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Report No: PAD5399

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF
US\$100 MILLION

FROM THE IDA SCALE-UP WINDOW - SHORTER MATURITY LOANS

TO THE

REPUBLIC OF ZAMBIA

FOR A

GREEN, RESILIENT AND TRANSFORMATIONAL TOURISM DEVELOPMENT PROJECT

May 19, 2023

Environment, Natural Resources, and the Blue Economy Global Practice
Eastern and Southern Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2023)

Currency Unit = ZMW

17.7 ZMW = US\$1

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AM	Accountability Mechanism
AWPB	Annual Work Plan and Budget
BCR	Benefit-Cost Ratio
BMP	Biodiversity Management Plan
BOZ	Bank of Zambia
BRRA	Business Regulatory Review Agency
CAA	Civil Aviation Authority
CB	Commercial Bank
CFMG	Community Forest Management Group
CHMP	Cultural Heritage Management Plan
CMP	Collaborative Management Partnership
CPF	Country Partnership Framework
CRB	Community Resource Board
DA	Designated Account
DGECC	Department of Green Economy and Climate Change
DNPW	Department of National Parks and Wildlife
DoT	Department of Tourism
DPSC	District and Provincial Planning Sub-Committees
E&S	Environmental and Social
EBCR	Economic Benefit-Cost Ratio
EFA	Economic and Financial Analysis
EIRR	Economic Internal Rate of Return
ENPV	Economic Net Present Value
EPB	Environmental Project Brief
EPI	Environment Performance Index
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework



ESMP	Environmental and Social Management Plan
ESS	Environmental and Social Standards
EX-ACT	Ex-Ante Carbon-Balance Tool
FAO	Food and Agriculture Organization of the United Nations
FCPF	Forest Carbon Partnership Facility
FHH	Female-Headed Household
FIRR	Financial Internal Rate of Return
FM	Financial Management
FNPV	Financial Net Present Value
FS	Feasibility Study
FTE	Full-Time Equivalent
GBV	Gender-Based Violence
GCRF	Global Crisis Response Framework
GDP	Gross Domestic Product
GHG	Green House Gas
GII	Gender Inequality Index
GIIP	Good International Industry Practices
GMA	Game Management Area
GREAT-TDP	Green, Resilient and Transformational Tourism Development Project
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
GRZ	Government of Republic of Zambia
IDC	Industrial Development Corporation
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information System
IFP	Infrastructure Panel
IFR	Interim Financial Report
IIP	Infrastructure Investment Plan
IUCN	International Union for Conservation of Nature
M&E	Monitoring and Evaluation
MG-EP	Matching Grant Evaluation Panel
MICE	Meetings, Incentives, Conferences, and Exhibitions
MLGRD	Ministry of Local Government and Rural Development
MoFNP	Ministry of Finance and National Planning
MoGEE	Ministry of Green Economy and Environment
MoIHD	Ministry of Infrastructure, Housing, and Urban Development
MoLNR	Ministry of Lands and Natural Resources
MoT	Ministry of Tourism
MoTL	Ministry of Transport and Logistics
MRV	Measurement, Reporting, and Verification



MSMEs	Micro, Small, and Medium Enterprises
MTC	Multidisciplinary Technical Committee
NBT	Nature-Based Tourism
NDC	Nationally Determined Contribution
NDP	National Development Plan
NHCC	National Heritage Conservation Commission
NPV	Net Present Value
OAG	Office of the Auditor General
OPRC	Output- and Performance-Based Road Contract
OSBP	One-Stop Border Post
PACRA	Patent and Company Registration Agency
PAD	Project Appraisal Document
PBC	Performance-Based Condition
PDD	Project Development Document
PDO	Project Development Objective
PIM	Project Implementation Manual
PIPD	Public Investment and Planning Department
PIU	Project Implementation Unit
PP	Procurement Plan
PPCR	Pilot Program for Climate Resilience
PPDF	Public-Private Dialogue Forum
PPP	Public-Private Partnership
PPSC	Provincial Planning Sub-Committee
PPSD	Project Procurement Strategy for Development
PS	Permanent Secretary
PSC	Project Steering Committee
PSU	Procurement and Supplies Unit
RAP	Resettlement Action Plan
RDA	Road Development Agency
REA	Rural Electrification Authority
RF	Results Framework
SADC	Southern African Development Community
SEA/SA	Sexual Exploitation and Abuse and Sexual Harassment
SEED	Support for Economic Expansion and Diversification
SEP	Stakeholder Engagement Plan
SMEs	Small and Medium Enterprises
SORT	Systematic Operations Risk-Rating tool
T&T	Travel and Tourism
TCZ	Tourism Council of Zambia
TDA	Tourism Development Area



TIC	Tourism Investment Corporation
TIP	Tourism Investment Programme
TOC	Theory of Change
TOR	Terms of Reference
TRALARD	Transforming Landscapes for Resilience and Development project
TTDI	Travel and Tourism Development Index
UNDB	United Nations Development Business
VAG	Village Action Group
WBG	World Bank Group
WDC	Ward Development Committee
WEF	World Economic Forum
ZACL	Zambia Airports Corporation Limited
ZANACO	Zambia National Commercial Bank
ZATP	Zambia Agribusiness and Trade Project
ZEMA	Zambia Environmental Management Agency
ZPPA	Zambia Public Procurement Authority
ZTA	Zambia Tourism Agency
ZTMP	Zambia Tourism Master Plan

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Zambia	Green, Resilient and Transformational Tourism Development Project (GREAT-TDP)	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P180337	Investment Project Financing	Substantial

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
13-Jun-2023	31-Dec-2030

Bank/IFC Collaboration

No

Proposed Development Objective(s)

The Project Development Objective is to strengthen the enabling environment, access to resilient infrastructure and economic opportunities in emerging tourism destinations in Zambia.

Components

Component Name	Cost (US\$, millions)
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Enabling Environment for the Nature-Based Economy	13.00
Improving Climate-Resilient Destination Access and Basic Service Infrastructure	78.30
Project Administration and Management	8.70

Organizations

Borrower: REPUBLIC OF ZAMBIA
 Implementing Agency: Ministry of Tourism

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	100.00
Total Financing	100.00
of which IBRD/IDA	100.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	100.00
IDA Shorter Maturity Loan (SML)	100.00

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
Zambia	0.00	0.00	100.00	0.00	100.00
Scale-Up Window (SUW)	0.00	0.00	100.00	0.00	100.00
Total	0.00	0.00	100.00	0.00	100.00

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2023	2024	2025	2026	2027	2028	2029	2030	2031
Annual	0.00	3.00	3.50	6.00	10.00	20.00	25.00	16.00	16.50



Cumulative	0.00	3.00	6.50	12.50	22.50	42.50	67.50	83.50	100.00
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INSTITUTIONAL DATA

Practice Area (Lead)

Environment, Natural Resources & the Blue Economy

Contributing Practice Areas

Finance, Competitiveness and Innovation, Transport

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	Substantial
7. Environment and Social	Substantial
8. Stakeholders	Low
9. Other	
10. Overall	Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No



Does the project require any waivers of Bank policies?

[] Yes [✓] No

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

The Recipient shall, not later than one (1) month after the Effective Date, establish and maintain a Project Steering Committee, at all times during Project implementation, with a mandate, terms of reference, composition and resources satisfactory to the Association, to be chaired by the Permanent Secretary of MoT (or his/her representative) and shall include, inter alia, the Permanent Secretaries or their nominees of Ministry of Finance and National Planning (“MoFNP”), MoGEE, Ministry of Transport and Logistics, Ministry of Lands and Natural Resources, Ministry of Local Government and Rural Development and Ministry of Infrastructure, Housing and Urban Development.



Conditions

Type Disbursement	Financing source IBRD/IDA	Description Under Category (2) for Matching Grants, unless the Recipient has prepared and adopted a Matching Grant Manual, in form and substance acceptable to the Association.
Type Effectiveness	Financing source IBRD/IDA	Description (a) The Recipient has established a Project Implementation Unit (“PIU”) in form, manner, and with terms of reference and resources all acceptable to the Association, and in accordance with Section I.A.3 of Schedule 2 to this Agreement. (b) The Recipient has prepared and adopted a Project Implementation Manual (“PIM”) in form and manner acceptable to the Association, and in accordance with Section I.B.1 of Schedule 2 to this Agreement. (c) The Recipient has prepared the terms of reference for conducting a Strategic Environmental and Social Assessment, in form and manner acceptable to the Association.



