

PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.: PIDC18482

Project Name	Tanzania: Resilient Natural Resource Management for Tourism and Growth (P150523)
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I. Introduction and Context

Country Context

1. Tanzania has experienced strong and rapid economic growth, with its annual GDP growth averaging around seven percent in the last decade. Despite the strong economic growth, Tanzania is one of the poorest countries in Africa with approximately 13 million people (28 percent of the population) still living below the basic needs poverty line.

2. A rapidly expanding population will require continued growth, translating into the creation of employment opportunities and household wealth, just to keep pace. The population is growing at an average rate of 2.9 percent, one of the fastest in the world, with about 1.3 million people being added to the population annually (NBS, 2009). Economic expansion must be accompanied by creation of quality jobs if poverty rates are to continue to drop.

3. Tanzania's growth and economy depend heavily on its renewable natural assets such as water, forests, and wildlife. Almost half of GDP is harnessed from natural resources in agriculture, energy, and tourism. An estimated 89 percent of the country's water withdrawals are for irrigation, which contributes to 20 percent of agricultural production from 6 percent of the land. An estimated 90 percent of Tanzania's energy needs are satisfied by water and wood fuels: hydropower generates 39 percent of the installed 1,438MW electricity generation capacity, while charcoal and fuel wood serve as the overwhelming source of energy for urban and rural households. Tanzania's tourism industry - which is largely based on the country's unique natural resources and wildlife - is an important driver of the national economy, generating \$1.88 billion in revenues in 2013, or 13 percent of GDP, in 2013. Tourism contributes approximately 28% the total export earnings in 2013.

4. The majority of the population lives in rural areas, and is dependent on natural resources in the form of food, fuel, and fodder. In 2010, an estimated 73.6 percent of Tanzanians were rural residents. These

people largely comprise 80 percent of Tanzanian households who depend on agriculture, the majority of which is rain fed, as their primary economic activity. Food security is often supplemented by bush meat protein. They depend overwhelmingly on forests for their energy; only 3 percent of rural populations have access to electricity, with most households being dependent on charcoal or fuel wood.

5. Rural poverty remains pervasive and deep. All data sources suggest that Tanzania has not made adequate progress in raising incomes in rural areas, where the majority of the poor live. Lack of access to technology, credit, water, and power resulted in stagnant productivity and high vulnerability to shocks, leaving many rural households in the same or weaker position as at the beginning of the century.

6. Slowing agricultural growth is a challenge in the rural space. The agricultural sector has seen its share of the economy decline from 48 percent in 1990 to 28 percent in 2010. Agricultural GDP grew at around 4 percent per year since 2000, or only around 1 percent in per capita terms, with acute droughts in 2004 and 2006. Yields of staple crops, which are the livelihood of small farmers, appear to have been flat or declining, with agricultural growth primarily driven by extension of cultivated areas, along with modest shifts in the composition of crop production.

7. Addressing rural poverty will require the creation of new off-farm jobs. The share of goods and services exports of GDP has grown from 13.4 percent in 2000 to 23.2 in 2009. In 1998, minerals and non-factor services, mainly tourism, accounted for 47 percent of exports, while they rose to 66 percent by 2010. In 2013, tourism represented the largest source of foreign exchange. At the same time, the share of traditional agricultural exports declined from 60 percent of total exports in 1998 to 12 percent in 2009, replaced mostly by tourism and minerals such as gold. Manufacturing exports have grown by about 17 percent annually since 2005, but account for less than 5 percent of GDP and 25 percent of total merchandise trade. Efforts to promote rural development must look to expanding off-farm employment opportunities. Tanzania's tourism industry, which is predominantly wildlife-based, provides an important potential source of new rural jobs and household revenues, provided linkages with local communities are in place.

