management (10%), Climate change (5%)
Lending Instrument	Specific Investment Loan
Project ID	P131965
Borrower(s)	Government of Mozambique
Implementing Agency	Tourism Ministry of Mozambique (MITUR), Biofund
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	15-Aug-2014
Estimated Date of Appraisal Completion	22-Aug-2014
Estimated Date of Board Approval	15-Oct-2014
Decision	

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I. Project Context

Country Context

Mozambique is located on the east coast of Africa, bordering six countries. With an area of 800,000 square kilometers, the country is richly endowed with natural resources (arable land, forests, fisheries, water and mineral resources).

Mozambique is one of the poorest countries in the world with approximately 70% of its 22.9 million people living and working in extreme poverty (<US\$2/day). In 2007, 38% of the population was undernourished and only 42% had access to an improved water source. The country ranks 178 out of 187 in the UNDP's Human Development Index (2013), the lowest in southern Africa. Over 70% of the population live in rural areas and are dependent on subsistence agriculture.

After emerging from a protracted fifteen-year civil war, Mozambique achieved impressive GDP growth rates that averaged approximately 8% between 1993 and 2010, and slightly decreased to

7.4% in 2012. Annual GDP growth is expected to be around 8.5% by 2015. The real GDP per capita almost doubled since 1992, making Mozambique one of the best performing countries over the past two decades among African oil importers.

The country is receiving a significant influx of direct foreign investments. In 2013 the Centre for Investment Promotion (CPI) approved US\$4.2 billion for 515 projects, with US\$ 569.7 million relating to domestic investment and US\$ 2.2 billion to shareholders and loans. Overall, the industrial sector has generated greater interest by investors, followed by agriculture and agro-industry, transport and communications, services, tourism and hospitality, construction and fisheries.

This rapid economic growth has not translated into rural poverty reduction in recent years. The 2008-09 household survey suggests that the response of poverty reduction to economic growth has weakened and the geographical distribution of poverty continues to be concentrated in the rural areas, mostly in the center and northern part of the country, with high rates of poverty along the coast line.

Sectoral and institutional Context

Mozambique's Conservation Areas contain a wide diversity of habitats including montane, woodland, wetland and coastal/marine ecosystems. Mozambique has over 5,500 plant species, 222 mammal species, and 600 bird species. A high number of these species are endemic. Its 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 adjacent to Conservation Areas (CAs) in neighboring countries. These areas often play an important role in protecting wildlife corridors for both marine and terrestrial species, for example of whale sharks and African elephants.

Mozambique's system of CAs has two purposes: to conserve ecosystems, wild habitats, biological diversity and natural resources for the benefit of present and future generations; and secondly, to contribute to the development and the social-economic well-being of Mozambicans, particularly the poor communities that live nearby. It is currently made up of seven National Parks, ten National Reserves, seventeen controlled hunting areas (coutadas) and two Community Reserves. The currently gazetted CAs cover 18.5 million hectares, which represent 23% of the country's land surface. Annex 10 presents a map of all CAs in the country, including those targeted by the MozBio project. The expansion of the CAs network in recent years was the result of government's commitment to the international agreements (e.g. as signatory to the Convention on Biological Diversity and CITES) and support from its development partners. The recent creation of new CAs (e.g. Ponta d'Ouro Marine Reserve, Lake Niassa Reserve, Magoé National Park and five new coutadas) and the improvement in the management effectiveness of some CAs is the result of the successful partnership between the government and many key national and international players over the past 15 years, including among others, the World Bank, IFC, GEF, AfD, KfW and USAID.

Conservation Areas have been generating income to the national economy and to local communities, albeit not at the level they could. The declared revenue generation from tourism (including both non-consumptive tourism and sports hunting) in CAs almost tripled from 2012 to 2013, from around US\$ 1 million in 2012 to almost US\$ 3 million in 2013 (Rylance, 2014). The revenues from Coutadas increased by nearly 500% in this period, particularly because of a

significant increase in the price of licenses and abate tickets (applied in 2013) as well as the commencement of a number of new Coutadas. However, the revenue currently captured from tourism and hunting is largely insufficient to finance the management of CAs. In addition, the levels of re-investment of Park-generated revenues are very low. As a result, CAs are still heavily dependent on donor funding and mechanisms to contribute to financial sustainability are sorely needed.