I. STRATEGIC CONTEXT

A. Country Context

1. **Zambia's development context is described by economic fluctuations closely linked to copper prices and prevalence of subsistence farming, hindering efficient development of the country's rich natural and human capital while deferring economic diversification.** Copper mining dominates export receipts while subsistence agriculture dominates sources of livelihood. Both copper mining and agriculture activities have impaired the environment, productivity, and human well-being as a result of pollution, land conversion, and elusive contribution to public revenue, among others. Furthermore, they have not sufficiently contributed to the expansion of the formal economy. The mining sector created mostly poor-quality informal jobs and the agriculture sector has remained at low productivity, resulting in meager opportunities for upskilling the labor force to diversify the economy. Furthermore, the Human Capital Index of Zambia has trailed behind that of its peer countries: score for Zambia in 2020 was 0.397, while the average score for lower-middle-income countries was 0.480.¹ To reach the Vision 2030 objective of becoming a “prosperous middle-income country”, Zambia's 8th National Development Plan (8NDP, 2022–2026) places heavy emphasis on economic transformation through diversification and job creation—a long-held development priority.”

2. **Despite progressive provisions on gender and gender-based violence (GBV) in the international, regional, and national legislation, gender inequalities continue to be significant in Zambia.** Zambia ranks 146 out of 189 countries on the 2020 United Nations Gender Inequality Index (GII) and 56 out of 156 countries on the 2021 Global Gender Gap Index.² Long-standing gender inequality and patriarchal tendencies affect human and socioeconomic development in Zambia. The power imbalances between women and men have resulted in women having fewer opportunities to participate in key decision-making positions and less access to productive resources. This has resulted in low female representation in formal employment; poor access to social services; and high levels of teen pregnancy, child marriage, and intimate partner violence. Female participation in the labor market is 73.5 percent compared to 86 percent for men. Over 90 percent of women in rural areas are employed in the informal agricultural sector, and 45 percent of employed women are unpaid family workers (compared to 16.1 percent of men).³ Only 16.8 percent of parliamentary seats are held by women. Poverty and asset scarcity in Zambia remain especially high among rural women and female-headed households (FHH) (with 60 percent poverty rates in FHHs and 57 percent in male-headed households).⁴

3. **The pace of recovery in economic activity slowed down in 2022, affected by challenges in agriculture, mining, and construction.** The slow pace in economic activity is also compounded by the delay in restructuring Zambia's debt, which is unsustainable and in default, and holding back gains in economic recovery and macroeconomic stability. Growth is also expected to improve slowly over the medium term, reflecting lingering uncertainty surrounding the conclusion of the ongoing debt restructuring discussions. Zambia requested for debt treatment under the G20 Common Framework in

¹ World Bank. 2022. Human Capital Index Scale 0-1. Data Catalogue. Accessible at <https://data.worldbank.org/indicator/HD.HCI.OVRL>.

² UNDP. 2020. “Gender Inequality Index: Statistical Annex Table.” <https://hdr.undp.org/en/composite/GII>.

³ Central Statistical Office (CSO). 2015 Living Conditions Monitoring Survey Report 2010 and 2015. Lusaka, Zambia: Central Statistical Office.

⁴ World Bank Group. 2018. Gender in Sustainable Landscape Management in Zambia Initiatives and Evidence from Zambia.



February 2021 after the COVID-19 pandemic exacerbated debt vulnerabilities, triggering a default in November 2020. Between 2011 and 2019, Zambia's public external debt increased sharply from 6.7 percent of gross domestic product (GDP) to 66.4 percent, driven by excessive non-concessional borrowing, weak fiscal discipline, and falling copper prices amid slowing economic growth. In 2022, the exchange rate showed some resilience and appreciated by 15.1 percent to an annual average exchange rate of K16.91 per US dollar from K19.91 in 2021. However, the country recorded a decline in export earnings as copper prices decreased; as a result, foreign exchange supply significantly declined amid elevated demand. With depreciation of the Kwacha in Q1 of 2023 and the intensifying inflationary pressure, the central bank tightened monetary policy in February 2023.

4. Russia's invasion of Ukraine continues to affect the terms of trade for Zambia, as it heavily depends on imported petroleum, resulting in high fuel and fertilizer prices. Growing rainfall variability leading to floods and sometimes droughts is a risk that undermines agriculture production and rural livelihoods. These compounded impacts from the Russia's invasion of Ukraine have led to depreciation of the currency and rising inflationary pressure, putting the unresolved debt situation of the country in urgent need of financial and technical support for inclusive and sustainable growth.

5. **The country's globally significant natural assets offer an alternative economic opportunity.** Currently, natural resources make up 40 percent of the country's wealth⁵ and are a strong basis for its economic growth and strategies for poverty reduction. A large part of Zambia's land area (65 percent) is forested,⁶ and its freshwater resources are claimed to hold 40 percent of Southern Africa's freshwater resources⁷— these are of great importance as the headwaters of the rivers flowing into the Congo and the Zambezi basins. Zambia also has rich biodiversity, more than 8,000 species of organisms identified, of which at least 600 are endemic and 174 are classified as rare.⁸ Zambia has not only committed to protecting its natural resources for safeguarding future growth but also recognizes that there is a growing opportunity to sustainably develop the nature-based economy that depends on these assets—to generate revenues, jobs, and investment. This may include activities such as nature-based tourism (NBT), regenerative agriculture, sustainable forestry, fishing, green infrastructure, bioprospecting, and carbon credits.

6. **The environment, the natural capital, and their guardians, however, have long been under threat and facing vulnerable conditions.** In 2021, Zambia lost 201,000 ha of tree cover compared to 163,000 ha the year before.⁹ In the global Environment Performance Index (EPI) of 2022, Zambia ranked overall 106 out of 168 countries; Zambia is one of ten countries whose EPI score depreciated the most over 10 years.¹⁰ Land use changes are affecting hydrology by increasing the flow, the variability in flow volumes, and the need for water abstraction.¹¹ Nine species are currently listed as globally threatened, endangered or vulnerable on the International Union for Conservation of Nature (IUCN) Red List,¹² though

⁵ World Bank. 2019. Zambia Economic Brief, No. 12, July 2019: Wealth Beyond Mining - Leveraging Renewable Natural Capital.

⁶ FAO. 2015. "Forest Cover in Zambia." www.globalforestwatch.org. Tree cover in Zambia (in 2010) had 22.4 million ha or about 30 percent of its land area.

⁷ World Bank. 2021. Assessing the Economic Impact of Tourism in Protected Areas on Local Economies in Zambia.

⁸ WWF. 2011. Species and Protected Areas Zambia.

⁹ Global Forest Watch. 2023. "Tree Cover Loss In [country/province name]." Accessed January 6, 2023. www.globalforestwatch.org.

¹⁰ Environment Performance Index 2022.

¹¹ Tena, Mwanga, and Nguvulu. 2019. Impact of Land Use/Land Cover Change on Hydrological Components in Chongwe River Catchment. doi:10.3390/su11226415.

¹² WWF. 2011. Species and Protected Areas Zambia.



data deficiency is a prominent challenge in updating species presence and threat levels. Likewise, the rural communities surrounding natural habitats and high-biodiversity areas of the country's protected areas have higher poverty rates. Communities living in Game Management Areas (GMAs) are found to be 30 percent poorer than the national rural average.¹³ This is attributed to less connectivity to markets and job opportunities, a situation that is often aggravated by fragile rights to access land and natural resources, which in turn undermines sustainable governance and management of the natural resources.

