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The World Bank

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Report No: PAD772

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
AND INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT FROM THE INTERNATIONAL DEVELOPMENT ASSOCIATION

IN THE AMOUNT OF SDR 26.4 MILLION

(US\$40.00 MILLION EQUIVALENT)

AND A PROPOSED GRANT FROM THE GLOBAL ENVIRONMENT FACILITY

IN THE AMOUNT OF US\$6.3 MILLION

TO THE

REPUBLIC OF MOZAMBIQUE

FOR A

CONSERVATION AREAS FOR BIODIVERSITY AND DEVELOPMENT PROJECT

October 28, 2014

Environment, Natural Resources and Risk Management Global Practice (GENDR)  
AFCS2 Country Unit  
Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective September 30, 2014)

Currency Unit = MZN  
MZN 30.85 = US\$1  
US\$ 1.51 = SDR 1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AFD	French Development Agency/Agence Française de Développement
AMOS	Mozambique Association of Safari Operators/ <i>Associação Mozambicana dos Operadores de Safaris</i>
ANAC	National Administration of Conservation Areas/ <i>Administração Nacional de Áreas de Conservação</i>
AWP	Annual Work Plan
BAU	Business-As-Usual
BIOFUND	Foundation for the Conservation of Biodiversity/ <i>Fundação para a Conservação da Biodiversidade</i>
CA	Conservation Area
CAP	Community Action Plan
CBD	Convention on Biological Diversity
CBO	Community Based Organization
CGAC	Conservation Area Management Council
CI	Conservation International
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CLO	Community Liaison Officer
CO	Country Office
CONDES	National Council for Sustainable Development/ <i>Conselho Nacional para o Desenvolvimento Sustentável</i>
CTF	Conservation Trust Fund
CUT	Treasury Single Account/ <i>Conta Unica do Tesouro</i>
DINAIA	National Directorate for Environmental Impact Assessment/ <i>Direcção Nacional de Avaliação do Impacto Ambiental</i>
DINAPOT	National Directorate for Territorial Planning/ <i>Direcção Nacional de Planificação e Ordenamento Territorial</i>
DNA	National Directorate for Water/ <i>Direcção Nacional de Águas</i>
DNAC	National Directorate of Conservation Areas/ <i>Direcção Nacional das Áreas de Conservação</i>
DNGA	National Directorate of Environmental Management/ <i>Direcção Nacional de Gestão Ambiental</i>
DNO	National Budgeting Directorate/ <i>Direcção Nacional do Orçamento</i>

DNT	National Treasury Directorate/ <i>Direcção Nacional do Tesouro</i>
DNTF	National Directorate of Land and Forests/ <i>Direcção Nacional de Terras e Florestas</i>
DUAT	Land Use Title/ <i>Direito de Aproveitamento e Uso de Terra</i>
EIA	Environmental Impact Assessment
EMP	Environment Management Plan
ESIA	Environment and Social Impact Assessment
ESMF	Environment and Social Management Framework
ESMP	Environment and Social Management Plan
ERR	Economic rate of return
FA	Financing agreement
FCPF	Forest Carbon Partnership Facility
FEMOTUR	Mozambican Federation of Tourism and Hotels/ <i>Federação Moçambicana de Turismo e Hotelaria</i>
FFP	Fisheries Development Fund/ <i>Fundo de Fomento Pesqueiro</i>
FM	Financial management
FP	Financial Plan
GA	Grant agreement
GAP	Gender Action Plan
GDP	Gross Domestic Product
GEF	Global Environment Facility
GEO	Global Environment Objective
GGE	Great Gorongosa Ecosystem
GCFCI	Global Conservation Fund of Conservation International
GHG	Green House Gas
GIS	Geographic information system
GNP	Gorongosa National Park
GNR	Gile National Reserve
GoM	Government of Mozambique
GPS	Geographical Positioning System
GRP	Gorongosa Restoration Project (Carr Foundation)
GRM	Grievance Redress Mechanism
IA	Implementing Agency
ICT	Information and Communication Technology
IDA	International Development Association
IBRD	International Bank for Reconstruction and Development
IFC	International Finance Corporation (World Bank Group)
IFMIS	Integrated Financial Management Information System
IIED	International Institute for Environment and Development
IMF	International Monetary Fund
INATUR	National Tourism Institute/ <i>Instituto Nacional do Turismo</i>
INP	National Petroleum Institute/ <i>Instituto Nacional de Petróleo</i>
IPF	Investment Project Financing
ISR	Implementation Status and Results Report
IUCN	The World Conservation Union

KfW	German Development Bank/ <i>Kreditanstalt für Wiederaufbau</i>
LULUCF	Land Use, Land Use Change and Forestry
M&E	Monitoring and Evaluation
MdI	Mosaic of Indico/ <i>Mozaico de Indico</i>
MDN	Ministry of National Defense/ <i>Ministério da Defesa Nacional</i>
METT	Management Effectiveness Tracking Tool
MICOA	Ministry for Coordination of Environmental Affairs/ <i>Ministério para Coordenação da Accão Ambiental</i>
MINAG	Ministry of Agriculture/ <i>Ministério da Agricultura</i>
MIREM	Ministry of Mineral Resources/ <i>Ministério dos Recursos Minerais</i>
MITUR	Ministry of Tourism/ <i>Ministério do Turismo</i>
MF	Ministry of Finance
MOMS	Management Oriented Monitoring System
MozBio	Mozambique Conservation Areas for Biodiversity and Development Project
MOU	Memorandum of Understanding
MPA	Marine Protected Area
MPD	Ministry of Planning and Development/ <i>Ministério da Planificação e Desenvolvimento</i>
MPescas	Ministry of Fisheries/ <i>Ministério das Pescas</i>
MSR	Maputo Special Reserve
MZN	Mozambican Metical
NDLF	National Directorate of Lands and Forests, MINAG
NEMP	National Environmental Management Plan
NFI	National Fisheries Institute
NGO	Non-Governmental organization
NP	National Park
NPV	Net present value
NR	National Reserve
NRM	Natural Resources Management
NTPIS	National Tourism Policy and Implementation Strategy
ODA	Official Development Assistance
PAD	Project Appraisal Document
PAP	Priority Action Plan
PDO	Project Development Objective
PES	Payment for Ecosystem Services
PF	Process Framework
PFAP	Process Framework Action Plan
PIM	Project Implementation Manual
PMP	Pest Management Plan
PPF	Peace Parks Foundation
PRA	Participatory Rapid Appraisal
QNP	Quirimbas National Park
RAP	Resettlement Action Plan
REDD	Reduced Emissions from Deforestation and Forest Degradation
SADC	Southern Africa Development Community

SDAE	District Economic Activity Service/ <i>Servicos Distritaes de Atividades Economicas</i>
SDR	Special Drawing Rights
SFM	Sustainable Forest Management
SISTAFE	Financial Administration System for the State/ <i>Sistema de Administracao Financeira do Estado</i>
SO	Strategic Objective
SoP	Series of Projects
SP	Strategic Program
SPTDM	Strategic Plan for Tourism Development in Mozambique
TNC	The Nature Conservancy
TFCA	Trans-Frontier Conservation Areas/ <i>Áreas de Conservação Transfronteira</i>
TFCATDP	Trans-frontier Conservation Areas and Tourism Development Project
UNDP	United Nations Development Programme
UNFCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
WB	World Bank
WCS	Wildlife Conservation Society
WWF	World Wildlife Fund
WTP	Willingness To Pay
WWF	World Wide Fund for Nature

Regional Vice President:	Makhtar Diop
Country Director:	Mark Lundell
Senior Global Practice Director:	Paula Caballero
Practice Manager:	Magda Lovei
Task Team Leaders:	Claudia Sobrevila, Andre Aquino



**MOZAMBIQUE**  
**CONSERVATION AREAS FOR BIODIVERSITY AND DEVELOPMENT PROJECT**  
**(MOZBIO 1) P131965/P132597**

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**PAD DATA SHEET**

*Mozambique*

*Conservation Areas for Biodiversity and Development Project – MozBio 1 (P131965)*

**PROJECT APPRAISAL DOCUMENT**

*AFRICA –GENDR*

Report No.: PAD772

Basic Information			
Project ID P131965/P132597	EA Category B - Partial Assessment	Team Leader Claudia Sobrevila / André Aquino	
Lending Instrument	Fragile and/or Capacity Constraints [ ]		
Investment Project Financing (IPF)	Financial Intermediaries [ ]		
	Series of Projects [ x ]		
Project Implementation Start Date 28-Nov-2014	Project Implementation End Date 30-November-2018		
Expected Effectiveness Date 26-Feb-2015	Expected Closing Date 30-November-2018		
Joint IFC No	GEF Focal Area Biodiversity		
Practice Manager/Manager Magda Lovei	Senior Global Practice Director Paula Caballero	Country Director Mark R. Lundell	Regional Vice President Makhtar Diop
Borrower: Republic of Mozambique			
Responsible Agency: Tourism Ministry of Mozambique (MITUR) and BIOFUND			
Contact: Telephone No.: 258 8233222270	Afonso Madope	Title: Coordinator	Email: Afonso.madope@gmail.com
Project Financing Data(in USD Million)			
[ ]	Loan	[ X ]	IDA Grant
[ ]	Credit	[ X ]	Grant
[ ]		[ ]	Guarantee
[ ]		[ ]	Other

Total Project Cost:	46.32	Total Bank Financing:	46.32						
Financing Gap:	0.00								
<b>Financing Source</b>									
			<b>Amount</b>						
International Development Association (IDA)			40.00						
Global Environment Facility (GEF)			6.32						
Total			46.32						
<b>Expected Disbursements IDA (in USD Million)</b>									
Fiscal Year	2015	2016	2017	2018	2019				
Annual	6.30	11.90	11.80	8.00	2.00				
Cumulative	6.30	18.20	30.00	38.00	40.00				
<b>Expected Disbursements GEF (in USD Million)</b>									
Fiscal Year	2015	2016	2017	2018	2019				
Annual	3.60	1.00	1.10	0.40	0.20				
Cumulative	3.60	4.60	5.70	6.10	6.3				
<b>Project Development Objective(s)</b>									
To increase the effective management of the Conservation Areas and enhance the living conditions of communities in and around the Conservation Areas.									
<b>Global Environmental Objective(s)</b>									
Same as PDO.									
<b>Components</b>									
<b>Component Name</b>						<b>Cost (USD Millions)</b>			
Institutional Strengthening for CAs Management						11.2			
Promotion of Tourism in CAs						1.9			
Improving CAs Management						16.4			
Piloting Support to Sustainable Community Livelihoods						9.9			
Project Management, Monitoring and Evaluation						4.5			
Unallocated						0.5			
Project Preparation Advance						1.9			
<b>Institutional Data</b>									
<b>Practice Area / Cross Cutting Solution Area</b>									
Environment & Natural Resources									

<b>Cross Cutting Areas</b>				
<input checked="" type="checkbox"/> Climate Change				
<input type="checkbox"/> Fragile, Conflict & Violence				
<input type="checkbox"/> Gender				
<input checked="" type="checkbox"/> Jobs				
<input type="checkbox"/> Public Private Partnership				
<b>Sectors / Climate Change</b>				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	40	20	20
Public Administration, Law, and Justice	Central government administration	40		
Industry and trade	Other industry	15		
Public Administration, Law, and Justice	Sub-national government administration	5		
Total		100		
x I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.				
<b>Themes</b>				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Environment and natural resources management	Biodiversity	30		
Rural development	Rural non-farm income generation	30		
Environment and natural resources management	Environmental policies and institutions	25		
Environment and natural resources management	Other environment and natural resources management	10		
Environment and natural resources management	Climate change	5		
Total		100		
<b>Compliance</b>				
<b>Policy</b>				

Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [ X ]
<b>Does the project require any waivers of Bank policies?</b>		
Does the project require any waivers of Bank policies?	Yes [ ]	No [ X ]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [ X ]
Does the project meet the Regional criteria for readiness for implementation?	Yes [ X ]	No [ ]
<b>Safeguard Policies Triggered by the Project</b>		
	<b>Yes</b>	<b>No</b>
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
<b>Legal Covenants</b>		
<b>Conditions</b>		
<b>Source Of Fund</b>	<b>Name</b>	<b>Type</b>
IDA	GEF Grant Agreement (Co-Financing Agreement) cross-effectiveness	Effectiveness
<b>Description of Condition</b>		
The GEF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of the IDA Agreement) have been fulfilled.		
<b>Source Of Fund</b>	<b>Name</b>	<b>Type</b>
IDA	Subsidiary Agreement	Effectiveness
<b>Description of Condition</b>		
The Subsidiary Agreement has been executed on behalf of the Recipient and BIOFUND, in accordance with terms and conditions satisfactory to the Association.		

Source Of Fund	Name	Type
IDA	Project Implementation Manual	Effectiveness
<b>Description of Condition</b>		
The Project Implementation Manual has been adopted by the Recipient in a manner satisfactory to the Association.		
Source Of Fund	Name	Type
GEF	Authorization and ratification of this Agreement	Effectiveness
<b>Description of Condition</b>		
The execution and delivery of the GEF Grant Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental and corporate action.		
Source Of Fund	Name	Type
GEF	BIOFUND'S no material adverse change	Effectiveness
<b>Description of Condition</b>		
If the World Bank so requests, the condition of BIOFUND as represented or warranted to the World Bank at the date of the GEF Grant Agreement, has undergone no material adverse change after such date.		
Source Of Fund	Name	Type
GEF	The IDA Financing Agreement (Co-Financing Agreement) cross-effectiveness	Effectiveness
<b>Description of Condition</b>		
The IDA Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of Mozambique to make withdrawals under it (other than the effectiveness of the GEF Grant Agreement) have been fulfilled.		
Source Of Fund	Name	Type
GEF	Subsidiary Agreement	Effectiveness
<b>Description of Condition</b>		
The Subsidiary Agreement has been executed on behalf of the Recipient and BIOFUND in a manner satisfactory to the World Bank		
Source Of Fund	Name	Type
GEF	BIOFUND Operational Manual	Effectiveness
<b>Description of Condition</b>		
The BIOFUND Project Operational Manual has been adopted by BIOFUND in a manner satisfactory to the World Bank.		
Source Of Fund	Name	Type
GEF	External Auditor	Effectiveness
<b>Description of Condition</b>		

The external auditor for purposes of auditing the Financial Statements in respect of Component 1.(ii)(a)(BIOFUND) of the Project has been selected under terms and conditions satisfactory to the World Bank

Source Of Fund	Name	Type
GEF	Asset Manager	Effectiveness

**Description of Condition**

The Financial Asset Manager, referred to in Section I.D of Schedule 2 to the GEF Grant Agreement, shall have been hired in in a manner satisfactory to the World Bank.

**Team Composition**

**Bank Staff**

Name	Title	Specialization	Unit
Claudia Sobrevila	Senior Environmental Specialist	Team Lead	GENDR
Andre Rodrigues de Aquino	Sr Natural Resources Mgmt. Spec.	Co-Team Lead	GENDR
Nigel Ross Hughes	Senior Climate Change Specialist	Climate change, biodiversity and natural resources management	GENDR
Benjamin Garnaud	Young Professional	Natural Resources Mgmt. Spec.	YPP
Luz Meza-Bartrina	Senior Counsel	Senior Counsel	LEGAM
Angela Alice Dengo	E T Temporary	Program Assistant	AFCS2
Elvis Teodoro Bernado Langa	Financial Management Specialist	Financial Management Specialist	GGODR
Amos Martinho Malate	Procurement Analyst	Procurement Analyst	GGODR
Jean-Michel G. Pavy	Senior Environmental Specialist	Senior Environmental Specialist	GENDR
Dinesh Aryal	Sr. Natural Resources Specialist	Sr. Natural Resources Specialist	GENDR
Cheikh A. T. Sagna	Senior Social Development Specialist	Senior Social Development Specialist	GURDR
Luis M. Schwarz	Senior Finance Officer	Senior Finance Officer	CTRLA
Aurore Simbananiye	Program Assistant	Program Assistant	GENDR
Paulo Jorge Temba	Environmental	Environmental	GENDR

Sithoe	Specialist	Specialist	
Daniel Miller	Senior Forestry Specialist	Monitoring and Evaluation	GENDR
<b>Non Bank Staff</b>			
<b>Name</b>	<b>Title</b>	<b>City</b>	
Kathleen Mikitin	CTF Expert	Washington DC	
Anna Spenceley	Tourism specialist	Balito, South Africa	
Bradley Weiss	Tourism specialist	Maputo, Mozambique	
Michael Carroll	Lead Rural Development Specialist	Uruguay	
Peter Bechtel	Sr. Biodiversity Specialist	Maputo, Mozambique	
Pedro Sing Sang	Infrastructure Specialist	Maputo, Mozambique	
<b>Locations</b>			
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b> <b>Actual</b> <b>Comments</b>
Mozambique			





## I. STRATEGIC CONTEXT

### A. Country Context

1. **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).

2. **Despite this wealth, 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.

3. **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.

4. **The country is receiving a significant influx of direct foreign investments.** In 2013 the Centre for Investment Promotion 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.

5. **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.

### B. Sectoral and Institutional Context

6. **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, such as the example of whale sharks and African elephants.

7. **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. The system is currently made up of seven National Parks, ten National Reserves, 17 controlled hunting areas (*coutadas*) and two Community Reserves.<sup>1</sup> The currently legally established 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 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 (CBD) and to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)) and support from its development partners. The approval of the Conservation Areas Law, the establishment of the *Administração Nacional das Areas de Conservação* (ANAC, National Administration of Conservation Areas) as an autonomous public agency tasked with the management of all Conservation Areas, the establishment of the *Fundação para a Conservação da Biodiversidade* (BIOFUND, Foundation for the Conservation of Biodiversity), mandated to raise funds to support the long-term management of Mozambique's Conservation Areas through innovative conservation financing tools, including the establishment of an endowment fund, 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 CAs in the past 15 years is a strong basis for ensuring the sustainable development of Mozambique's CAs and their contribution to poverty alleviation and economic growth. Annex 6 provides details on the institutions in charge of sustainable development of Mozambique's CAs.

**8. Conservation Areas have been generating income for the national economy and the local communities, albeit not at the level they could be.** 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*.<sup>2</sup> 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.

**9. 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

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<sup>1</sup> National Parks include: Bazaruto Archipelago, Banhine, Gorongosa, Limpopo, Magoé, Quirimbas, Zinave. National Reserves include: Gilé National Reserve, Maputo Special Reserve, Marrromeu Special Reserve, Niassa National Reserve (and associated Hunting Blocks), Chimanimani National Reserve, Pomene National Reserve, Ponta d'Ouro Partial Marine Reserve, Lake Niassa Partial Marine Reserve, Archipelago das Primeiras e Segundas *Área de Protecção Ambiental*, Inhaca Biological Reserve. The Community Reserves are Tchuma Tchato and Chipanje Chetu.

<sup>2</sup> Please refer to the Economic and Financial Analysis annex for further analysis on the revenues from Conservation Areas.

majority of the population is considered poor. It is these areas where the majority of the country's CAs are located.

**10. Conservation Areas and their buffer areas are an important source of livelihood for rural populations and their contribution to poverty reduction can be increased.** Many CAs and their buffer areas are characterized by high miombo woodland cover and high poverty rates, especially those in the central and the northeast coastal regions of the country, or harbour important marine resources. These woodland and marine areas supply basic needs for large numbers of people whose livelihoods could be improved through various opportunities for the rural poor to move out of poverty. Studies show that rural households' are dependent on miombo woodland both for income (i.e. honey, fuel wood, construction material, livestock enclosures, and other non-forest products) and as a safety net during times of economic stress (Deweese et al, PROFOR, 2011, Hedge and Bull, 2011). Krog et al. (2006)<sup>3</sup> found that medicinal plants have significant value with around 200 medicinal plants traded in a market in Maputo.

**11. Coastal and freshwater products also play a significant role in rural households' aggregated income.** About 850,000 households, or about 20 percent of the population, rely on fisheries for some part of their income and even more may rely on fishing for subsistence and food security. Fish is a key component of the Mozambican food basket (27 percent of protein). Ryland (2014) calculates that CAs provide around US\$21 million annually of benefits to local communities through bush meat, fisheries and forestry (please refer to Annex 7).

**12. Interlinking conservation and tourism to poverty alleviation.** Conservation Areas and their surroundings provide vital *ecosystem goods* and *services*, *green infrastructure* as well as *tourism revenues*. These mechanisms link forest and marine conservation areas to poverty alleviation. Integrated conservation development activities, such as conservation agriculture or sustainable forestry (including harvesting of non-timber forest products) create incentives towards conservation among local communities and local governments, which in turn reduces the pressure on natural resources.

**13. Tourism income-generating activities also create incentives towards conservation among local communities and local governments,** which in turn reduces the pressure on natural resources. 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<sup>4</sup>. 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. Improved infrastructure for CAs management and tourism can also lead to jobs, improved market access, and delivery of health services and

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<sup>3</sup> Krog, M. P., Falcão, M. P., & Olsen, C. S. (2006). Medicinal plant markets and trade in Maputo, Mozambique. Hørsholm: Christian Ejlers. Forest & Landscape Working Papers no. 16-2006. Danish Centre for Forest, Landscape and Planning, KVL., Denmark

<sup>4</sup> For example, Ferraro & Hannauer (2014) (see <http://www.pnas.org/content/111/11/4332.full.pdf+html>) found that tourism was responsible for 70% of the overall poverty reduction due to protected area establishment and management in Costa Rica. Tourism centered around wildlife also offer significant opportunities for communities living in wildlife-rich area, as experienced in many southern Africa countries (PROFOR, 2011).

educational opportunities. Communities benefit directly from employment in tourism establishments, and indirectly through the development of local businesses supplying tourism operations (Moye & Nazerali 2010).

**14. National legislation mandates that the benefits arising from the use of CAs should be shared with local communities.** Currently 20% of overall income of the fees returned to the CAs<sup>5</sup> is distributed to registered community associations<sup>6</sup>. Nevertheless, the implementation of this policy has been *ad hoc* and faces 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.

**15. Integrated conservation development approaches have significant untapped potential in Mozambique.** New niche markets exist for products sustainably harvested from Mozambique's woodlands or coastal areas. Fruit oils, art products, mushrooms and honey are examples that have significant domestic, regional and international markets, particularly when certified as fair trade or organic. Community management of timber, as well as individual and small-scale community woodlot establishments have also proven successful in some areas of Mozambique. Given the constant demand for charcoal in urban centers, more efficient sustainable methods of charcoal production as well as the production and distribution of cooking stoves have potential to be developed as business. Finally, agriculture products, such as cashew nuts and coffee, can also be explored as income-generating activities, as long as the full supply chain, including access to markets is addressed.

**16. 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 is 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.

**17. Targeted policies need to be put in place to ensure that environmentally-sustainable pro-poor tourism is achieved.** These policies should include training 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 for the

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<sup>5</sup> Under the law, 100% of all CAs revenues is sent to central government of which 80% is to be returned to the respective CA. Of this 80%, 20 percent is given to communities which represents 16 % of the total revenue. (Diploma Ministerial 15/2009)

<sup>6</sup> The Ministerial Diploma Nr. 93/2005 creates the mechanisms for channeling and utilizing a certain percentage of fees from the use of CAs to benefit local communities. This stipulates that funds can only be received by a community organized in a legalized association with a bank account prior to distribution to beneficiaries.

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.

**18. 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.

**19. 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.

**20. 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.

**21. 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).

**22. 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. Evidence has emerged that local communities sometimes support and are involved in this illegal activity, sometimes using weapons belonging to Border Guards and the Police of the Republic of Mozambique. Ivory is often transported out of the country either through its porous borders or through airports and ports. For example, in January 2011, 126 tusks were seized in Pemba. 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 km<sup>2</sup> 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)<sup>7</sup>.

**23. CAs contribute to mitigating climate change.** Mozambique's latest national communication to the United Nations Framework Convention on Climate Change (UNFCCC) indicates that land sectors (particularly forestry and agriculture) account for 83% of Greenhouse Gas emissions in the country. By protecting carbon rich ecosystems such as forests and mangroves from deforestation and degradation, Conservation Areas effectively contribute to mitigating GHG emissions. However, evidence shows that some of the CAs, such as the Quirimbas National Parks, have been suffering from deforestation and forest degradation.

**24. 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).

### **C. MozBio Program – A Platform to Promote Conservation, Growth and Poverty Reduction**

**25. 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 present project is the first phase of the MozBio Program. 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 Transfrontier CAs (TFCA) Program<sup>8</sup>.

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<sup>7</sup> Abordagem estratégica para o combate ao tráfico ilegal de fauna e caça furtiva de elefantes e rinocerontes. Draft report prepared in June 2014.

<sup>8</sup> During TFCA Phase II (closed in June 2014), IDA and GEF funds were used to support the development of five TFCAs and to strengthen the legal and institutional framework to scale up Conservation Area management and tourism nationally. Some of the major accomplishments of the second phase were the approval of a new Conservation Policy and Conservation Areas Law; and the establishment of the *Administração Nacional das Áreas de Conservação* (ANAC) as an autonomous public agency tasked with the management of all Conservation Areas. New Conservation Areas were also established by the GoM. MITUR together with civil society and private sector stakeholders also facilitated the establishment of the Foundation for the Conservation of Biodiversity (Biofund). Biofund will play a significant role in raising funds to support the long-term management of Mozambique's Conservation Areas, through innovative conservation financing tools, including the establishment of an endowment

**26. 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 budgets 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.

**27. The MozBio Program will address these challenges through six strategic pillars** (Table 1). The MozBio Program will focus on marine or coastal CAs which have the 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).

**28. The WB will provide support to the MozBio Program through a 'Series of Projects (SoP)'**. The Project, presented in this Project Appraisal Document (PAD), will be a four-year project with a focus on reducing rural poverty through: i) improving the benefit-sharing mechanism that returns tourism revenues to communities; ii) increasing job creation and business opportunities from tourism; and iii) promoting alternative livelihood activities that reduce destructive practices. Future projects will address issues described in the fourth column of Table 1.

**29. MozBio 1 (the Project)** 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, the 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.

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fund. These outcomes derive from 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, PPF and USAID.

30. **The Project is expected to create the foundations for future MozBio Program phases.** Potential future phases of the SoP would draw on lessons from the 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.

**Table 1 - MozBio Program's six strategic pillars to ensure the sustainable development of Mozambique's CAs and their contribution to poverty alleviation and growth**

Sustainability of CAs	TFCA I and II	MozBio 1 (the Project)	Future MozBio Phases
<p><b>1. Policies and Legislation</b></p> <p><u>Challenge:</u> The framework for CAs is inadequate</p>	<p>→ Conservation Policy &amp; Law drafted and adopted</p>	<p>→ Regulation of Conservation Areas Law</p> <p>Policies and guidelines for improved tourism investment</p> <p>Policies and guidelines for improved community participation</p> <p>Improved response by MZ to wildlife crisis &amp; international conventions (CITES)</p>	<p>→ Implementation of regulation and policies at the national and local levels</p>
<p><b>2. Institutional &amp; Human Resources</b></p> <p><u>Challenge:</u> Institutions dedicated to conservation management in the MZ do not exist</p>	<p>→ ANAC &amp; BIOFUND established</p> <p>→ Limited capacity building provided</p>	<p>→ ANAC &amp; BIOFUND operationalization</p> <p>→ Training on law enforcement and community development</p>	<p>→ ANAC &amp; BIOFUND operates with full cadre of staff and GOM budget fulfilling their mandate and able to take new responsibilities</p> <p>→ Higher level training of Mozambicans on ENRM (scholarship and graduate studies) and establishment of park rangers and tourism schools in MZ</p>
<p><b>3. Financial Sustainability</b></p> <p><u>Challenge:</u> No long term financial system developed</p> <p>1- Endowment fund</p> <p>2- Private sector (offsets)</p> <p>3- Tourism revenues</p>	<p>→ BIOFUND Endowment established</p>	<p>→ Endowment Fund operational (revenues reach CAs) and endowment is growing</p> <p>→ Private sector contributes to CAs</p> <p>→ Tourism revenues collection system improved within ANAC</p>	<p>→ Endowment for CAs of MZ growing</p> <p>→ Revenues from Private sector and other sources flowing</p> <p>→ Tourism revenues increased and redistributed to CAs and local communities</p>
<p><b>4. CAs Management</b></p> <p><u>Challenge:</u> CAs are not</p>	<p>→ New CAs created</p>	<p>→ Basic management support to</p>	<p>→ Strengthened Infrastructure for</p>



Sustainability of CAs	TFCA I and II	MozBio 1 (the Project)	Future MozBio Phases
properly managed 1- National Parks & Reserves 2- Coutadas and Fazendas 3- Community Areas	Basic infrastructure and management support to 5 TFCAs	11 CAs → Infrastructure to 5 CAs with tourism potential → Improvement in Wildlife monitoring and management	conservation management and tourism development
<b>5. Contribution of CAs to poverty reduction</b>  <u>Challenge:</u> Lack of conservation-oriented integrated conservation development models around CAs	→ Censuses and early engagement with communities	→ Establishing enabling conditions to engage with communities → Capacity building of local committees → Piloting livelihood support for local communities	→ Scaling up livelihood support in ENRM related activities → Improved contribution of conservation activities to district and provincial planning
<b>6. Contribution of CAs to economic growth</b>  <u>Challenge:</u> Their full potential of nature-based tourism is not explored	→ Piloting CEF with limited results Limited Tourism development plans	→ Improve systems and enabling environment for private sector to invest in MZ CAs → Increase promotion of CAs to tourism sector	→ Increase number of well-managed tourism concessions in CAs → Continued increase in employment in nature-based tourism and in community-led tourism initiatives

#### D. Higher Level Objectives to which the Project Contributes

31. **The Project will contribute to the World Bank Group’s strategy to end extreme poverty and promote shared prosperity.** It recognizes the importance of nature-based tourism and ecosystems conservation as a key contributor to food security, nutrition, and job creation for isolated rural coastal populations around CAs, which are among the poorest and most vulnerable people in the country. Promoting livelihood alternatives around CAs and promoting nature-based pro-poor tourism will ensure that the sector socio-economic benefits are better captured and their distributive feature is optimized. Finally, by helping to maintain and strengthen the biological resource base that sustains local livelihoods, the project contributes to reducing extreme poverty and to boosting the incomes of the poorest 40% in Mozambique.

32. **The proposed Project will contribute to Mozambique’s 2012-2015 Country Partnership Strategy,** which has an overarching goal of promoting broad-based, inclusive, and pro-poor growth. Under Pillar I, Competitiveness & Employment, it contributes to Objective 1.2: *Increased productivity in agriculture and other potential growth sectors.* Tourism is one of the key growth sectors with high employment potential, particularly in rural areas (including in the Northern and Central regions, with highest rates of poverty). 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 CAs are effective natural buffers to floods and drought and to climate change in general. Finally, under Pillar III Public Sector Capacity, the project contributes to Objective 3.3: *Strengthened non-renewable, renewable natural resources and environmental management* by strengthening GoM capacity of managing the country's CAs.

33. **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 – *Promote Conservation and Enhancement of Carbon Stocks through Sustainable Management of Land Use, Land-Use Change, and Forestry and CC-2 – Promote Market Transformation for Energy Efficiency in Industry and Building Sector*. The GEF funded activities will all be incremental to the overall program and address the institutional and financial sustainability of public CAs. In addition it will promote investments towards sustainable forest management and reduced emissions from deforestation, and towards energy efficiency in biomass production.

34. **Mozambique is a party to the United Nations Framework Convention on Climate Change**, and published its first national communication to the UNFCCC in 2003. The national communication indicates that land sectors (particularly forestry and agriculture) account for 83% of GHG emissions in the country. Mozambique is currently engaged in creating national readiness for “Reducing Emissions from Deforestation and Forest Degradation” (REDD+) and various REDD+ initiatives are happening in the country. The Project will directly contribute to this ongoing process. By promoting energy efficiency in charcoal making, the project also contributes to Mozambique's efforts towards mitigating emissions from the energy sector. Finally, by promoting energy efficiency and renewable energy among tourism operators in the CAs, the project will contribute to mainstreaming climate change mitigation into the tourism sector.