Poverty rates are extremely high across the population living within and around CAs. More than 70% of Mozambique's poor live in rural areas and poverty is particularly acute along much of Mozambique's coast and in the drier central and southern regions where the vast majority of the population is considered poor. It is these areas where the majority of the country's CAs are located. Many CAs are characterized by high forest cover and high poverty rates, especially those in the central and the northeast coastal regions of the country, or harbour important marine resources. These forests and marine areas supply basic needs for large numbers of people and strengthening their condition could provide opportunities for the rural poor to move out of poverty.

Conservation Areas are an important source of livelihood to rural populations and their contribution to poverty reduction can be increased. National legislation mandates that the benefits arising from the use of CAs should be shared with local communities (currently 16% of overall income generated from the fees collected by the CAs). Nevertheless, the implementation of this policy has been ad hoc and faced challenges since the fees collected by the National Tourism Institute (INATUR) are first sent to the Treasury in Maputo, then back to the CAs to be shared with the communities, which results in significant delays and lack of transparency. Communities are often not well organized to manage these resources in a transparent way and to allocate them to longer-term development goals. Communities also benefit directly from employment in tourism establishments, and indirectly through the development of local businesses supplying tourism operations (Moye & Nazerali 2010). Finally, communities also benefit from the environmental services (water, biodiversity) and goods (hunting) supported by CAs.

Conservation, tourism and poverty are interlinked. Tourism and other conservation-oriented income-generating activities create incentives towards conservation among local communities and local governments, which in turn reduces the pressure on natural resources. Tourism, provision of vital ecosystem services, and infrastructure are three mechanisms that have been identified as linking both forest and marine protected areas to poverty alleviation. Nature-based tourism, in particular, has been widely touted for its potential to deliver positive results for the poor. Recent research provides strong evidence for this link in diverse developing country contexts. Nature-based tourism links the conservation and poverty reduction objectives of CAs by providing an economic alternative to unsustainable use of natural resources, as well as a direct economic incentive to maintain the natural ecosystems and their biodiversity. Other benefits from CAs to local communities, such as sharing the CA entrance fees with surrounding communities, also improve their living standards while directly contributing to conservation. Finally, improved infrastructure for CAs management and tourism can also lead to jobs, improved market access, and delivery of health services and educational opportunities.

Tourism is an important source of revenue to conservation, growth, and rural poverty reduction in Mozambique. The direct contribution of travel and tourism to Mozambique's GDP in 2013 was MZN13.9 billion (3.2 % of GDP). This was expected to reach MZN 26.3 billion in 2024. This is a result of the economic activity generated by hotels, travel agents, airlines and other passenger

transportation services (excluding commuter services), and activities of the restaurant and leisure industries directly supported by tourists. Between 2007 and 2013, tourism arrivals to Mozambique increased by 15 % annually from about 1.3 million to almost 2 million (generating estimated receipts of US\$231 million in 2011). Arrivals are projected to continue to increase at about 8 % annually to reach 3 million in 2017.

Targeted policies need to be put in place to ensure that environmentally-sustainable pro-poor tourism is achieved. This should include training and credit targeted at local communities and incentives for the private sector to employ local labor. Tourism directly, and through linkages to transport, agriculture, food, retail, financial services, and construction sectors, offers compelling job creation and economic growth opportunities, particularly to rural population, which directly contributes to the reduction of rural poverty. Tourism's impact on poverty is linked to the fact that the sector: (i) employs more unskilled labor than other sectors; (ii) can be based on cultural and natural resources which the poor possess and personify; and (iii) benefits tourists and residents alike when infrastructure is upgraded.

Some of Mozambique's terrestrial and coastal CAs have high potential to contribute to the growth in tourism. Nature-based and sustainable coastal tourism are expected to be the largest growth areas in the coming decades (World Travel and Tourism Council, 2014). Tourism is already the third largest investment sector in Mozambique, with investments concentrated on coastal CAs.