7. The country's economic and environmental challenges are compounded by climate change impacts that are increasing the vulnerability of the environment, natural resources, and the resilience of economic and social development. Zambia's climate is highly variable and has experienced a series of climatic extremes in recent decades. Events of droughts, seasonal floods and flash floods, extreme temperatures, and dry spells exhibit increased frequency, intensity, and magnitude. Rainfall variability is a key risk—affecting agriculture and power sectors that heavily rely on water resources.¹⁴ Zambia's climate-vulnerable roads also present a great uncertainty on the economy, as roads are critical trade routes for export commodities. A study on the Zambezi River Basin countries, where Zambia is the predominant country, estimated potential US\$596 million price tag based on median climate scenarios to maintain and repair roads as a result of damages directly related to temperature and precipitation changes from climate change through 2050.¹⁵ Climate change also presents significant risks to the energy sector, which is dominated by hydropower (representing 82 percent of total power generation) – with resulting impacts on the heavy user industries—the mining sector, manufacturing, tourism, and agriculture. It is estimated that annual agriculture sector growth could be curtailed by 1 percent due to climate change, with losses reaching US\$2–3 billion in 10–20 years.¹⁶ Climate variability estimates have suggested that climate change may cost Zambia approximately 0.4 percent of annual economic growth (a figure from 2013 cited by the Government of Republic of Zambia [GRZ] 2017 7NDP).¹⁷ Furthermore, while it is a net greenhouse gas (GHG) sink country, the growth rate of CO₂ emissions is unabated, and Zambia is reported as one of the worst performing countries in terms of policy efforts to curb GHG emission growth rate.¹⁸

8. Recognizing the perils as well as opportunities, the Government is preparing a green growth strategy in which nature-based economy is a key. Zambia has placed environmental sustainability as one of the four focus areas of its 8NDP. This puts natural capital on par with economic transformation, human development, and good governance. The green economy is defined¹⁹ as investment in economic activities, infrastructure, and assets that allow reduced carbon emissions and pollution, enhanced energy and resource efficiency, and prevention of the loss of biodiversity and ecosystem services. The decline of commodity prices necessitates economic diversification. Zambia needs to unlock new green economic pathways that capitalize on its natural assets and their comparative advantages. As a subset of the green

¹³ Linsey, Nyirenda, Barnes, Becker, Taylor, Watson. 2016. *Zambian Game Management Areas: The Reasons Why They Are Not Functioning as Ecologically or Economically Productive Buffer Zones and What Needs to Change for Them to Fulfill That Role.*

¹⁴ World Bank Climate Change Portal. Zambia Country Profile.

¹⁵ Chinowsky, Schweikert, Strzepek, Strzepek. 2015. "Infrastructure and Climate Change: A Study of Impacts and Adaptations in Malawi, Mozambique, and Zambia." *Climatic Change* 130: 49–62.

¹⁶ 2018. *Increasing Agricultural Resilience through Better Risk Management in Zambia.* Washington, DC: World Bank.

¹⁷ Republic of Zambia. 7 National Development Plan 2017-2021.

¹⁸ Environment Performance Index (2022). Zambia ranks 152 out of 180 countries in climate change policy objective and ranks 153 of 165 countries in adjusted emissions growth rate for CO₂ between 2010 and 2019.

¹⁹ United Nations Environment Programme. 2012. *Rio+20 Policy Brief: A Green Economy for a Planet under Pressure.*



economy, nature-based economy revolves around using nature sustainably as the central element.²⁰ At the forefront of the nature-based economy is NBT. While no national data is available, regionally NBT accounts for one-third of all direct tourism contributions to GDP in Africa. NBT provided 8.8 million jobs globally in 2018.²¹

B. Sectoral and Institutional Context

Nature-Based Economy and Its Relevance in the Country's Development

9. **In Zambia, the nature-based economy, as a subset of the green economy, is made up of nature-based enterprises spanning many sectors.** They use nature sustainably as a core element of their product or service, create investment, and provide jobs in rural and nature-based settings; at the same time, they contribute to the sustainable management of the landscapes they work in. The most prominent of these sectors is the NBT sector which sells tourism experiences to visitors and typically uses part of that revenue to manage wildlife and habitats, involve local communities, maintain 'public good' infrastructure, and raise awareness of conservation.

10. **The GRZ promotes tourism as a job-rich economic driver that can be an important contributor to economic recovery, growth, sustainability, and inclusion.**²² In 2018 (pre-pandemic), travel and tourism (T&T) contributed a significant 3.1 percent of GDP and 1.9 percent of formal employment (Table 1). Visitor spending directly supports local jobs and spurs additional indirect economic activities—that is, generating the 'tourism multiplier effect'—with one study finding that three international leisure visitors generate one permanent direct job²³ and another study finding that one additional kwacha spent by visitors raised incomes of households around a park by ZMW1.82.²⁴ The GRZ collects revenues from park entry fees, concession, and business license fees. NBT's contribution is notable in rural communities²⁵ for its cash flow to otherwise cash-poor areas. In 2021, a World Bank study²⁶ of two prime national parks—Lower Zambezi and South Luangwa National Parks—found that these parks generated employment for 14 and 30 percent of the adjacent population, respectively, and 58–59 percent of surveyed households reported wage income from tourism employment.

11. **From a relatively low base, Zambia has seen a decade of growth in arrivals and international receipts, indicating positive market demand for tourism.** The country is located in the heart of a successful Southern Africa circuit and needs support to take more tourism market share and extend the length of stay of international tourists. There were 1,266,427²⁷ international arrivals in Zambia in 2019, about 90 percent of which came from the Africa region. There were 89,000 visitors to national parks in

²⁰ Kooijman, McQuaid, Rhodes, Collier, Pilla. 2021. *Innovating with Nature: From Nature-Based Solutions to Nature-Based Enterprises*.

²¹ Spencely. 2021. *The Future of Nature-Based Tourism: Impacts of COVID-19 and Paths to Sustainability*.

²² ANBTP. 2022. *Country Summary Report Zambia*. African Nature Based Tourism Platform.

²³ World Bank. 2011. *What Will It Take for Zambia's Tourism Industry to Achieve Its Potential?*

²⁴ *Ibid*; an earlier study had calculated the 'tourism multiplier' to be 2.1 – that is, US\$1,100 spent by a nature tourist generating nearly US\$2,300 in GDP (World Bank. 2007. *Zambia Economic and Poverty Impact of Nature-Based Tourism*).

²⁵ For example, in South Luangwa, a study conducted in 2015/2016 identified 1,512 direct jobs and 375 indirect jobs in the supporting businesses. Chidakel and Child. 2017. "Policy Brief: The Economic Impacts of South Luangwa National Park." Also see Chidakel, Child, Muyengwa. 2021. "Evaluating the Economics of Park-Tourism from the Ground-Up: Leakage, Multiplier Effects, and the Enabling Environment at South Luangwa National Park, Zambia." *Ecological Economics* 182.

²⁶ The World Bank. 2021. *Assessing the Economic Impact of Tourism in Protected Areas on Local Economies in Zambia*.

²⁷ GRZ (MOT) 2021. *Tourism Statistical Digest* <https://www.mot.gov.zm/?wpdmpo=tourism-statistical-digest-2021&wpdmdl=976&refresh=6443e1c63be131682170310>.



2019—a key indicator for NBT demand—of which 65 percent were international visitors and 35 percent domestic (these figures do not account for repeat visits or visits to multiple parks). For comparison, regional tourism giant South Africa welcomed 6.3 million visitors to national parks in 2019. NBT in Zambia is, therefore, a modest but growing sector with successful, large NBT markets on its doorstep. Zambia’s nature-based market—like neighboring countries—is largely made up of UK, European, US, and Canadian markets (71 percent),²⁸ with tourists typically coming on regional ‘safari’ itineraries that include Zambia as one destination or for hunting, bolstered by some regional demand, mainly from South Africa. A recent study²⁹ in South Luangwa and Lower Zambezi reveals that, respectively, the average group size of tourists is 5.9 and 5.7, their average length of stay is 5.0 and 3.4 days, and average total spent per tourist per trip is US\$2,454 and US\$2,904. This translates to US\$221 and US\$136 local expenditure per tourist per day, respectively.

Table 1. Zambia Key Tourism Indicators before and at the Height of COVID-19 Effects

Indicator	Pre-COVID	During/Post-COVID
International tourism, number of arrivals (millions)	1.266 (2019)	0.554 (2021) ^a
International tourism inbound receipts (inbound US\$, millions)	742.2 (2018)	411.6 (2020)
T&T industry GDP, US\$ millions	811.3 (2018)	318.4 (2020)
T&T industry GDP, % of total GDP	3.1 (2018)	1.6 (2020)
T&T industry employment, 1,000 jobs	119.0 (2018)	115.0 (2020)
T&T industry share of employment, % of total employment	1.9 (2018)	1.8 (2020)
Domestic T&T spending, % of internal T&T spending	46.9 (2018)	44.6 (2020)

Source: From World Economic Forum (WEF) Travel and Tourism Development Index (TTDI) 2021 Interactive Data and Economy Profiles; a. From 2021 Tourism Statistical Digest (GRZ MoT 2022).

12. **NBT is Zambia’s primary international draw and is based on the unique wilderness and large network of protected areas.**³⁰ However, NBT is predominantly located in the southern part of the country with world-class tourism destinations such as the Kafue and South Luangwa National Parks and the Victoria Falls at Livingstone as the primary entry point for international leisure tourists. Parks such as South Luangwa received annual visitors of 38,483 in 2019 with annual revenue from entry fees and lodge lease fees of about US\$1 million whereas parks in less mature destinations off the traditional circuits—such as Liuwa National Park—receive around 1000 visitors annually with revenues of approximately US\$0.2 million in 2019 (Figure 1).