## **II. PROJECT DEVELOPMENT OBJECTIVE(S)/GLOBAL ENVIRONMENT OBJECTIVE(S)**

### **A. PDO and GEO**

35. The Project Development Objective (PDO) and Global Environment Objective (GEO) are to increase the effective management of the Conservation Areas<sup>9</sup> and enhance the living conditions of communities in and around the Conservation Areas.

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<sup>9</sup> A prioritization exercise took place, using selection criteria through a participatory process with key conservation stakeholders in the country and the recommendations of a tourism potential scoping study prepared by IFC that identified the CAs with greatest tourism potential. Based on this process, 11 areas were selected: Zinave NP, Banhine NP, Chimanimani NR, Gile NR; Maputo Special Reserve, Ponta d'Ouro Marine Reserve, Quirimbas NP, Bazaruto NP, Pomene NR, Limpopo NP and Marromeu NR and surrounding four coutadas (No's 10, 11, 12 and 14). In addition to these, the Malhazine NR has been included as a potential future Headquarters of ANAC. Annex 7 provides background information on these CAs currently targeted by the Project. Any change in the list of the CAs during project implementation would be subject to mutual agreement between GoM and the Bank.

## B. Project Beneficiaries

36. The Project will have positive social and environmental benefits at local, national and global levels. Table 2 summarizes the Project's benefits to communities in and around CAs. The Project will directly benefit local people living within and around the targeted CAs through promotion of sustainable livelihood activities. It is estimated that over 11,200 households (around 56,000 people) will benefit directly from the project. A significant portion of this population is found in the poorest areas of Mozambique: the rural population in the Central and Northern regions and coastal areas. The benefits to communities may include; i) income from the revenues derived from tourism and wildlife utilization that is returned to communities (20% benefit sharing policy); ii) jobs created in tourism and conservation activities; iii) increase in the economic benefits derived from the community Sub-projects; iv) several types of training and skills development; and v) improved institutional capacity building. An important indirect benefit to communities is the value derived from the increased quality of the natural resource base. The project will have a significant number of institutional beneficiaries, including the staff of ANAC both at headquarters and at the decentralized level, BIOFUND, MICOA and associated partners whose capacity will be strengthened through the Project.

**Table 2 - The Project's benefits to local communities**

Component	Activities	Outcome
<b>Institutional strengthening for CAs management (Comp 1)</b>	<ul style="list-style-type: none"> <li>- Strengthen mechanism to collect, report and distribute 20% of CA revenues to communities;</li> <li>- Revise management plans for CAs, in line with new Conservation Law, including establishment of Management Councils with community representation</li> </ul>	<ul style="list-style-type: none"> <li>- Timely and transparent distribution of CA revenues to local communities</li> <li>- Strengthened community participation in CA decision making;</li> <li>-</li> </ul>
<b>Promotion of tourism in CAs (Comp 2)</b>	<ul style="list-style-type: none"> <li>- Improve business environment to attract more investments in CAs</li> </ul>	<ul style="list-style-type: none"> <li>- Local communities employed in newly established tourism opportunities.</li> </ul>
<b>Piloting Sustainable Community Livelihoods (Comp 4)</b>	<ul style="list-style-type: none"> <li>- Promote 'enabling conditions', including zoning, community organization, capacity building on business and project management, market access.</li> <li>- Sub-projects. Matching grants awarded for initiatives in agriculture, forestry, fisheries and tourism.</li> </ul>	<ul style="list-style-type: none"> <li>- Strengthened community internal organization and capacity to develop income-generating and subsistence initiatives;</li> <li>- Communities revenues are increased with support from sub-projects;</li> </ul>

37. At the national level, the GoM will benefit significantly from the project through a stronger institutional framework for tourism and conservation promotion, including a strong ANAC (at national and CA level) and an operational BIOFUND. GoM will also benefit from tax revenues from increased tourism activities around CAs.

38. Environmental benefits will be generated at the global, regional and local levels. Protecting large areas of land in Mozambique has environmental benefits at the global level, both in terms of protecting globally-important terrestrial and marine biodiversity and mitigating greenhouse gas emissions given CAs' role in protecting forests and other carbon-rich habitats (such as wetlands and mangroves) from deforestation and degradation. Neighboring countries including

South Africa, Zimbabwe, Zambia, Malawi and Tanzania will also gain environmental benefits from the mosaic of CAs that support important large mammal species common to all these countries, as well as from better management of fisheries. Locally, water quality and flow, as well as local climate patterns depend on natural forests and woodlands that can be negatively affected by deforestation, which the project aims to reduce.

### C. PDO Level Results Indicators

39. The PDO/GEO level results indicators are:

- (a) Direct project beneficiaries (56,000), of which 30 % are female.
- (b) Increase in number of visitors (40%) in targeted CAs with tourism potential<sup>10</sup> (percentage increase)
- (c) Areas brought under enhanced biodiversity protection (1.9 million ha).

## III. PROJECT DESCRIPTION

### A. Project Components

#### Component 1: Strengthening Institutions for Conservation Area Management

This Component will improve the capacity of ANAC, BIOFUND and MICOA to develop and influence conservation and tourism policies and regulations, strengthen coordination and management of the Conservation Areas system and critically endangered species conservation, increase the financial sustainability of Conservation Areas and tourism revenues, improve monitoring and evaluation systems and support communication strategies, including through the following:

- (i) **Strengthening of ANAC:** Provision of equipment, technical assistance and training required within ANAC to improve the management of Conservation Areas and nature-based tourism development.
- (ii) **Strengthening of BIOFUND:** Support the consolidation of BIOFUND through, *inter alia*, the: (a) capitalization of the Endowment Fund; and (b) operationalization of BIOFUND through the provision of equipment, financing of operating costs and technical assistance including the design and implementation of a fundraising strategy involving innovative funding sources.
- (iii) **Strengthening national CITES authority:** Support proper implementation of the CITES Convention requirements to improve wildlife management through the

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<sup>10</sup> For the purposes of this indicator, the targeted CAs with tourism potential are: Maputo Special Reserve and Ponto do Ouro, Bazaruto NP, and Quirimbas NP.

provision of technical assistance and training to the CITES authority within MICOA.

## **Component 2: Promotion of Tourism in Conservation Areas**

This Component will support ANAC and selected public-private institutions to address several barriers to nature-based tourism development, to better manage sports hunting administration and improve revenues generation in the Republic of Mozambique, through:

- (i) **Tourism Development in Conservation Areas:** 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 Conservation Areas and for tourism statistics, marketing and promotion activities, creating incentives to reducing greenhouse gas emissions in the tourism sector, carrying out analytical studies for purposes of informing tourism planning at national and destination level, development of tourism master plans, organization of public-private fora to manage and coordinate tourism and sport hunting.
- (ii) **Sport Hunting Administration:** Provision of training and technical assistance, including advisory services for the establishment of a management system for revenues collected from sport hunting, improve the statistics and collection of sport hunting activities, development of sport hunting plans and carrying out of land availability studies.

## **Component 3: Improving Conservation Areas Management**

This Component will strengthen the management of key Conservation Areas, and carrying out wildlife surveys and monitoring through:

- (i) **Conservation Area Management:** Provision of training, equipment including hardware and software, carrying out of works including housing and road repairs and maintenance, technical assistance including for the development of business and management plans and financing of operating costs to improve park management and tourism development.
- (ii) **Monitoring and Survey:** Carrying out of wildlife surveys to assess the status of wildlife populations in terrestrial and marine environment, including: (a) one national aerial survey of elephant ranges; (b) a national survey of key marine environment; (c) a survey to establish national status and distribution of lions and leopards; and (d) a survey to establish national status and distribution of hippos and crocodiles.

## **Component 4: Piloting Support to Sustainable Livelihoods of Communities within and around Conservation Areas**

This Component will improve and strengthen natural resource-based livelihoods of communities living in and surrounding the Conservation Areas through the following:

- (i) **Supporting the enabling conditions for sustainable management of natural resources by local communities** through the provision of technical advisory services and equipment to conduct community land zoning, natural resource mappings, carrying out of training and capacity building of local community members and leaders and community-based organizations on decision-making, accountability, transparency, local governance, business planning and management, use and management of funds, partnerships with the private sector and use of information technology, including the carrying out of capacity building programs for the design and implementation of Subprojects.
- (ii) **Promoting sustainable livelihoods within and around Conservation Areas**, through the design and implementation of Subprojects, including activities relating to tourism, fisheries, conservation agriculture and sustainable forestry.
- (iii) **Promoting sustainable forest management within and around selected Conservation Areas** through the provision of technical advisory services, equipment and payment of Operating Costs to:
  - (a) Reduce deforestation within and around the Quirimbas National Park and Gile National Reserve Conservation Areas through the carrying out of activities related to agroforestry, conservation agriculture, promotion of non-timber forest products and environmental education.
  - (b) Promoting energy efficient charcoal making kilns in a Conservation Area.

## **Component 5: Project Management, Monitoring and Evaluation**

This Component will support management and coordination of 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, the acquisition of goods, and the payment of operating costs.

### **B. Project Financing**

40. The agreed instrument is Investment Project Financing (IPF) structured as a Series of Projects (SoP). The Project will be financed through an IDA grant of US\$40 million, and a GEF grant of US\$6.3 million. The project will run for four years. The project budget is presented below (Table 3). The GoM and the WB have initiated discussions for future IDA allocation to a second phase of MozBio Program.

41. Other sources of parallel financing to the overall MozBio Program include the French Development Agency (*Agence Française de Développement*, AFD) with around US\$23.5 million (still to be confirmed); the German “*Kreditanstalt für Wiederaufbau*” (KfW) will contribute 10 million Euros to BIOFUND’s endowment fund and 17 million Euros to the Limpopo National Park, and the Global Conservation Fund of Conservation International (CI GCF) will contribute with US\$1 million. IFC has also confirmed interest in continuing technical collaboration on the tourism activities promoted by the MozBio Program, although they are not

providing direct financial contributions to the project. GoM's contribution is currently estimated at about US\$2 million per year.

**Table 3 - The Project Budget**

	IDA	GEF	Total
<b>Component 1: Institutional Strengthening for Conservation Area Management</b>	<b>8.0</b>	<b>3.2</b>	<b>11.2</b>
<i>Sub-Component 1.1: Strengthening ANAC</i>	6.0	-	6.0
<i>Sub-Component 1.2: Strengthening BIOFUND</i>	1.7	3.2	4.9
<i>Sub-Component 1.3: Strengthening national CITES authority</i>	0.3	-	0.3
<b>Component 2: Promotion of Tourism in Conservation Areas</b>	<b>1.9</b>	<b>-</b>	<b>1.9</b>
<i>Sub-Component 2.1: Tourism Development</i>	1.2		1.2
<i>Sub-Component 2.2: Sport Hunting</i>	0.7		0.7
<b>Component 3: Improving Conservation Areas Management</b>	<b>16.4</b>	<b>-</b>	<b>16.4</b>
<i>Sub-Component 3.1: Conservation Area Management</i>	14.8	-	14.8
<i>Sub-Component 3.2: Monitoring and Survey</i>	1.6		1.6
<b>Component 4: Piloting Livelihood Opportunities for Communities</b>	<b>6.8</b>	<b>3.1</b>	<b>9.9</b>
<i>Sub-Component 4.1: Support the enabling conditions for sustainable management of natural resources by local communities</i>	1.0	-	1.0
<i>Sub-Component 4.2: Sub-projects to promote sustainable livelihoods within and around Conservation Areas</i>	5.8		5.8
<i>Sub-Component 4.3: Promotion of Sustainable Forest Management in targeted Conservation Areas</i>		3.1	3.1
<b>Component 5: Managing and Monitoring the Project</b>	<b>4.5</b>	<b>-</b>	<b>4.5</b>
<b>Unallocated</b>	<b>0.5</b>		<b>0.5</b>
<b>Project Preparation Advance (PPA)</b>	<b>1.9</b>		<b>1.9</b>
<b>TOTAL</b>	<b>40.0</b>	<b>6.3</b>	<b>46.3</b>

### C. Lessons Learned and Reflected in the Project Design

42. The Project design reflects the lessons from TFCA-II as well as from tourism and natural resources management (NRM) projects implemented elsewhere in Africa and in other regions. Below are some of the main lessons learned and how they were reflected in the project design.

43. **Institutional framework and sustainability.** A strong institutional framework is a key condition for adequate management of CAs. The project builds on and takes forward one of the major achievements of TFCA II, namely the establishment of ANAC and of BIOFUND. These two main institutions aim to ensure long-term management and sustainable financing of Mozambique's CAs. This follows a proven practice whereby the task of managing and financing CAs is divided between the government agency (ANAC) and a private entity (BIOFUND) that attracts and manages funding from bilateral, multilateral and private sources to generate a sustainable source of revenues to fund primarily the recurrent costs of CA management. ANAC is expected to coordinate all actions related to CAs management, and address past lack of coordination across agencies dealing with conservation.

44. **Nature-based tourism development.** As noted in the “WB Tourism Portfolio Review”, *‘supportive institutional frameworks and strong government capacity are key components of a successful tourism sector.’* The Project places strong emphasis on institutional capacity building. It will be the main vehicle of financial and technical support to Mozambique’s main tourism and conservation agencies, namely MITUR and ANAC over the next four years. It will address ANAC’s main capacity needs (including needs in planning, monitoring, information generating and processing, financial management, and marketing), and promote cross-sectoral coordination, such as through the support to the Ministry of Environmental Coordination (MICOA) for implementing the CITES Convention on Wildlife.

45. **Support to community development.** The Project fully recognizes the need to promote alternative livelihoods to communities around CAs, as a way to improve their welfare and to reduce pressure on CAs. The Project will identify community development models adapted to the local context in each of the targeted CAs (i.e. types of activities to be supported and institutional arrangements to provide such support). The Project will also strengthen existing institutions, rather than create new ones given the long gestation period involved. This is a key lesson from NRM projects in Kenya, Tanzania and in other regions (Latin America and the Caribbean). The Project also recognizes that the promotion of small-scale tourism opportunities is successful when the whole chain is considered (including the involvement of a range of stakeholders, such as tour operators; and linkages to market initiatives), and is promoting activities that range from providing seed funds and technical assistance (training, including in business development) to communities, to marketing opportunities and information sharing.

46. **Infrastructure development in remote areas.** The Project will promote infrastructure development in remote CAs to support tourism and conservation management. Instead of procuring the works from different contractors (often small or medium contractors), the Project will package works into one procurement item to increase the likelihood that the works are implemented by a contractor with significant capacity and experience.

47. **Indicators.** The indicators proposed build on lessons learned from TFCA II. As an example, the indicator on tourism will capture data from the targeted CAs and their area of direct influence, and not the entire District, so as to focus on the effects attributable to the CAs and not to other events in the area (such as infrastructure development). The Project will also monitor communities support to the CAs as an intermediary indicator, as a proxy to a change in behavior towards conservation. Please refer to the Results Framework in Annex 1 for further information.

## **IV. IMPLEMENTATION**

### **A. Institutional and Implementation Arrangements**

48. The Ministry of Tourism (MITUR) will be the coordinating agency for the Project. Within MITUR, the overall responsibility for project coordination will lie with the MozBio Unit. Implementation arrangements for all components, except for 1.2 (Strengthening of BIOFUND) will be under the overall responsibility of the MozBio Unit, a PIU set within MITUR (successor to the successful TFCA Unit under Credit No. 4130 Moz).



49. The MozBio Unit shall have the overall responsibility for, *inter alia*: (i) ensuring timely implementation of Component 1.1, 1.3, 2, 3 and 4 in accordance with the Project Implementation Manual (PIM); (ii) preparing Annual Work Plans and Budgets and annual procurement plans; (iii) overseeing Project activities under its direct responsibility and of those under the responsibility of other agencies involved in Project implementation; (iv) managing Project finances; (v) maintaining consolidated Project accounts; (vi) ensuring adherence to the ESMF, EMP, PF, PFAP and PMP of all agencies involved in the implementation of the Project; and (vii) developing and maintaining a system of monitoring the Project key performance indicators. The Project will adopt and use a Project Implementation Manual (PIM) that will, amongst other things, describe in detail all the institutional, fiduciary and implementation arrangements. A final version of the PIM acceptable to the Bank will be a condition for Effectiveness of the IDA Grant.

50. Component 1.2 will be implemented by BIOFUND, or “*Fundacao para a Conservacao da Biodiversidade*” (Foundation for the Conservation of Biodiversity), a private non-for-profit entity established under Council of Ministers’ Resolution No. 69/2011 dated August 9, 2011, published in the Official Gazette No. 52 on December 29, 2011 and registered in the Recipient’s Legal Entities Registrar by public notary under the Ministry of Justice on November 12, 2013, endowed with legal and financial autonomy, and the right to own and manage its assets, for purposes of supporting the conservation of aquatic and terrestrial biodiversity and the sustainable use of natural resources, including the consolidation of the national system of conservation areas. The BIOFUND Operational Manual will be a condition for effectiveness of the GEF Grant. Component 1.2 will provide support to two sub-activities: (i) the capitalization of the endowment fund for Mozambique’s CAs using GEF funds and; (ii) the operationalization of BIOFUND (i.e. fundraising and other activities to promote innovative funding for Mozambique’s CAs) with IDA funds. The management of the endowment will follow the Bank’s disbursement rules as set out in OP/BP 10.20.

51. For IDA funds, the Bank will enter into a financial agreement (FA) with the Republic of Mozambique (Recipient) for the implementation of all components of the Project with the exception of Component 1.2.1 (Capitalization of the Endowment Fund) and Component 4.3 (Sustainable Forest Management in targeted CAs), as these Sub-components will be funded by GEF funds.

52. Under the FA, a Subsidiary Agreement shall be entered into between the Republic of Mozambique and BIOFUND for purpose of implementation of Component 1.2.2 (Operationalization of BIOFUND) by BIOFUND, including the transferring of such portion of IDA funds to BIOFUND.

53. For GEF funding, the Bank, acting as the Implementing Agency of the Global Environment Facility (GEF), will enter into a grant agreement (GA) with the Republic of Mozambique (Recipient). To this end, the Recipient shall carry out Component 4.3 (Sustainable Forest Management in selected CAs by MITUR) and shall cause BIOFUND to carry out Component 1.2.1 Capitalization of the Endowment Fund. Under the GEF, a Subsidiary Agreement shall be entered into between the Republic of Mozambique and BIOFUND for purpose of implementation of Component 1.2.1 (Capitalization of the Endowment Fund). The amount of USD 3.2 shall be transferred by the Recipient for such purpose. (described in details in Annex 2).

54. The Recipient shall maintain during implementation of the Project, the Project Steering Committee (PSC) chaired by the General Director of ANAC and comprising representatives from MITUR, MICOA, MINAG, MPescas, BIOFUND, the private sector, and civil society organizations.

55. During implementation, the Project will focus on building capacity within the Government, especially ANAC, BIOFUND and MICOA. The Bank will assess progress at the end of the Project, and discuss with the Government any changes to the project implementation arrangements for a second phase of the MozBio Program, a long-term Program that addresses biodiversity conservation, tourism development and poverty reduction, of which the Project is the first phase.

## **B. Results Monitoring and Evaluation**

56. Project Monitoring and Evaluation will be carried out in four areas: i) Financial monitoring; ii) Monitoring of implementation and management of the targeted CAs and national level agencies; iii) Environmental monitoring; and iv) Socio-economic monitoring.

57. Financial monitoring will be carried out by the MozBio Unit and BIOFUND, which will be responsible for approving and tracking their respective 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) 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 formerly used by the TFCA Unit. BIOFUND will report separately on the funds it receives under component 1.2 including on the uses of the Endowment Fund.

58. The monitoring of implementation and management of the targeted CAs and national level agencies will be coordinated by ANAC in collaboration with the MozBio Unit. 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 issues), the Institutional development tools for ANAC and BIOFUND, the ANAC M&E framework, and monitor performance against project goals; and (iii) at the operational level, monitor the implementation of annual operating plans.

59. The environmental monitoring of the CAs will be coordinated by ANAC, with the support of the MozBio Unit. The Project will finance surveys to assess the status of wildlife populations in terrestrial environments. Additional specific studies will be required over the lifetime of the project, some of which will provide key information for the baseline (to be conducted in year 1). Two socio-economic household surveys will be carried out, in year one and three of the project. These surveys, to be done by international specialists, will be carried out in the targeted CAs and will look at the economic conditions of the population inside the CAs, their buffer zones, as well as the benefits they obtain from their surrounding natural resources, and their levels of satisfaction with the CAs. The surveys should be supplemented by participatory focus group

analyses of the same issues, as a form of data control as well as providing a participatory learning experience for the communities. The focus groups will also be involved in discussions on the intangible benefits provided by the community development activities carried out under Component 4.

60. Training on participatory M&E will need to be carried out for both CA and implementing partner staff. Additional M&E training will likely be needed on specific aspects of data management, GIS, and data analysis. Wherever possible, the M&E system will use readily available and familiar software such as Microsoft Office, or specific open source platforms such as QGIS, Google Earth Engine, in order to help guarantee continuity even in low-resource conditions. It is clear that not all skills will be available or even needed in house, and a series of indicators will be collected by outsourcing or contracting in the needed expertise. Deforestation rates for the CAs, based on the Global Forest Watch data for example, may easily be subcontracted out to local GIS specialists.

### **C. Sustainability**

61. Contributing to the financial sustainability of the CAs system in Mozambique is at the core of this project. Project sustainability will be ensured by concentrating efforts on raising revenues for ANAC and additional funding for BIOFUND from different sources (including bilateral and multilateral donors, debt swap, private sector investments, innovative financing mechanisms), strengthening the institutional capacity at the headquarter and CAs levels. ANAC’s revenues will fund its operations (beyond the Project -financed activities). The Project support to institutional capacity will gradually reduce over time, to ensure that GoM covers most of the operating costs of ANAC by the end of the project. As to community-support organization, the Project places strong emphasis on supporting the community-level structures and capacities that enable long-term management of resources.

## **V. KEY RISKS AND MITIGATION MEASURES**

### **A. Risk Ratings Summary Table**

<b>Risk</b>	<b>Rating</b>
Project Stakeholder Risks	
- Stakeholder Risk	Low
Implementing Agency (IA) Risks (including Fiduciary Risks)	
- Capacity	Substantial
- Governance	Moderate
Project Risk	
- Design	Substantial
- Social and Environmental	Moderate
- Program and Donor	Moderate
- Delivery Monitoring and Sustainability	Moderate

## B. Overall Risk Rating Explanation

**The overall risk rating is substantial.**

62. The Project will largely implement a reform agenda that is evolving: the Conservation Areas Law still need to be further regulated, ANAC and BIOFUND are not yet fully operational, tourism concessions in CAs are not yet satisfactorily regulated and there are unsorted overlapping mandates in marine CAs, while threats to CAs are mounting (such as wildlife poaching and extraction of natural resources close to protected areas). However, the good performance of TFCA II (achievement of PDO rated as Satisfactory in the last ISR) and the national capacity generated by the Project, the lessons learned by the Project from its precedent project, the fact that many of the risks identified by TFCA II did not materialize or were properly mitigated, and the recent advances in the institutional framework for conservation and tourism (such as the approval of the Conservation Areas Law) decrease the risk of the project. Below are some of the main identified risks and proposed risk management actions.

63. **ANAC Capacity** – The *Administração Nacional das Areas de Conservação* - ANAC is a parastatal organization established in 2011 with the responsibility for the management of CAs in Mozambique. The institution is not functioning yet as the core staff has not been selected nor has a strategic plan for the organization been developed. There is a risk that the selection of staff might not be performance-based but instead the GoM might transfer current government officials from other agencies to ANAC irrespective of their performance and qualifications. During project preparation, a study was prepared with detailed suggestions on the organization of ANAC, along with a capacity building plan for its staff. MITUR management also assured the WB that the Director positions will be recruited through a competitive process. The Bank and other development partners will continue monitoring closely the development of ANAC, particularly its staffing. The Bank will ensure that the Financing Agreement explicitly mentions the need for GoM to maintain sufficient staff and budgetary allocation for ANAC.

64. **Promotion of community livelihood in and around CAs.** The Project emphasizes the promotion of sustainable livelihood options in and around CAs through different approaches to community development. However, it is well known that promoting sustainable livelihood options is extremely complex given the capacity of targeted communities and their low level of organization, their remoteness and lack of access to infrastructures. The Project will seek to further promote initiatives that have already been initiated, rather than starting from zero, and will work with existing organizations with presence and experience in the targeted areas.

65. **Inter-sectoral coordination.** During the implementation of TFCA II, there were regular threats to CAs that resulted from other branches of GoM granting licenses or making plans that were in opposition with the status of the conservation area. This included mining exploration and logging license in Chimanimani, and the potential construction of a major harbor along the Maputo Special Reserve and through the coral reefs of the Ponta d'Ouro Partial Marine Reserve. These threats continue to exist and may increase in the future. The Project is proposing a change to the composition and functioning of the Project's Steering Committee to enhance its capacity

to influence these high-level decisions. The Task Team will also monitor these types of threats regularly, and ensure they are brought to management attention.

66. **Conservation-related funds management.** GoM capacity to collect, report on and redistribute revenues from CAs is limited, which jeopardizes the goal of increasing their contribution to national growth and poverty reduction. The Project will place strong emphasis in strengthening ANAC institutional capacity to improve funds management, including through the use of new information and data management systems that allow revenues to be tracked and reported in a transparent fashion.

67. **Wildlife poaching.** Mozambique, as well as neighboring countries, is facing a wildlife poaching crisis at present. This can have direct impact on the potential of CAs to attract tourists, in addition to the direct negative impact on the ecology of the CAs. The Project will serve as a platform to coordinate actions targeted at combating wildlife poaching, including financing activities in support of CITES implementation and capacity strengthening of ANAC, which is expected to play a key role in addressing poaching in protected areas.

## **VI. APPRAISAL SUMMARY**

### **A. Economic and Financial Analysis**

68. The project development impact is to foster sustainable management of the country's natural capital, particularly its biodiversity, while reducing rural poverty around protected areas. As demonstrated below, the cost benefit analysis clearly indicates a positive return on the investment.

69. Public sector financing is needed for this development impact to be achieved. MozBio is promoting reforms in core public sector activities (CAs management), which suffers from serious lack of financing (as mentioned in the Sectoral Context section, only 1% of required financing is provided by the GoM). Moreover, the project investments will result in public goods of global and local importance, which would not be generated through other sources of financing.

70. The World Bank has deep experience in the sectors relevant for this project. The Bank has contributed to the implementation of innovative financial instruments for conservation, such as BIOFUND's endowment fund, in about 20 countries. The Bank has successfully supported operations that promote the sustainable use of natural resources by supporting local development, through community-drive development projects. The WB is also using its convening power to leverage resources from other donors (KFW, AFD) in support of the national MozBio program.

71. A cost-benefit analysis of the MozBio Program was conducted to calculate the economic rate of return (ERR) and its corresponding net present values (NPV). The cost-benefit analysis focuses on the economic benefits generated within the CAs expected to receive support from MozBio. It is based on the following benefits streams, to which the MozBio project will

contribute: i) Revenue generated from nature-based tourism within selected CAs<sup>11</sup>; ii) Annual revenues generated by BIOFUND's invested endowment capital<sup>12</sup>; and iii) Additional revenue accruing to communities living in and around the CAs through enhanced livelihoods<sup>13</sup>.

72. The results suggest that the project is economically viable (returns above the 12% threshold). The net benefits over a 10-year project period would be nearly US\$39 million. The ERR is 14.39% and the NPV equals US\$ 6.7 million (at a 10% discount rate). It should be noted that the ERR and NPV are conservative estimates, as they do not:

- i) Account for any tourism demand above inflation or the impact of increasing the number of concession operations within CAs would have on revenue generation;
- ii) Account for the value of the impact of the project on environmental services, as monetary value for those are not available at present;
- iii) Capture all the expected benefits to local communities. It would be realistic to assume that the project would have a positive impact on all three factors, thereby returning a higher a NPV.

73. The team also conducted an analysis of the contribution of CAs to the national economy. The financial value of the CAs supported by the Project add up to around US\$320 million, including the investment costs by both the public and private sector into these areas and their revenue generating capacity. The total revenues generated by these CAs (again, by both public and private sector, including jobs) add to around US\$ 22 million annually. Out of this, around US\$3.3 million flow to the government annually, particularly from the concession fees within CAs. Finally, around US\$0.6 million from these resources go directly to communities living around the CAs.<sup>14</sup> More detailed discussion and additional information can be found in Annex 7.

## **B. Technical**

74. As a parastatal, ANAC will be required to generate income to cover its capital and recurrent costs in the future. At present there is a substantial financial gap. The Project will enhance the capacity of ANAC by promoting systems to better manage the existing revenues, and diversifying and increasing revenues from the CAs. This will be done by improving the tourism products offered by ANAC, investing in key infrastructure, and strengthening ANAC institutional and human capacity. ANAC is grossly understaffed and ill-equipped to undertake routine wildlife management and conservation programmes in the field. This Project will

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<sup>11</sup> This is composed of a) Tourism entrance fees, concession fees, licenses, fines from CAs that offer non-consumptive (photographic) tourism activities; b) Concession fees, abate tickets and trophies fees from CAs that offer consumptive (hunting) tourism activities; c) Revenue generated from tourism expenditure within the CAs on accommodation, food and beverages, activities and purchases.

<sup>12</sup> A 4% consistent return on endowment capital invested is assumed. This is an optimistic scenario.

<sup>13</sup> This is based on secondary research conducted by Suich (2006) and is transferred to the CA context., It should be treated carefully as strongly based on extrapolations.

<sup>14</sup> GoM mandates that 16% of the overall fees generated by CAs are shared with local communities.

therefore facilitate equipping the selected CAs with the necessary vehicles and other facilities, and improve the welfare of the staff by providing resources to improve housing, office and living standards. In addition the Project will implement a survey program designed to monitor the trends of key large mammals.

75. The Project will also support the BIOFUND to establish a conservation endowment fund applying best practice principles that have been developed based on more than forty similar institutions in the world. BIOFUND will manage an endowment fund which will fund recurrent management costs of CAs. In addition the Project is assisting BIOFUND to develop various management tools and its staff to increase its capacity to attract and develop private sector partnerships (for profit and non-profit), support innovative financing for CAs, and play an important role in raising awareness about the importance of conserving biodiversity.

76. The Project has identified several interventions to strengthen the commercial utilization of the CAs at the national and conservation area level. The general strategy will be to undertake activities at the national level that strengthen the enabling environment for tourism growth in protected areas, and also at specific destinations where sustained growth is most likely, namely MSR and Ponta d'Ouro Partial Marine Reserve; Bazaruto/Pomene/Vilanculos; Quirimbas and Limpopo.

77. This Project places emphasis on conservation-oriented community development. The project will support communities living within and around CAs in creating the enabling conditions for the sustainable management of local natural resources. This includes promoting participatory zoning of land and natural resources and strengthening communities' rights to manage those. In addition, the Project will provide financing for small Sub-projects aimed to improve communities' livelihoods. The number of community members supported will be determined once participatory and zoning interventions are undertaken in each of the intervention sites, considering the needs of the local populations and the conservation priorities.

## **C. Financial Management**

### **FM Assessment**

78. A financial management (FM) assessment was conducted in accordance with the Financial Management Manual issued by the World Bank in March 2010. Its objective was to determine whether the implementing entities have acceptable and adequate financial management arrangements.