Sectoral and Institutional Context

8. Tanzania's natural resource-based economic sectors such as wildlife-based tourism have strong potential for generating economic growth, creating jobs, and improving livelihoods. Tanzania is one of the world's mega diverse countries with its outstanding wildlife, ecosystems, and other natural assets, and represents a prime global tourist destination with significant potential for growth. It is the abundance of wildlife and unique ecosystems that have made Tanzania a prime African tourist destination, generating significant revenues. In fact, Tanzania is very successful in attracting high-expenditure tourists; Tanzania earns more money per tourist than any other country in Sub-Saharan Africa. Notably, despite significantly fewer tourist arrivals, its tourism sector earned as much as neighboring Kenya before the recent decline of tourism in the latter due to security concerns. Tanzania's "low-volume high-value" approach has significant economic, social and environmental benefits, particularly in ecologically sensitive areas such as the greater Serengeti eco-system and other areas.

9. Tourism today is largely concentrated on a few areas, in and around the Serengeti, Ngorogoro Crater, and Mount Kilimanjaro (i.e., the "Northern Circuit") and Zanzibar. While there are many high-potential tourism sites, ranging from high mountains to spectacular landscapes and coral-fringed beaches, there are signs of over-crowding. Pressures on the carrying capacity of key ecosystems such as the greater Serengeti lead to concerns that future expansion of visitors in some of Tanzania's key

attractions may soon undermine the quality of the tourism experience. As highlighted in a recent World Bank study (in draft), the expansion of the tourism sector must consider options to ensure that growth in tourism does not compromise the natural asset base; that is, efforts to increase tourism numbers and revenues must not undermine the quality of the very resource base that tourists are attracted and paying to see.

10. The Government of Tanzania (GOT) is keen to develop new tourism products to expand the tourism sector while in core areas maintaining the low-volume high-value approach that has been successful in capturing the highest per capita revenue in the region. Specifically, it is interested in developing a more diversified tourism sector that balances the focus on the "Northern Circuit" with developing the "Southern Circuit", which includes a number of parks (i.e., Ruaha, Katavi, Mahale, Kitulo), game reserves (Selous being the largest), two Rift Valley lakes (Nyasa and Tanganyika), and other areas of cultural interest. Such elements would be a core part of an updated tourism policy.

11. The sustainable management of natural resources is fundamental to Tanzania's economic growth. Natural resources are among the few assets that Tanzania's poor access and utilize. Sustainable management of natural resources is therefore an integral part of development, poverty alleviation and growth. This suggests that depletion of the natural resource base will inevitably compromise poverty alleviation efforts unless there is rapid and exponential growth in employment to absorb labor surpluses and provide high quality jobs. Already, poor land use and watershed management practices, which lead to degradation of forests and watercourses, are threatening the very natural resource base upon which Tanzania's economy and poor depend on, while rampant wildlife poaching threatens to reduce the assets that are key to current and future tourism potential. Recent GOT studies point to the need to ensure that decisions on development initiatives are supported by robust data and information in order to avoid unintentional externalities, which can in turn lead to constrained future development opportunities. Given the strong links with poverty, livelihoods, and food security, particular care should be taken to ensure sound management of land, water, and wildlife are a core focus of any rural intervention.

12. Water is at the heart of the sustainable natural resource management imperative. Tanzania, long considered a water-rich nation, is increasingly struggling with local incidences of water insecurity, driven by unsustainable levels of agricultural abstraction and poor watershed and land management. In some areas, such as the Pangani, Rufiji, Wami-Ruvu and the Internal Drainage Basins, conflicts over water among different users - farmers, hydropower plants, wildlife - are already undermining economic potential of sectoral investments in agriculture, energy and tourism, and may curtail Tanzania's ambitious growth plans. Notably, some of the areas targeted for increased irrigation under various government programs are already known to suffer from some degree of water conflict.

13. For example, the Great Ruaha River provides about 56 percent of flow to the Mtera and Kidatu power plants, which together are responsible for 50 percent of the country's total hydropower capacity. Within the Great Ruaha basin, expansion of (mainly rice) agriculture in the Usangu Plains from about 14,500 ha in 1986, to 24,000 ha in 1998, to 115,000 ha in 2013, 87 percent of which is small-scale informal irrigation farms. As a result of this irrigation expansion, the Great Ruaha River has since 2005 gone from a perennial river, serving as the lifeblood of Ruaha National Park, and a key input to the Mtera/Kidatu power system, to a seasonal river, leading to impacts on tourism and wildlife, power production and Tanzania's economy.