13. **Tourism supply is dominated by NBT, safari itineraries, and hunting.** There are 1,600 lodges and 140,000 beds across the country, and occupancy rates are at around 50 percent on average. There is therefore a need to stimulate demand for tourism in Zambia, tapping into shared international markets already on the doorstep in neighboring South Africa, Botswana, and Zimbabwe as well as support product modification and upgrading to meet the needs of the market (for example, with more bespoke itineraries, multigenerational travel, targeting the ‘Instagram’ generation, and the growing SAVE³¹ market).³²

²⁸ World Bank. 2021. Assessing the Economic Impact of Tourism in Protected Areas on Local Economies in Zambia.

²⁹ Ibid.

³⁰ Protected areas comprise 20 national parks, 36 GMAs, 432 forest reserves, and other areas covering 40 percent of the land.

³¹ Scientific, academic, voluntary, and educational.

³² Valued at US\$69.5 billion globally in 2018, according to Allied Market Research, <https://www.alliedmarketresearch.com/save-tourism-market>.

14. **The sector has experienced a severe shock from the effects of the COVID-19 pandemic, but growth prospects are positive, and a resilient recovery is critical.** International tourism inbound receipts fell and there was also a drop in T&T’s percentage share of GDP and total employment share (Table 1). The pandemic also affected the well-being and livelihoods of employees and local communities. As noted by the WEF TTDI 2021 Report,³³ the sector recovery from the pandemic should critically aim to enhance inclusivity, sustainability, and resilience. Zambia has a comparative advantage in the form of its established nature-based products and natural assets to attract the traveler of the future. Over the next 10 years, ‘post-pandemic’ travelers indicate a strong preference for NBT, adventure, exploring wilderness, and long-haul ‘bucket-list’ type trips.³⁴

Figure 1. Visitor Numbers per National Park

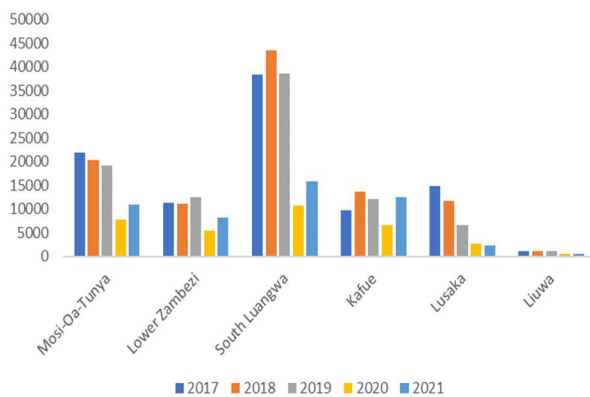
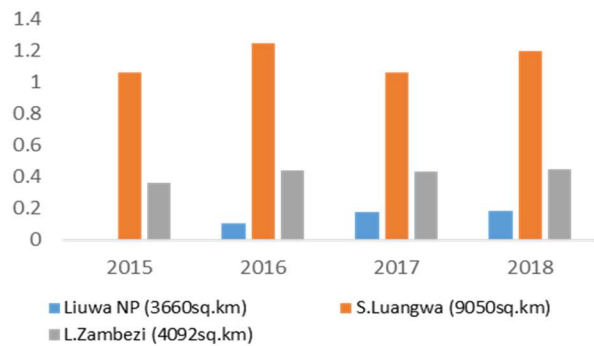


Figure 2. Annual Revenue (entry fees and lodges lease fees) (US\$ millions)



Source: Ministry of Tourism (MoT) data. Numbers are not available for certain years or national parks.

15. **Despite great endowment, Zambia’s TTDI shows many weaknesses in competitiveness, sustainability, and inclusiveness.** While the WEF TTDI 2021 Report³⁵ ranked Zambia’s natural resource attribute as 38 among 140 countries in 2021 (Table 2), other attributes such as human resources and labor, air transport and infrastructure, and health and hygiene brought the overall Zambia tourism rank down to 98.

16. **In the 2018–2038 Zambia Tourism Master Plan (ZTMP), the GRZ has defined a spatial strategy for tourism development, incorporating ten priority tourism development areas (TDAs) for further development into a Northern Circuit and a Southern Circuit.** Seven of the TDAs are in the Southern Circuit which contains the iconic attractions of the Victoria Falls at Livingstone and Kafue National Park, and the Northern Circuit contains three TDAs including Nsumbu and Luangwa Valley (Figure 3). To link the various TDAs, the ZTMP also proposes the development of tourism corridors and thematic circuits, including the Kafue Flats ecotourism circuit and the Western Kavango-Zambezi Transfrontier Conservation Area tourism circuit in the south and west of the country and the Bangweulu adventure and heritage tourism circuit, the northern community heritage corridor, and the Northern lakes and waterfalls tourism circuits in the north and east of the country. Within the TDAs and circuits, there are destinations of varying degrees of tourism maturity, with less mature or ‘emerging’ destinations with little investment and characterized by

³³ Uppink, Soshkin. 2021. Travel and Tourism Development Index 2021: Rebuilding for a Sustainable and Resilient Future.

³⁴ Spencely. 2021. The Future of Nature-Based Tourism: Impacts of COVID-19 and Paths to Sustainability.

³⁵ Uppink, Soshkin. 2021. Travel and Tourism Development Index 2021: Rebuilding for a Sustainable and Resilient Future.



higher levels of poverty, environmental degradation, and remote, difficult access. It is the government's objective to build greater resilience of the circuits by improving critical factors in the tourism enabling environment and accelerating the development and integration of these less mature areas into the existing circuits.

Table 2. Zambia Tourism Competitiveness, 2019 and 2021

	2019 Ranking	2021 Ranking
Travel and Tourism Competitiveness Index (Overall)	99 th	98 th
Enabling Environment		
Business Environment	68 th	71 st
Safety and Security	81 st	75 th
Health and Hygiene	106 th	106 th
Human Resources and Labour Market	85 th	86 th
ICT Readiness	98 th	100 th
T&T Policy & Conditions		
Prioritization of Travel and Tourism	102 nd	94 th
International Openness	64 th	66 th
Price Competitiveness	29 th	24 th
Infrastructure		
Air Transport Infrastructure	102 nd	101 st
Ground and Port Infrastructure	85 th	89 th
Tourist Service Infrastructure	99 th	101 st
T&T Demand Drivers		
Natural Resources	39 th	38 th
Cultural Resources	97 th	92 nd
Non-Leisure Resources	95 th	100 th
T&T Sustainability		
Environmental Sustainability	31 st	37 th
Socioeconomic Resilience and Conditions	116 th	115 th
T&T Demand Pressure and Impact	59 th	60 th

Source: WEF TTDI 2021.

17. **From the impact of the COVID-19 pandemic, there is a recognition that resilient development of natural landscapes and protected areas in general must be driven by a more diversified balance of sectors and investment.**³⁶ In Africa, there has long been an overdependence on tourism as a development strategy in remote, rural natural landscapes.³⁷ The government sees an opportunity to support the development and preservation of its important natural assets through strategic multisector support for the nature-based economy, including tourism. Relevant nature-based activities, besides NBT, include regenerative agriculture, sustainable forestry, fishing, green infrastructure, and bioprospecting. The enabling environment and destination-level challenges are, therefore, described here with a wider lens that includes, but is not limited to, the tourism sector.

18. **In terms of the enabling environment for the national nature-based economy in Zambia, respondents of an Investor Appetite Assessment (2023)**³⁸ indicate that the road network, air transport, national marketing, natural resource management, licensing, access to finance, digital capacity, and availability of qualified staff were all significant barriers. The road network is limited and in need of maintenance, air transport to key NBT destinations is limited and expensive, and national marketing is not