### **FM Arrangements**

79. The proposed FM arrangements were reviewed with the following conclusions: the overall FM risk rating of the project is Moderate. The project will use country systems for FM. However, the project will implement some mitigating measures to the identified risks which includes elaboration of a FM Procedures Manual (within the PIM), registering the project in the government's budget for use of country systems such as the single treasury account and the government IFMIS. The external audit for the MozBio Unit will be the overall responsibility of the *Tribunal Administrativo*, which is constitutionally mandated to audit all government funds, while the audit for the BIOFUND will be carried out by a private sector audit firm acceptable to

IDA recruited under World Bank Procurement guidelines. In addition, the BIOFUND will also have to complete the recruitment of an accountant and finalize the elaboration of its financial management procedures manual as well as attend training in FM and Disbursement for Bank Financed operations. The proposed FM arrangements, as summarized in Annex III, meet the minimum requirements for financial management under OP/BP 10.00, including the Anti-Corruption Guidelines (Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants).

#### **D. Procurement**

80. Procurement for the proposed project will be carried in accordance with the World Bank's "Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011, revised July 2014 and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011, revised July 2014; and the provisions stipulated in the Legal Agreement. The procurement activities for the proposed project including activities of the BIOFUND (subcomponent 1.2), will be managed by the MozBio Unit (formerly the TFCA II Unit and renamed 'MozBio Unit').

81. The MozBio Unit procurement capacity was assessed on June 26, 2014 and found to be well equipped and staffed including qualified procurement specialist and procurement assistant. This is a standalone PIU and the procurement function reports to the project coordinator. The overall procurement performance rating for the implementation of the TFCAII project (just closed) was rated as Satisfactory. The unit possesses adequate experience with the preparation and regular updates of the procurement plan and a system for monitoring the project activities is in place. The record keeping and filing system has been reviewed and found as adequate.

82. The proposed Project will be implemented at central and decentralized levels. The central level will include a stronger institutional framework for tourism and conservation promotion, strong ANAC (national and CA level), national CITES authority and operational BIOFUND; at decentralized level includes Zinave NP, Banhine NP, Chimanimani NR, Gile NR; Maputo Special Reserve, Ponta d'Ouro Marine Reserve, Quirimbas NP, Bazaruto NP, Pomene NR, Limpopo NP and Marromeu NR and surrounding four *coutadas*.

83. The procurement capacity mentioned above will remain for implementation of the Project, but taking into account the complexity of the proposed project in terms of number of activities and decentralized approach as mentioned above, it will require additional capacity. Thus, in general and based on the outcomes of assessment and complexity, the procurement risk associated with carrying out the Project is rated Substantial.

84. The risk mitigation measure for the project includes the enhancement of the procurement capacity for 'MozBio Unit' by hiring one additional experienced procurement specialist. This additional procurement specialist will be responsible for BIOFUND activities and follow up the activities of the project in the decentralized sites. Taking into account the above mitigating measure, the residual procurement risk for the project is Moderate. More details on procurement arrangements for the project are available Annex 3.



## **E. Social (including Safeguards)**

85. The Social and Environmental screening of the proposed project component activities revealed that this is a typical category B operation due to the site specific nature of the potentially negative impacts of some of the basic construction infrastructure and livelihood initiatives to be funded by the project. The Project triggers the social safeguard OP/BP 4.12 (Involuntary Resettlement) mainly because some people live inside the CAs and the activities financed by the project may restrict communities from access to basic livelihood and wild resources upon which their livelihood and living conditions depend.

86. Triggering the above safeguards policies factored in due consideration of national legislations. As per World Bank Safeguards policies, the GoM has elaborated the corresponding safeguards instruments, namely an Environmental and Social Management Framework (ESMF), a Pest Management Plan (PMP) and a Process Framework (PF). These documents build on the positive experience gathered from the previous TFCA projects, during which the Government of Mozambique implemented an ESMF and three Resettlement Action Plans (RAPs) financed by KfW in the Limpopo National Park in compliance with Bank safeguards policies.<sup>15</sup> The World Bank provided informal advisory support for the implementation of these RAPs.

87. In March 2014, a new Conservation Areas Law was approved by the Council of Ministers. This new Law creates new categories of CAs that allows for the presence of human populations within certain CAs, as long as their presence is not incompatible with their good management and standing. The regulations of this new Law are expected to be drafted in 2015 to determine the detailed procedures and guidelines to work with local communities that live inside CAs. The Project will support this process and ensure that best international practices are used in drafting the regulations. Once the regulations are approved, the legal status of the CAs (strict conservation vs. sustainable use) is expected to be revised and the management plans of the CAs will be updated. Although almost all of CAs targeted by the Project have a well-functioning Management Plan, the presence of population within these CAs will be an important element to be considered during the update of the management plans. At the end of the process, the government will definitely know if resettlement will be necessary.

88. In light of the new Law, the Project will not finance resettlement in the targeted CAs; rather, the Project will be supporting participatory re-gazetting of CAs, promoting conservation-friendly community development initiatives, and strengthening community-based natural resources management organizations. It will also promote alternative livelihood support strategies and public-private-community partnerships around conservation-related business. This aims to reduce the pressure from communities within and around CAs on the scarce resources of these CAs, and ultimately reduce potential conservation-livelihood conflicts that could hinder all ongoing or planned government effort to ensure safe and sustainable management of CAs.

89. Consequently, the Government has prepared a PF to set forth the basic principle and prerogatives to be followed to ensure adequate mitigation of any resulting potential impact. The PF provides, amongst others, (i) an institutional arrangement that shows the role and

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<sup>15</sup> The resettlement in Limpopo was not financed by the TFCA project, but rather by different donors (KfW).

responsibility of each involved stakeholder, including the end-beneficiaries (local communities); (ii) a grievance redress mechanism (GRM) that all project beneficiaries, including the priority action plan (PAP) will follow to peacefully settle any likely grievance that could hinder project implementation/ outcomes. This GRM builds on existing local mechanisms for settling any conflict<sup>16</sup> with the use of legal services as the last resort; (iii) a participatory monitoring and evaluation mechanism to ensure a built-in ownership and social accountability mechanism; and (iv) an estimated budget to ensure adequate development and implementation of mitigation measures. These documents have been disclosed publically both in-country and at the Infoshop prior to appraisal.

90. Gender, youth and vulnerable groups consideration: Development of the PF underwent an extensive stream of public consultation and participation that allowed women, youth and vulnerable groups such as landless, elderly and handicapped to voice their concerns that have been fully captured in the design of the project and retrofitted in the final document (PF). Women bear the heavy burden of ensuring the livelihood sustainability of rural households (gathering firewood and wild vegetable for daily consumption, hunting small rodents, birds, animals for the protein sustenance of the family), while men hunt bush-meat for both consumption and income generating resources; and use of timber and tree roots and leafs for medicinal purposes. Obviously, these social groups will likely remain the most impacted groups by the Project activities. The PF makes relevant provision to ensure these people are not worse off and alternative sources of livelihood and income generating activities have been suggested to accompany such a dynamic shift in the project affected communities living conditions. These provisions will be implemented through activities of Component 4. Moreover, communities living in the buffer zones and in areas immediately adjacent and/or nearby the CAs will benefit from the Project through Sub-projects to enhance local communities' livelihoods.

91. Benefit sharing and socioeconomic inclusion in CAs sustainable management: With the development of CA management plans, in addition to earning revenues from tourism activities, communities are also expected to receive 20% of the fees collected by the CAs. The project will strengthen the implementation of this mechanism.

## **F. Environment (including Safeguards)**

92. The Project triggers the following environmental safeguards: OP/BP 4.01 - Environment Assessment; largely because of small infrastructure works in CAs; OP/BP - 4.04 Natural Habitats because the project will intervene in sensitive natural habitats in legally designated national parks and protected areas; OP/BP 4.36 Forests because some CAs and their surrounding areas include natural miombo forests that will be protected or where management will be improved; OP 4.09 - Pest Management since the project intends to support livelihoods development activities which may include farming and minimal use of chemicals; and OP/BP 4.11 – Physical Cultural Resources as the project may promote works in areas with culturally sensitive resources. The proposed infrastructures comprise administrative facilities along with airstrips, connecting roads and small bridges to provide access to those facilities.

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<sup>16</sup> For example, use of both traditional and cultural streams, recourse onto local leaders/religious healers, social structures considerate of youth and gender dimensions, etc.)

93. It is expected that activities financed under this project will not cause major land use changes or natural habitats transformation, but rather mitigate ongoing habitats transformation and unplanned development of coastal land. Without the project, the coming years will see a burst of infrastructure and private sector development in certain areas that could lead to the expansion of tourism nodes, population increase, and rural exodus in these project prone zones. In fact, these trends are already being observed in certain coastal areas, and will grow exponentially in the next few years. The challenge will then be to ensure that the project induces positive changes, and encourages sustainable pro-poor and environmentally and socially friendly tourism.

94. During the implementation of the TFCA II project, all construction contracts have used the Environmental and Social Management Plan (ESMP) embedded in the parent project ESMF, and followed the ongoing national legislation to ensure due collaboration with national legislation and directives enforced by the Ministry of Environment Coordination (MICOA). The Bank supervised the quality of this work and has found it moderately satisfactory (due to some delays in the implementation process). This practice will be continued under the Project with the view of further improving its process so to yield more sustainable results.

95. The ESMF prepared for the Project sets forth the basic principles and prerogatives to be used once the physical footprints of project intervention areas are better known so as to guide the preparation of site specific Environmental and Social Impacts Assessments (ESIA) or ESMP. It also includes both an environmental and social screening form and a check-list to be used by MITUR when it considers proposals for funding, as well as to be embedded into both communities' Sub-projects (to be supported by Component 4) and into contractors' contracts during project implementation. The ESMF has also made sufficient provisions to comply with the requirements of the Natural Habitats and the Physical Cultural Resources policies (i.e. specific mitigation measures and the use of "Chance-Finds" approaches for the safe collection and management of any physical cultural resources found). Likewise, the Pest Management Plan (PMP) provides simple measures to be applied during project implementation for the safe and secure use and storage of pesticides (i.e. preventing toddlers, elderly people, disabled people and others at risk groups from misusing these chemicals).

96. Both the ESMF and the PMP were amply consulted upon, and factored in most of the concerns raised by project stakeholders during these public consultation and participation as well as documents validation workshops. Furthermore, both documents have suggested easily understandable and implementable mechanisms for i) implementation arrangement; ii) grievance redress; and iii) participatory Monitoring and Evaluation. The ESMF and PMP (including their executive summaries), along the Process Framework, were publicly disclosed both in-country and at the Infoshop prior to the appraisal.

97. Where required in terms of the PF or ESMF, as the case may be, for the purposes of any Part of the Project, the Recipient shall proceed to have a Process Framework Action Plan (PFAP) or Environmental Management Plan (EMP), as the case may be:

- (a) prepared in accordance with the PF or the ESMF, as the case may be;

(b) submitted to the Bank for review and approval, and for public consultations as required, and

(c) thereafter adopted on a timely basis for the purposes of implementation of the corresponding Part of the Project.

98. Without limitation to its other reporting obligations under the Legal Agreement, the Recipient shall submit to the World Bank on a quarterly basis reports on the status of compliance with the ESMF, the PMP, the PF, the PFAP and the EMP (the Safeguard Documents) and giving details of:

(a) measures taken in furtherance of such the ESMF, the PMP, the PF, the PFAP and the EMP;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such the ESMF, the PMP, the PF, the PFAP and the EMP; and

(c) remedial measures taken or required to be taken to address such conditions.

99. The safeguards instruments will be used to prepare the Project Implementation Manual (PIM), and are referred to in the legal documents. These instruments will be used during the project implementation phase, as well as serve as a due-diligence tool for the GoM to comply with.

100. Safeguards Institutional Arrangement: Implementation of the core recommendations of each of the three safeguards instruments require the establishment of solid and well trained social and environmental specialists to be financed by the Project. The Social Scientist will oversee the social safeguards, gender and social inclusion, including community development dimensions of the project; and the environmental scientist will oversee the environmental safeguards, biodiversity conservation, NRM and climate change dimensions. In addition, the two safeguards specialists will work directly with the Community Liaison Officer (CLO) in each CA who will ensure timely follow up with their respective communities. These CLOs will work locally with the *Servicios Distritais de Actividades Economicas* – (SDAE – District Services for Economic Activities). The Social and Environmental specialists, together with the respective CLOs, will be adequately trained by the World Bank social and environmental safeguards specialists on the application of World Bank operational safeguards policies. These specialists will work with DINAPOT and DINAIA Directorates within MICOA (Ministry for Environmental Coordination) and local beneficiaries to screen all project proposals and guide the elaboration process of any additional safeguards instruments.

101. The Social and Environmental Safeguards Specialists will build the technical capacity of key stakeholders including ANAC staff, CAs managers, Subproject Service Providers and contractors on social and environmental safeguards through participatory and inclusive workshops. After project launch, the safeguards specialists will draw from the three safeguards management instruments to elaborate a short Safeguards Action Plan (SAP) and a Gender Action Plan (GAP) to underline actions to be taken to ensure safeguards and Gender compliance of the Project. During project implementation, the safeguards specialists will ensure social and

safeguards recommendation as stipulated in the safeguards documents are well implemented. Prior to each implementation support mission, the safeguards specialists will prepare an executive summary report highlighting the status of social and environmental safeguards implementation to be shared with the Bank safeguards specialist. These will be ground-truthed during field visits and consequently, as part of the Aide memoire, a set of key recommendations will be given to the PIU Safeguards Specialists for easy follow up. During the implementation support phase, the safeguards specialists will work closely with Bank safeguards specialist and ensure adequate follow ups afterwards. The same routine will be maintained and fostered throughout the project lifecycle to ensure adequate safeguards compliance.

## Annex 1: Results Framework and Monitoring

<b>Mozambique</b>						
<b>Mozambique Conservation Areas for Biodiversity and Development Project – MozBio 1 (P131965)</b>						
<b>Project Development Objectives</b>						
PDO Statement						
To increase the effective management of the Conservation Areas and enhance the living conditions of communities in and around the Conservation Areas <sup>17</sup>						
<b>Project Development Objective Indicators</b>						
Indicator Name	Baseline	Cumulative Target Values				
		YR1	YR2	YR3	YR4	End Target
Areas brought under enhanced biodiversity protection (ha) (Hectare(Ha)) - (Core)	0.00	0.00	1,000,000	1,500,000	1,900,000	1,900,000
Direct project beneficiaries (Number) - (Core)	0.00	1,000	20,000	40,000	56,000	56,000
Female beneficiaries (Percentage - Sub-Type: Supplemental) - (Core)	0.00	30	30	30	30	30
Increase in number of visitors in targeted CAs with tourism potential <sup>18</sup> (percentage increase)	TBD	0	10	30	40	40
<b>Global Environmental Objective Indicators</b>						
Same as the ones for the PDO						

<sup>17</sup> For the purposes of these MozBio indicators, the targeted CAs are: Maputo Special Reserve, Ponto do Ouro Partial Marine Reserve, Bazaruto NP, Pomene NR, Limpopo NP, Quirimbas NP, Marrromeu NR, Banhine NP, Zinave NP, Chimanimani, Gilé, and four Coutadas (Nº 10, 11, 12, 14).

<sup>18</sup> For the purposes of this indicator, the targeted CAs with tourism potential are: Maputo Special Reserve and Ponto do Ouro, Bazaruto NP, and Quirimbas NP.

<b>Intermediate Results Indicators</b>						
		Cumulative Target Values				
Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Score on the institutional capacity tool for ANAC (Percentage)	37	40%	46%	56%	61%	61%
Annual BIOFUND disbursement to the Conservation areas (Amount (USD))	0.00	0	0	250,000	500,000	500,000
ANAC's annual revenues collected from targeted CAs (Amount( USD))	1,280,000	1,320,000	1,360,000	1,410,000	1,460,000	1,460,000
ANAC annual budgetary support from central state treasury (USD) <sup>19</sup>	1,050,000	1,250,000	1,500,000	1,750,000	2,000,000	2,000,000
Number of jobs created in tourism and conservation in targeted CAs , as well as in Ponta do Ouro and Vilanculos/Inhassoro <sup>20</sup> . (Percentage increase)	TBD	5%	10%	15%	20%	20%
Law Enforcement zones regularly patrolled in targeted CAs (Percentage increase)	TBD	0	10%	20%	30%	30%

<sup>19</sup> Calculated on the basis of central government revenues (not from CA revenues) attributed to ANAC expenses.

<sup>20</sup> These additional areas have been selected as the areas where there is a large influence from the neighboring protected area, but are not part of its official buffer zone. While the exact geographical limits will be determined in the PIM, it is suggested to use the 5km wide strip along the coast next to the PPMR - Ponta do Ouro - and next to BANP - Vilanculos and Inhassoro).

Percentage of planned priority infrastructure completed (Percentage)	0	10%	40%	80%	100%	100%
Average increase in economic benefits of communities supported by Component 4 (Percentage increase)	TBD	0	0	0	20%	20%
Number of beneficiaries of subprojects supported by Mozbio (Number)	0	0	1,200	4,800	8,400	8,400
Annual Income derived from tourism and wildlife utilization in targeted CAs and returned to communities. <sup>21</sup>	220,000	220,000	230,000	240,000	250,000	250,000
Annual CO2 emissions from deforestation in selected CAs (Tones/year)	1,000,000	1,000,000	900,000	800,000	500,000	500,000

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<sup>21</sup> These figures are based on best available information at present and collected by Rylance (2014).



<b>Indicator Description</b>				
<b>Project Development Objective Indicators</b>				
<b>Indicator Name</b>	<b>Description (indicator definition etc.)</b>	<b>Frequency</b>	<b>Data Source / Methodology</b>	<b>Responsibility for Data Collection</b>
Areas brought under enhanced biodiversity protection (ha)	This is a proxy indicator that measures biodiversity protection as a result of the World Bank operation through formally converting an area into a protected area and establishing a functioning management system; or, improving the management system of an existing protected area.	Annually	Score of the Management Effectiveness Tracking Tool (METT) for targeted CAs. Area brought under enhanced biodiversity is the aggregated area of those CAs that move up one level in the METT score. The levels are: i) If the actual total score for a protected area represents 35% or less of the total possible score, the protected area does not have a functioning management system; ii) If the actual total score is in between 35% and 50% of the total possible score, the protected area has a sub-optimally functioning management system; iii) If the actual total score is in between 50% and 75% of the total possible score, the protected area has a basic functioning management system; and, If the actual total score represents 75% or more of the total possible score, the protected area has a highly functioning management system. This is a widely used globally applicable generic systems developed to assess protected area	ANAC

			<p>management effectiveness. It is used to report progress towards the Convention on Biological Diversity. METT been designed to track and monitor progress towards worldwide protected area management effectiveness. The methodology is a rapid assessment based on a scorecard questionnaire.</p> <p>The overall METT score of each CA is expected to increase by 5% per year. This increase will incrementally move a particular CA from the lowest category to the next. Consequently the number of hectares is expected to increase. The numbers have been rounded off.</p>	
Direct project beneficiaries	Direct beneficiaries are people or groups who directly derive benefits from an intervention. In MozBio, it includes those benefiting from: i) alternative livelihood interventions (Component 4), ii) 20% of revenues from CAs shared with local communities; iii) jobs creation in CAs	Annually	ANAC reports.	ANAC
Female beneficiaries	Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.			
Increase in number of visitors in targeted CAs with tourism potential	For the purposes of this indicator, the targeted CAs with tourism potential are: Maputo Special Reserve and Ponto d'Ouro, Bazaruto NP and Quirimbas NP.	Annually	Tourism operators and provincial directorate of tourism (DPTUR)	ANAC

<b>Intermediate Results Indicators</b>				
Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Score on the institutional capacity tool for ANAC	Tool <sup>22</sup> that provides an index on institutional capacity (e.g. staffing, revenues, planning)	Annually	Self-rating tool based on pre-defined questionnaire assessing institutional capacity	ANAC
Annual BIOFUND disbursement to the CAs	From Endowment and sinking funds	Annually	BIOFUND / ANAC reports	BIOFUND
ANAC's annual revenues collected from targeted CAs	Revenue sources are: hunting fees, concessions, entrance and activity fees, etc. <sup>23</sup>	Annually	ANAC financial records	ANAC
ANAC annual budgetary support from central state treasury (USD)	Calculated on the basis of central government revenues (not from AC revenues) attributed for ANAC expenses.	Annually	ANAC financial records	ANAC
Number of jobs created in tourism and conservation in targeted CAs , as well as	Tourism includes accommodation, restaurants, and tourism leisure activities, and conservation is staff of CAs	Annually	ANAC reports	ANAC

<sup>22</sup> This tool has been adapted during the elaboration of the ANAC/MozBio Monitoring and Evaluation system, from the *Institutional Self-assessment. A Tool for Strengthening Nonprofit Organizations*. Richard Devine et.al., The Nature Conservancy, 2001. Like the METT, it is a self-assessment, carried out annually. It is organized in 8 sections, analyzing in turn: Strategic Vision and Planning; Leadership; Organizational Management; Human Resources; Resource Development; Financial Management; Constituency Building/Outreach; and Programmatic Capacity.

<sup>23</sup> Baseline information from Rylance, 2014. Targets have been calculated as a result of a rate of increase to 5% per year for photographic tourism, holding hunting tourism numbers stable. All numbers have been rounded down to the nearest 10.000 USD.

in Ponta do Ouro and Vilanculos/Inhassoro <sup>24</sup> .				
Law Enforcement zones regularly patrolled in targeted CAs (Percentage increase)	Each CA is divided into grid cells for patrolling of maximum 100km2. "Regular" patrols are defined as 50% of the ideal coverage, as defined by the CA Warden and validated by ANAC Natural Resource Management Directorate. This is to be conducted in Y1.	No description provided.	No description provided.	No description provided.
Percentage of planned priority infrastructure completed	Priority infrastructure are defined in the PIM	Annually	ANAC Annual Report	ANAC
Average increase in economic benefits of communities supported by Component 4	Perception of economic benefit to community members in the targeted CAs and areas of influence.	No description provided.	Data to be collected through survey to be conducted in Y1 and Y4.	ANAC
Number of beneficiaries of subprojects supported by the Project	Direct beneficiaries of subprojects are people or groups who directly derive benefits from an intervention (i.e. individuals that received improved seeds and technical assistance or community members with access to water through a borehole). The assumption is that the Project will finance 70 sub-projects. Each sub-project will have in average 120 beneficiaries.	Annually	Data collected by service providers for subproject implementation and aggregated by ANAC.	ANAC
Income derived from tourism and wildlife	Calculated as 20% of projected total revenues for ANAC from the targeted	Annually	ANAC	ANAC

<sup>24</sup> These additional areas have been selected as the areas where there is a large influence from the neighboring protected area, but are not part of its official buffer zone. While the exact geographical limits will be determined in the PIM, it is suggested to use the 5km wide strip along the coast next to the PPMR - Ponta do Ouro - and next to BANP - Vilanculos and Inhassoro).

utilization in targeted CAs and returned to communities. <sup>25</sup>	CAs.			
Annual CO2 emissions from deforestation in selected CAs	Both activity data (deforestation rates) and emissions factors (carbon stocks in eligible carbon pools) will be collected in Y1, based on historical deforestation. Preliminary estimates are based on analysis of data for the Gilé Reserve (and surrounding districts) and Quirimbas National Park. These two areas have an aggregated gross deforestation of over 5,000 hectares / year. Using an average carbon stock of 50tC/hectare, this leads to almost 1 million tCO2eq emitted every year due to deforestation loss. It should be noted that this data is conservative as forest degradation is not accounted for.	Bi-annually	Data collected by the partner institution implementing Component 4.3.	ANAC

<sup>25</sup> Baseline information from Rylance, 2014. Targets have been calculated as a result of a rate of increase to 5% per year for photographic tourism, holding hunting tourism numbers stable. All numbers have been rounded down to the nearest 10,000 USD.

## **Annex 2: Detailed Project Description**

### **MOZAMBIQUE: Mozambique Conservation Areas for Biodiversity and Development Project – MozBio 1 (P131965)**

1. There are clear linkages between biodiversity conservation and growth of tourism development. The latter is dependent on the quality of the CAs as well as their supporting infrastructure and levels of access. However, creating the enabling environment for tourism investment in these areas requires clear rules of engagement, e.g. transparently secured concession contracts and market related tourism fees. 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.

2. The Project financial envelope does not allow for support to all CAs in Mozambique. Targeted CAs were selected in a participatory process involving key technical staff from the Ministry as well as interested parties from the NGO conservation group. The selection criteria were: i) biodiversity relevance; ii) availability of other sources of funds; iii) previous engagement with WB or other donors; iv) tourism potential; v) threats under the project control (poaching / loss of biodiversity); vi) existence of local service delivery entities to local communities; vii) potential return on investments; viii) cost of project supervision. High levels of poverty and lack of social infrastructure (schools, health centers etc.) characterize all CAs and their buffer zones.

3. The project will be implemented through five components:

- **Component 1: Strengthening Institutions for CA Management**
- **Component 2: Promotion of Tourism in CAs**
- **Component 3: Improving CA Management**
- **Component 4: Piloting Support to Sustainable Livelihoods of Communities within and around Conservation Areas**
- **Component 5: Project Management, Monitoring and Evaluation**

#### **COMPONENT 1: Strengthening Institutions for Conservation Area Management (US\$ 8 million (IDA) and US\$ 3.2 million (GEF))**

4. 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 Conservation Areas system and critically endangered species conservation, increase the financial sustainability of Conservation Areas and tourism revenues, improve monitoring and evaluation systems and support communication strategies.

5. Annex 6 provides further information on these institutions. Component 1 objective will be met through implementation of three inter-related Sub-components described below.

6. Due to the critical wildlife poaching and trafficking crisis emerging across the country and its borders, the Project will support key activities of the anti-poaching strategy that the GoM is

planning to develop with support from AFD. During preparation, AFD informed MITUR and the Bank that they are preparing an anti-poaching strategy (4 M€ grants for two years) in conjunction with MITUR and WCS that will focus on Niassa National Reserve, Quirimbas National Park, and Limpopo National Park. The anti-poaching strategy once finalized will include, among others: i) law enforcement within CAs, ii) inter-ministerial coordination between Interior, Defense, Justice, Agriculture and Tourism, iii) development and implementation of a standardized and systematic reporting system (SMART) and, iv) reinforcement of the administrative authority for CITES. The Project has already picked up some of the needs under i) and iv) and could support other activities based on the needs and financial gaps identified by the anti-poaching strategy.

#### **A. Sub-Component 1.1: Strengthening ANAC (US\$6.0 Million)**

7. This Sub-component will support the provision of equipment, technical assistance and training required within ANAC to improve the management of conservation areas and nature-based tourism development.

8. The *Administração Nacional das Areas de Conservação* (National Administration of CAs, ANAC) was created through the approval of the Conservation Policy and its Implementation Strategy. ANAC was established in 2011, and its structure modified in 2013 (see Annex 6 for more details). ANAC was created with the mandate of legal personality, administrative and financial autonomy and equity. ANAC's core function is to ensure that CAs are managed and maintained in a manner that complies with the objectives of the Conservation Policy and other Policies and Legislations.

9. The operationalization of ANAC has been slow due to: i) delay in the approval of the by-laws to establish departments and other bodies within ANAC; ii) the government budget to pay for the cadre of staff in ANAC was not approved until May 2014 (and covers only part of the needed staff. Because of general hiring freeze, ANAC staffing will be phased over time (four initial years) and; iii) the Strategic and Business plans of ANAC have not been prepared, due in part to the fact that ANAC had no staff in place to oversee this process. The General Director started in August 2014. A key output for the Project Y1 is the approval of ANAC internal regulations and Administration Manuals. The main activities to be supported by the Project are:

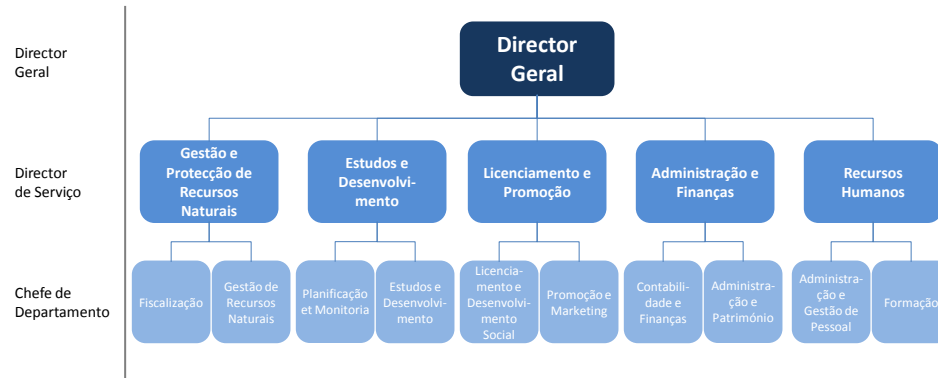
10. ANAC staffing and technical assistance: The Project will support technical assistance, through competitive processes, to complement the staffing requirements of ANAC, not presently covered by the GoM. The Project will finance as consultants five Director positions and five Heads of Department (one in each directorate) so as to ensure that ANAC has the capacity to start up and operate in the short term. These positions will be financed on a declining basis over the duration of the project (Figure 1). In addition, the Project will finance short-term technical staff to provide capacity to the legal and regulatory departments and a specialist on Social Development (including social safeguards) as well as an Environmental Specialist (including environmental safeguards) to support ANAC in implementing the safeguards instruments prepared by the project.

11. At the field level, the Project will support key CAs positions (i.e. administrators, community liaison officers, law enforcement officers). It is expected that all these positions will

be gradually assumed by GoM. The TORs for all the positions paid by the Project will be included in the Project Implementation Manual (PIM).

Fig 1: The Project will finance all Directors and five Department heads in the ANAC staffing plan

## ANAC staffing plan



12. Complete administrative and management internal procedures regarding for example, planning, procurement, financial management, monitoring and evaluation, auditing and communication. The Project will also support the development of administrative and management systems and regulations required for ANAC to fully function. The following specific activities will be supported:

- Supporting the transformation of the organizational structuring processes;
- Facilitating the implementation of the human resources management strategy (including technical support in preparing job descriptions, staff recruitment, secondments of staff from other public institutions and development of salary and incentives packages for staff);
- Introducing the management effectiveness tracking tool (METT) as a means of monitoring the effectiveness of protected areas under the administration of ANAC;
- Supporting the refinement and implementation of financial, procurement and operational guidelines and procedures to ensure legal compliance with financial management, accounting and auditing requirements;
- Strengthening internal financial controls;
- Procuring and installing key equipment and communications infrastructure to improve financial management capabilities (computers, printers, routers, data communication lines);
- Establish a new management system for revenues collected by the CAs, including the use of information and communication technology (ICT);
- Training financial management staff in use and application of equipment and software;



- Improving financial information flows between the national and provincial offices and individual CAs;
- Implementing mechanisms for equitable cross-subsidisation across different CAs;
- Assisting outsourcing, concessioning, leasing and co-management processes to improve cost-effectiveness of conservation area operations;
- Advocating an incremental increase of national budget allocations for CAs

13. Human Resources Strengthening. Given the lack of qualified staff in the country for CA management and tourism development, a major investment is needed to strengthen human resources capacity. The Project will support:

- Short-term training in prosecutions and in law enforcement tactics for CA staff;
- Tourism development management and planning training for CA staff and communities;
- Community-based natural resources management training for communities and CA staff;
- Design and implement training modules to upgrade or adapt existing skills to the various functions;

14. Policies and regulations. The Project will finance the elaboration of pending policies and regulations needed for ANAC to achieve its mandate, and promote the application of those policies and regulations currently not enforced. Among these are the regulations of the Conservation Areas Law and the re-categorization of the CAs based on the aforementioned Law. This subcomponent will support studies, consultations and internal management systems (such as those to manage the collection and distribution of revenues). The project will also promote a mechanism to expedite the allocation of 20% revenue from CAs to communities, potentially with the use of Information and Communication Technology (ICT).