14. The sustainable management of natural resources across users at the watershed, landscape and ecosystem levels is a key condition to the success of the government's plans. Responding to this challenge requires strong cross-sectoral coordination and action. Improved watershed management,

including promoting sound landscape management and conservation practices, is needed to ensure the long-term productivity of key basins. Recent studies by the GOT suggest that while achieving important short-term goals in target sectors, these programs may unintentionally lead to negative consequences in other sectors and over the longer term.

15. Specifically, the impact of unplanned irrigation expansion in the Great Ruaha sub basin on downstream flow, has led to significant negative impacts on tourism (in Ruaha National Park) and energy generation (at Mtera and Kidatu dams) as noted in the Ministry of Water's Integrated Water Resources Management and Development Plan for Rufiji Basin. Likewise the Strategic Regional Environmental and Social Assessment undertaken for the Southern Agricultural Growth Corridor points to the need for careful planning of agricultural development in order to avoid unintended downstream impact on water quantity and quality.

16. Climate change represents an additional important risk for Tanzania's natural asset-based growth. Tanzania is already experiencing changes in its climate: the average temperature rose by 1°C between 1960 and 2006, and models indicate future increases in average annual temperatures between 1°C to 3°C by the 2050s. Likewise, precipitation is increasingly unpredictable with studies showing a shift in the onset of the rainy season(s). Changes in timing and quantity of rainfall are also predicted, with 10 percent annual precipitation decreases possible in the south, decreases up to 26 percent in the north, and heavier, more concentrated rain events along the coast. Water security, which is already under threat from current climate variability and social, economic and environmental change, is likely to be under greater threat from future changes in the climate. Increasing temperatures and changing rainfall patterns will have multi-dimensional effects on the Tanzanian economy, affecting agricultural productivity, energy use, water dynamics, and the wildlife upon which tourism depends. Efforts to promote climate resilience in these key natural asset-based sectors will have important longer-term effects on food security and livelihoods.

17. To achieve the GOT's goal to expand broad-based tourism in a sustainable way, a long-term concerted effort is needed. The following deserve special attention:

- Managing water resources. Water is an increasingly scarce resource in many areas critical for wildlife and tourism, including the Rufiji Basin, which is dominated by the Great Ruaha River. This has far reaching consequences for the ecology of parks, such as Ruaha.
- Developing the value proposition and strategy for tourism, with a focus on the "Southern Circuit". Market research, positioning, planning, and focused development are needed to utilize and commercialize the area's tourism potential. Strong public and private sector partnership would be important to leverage respective roles.
- Providing an enabling environment for the private sector. There are many obstacles for private operators to enter and operate in the tourism sector in Tanzania, particularly for local operators. The policy and regulatory environment, including a comprehensive look at the licensing requirements, would need to be reformed.
- Developing visitor infrastructure. Infrastructure, such as air strips, visitor services, logistics, hospitality, and park management investments, are essential elements of enhancing accessibility and the overall quality of the tourism product.
- Curbing wildlife poaching. One of the key threats to the management of existing and potential tourism assets is the recent unprecedented increase in wildlife poaching. Elephant populations in Tanzania have declined precipitously: between 2009 and 2013, populations in the Selous -Mikumi Ecosystem declined by 66 percent, while in the Ruaha-Rungwa ecosystem, populations declined by 36.5 percent. The crisis has been fueled by the rising price of ivory in the illegal destination markets, which provides a strong incentive to local populations who do not otherwise see direct benefits from wildlife.

- Linking tourism with local economies and communities. Despite the national economic importance of tourism, at the local level communities in and around protected areas are some of the poorest in the country. While in other African countries (such as Namibia, Mozambique and parts of Kenya), tourism is providing an important source of revenue and employment to local communities, Tanzania's current policies, which aim to promote local benefit from tourism, have not been as effective. Rather, local populations, which are highly dependent on natural resources for food, fodder and fuel, generally consider wildlife to be worth more dead than alive. Sustainable tourism development would need to rely on stronger connection with local economies through training and job creation, supply chain development, and other forms of benefit sharing.