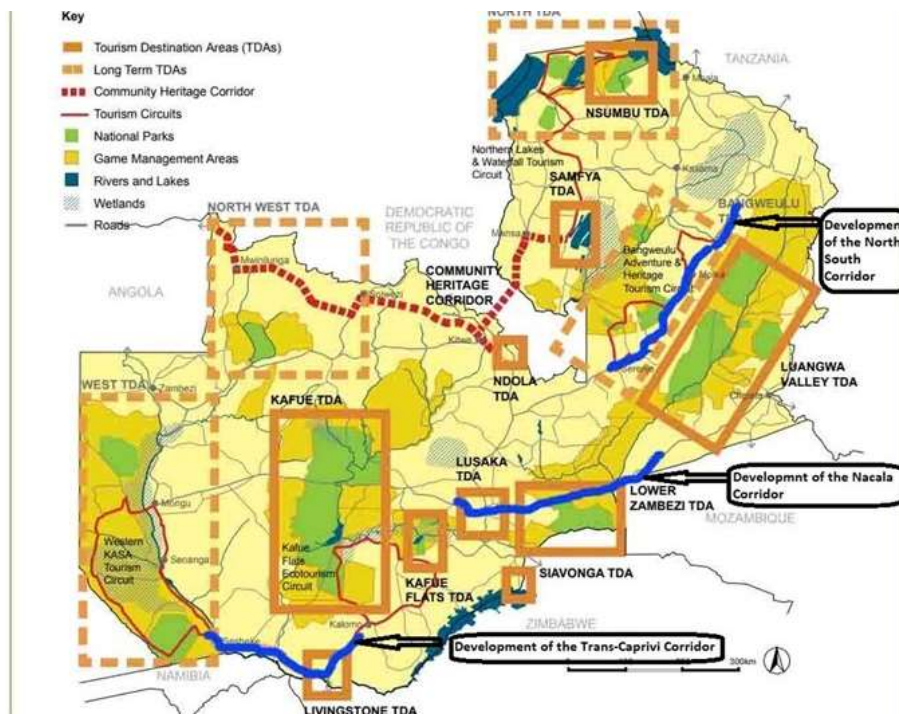
³⁶ Adam Welz .2021. The Pandemic has Undone South Africa's National Parks: Without tourism, the funding that sustains some of the world's most treasured wildlife has atrophied. <https://www.theatlantic.com/science/archive/2021/06/covid-19-tourism-conservation-south-africa/619091/>.

³⁷ Spenceley, A., S. McCool, D. Newsome, A. Báez, J. R. Barborak, C. Blye, et al. 2021. "Tourism in Protected and Conserved Areas amid the COVID-19 Pandemic.

³⁸ Project Preparation Report. March 2023. Zambia Tourism Investor Appetite Assessment.

effective in competitively positioning Zambia’s tourism brand internationally. Natural resource management is poorly funded (approximately 10–20 percent of the protected area budget is met by the state), and the frameworks that could enable additional private resources to support the agenda are unclear, prohibitive, and outdated. This refers specifically to the lack of community benefit-sharing mechanisms and the need for improved concessioning, collaborative management partnerships (CMPs), and carbon development frameworks. Additionally, licensing is complex, expensive, and cumbersome, especially for the tourism sector, and access to finance is constrained. Carbon finance offers an emerging opportunity for attracting additional investments and generating new revenue streams for management of natural resources. However, access to carbon finance is currently constrained by lack of knowledge and systems for monitoring and so on.

Figure 3. Tourism Destination Areas and proposed road corridors



Source: GRZ (MoT), Zambia Tourism Master Plan 2018-2038.

19. **About 60 percent of the surveyed investors indicated that they are ready to invest in the following three emerging destinations in the next five years, provided key constraints are addressed by the GRZ:** Liuwa Plains (in the West TDA), Source of the Zambezi (in Northwest TDA), and Kasaba Bay (in Nsumbu TDA). For tourism, investment plans included lodges, luxury boat cruise, and mobile camps. The emerging destinations were considered highly attractive with unique natural assets, particularly Kasaba Bay and Liuwa Plains. Stability, safety, and security were considered adequate, along with climate, location, and local stakeholder support. For other sectors under CMPs or concessions, the investments include carbon development and regenerative agriculture. Access and connectivity to and within the areas are of the greatest concern and considered highly inadequate by most respondents. There are two CMPs in the Kasaba Bay area and they report a roundtrip cost of US\$8,000 every time they need to fly in and



out of the concession area,³⁹ which increases their operating costs. For tourism, the brand identity of the places as well as the ability to sell the destinations was also considered an issue to Zambia's existing and future markets—notably for Liuwa and the Source of the Zambezi. Tourism infrastructure within these NTB assets (such as tourism roads and trails and interpretive and directional signage) is also underdeveloped.

20. Coordination and capacity constraints are key challenges to tourism sector development. Institutionally, the wide range of ministries and agencies overseeing different mandates relevant to the nature-based economy creates a challenging environment. For example, the institutional fragmentation overseeing mandates about transport by air, land, and water⁴⁰ hinders coordination. Under the MoT, the Department of National Parks and Wildlife (DNPW) manages the key tourism assets, while tourism development and facilitation are led by the Department of Tourism (DoT) and Zambia Tourism Agency (ZTA). Furthermore, coordination with other departments with mandates for natural resource management (forests and water) has often led to redundancies or gaps in natural resource management and support to communities. The green economy and green growth are new government aspirations led by a nascent department and ministry, the Ministry of Green Economy and Environment (MoGEE). Detailed policy directions, technical capacity, and institutional organization are all in the early phase and require much development. Critically, at the local level, tourism, nature-based economy, or landscape-level coordination are also absent. Different stakeholders have different development agendas for the emerging destinations, and, to date, there is no management or localized coordination mechanism or plan⁴¹ to generate synergies and reduce overlaps and redundancies.

21. A governance and institutional assessment has been conducted as part of project preparation to examine sector governance issues and identify risk mitigation options.⁴² To address the gaps in the institutional framework, the project will carry out a comprehensive institutional assessment in Year 1 of the project that will map out the roles and responsibilities of the various actors as well as identify critical gaps in the institutional, policy, and legal framework. The project will support the MoT in strengthening transparency and accountability in the sector through a set of measures that will facilitate the efficient sharing of project and sector information, institutionalizing stakeholder consultations, and strengthening of the grievance redress fora at various levels.

22. The private sector voice in tourism is fairly weak, and its relationship with the public sector is tenuous. The tourism private sector is organized through the Tourism Council of Zambia (TCZ). It comprises ten national- and local-level hospitality and tourism associations including the Hotel and Catering Association, Professional Hunters, Safari Hunters Association, Travel Agents Association of Zambia, Wildlife Producers Association and local tourism associations in Livingstone, Lower Zambezi,

³⁹ Road travel is not an option, as areas are too spread out and remote. The figure is based on the market rate of chartering a small 4-seater plane. If the Kasaba Bay domestic airstrip is upgraded and becomes operational, these expensive charters would not be needed.

⁴⁰ Air and waterways under the Ministry of Transport and Logistics (MoTL); roads under the Ministry of Infrastructure, Housing, and Urban Development (MoIHD); feeder roads under the Ministry of Local Government and Rural Development; and roads inside national parks under the Road Development Agency (RDA).

⁴¹ Although in some cases, for example, Liuwa and Nsumbu, the Management Plans exist and in other areas these are currently under development.

⁴² The Government will prepare a Governance and Accountability Action Plan as part of the Project Implementation Manual (PIM) that puts in place a set of measures to strengthen the governance aspects of the GREAT-TDP. The plan will bring together the various recommendations described in the governance and institutional assessment and ensure a coordinated approach to implementing them and thereby help mitigate the risks identified.



Luangwa, and Luapula. Public-private partnership (PPP) plays a strong role in product development and diversification as well as marketing and promotion but can also be enhanced to include broader issues such as conservation. Most of the private associations function on a voluntary basis and the TCZ is underfunded. Strengthening the role of the private sector and making it more participatory in areas such as concessions and collaborative management, marketing and promotion of Zambia as a tourism destination, and product development and diversification will contribute to the sustainable growth of NBT. Further improving governance in the sector will play a major role going forward in attracting high-quality private investment.

23. Finally, meaningful empowerment of communities as guardians of the natural habitat and resources and their effective engagement as partners have been a complex pursuit. Communities, including those around remote and high-biodiversity areas, have experienced fragile rights to land and resources, often marginalized between customary versus de jure governance systems. Integral to resource governance by communities is the gender dimension in the participation of men and women in natural resource management. Several structural and cultural barriers, particularly for women, exist such as (a) lack of an enabling environment for women’s participation in community groups;⁴³ (b) lack of confidence to speak in large groups, lower literacy levels, childcare and household duties, and a perceived lower level of knowledge about natural resources management; (c) informal information channels that exclude women and poorer households (for example, low-income FHHs); (d) absence of quotas for women’s participation as decision-makers in the local groups; and (e) lack of income-generating activities due to barriers such as access to finance, information, and technology. Women’s inequitable access to endowments, income, jobs, assets, and agency limits equitable participation in natural resource management sectors as agents of change.

24. If the enabling environment and destination-specific challenges can be addressed, there is demand and private sector investment interest in the nature-based economy. This interest is already in evidence across the more mature parts of the Northern and Southern Circuits and could be accelerated to play a much greater role. Several public sector interventions can unlock this development. These are supporting air transport access to the emerging destinations and increasing connectivity and basic infrastructure within the destinations; streamlining the tourism licensing regime, national marketing, and circuit promotion; increasing coordination, governance, and technical capacity for the nature-based economy; improving concessioning and collaborative management partnership frameworks; and encouraging innovation in alternative nature-based green activities such as carbon.