15. Awareness Raising: The Project will support various activities in order to help build a constituency for conservation of natural areas and nature-based tourism at various levels including political level (parties), Government (Ministries and parliament), administration as well as citizens (both at national level and stakeholders of specific CAs). The project will finance the preparation of a communication strategy, material preparation and awareness raising events.

#### **B. Sub-component 1.2 - Strengthening of BIOFUND (US\$1.7 Million IDA, US\$3.2 Million GEF)**

16. This Sub-component will support the capitalization of the endowment fund for the CAs of Mozambique and will strengthen the operations of BIOFUND, with the objective of contributing to the financial sustainability of the CA system in Mozambique.

17. As described in detail in Annex 6, BIOFUND has benefitted from the technical and financial assistance over the past 3 years from UNDP (GEF-4 grant), AFD, KFW, USAID, WWF and Conservation International (CI) and has followed internationally recognized practices for Conservation Trust Funds (CTF) for its design and creation. BIOFUND's governance structures are operational, with the requisite number of Members and Board directors named and meeting regularly. Modifications to the Articles of Incorporation intended to clarify and

strengthen governance practices were reviewed and found acceptable to BIOFUND's technical and financial partners, and were approved at BIOFUND's General Assembly in December 2011 and updated in June 19, 2014. The operational aspects are well-advanced with an executive director, technical and financial staff in place, an investment policy drafted, selection of an asset manager underway and a draft Operational Manual prepared. BIOFUND's asset manager selection and Operational Manual will be finalized and acceptable to the Bank by project effectiveness.

### **Sub-component 1.2.1 Capitalization of Endowment Fund (US\$3.2 million, GEF)**

18. This Sub-component will support the consolidation of BIOFUND through the capitalization of the Endowment Fund. The Project will provide seed funding (US\$3.2 million) from the GEF funds (Biodiversity Focal Area) to capitalize BIOFUND's endowment fund. The endowment fund is expected to generate a sustainable source of revenues to finance recurrent costs of Mozambique's CAs. It will be supported by various partners. KFW has recently appraised its contribution of 10 million Euro to BIOFUND. AFD and Conservation International have indicated interest in supporting BIOFUND as well. The procedures for managing the endowment fund and the selection criteria of Mozambique's CAs eligible for support from the endowment will be spelled out in BIOFUND's Operational Manual.

19. BIOFUND will deposit within the Endowment Fund the US\$ 3.2 million. The proceeds will constitute part of the Endowment Fund's capital, be kept segregated from funds deposited by other donors, and invested by BIOFUND so as to contribute to cover the recurrent costs associated with the operation and maintenance of Conservation Areas.

20. The Endowment Fund's capital will be invested by BIOFUND through an internationally recognized Financial Asset Manager employed in compliance with procedures acceptable to the Bank, acting under a contract, satisfactory to the Bank, between BIOFUND and the Financial Asset Manager. The contract shall require the Financial Asset Manager to:

- i) invest the Endowment Fund capital in accordance with the instructions issued by BIOFUND and set forth in the BIOFUND Investment Policy and Guidelines<sup>26</sup> satisfactory to the Bank;
- ii) for each year of Project implementation, only release to BIOFUND investment income derived from the Endowment Fund's investments returns;
- iii) not later than one month after the end of each semester in the relevant year of Project implementation, provide to BIOFUND and the Bank semi-annual reports regarding management performance, capital value, asset allocation, and investment income (including investment returns) with respect to the Endowment Fund; and
- iv) provide BIOFUND with information required by BIOFUND to comply with its obligations under the GEF Grant Agreement in respect of the Endowment Fund.

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<sup>26</sup> "Investment Policy Guidelines" means the guidelines providing instructions for the investment of the Endowment Fund capital.

21. BIOFUND shall exercise its rights and carry out its obligations under the Asset Management Contract in such a manner so as to protect the interests of the Bank and Mozambique and to accomplish the purposes of the GEF Trust Fund Grant. Except as the Bank may otherwise agree, BIOFUND shall not amend, waive or fail to enforce any provision of the Asset Management Contract. In case of any conflict between the terms of the Asset Management Contract and those of this Agreement, the terms of the GEF Grant Agreement shall prevail.

22. BIOFUND shall provide the Bank with plans for the use of the proceeds of the Endowment Fund (including a description of the procurement requirements for such use) for each year of Project implementation (through the Annual Work plans agreed with ANAC).

23. BIOFUND shall issue an Operational Manual, satisfactory to the Bank, setting forth specific rules and procedures for the operation BIOFUND and the Endowment Fund including, inter alia:

- a) the Endowment Fund's governance structure;
- b) the financial structure of the Endowment Fund and Financial Asset Manager's role;
- c) mechanisms to finance operational costs of Conservation Areas out of the Endowment Fund;
- d) the disbursement, procurement, financial reporting requirements, including those set forth in Sections I.E and II of Schedule 2 of the Grant Agreement;
- e) the expenditures eligible for financing as Operating Costs of Conservation Areas;
- f) the criteria for eligibility of Conservation Areas; and
- g) the monitoring and evaluation requirements.

24. Amounts released by the Financial Asset Manager to BIOFUND shall be used for financing the recurrent costs of Conservation Areas. The use of these funds will be prescribed, inter alia, in the Grant Agreement, the BIOFUND Operational Manual and each relevant Annual Work Program.

25. BIOFUND's initial capital contributions are being financed by Conservation International's Global Conservation Fund (CI-GCF) (US\$1 million), KfW (10 million Euros,) and the Project GEF Grant (US\$3.2 million). Initial start-up costs of BIOFUND are financed by a GEF Grant of the United Nations Development Programme (UNDP-GEF), WWF and KfW.

### **Sub-component 1.2.2 Operationalization of BIOFUND (US\$1.7 IDA)**

26. This Sub-component will support the operationalization of BIOFUND through the provision of equipment, financing of operating costs and technical assistance including the design and implementation of a fundraising strategy involving innovative funding sources.

27. The Project will strengthen BIOFUND capacity to conduct its operations in the early years of its operations, while the endowment grows. Interest earned from the endowment fund will eventually cover BIOFUND's operating costs. However, experience with CTFs in other countries has shown that providing transitional financing that allows endowment capital to grow in the early years is critical to ensuring adequate future funding. The Project support to

BIOFUND will include provision of specialised consultants, goods and operating costs for the BIOFUND's management team and the Board. Areas of specific support will be: financial advice, investment management training, monitoring the investment advisor, implementation of the strategic and business plan, development and implementation of fundraising and communication strategies; learning about cycles of funding to CAs and developing joint procedures with ANAC. In addition, BIOFUND will test innovative mechanisms for the sustainable financing of CAs, including the establishment of biodiversity and carbon offsets.

### **C. Sub-component 1.3 Strengthening national CITES authority (US\$0.3 Million)**

28. This Sub-component will support proper implementation of the CITES Convention requirements to improve wildlife management through the provision of technical assistance and training to the CITES authority within MICOA. Adequate implementation of the CITES Convention in Mozambique is fundamental to improve wildlife management, and has a direct impact on promoting tourism. Without proper reporting to CITES, Mozambique cannot promote trophy hunting, which is an important conservation-based income-generating activity. Proper implementation of CITES will also address some of the challenges in illegal international wildlife trade, including the present poaching crisis in Southern Africa. This Sub-component will assist MICOA to improve its capacity to meet its commitments to the CITES Convention by:

- i) Facilitating the complete transfer and operationalization of CITES from MINAG to MICOA through the allocation of staff and resources;
- ii) Assisting with the revision of the legislation on CITES in order to accommodate aspects linked to illegal trade and poaching, and give full powers to the CITES Management Authority;
- iii) Strengthening the CITES Inter institutional Group;
- iv) Improving coordination and collaboration with the private sector in defining the roles related to the export of CITES products;
- v) Undertaking a nation-wide registration and cataloguing of all ivory stocks;
- vi) Facilitating communication with the CITES authority and with other State parties to the Convention in the region;
- vii) Providing training for CITES technical staff; and
- viii) Strengthening inter-sectoral collaboration (MICOA, MINAG, MITUR, Customs, Police and Fisheries).

### **COMPONENT 2: Promotion of Tourism in CAs (US\$1.9 million IDA)**

29. This Component will support ANAC and selected public-private institutions to address several barriers to nature-based tourism development to better manage sport hunting administration and improve revenues generation in Mozambique. The objective of this component is to increase revenues and the number of beneficiaries from tourism-related economic activities in CAs. This will be achieved by addressing several barriers to nature-based tourism development in Mozambique, including: i) policy and regulations; ii) institutional challenges; iii) weak marketing; iv) inadequate planning; and v) lack of investments in tourism infrastructure.

30. **Policy and Regulations:** Mozambique developed several policies and regulations in the tourism sector but many are new and untested. The policies need associated regulations and to be rolled out with adequate training for those who will be enforcing them. Additional policies and regulations are also required to cover tourism concessioning, and licensing for tourism guides. In relation to concessions, without detailed implementation plans and sound models, there is an inconsistency of approaches across the country. Adaptation of existing regulations that are needed include simplification of business licensing and regulations, and revision of the system of allocating fines and penalties to enterprises. A long-standing problem for the private sector has been indiscriminate fines by inspectors (whose salaries are partially supported by those fines).

31. **Institutional challenges:** Institutional issues that affect CAs are: (i) the inefficiencies in the Ministry of Finance to return 80% of revenue generated to CAs; (ii) weak capacity in MITUR and Mozaico do Indico (MdI) to negotiate tourism concessions; (iii) weak capacity within INATUR to market and promote tourism in the country; and (iv) weak transfer of information and capacity between the national level, and implementation level in provinces and local government.

32. Within the **private sector**, FEMOTUR is a new umbrella private sector tourism association, whose members are drawn from all the provincial private sector associations. Both FEMOTUR, and its member associations, require capacity building, business plans, and institutional strengthening. They require this in order to market and promote tourism opportunities in Mozambican protected areas in collaboration with INATUR.

33. At the **community-level**, the development of community associations, and instilling sufficient capacity and knowledge to manage interactions and joint-ventures with the private sector, is very time consuming. This is because of the low level of basic capacity of communities living in and around protected areas due to weak basic education. NGOs have been able to work as intermediary brokers between the private sector and communities in some TFCAs, but lower transaction costs will be needed to encourage the mainstream private sector to follow the same course.

34. **Inadequate planning. Tourism Master Plans** developed under TFCA II need to be implemented (i.e. Manica, Sussundenga, Vilanculos) and additional plans developed/updated for other areas.

35. **Marketing and promotion:** There is very limited international marketing and promotion of Mozambique's CAs. The result is low demand from tourists, tour operators, and investors, to work in the natural destinations of the country. Far greater targeted investment and collaboration between government agencies (particularly INATUR) and private sector associations and enterprises is needed to improve awareness of opportunities, destinations and activities.

36. **Tourism Investment:** Currently there is very little tourism investment in Mozambican CAs. There is a lack of basic infrastructure (i.e. roads, electricity, water, and sanitation), limited accommodation and tourism activities, reception and interpretation facilities, and few regional operators that include them on their itineraries. A major constraint to tourism development and operation is international and domestic flights. These are expensive, have poor route schedules, and are dominated by the national carrier LAM.

37. In order to address some of the challenges above, this component will have two Sub-components: (A) tourism development in CAs, and (B) sport hunting development. The goal of this component will also be achieved by activities supported in other components, namely: i) Component 1 will strengthen ANACs institutional and human resources capacity on tourism management, ii) Component 3 will address the lack of investments in tourism infrastructure; iii) and Component 4 will improve the relation between CAs and local communities.

#### **A. Sub-component 2.1: Tourism Development in Conservation Areas (US\$1.2 million IDA)**

38. This Sub-component will support 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 Conservation Areas and for tourism statistics, marketing and promotion activities, creating incentives to reducing greenhouse gas emissions in the tourism sector, carrying out analytical studies for purposes of informing tourism planning at national and destination level, development of tourism master plans, organization of public-private fora to manage and coordinate tourism.

39. At the national level, the Project will contribute to:

- *Improving the business climate for tourism investment in CAs.* Development of common approaches to deal with concessions, to stimulate and facilitate investment in protected areas. This includes the regulations of the new Conservation Areas Law in regards to tourism concessions (including fees for developed and traversing areas); streamlining the concession process; simplification of tourism licensing, inspections, special licenses and DUATs; development of a guide licensing system; clarification and streamlining Environmental Impact Assessment (EIA) processes; harmonisation of regulations to licencing commercial activities in Marine Protected Areas (MPAs);
- *Marketing and promotion.* Marketing of tourism in Mozambique, and of its key protected area destinations, will be strengthened to raise international and domestic awareness of tourism products and destinations, to increase the level of visitation and expenditure in the country. The Project will finance ANAC participation in international trade fairs (and that of selected Mozambican enterprises), and promote a program of familiarisation trips for investors and outbound tour operators (international tour agencies). The Project will finance the overhauling of Mozambique tourism website to serve as an essential resource for travellers and tourism businesses, including links to online booking systems and information on visas, border times etc. The project will also support Mozambique's efforts to strengthen its public relations capacity.
- *Strengthening human resources.* A hospitality internship program will be developed as a partnership with the private sector, combined with a mentorship program.
- *Raising awareness on nature-based tourism.* Raising awareness of GoM officials at national level, and at provincial and district level (in the targeted CAs) on tourism legislation, regulations, plans and Zones of Tourism Interest. A 'Friendly Mozambique' campaign will improve interactions between government officials (e.g. border officials, police) and tourists over the course of the project and improve the quality of experience.

- *Strengthening Tourism statistics.* The Project will strengthen tourism statistics related to CAs in order to provide essential and accurate information to the GoM, CAs and the private sector on the status and to monitor trends in the industry. Satisfaction surveys with tourists will be conducted. Capacity and expertise will be built at MITUR and INE, and also at provincial level on data collection and analysis. This will be done in close collaboration with the ongoing Institutional Development Fund/WB support to the Tourism Sector Strategy preparation.
- *Support to private sector involved in nature-based tourism.* Preparation of a business plan and strategy for AMOS (Association of Mozambique's Safari Operators, an umbrella private sector association for sport hunting tourism in Mozambique);
- *Promoting climate change mitigation in the tourism sector.* Support policies and regulations that create incentives to reducing GHG emissions in the tourism sector, including by increasing energy efficiency in tourism facilities (hotels / lodges) and promoting renewable energy in facilities within protected areas. The project will enhance national capacity to promote the sale of carbon offsets from Conservation Areas (such as those expected to be generated in Gilé Reserve and Quirimbas National Park) to tourists interested in offsetting their carbon footprint.
- *Conducting analytical studies.* The Project will finance analytical studies that can inform tourism planning at national and destination level. This includes market research (supply and demand from tourists/inbound tour operators), a tourism immigration strategy for border posts, and a review of tourism and community linkages in Bazaruto to transfer lessons to emerging destinations.

40. At the level of the destination (CAs), the Project will contribute to:

- *Tendering (in some cases re-tendering) concessions* to increase the level of investments in Maputo SR, Quirimbas, Limpopo NP, and Pomene. Land availability studies, due diligence for sites and investment facilitation will take place. Special licenses will be awarded for prioritized commercial activities in CAs to increase the level of revenue generated by CAs and the number of beneficiaries. Existing concessions will be re-organised in Bazaruto.
- *Establishing Public-private forum at the destination* in three cluster destinations to manage and coordinate tourism (e.g. Quirimbas; Vilanculos; Ponta d'Ouro Partial Marine Reserve, Limpopo NP). They are expected to coordinate local players, support marketing and promotion and product development, vocational training support, and providing investor and tourism information. They could evolve into full-fledged destination management organizations.

## **B. Sub-component 2.2: Improve Sport hunting Administration (US\$0.7 million IDA)**

41. This Sub-component will support the provision of training and technical assistance, including advisory services for the establishment of a management system for revenues collected from sport hunting, to improve the statistics and collection of sport hunting activities, and development of sport hunting plans and land availability studies.

42. Trophy hunting in Mozambique has developed over the last 15 years to the point where it is now recognized as a sustainable and economically viable form of land use that is consistent with the national policy of promoting wise-use of wildlife. It is also recognized that the industry can directly benefit rural communities living within, or bordering onto Reserves and hunting areas, and can contribute significantly to the protection of CAs in general. Such benefits can be in the form of employment, social amenities (schools, clinics etc.) and from skills transfer across a broad range of opportunities (camp managers, mechanics, administration, professional guiding, hospitality etc.). However, the sport hunting industry still remains under-developed in relation to its potential.

43. ANAC has the responsibility of facilitating partnerships with local communities and private investors to create a profitable environment to participate in tourism development within the hunting areas (*coutadas*), and “game farms” (*fazendas*)<sup>27</sup>. For ANAC to fulfil its mandate, it needs to improve and modernize the manner in which these areas are managed and regulated, both on the part of the Government, the local communities and on the part of outfitters in the private sector. Therefore, ANAC must strengthen its capacity to ensure that it meets the highest international standards, and that there are equitable opportunities for all Mozambican and other stakeholders to participate in the industry.

44. The Project will promote various interventions:

- i) **Strengthen the relationships with communities.** The Project will gather information on the communities residing in the various hunting areas using adapted Participatory Rapid Appraisals (PRA) (among other methodologies) and will promote a continued dialogue with these communities so as to enhance the benefits that they receive from tourism and become more involved in the management of the hunting areas. The Project will also identify further ways in which local communities can benefit from and manage the natural resources in the hunting areas in a sustainable manner (e.g. revenue sharing, employment etc.). This will be linked to the contractual negotiations, especially with regard to land use options by the operator (i.e. use of the wildlife) and local communities (use of the natural resources, allocation of community quotas etc.). Finally, the Project will examine options available to communities to utilize the revenue generated from the use of wildlife resources in the hunting area and strengthen Community Associations around hunting areas;
- ii) **Regulatory framework.** In collaboration with ANAC legal department, the Project will support the review of existing hunting contracts to establish the responsibilities of both parties, assess the revenue sharing modalities, and assist in drafting new/revised contracts that incorporate safeguards for all stakeholders. The Project will support the review of the full sports hunting process chain: from the moment that a client enters the system to receiving his/her trophies, including the modus operandi of how a client applies for and is granted a hunting license,

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<sup>27</sup> Discussions on ANAC’s responsibility for the administration and management of *fazendas* are ongoing. *Fazendas* are currently managed by the Ministry of Agriculture.



the processes that follow after the hunt is completed, issuing of CITES export permits and exportation of the trophies. The Project will support the ratification of an internationally accepted code of conduct for the sport hunting industry in Mozambique including updating of hunting area regulations to international standards.

- iii) **Institutional and human capacity strengthening.** The Project will assist ANAC in developing the curriculum for professional hunter and guide training. It will also develop standards to grant professional hunter licenses and best practice standards using knowledge of hunting administration and management. On the institutional side, the Project will develop a system to set sustainable quotas linked to a monitoring and evaluation systems; and strengthen ANAC's capacity to evaluate the performance of the various hunting operations on a year-to-year basis. It will assist ANAC to audit the performance of the hunting industry against a number of parameters (e.g. use of hunting quotas, client arrivals, level of investment, effectiveness of law enforcement and community programs etc.), including through the development a database on trophy hunting data. Finally, the Project will support the transfer of the management responsibilities for the game ranches (*fazendas*) from MINAG to MITUR / ANAC.

### **COMPONENT 3: Improving CAs Management (US\$16.4 million IDA)**

45. This Component will support the strengthening of the management of key Conservation Areas, and carrying out wildlife surveys and monitoring. An assessment was undertaken during project preparation to establish the management needs of all CAs in Mozambique. This exercise revealed that all areas were requesting support for a wide range of inputs, and that the demand far exceeded the available budget for the Project. A prioritization exercise took place, using selection criteria through a participatory process with key conservation stakeholders in the country and the recommendations of a tourism potential scoping study prepared by IFC that identified the CAs with greatest tourism potential. Based on this process, 11 areas were selected: Zinave NP, Banhine NP, Chimanmani NR, Gile NR; Maputo Special Reserve, Ponta d'Ouro Marine Reserve, Quirimbas NP, Bazaruto NP, Pomene NR, Limpopo NP and Marroneu NR and surrounding four coutadas (No's 10, 11, 12 and 14). In addition to these, the Malhazine NR has been included as a potential future Headquarters of ANAC. Annex 7 provides background information on these CAs currently targeted by the Project. Any change in the list of the CAs during project implementation would be subject to mutual agreement between GoM and the Bank.

46. An inventory of fixed and movable assets at each of the selected CAs was undertaken to gain some idea of what currently exists and where further interventions are required. Moreover, virtually all these areas have requested recurrent and operational budget support. To facilitate comparisons between the various CAs, the requests were grouped under five broad budget categories: i) CA administration (i.e. operating costs) and Planning; ii) Wildlife management; iii) Infrastructure development; iv) Equipment and transport; v) Road, bridges and airstrips. Within each of these categories, specific budget lines were identified that were common to all the submissions (e.g. Operating costs, electrification, housing etc.).

47. A summary of the requirements for the 11 CAs is provided below (Table 1) to illustrate the wide variety of inputs.

**Table 1 - Infrastructure needs in targeted CAs**

		Component 3: Support of Conservation Area Management													
		R3.2.6 Update of all management plans for CAs													
		3.2.5 National ground, marine and aerial surveys conducted for key													
		R3.2.4 Annual operational budgets for MOZBIO CA's													
		R3.2.3 Provision of Field Equipment for MOZBIO CA's													
		R3.2.2 Provision of vehicle and other transport for MOZBIO CA's													
		R3.2.1 Provision of vehicles for ANAC HQ and MICOA													
		R3.1.15: General Infrastructure													
		R3.1.14: Tourism Development: Sundry infrastructure													
		R3.1.12: Tourism Development: Entrance gates													
		R3.1.11: Bush Airstrips													
		R3.1.10: Bridges, drifts													
		R3.1.9: Road rehabilitation													
		3.1.8: Outposts													
		R3.1.7: Workshop Storeroom													
		R3.1.6: Office Complex													
		R3.1.5: Technical Staff Housing													
		R3.1.4 Field Ranger Housing													
		R3.1.3 Support to ANAC HQ													
		R3.1.1 Planning process Malhazine/ANAC HQ													
Infrastructure investment	ANAC HQ														
	Quirimbas														
	Limpopo														
	Marromeu														
	Pomene														
	Bazaruto														
	Maputo														
	Ponta														
Basic investment	Malhazine														
	Chimanimani														
	Banhine														
	Zinave														
	Gile														

48. The demand for equipment also far exceeds the funds available. The Project will cover operational costs (mostly fuel and maintenance) in the initial stages of the Project until the government can generate enough funds from tourism revenues and until BIOFUND has increased the endowment fund for CAs of Mozambique. The following assumption has been applied to derive an indicative operational budget for each conservation area:

- A level of threat from illegal activities has been applied to each CA (the highest level of threat is 1.6).
- A baseline budget of US\$16/km<sup>2</sup> is applied to areas with high threat levels (LNP, QNP, MSR and Ponta d'Ouro Partial Marine Reserve = 21,400km<sup>2</sup>)
- A baseline budget of US\$9/km<sup>2</sup> is applied to all other areas identified for support under the Project (Bazaruto, Banhine, Zinave, Chimanimani, Gile, Marromeu and Pomene)
- The operational budget is calculated as: Area of CA x baseline budget x 4years.
- For example, applying this formula to Limpopo National Park (10,000km<sup>2</sup>) x baseline budget (\$16) will provide US\$179,728/year or US\$718,912 over the 4 years.
- Operational budgets for ANAC HQ and MICOA will be covered by internal revenues and government support respectively.

49. The new Conservation Areas Law will require all CAs to be re-categorized. For that, management plans will have to be updated. Clear guidelines are available on how these plans are to be developed. It is therefore essential that these are adhered to so as to avoid different standards and approaches being adopted. The first task will be to review the status of the existing plans and ensure that a standardized approach is being followed. These will be carried out through a participatory process with local communities, district governments and other rural development agencies. Where necessary the format will be adapted to ensure that there is consistency. Standard business plans that address the expectation of all stakeholders would be used as the foundation for these plans.

50. On the basis of the data presented above and the design of MozBio Program into two phases, this component has been subdivided into two Sub-components: i) Improved management of selected CAs; and ii) wildlife surveys and monitoring. The activities for improved administrative and financial management of CAs and for training of park rangers have been included under Component 1. ANAC will take on the lead to develop all the planning and administrative systems to support CAs. The activities to support ecotourism development and community outreach and participation at the CA level are included in Component 2 and Component 4 respectively.

#### **A. Sub-component 3.1: Conservation Area Management (US\$14.8 million IDA).**

51. This Sub-component will support the provision of Training, equipment including hardware and software, carrying out of works including housing and road repairs and maintenance, technical assistance including for the development of business and management plans and financing of operating costs to improve park management and tourism development.

52. Due to the limited availability of funds to support the 11 pre-selected CAs to the level of their requirements, the following specific activities will be financed under the Project:

- i) Training of park guards: This will be done by training the trainers in situ and using the current experiences in the country such as Gorongosa NP.
- ii) Training and better equipment for park rangers in the 11 CAs. Eligible equipment will include: Transport (4 x 4 vehicles, quad bikes motor cycles), field equipment, office and other furniture, GPS units, batteries, consumables, camping equipment, boots and uniforms. With this support, staff can operate effectively in the field and carry out the needed protection programs.
- iii) Improving communications hardware and software and training in the 11 CAs (i.e. Field radios and associated equipment as well as internet access and computers). This will be critical to combat the wildlife poaching in Mozambique.
- iv) Infrastructure and other equipment in a group of CAs with highest potential to generate income from tourism (Maputo Special Reserve, Ponta d'Ouro Partial Marine Reserve, Quirimbas NP, Bazaruto NP, Pomene NR.). Eligible infrastructure will include: Housing ( Senior and Junior staff accommodation); Other building ( Offices, training school, workshop, storeroom, outposts, store room (for ivory storage); Road repairs and maintenance (bulk sum allocation for roads, bridges/drifts and airstrips); Tourism development ( entrance gates, camp sites, sundry inputs e.g. signage, tourism brochures, waste management) and; General (fencing, fixtures and fittings (including computers/printers), electrical power, water provision, communications). Additional equipment will include: boat/motor/trailer for marine CA's (Ponta d'Ouro Partial Marine Reserve, Maputo, Bazaruto/Pomene, Quirimbas).
- v) Operational budgets for CA's with high and medium levels of threat from illegal activities (LNP, QNP, MSR, Ponta d'Ouro Partial Marine Reserve).
- vi) Update Management plans for six CAs
- vii) Support to the planning process to establish the Malhazine National Reserve located in the outskirts of Maputo. The Project will support: i) development of the Management Plan including implementation of wildlife (plain game - herbivores) translocation; ii) development of business plan; iii) design and EIA costs for future infrastructure including ANAC HQ; and iv) study to design appropriate management structure in line with a Participatory Park Planning (PPP) approach.

53. As few as possible contracts will be awarded to undertake construction so as to avoid the problems under TFCA II where long delays were encountered and several installations were not completed because of the lack of capacity/resources of the contractors.

## **B. Sub-component 3.2: Monitoring and Survey (US\$1.6 million IDA)**

54. This Sub-component will support the carrying out of wildlife surveys to assess the status of wildlife populations in-terrestrial and marine environment, including: (a) a national aerial survey of elephant range; (b) a national survey of key marine environment; (c) a survey to establish national status and distribution of lions and leopards; and (d) a survey to establish national status and distribution of hippos and crocodiles.

55. ANAC is responsible for monitoring key wildlife populations, especially those in the hunting areas. This subcomponent will develop various survey techniques the objective of which are to assess the status of wildlife populations for terrestrial and marine environments. These include conventional stratified aerial surveys, road strip count surveys (where appropriate) and abundance index techniques, and community-based monitoring systems such as the Management Oriented Monitoring System (MOMS).

56. The Sub-component will draw on data from the previous national aerial survey program as well as any other data that may be available. Specialist surveys will be designed to determine the status of leopard and lion in Mozambique, as well as key marine animals such as dugongs, turtles etc. It is envisaged that a number of cost effective survey methods will be adapted to meet the particular circumstances found in the selected CAs. These may include:

- i) Simple abundance index surveys that monitor changes in the number of animals seen per unit of effort;
- ii) Robust road strip count surveys;
- iii) Specialist surveys designed to monitor cryptic species such as leopard and lion;
- iv) Stratified aerial surveys that are used to monitor the status of large mammal populations over large areas, especially elephants;
- v) Aerial surveys for aquatic species, especially hippo and crocodile.

57. The Sub-component will finance the following activities:

- i) One national aerial survey of elephant range.
- ii) One national survey of key marine environment.
- iii) Survey to establish national status and distribution of lions and leopards in Mozambique.
- iv) Survey to establish national status and distribution of hippos and crocodiles in Mozambique.

## **COMPONENT 4: Piloting Support to Sustainable Livelihoods of Communities within and around Conservation Areas (US\$6.8 Million IDA, US\$3.1 million GEF)**

58. This Component will improve and strengthen natural resource-based livelihoods of communities living in and surrounding the Conservation Areas.

59. **Background.** Mozambique’s increased economic prosperity has largely bypassed rural areas of the country, failing to bring widespread improvements to much of the population including communities living in and around CAs. In turn, these CAs are integral to the well-being of the communities that live within and around them, but have the potential to contribute substantially much more. They provide a variety of ecosystem goods and services, such as watershed protection, fish and bush meat, and non-timber forest products. CAs also generate employment, including park management positions and seasonal labor, as well as revenues from tourism. However, these areas have not lived up to their development promise.

60. The potential livelihood contributions of Mozambique’s CAs is particularly relevant given that more than 250,000 people live within and around them (Quirimbas National Park alone has a population of around 100,000 people within its boundaries) and many more surrounding the areas (Table 2). Their livelihoods are mainly dependent on subsistence activities, including unsustainable and often illegal activities such as poaching, production of charcoal from protected forests, and slash and burn agriculture within park boundaries.

**Table 2 - Population within and around CAs targeted by the Project**

Conservation Area	Inside CAs	Outside CAs	TOTAL
Banhine National Park	370	6,365	6,735
Bazaruto	3,500		3,500
Chimanimani	360	30,928	31,288
Coutada 10 + 11	1,550		1,550
Coutada 12	1,820		1,820
Coutada 14	4,860		4,860
Gile		32,000	32,000
Limpopo National Park	5,317	2,130	7,447
Maputo/Ponta	5,000	3,000	8,000
Marromeu	2,550		2,550
Pomene	514		514
Quirimbas National Park	95,362	71,823	167,185
Zinave National Park	1,510	6,079	7,589
<b>Total</b>	<b>121,203</b>	<b>146,246</b>	<b>267,449</b>

61. **Bottlenecks.** Some of the reasons why CAs are underperforming in terms of contribution to local development include: i) lack of a systematic policy or guidelines to address the various

interfaces, both positive and negative, between community benefit and conservation, leading to each CA having an ad-hoc approach to working with communities in and around that CA; ii) lack of effective mechanisms for cooperation between CAs and local communities (even though some promising examples do exist, particularly in the Quirimbas National Park); iii) limited experience with community engagement by CA managers; iv) low level of capacity of local organizations to manage projects; and v) insufficient involvement of local governments in natural resources management activities (i.e., District Development Plans rarely refer to CAs' priorities).

62. The **objective** of Component 4 is to contribute to improving the living conditions of communities within and around the targeted CAs and enhance their contribution to biodiversity conservation. This approach to conservation is fully in line with the recently-approved Conservation Area Law and international experiences of co-management. By helping to maintain and strengthen the biological resource base that sustains local livelihoods, this component is central to the Project's contribution to reducing extreme poverty in rural areas. This component will also support the implementation of the mitigation activities identified in the Process Framework. The Process Framework is one of the instruments to deal with the social risks associated with the Project. This component will ensure that women and youth benefit from the various activities planned under this component.