Relationship to CAS

18. The proposed Project is consistent with the Bank's Country Partnership Strategy Progress Report (CPSPR) FY12-15 (Report No. 80313-TZ) for the United Republic of Tanzania that was discussed by the Board on July 3, 2014. The CPSPR has two strategic clusters: (i) Productive investments for growth of labor-intensive industries and job creation; and (ii) Programs that target reduction of extreme poverty and improvements in quality of social services and six strategic objectives. The proposed project contributes to CPSPR strategic cluster one - Productive investments for growth of labor-intensive industries and job creation. The proposed project contributes to the CPSPR's second set of activities under cluster one which addresses key infrastructure gaps and promotes sustainable management of natural resources. In particular, the proposed project enhances ecosystem resilience and improves the environmental services of natural resources through development of infrastructure to better protect environmental assets. The project would also enhance capacities of government institutions at the national, districts and village levels as well as park and wildlife management authorities.

19. The proposed Project is one of the initiatives which contribute to the TerrAfrica Platform for Sustainable Land and Water Management (SLWM). It also supports the African Wildlife for Development Program in support of the Elephant Protection Initiative supported by the Bank and the Global Environment Facility (GEF) along with other development partners.

20. The proposed project also contributes to the GOT's strategies and plans, in particular current jobs creation initiatives, tourism development and tourism growth, and rural economic development.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

21. The Project Development Objective (PDO) and the Global Environment Objective (GEO) of the proposed project are to improve natural resources management in priority areas of Southern Tanzania. By achieving the proposed PDO, the Project will assist the GOT in addressing rural poverty which has been persistent in and around the country's parks and game reserves, home to globally significant biodiversity. The objective would be achieved through the provision of capital investments, technical assistance and capacity building for communities living in and around the priority areas, and government institutions at the national, sub-national and local levels.

Key Results (From PCN)

22. The achievement of the PDO and key results will be measured by a set of key outcome indicators. Proposed key outcome indicators are listed below.

- a. Land area brought under an improved and climate resilient catchment system (ha).
- b. Protected area management effectiveness enhanced (%);
- c. Number of visitor bed nights in targeted areas with tourism potential (%); and

d. Direct project beneficiaries (#), of which XX% are female.

III. Preliminary Description

Concept Description

23. The PDO will be achieved through the following four project components.

24. Component 1 - Improving management and development of priority tourism assets (Total Cost US\$50m). This component will focus on investments that aim at improving the management of natural resources inside priority protected areas in southern Tanzania to increase tourism. The expected outcome of this component is an increased number of tourists and bed nights in priority tourism sites. Expected outputs include (i) an adopted tourism strategy for Southern Tanzania; (ii) an adopted tourism master plan for southern Tanzania; (iii) number of roads, enhanced airstrips, viewing platforms, and visitor centers built; (v) a strengthened monitoring system in place to improve wildlife protection; (vi) number of trainings conducted; and (vii) strengthened policy and institutional framework.

Sub-Component 1.1: Improve the knowledge base at (i) the sub-national level by assessing tourism potential and investment needs, developing a new tourism strategy, and a tourism master plan for southern Tanzania; and (ii) the site level through ecological monitoring and conservation planning and integrated planning for key tourism aspects.

Sub-Component 1.2: Improve tourism infrastructure to enhance accessibility and the overall quality of the tourism product, including through, e.g., building unpaved roads inside protected areas to provide improved access to viewing areas, enhancing airstrips to allow for planes to safely land, and building viewing platforms and visitor centers. Develop Public Private Partnership (PPP) model to help enhance tourism asset management and accessibility.

Sub-Component 1.3: Improve the capacity for management of tourism assets. Improve the capacity for management and development of tourism assets through training and supplying of goods including for wildlife monitoring.

Sub-Component 1.4: Strengthen policy and institutional framework including through private-public dialogue.