C. Relevance to Higher Level Objectives

25. The proposed project contributes to the World Bank Group’s (WBG) twin goals of ending extreme poverty and boosting shared prosperity in a sustainable manner. The WBG Zambia Country Partnership Framework (CPF) for FY19–FY23⁴⁴ puts forward an integrated strategy by the World Bank, International Finance Corporation (IFC), and Multilateral Insurance Guarantee Agency strategy to support Zambia’s development as set forth in the 7NDP and 8NDP. The goal of the CPF is “to expand employment opportunities and develop alternative sources of growth that contribute to economic diversification.” The CPF states that improved protection and management of protected areas and infrastructure connectivity are critical to developing links to private sector development in the tourism sector, and the project intends

⁴³ Out of 76 CRBs in Zambia, 72 are led by men and only 4 are led by women, as per USAID LandLinks Report <https://www.landlinks.org/document/gender-assessment-of-the-wildlife-sector-in-zambia>.

⁴⁴ Report #128467-ZA discussed by the Board on February 14, 2019.



to address these issues. The project is aligned with all three CPF focus areas: (1) territorial development especially for the rural poor, (2) inclusive access to social services, and (3) stronger institutions for governance and management. In particular, the project will directly support the CPF Objectives 1.2 on building resilient communities, 1.3 on access to resilient infrastructure services, 2.1 on access to basic social services, 3.1 on improved financial fitness, and 3.2 on stronger natural resource management under better connected and integrated regions. The project will contribute to Objectives 1.2 and 1.3 by aiming to incentivize communities and institutions to integrate vulnerability assessments and resilience designs to their activities. Although it is less direct, the support to increased economic activities through tourism will increase community and local authorities' capacity to improve access to better and more basic services. The project will directly support the Project Implementation Unit (PIU) to improve planning and budgeting and fiduciary management and, more ambitiously, integrate financing criteria for 'green' activities. Finally, the project activities on communities and partnership-based conservation and entrepreneurial activities will contribute to strengthening the diversity of natural resource governance and management regimes.

26. The project is aligned with the Africa Regional Strategy⁴⁵ and the Global Crisis Response Framework (GCRF) which outlines the WBG response to the impacts of the ongoing crisis to support medium- to long-term development needs. The project is aligned to the GCRF paper through Pillar 3: Strengthening Climate Resilience and Pillar 4: Strengthening Policies, Institutions and Investments for Rebuilding Better. Specifically, Subcomponent 1.2 that will lead to increased collaborative management partnerships to improve land management, Subcomponent 1.3 that will provide matching grants to community-based partnerships to engage in nature-based economy, and Component 2 that will screen proposed infrastructure works to be financed will promote incorporation of climate resilience into their plans, activities, businesses, and design (supports Pillar 3). Furthermore, Component 1, comprising enabling environment activities, will strengthen nascent institutions and the implementation of new or improved policy, strategy, and guidelines that support government goals toward diversification and transition to green economy.

27. The project is aligned with national priorities in the 8NDP and Vision 2030. The 8NDP underscores the government's commitment to unlock the tourism sector for economic transformation and job creation. The proposed project supports the government's strategic vision of increasing tourist numbers both international and domestic, improving accessibility, increasing the length of stay for tourists, diversifying the tourism product offerings, and increasing the tourism sector's contribution to the economic development of the country by providing support to effective links between TDAs and circuits.

28. The project aligns with the WBG's and government high-level priorities on climate change.⁴⁶ The project will contribute toward addressing priorities of the WBG's Climate Change Action Plan (2016) and the World Bank's Next Generation Africa Climate Change Business Plan,⁴⁷ under Strategic Direction I: Food Security and a Resilient Rural Economy and Strategic Direction II: Ecosystem Stability and Water Security. The project approach to implementation at the landscape level is consistent with Zambia's Nationally Determined Contributions (NDCs) submitted to the United Nations Framework Convention on Climate

⁴⁵ World Bank. 2019. Supporting Africa's Transformation: World Bank Africa Strategy for 2019-2023.

⁴⁶ World Bank. 2019. Special Theme: Climate Change.

⁴⁷ World Bank. 2020. The Next Generation Africa Climate Business Plan: Ramping Up Development-Centered Climate Action. Washington, DC: World Bank.



Change. The NDC promotes a landscape approach to enhance synergies between adaptation and mitigation actions, which is an implementation approach pursued by the project.

29. **The project is aligned to the World Bank Group Gender Strategy (2016-2023).**⁴⁸ The project design includes targeted interventions for generating better jobs, ownership and control over assets, as well as voice and agency within local-level management institutions. This aligns with pillars ii) Increase in Jobs; iii) Increasing Assets, and iv) Voice and Agency of the strategy.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

30. The Project Development Objective is to strengthen the enabling environment, access to resilient infrastructure, and economic opportunities in emerging tourism destinations in Zambia.

31. Zambia's NBT sector is organized spatially into a Northern Circuit and a Southern Circuit. Within these circuits are several less mature areas or destinations which suffer from poor accessibility, poverty, and environmental degradation. Diversified, nature-based economic activity and private sector investment will create jobs and protect nature in these areas. The project will support the Government's strategic vision of leveraging its natural assets to diversify and transform its economy, with particular emphasis on the tourism sector. The Government is preparing a green growth strategy as a key pillar for its 8NDP. Supporting private sector investment in the less mature destinations of these circuits is a long-term strategy to achieve product diversification, the growth of the nature-based economy, more effective natural resource management, and improved community incomes. However, there are several economywide enabling environment issues and several destination-level issues that need to be addressed first. The project therefore takes a dual approach in tackling key enabling environment issues that will improve conditions for the nature-based economy as a whole, including tourism, and destination-specific barriers, including provision of enabling infrastructure. Basic infrastructure will include transport infrastructure, telecommunication systems, power generation, and water supply. The project is expected to contribute to (a) increased access between emerging destinations and circuits, increased connectivity within emerging destinations, and reduced travel time and cost of visiting the area; (b) promoting competitive concessions and the CMP framework, and streamlined business licensing for private sector investments; (c) building technical capacity of green economy institutions; (d) increasing the area under sustainable land management; and (e) increasing the number of green economy jobs and the income level of participating communities.

PDO Level Indicators

32. The achievement of the PDO will be measured using the following indicators:

- (a) Average number of days for tour operators to complete an operating license renewal
- (b) Number of new enterprises in tourism value chain in emerging destinations

⁴⁸ World Bank Group. 2015. World Bank Group Gender Strategy (FY16-23): Gender Equality, Poverty Reduction and Inclusive Growth.



(c) Number of TDAs with climate-resilient⁴⁹ Infrastructure Investment Plans implemented

B. Project Components

33. The project has three components (Table 3).

Table 3. Project Budget by Components and Subcomponents

Component	Total (US\$, millions)
Component 1: Enabling Environment for the Nature-Based Economy	13.0
<i>Subcomponent 1.1: Destination branding, planning, tourism marketing, and licensing</i>	4.7
<i>Subcomponent 1.2: Improved competitiveness of nature-based policy, regulatory, and institutional frameworks</i>	2.0
<i>Subcomponent 1.3: Providing support for nature-based economy through matching grants for community-based partnerships and technical assistance to MSMEs</i>	6.3
Component 2: Improving Climate-Resilient Destination Access and Basic Service Infrastructure	78.3
Component 3: Project Administration and Management	8.7
Total	100.0

Component 1. Enabling Environment for the Nature-Based Economy (US\$13 million)

34. The objective of this component is to improve the enabling environment for the nature-based economy, focusing on tourism but including compatible nature-based sectors that operate in the same landscapes and contribute to their economic, social, and environmental resilience. The following enabling environment priorities are targeted under the project: (a) national tourism marketing and branding, (b) tourism regulations and licensing, (c) enhanced coordination in planning for destinations, (d) improved governance and technical capacity for the nature-based economy, (e) improved frameworks for concessions and collaborative management partnership, and (f) incentives for innovation and investment in alternative nature-based economic activities such as conservation or restoration to generate carbon credits.

Subcomponent 1.1. Destination branding, planning, tourism marketing, and licensing (US\$4.7 million)

35. **Zambia's tourism sector has a relatively weak brand identity among competitor countries.** The weak brand is further compromised by a lack of strong strategic planning. The absence of data and of a methodical data collection system underpins the weak strategy and identity. Further debilitating the sector is the protracted process and multiple overlaps in the administration of licenses and fees that deter investment and undermine business operations in the sector.