63. This objective will be achieved through three Sub-components: i) Enabling conditions for sustainable management of natural resources by local communities; ii) Promotion of sustainable livelihoods within and around CAs; iii) Promotion of sustainable forest management (SFM) in targeted CAs. The implementation of this component will be fully integrated with other project components, particularly the strengthening of ANAC and the CAs' capacity to promote community development. A Community Development expert will be hired at ANAC Department level, and Community Liaison Officials will be appointed in each targeted CA.

- a. **Sub-component 4.1 – Supporting the enabling conditions for sustainable management of natural resources by local communities** – will create the institutional capacity ('enabling conditions') for communities to manage natural resources so as to facilitate income-generating initiatives. This component will be launched in the first year of the Project.
- b. **Sub-component 4.2 –Promoting sustainable livelihoods within and around Conservation areas** – will be implemented once the enabling conditions are achieved<sup>28</sup>. It will provide eligible communities support (including technical assistance and funds for investments) to implement selected piloting initiatives through Sub-projects.
- c. **Sub-component 4.3 –Promoting sustainable forest management within and around selected CAs** – will promote SFM practices (non-timber forest products management, conservation agriculture) and energy efficiency through improved charcoal-making kilns in a CA.

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<sup>28</sup> The minimum level of 'enabling conditions' that communities will have to achieve to qualify for Sub-projects financing will be defined in the PIM.



**A. Sub-component 4.1: Support the enabling conditions for sustainable management of natural resources by local communities (US\$ 1.0 million IDA)**

64. This Sub-component will support the provision of technical advisory services and equipment to conduct community land zoning, natural resource mappings, carrying out of training and capacity building of local community members and leader and community-based organizations on decision-making, accountability, transparency, local governance, business planning and management, use and management of funds, partnerships with the private sector and use of information technology including the carrying out of capacity building programs for the design and implementation of Subprojects.

65. The MozBio Unit will hire a Community Development specialist that will be seconded to ANAC headquarters. This person will develop the overall national guidelines for community/CA relations. The guidelines should develop a strategy for ANAC and other government entities operating in CAs regarding the sharing of benefits from increased ecosystem services (improved resource base, tourism and conservation opportunities, etc.), as well as the costs (Human Wildlife Conflict, restricted access to resources, etc.) of conservation initiatives.

66. The Community Development specialist will coordinate the selection of a Community Liaison Officer in each of the targeted CAs. This should be the person who is presently in charge of community relations at the CA level.

67. This Sub-component will support activities at the local level to improve the institutional capacity ('enabling conditions') for communities to manage natural resources so as to facilitate income-generating initiatives. These will be driven by the Community Development Specialist and the CLOs. Where necessary, terms of reference for additional support will be prepared. Activities will be fully aligned with the *Community Action Plans - Plano de Acção Comunitário*<sup>29</sup> (CAP) which each CA will prepare or update. These activities are as follows:

- i) support the establishment of '*CA Management Councils*<sup>30</sup>' (*Conselhos de Gestão das Áreas de Conservação, CGAC*), which include the participation of community and local governments (Districts and Province) representatives;
- ii) *Training local communities* on decision-making, accountability, transparency, local governance, business planning and management, use and management of funds (including on the use of the 20% of CAs revenues channelled to communities), partnerships with the private sector; use of information technology for development purposes

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<sup>29</sup> When the new CAs Law is regulated, new Community Action Plans (CAPs) in the Project will be generated from newly created CA Strategic Development Plans. The scope of new CAPs should extend from protected core areas into multiple use areas and buffer zones providing an important planning tool where multi-stakeholder participation is emphasized.

<sup>30</sup> Of key importance is the new Conservation Areas Law Nº 16/2014 that provides for the legal establishment of Conservation Area Management Councils (CGAC), advisory bodies covering one or more CA composed of representatives of local communities, the private sector, associations and local state bodies for the protection, conservation and promotion of sustainable development and use of biological diversity.

- iii) *Participatory land-use zoning* of natural resources in consultation with the Conservation Area and local government authorities. The Project will support communities and other critical stakeholders to conduct participatory natural resource mappings;
- iv) *Identification of potential entities* in and around each targeted CA who can provide communities with technical support and capacity building, and compile a comparative analyses of their strengths and weaknesses as partners. This will be done by the Community Development specialist together with the Community Liaison Officers, in order for these officials to develop a deep understanding of the existing context.
- v) *Strengthening capacity for the design and implementation of revenue-generating activities* (in various sectors, such as tourism, agriculture, forestry, fisheries);
- vi) *Identification of potential new community-managed CAs*<sup>31</sup> (as per the new Conservation Areas Law).

#### **B. Sub-component 4.2: Promote Sustainable livelihoods within and around CAs (US\$5.8 million IDA)**

68. **Sub-projects.** This Sub-component will support the design and implementation of Sub-projects, including activities relating to tourism, fisheries, conservation agriculture and sustainable forestry. This Sub-component will support activities that aim to improve the sustainable livelihoods of communities living within and around a few selected CAs, including Marromeu National Reserve and Quirimbas National Park, through Sub-projects<sup>32</sup>. These Sub-projects are a set of activities identified by local communities and fully in line with the overall conservation goals of the Conservation Area. Sub-projects will entail investments and technical assistance provided by the Project while in-kind contributions are expected from the recipients. The Sub-projects will promote activities in the following sectors: agriculture, fisheries, forestry and tourism. The criteria for Sub-project selection will be further developed in the Project Implementation Manual (PIM).

69. **Sub-project cycle.** Sub-project proposals would be identified through a combination of processes: i) consultations with local stakeholders; ii) assessments of local institutional capacity; and iii) zoning and planning undertaken by CA managers. Communities<sup>33</sup> will be supported by a Service Provider that would support the beneficiaries in preparing these Sub-project proposals following a simplified template as defined in the PIM. The time frame of implementation and budget will be tailored to address local needs and opportunities.

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<sup>31</sup> Examples of two community-managed CAs are Tchuma Chato in Tete Province, and Chipange Chetu in Niassa Province.

<sup>32</sup> The criteria and selection process for these Sub-projects will be detailed in the Project Implementation Manual. The type of Sub-projects and the rules for communities to access funds to implement those will be elaborated in the PIM..

<sup>33</sup> For ease of reference the term *communities* is being used, however, subject to the actual situation on the ground and specific needs this could be a village, a cooperative or association, or other local level institution interested in a particular Sub-project.

70. Sub-projects will fall into two main categories: i) *Strengthening and empowering community-based natural resources management organisations*, such as co-management committees, associations and cooperatives, and ii) *Strengthening capacity for the design and implementation of revenue-generating activities* in the sectors of agriculture, forestry, fisheries, and tourism.

71. **Screening of proposed Sub-projects.** A Technical Committee at each targeted CA<sup>34</sup> will be responsible for screening, prioritizing and approving these proposals, based on selection criteria defined in the PIM. Sub-project proposals that include revenue-generating activities will include information about their financial viability and return on investment and will be required to meet the *triple-bottom line* of ecological sustainability, socio-economic development and business viability. Sub-projects will also have to consider the full value chain of products and to distinguish between local, regional, national and international markets. The respective Conservation Area management plans will be guiding the overall prioritization and eligibility of activities, to be prioritized further by the integrated and participatory land, water and natural resources zoning and planning undertaken under Sub-component 4.1.

72. The activities supported by this Component will be ‘tailor made’ to each of the targeted CAs to account for local conditions (feasible activities, access to markets, type of ecosystem, etc.). They will draw to the maximum extent possible on other successful initiatives in Mozambique<sup>35</sup>. The selection process will seek to avoid creating perverse incentives for conservation. Thus, communities living within the CAs and in the buffer zones or outside them will receive support for different types of Sub-projects. As such, the menu of Sub-projects for communities outside the CAs may include support for sustainable production systems (e.g. fisheries, agricultural, forestry, livestock, and bee-keeping) at a more commercial scale and/or other income generating opportunities such as tourism related interventions. By contrast, Sub-projects for communities living within the CAs will include sustainable subsistence level activities (e.g. non-commercial production of food, sustainable harvesting of natural resources such as non-timber forest products) to minimize their ecological footprint.

73. Once the Sub-project proposals have been approved by the CA Technical Committee, a Sub-project Grant Agreement will be signed between the Service Provider (acting on behalf of the beneficiary) and the MozBio Unit. A Subproject Beneficiary means any community and/or land user residing or operating in and around Conservation Areas who meets the criteria set forth in the Project Implementation Manual as a Subproject Beneficiary under this component. A template of the Sub-project Grant Agreement will be part of the PIM. After the Sub-project grant agreement is signed, MozBio Unit will make funds available to the Service Provider. A Service Provider means an entity legally established and validly existing under the laws of the Republic of Mozambique to enter into a Subproject Grant Agreement on behalf of a Subproject Beneficiary for the carrying out of a Subproject. Service Providers will have a proven track

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<sup>34</sup> During the finalization of the PIM, the composition of the Technical Committees will be determined and will be in line with Conservation Areas Law.

<sup>35</sup> As an example, the Chicualacua project developed some successful and cost effective approaches for mapping, delineating and introducing community level management and benefit sharing in dry woodlands close to the Limpopo National Park.

record and performance in the areas concerned and relevant professional skills related to community development, livelihoods, and conservation. These Service Providers will be selected by the MozBio Unit on a competitive basis, and strong emphasis will be placed on their knowledge of the local conditions and their presence on the ground during the selection process. One Service Provider could be responsible for servicing one or more CAs, or areas within the CA (such as the terrestrial area or marine area within the CA). These Service Providers are expected to liaise very closely with the respective CA managers and Community Liaison Officer (CLO)<sup>36</sup> who will provide oversight during the Sub-project implementation. The Service Provider will report to the MozBio Unit and CA Technical Committee.

74. **Types of activities to be supported by the Sub-projects.** This component will include a range of potential Sub-projects that contribute to the sustainable management of natural resources. Sub-projects are expected to support co-management approaches promoted by the new Conservation Area Law. Table 3 shows examples of the types of Sub-projects to be supported.

**Table 3 - Examples of Sub-projects by type**

<b>Strengthening community-based organisations</b>	<ul style="list-style-type: none"> <li>• Support to strengthening new and existing co-management committees, associations, cooperatives, forest management associations, fishing councils, etc.;</li> <li>• Training in financial and revenue management</li> <li>• Knowledge exchange across communities in different parts of the country;</li> </ul>
<b>Strengthening capacity for revenue-generating activities</b>	<ul style="list-style-type: none"> <li>• Training in business development, marketing and value-chain analysis, support to the creation of small enterprises;</li> <li>• Support market access to promising supply chains (such as cashew nuts, coffee, fish), including support to certification (organic, fair trade, carbon offsets);</li> <li>• Capturing the value of environmental services (particularly for biodiversity and carbon)</li> </ul>
<b>Agriculture</b>	<ul style="list-style-type: none"> <li>• Dissemination of conservation agriculture techniques, including agroforestry, crop rotation, organic fertilizer, reduced tillage, etc.</li> <li>• Development of cash crops – coffee, cashew nuts, sesame, fruits, etc.</li> <li>• Promotion of small irrigation schemes</li> <li>• Promotion of improved livestock husbandry,</li> <li>• Small-scale agro-processing</li> <li>• Prevention of human-wildlife conflicts</li> </ul>
<b>Forestry</b>	<ul style="list-style-type: none"> <li>• Participatory forest land mapping and management planning to promote community-based woodland management (for firewood, improved regulation of woodland harvesting for charcoal and for improving fire management)</li> <li>• Community nurseries and woodlots</li> <li>• Fire management training.</li> <li>• Promotion of non-timber forest products such as fruit oils (marula, melon seed, etc.), medicinal plants, honey and edible mushrooms;</li> <li>• Wood arts products (handcrafts, carvings)</li> <li>• Small-scale community timber concessions (in buffer areas);</li> <li>• Community- or smallholder-based biomass energy or timber supply establishment;</li> <li>• Sustainable charcoal making (more efficient kilns, and cooking stoves).</li> </ul>

<sup>36</sup> The CLO is designated by the respective CA cluster according to their own internal structure as the person responsible for community relations.

<b>Coastal Resources and Fisheries</b>	<ul style="list-style-type: none"> <li>• Sustainable fisheries management</li> <li>• Crab and oyster fattening; cucumber aquaculture</li> <li>• Improved Fish processing</li> <li>• Community sanctuaries or marine no-take zones</li> <li>• Community fisheries mapping and reaching consensus with communities on boundaries and CFM areas</li> <li>• Community fisheries patrols and surveillance</li> <li>• Linkages to markets and value chain analysis for marine products i.e. sea cucumber, sea weed</li> <li>• Community training in guiding, boat skippering</li> </ul>
<b>Tourism</b>	<ul style="list-style-type: none"> <li>• Train and support communities to delivery of tourism services (community accommodation, entertainment services such as tourism guides, diving instructors, dances, etc.)</li> <li>• Community-based tourism initiatives such as seed capital for family guest houses, guiding services, training, among others</li> <li>• Promoting of community hunting areas and game farms</li> <li>• Community waste management</li> </ul>
<b>Reducing Human-Wildlife Conflict</b>	<ul style="list-style-type: none"> <li>• Support for a variety of non-lethal techniques such as the use of chilies and bee-hives,</li> <li>• Awareness and education campaigns,</li> <li>• Training programs for community and Conservation Area scouts,</li> <li>• Construction of fences.</li> </ul>

**C. Sub-component 4.3 –Promoting sustainable forest management within and around selected CAs (US\$3.1 million, GEF)**

75. This Sub-component will support the provision of technical advisory services, equipment and Operating Costs to:

- (a) Reduce deforestation within and around the Quirimbas National Park and Gile National Reserve Conservation Areas through the carrying out of activities related to agroforestry, conservation agriculture, promotion of non-timber forest products and environmental education.
- (b) Promote energy efficient charcoal making kilns in a Conservation Area.

76. The Sub-component will promote sustainable forest management within and surrounding CAs as a strategy to reduce ongoing deforestation. Two CAs have been selected to pilot these activities: the Gilé National Reserve and the Quirimbas National Park. The criteria to select these areas included linkages with ongoing initiatives, availability of information on local conditions (including forest conditions, deforestation rates and carbon stocks), and presence of actors already engaged in sustainable forest management activities.

77. This Sub-component will support technical assistance and small investments in these two CAs. It will adopt a landscape approach to promote sustainable forest management and to address local drivers of deforestation, while promoting local development. The interventions to be promoted will cut across different sectors such as agriculture, forestry and energy, and will promote inter-sectoral coordination at the local level (through the Conservation Area steering committee and the local District planning bodies). This will include the promotion of community forest management (strengthening local communities’ rights to forests, capacity to manage forests for timber and non-timber forest products), multi-purpose reforestation, promotion of

alternative energy sources and climate smart agriculture (conservation agriculture, agroforestry, among others), and energy efficiency (more efficient charcoal-making kilns). These Sub-projects will generate lessons for the REDD+ Strategy under preparation led by MICOA and MINAG. The two initiatives are described below.

78. **Gilé National Reserve.** The initiative contributes to the overall management of the Reserve, by promoting alternative activities with communities, especially conservation agriculture to achieve both food security and forest conservation. These actions are expected to reduce deforestation rates in the area. This initiative will be conducted in partnership with the AFD-funded “IGF Foundation”, Agrisud (on the agriculture activities) and the NGO EtCetera (on the carbon component) who have been leading the initiative in Gilé. The Project will particularly support the testing of innovative ideas towards alternative livelihoods. In Gilé, there is an opportunity to produce large quantities of raw cashew nuts (4250t in 2013) that is exported abroad (especially to India) where they are further processed before being exported to northern markets for consumption. Meanwhile, there are international commodity buyers seeking low-deforestation commodities. Some investors have expressed interest in financing, in the buffer area of the Gilé National Reserve, a semi-industrial unit capable of transforming 1000 t/year of raw cashew nuts for sale to an international commodity buyers committed to green its supply chain. Such a transformation unit will allow the added-value to be kept in the territory and to support long-term conservation agriculture practices. The Project’s funding could facilitate the formalization of the business model for all parties (international buyer, transformation unit, producers from communities), to fund the initial investment (building of the unit, equipment and some plantations) and to launch a contractual agriculture scheme.

79. **Quirimbas National Park.** Accurate statistics on the rate and extent of deforestation and degradation of miombo woodland and mangrove forest are not available at the Quirimbas National Park level. A recent report<sup>37</sup> provides broad indications of deforestation in the Rovuma landscape. The report contains results from a consultancy by FORCONSULT for WWF that mapped the land cover and change in the Ruvuma Landscape for the year 1990, 2000, 2010/11. The results revealed changes in land use land cover with increased deforestation and degradation of woodland. This could largely be attributable to a number of causes such as logging, shifting cultivation, charcoaling and settlement expansion (see below). If the revealed pattern continues unabated, it is likely that most of the remaining woodlands and forests will continue to be cleared for agriculture, charcoal or other activities. To address this, the Project will support a consortium of partners around the QNP to promote the following activities: i) *agroforestry*, including tree nurseries in communities and associated capacity training in agro-forestry associations; ii) promotion of indigenous coffee crops (*Racemosaloureiro*) known locally as “Café de Inhambane” and “Café do Ibo”, that have commercial potential thanks to its aroma, taste and low content of caffeine); iii) *conservation agriculture* through newly tested conservation farming techniques, and methods such as a) demonstration fields, b) model farm extension officer and c) farmer field schools; iv) *promotion of Non Timber Forest Products (NTFPs)*, including study,

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<sup>37</sup> Consultancy Report for Analysis of Land Cover and Changes of the Ruvuma Landscape - Tanzania and Mozambique.

Submitted to: WorldWide Fund for Nature, Tanzania Country Office (WWF TCO) Submitted by: FORCONSULT, Faculty of Forestry and Nature Conservation, Sokoine University of Agriculture. Morogoro Prepared by: Prof. J.J. Kashaigili and Prof. B.P. Mbilinyi, Sokoine University of Agriculture. Morogoro February, 2014.

promotion and valorisation of a range of NFTP's such as wild fruits (*Sclerocarya birrea* (Mongo) kernels, mushrooms, honey, tubers, babobab, bamboo, among others) and medicinal plants; iv) *environmental education* through practical community / associations owned projects.

80. The Sub-component will also promote energy efficiency in sustainable charcoal production in these areas through the dissemination of improved biomass-making kilns (exact technology to be identified) across local communities in a Conservation Areas. The Project will support local private sector and interest groups in modernizing their charcoal-making practices using technologies available in the market. The traditional earth kilns are very inefficient, seldom achieving a wood-to-charcoal conversion efficiency of more than 15%, and causing extensive local degradation and soil erosion due to the intense heat generated by kilns as well as deforestation due to the clear-cutting of trees and construction of kilns.

**COMPONENT 5: Project Management, Monitoring and Evaluation (US\$4.5 million IDA) + Project Preparation Advance (US\$ 1.9 million IDA) and Unallocated (US\$ 0.5 million IDA)**

81. This 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 payment of Operating Cost. The MozBio Unit's function and responsibilities is described in the Institutional Arrangements section.

### **Annex 3: Implementation Arrangements**

#### **MOZAMBIQUE: Conservation Areas for Biodiversity and Development Project – MozBio 1**

##### **A. Institutional Arrangements**

1. The Ministry of Tourism (MITUR) will be the coordinating agency for the Project. Within MITUR, the overall responsibility for project coordination will lay with the MozBio Unit. Implementation arrangements for all components, except for 1.2 (Strengthening of BIOFUND) will be under the overall responsibility of the Project Unit, a PIU set within MITUR (successor to the successful TFCA Unit).

2. The MozBio Unit shall have the overall responsibility for, *inter alia*: (i) ensuring timely implementation of Component 1.1, 1.3, 2, 3 and 4 in accordance with the Project Implementation Manual (PIM); (ii) preparing Annual Work Plans and Budgets and annual procurement plans; (iii) overseeing Project activities under its direct responsibility and of those under the responsibility of other agencies involved in Project implementation; (iv) managing Project finances; (v) maintaining consolidated Project accounts; (vi) ensuring adherence to the ESMF, PF and PMP of all agencies involved in the implementation of the Project; and (vii) developing and maintaining a system of monitoring the Project key performance indicators. The Project will adopt and use a Project Implementation Manual (PIM) that will, amongst other things, describe in detail all the institutional, fiduciary and implementation arrangements. A final version of the PIM acceptable to the Bank will be a condition for Effectiveness of the IDA Grant.

3. Component 1.2 will be implemented by BIOFUND, or “*Fundacao para a Conservacao da Biodiversidade*” means foundation for the conservation of biodiversity, a private non-for-profit entity established under Council of Ministers’ Resolution No. 69/2011 dated August 9, 2011, published in the Official Gazette No. 52 on December 29, 2011 and registered in the Recipient’s Legal Entities Registrar by public notary under the Ministry of Justice on November 12, 2013, endowed with legal and financial autonomy, and the right to own and manage its assets, for purposes of supporting the conservation of aquatic and terrestrial biodiversity and the sustainable use of natural resources, including the consolidation of the national system of conservation areas. The BIOFUND Operational Manual will be a condition for Effectiveness of the GEF Grant. Component 1.2 will provide support to two sub-activities: (i) the capitalization of the endowment fund for Mozambique’s CAs using GEF funds and; (ii) the operationalization of BIOFUND (i.e. fundraising and other activities to promote innovative funding for Mozambique’s CAs) with IDA funds. The management of the endowment will follow the Bank’s disbursement rules as set out in OP/BP 10.20.

4. For IDA funds, the Bank will enter into a financial agreement (FA) with the Republic of Mozambique (Recipient) for the implementation of all components of the Project with the exception of Component 1.2.1 (Capitalization of the Endowment Fund) and Component 4.3 (Sustainable Forest Management in targeted CAs), as these Sub-components will be funded by GEF funds.



5. Under the FA, a Subsidiary Agreement shall be entered into between the Republic of Mozambique and BIOFUND for purpose of implementation of Component 1.2.2 (Operationalization of BIOFUND) by BIOFUND, including the transferring of such portion of IDA funds to BIOFUND.

6. The Subsidiary Agreement between the Recipient and BIOFUND (the Subsidiary Agreement) for the IDA financing, under terms and conditions approved by the Bank, will include, inter alia: (i) the Recipient agrees to make available to BIOFUND, on a grant basis, part of the proceeds of the IDA Grant to finance BIOFUND's activities described under Component 1.2.2 of the Project; (ii) to this end, the Recipient shall instruct the Bank, on the Recipient's behalf and pursuant to a withdrawal request validly submitted to the Bank, to deposit the amount allocated under Category (2) of the disbursement table in Section IV of this Schedule 2 of the IDA agreement directly into the Designated Account B for the purpose of implementation of Component 1.2.2 of the Project; (iii) BIOFUND agrees to cooperate with the Recipient in the carrying out of the activities under Component 1.2.2 of the Project including exchanging information, holding reviews and providing reports on the progress of activities under its responsibility in accordance with the terms and conditions set forth in the IDA Agreement, including the Anti-Corruption Guidelines, Project Implementation Manual and Safeguards Documents; and (iv) the Recipient agrees to take all action necessary to permit BIOFUND to implement Component 1.2.2. of the Project.

7. For GEF fund, the Bank, acting as the Implementing Agency of the Global Environment Facility (GEF), will enter into a grant agreement with the Republic of Mozambique (Recipient). To this end, the Recipient shall carry out Component 4.3 (Sustainable Forest Management in selected CAs by MITUR) and shall cause BIOFUND to carry out Component 1.2.1 Capitalization of the Endowment Fund. A Subsidiary Agreement under terms and conditions approved by the World Bank shall be entered into between the Republic of Mozambique and BIOFUND for purpose of implementation of Component 1.2.1 (Capitalization of the Endowment Fund by BIOFUND, including the transferring of US\$ 3.2 million in the Endowment Fund.

8. The Subsidiary Agreement between the Recipient and BIOFUND for the GEF financing will include inter alia: (i) the Recipient agrees to make available to BIOFUND, on a grant basis, part of the proceeds of the GEF Grant to finance BIOFUND's activities described under Component 1.2.1 of the Project; (ii) to this end, the Recipient shall instruct the World Bank to, on the Recipient's behalf and pursuant to a withdrawal request validly submitted to the World Bank, deposit the amount allocated under Category (1) of the disbursement table in Section IV of Schedule 2 of the GEF agreement directly into the Endowment Fund (Designated Account C) for the purpose of implementation of Component 1.2.1 of the Project; (iii) BIOFUND agrees to cooperate with the Recipient in the carrying out of the activities under Component 1.2.1 of the Project including exchanging information, holding reviews and providing reports on the progress of activities under its responsibility in accordance with the terms and conditions set forth in the GEF Agreement, including the Anti-Corruption Guidelines and BIOFUND Operational Manual; and (iv) the Recipient agrees to take all action necessary to permit BIOFUND to implement Component 1.2.1 of the Project including the responsibilities provided under Section I.D and II of the Schedule II of the GEF Agreement.

9. Mozambique shall maintain during implementation of the Project the Project Steering Committee (PSC) chaired by the General Director of ANAC and comprising representatives from MITUR, MICOA, MINAG, MPescas, BIOFUND, the private sector, and civil society organizations.

10. During implementation, the Project will focus on building capacity within the Government, especially ANAC, BIOFUND and MICOA. The Bank will assess progress at the end of The Project 1 in this regard, and discuss with the Government any changes to the Project implementation arrangements for the second phase of the Project.

## **B. Financial Management Arrangements**

11. The TFCA projects did not make use of the country's FM systems, but the Project will use the country's FM systems, so there will be a need for the MozBio Unit to become familiarized with the respective procedures. MITUR will use the country's FM systems from budgeting, accounting, internal controls, funds flow, financial reporting to auditing as follows below.

### **Budgeting**

12. Budgeting, budgetary control, and budget revisions will follow national procedures requiring that the Project budget is inserted as part MITUR's budget and approved by parliament. Approved activities on the budget for the MozBio Unit and BIOFUND will be captured in their annual work plans. However, the Project budget within MITUR (MozBio Unit) will need to be registered with the National Budget Directorate (DNO) and the National Treasury Directorate (DNT) prior to Project effectiveness so that the Project is able to make use of the country FM systems including the government accounting system e-SISTAFE and Treasury Single Account (CUT). Budget execution will also be monitored through the accounting system which will be purchased and customized specifically for the Project.

### **Internal control and Accounting procedures**

13. The MozBio Unit's internal controls and accounting will similarly be based on the national procedures and those used under the TFCA project. In addition to MITUR's own internal control system, the *Inspecção Geral das Finanças* (IGF) will be responsible for the internal controls through their independent inspections. Procedures relating specifically to the Project including the disbursements and IFR templates will need to be finalized and captured in the FM procedures manual applicable for the Project for both implementing units.

14. MITUR will also be provided with an FM procedures manual for Bank operations in Mozambique that use the FM country systems, and should adjust the manual to realities of the Project. The manual already contains accounting procedures for approval of transactions, travel and per diem procedures, supporting documentation, which are issues which are normally raised by audits. The manual will also provide procedures on coordination with other beneficiary institutions. The BIOFUND Operating Manual will also capture the same information.

### **Staffing**

15. BIOFUND is currently staffed with an FM Manager experienced in handling donor funded projects, including some experience in Bank-financed operations. It is currently also recruiting

an accountant to help the FM department, particularly when it comes to segregation of duties. Both, the FM Manager and the accountant will benefit from training in FM and Disbursement Procedures training to ensure they become more conversant with Bank procedures.

16. The accounting staff capacity in the public sector is generally weak, but the experience of the MozBio Unit will be an advantage to the Project, however, they will need training in the use of e-SISTAFE, and other aspects country's FM systems. The MozBio Unit already has a full time financial manager, which will work with the DAF of the MITUR, allowing for appropriate integration of accounting staff of MITUR into the Project as needed and capacity building. The accounting staff from DAF already has access to the government e-SISTAFE and CUT and will be able to execute transactions. To ensure celerity and adequate oversight of accounting activities, the FM manager will need have access to the government's e-SISTAFE. The MITUR will need to make the necessary arrangements with the Ministry of Finance for this to take place prior to effectiveness of the Project.

### **Accounting system**

17. MITUR is connected to the government's own IFMIS e-SISTAFE and the Project will also make use of it for summarizing its transactions. The system has embedded segregation of duties in it, which is the most fundamental internal control. The preparation of the accounting information will be on cash basis in accordance with Mozambique government requirements, which are also in alignment with the International Public Sector Accounting Standards. Should the MozBio Unit be housed apart from the MITUR, it may not be connected to the IFMIS, and may therefore acquire off-the-shelf accounting system, which will then be customized to the Project needs. The BIOFUND currently does not have an accounting system as the financial management of their Project is handled by a third party. BIOFUND it will need to procure, install, obtain training on of an accounting system within three months of effectiveness of the Project.

### **Funds Flow**

18. The Project will operate four Designated Accounts (DA) in US\$ as shown in graph below, in the case the lapsed loans status of Mozambique is lifted<sup>38</sup>:

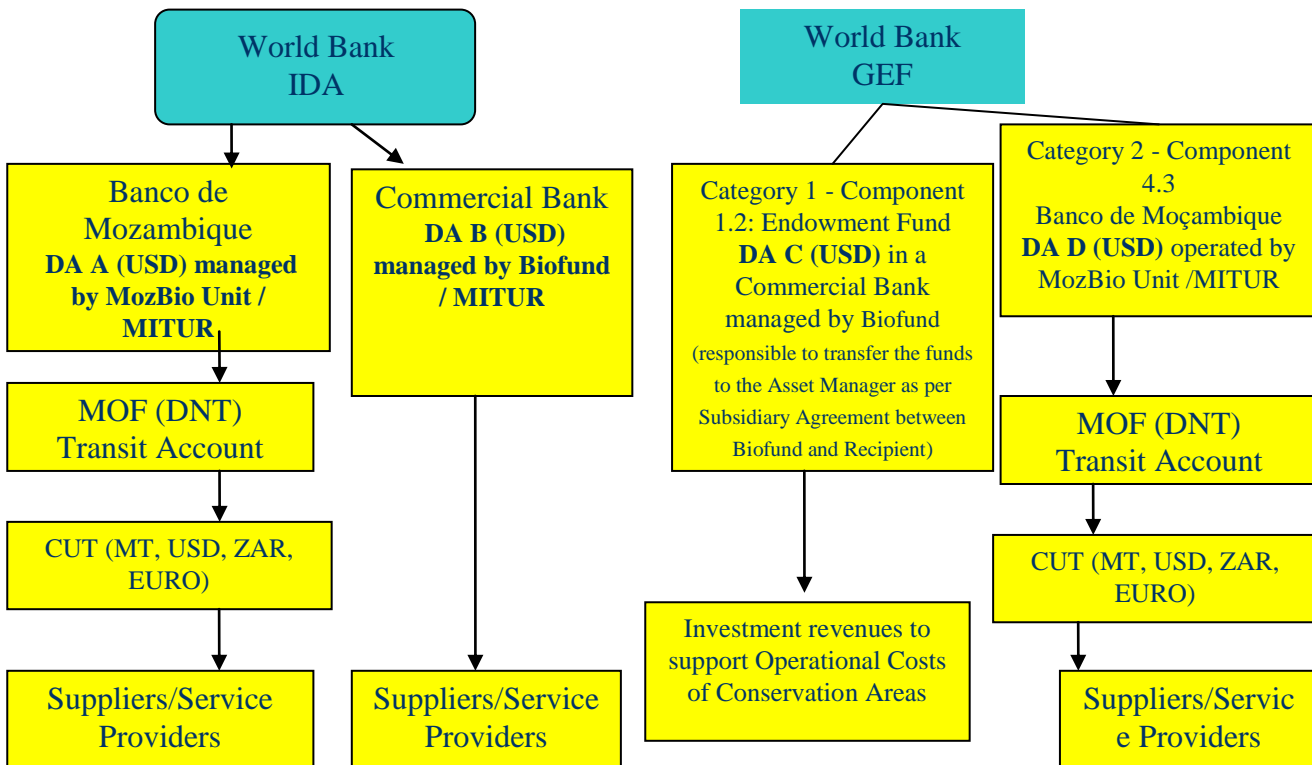
- For the IDA Financing Agreement, the disbursements will be distributed according to the following percentages:
  - a. For Category 1, and 3: Designated Account A for IDA Grant - 100%. Managed by MITUR to be opened at Banco de Moçambique.
  - b. For Category 2: Designated Account B for IDA Grant – 100 %. Managed by Biofund to be opened at a commercial bank acceptable to the World Bank. The

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<sup>38</sup> In case the lapsed loans is not lifted, all disbursement methods will be eligible except that for advances and the use of Designated Accounts. The negotiated Disbursement Letter states in **Section (vi) Advances (sections 5 and 6)**: “For the reason set forth in subsection 5.2 of the Disbursement Guidelines, the advancing of financing proceeds into a designated account is not a Disbursement Method currently available under this Financing. Please send Applications only in support of the Disbursement Methods listed in subsection I (i) of this letter.”

funds will flow from IDA through Banco de Moçambique in foreign currency which would in turn be transferred in local currency to the local commercial bank account managed by Biofund.