Growth in the tourism sector faces significant barriers. The country is still highly uncompetitive in the international tourism market. In the overall country rankings for tourism competitiveness, Mozambique ranked 125th out of 140 countries in 2013, an improvement of 3 places since the last edition in 2011 (Blanke and Chiesa, 2013). This low competitiveness is mainly the results of the poor infrastructure development, low basic services in the country, high domestic air fare costs and unclear government procedures for the private sector to invest. Nature-based tourism, particularly the terrestrial CAs, is also affected by reduced charismatic wildlife populations (if compared to neighboring countries) as a result of the country's long civil war.

The GoM is actively addressing these barriers. In April 2003, the GoM adopted a National Tourism Policy and Implementation Strategy (NTPIS), which aimed to develop and promote tourism both as a major industry and as a tool to alleviate poverty. A Strategic Plan for Tourism Development in Mozambique (2004 -2013) was prepared in October 2004, which targeted over 4 million tourists a year (SPDTM, 2004). The 2014 - 2024 Strategic Plan is currently being prepared by the Ministry of Tourism to build on achievements to date, and should be ready by the end of 2014. It places strong emphasis on nature-based tourism, and highlights the coastal CAs as those with the highest potential for increased tourism.

Despite their potential to contribute to national growth and poverty reduction, Mozambique's CAs still face various threats. These include illegal mining and logging, agricultural encroachment, illegal hunting (especially of elephants) and overfishing. The overall estimated costs of environmental degradation in Mozambique, amounted to nearly US\$370 million in 2009 (MICOA, 2009). Of this, some US\$50 million per annum comprises depletion of the natural resource base (soil degradation and deforestation).

Wildlife poaching is a particularly challenging threat to conservation. As elsewhere in the region, Mozambique has not escaped the poaching onslaught for ivory. Over the last 5 years there has been

a 5 – 6 fold increase in the number of elephant deaths as a result of poaching. Ivory is often transported out of the country either through its porous borders or through airports and ports.. The causes that have led to these high levels of poaching and illegal trade are complex. Some factors include poverty at the local level, governance at the national level, weak control capacity at the Conservation Area level (Mozambique has approximately one scout per 315 km² which is 6 times lower than the recommended patrol effort) and the demand for ivory and rhino horns at the global level (Madyo Couto, 2014) .

CAs are not financially sustainable at present. They are funded primarily from four sources: i) Annual government budget allocation; ii) Other government allocation, including special grants; iii) Internal revenue generating activities, such as tourism; and iv) Donor funding provided by development partners. Donor funding accounts for 80% of current CAs revenue requirements, which is estimated at US\$ 20.8 million / year (UNDP, 2010). Tua and Nazerali (2010) estimated that only 1% of total revenue requirements for CAs were provided by the central government, mainly for operational expenses. Internal revenue generating activities still only cover a small portion of the financial requirements for CAs, even though it is increasing and still has significant untapped potential. The main potential sources of revenue-generating activities in CAs include: i) User fees (such as entry fees, accommodation, fishing fees, guided tours and diving fees); ii) Fees from licenses for use of natural resources (timber concessions, live game sales and hunting concessions); iii) Income from nature-based tourism concessions; and, iv) Income from fines and auction sales of confiscated goods (predominantly timber).

MozBio Program – A Platform to promote Conservation, Growth and Poverty Reduction

The GoM has requested WB assistance to implement the MozBio Program - an ambitious long-term Program that brings biodiversity conservation, tourism development and poverty reduction together. The MozBio Program should serve as a platform to address the threats to the conservation of Mozambique's natural capital, take full advantage of the potential tourism growth in Mozambique, and contribute to the reduction of the high poverty levels around CAs. This MozBio Program draws from the lessons of the previous Trans Frontier CAs (TFCA) Program .

Mozambique's institutions and policies for CAs and tourism development need to be strengthened and implemented effectively. The institutional and policy framework for tourism development to manage Mozambique's CAs system, built with the support of TFCA II, are still quite new and require significant technical assistance and support to ensure that the new laws, policies and institutions are fully implemented. Additional rules and regulations need to be developed. Furthermore, most terrestrial CAs do not yet have sufficiently attractive products, or a level of public infrastructure, to scale up tourism. With insufficient and unpredictable budget and low human resources capacity, most of these CAs lack the effective management regime and much needed infrastructure investments for tourism development. Communities are not adequately trained and organized to benefit from CAs and nature-based tourism. Tourism development requires improved basic infrastructure and access to areas with potential tourism attraction, improved tourism investment promotion and facilitation and clear and simplified tourism licensing and registration procedures.