36. **National destination branding and tourism marketing.** This subcomponent aims to support the ZTA and MoT to work with the private sector on national destination branding and tourism marketing. The subcomponent will finance (a) validation and prioritization of target tourism market (led by the ZTA); (b) a demand-product matching exercise to categorize portfolios of products (across all segments including nature, meetings, incentives, conferences, and exhibitions [MICE], culture, and so on) to appeal

⁴⁹ Climate-resilient infrastructure will include interventions to address the key climatic hazards in Zambia, namely floods, droughts, and extreme temperatures.



to target audiences in consonance with priority TDAs and tourism circuits (led by the ZTA); (c) the development of a medium-term national branding and marketing strategy, delivery framework, and investment allocation, in consultation with the private sector; (d) capacity building for all relevant implementing entities of the strategy (ZTA, Zambia Airports Corporation Limited [ZACL], Convention Bureau, protected areas' management authority (DNPW), other government agencies and private sector), notably in digital marketing, collaborative community marketing, and creation and accessibility of content; and (e) design of a return on investment monitoring framework (led by the ZTA).

37. **Streamlining tourism licensing.** This subcomponent will also finance activities to support tourism sector licenses reforms: (a) mapping of tourism sector licenses, requirements, process flows, costs, and time taken, with an emphasis on mapping particular hurdles for smaller businesses, and taking into account initial licenses and renewals; (b) multistakeholder consultations on prioritization and phasing of licensing reform including effectiveness of use of digital platforms (by the DoT, DNPW, ZTA, Business Regulatory Review Agency [BRRRA], and local authorities); (c) design and support to adoption of reforms ensuring maximum efficiency, cost and time savings to the private sector, and monitoring of the inclusion of small informal enterprises; and (d) industry communications, training, and equipping officers at subnational levels to process tourism licenses through the Government's online service platform.⁵⁰ This subcomponent will build on the single licensing pilot that is currently being implemented by the GRZ in Livingstone and will be rolled out nationally.

38. **Data and market intelligence.** Finally, this subcomponent will finance activities led by the MoT that will inform evidence-based planning and marketing: (a) the improvement of the tourism data collection framework, under the guidance of ZamStats and in consultation with all relevant stakeholders (Civil Aviation Authority (CAA), DNPW, Conventions Bureau, Tourism Natural Capital Technical Working Group on Wildlife Protected Area Account,⁵¹ and TCZ); (b) the installation of and training on the district- and site-level data collection systems and procedures; and (c) the demonstration of data use for effective planning and marketing (and establishing the tourism satellite accounts).

Subcomponent 1.2. Improved competitiveness of nature-based policy, regulatory, and institutional frameworks⁵² (US\$2 million)

39. **Scaling investment in the nature-based and broader green economy is hampered by a variety of regulatory and coordination constraints.** These include an opaque concession framework, inefficient permit issuing processes, inability of investors to access land for appropriate duration, a poorly functioning collaborative management partnership model, lack of a genuine community empowerment and equitable benefit-sharing mechanism, and the absence of a carbon development framework and expertise.

⁵⁰ "Government Service Bus" is an online platform created by the Government where government services can be accessed (<https://zamportal.gov.zm>). The platform is currently operational, and some government services are being accessed and paid for through this platform. The ministry has procured workstations and computers, which are able to process 26 licenses issued by the DNPW and DoT.

⁵¹ Under the Global Program for Sustainability financing, foundational support has been provided for the preparation of a NBT account, including analysis of alternative investment opportunities in the tourism sector and their economic impacts which has informed part of this project preparation.

⁵² All activities under this subcomponent strongly identify with GCRF Pillar 4, as their activities are planned to convene key institutions, improve coordination, develop strategies, plans, and guidelines, and build technical capacity.



40. **Concessions framework and collaborative management partnerships across landscapes.** The project will support reforms of these frameworks, working through public-private dialogue platforms, including existing platforms for natural resource management. The platforms, comprising governmental, nongovernmental, private sector, and community-based entities working across various land management regimes (under Wildlife Act, Forestry Act, and Heritage Act), will aim to improve concessions for natural and cultural assets and CMPs in natural landscapes for nature-based economic activities including tourism. Such a platform will aim to (a) identify and carry out analytical studies to support in-depth review or improved frameworks;⁵³ (b) create a transparent, standardized process for awarding concessions and CMPs (natural and cultural), including the unbundling of concessions and the ability to evaluate unsolicited bids,⁵⁴ leading to successful agreements for concessions and CMPs that will generate outcomes for sustainable landscape management; (c) reduce concession and CMP agreement processing delays; (d) promote usage of concessions for biodiversity and habitat conservation, including carbon benefits; (e) explore the growing role that CMPs play in revenue-generating activities and develop appropriate frameworks to manage and support this, where beneficial, (f) promote policy dialogue around encouraging investment projects to apply the mitigation hierarchy toward no-net-loss outcome for biodiversity; and (g) institutionalize and improve benefit-sharing mechanisms in concession and CMP frameworks which can address human-wildlife conflict and improve livelihoods or overall quality of life of rural communities living in or around NBT assets.

41. **Building capacity at key government institutions to support the nature-based and green economy.** The activity will support improving the capacity at the ZTA, DoT, and other relevant institutions that implement Subcomponent 1.1 (for example, branding, marketing, data collection, and management) and nature-based area planning (see the next activity under Subcomponent 1.2). It will also include capacity building for the DNPW and other departments in the MoT on topics of organizational improvements and ecological planning tools for strengthened planning and management. The activity may also support the establishment of a Conventions Bureau to develop the MICE sector as an anchor demand driver with spillovers to the wider tourism economy, upon conducting a market and viability assessment that evaluates the cost/benefit of investing in MICE in a post-COVID landscape.

42. This activity will further support the MoGEE as a new ministry to plan and execute its initially mandated tasks for nurturing green economy. It will support the MoGEE to develop and promote a tourism industry guideline for mainstreaming green and climate-resilient growth, as a voluntary improvement framework for the sector to consider the most pertinent climate risks and the options of available adaptation and mitigation measures. In addition, it will support the MoGEE and other relevant departments and institutions (for example, Working Group on Mainstreaming Green Finance) to adapt the biodiversity taxonomy provided in IFC's Biodiversity Finance Reference Guide for the Government.

⁵³ For example, research into international best practices and benchmarking against regional competing tourism destinations with recommendations on how to diversify and strengthen these frameworks in terms of impacts (social, economic, and environmental), legal and institutional framework, and other governance-related issues including PPPs and community engagement.

⁵⁴ Listed measures are expected to lead to catalyzing and improving concession agreements and collaborative management partnership agreements that aim to improve sustainable land management. Many are expected to incorporate the dimensions of climate risks of the landscapes and provide actions to build adaptation measures into the management approaches (GCRF Pillar 3).



This group is expected to engage the financial services sector to adopt its taxonomy in the provision of biodiversity and green finance products.⁵⁵

43. **Nature-based area planning.**⁵⁶ This subcomponent will pilot local area planning instruments in three emerging destinations; these instruments will focus on planning interventions to support the nature-based economy. The plans will be evidence based and generated by a multistakeholder working group; the group will be led by the local government and include the DNWP, landscape managers (concessionaires, CMPs, private estate owners), local business, and communities. The planning process will build on the existing Integrated District Development Plan and its Capital Investment Plan in the nature-based area planning process. The plans will (a) map and analyze existing and potential tourism and wider nature-based economic enterprises and opportunities (including rooms, operators, and concessions), infrastructure requirements, governance frameworks, and stakeholders (community partnerships and so on); (b) determine demand drivers and target markets for the destination and map products, services, and assets specific to each target market; (c) make recommendations on the interventions and investments needed to catalyze tourism and nature-based economic development, including detailed infrastructural projects, product development, marketing, and investment opportunities (with revenue projections). The accompanying action plan will propose phased interventions, with responsibilities and budgets, that include (among other outputs) an infrastructure investment component, a technical assistance needs assessment, a TDA marketing/branding component, and an investment promotion component to attract and secure private investments in the destination that benefit the economy, the natural landscape, and local communities.

44. **Building national carbon knowledge and technical expertise.** This activity will support the MoGEE to oversee the development of a technical skills program aimed at upskilling Zambian professionals in the emerging carbon and biodiversity markets. A modular skills program will be developed or sought in partnership with existing qualification providers nationally, regionally, or internationally. Modules will be identified based on a skills gap assessment, to be undertaken at the onset of the project, and may include areas such as measurement, reporting, and verification (MRV); carbon finance; biodiversity valuation; or project feasibility. Relevant departments of select higher education institutions will nominate trainees for this program, optimally as internship requirement toward the degree. The beneficiaries of the training will also include regulators dealing with carbon projects—for example, Zambia Environmental Management Agency (ZEMA) and departments in charge of forests, national parks and wildlife, and national natural heritage.