- The disbursements of eligible expenditures will be distributed among the two designated accounts for GEF Grant according to the following percentages:
  - c. For Category 1: Designated Account C for Endowment Fund - 100%. Managed by Biofund to be opened offshore at a commercial bank with AAA rating acceptable to the World Bank and to Banco de Moçambique. The revenues or proceeds (rendimentos) generated by the Endowment Fund will be deposited in an operational bank account at the same bank holding Designated Account C for the Endowment Fund. Biofund will open a local operational Bank account in Mozambique acceptable to the World Bank, in order to use the revenues to finance the Operating Costs of Conservation Areas. The revenues originated in USD will be transferred through the Banco de Moçambique where it in turn will be transferred in local currency to Biofund's local commercial bank account.
  - d. For Category 2: Designated Account D for GEF Grant Category 2 - 100%. Managed by MITUR to be opened at Banco de Moçambique.

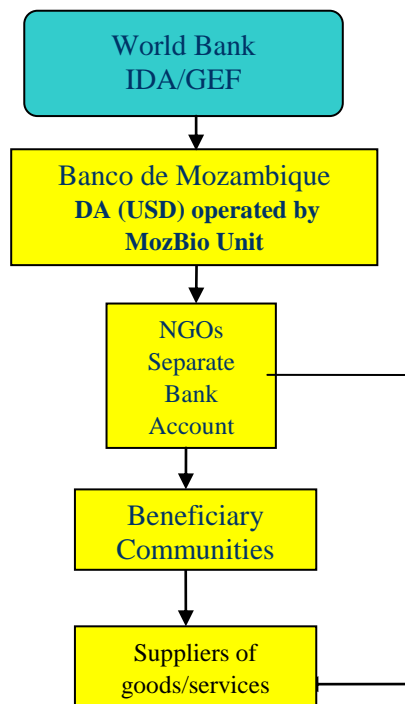


19. The Recipient shall instruct the World Bank to, on the Recipient's behalf and pursuant to a withdrawal request validly submitted to the World Bank, deposit the amount allocated under

Category (1) of the disbursement table in Section IV of the Grant Agreement directly into the Endowment Fund for the purpose of implementation of Component 1.2.1 of the Project. The funds will be disbursed directly to a commercial bank under the asset manager of the fund acceptable to the World Bank upon identification of the suitable manager which will be recruited through a rigorous process to ensure the appropriate mix of skills and experience to ensure that the manager will provide reasonable assurance of not only safeguarding the funds, but also appropriately invest them in a manner that will provide return on investment which will benefit the targeted locations/institutions.

**Sub-projects**

20. The funds for the Grant beneficiaries will flow through a Service Provider (such as NGOs, CBO, etc.) which will be selected according to the PIM. The Service Provider will also have appropriate skills and experience in financial management to be able to handle the demands of managing funds with the beneficiaries and also report back to the MozBio unit. These Service Providers to be recruited will be located close to the beneficiaries communities which allow them make direct payments on behalf of the final beneficiaries where applicable, but also gather all required supporting documentation to be sent to the MozBio Unit for subsequent disbursements. The Service Provider will enter into a Sub-project Grant Agreement on behalf of the Beneficiaries. This mechanism will also work as risk management in terms of ensuring no significant advances take place, and that subsequent advances are done after satisfactorily reporting of the previous advance. Details of the level of contributions from the beneficiary communities through in-kind or cash contributions will be spelled in the PIM. The Service Provider will open a specific bank account through which the MozBio Unit will channel the funds, and from this bank account, effect the direct payments on behalf of the Beneficiaries and/or transfer to the Beneficiaries as follows:



21. The MozBio Unit will need to coordinate with the DNO and DNT, to code the project

funds and ensure that only the Project has access to the funds within MITUR. Upon both implementing entities submission of acceptable monthly withdrawal applications, along with the respective supporting documentation, funds will be advanced to the respective Designated Accounts. Based on the Project's need for funds, MITUR will request the DNT to transfer funds into the government's single treasury account CUT, where payments will be effected directly to suppliers in (i) Meticaís, (ii) US\$, (iii) Euros, and (iv) ZAR. Expenditures will be posted directly into e-SISTAFE, enabling the Project Finance Manager to collate expenditure information and produce the necessary periodic reports. As this will be the first time the *MozBio* Unit makes use of the county's FM systems, guidelines from the DNT on Project funds flow through the CUT will also be shared with the Project team.

### **Reporting**

22. Quarterly reports in a format that was mutually agreed, will be prepared and submitted MozBio Unit and BIOFUND to the Bank within 45 days by both MozBio Unit and BIOFUND of the end of each calendar quarter reported on. These quarterly reports will include:

- Sources and Uses of Funds;
- Detailed Use of Funds Schedule by Project Component/ Disbursement Categories, comparison with budgets; and short-term forecasts of expenditure;
- Designated Account Reconciliation
- Summary Statements of DA expenditures subject to Prior Review;
- Summary Statements of DA expenditure not subject to prior Review; and
- A narrative summary of implementation highlights for the quarter helps the readers understand the financial statements better.

23. Both MozBio Unit and BIOFUND will submit the audited annual financial statements together with their management letters to the Bank within six months of the end of the fiscal year. These audits will be conducted by the *Tribunal Administrativo* and a private sector audit company for MozBio Unit and BIOFUND, respectively in accordance with International Standards on Auditing (ISA). The Annual Financial Statements for the Project will incorporate all activities, and be prepared in accordance with International Public Sector Accounting Standard for the Project and International Financial Reporting Standards for BIOFUND on a cash basis and specifically include among others:

- A Statement of Sources and Uses of Funds showing funds from IDA and how they were applied;
- A Summary of Expenditures analyzed by both Component and Category; and
- The supporting Notes in respect of significant accounting policies and accounting standards adopted by management;
- Designated Account Activity for the Year showing deposits and replenishments received, payments substantiated by withdrawal applications, interest that may be earned on the account and the balance at the end of the fiscal year;
- Summary of Withdrawals using IFRs, listing individual withdrawal applications by reference number, date and amount.

24. BIOFUND’s lack of familiarity with the Bank’s disbursement guidelines specifically, as well Bank procedures in general may prove to be an issue during implementation of the Project. BIOFUND as a new institution has not directly handled a donor-funded operation, and as such there will be a need for greater support from the Bank and other donors, particularly at the beginning of the Project.

**External Auditing**

25. The audit TORs have been agreed with the Supreme Audit Institution (SAI), the *Tribunal Administrativo* (TA) which is constitutionally mandated to audit all government funds, including projects financed by external sources. As such, the TA will have overall responsibility for the audits of MozBio Unit. The audit of the BIOFUND will be carried out by a private sector audit company acceptable to IDA, recruited under World Bank Procurement guidelines. The audits carried out by the TA may be subcontracted to a firm of private auditors, with/or without the participation by TA staff in the actual audit.

26. The audited financial statements, along with the auditor’s report and management letters (incorporating management’s comments) covering identified internal control and accounting system weaknesses, will be submitted to IDA within six months of the end of each fiscal year. A single audit opinion will be issued and will cover all Project receipts and payments, and Designated Accounts. Any firm of auditors subcontracted by the TA to carry out the audit will have to meet IDA’s requirements in terms of independence, qualifications and experience, which are designed to provide to assurance on whether the annual financial statements fairly present the financial transactions and balances associated with the Project. As of the year the endowment fund is disbursed, the fund manager will also to provide *BIOFUND* its annual audited financial statements to ensure the funds remain safely guarded.

27. In addition to the above arrangements, both implementing entities will have to ensure that the PIM (which will include financial management procedures) is in place by Project effectiveness. The financial management procedures of the PIM will be the guiding tool where all procedures to be followed regarding financial management will be documented to ensure consistency of procedures, and the finance managers will be responsible for ensuring that the Project’s FM arrangements are adequate and satisfactory throughout the life of the Project. To mitigate FM capacity risks, the FM consultant’s responsibility will also include providing training as needed to MITUR’s DAF and use of the government e-SISTAFE for summarization and recording of accounting transactions.

**Table of audit compliance requirements**

<b>Action</b>	<b>Submission Date</b>	<b>By whom</b>
Submit annual audited financial statements together with the management letter	Annually by June 30	MozBio Unit/BIOFUND

## FM Action Plan

Action	Indicative Date	By whom
Agree on Formats of IFRs	Done	MITUR/BIOFUND/Bank
Register Project on CUT and on State Budget	Prior to effectiveness	MITUR
Finalize recruitment of Accountant	Prior to effectiveness	BIOFUND
Finalize FM Procedures Manuals (as part of the PIM)	Prior to effectiveness	MITUR/BIOFUND

28. **Disbursements Arrangements:** The Project will disburse using Transaction Based disbursement procedures, through at least submission of monthly withdrawal applications. The Advance disbursement method will be used to operate effectively through the CUT. Upon effectiveness of the Financing Agreement, an initial advance, based on the limits established on the Disbursement Letter.

29. The Project may also make use of other disbursement methods/procedures such as (i) Reimbursement disbursement method, whereby the Bank reimburses the Recipient for eligible expenditures that the Borrower has pre-financed from its own resources; (ii) Direct Payment method, by which at the Recipient's request, the Bank makes direct payments to suppliers and contractors from the Credit account; (iii) the Special Commitment method, whereby the Bank will issue special commitment to commercial banks for payment of eligible expenditures.

30. The Bank will issue the "Disbursement Letter" which will specify the additional instructions for withdrawal of the proceeds of the Grant.

### C. Procurement Arrangements

31. Procurement activities for the proposed Project will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011, revised July 2014 and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011, revised July 2014 and the provisions stipulated in the Financing Agreement for the Project.

32. Further, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, and revised in January 2011 will apply.

33. The following activities form part of the Project and are subject to World Bank procurement procedures:



*Works:* Construction of field ranger housing, construction of technical staff housing, construction of office complex, construction of workshop/storeroom, construction of outposts, construction of staff ablutions, rehabilitation of roads, rehabilitation of bridges/drifts, construction of bush airstrips, construction of entrance gates, rehabilitation and construction of simple camp sites, establishment of sundry tourism infrastructure, construction of electric fencing, provision of fixtures and fittings, provision of electric power, provision of water reticulation systems.

*Goods:* Procurement of vehicles and motorcycles, procurement of IT equipment and procurement of furniture.

*Consultancies:* Gather information of the socio-economic status of communities using PRA methods, capacity building of community associations involved with hunting, Review and streamline the administrative process to register hunters, Develop best practice curriculum and syllabus for professional hunter and guide training, Review and update hunting regulations.

**34. Particular Methods of Procurement of Goods, Works and Non-consulting Services :**

**35. International Competitive Bidding.** Except as otherwise provided in paragraph 44 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

**36. Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

<b>Procurement Method</b>
(a) National Competitive Bidding, subject to the provisions of paragraph below.
(b) Shopping
(c) Direct Contracting
(d) Community Participation procedures acceptable to the Association

**37.** All bidding documents for use of National Competitive Bidding will be satisfactory to the Bank, based on the national bidding documents and which take into account the following Additional procedures and exceptions:

**38. Additional Procedures for National Competitive Bidding (NCB):**

**(a) General**

The procedures to be followed for NCB shall be those set forth in the “*Regulamento de Contratação de Empreitada de Obras Públicas, Fornecimento de Bens e Prestação de*

*Serviços ao Estado*” of the Republic of Mozambique of May 24, 2010 (“the Regulation”), as per Decree No. 15/2010, with the modifications described in the following paragraphs:

**(b) Eligibility**

No restriction based on nationality of bidders and/or origin of goods shall apply. Foreign bidders shall be allowed to participate in NCB without restriction and shall not be subject to any unjustified requirement which will affect their ability to participate in the bidding process such as, but not limited to, the proof that they are not under bankruptcy proceedings in the Recipient’s territory; have a local representative; have an attorney resident and domiciled in the Recipient’s territory; form a joint venture with a local firm. In cases of joint ventures, they shall confirm joint and several liability.

Prior registration, obtaining a license or agreement shall not be a requirement for any bidder to participate in the bidding process.

Recipient’s government-owned enterprises or institutions shall be eligible to participate in the bidding process only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Recipient.

**(c) Bidding Documents**

Standard bidding documents acceptable to the Association shall be used for any procurement process under NCB.

**(d) Preferences**

No domestic preference shall be given for domestic bidders and/or for domestically manufactured goods.

**(e) Applicable Procurement Method under the Regulation**

Subject to these NCB exceptions, procurement under NCB shall be carried out in accordance with the Regulation’s public competition (*Concurso Público*) method.

**(f) Bid Preparation Time**

Bidders shall be given at least twenty-eight (28) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids.

**(g) Bid Opening**

Bids shall be opened in public, immediately after the deadline for their submission in accordance with the procedures stated in the bidding documents.

**(h) Bid Evaluation**

Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified; the evaluation of the bidder’s qualifications should be conducted separately from the technical and commercial evaluation of the bid. Qualification criteria shall be applied on a pass or fail basis.

Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents; criteria other than price shall be quantified in monetary terms.

A contract shall be awarded to the qualified bidder offering the lowest-evaluated and substantially responsive bid.

Bidders shall not be eliminated on the basis of minor, non-substantial deviations.

**(i) Rejection of All Bids and Re-bidding**

All bids shall not be rejected and new bids solicited without the Association's prior concurrence.

**(j) Complaints by Bidders and Handling of Complaints**

The Recipient shall establish an effective and independent complaint mechanism allowing bidders to complain and to have their complaint handled in a timely manner.

**(k) Right to Inspect/Audit**

In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Financing shall provide that: (i) the bidders, suppliers, and contractors and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the Association, at its request, to inspect their accounts, records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.

**(l) Fraud and Corruption**

Each bidding document and contract financed from the proceeds of the Financing shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The Association may sanction a firm or individual, at any time, in accordance with prevailing Association sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded an Association-financed contract; and (ii) to be a nominated subcontractor, consultant, supplier or service provider of an otherwise eligible firm being awarded an Association-financed contract.

**(m) Debarment under National System**

The Association may recognize, if requested by the Recipient, exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption or similar misconduct, and further provided that the Association confirms that the particular debarment procedure afforded due process and the debarment decision is final.

**39. Particular Methods of Procurement of Consultants' Services**

- (a) **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

- (b) **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan:

<b>Procurement Method</b>
(a) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection Based on Consultants' Qualifications
(e) Single-source Selection of consulting firms
(f) Selection of Individual Consultants
(g) Single-source procedures for the Selection of Individual Consultants
(h) Selection of UN Agencies
(i) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association

40. **Review by the World Bank of procurement decisions.** The review thresholds are shown in the table below. The procurement plan shall set forth those contracts which shall be subject to the prior review by the World Bank. All other contracts shall be subject to post review by the World Bank. The World Bank may, at its own discretion, require that a sample of contracts below the threshold be subject to prior review, at any time or whenever the Procurement Plan is updated.

**Table 4: Thresholds for Procurement and Review Methods**

<b>Expenditure Category</b>	<b>Contract Value Threshold (US\$)</b>	<b>Procurement/ Selection Method</b>	<b>Contracts Subject to Prior Review</b>
<b>Works</b>	≥15,000,000	ICB	All
	≥5,000,000 - < 15,000,000	NCB	All
	< 5,000,000	NCB	None (Post Review)
	< 100,000	Shopping	None (Post review)
	All values	Direct Contracting	All
<b>Goods</b>	≥3,000,000	ICB	All

	≥ 500,000 - < 3,000,000	NCB	All
	< 500,000	NCB	None (Post Review)
	<75,000	Shopping	None (Post review)
	All values	Direct Contracting	All
<b>Consulting Services - Firms</b>	≥ 300,000	QCBS/ Other (QBS/FBS/ LCS)	All
	≥ 200,000 - < 300,000	CQS/ Other (QCBS/QBS/ FBS/LCS)	All
	< 200,000	CQS/ Other (QCBS/QBS/ FBS/LCS)	None (Post Review)
	All values	SSS	All
<b>Consulting Services – Individuals (IC)</b>	≥ 100,000	IC – Qualification	All
	< 100,000	IC – Qualification	None (Post review)
	All Values	IC – SSS	All

### Procurement plan

41. The Recipient has developed a procurement plan for the first 18 months of Project implementation. This plan was agreed between the Recipient and the World Bank during negotiations. The plan has been made available at the Project’s database, and in the World Bank’s external website. The procurement plan will be updated annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity.

42. The frequency of procurement supervision missions will be once every six months. Special procurement supervision for post procurement reviews will be carried out at least once every twelve months.

43. Procurement plan for the first 18 months:

- Works Procurement Packages with Methods and Time Schedule
- Goods Procurement Packages with Methods and Time Schedule
- Consultancy Assignments with Selection Methods and Time Schedule

## **D. Monitoring and Evaluation**

44. Project Monitoring and Evaluation will be carried out in four areas: a) Financial monitoring; b) Monitoring of implementation and management of the targeted CAs and national level agencies; c) Environmental monitoring; and d) Socio-economic monitoring.

45. Financial monitoring will be carried out by the MozBio Unit and BIOFUND, which will be responsible for approving and tracking their respective 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) 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 formerly used by the TFCA Unit. BIOFUND will report separately on the funds it receives under component 1.2.

46. The monitoring of implementation and management of the CAs and national level agencies will be coordinated by ANAC in collaboration with the MozBio Unit. 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 issues), the Institutional development tools for ANAC and BIOFUND, the ANAC M&E framework and monitor performance against Project goals; (iii) at the operational level, monitor the implementation of annual operating plans; (iv) ensure that CAs report to BIOFUND on the progress and use of grant funding they have received.

47. The environmental monitoring of the CAs will be coordinated by ANAC, with the support of the MozBio Unit. The Project will finance surveys to assess the status of wildlife populations in terrestrial and marine environments. Some additional specific studies will be required over the lifetime of the Project. Two socio-economic household surveys will be carried out, in years one and three of the Project. These surveys, to be done by international specialists, will be carried out in the targeted CAs and will look at the economic conditions of the population inside the CAs, their buffer zones, as well as the benefits they obtain from their surrounding natural resources, and their levels of satisfaction with the CAs. The surveys should be supplemented by participatory focus group analyses of the same issues, as a form of data control as well as providing a participatory learning experience for the communities. The focus groups will also be involved in discussions on the intangible benefits provided by the community development activities carried out under Component 4.

48. Training on participatory M&E will need to be carried out for both CA and implementing partner staff. Additional M&E training will likely be needed on specific aspects of data management, GIS, and data analysis. Wherever possible, the M&E system will use readily available and familiar software such as Microsoft Office, or specific open source platforms such as QGIS, Google Earth Engine, in order to help guarantee continuity even in low-resource conditions. It is clear that not all skills will be available or even needed in house, and a series of

indicators will be collected by outsourcing or contracting in the needed expertise. Deforestation rates for the CAs, based on the Global Forest Watch data for example, may easily be subcontracted out to local GIS specialists.

## **E. Safeguards**

49. Safeguards Institutional Arrangement: Implementation of the core recommendations of each of the four safeguards instruments require the establishment of a solid and well trained team of social and environmental specialists to be hosted at MozBio Unit. The MozBio Unit will hire both a Social Scientist and an Environmental Scientist to set up the social and environmental team in the unit. The Social Scientist will oversee the social safeguards, gender and social inclusion, including community development dimensions of the Project; and the environmental scientist will oversee the environmental safeguards, biodiversity conservation, NRM and climate change dimensions. In addition, the two safeguards specialists will work directly with the Community Liaison Officer (CLO) at each CA who will ensure timely follow up with their respective communities. These CLOs will work locally with the *Serviços Distritais da Administração Estatal* – (SDAE – District Administration Services) which represent MICOA at the district level. The Social and Environmental specialists, together with the respective CLOs, will be adequately trained by the World Bank social and environmental safeguards specialists on the application of World Bank operational safeguards policies.

50. These specialists will work with MICOA (Ministry for Environmental Coordination – both DINAPOT and DINAIA, its 2 national directorates) and local beneficiaries to screen all Project proposals and guide the elaboration process of any additional safeguards instruments. Safeguards Specialists will build the technical capacity of key stakeholders including ANAC staff, CA managers and wardens, Tourism Agencies and Contractors on social and environmental safeguards through participatory and inclusive workshops. After Project launch, the safeguards specialists will draw from the four safeguards management instruments to elaborate a short Safeguards Action Plan (SAP) and a Gender Action Plan (GAP) to underline actions to be taken to ensure safeguards and Gender compliance of the Project. During Project implementation, the safeguards specialists will ensure social and safeguards recommendation as stipulated in the safeguards documents are well implemented. Prior to each implementation support mission, the safeguards specialists will prepare an executive summary report highlighting the status of social and environmental safeguards implementation to be shared with the Bank safeguards specialists. These will be ground-truthed during field visits and consequently, as part of the Aide memoire, a set of key recommendations will be given to the PIU Safeguards Specialists for easy follow up. During the implementation support phase, the safeguards specialists will work closely with Bank safeguards specialists and ensure adequate follow ups afterwards. The same routine will be maintained and fostered throughout the Project lifecycle to ensure adequate safeguards compliance.

51. The MozBio Unit will submit to the Bank on a quarterly basis reports on the status of compliance with the ESMF, the PMP and the PF; and giving details of: (a) measures taken in furtherance of such ESMF, PMP and PF; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such ESMF, PMP and PF; and (c) remedial measures taken or required to be taken to address such conditions.

**Annex 4: Operational Risk Assessment Framework (ORAF)**

**MOZAMBIQUE: Conservation Areas for Biodiversity and Development Project – (P131965/132597)**

**Risks**

Project Stakeholder Risks						
<b>Stakeholder Risk</b>	Rating	Low				
<p><b>Risk Description:</b> For the past 8 years, through TFCA I and II, all partners have been participating in GOM policies and strategies decisions regarding CAs and tourism. The new Ministry of Environment and the Permanent Secretary have been open to continue using a very open participatory process for project preparation. Participation of communities might be the most challenging aspect of the project design.</p>	<p><b>Risk Management:</b> The Bank has been able to participate regularly in meetings with NGOs and other development partners to discuss the project design. To address community participation, the project has designed a whole Sub-component (4.1) that will provide capacity building and training in community organization, governance and planning.</p>					
	Resp: Bank	Status: In Progress	Stage: Both	Recurrent:	Due Date:	Frequency:
Implementing Agency (IA) Risks (including Fiduciary Risks)						
<b>Capacity</b>	Rating	Substantial				
<p><b>Risk Description:</b> During TFCA II, two new institutions were created that have an important role in the future of the CAs System in Mozambique. There is a risk that ANAC and BIOFUND do not have the capacity to implement the project.</p>	<p><b>Risk Management:</b> Given the solid capacity of the TFCAU, it is proposed that the project will first be implemented by MozBio Unit and that as soon as the management capacity has been built in ANAC the coordination would be transferred to ANAC when they meet fiduciary and governance criteria verified by the Bank. With regard to BIOFUND, the project will provide financing which BIOFUND can use to obtain expert services and advice to support its governance and business practices. Donor coordination will continue in order to ensure that BIOFUND does not receive conflicting advice or required to implement multiple procedures with the same objective.</p>					
	Resp: Client	Status: In Progress	Stage: Both	Recurrent:	Due Date:	Frequency:



<b>Governance</b>	Rating	Moderate				
<p><b>Risk Description:</b> ANAC and BIOFUND, being young institutions, suffer the risk of external and even political influences in the appointment of their Board and staff and find it difficult to function within a general country context of weak governance.</p>	<b>Risk Management:</b> ANAC already suffered from a change in its legal status making it more vulnerable to political appointment. The Bank raised this issue in management letters during preparation and requested that the new DG of ANAC be selected from among the most qualified people in Mozambique rather than through a political appointment. In July 2014, a highly qualified individual was appointed. As for BIOFUND, the Bank and donors have worked diligently over the past year to support BIOFUND with revision of its Articles of Incorporation, Strategic and Business plan and other documents to meet international standards for Conservation Trust Funds that are aimed at achieving recognized governance standards. BIOFUND's General Assembly of Members is designed to allow broad stakeholder representation which should mitigate attempted influence by any one group.. The Bank will continue to monitor the development of both institutions.					
	Resp: Both	Status: Not Yet Due	Stage: Both	Recurrent:	Due Date:	Frequency:
	Resp: Both	Status: In Progress	Stage: Both	Recurrent:	Due Date:	Frequency:
<b>Project Risks</b>						
<b>Design</b>	Rating	Substantial				
<p><b>Risk Description:</b> The component on local community economic development is a new facet of the project and there is a risk that the institutions in charge of CAs do not know how to develop this component.</p>	<b>Risk Management:</b> The Project would seek to further promote initiatives that have already been initiated, rather than starting from zero, and will work with existing organizations with presence and experience in the targeted areas. The Project will also test different approaches to support communities such as matching grants, small grants, equity funds, etc to ensure the most appropriated approach is used in each targeted area.					
	Resp: Both	Status: In Progress	Stage: Both	Recurrent:	Due Date:	Frequency:
	Resp: Both	Status: In Progress	Stage: Both	Recurrent:	Due Date:	Frequency:
<b>Social and Environmental</b>	Rating	Moderate				
<p><b>Risk Description:</b> The Safeguard policies in Mozambique have been undergoing changes that affect the general application of policies by the Bank.</p>	<b>Risk Management:</b> Other Bank departments are closely monitoring the changes in the Laws and Regulations of Mozambican social and environmental safeguards. The Project has been rated as category B project and has taken the approach that no physical resettlement of people will be financing by the project. All the safeguard documents (ESMF and PF) have been prepared by the client and are the final process of					

	clearance by the Regional Safeguard Coordinator.					
	Resp: Both	Status: In Progress	Stage: Both	Recurrent:	Due Date:	Frequency:
<b>Program and Donor</b>	Rating	Moderate				
Risk Description:  One of the major donors of the Project, the French Development Agency (AFD), had to delay their financing by six month to one year. Cuts had to be made to several components at the last minutes increasing the risk of limited funding for certain components.	<b>Risk Management:</b> The project was redesigned as a Series of Projects and does allow future funding to be added to the well performing components.					
	Resp: Both	Status: In Progress	Stage: Both	Recurrent:	Due Date:	Frequency:
<b>Delivery Monitoring and Sustainability</b>	Rating	Moderate				
Risk Description:  The project is complex with numerous outcomes. There is the risk that it will not be easy to monitor and report on the results.	<b>Risk Management:</b> The previous TFCA I and II project have put in place monitoring and evaluation processes and the Project will be able to benefit from this previous experience.					
	Resp: Both	Status: In Progress	Stage: Both	Recurrent:	Due Date:	Frequency:
<b>Overall Risk</b>						
<b>Overall Implementation Risk: Substantial</b>						
Risk Description:  The overall risk rating is substantial as the implementation risk is deemed substantial. The project will largely implement a reform agenda that is evolving: the Conservation Areas Law still needs to have related regulations issued, the two main project implementation institutions (ANAC and BIOFUND) are not completely operational, tourism concessions in CAs are not yet fully regulated, and there are unsorted overlapping mandates in marine CAs. There is also a substantial risk to the smooth implementation of the component that will support livelihood activities in and around the CAs. The project is mitigating this risk by supporting an initial phase that will strengthen systems and increase capacity of the CAs managers and of participating communities to work collaboratively. Once these enabling conditions are improved, the project will finance on-the-ground pilot activities to assist communities to generate income from activities in forestry, fisheries, conservation agriculture, and tourism.						

## **Annex 5: Implementation Support Plan**

### **MOZAMBIQUE: Conservation Areas for Biodiversity and Development Project – MozBio 1**

#### **Strategy and Approach for Implementation Support**

1. The strategy and approach for implementation support will include formal supervision, including field visits to be carried out in different CAs and buffer areas where project activities will take place, and will focus on the following main areas:

2. **Implementation Support Plan.** Special attention will need to be paid to: (a) the supervision of the institutional development of two newly created institutions ANAC and BIOFUND ensuring that the administrative, financial and human resources procedures are followed according to high international standards; (b) the supervision of key reforms required in the conservation and tourism sectors to promote conservation and nature-based tourism in the country; (c) the supervision of a large number of annual operational plans of the CAs that will include requests for infrastructure development and purchase of equipment under component 3; (d) the process and content of technical assistance to community organizations for implementation of component 4, including the effectiveness of technical service providers, and the implementation of the social strategy and Process Framework; (e) implementation of proactive communication and consultation strategy, engaging a variety of stakeholders at local, regional, and national levels (across parts); (f) monitoring the key elements of project sustainability; and (g) monitoring of project implementation, including results indicators (as defined in Annex 1) and biodiversity and climate change tracking tools monitoring (as required by the GEF tracking tools).

3. **Fiduciary requirements and inputs.** The FM implementation support plan will be risk based, and will include: review of the project's financial management system, including but not limited to, accounting, reporting and internal controls. It will also include review of beneficiary institutions. Reviews of quarterly IFRs; review of annual audited financial statements and management letter as well as timely follow up of issues arising; and participation in project supervision missions as appropriate.

4. **Environmental and social safeguards.** Implementation support will include supervision of the implementation of the ESMF and the Process Framework and provision of training and guidance to the MozBio Unit and other beneficiaries. Such supervision will assess how the project manages social and environmental issues, including through adequate staffing and field presence, due to the complexity of the project and the processes managed. This will also involve engagement with stakeholders, including producers, producer associations, and local communities; implementing measures based on consultations; and monitoring social and environmental safeguards.