The MozBio Program will address these challenges through six strategic pillars (Table 1). i) Strengthening the policy and legal framework for CAs; ii) Strengthening the institutional and human resources base for conservation in Mozambique in particularly MITUR, ANAC, Biofund

and MICOA; iii) Developing financial sustainability of CAs through innovative funding mechanisms (such as operationalizing Biofund's endowment fund and tapping into the potential of biodiversity and carbon offsets); iv) Improving the management effectiveness of CAs; v) Increasing the contribution of CAs to poverty reduction and strengthen community participation in CA management, as a strategy to promote conservation; and; vi) Increasing the contribution of CAs to economic growth through nature-based tourism programs and activities. The MozBio Program will focus on marine or coastal CAs which have most potential to generate revenues from tourism, and will broaden the options of nature-based tourism products to sport hunting (including community-managed hunting areas). The MozBio Program will be financed with GoM's resources and support from various donors (AFD, KFW, USAID, international NGOs, among others).

The WB will provide support to the MozBio Program through a 'Series of Projects (SoP)'. MozBio Phase 1, presented in this Project Appraisal Document (PAD), will be a four-year project with a focus on increasing revenues from nature-based tourism and on promoting rural poverty reduction by sharing the revenues from tourism and promoting conservation-oriented livelihood opportunities.

MozBio 1 will implement the new institutional framework for conservation in Mozambique, with a strong emphasis on building the capacity of the recently-established CAs Management Agency (ANAC) and the Biodiversity Foundation (Biofund), while strengthening the management of key CAs with the highest potential for generating revenue and reducing poverty in rural communities. The project will promote nature-based tourism by improving regulations, strengthening government capacity and promoting the sector. The project will also finance sorely needed infrastructure and some of the recurrent costs of existing CAs to ensure they can attract tourism and manage biodiversity adequately. Finally, project will strengthen communities' rights to land and resources and promote livelihood alternatives to local communities, such as improved agricultural methods (such as climate smart agriculture techniques), community forest management and non-timber forest products management and sustainable fisheries.

MozBio 1 is expected to create the foundations for future MozBio Program phases. Potential future phases of the SoP would draw on lessons from the MozBio project. They would extend financial and technical support to other CAs (including support to further infrastructure development) and scale up the support to local communities, particularly by providing more technical and financial support to scale up those income-generating activities shown to be viable in Phase 1.

II. Project Development Objective(s) / Global Environmental Objective(s)

A. Project Development Objective(s)

To increase the effective management of conservation areas and enhance the living conditions of communities in and around these areas

B. Global Environmental Objective(s)

To increase the effective management of conservation areas and enhance the living conditions of communities in and around these areas

III. Project Description

Component Name

Institutional Strengthening for Conservation Areas

Comments (optional)

The objective of this component is to improve the capacity of ANAC, Biofund and MICOA to

develop and influence conservation and tourism policies and regulations, strengthen coordination and management of the national CAs system and critically endangered species conservation, increase the financial sustainability of CAs and tourism revenues, improve monitoring and evaluation systems and support communication strategies.

- (i) Strengthening of ANAC
- (ii) Strengthening of Biofund
- (iii) Strengthening national CITES Unit

Component Name

Promotion of Tourism in CAs

Comments (optional)

The objective of this component is to increase revenues and the number of beneficiaries from tourism-related economic activities in CAs. The component will provide support to ANAC and selected public-private institutions to address several barriers to nature-based tourism development and to promote sports hunting management and revenues generation in Mozambique. It will finance the provision of training and technical assistance including the development of a business plan and strategy, advisory services for the establishment of a management system for revenues collected by the CAs and for tourism and sport hunting statistics, marketing and promotion activities, development of incentives to reducing GHG emissions in the tourism sector, analytical studies.

Component Name

Improving Conservation Areas Management

Comments (optional)

The objective of this component is to strengthen the management of the targeted conservation areas by improving the infrastructure, equipment, protection, management, research, monitoring and planning in selected conservation areas in Mozambique. The conservation areas to be financed have been identified using selection criteria through a participatory process with key conservation stakeholders in the country.