25. Component 2 - Enhancing local economic benefits from tourism (Total Costs US\$20m). This component will support investments that ensure local communities in vicinity to the protected areas benefit from tourism. The expected outcomes of this component are increased community employment levels in tourism and wildlife related sectors, while expected outputs include: (i) creation of PPP ventures in priority areas; (ii) number of micro-finance groups operational; (iii) number of tourism infrastructure outputs to promote local benefits built; and (iv) an adopted policy and institutional framework.

Sub-Component 2.1: Strengthen supply value chains for local communities and businesses that are linked to tourism (e.g., vocational training to enhance skills in communities to better participate in improved labor market such as hospitality industry and guide services), and infrastructure to promote local benefits may be supported (e.g., building schools).

Sub-Component 2.2: Build awareness and capacity to engage with the private sector including through nurturing SMEs and enabling PPPs. Develop model and associated processes to help ensure local

economic benefits when using PPP to enhance tourism asset management and accessibility.

Sub-Component 2.3: Build capacity for communities to manage wildlife and tourism (e.g., investments in community co-management initiatives).

Sub-Component 2.4: Provide access to finance (e.g., piloting targeted support in the form of micro-finance or grants to support alternative livelihood development including activities linked with tourism supply and support).

Sub-Component 2.5: The policy and institutional framework will be strengthened.

26. Component 3 - Improving landscape management (Total Cost US\$20m). This component will support investments and technical assistance to promote the integrated management of landscapes with an aim to securing environmental services within priority sub-basins in Southern Tanzania. The expected outcomes for this component are improved land management in watersheds that are critical for agricultural productivity and/or priority tourism assets. Expected outputs include (i) number of watershed management plans prepared, (ii) number of improved soil and water management measures in place; and (iii) number of incentive programs established.

Sub-Component 3.1: Support activities to sustainably manage watersheds through a participatory process. Depending on the size of the watershed, a planning unit will be micro-watershed of XX ha. The key activities include inter alia (i) planning, implementation of micro-watershed plans, and related capacity building (e.g., link village land use planning with watershed planning, studies), and (ii) communication and awareness raising activities.

Sub-Component 3.2: Strengthen small-scale water and land management through (i) implementation of measures developed in planning process referred to in component 1.1 above; (ii) check dams, control gates, and erosion control measures to reduce run-off and improve water use efficiency; (iii) reforestation and reduced deforestation; and (iv) sustainable incentive programs such as payment for environment services to promote water use efficiency and upper watershed management for protecting water sources.

Sub-Component 3.3: Strengthen policy and decision-making capabilities to support the protection of key natural assets. Activities will include (i) an inventory of key wetland, wildlife and tourism areas; (ii) improved monitoring; and (iii) capacity building for analytics to inform decision-making.

27. Component 4: Project management (Total cost: \$10m). This Component will focus on project management arrangements and mechanisms including monitoring and evaluation (M&E) and implementation. In addition, funds under this Component will be used to support the procurement of essential goods and equipment such as vehicles, office equipment and furniture, imagery, software and other accessories, etc. To strengthen project management, funds would be available to finance selected technical assistance such as for safeguards, fiduciary management, and monitoring and evaluation. The expected outcome of this component would be the effective implementation of the project activities with due diligence and efficiency.

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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. Financing (in USD Million)

Total Project Cost:	150.00	Total Bank Financing:	150.00
Financing Gap:	0.00		
Financing Source			Amount
International Development Association (IDA)			150.00
Total			150.00

VI. Contact point

World Bank

Contact: Daniel Mira-Salama
 Title: Senior Environmental Specialist
 Tel: 5355+3712
 Email: dmirasalama@worldbank.org

Borrower/Client/Recipient

Name: United Republic of Tanzania
 Contact: Doto M. James
 Title: Permanent Secretary
 Tel: 002552221111746
 Email: ps@mof.go.tz

Implementing Agencies

Name: Ministry of Natural Resources and Tourism
 Contact: Major General Gaudence S. Milanzi
 Title: Permanent Secretary
 Tel: 00255-22-2861870
 Email: ps@mnrt.go.tz

VII. For more information contact:

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The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

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