<b>Time</b>	<b>Focus</b>	<b>Skills Needed</b>	<b>Resource Estimate</b>	<b>Partner Role</b>
First twelve months	Verify if the risk mitigating measures implemented by project effectiveness are still functioning as intended. Identification of any potential problems early in the life of the project	Financial Management	10,000	NA
First twelve months	Project start-up, ANAC and BIOFUND administration issues, start-up of technical studies, Process of hiring technical assistance	Institutional strengthening	120,000	
12-48 months	Review the continuing adequacy of financial, procurement and safeguards arrangements, technical and administrative aspects, infrastructure development and endowment fund	financial & procurement, biodiversity, NRM, social safeguards, tourism, community development, infrastructure, M&E,	300,000	NA

5. Staff Skill required is summarized below:

<b>Skills Needed</b>	<b>Number of Staff Weeks</b>	<b>Number of Trips</b>	<b>Comments</b>
Financial Management Specialist	10SW	4	
Procurement Specialist	10SW	4	
Social Safeguards Specialist	5SW	4	Oversight of PF
Biodiversity Specialist	10SW	8	Oversight of biodiversity aspects and ESMF and Pest management

Wildlife Enforcement Specialist	3SW	4	Based in Harare
NRM & forestry Specialist	10SW	8	
Fisheries Specialist	2SW	2	
Community Development Specialist	10SW	4	
Tourism Specialist	5SW	4	Based in Maputo
Infrastructure Specialist	8SW	8	Based in Maputo
Monitoring & Evaluation Specialist	5SW	4	Based in Maputo

## Annex 6: MozBio Institutions - Background

### A. Administração Nacional das Areas de Conservação (ANAC)

1. **Establishment.** The *Administração Nacional das Areas de Conservação* (National Administration of Conservation Areas, ANAC) was created through the approval of the Conservation Policy and its Implementation Strategy. ANAC's creation is further clarified by *Decreto 11/2011*, amended in 2013. ANAC was created with the mandate of legal personality, administrative and financial autonomy and equity. Previously, the management of National Parks, National Reserves and *Coutadas* (hunting blocks) in Mozambique was under the National Directorate of Conservation Areas (DNAC), within the Ministry of Tourism (MITUR). This structure was created in 2002 (*Diploma Ministerial n. 224/2002*), and reflected a classic hierarchic scheme where the autonomy of DNAC was very limited. ANAC's Institutional Structure (Estatuto Organico) was approved by Resolution No 8/2014 in June 2014.

2. **Function.** ANAC's core function is to ensure that CAs are managed and maintained in a manner that complies with the objectives of the Conversation Policy and other Policies and Legislations. In turn, the implementation strategy of the Conservation Area aims '*to develop and consolidate a national system of conservation of biological natural resources and their aquatic and terrestrial biodiversity, contributing to the preservation of life, economic growth and eradication of absolute poverty.*' ANAC is envisaged to be a light and efficient management structure that will supervise the management and performance of the PA system of Mozambique. Further, the new agency will guarantee the relationships with relevant international institutions and donors, while at the same time working with the BIOFUND.

3. **Organization.** When first established, ANAC was to be controlled by a decision-making Board with mixed public and private sector members with power to select the Director General. Decree 11/2011 was amended in 2013, that placed ANAC directly under the authority of the Minister of Tourism who now proposes a Director General to be appointed by the Prime Minister. The Director General receives advice from a Technical Committee (composed of representatives from the following institutions: Ministry of Tourism, Ministry of Coordination of Environmental Affairs (MICOA), Ministry of Fisheries, Ministry of Agriculture, and two representatives from the private sector). The governance of the "new" ANAC is indisputably less costly but may be less resilient to political influence or changes.

4. **Structure.** The Decree that led to the establishment of ANAC Headquarters proposes that the structure should comprise a Technical Council, a Director General, a Board, 5 Directorates, and a Support Body.

5. The proposed Directorates and Departments for ANAC by the Decreto No 9 of 2013 are:

Office	Departments
Technical Council	
Director General	
Management and Protection of Natural	Enforcement Department

Resources Directorate	Operations and Intelligence Department
Studies and Development Directorate	Planning and Monitoring Department Studies and Development Department
Licensing and Promotion Directorate	Licensing Department Promotion and Community Issues Department
Administration and Finance Directorate	Finance Department Human Resources Department
Support bodies	Secretariat Legal Office

6. **Financing.** ANAC is expected to be financially autonomous, which implies that it could potentially cover 75% of its cost through revenues. The decree provides a comprehensive list of revenues in its Article 9. However, this financial autonomy is reduced by Decree number 15/2009 (under the law of finance) which states that revenues from national park and reserves must be sent to Treasury which will then return 80% to MITUR of which 20% (that is, 16% of the total revenues) is targeted at local communities. The current mechanism limits ANAC financial autonomy and potential effectiveness. The Project will explore new mechanisms that will allow ANAC to retain all revenues with obligation to report to Treasury, such as those used by other public entities like FIPAG (National Fund for Water Supply Investments and Assets).

7. **Staffing.** ANAC will be staffed both with employees from the civil service who are eligible for performance bonus and contracted employees. This is a positive evolution as long as human resources, irrespective of their status, are managed for performance. The Project will focus on ensuring that: (a) ANAC staff will be appointed (or selected) according to their capacity to fulfill their function and held accountable, (b) that salaries will be covered by the Government budget (except in special circumstances) and (c) that ANAC will have a light headquarter cadre and most of its staff in the field.

8. **Operationalization.** The operationalization of ANAC has been slow. Among the reasons are: i) delay in the approval of the by-laws to establish departments and other bodies within ANAC; ii) the government budget to pay for the cadre of staff in ANAC was not approved until May 2014 (and covers only part of the needed staff). The remainder of the staff will be phased over time (six years) and; iii) the Strategic and Business plans of ANAC have not been prepared, due in part to the fact that ANAC had no staff in place. More recently, ANAC suffered a setback when its first General Director, selected by the Minister of Tourism, resigned after nine months in the job.

## **B. BIOFUND**

9. **Brief History.** In 2007, Mozambique’s Ministry of Tourism (MITUR) and the Ministry for the Coordination of Environmental Affairs (MICOA) sponsored an international conference on “Sustainable Financing of Protected Areas”, in collaboration with partners such as the French Development Agency (AFD), German Development Bank (KfW), US Agency for International Development (USAID), World Bank, World Conservation Union (IUCN), the World Wide Fund for Nature (WWF) and other NGOs. One of the key recommendations was to assess the feasibility of creating an endowed conservation trust fund (foundation) as a solution to ensure

long-term sustainable financing for the CAs. A country-driven participatory process was then launched to design BIOFUND in which donors and external technical partners also participated.

10. **Governance.** In December 29, 2011, following two years of preparatory work, the Foundation for the Conservation of Biodiversity (BIOFUND) was approved by the Council of Ministers (Resolution 69/2011) as a private not-for-profit entity, with legal and financial autonomy and the right to own and manage its assets. A Founders' Committee invited members to become part of BIOFUND, culminating in the inaugural General Assembly on December 15<sup>th</sup>, 2011, where the Board of Directors and Oversight Council were elected. Confirmation of Public Benefit Status by the Council of Ministers, which confers *inter alia* broad tax exemption, was received in April 13, 2012 (Resolution 8/2012).

11. *General Assembly:* The General Assembly, which meets at least once each year, convenes all formal Members of the foundation and is composed of prominent individuals (both nationals and non-nationals) from government, the private sector, non-governmental organizations (NGOs), academic and research organizations and donors. The General Assembly has the power to (i) validate the strategic directions, financial results and annual report of BIOFUND; (ii) name and remove the Board directors; (iii) amend the Articles of Incorporation; and (iv) dissolve the foundation.

12. *Board of Directors:* Overall management of BIOFUND is assured by an independent Board of Directors comprising between 7 and 9 persons. Each director is eligible to serve up to two consecutive four-year terms. The composition of BIOFUND's Board balances the interests of stakeholders including government, private sector and civil society, as well as geographical regions, and includes stakeholders active in Mozambique's CAs. Board members collectively have skills and expertise that contribute to effective management of BIOFUND, including finance, law, conservation, fundraising, non-profit management, business, etc. The Board has a majority of Mozambican directors, as well as a majority of non-governmental representatives. The Board sets policies and strategic direction for BIOFUND, approves the annual budget, work program, grants and other initiatives, and oversees investment management, as well as the audit process and results. The Board delegates authority for day-to-day management to an Executive Director, who is guided by a Strategic Plan and an Operations Manual covering administration, finance and operational policies and procedures. The Board reviews the performance of the Executive Director on an annual basis and approves his/her compensation. BIOFUND's first Executive Director was recruited in April 2012.

13. *Oversight Council:* In accordance with Mozambican foundation law, BIOFUND must have an Oversight Council which is mandated to review BIOFUND's financial and audit results and to provide the General Assembly with an opinion on BIOFUND's financial compliance and performance. The Oversight Council function can be filled by Members of the foundation or by an independent audit firm.

14. **Articles of Incorporation.** The initial BIOFUND Articles of Incorporation were consistent with Mozambican law and served as the basis for the Government's approval and public interest recognition. Changes to those Articles were introduced to respond to internationally recognized Practice Standards for Conservation Trust Funds and were approved



at BIOFUND's General Assembly in June 2014. The Articles define the purpose, spell out the powers and duties of the General Assembly and Board, the processes for electing officers, calling and holding meetings, constituting committees and amending the Articles. The Articles set forth the principles that Members and directors are not remunerated and the process for identifying potential or real conflict of interest and managing it appropriately. BIOFUND will resubmit the revised Articles to the Ministry of Justice for final approval.

15. **Mission.** The Mission of BIOFUND, as a financing entity, is to support the conservation of aquatic and terrestrial biodiversity and the sustainable use of natural resources, including the consolidation of the national system of CAs and its buffer zones. BIOFUND may also contribute to financing conservation activities outside of CAs, based on priorities defined and identified in its Strategic Plan.

16. **Eligible Activities and Beneficiaries.** To accomplish its mission, BIOFUND may engage in advocacy work and provide financing for the following activities:

- Conservation and sustainable management of natural resources and aquatic and terrestrial biodiversity;
- Recurrent costs for management and development of CAs;
- Community livelihood in CAs and buffer zones in harmony with conservation activities;
- Research on biodiversity and ecological monitoring;
- Training for staff for the national system of CAs, as well as other relevant sectors;
- Promotion of tourism and other activities for the benefit of conservation; and
- Education and raising awareness of conservation and the value of CAs.

17. In financing these activities, BIOFUND may provide support to protected area management agencies, NGOs, community-based organizations (CBOs), communities, research and training organizations and others as necessary.

18. **Operations.** BIOFUND's day-to-day operations are managed by an Executive Director, who is recruited by the Board on a competitive basis. The ED will be supported by administrative, finance and technical staff unit. Initially, this unit will be small, but it is expected to evolve over time in relation with the breadth and complexity of programs managed by BIOFUND. All BIOFUND staff will have written job descriptions and their performance will be evaluated annually by the Board or the Executive Director, in line with best practice for human resource management.

19. BIOFUND's internal regulations will be spelled out in an Operational Manual which will be updated on a periodic basis. The Operational Manual includes policies and procedures for human resource management, accounting, procurement, investment management, and grant-making including grant award procedures, social and environmental screening, monitoring, reporting and evaluation of approved funding. A draft Operational Manual has been prepared and **its approval is a condition of effectiveness.**

20. The Management of the Endowment Fund is described in detail in Annex 2 (Paragraphs 18 to 24).

### C. National Directorate for Environmental Management (DNGA) at MICOA

21. The Environmental Law (Decree-Law No 20/97 of 1 October) establishes the general conditions to protect biodiversity and prohibit illegal practices that impact on conservation, especially of those species threatened with extinction. It is in this context that Mozambique ratified the Convention on International Trade of Wild Flora and Fauna (CITES) by resolution No. 20/81 of 30 December. At first the Ministry of Agriculture was both the responsible Administrative and Scientific Authority. This responsibility was later transferred to the Ministry for Coordination of Environmental Action (MICOA) and the Eduardo Mondlane University as Administrative and Scientific Authorities respectively (Decree No. 35/2008, of August 20). One of the key obligations of the State to the Convention is to take appropriate measures to ensure greater control of trade in endangered species. To meet this requirement the Council of Ministers approved specific regulation on CITES in February 2013 (Decree n. ° 16/2013 from 26 April).

22. MICOA, through the National Directorate for Environmental Management (DNGA) assumed responsibility for the implementation of these regulations in 2009 and completed the process of transferring CITES from MINAG to MICOA in late 2010. However, MICOA only assumed responsibility for issuing export licences of sport hunted trophies. All other responsibilities remained with MINAG. Nonetheless in the process of implementing CITES, MICOA has to coordinate its activities with the following institutions: Ministry of Tourism, Ministry of Agriculture, Customs of Mozambique, Ministry of Fisheries, Ministry of Interior, Ministry of Commerce, Public Ministry, and Ministry of Culture and Ministry of Education.

23. The transfer of CITES to MICOA was less than satisfactory, especially as the responsibility for meeting the requirements of the Convention was split between two authorities. Moreover, the CITES Administrative Authority was under staffed and lacked resources. The net result is that many of the processes and reports required by CITES were not completed by MINAG, some dating back to 2000. In the absence of these reports the CITES authorities assumed that Mozambique was not dealing with a number of important issues related to wildlife management which led to the suspension in trade of hippopotamus (*Hippopotamus amphibious*) and lizards (*Cordylus mossambicus*). In order to reverse this decision, the Mozambique CITES authority was required to undertake a national inventory of hippos and clarify its internal quota systems and management of these species. More recently the Scientific Group of the European Union threatened to suspend the trade in elephant (*Loxodonta africana*) products unless a detailed strategy and action plan for the management and conservation of the elephant was made available. These suspensions will have severe impacts on the country's sport hunting industry and the benefits for local communities and the good name of Mozambique.

24. MICOA responded to these requests and by September 2013 it was able to provide the CITES authorities with the information they required. These were accepted and approved by the CITES Administrative Authority who recommended that Mozambique implement a number of actions to improve the implementation of the Convention by: i) Strengthening of the legislation; ii) Establishment and operation of the CITES authorities to improve the management of wildlife and forest resources; iii) Further work required in order to lift the suspension imposed on trade of *Cordylus* and hippopotamus; iv) The possibility of Mozambican authorities implementing an

analytical tool to track crimes in fauna and flora, and introduction of electronic licensing system CITES "e-permit".

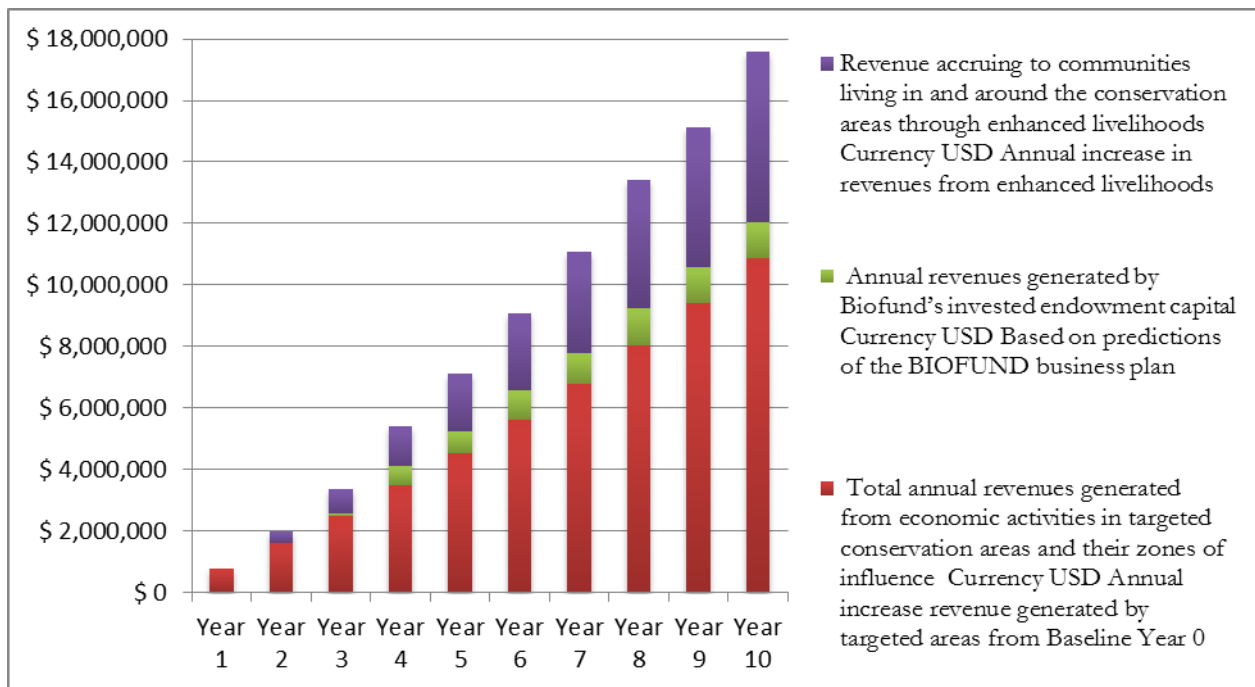
25. The sixty-fifth meeting of the Standing Committee (SC65) of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) convened from 7-11 July 2014 in Geneva, Switzerland has placed further pressure on Mozambique (see <http://www.iisd.ca/cites/sc65/>). The Chair of the Working Group at this meeting drew particular attention to the importance of information sharing on seizures for countries of origin, transit and destination and provided recommendations for Mozambique that reflected the group's disappointment with the lack of progress in that country and issues, such as non-compliance, being reported intersessionally. The EU voiced support for Mozambique to prepare a national rhino action plan, and for South Africa and Mozambique to submit a joint report to the Secretariat by October 2014.

26. The Working Group also recommended that Mozambique (among others) should finalize its National Ivory Action Plan (NIAP) by 31 October 2014 and report to the Secretariat by 15 May 2015 so it can report back to SC66;

## Annex 7: Economic and Financial Analysis

1. A cost-benefit analysis of the MozBio project was conducted to calculate economic rate of return (ERR) and its corresponding net present values (NPV). It predominately focuses on the economic benefits generated by the CAs that will receive support from MozBio. It is based on the following benefits streams expected from MozBio: i) Revenue generated from nature-based tourism within selected CAs<sup>39</sup>; ii) Annual revenues generated by BIOFUND’s invested endowment capital<sup>40</sup>; and iii) Additional revenue accruing to communities living in and around the CAs through enhanced livelihoods<sup>41</sup>. Figure 1 below depicts the main benefit streams of the project.

**Figure 1: Main benefit streams of the project**



2. The net benefits over a 10-year project period would be nearly **US\$39 million**. Table 1 below estimates the value of costs and benefits from the MozBio between 2015 (Y1) and 2018 (Y4). Table 1 shows that over a short project period the return on investment is not realized, based on

<sup>39</sup> This is composed of a) Tourism entrance fees, concession fees, licences, fines from CAs that offer non-consumptive (photographic) tourism activities; b) Concession fees, abate tickets and trophies fees from CAs that offer consumptive (hunting) tourism activities; c) Revenue generated from tourism expenditure within the CAs on accommodation, food and beverages, activities and purchases.

<sup>40</sup> The best case scenario assumes a 4% consistent return on endowment capital invested. The actual returns could be lower depending on global market forces.

<sup>41</sup> This is based on secondary research conducted by Suich (2006) and should be treated carefully as strongly based on extrapolations.

the above parameters of the analysis. However, Table 2 below displays that over a 10 year period the Project realizes its economic potential.

**Table 1 - Benefits and Costs of MozBio (US\$): 2015 (Y1) to 2018 (Y4)**

	Y1	Y2	Y3	Y4	Total
<b>BENEFITS (US\$)</b>	776,577	1,972,790	3,340,493	5,400,859	11,490,719
<b>TOTAL COSTS (US\$)</b>	11,500,000	11,500,000	11,500,000	11,500,000	46,000,000
<b>NET BENEFITS (US\$)</b>	-10,723,423	-9,527,210	-8,159,507	-6,099,141	-34,509,281

**Table 2 - Benefits and Costs of MozBio (US\$): 2019 (Y5) to 2024 (Y10)**

	Y5	Y6	Y7	Y8	Y9	Y10	Total
<b>BENEFITS (US\$)</b>	7,102,930	9,090,236	11,064,381	13,396,629	15,140,103	17,588,464	84,873,462
<b>TOTAL COSTS (US\$)</b>	-	-	-	-	-	-	46,000,000
<b>NET BENEFITS (US\$)</b>	7,102,930	9,090,236	11,064,381	13,396,629	15,140,103	17,588,464	38,873,462

3. Determining an appropriate discount rate is problematic as the decision is largely subjective. As a result, the analysis has provided three scenarios based on discounts rate of 5%, 10% and 12%, representing a range of low to high rates. Table 3 below displays the NPV depending upon the selected discount rate. The ERR for the project is 14.39%, which shows the project is economically viable. The NPV equals US\$6.7 million (at a 10% discount rate). It should be noted that the ERR and NPV are conservative estimates, as they do not: i) Account for any tourism demand above inflation or the impact of increasing the number of concession operations within CAs would have on revenue generation; ii) Account for the value of the impact of the project on environmental services, as monetary value for those are not available at present; iii) Capture all the expected benefits to local communities. It would be realistic to assume that the project would have a positive impact on all three factors, thereby returning a higher a NPV.

**Table 3 - NPV and ERR for MozBio 1**

Scenario	Discount Rate	NPV (US\$)
<b>Low</b>	5%	18,915,945
<b>Medium</b>	10%	6,752,514
<b>High</b>	12%	3,320,706
<b>ERR (NPV=0)</b>		14.39%

4. The main assumptions used in benefits streams were subjected to a sensitivity analysis and the average rate of inflation was used to develop future values. The results of the sensitivity analysis are displayed in the table below. ( Table 4) The analysis shows that neither of the two variables on which this analysis is dependent makes a significant impact on the ERR.

5. The team also conducted an analysis of the contribution of the system of CAs in Mozambique to the national economy. The financial value of MozBio CAs add up to around US\$320 million, including the investment costs by both public and private sector into these areas and their revenue generating capacity.

<b>Table 4: Standard Sensitivity Analysis of MozBio NPV Assumption</b>	<b>Scenario</b>	<b>New Value</b>	<b>ERR %</b>
Daily spend of a tourist (US\$)	Decreases by 25%	228	11.2%
Daily spend of a tourist (US\$)	Increases by 25%	386	17.4%
Average Value of Marine Resources (US\$)	Decreases by 25%	911	12.6%
Average Value of Marine Resources (US\$)	Increases by 25%	1518	16.1%

6. The total revenues generated within the CA network (again, by both public and private sector, including jobs) add to around US\$22 million annually. Out of this, around US\$3.3 million flow to the government annually (around 16.5% of the total generated), particularly from the concession fees within CAs. Finally, around US\$0.6 million from these resources go directly to communities living around the CAs.<sup>42</sup> The table below summarizes the results (Table 5).

**Table 5 - Contribution of Mozambique's CAs to the national economy (in US\$)**

<b>Conservation Area</b>	<b>Total Financial Value of the CA<sup>43</sup></b>	<b>Total Revenue Generated within the CA<sup>44</sup></b>	<b>Total Revenue Accruing to the Government and CA Management Authority (84%)<sup>45</sup></b>	<b>Total Revenue Accruing to the Community (16%)<sup>46</sup></b>
Bazaruto Archipelago	278,543,936	9,131,616	172,935	32,940

<sup>42</sup> GoM mandates that 20% of the overall fees generated by CAs are shared with local communities.

<sup>43</sup> This includes Capital Investment, Gross Revenue Generated by Private Operators, Jobs (Conservation and Private Sector (PS)) Direct and Indirect, Entrance fees, concession fees, licences and fines accruing generated by Conservation Area Management.

<sup>44</sup> This includes Gross revenue generated by the private operators; Entrance fees, concession fees, licences and fines accruing generated by Conservation Area Management. These revenues are shared with private sector, local communities and government.

<sup>45</sup> The Government retains 20% of the total concession and tourism entrance fees before 16% is distributed to the respective communities and 64% is returned to the CA Authority. Corporate, income and employee taxes are not counted here as no data is available on the taxable income of tourism operators.

<sup>46</sup> 16% of Concession and tourism entrance fees are shared with communities around CAs.

<b>Conservation Area</b>	<b>Total Financial Value of the CA<sup>43</sup></b>	<b>Total Revenue Generated within the CA<sup>44</sup></b>	<b>Total Revenue Accruing to the Government and CA Management Authority (84%)<sup>45</sup></b>	<b>Total Revenue Accruing to the Community (16%)<sup>46</sup></b>
Banhine	842,614	5,416	652	124
Gorongosa	6,714,012	349,595	35,162	6,697
Limpopo	8,131,510	3,963,939	202,803	38,629
Quirimbas	2,556,162	826,024	203,625	38,785
Zinave	764,644	19,341	1,178	224
Magoe	-	-	-	-
Gilé	-	-	-	-
Maputo Special Reserve	4,259,512	2,176,192	128,415	24,460
Marromeu Special Reserve	147,244	-	-	-
Niassa NNR (Photographic)	3,316,741	352,189	259,078	49,348
Chimanimani	1,213,717	12,463	857	163
Pomene	305,674	181,735	677	128
<b>Sub - Totals:</b>	<b>306,795,772</b>	<b>17,018,514</b>	<b>1,005,387</b>	<b>191,502</b>
Coutadas, Fazendas and Hunting Blocks (including NNR and Community Reserves)	<b>12,721,137</b>	<b>5,662,173</b>	<b>2,303,183</b>	<b>415,008</b>
Other CAs:	27,097.79	27,097.79	27,097.79	-
<b>Totals (US\$):</b>	<b>319,544,007.48</b>	<b>22,707,785.69</b>	<b>3,335,669.03</b>	<b>606,510.94</b>

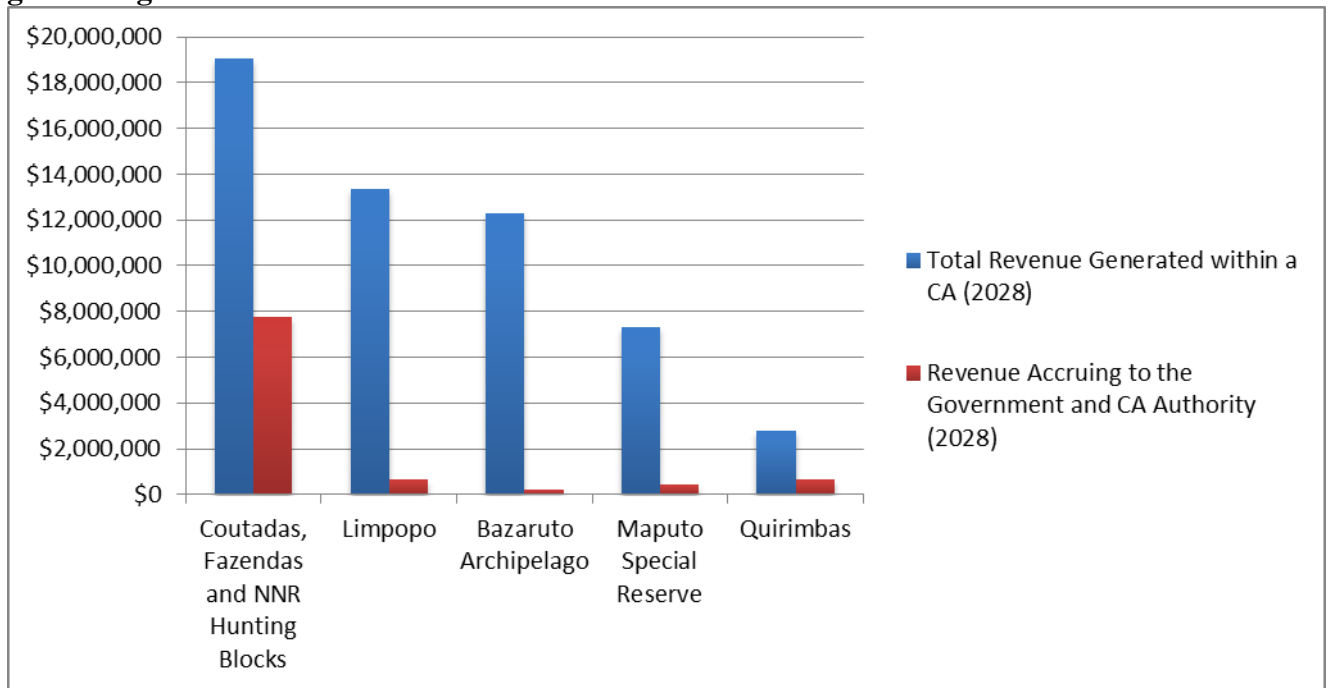
7. The results above display that the **total financial value of the CAs equated to US\$ 319 million in 2013**. This financial value includes capital Investment, gross Revenue Generated by Private Operators, Jobs (Conservation and Private Sector) Direct and Indirect; Entrance fees, concession fees, licenses and fines accruing generated by Conservation Area Management. It does not account for the value of natural resources harvesting within these CAs or the environmental services they produce as this information is not available.

8. **The annual revenue** generation of the CA network was US\$ 22.7 million in 2013 with Bazaruto contributing 40% of this total, Coutadas, Fazendas and Community Reserves (25%), Limpopo (17%) and Maputo Special Reserve (10%).

9. A part of the total revenue generated by the CAs accrues to the GoM and ANAC through concession fees, entrance fees, etc. This adds up to US\$3.3 million annually. ANAC receives 84% of that, adding up to around US\$2.7 million annually. Local communities receive 16% of that, which adds up to US\$0.6 million. The 84% of Concession and Tourism Entrance Fees from NPs, NRs accruing to MITUR relates to the revenue retained by either MITUR or MITUR-linked CA Management Authorities. Legally, MITUR retain 80% of total revenue generated by CAs, of which 64% is returned to the CA Management Authority and 16% to the respective CA community. In 2028, if current trends continue, this could raise to almost US\$11 million annually (Andrew Rylance, 2014).

10. The graph below (Fig. 2) presents a 15-Year Financial Projections (US\$) for the CAs with the highest potential for generating income, which are the ones targeted by MozBio 1.

**Figure 2 - 15-Year Financial Projections (US\$) for the CAs with the highest potential for generating income**

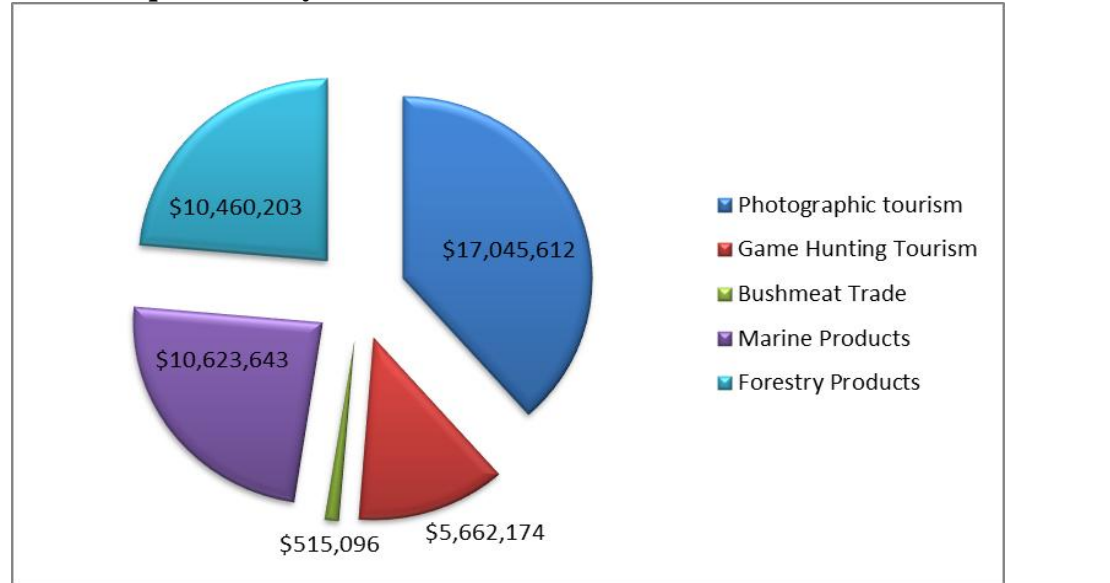


11. CAs are also a significant source of revenues for communities. However, information on that is extremely limited. Values to local communities include bushmeat, fisheries, forestry. Lindsey and Bento (2011) reported that the value of traded bushmeat received by the community from the hunting activities within Coutada 9 was almost US\$8,000 / year (37 MZN / Kg meat and 5,676kg per annum). If Coutada 9 is considered typical, the maximum potential revenue generated from all Coutadas, Fazendas and Niassa NR hunting blocks (n=66) would be US\$ 515,000. For marine resources Suich (2006) estimates that in 2006 gross income of between US\$ 535 and US\$844 per household was derived. Suich also identified that the value of forestry and non-timber forest products per household in 2006 was between US\$200 and US\$224 (2006:36).