Component Name

Piloting Livelihood Opportunities for Communities

Comments (optional)

The objective of this component is to improve and strengthen natural resource-based livelihoods of communities living in and surrounding the CAs through the following:

- (i) Support the enabling conditions for sustainable management of natural resources by local communities.
- (ii) Promote sustainable livelihoods within and around CAs through the support to the design and implementation of Sub-projects.
- (iii) Promote sustainable forest management within and around selected CAs.

Component Name

Project Management, Monitoring and Evaluation and Project Advance

Comments (optional)

The component will provide support for managing and coordinating the Project and building its procurement, financial and safeguards management, monitoring and evaluation capacity through the provision of technical advisory services, carrying out of training, acquisition of goods, and Operating Costs.

IV. Financing (in USD Million)

Total Project Cost:	46.32	Total Bank Financing:	40.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			40.00
Global Environment Facility (GEF)			6.32
Total			46.32

V. Implementation

A. Institutional and Implementation Arrangements

The project will be implemented by MITUR. MITUR's internal capacity to implement the proposed project has been strengthened over the years through TFCA I and II projects. The MozBio Project Implementing Unit, which will build on the existing TFCA Unit with some changes in staffing, will be responsible for leading the implementation of MozBio. Other entities, including ANAC, BioFund, MICOA as well as community-level organizations, will implement specific activities of the project. Details are provided in Annex 3.

The main responsibilities of the MozBio Unit will include: i) ensuring proper fiduciary management (financial management and procurement); ii) overseeing the preparation and implementation of annual operating plans; iii) managing the project monitoring system (collecting and processing data and reporting, including through annual reports); v) ensuring compliance with the project legal agreements (including subsidiary agreements); vi) securing compliance with WB safeguards in collaboration with other entities implementing project activities; vii) providing strategic communication for the project.

B. Results Monitoring and Evaluation

Project Monitoring and Evaluation will be carried out in three areas: a) Financial Monitoring; b) Monitoring of implementation and management of the targeted conservation areas and national level agencies; c) Environmental Monitoring.

Financial monitoring will be carried out by MozBio Unit, which is responsible for approving and tracking the use of funds. Working closely with the Administration and Finance Directorate of ANAC, the Project Unit will keep records of: (i) the funds spent in each conservation area by component; (ii) ongoing revisions of planned distribution based on progress achieved in meeting targets; (iii) comparative analysis of quality and cost of goods and services; and (iv) an independent financial audit carried out each year. The system will be based on that currently being used by TFCATDP.

The monitoring of implementation and management of the targeted protected areas and national level agencies will be coordinated by ANAC in collaboration with the Project PIU. Monitoring under ANAC is the responsibility of the Department of Planning and Monitoring, which is located under the Directorate for Studies and Development. These units will: (i) at the strategic level, evaluate and update as needed the project objectives and targets in the project results matrix; (ii) at

the management level, further develop and implement the METT (the GEF Management Effectiveness Tracking Tool, modified by the addition of specific marine MPA issues), the Institutional development tools for ANAC and BIOFUND, and monitor performance against project goals; and (iii) at the operational level, monitor the implementation of annual operating plans.

The environmental monitoring of the conservation areas will be coordinated by ANAC, with the support of the project MozBio Unit. The biodiversity indicators will be based both on habitats and species, and will be incorporated into the ANAC M&E system, focusing on (i) deforestation rates and (ii) the population trends of two bio-indicator species per conservation area, in the targeted conservation areas, and in the other areas wherever possible.

C. Sustainability

Contributing to the financial sustainability of the Conservation Areas system in Mozambique is at the core of this project. Project sustainability will be ensured by concentrating efforts on raising revenues for ANAC and funding for BioFund from different sources (including GOM budget, innovative financing mechanisms, private sector investments), strengthening the institutional structures of the headquarters and conservation areas within all relevant environment and development agencies. Furthermore the Project will prioritize sustainability of the projects results by supporting effective management of the conservation areas and ensuring that these remain a Government priority and supported with sufficient resources.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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

Comments (optional)

VII. Contact point

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