12. The total economic value within the CA network in 2013 was approximately US\$44 million which includes the revenues associated to tourism and the local values to communities (Fig 3). This value is expected to increase to US\$130.8 million per annum by 2028. However, it should be noted that the numbers for bush meat trade, marine and forestry products are highly extrapolated from micro-level studies and should be treated with caution. Moreover it does not consider the effects of harvesting natural resources beyond their maximum sustainable yield levels.

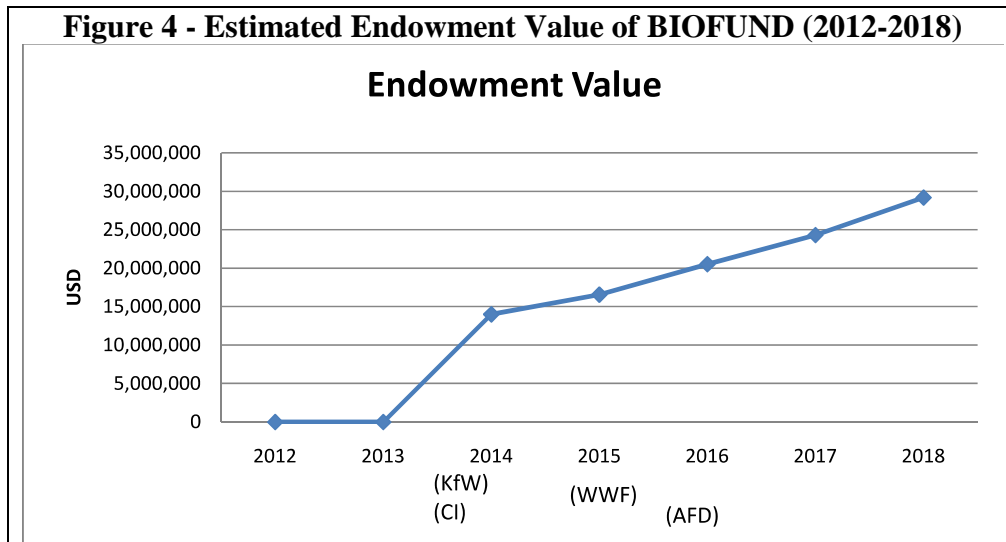
**Figure 3 - Value of economic activities occurring within the CA network in Mozambique annually**



13. Increasing the number of tourists, their entrance fees, their duration of stay and the number of private operators where they are able to stay are all important strategic options that the Government of Mozambique could pursue to increase the revenue generation of its CA network. Other options that the GoM may look into to increase their revenue include: i) Implementation of a new visitor fee structure based on existing models used in other SADC countries; ii) Implementation of a new concession fee structure that categorizes the footprint of the actual concession operation weighted with the value of the land, depending on whether it is coastal or terrestrial, and whether it is for exclusive use of an area or not, for example; iii) Applying a new structure for additional conservation fees linked to tourism hunting licenses; and iv) License fees for companies driving tours into national parks and reserves. An additional fee could apply to tourism operators that transport tourists into national parks and reserves (including marine trips). They would have to apply for a license to operate a service.

14. Finally, alternative potential sources of revenue for CAs in Mozambique exist. Some of these are at advance stage, such as the establishment of the BIOFUND (to which this MozBio project is also contributing), biodiversity offsets and forest carbon / REDD+. Initial financial projections for the BIOFUND display the estimated endowment value of nearly US\$ 30 million

by 2018 (see Fig. 4) the fund would be able to generate an average 4% return<sup>47</sup>, which would be used to fund conservation management efforts.



15. By 2018, it is estimated that the fund could be distributing US\$ 3.5 million per annum to the CA network (Nazerli 2013), assuming that private sector compensation mechanisms function as quickly as predicted. In addition, and most importantly, it provides a mechanism for the private sector to comply with the amendment of the Conservation Areas Law.

<sup>47</sup> The expected annual revenue of 4% was over estimated in 2013 by not taking in consideration the financial investment policy that limits the risk of the investment funds. An approximate value of 2.5% revenue can be expected from the current financial policy (up to 50% funds invested in stocks and the remaining funds invested in bonds from countries rated BAA). Adjustments to this estimate will be made once the financial policies are adjusted to donor requirements and the costs of the asset manager are better defined.

## Annex 8: GEF Incremental Cost Analysis

### A. KEY FACTS

1. Many of Mozambique's CAs 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 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 CAs in neighboring countries. These large areas are important because they are historical corridors for large scale animal movements (terrestrial and marine).

2. Mozambique system of CAs is currently made up of seven National Parks, ten National Reserves and seventeen controlled hunting concessions (*coutadas*), and two Community Reserves.<sup>48</sup> The currently gazetted CAs cover 18.5 million hectares, which represents 23% of the country's land surface. Annex 10 presents a map of all CAs in the country. The coverage of CAs was the result of government's commitment to the international agreements (e.g. as signatory to the Convention on Biological Diversity (CBD) and CITES) and support from its development partners. The recent creation of new CAs (e.g. Ponta d'Ouro Marine Reserve, Lake Niassa Reserve and Magoe 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 Bank, IFC, GEF, AfD, KfW and USAID.

3. Some major threats to the country's CAs and its biodiversity, 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. The overall estimated costs of environmental degradation in Mozambique, amounting to nearly US\$370 million in 2009 (MICOA, 2009), represents more than 6% of Mozambican GDP and 20% of Overseas Development Assistance (ODA). Of this, some US\$50m per annum comprises depletion of the natural resource base (soil degradation and deforestation).

4. 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. Evidence has emerged that local communities support and are involved in this illegal activity, very often using weapons belonging to the Border Guard and the Police of the Republic of Mozambique. Ivory is often transported out of the country either through its porous borders or

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<sup>48</sup> National Parks include: Bazaruto Archipelago, Banhine, Gorongosa, Limpopo, Magoe, Quirimbas, Zinave. National Reserves include: Gilé National Reserve, Maputo Special Reserve, Marromeu Special Reserve, Niassa National Reserve (and associated Hunting Blocks), Chimanimani National Reserve, Pomene National Reserve, Ponta d'Ouro Partial Marine Reserve, Lake Niassa Partial Marine Reserve, Archipelago das Primeiras e Segundas *Área de Protecção Ambiental*, Inhaca Biological Reserve and Malhazine National Reserve. The Community Reserves are Tchuma Tchato and Chipanje Chetu.

through airports and ports. For example, in January 2011, 126 tusks were seized in Pemba. 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 km<sup>2</sup> which is 6 times lower than the recommended patrol effort) and the demand for ivory and rhino horns at the global level.

5. Poverty around CAs is very high, since these are generally remote rural areas with limited basic services to the population. The government has a policy for the equitable sharing of tourism benefits arising from the use of CAs to local communities (currently 16% of 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 INATUR are first sent to Maputo, then back to the CAs to then be distributed with the communities, which result in significant delays and in little transparency on the overall amount allocated. Communities may also not be well organized to manage these resources in a transparent way and to allocate them into longer-term goals. In addition to receiving 16% of income earned by CAs, communities also receive benefits directly from employment in tourism establishment, and indirectly through the development of local businesses supplying tourism operations (Moye & Nazerali 2010).

6. The Trans Frontier Conservation Areas (TFCA) Program was designed in 1996 as a program with the long-term objective of conserving biodiversity and natural ecosystems of Mozambique through a two-pronged approach. The first approach is to support the establishment and consolidation of TFCAs and the second, is to finance sustainable development activities for the local communities living adjacent to the TFCA, in particular tourism development. During phase I, the TFCA program supported the establishment and management of three CAs in Mozambique with significant trans-frontier biodiversity linkages. GEF funds were used for this first phase. During TFCA Phase II<sup>49</sup>, IDA and GEF funds were used to support the development of five CAs and to strengthen the legal and institutional framework to scale up conservation area management and tourism nationally.

7. Some of the major accomplishments of the second phase were the drafting and adoption of a new Conservation Policy and Conservation Areas Law; and the establishment of the *Administração Nacional das Areas de Conservação* (ANAC) as an autonomous public agency tasked with the management of all CAs. New CAs were also established by the GoM. MITUR together with civil society and private sector stakeholders also facilitated the establishment of the Foundation for the Conservation of Biodiversity (BIOFUND). BIOFUND will play a significant role in raising funds to support the long-term management of Mozambique's CAs, through innovative conservation financing tools, including the establishment of an endowment fund.

8. The adoption of the Conservation Areas Law together with the establishment of ANAC and BIOFUND provides the institutional framework for long term management and sustainability of the CAs. Together, they provide the legislative and institutional frameworks to attract further private investments in or around the parks and reserves, thus strengthening the much needed tourism infrastructures in the country's CAs.

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<sup>49</sup> The TFCA II (P071465) was closed in June 2014.

9. Building on the lessons from the TFCA Program and the new legal and institutional framework for conservation, the GoM is proposing a the Project to consolidate and scale up the achievements of the TFCA Program. To continue to address the threats to conservation and to promote poverty reduction of rural population within and around CAs, Mozambique's institutions and policies for CAs and tourism development need to be strengthened and implemented effectively, and a new approach to dealing with poor communities around CAs must be implemented. This is the goal of the MozBio Program.

10. The Government of Mozambique (GoM) requested WB support in pursuing the MozBio Program. It will be structured as a multi-phase 'Series of Projects (SoP)'. The present four-year Project finances the implementation of a first phase of the MozBio Program. This first phase will focus on implementing the new institutional framework for conservation in Mozambique, with a strong emphasis on building the capacity the recently-established *CAs Management Agency* (ANAC) the Biodiversity Foundation (BIOFUND), while strengthening the management of key Conservation Areas with most potential of generating revenue and promoting poverty reduction of rural communities. This phase will develop and test innovative mechanisms for promoting livelihood activities targeted at communities within and around CAs. A potential second phase (Phase 2) will expand the support to the national system of CAs (including to infrastructure development) and scale up the support to local communities, particularly to those income-generating activities shown to be viable in Phase 1. The second phase will build on the progress and lessons from the first phase.

11. The Project, which is the focus of this PAD, will strengthen the institutional and policy framework for tourism development to manage Mozambique's CAs' system built under TFCA II. This framework is still new and requires 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 tourism 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. 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.

12. The Project will design and test mechanisms to promote livelihood alternatives to local communities, including community-based tourism, improved agricultural methods (including climate smart agriculture), community forest management and non-timber forest products management, sustainable fisheries, among others. By improving the living conditions of surrounding communities, the Project will contribute to better management of the CAs and contribute to their capacity to attract tourists. The Project will also seek to improve the benefit sharing from tourism with the communities living around the CAs as they are among the poorest of the poor in Mozambique with limited access to basic services.

13. The Project will continue providing significant support to the CAs system in Mozambique, by financing sorely needed infrastructure and some of the recurrent costs. CAs will receive different levels of support from the Project, those with the highest potential for tourism being

prioritized. The first phase of the Program will have a strong emphasis on the marine CAs, which were deemed to have the largest revenue-generating potential in the short term.

14. The Project will contribute to the creation of global public goods, particularly to biodiversity conservation and to climate change mitigation. CAs play a role in mitigating climate change by protecting forests and other carbon-rich habitats (such as wetlands and mangroves) from deforestation and degradation. The forest cover of some of the CAs in Mozambique is still under threat from different deforestation drivers, including conversion into agriculture, forest extraction for biomass consumption and illegal logging of high-value species. The Project will address these drivers by promoting sustainable forest management in some of the targeted CAs. Mozambique is a party to the United Nations Framework Convention on Climate Change, and published its first national communication to the UNFCCC in 2003. The national communication indicates that land sectors (particularly forestry and agriculture) accounts for 83% of GHG emissions in the country. Mozambique is currently engaged in creating national Readiness for “Reducing Emissions from Deforestation and Forest Degradation” (REDD+) and various REDD+ initiatives are happening in the country. The Project will also promote energy efficiency measures in all infrastructures to be financed by the project, and those financed by the private sector or communities.

## **B. LINK WITH THE GEF STRATEGIES**

15. The proposed project will be developed as a multi-focal area operation combining several GEF strategic goals (Figure 10), namely:

- Contributing to conservation and sustainable use of biodiversity and the maintenance of ecosystem goods and services; and also improve sustainability of Protected Area systems.
- Contributing to arresting and reversing current global trends in land degradation, specifically desertification and deforestation.
- Promoting conservation and enhancement of carbon stocks through sustainable land and forest management.
- Promote Market Transformation for Energy Efficiency in Industry and Building Sector

**Figure 2- Select GEF Objectives, Outcomes, and Core Outputs**

<b>Focal Areas Objectives</b>	<b>Expected Outcomes</b>	<b>Core Outputs</b>
BD-1	Improved management effectiveness of existing and new protected areas.	New protected areas (number) and coverage (hectares) of unprotected ecosystems
CCM-2	GHG emissions avoided (from energy savings)	Energy savings achieved

Focal Areas Objectives	Expected Outcomes	Core Outputs
CCM-5	Good management practices in LULUCF adopted both within the forest land and in the wider landscape	Forests and non-forest lands under good management practices
SFM/REDD+ - 1	Good management practices applied in existing forests	Forest area (hectares) under sustainable management separated by forest type

16. By promoting sustainable land management practices in a broader landscape (within and around the CAs), the project contributes to the reduction of greenhouse gases emission from forest loss and the increase of stocks in above and below-ground, and in the soil. By promoting more energy efficient technologies for the production of charcoal, the project also contributes to climate change mitigation by avoiding emissions of methane (and also indirectly contributing to less forest loss). Concerning biodiversity conservation, the GEF funded activities will all be incremental to the overall program and address the institutional and financial sustainability of public CAs, and promote investments towards reduced emissions from deforestation.

### C. BASELINE PROJECT DESCRIPTION

17. The GEF resources of \$6.3 million will be fully blended with the Project \$40M IDA envelope. The project will be implemented through the five components below. Components 1 and 4 will be co-financed by GEF:

- **Component 1: Institutional Strengthening for CAs Management**
- **Component 2: Promotion of Tourism in CAs**
- **Component 3: Improving CAs Management**
- **Component 4: Piloting Support to Sustainable Community Livelihoods**
- **Component 5: Project Management and Monitoring**

18. In the Business-as-usual scenario, the Project aims to promote tourism in CAs as an alternative to economic diversification and as a tool for poverty alleviation. The Project's development scenario is to increase the contribution of protected areas to the national economy and to the well-being of local communities. TFCA I and II have provided financial support to existing protected areas. However, they did not target the financial sustainability of the overall system of protected area as a goal. In that scenario, the financial sustainability of the system of protected areas in Mozambique is still far from being achieved. Moreover, no activities targeted at contributing to climate change mitigation are planned.

19. The Project will also promote livelihood activities. However, normally this type of demand-driven activity does not pay sufficient attention to the sustainability of the natural

resources, and target rather other types of social services (local infrastructure, schools, etc.). These types of projects normally do not account for global environmental services, such as climate change mitigation, and important opportunities are often missed, such as the promotion of energy efficiency for biomass transformation.

#### **D. Description of GEF increment**

20. Under the Climate Change focal area and the Sustainable Forest Management focal area, GEF funds will finance the incremental costs of promoting sustainable forest management in two selected pilot CAs (Gile National Reserve and Quirimbas National Park), as well as promoting energy efficiency for charcoal making. GEF funds will cover the incremental costs of promoting sustainable forest management through a landscape approach (interventions that cut across different sectors such as agriculture, forestry and energy). This will include support to community forest management (strengthening local communities rights to forests, capacity to manage forests for timber and non-timber forest products), multi-purpose reforestation, promotion of alternative energy sources and conservation agriculture and agroforestry. These pilot initiatives will be linked to the national REDD+ Readiness process, and will generate lessons for the REDD+ Strategy under preparation led by MICOA and MINAG.

21. *Global benefits:* GEF incremental support from biodiversity, climate change and sustainable forest management (SFM) focal areas will be combined to generate a range of environmental and social benefits in targeted zones including (i) conservation and sustainable use of global biodiversity; (ii) mitigation of climate change through reduced emissions from deforestation and forest degradation in protected areas; (iii) accumulated terrestrial carbon from expanded or protected vegetation. These social and environmental benefits can be seen at local, national and global levels. Protecting large areas of land in Mozambique has significant environmental benefits at the global level, both in terms of protecting globally-important terrestrial and marine biodiversity and mitigating greenhouse gas emissions. Neighboring countries including South Africa, Zimbabwe, Zambia, Malawi and Tanzania will also gain environmental benefits from the mosaic of CAs that support important large mammal species common to all these countries, as well as from better management of fisheries. Locally, water quality and flow, as well as local climate patterns depend on natural forests and woodlands that can be negatively affected by deforestation, which the project aims to reduce.

22. Without the GEF incremental support, the Project will not support the creation of a mechanism for the sustainable financing of the protected areas system in Mozambique, namely BIOFUND's endowment fund to cover recurrent costs of protected areas management. The Project will also not promote the climate change mitigation through a landscape-approach to forest management (combining sustainable forest management activities and conservation agriculture within and outside protected area as a strategy to reduce deforestation within protected areas)

23. GEF funds will provide incremental financing to two of the Project's five components, as described below.



24. **Component 1: Institutional Strengthening for CA Management** (Estimated cost US\$ 12.1 million, of which US\$ 3.2 million GEF). Subcomponent 1.2 will support the functioning of BIOFUND. Under the GEF scenario, the Project will provide US\$ 3.2 million to capitalize the endowment fund managed by BIOFUND which provide a sustainable source of financing to cover some of the recurrent costs of the national system of CAs. These resources will leverage significant additional resources, including 10 million Euros from KfW and additional funds from AFD, Conservation International and WWF.

25. **Component 4. Piloting Support to Sustainable Community Livelihoods** (Estimated cost US\$ 10.1 million, of which US\$ 3.1 million GEF). Under the GEF Scenario, subcomponent 4.3 will support Mozambique in testing innovative approaches towards reducing deforestation through sustainable forest management within and surrounding CAs. Two CAs have been selected to pilot these activities: the Gilé National Reserve and the Quirimbas National Park. The selection criteria included linkages with ongoing initiatives, availability of information on local conditions (including forest conditions, deforestation rates and carbon stocks), presence of actors already engaged in sustainable forest management activities. The activities will address the identified local drivers of deforestation through a landscape approach. The interventions to be promoted will cut across different sectors such as agriculture, forestry and energy, and will promote inter-sectoral coordination at the local level (through the Conservation Area steering committee and the local District planning bodies). These pilot initiatives will be linked to the national REDD+ Readiness process, and will generate lessons for the REDD+ Strategy under preparation led by MICOA and MINAG.

26. Sub-component 4.1 will promote livelihood activities within and around protected areas. The main channel to provide this type of support will be demand-driven Sub-project-projects from local communities. Some of these sub-projects will be focused on the promotion of more efficiency charcoal-making kilns. The project will support local private sector and interest groups in modernizing their charcoal-making practices using technologies available in the market. The traditional earth kilns are very inefficient, seldom achieving a wood-to-charcoal conversion efficiency of more than 15%, and causing extensive local degradation and soil erosion due to the intense heat generated by kilns as well as deforestation due to the clear-cutting of trees and construction of kilns.

27. The Project will also seek to promote climate change mitigation in the tourism sector, by encouraging the GoM to create incentives and awareness towards energy efficiency and use of renewable energy in the sector.

**Table 16: Incremental cost matrix**

Component	Category	Estimated Expenditure (million US\$)	National and Local Benefit	Global Environmental Benefit
1. Institutional Strengthening for CA Management	Baseline	IDA: 8.9	Management capacity enhanced for the entities in charge of CAs management.	The sustainability of the global environmental benefits is limited given the lack of sustainable sources of funds to finance the costs of the CA system.

Component	Category	Estimated Expenditure (million US\$)	National and Local Benefit	Global Environmental Benefit
	With GEF Alternative	IDA: 8.9 GEF: 3.2 KfW: 13.5 CI: 1 AFD: 5 GoMZ: 2	Management capacity enhanced for the entities in charge of CAs management.	A sustainable source of financing to the system of CAs in Mozambique will ensure the good management of biodiversity.
	Incremental	21.5		
2.Promotion of tourism in CAs	Baseline	IDA: 2.2 GoMZ: 2	Tourism is promoted in CAs	Not significant
	With GEF Alternative	IDA: 2.2 GoMZ: 2	Tourism is promoted in CAs, and incentives towards climate change mitigation in the tourism sector are introduced.	GHG emissions mitigation from the tourism sector
	Incremental	0		
3.Improving CAs Management	Baseline	IDA: 15.3 GoMZ: 2	Targeted CAs are better managed (as per the METT score)	Biodiversity conservation in targeted CAs
	With GEF Alternative	IDA: 8.9 AFD: 10	Targeted CAs are better managed (as per the METT score)	Biodiversity conservation in targeted CAs.
	Incremental	10		
4. Piloting Support to Sustainable Community Livelihoods	Baseline	IDA: 7	The living conditions of the population living around CAs is increased through the promotion of alternative livelihood activities. The types of Sub-projects to be supported will be local infrastructure (well, small-scale infrastructure, honey production, etc.) not linked to natural resources management.	No significant global environmental benefit.
	With GEF Alternative	IDA:7 GEF: 3.1 AFD: 5 GoMZ: 2	Increased adoption of SFM practices in target areas, landscape ecosystem, will reduce deforestation and forest degradation.  Forest, protected areas, agricultural lands, protected areas buffer zones are better managed under management plans.  Energy-efficient technologies for charcoal-making are disseminated.	Global environmental benefits including healthy forest ecosystems and associated environmental services. GHG emissions from the land use sector are reduced, and absorption is promoted through the rehabilitation of degraded forests. Overall emissions are decreased through the use of more energy-efficient technologies.
	Incremental	7		

## **E. Estimation of the impact of project sustainable forest/land management activities and energy efficiency promotion on carbon dioxide equivalent balance**

### **LULUCF**

28. Preliminary estimates of the amount of CO<sub>2</sub> equivalent emissions to be avoided by the project were focused on the LULUCF activities, based data for the Gilé Reserve and Quirimbas National Park (two of the CAs targeted by the project). The aggregated baseline gross deforestation in these two CAs is over 5,000 hectares / year, according to satellite image analysis (historical average of the past 10 years). Using an average carbon stock of 50tC/hectare (based on carbon measurements conducted in the Gilé reserve according to internationally accepted methodologies), this results in almost 1 million tCO<sub>2</sub>eq emitted every year due to deforestation loss in the baseline scenario. It should be noted that this data is conservative as forest degradation, hard to detect through satellite images, is not accounted for.

29. The project aims to reduce deforestation by 50% at Y3, which would lead to 500,000 tCO<sub>2</sub>eq avoided every year (around **1 million tCO<sub>2</sub>eq during the lifetime of the project (i.e. four years, or 7.5 million tCO<sub>2</sub>eq over 15 years).**<sup>50</sup>

### **Energy efficiency (improved charcoal-making kilns)**

30. Preliminary estimates of the amount of CO<sub>2</sub> equivalent emissions to be avoided through the promotion of higher-efficiency charcoal-making retorts (exact technology to be selected during project implementation) add up to around 250,000 tons of CO<sub>2</sub> equivalent over 15 years.

31. The wood consumption avoided is the quantity of wood which would have been consumed for the production of charcoal in the absence higher achieved yield (improved kilns). The end result is reduced deforestation or forest degradation, since it is assumed that 91% of the biomass is non-renewable (as per UNFCCC figures). The expected mission reduction targets are therefore based on wood savings (converted to energy savings) and methane capture (as regards the retort kilns) calculated over the lifetime of the assets and compared to a Business-As-Usual (BAU) wood use scenario during the same period.

32. Specific baseline data for Mozambique (the amount of wood used per batch of charcoal produced, the fraction of non-renewable biomass, the carbon content in the wood used - expressed on an oven-dry wood basis, etc) is not available. Hence, it not possible to calculate a net calorific value and ratio of the amount of wood needed to produce a unit of charcoal in the targeted areas under a BAU scenario (yield). As such these calculations use yield values taken from the Uganda MFA project; using inefficient methods produces charcoal yield of between 80

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<sup>50</sup> Emissions Reductions figures aggregated the expected reduced deforestation in both Gile and Quirimbas, using the following parameters: i) Annual deforestation (1,000 hectares in Gile + 4353 in Quirimbas) which is based on historical deforestation of the 10 past years; ii) Emissions Factor : 135 TCO<sub>2</sub> / ha (based on a 2009 inventory carried out by IGF [available upon request] – this data will be updated in October 2014. It should also be said that it only captures above-ground biomass, which grossly underestimates the carbon stocks in the miombo ecosystem, particularly as soil carbon accounts for around twice the amount of above-ground biomass); iii) the project assumes an efficiency rate of 50% during the lifetime of the project.

kg to 150 kg from 1,000 kg wood giving an efficiency ratio of between 8% to 15%. A conservative average efficiency rate of 10% for earth mound kilns on all the BAU calculations is used.

33. In the areas with the support of GEF funds traditional charcoal-making facilities are replaced by around 200 high-yield, low-emission retorts (assuming a unit price of US\$2,000) each with an average yield of 350 to 400 kg of charcoal from 1000kg of wood (dry basis), which is equivalent to 35 – 40 % efficiency.

34. Based on field studies, each retort is capable of producing 350 kg to 400 kg of charcoal in each batch process with a 30-hour batch duration. Each retort therefore has an average annual production of 24 tons of charcoal. Optimized charcoal production from use of retorts can entirely avoid the emissions of CH<sub>4</sub> from pyrolytic gases resulting from traditional processes. Avoiding CH<sub>4</sub> emissions through such a technology represents an emission reduction of roughly 3.5 tCO<sub>2</sub>e per ton of charcoal of produced (Pronatura 2009). These methane-based ERs have been applied to all retorts piloted. Retorts have an average lifetime of 15 years but can stay longer as they are made of fired bricks and as long as metal plates are replaced.

### Annex 9: Conservation Areas targeted by the MozBio 1 project

Name of CAs	Province	Area (Km2)	YR	General Features	On-going work	Threats
<b>Bazaruto Archipelago NP</b>	Inhambane	1,430	1971	The Bazaruto National Park is an archipelago of six islands off the Mozambican coast between Vilankulo and Inhassoro. The park was created to protect dugong and marine turtles, and their habitats. The islands' flora and fauna, coral reefs and marine birds were also included. Bazaruto Island is the largest: the others are Benguerra, Margaruque, Santa Carolina (Paradise Island), Banque and Pansy Shell Island.	WWF has a community program to share tourism revenues in return for protecting the ecological resources	Over fishing, increasing human settlements
<b>Limpopo NP</b>	Gaza	11,233	2001	Located north-west of Maputo along the north-eastern boundary of the Kruger National Park the LNP forms part of a wider conservation initiative within the region consisting of several national parks. It falls within the GLTP that was formed with the formal agreements of the Governments of Mozambique, South Africa and Zimbabwe on 10th November 2000. The GLTP comprises a vast area of the lowland savannah ecosystem bisected by the Lebombo Mountains running along the border between South Africa and Mozambique. Five major river systems cross this ecoregion in a generally west-east flow. The four main landscapes include lowland plains savannah in the majority of the area, a hilly granite plateau in the western portions, the Lebombo Mountains that rise to an average of only 500 m above sea level, and the floodplain riverbank areas along the Save, Changane, Limpopo, Olifants, Shingwedzi and Komati rivers. Stone-age artefacts and more recent Iron Age implements at many sites provide evidence of a very long and almost continuous presence of humans in the area making up the Great Limpopo Transfrontier Park. Tourist accommodation is found at Aguia Pesqueira Camp (Fish Eagle Camp) located 55km from Giriyondo and	Part of the Great Limpopo TFCA	Poaching, human encroachment

				25km from Massingir Dam. 4x4 Trails and Camps are located at Nhampfula, Sandalo, Giriyondo and Mbona Kaya.		
<b>Quirimbas NP</b>	Cabo Delgado	9,130	2002	Situated in the Quirimbas archipelago in Cabo Delgado province. Consist of both marine (7,500sq km) and terrestrial ecosystems. Attractions include Islands, sea environment. with coral-reefs, culture (Ibo Island), Banco de São Lázaro with unique features. Marine species include whales, dolphins, turtles, sharks, a wide range of exotic fish species (350), the rare and endangered dugong. On land, elephants, buffaloes, sabres, elands, wild dogs, lions, leopards, spotted hyenas, jackals and crocodiles may be seen. Mangroves, mountains, miombo and savannah forests.	WWF community programme	Over fishing, increasing human settlements, poaching of elephants, timber extraction, oil and gas exploration
<b>Banhine NP</b>	Gaza	7,000	1973	The park has distinct landscapes, comprising open savannah with mopane and miombo forests. Prone to flooding which attracts birdlife to numerous season pans. 18 species of fish have been found in the park. The African lungfish, two killifish species and two Barbel species have developed ways to deal with predictable periods of drought. Wildlife depleted but historically supported large numbers of buffalo, hartebeest, reedbuck, sable, zebra, wildebeest and giraffe.	Part of the Great Limpopo TFCA	Poaching, human encroachment, deforestation
<b>Zinave NP</b>	Inhambane /Gaza	4,000	1973	Park has been neglected and most of its large wildlife destroyed by poaching. The park has diverse flora including riverine forest along the Save River. Sandbanks are a feature of the river in the dry season. Shifting agriculture has degraded the woodlands.	Part of the Great Limpopo TFCA. Boundary has been modified to accommodate and exclude large human population	Poaching, human encroachment, deforestation
<b>Chimanimani NR</b>	Manica	645	2003	The CNR has an intact ecosystem and rich in biodiversity especially in the mountainous areas, esthetically salient landscapes, archaeological tools, (rock paintings). It has a great diversity of species of plants and endemic birds, reptiles and butterflies.	Part of the Great Limpopo TFCA	Illegal gold mining

<b>Gilé NR</b>	Zambézia	2,861	1932	The GNR is a unique protected area in the Zambezia Province, Northern Mozambique. The reserve offers an exceptional biodiversity and hosts various critically endangered species. Heavily damaged during the civil war period, the reserve now faces growing pressures on its natural resources. Of great interest the granitic inselberg habitats which are either inside or around the GNR.	Initiative to rehabilitate and preserve the reserve, encouraging the population living nearby (in the so-called "buffer zone") to use its natural resources in a sustainable way.	Timber extraction, poaching
<b>Maputo Special Reserve NR</b>	Maputo	343	1932	Various beaches along the coast (Ponta Chemucane, Ponta Menbene, Ponta Milibangalala and Ponta Dobela): Different landscapes (sandy soil forests, humid land forests, marshes, mangroves, dunes). Lagoons (Piti, Maunde, Nela, Machai, Chinguti). Holy and cultural places (ideal for cultural tourism).	Part of the TFCA II project	Potential deep water harbor
<b>Marromeu NR</b>	Sofala	1,500	1960	It has great population of buffalos and waterbuck in Mozambique. Most important attraction is the wetlands that support a great quantum of birds, both seasonal and permanent. Considered a Ramsar area.	No formal project support. Local private sector hunting operation conducts aerial surveys	Bushmeat poaching
<b>Pomene NP</b>	Inhambane	200	1964	The different landscapes of the Reserve such as vegetation of the dunes, savannahs, mangroves and marshes are a combination which offers great ecotourism opportunities for the PNR.	N/A	Over fishing, timber extraction.
<b>Ponta d'Ouro Partial Marine Reserve</b>	Maputo	678	2009	A marine park with world class coral reefs. Fishing, snorkeling and beaches. Marine wildlife (whale sharks, dolphins, turtles)	Part of the TFCA II project	Over fishing,

### Annex 10: Map of targeted CAs in Mozambique