Subcomponent 1.3. Providing support for nature-based economy through matching grants for community-based partnerships and technical assistance to MSMEs (US\$6.3 million)

45. **This subcomponent will administer matching grants to support the participation of communities in the nature-based economy and provide technical assistance to micro, small, and medium enterprises (MSMEs).** The subcomponent will take place in the select emerging tourism

⁵⁵ World Bank analytical work is expected to explore possible reforms in tariffs and non-tariff measures to enable more fluid transfer of technology, goods, and services to help the tourism sector stakeholders better afford and invest in green transition toward improved resource efficiency and enhanced resilience.

⁵⁶ The terms destination planning, TDA planning, and nature-based area planning are used interchangeably. Destination is the most recognizable term but implies a tourism focus in terms of activity. The intention is to plan for the wider nature-based economy with this instrument, and thus the title is 'nature-based area planning', recognizing that the areas need to be well defined, and a final term agreed during implementation.



destination areas where the destination planning will be piloted and implemented (refer to Subcomponent 1.2).

46. **There will be two windows of matching grants.** The first window will provide matching grants to communities with a technical partnership (for example, with nongovernmental organizations [NGOs], private sector, or government agencies) with the aim of building basic community organizational governance and management capacity, training, and business development services. The first window will help enable local communities to access the second window of matching grants.

47. **The second window (the bulk of the budget) will provide matching grants to community entities directly.** These entities should be able to demonstrate an economic partnership (for example, private landowners, small and medium enterprises (SMEs), and local governments partnering with the Community Development Fund, concessionaires, NGOs, or nonprofits) and have an intention to explore or develop nature-based activities⁵⁷ but are not able to access adequate funding. The grants may finance investments in the planning or implementation of the nature-based activities, for example, feasibility studies, plans, equipment, or construction. An exclusion list will be developed to ensure that harmful activities are not financed. These grants are designed to enable and provide communities with tangible assets, information, and knowledge to increase their attractiveness as partners in the nature-based economy. This activity is designed to help mitigate risk for the pioneers or ‘first movers’/developers of nature-based economic activities in remote areas, by covering some of the up-front costs associated with enabling communities, structuring partnerships, feasibility and business planning, securing assets including equipment, construction, and finding longer-term finance.

48. The matching grant scheme will be administered to invite a wide range of partners—including those already in the landscape and those newly exploring the landscape—to support the destination communities’ long-term sustainability in nature-based economic activities while contributing to generating outcomes for sustainable landscape management. The matching grant’s second window will have at least two calls, to allow the beneficiaries of the first window a chance to apply once they meet the eligibility criteria to demonstrate readiness for commercial NBE activities. Each call will have a funding envelope of approximately US\$3 million across three landscapes, and the size of matching grants is anticipated to be in the range of US\$25,000–100,000. A two-stage evaluation will be undertaken with initial viability screening followed by an evaluation of each application based on a set of criteria that include longer-term sustainability, size of the landscape, impact, and benefit sharing with the wider local communities. The PIM will describe the matching grant administration procedures.

49. **Subcomponent 1.3 will also provide technical assistance to MSMEs**—existing product and service providers in the destinations—to support enhanced participation in the nature-based economy, particularly exposure to markets and networks, digital skills, marketing, and enhancing of sustainability among other support activities to be detailed in the PIM. It will also provide access to finance coaching and mentoring for eligible MSMEs, with the specific aim of linking the beneficiaries to existing green financing schemes in the country such as the green outcome fund and credit guarantee schemes for

⁵⁷ The nature-based economy activities for tourism, wild commodities, and carbon trade are integral to sustainable land management. All NBE activities supported through the matching grant are expected to increase climate resilience of their local landscapes, and many are expected to incorporate deliberate planning and measures for enhancing climate adaptation of their landscapes and proposed NBE activities (this identifies with GCRF Pillar 3).



MSMEs. A rapid Women in Green Business Assessment will be conducted in Year 1 of the project to better tailor the MSME support to closing the gender gap.

Component 2. Improving Climate-Resilient Destination Access and Basic Service Infrastructure (US\$78.3 million)

50. **This component aims to provide better accessibility and tourism-related infrastructure within selected emerging destinations of the Northern and Southern Circuits.** This will enable these destinations to compete and extend their market outreach. The component will finance the preparation and installation/construction of a range of infrastructures including roads, airstrips, airport facilities, river transportation, telecommunication network, and off-grid power supply. This component will also finance the design and construction of visitor centers as well as the provision of ancillary works such as game loops, interpretative signage, and protection fencing for special sites.

51. **Three target areas (emerging destinations) have been identified.** They are Liuwa Plains National Park (West TDA), Source of the Zambezi (North West TDA), and Kasaba Bay (Nsumbu TDA), as identified in the Tourism Master Plan. These areas have historically received the least investments and, as a result, could not be developed into touristic sites. The Government plans to develop these emerging destinations in the remote areas of Zambia. The more developed TDAs have, over the years, received investments and to a large extent provide attractive options for the private sector. The Government's objective is to provide, through this project, basic infrastructure and the required enabling environment to spur development and private sector engagement from the more developed TDAs to the targeted emerging remote TDAs. The emerging TDA in the Central/Muchinga Provinces (Bangweulu TDA) is excluded as this lies in between more developed TDAs and borders various ongoing infrastructure development initiatives (Figure 3 shows an illustration of the TDAs in the country).

52. The target infrastructure identified for project financing is listed in Table 3. Works will commence with planning for the proposed infrastructure subject to validation by the Government and the various stakeholders in the sector during Year 1. For each of the three areas, an Infrastructure Development Plan will be developed. These plans will comprise brief needs assessment and fine-tuning of the details of the infrastructure based on a consultative process (as described in paragraph 53). These details will include the number and capacity of the clean water supply systems, the size and output of the off-grid solar power stations, technical specification of the telecommunication towers, specific alignment and length of roads to be rehabilitated/ upgraded, and specific elements of air facilities (air strip, terminals, control towers, safety, and navigation equipment) to be developed.

53. **The specific infrastructure investments within each target area will be detailed and prioritized** following a carefully designed and consultative planning process, as part of the natural resource area planning process described in Subcomponent 1.2. The process will have two phases: (a) a needs assessment exercise, undertaken through a consultative stakeholder process, and (b) multi-criteria analysis. The criteria include (a) enhanced links between and within markets (for example, logistics centers or tourism circuits);⁵⁸ (b) acceptable economic feasibility; (c) compliance with social and environmental

⁵⁸ To effectively develop NBT as a resilient and transformational driver of green and diversified economy in Zambia, it will be necessary to take stock of NBT assets, their potential for increased market appeal, and access and infrastructure needs. An analytical framework will be developed to help guide the link across TDA circuits which will grow, strengthen, and diversify Zambia's tourism offer. This analytical work will also guide implementation of Component 1 activities, that is, matching grants, collaborative management and concessions, and marketing and promotion.



standards; (d) potential for minimizing negative and, where possible, enhancing positive E&S impact; and (e) potential for minimizing GHG emissions and maximizing climate resilience. Based on the screening process, the investment works will be ranked and prioritized. These will then collectively constitute the IIPs to be financed by the project.

Table 4. Proposed Component Costing for Proposed Infrastructure in Selected TDAs

Infrastructure Component ^a	Cost (US\$, millions) ^b
Rehabilitation/upgrade of rural roads and access (estimated 800 km spread over three TDAs)	52.0
Ancillary works such as game loops, interpretative signage, and protection fencing for specific sites	0.3
Rehabilitation and upgrade of air facilities (3 airports)	15.0
Off-grid solar power stations (2 stations)	5.0
Rural water supply and sanitation systems (estimate of 5 units in total)	2.0
Installation of cellular telecommunication towers (estimated 3 towers with supporting substations)	2.5
Construction of Visitors Information Centre Office space and Crafts and Curio Centre for all the selected TDAs	1.5
Total	78.3

Note: a. The power station and water supply system size and output, as well as the specific road alignments, will be detailed and verified using the project designed screening system and each TDA Infrastructure Investment Plan (IIP).

b. The costs include the civil and mechanical works, designs and environmental and social (E&S) due diligence, and the supervision of activities. These are estimated costs and length to be finalized during Year 1 of project implementation.

54. **Some of the selected works (particularly under the roads component) will be designed, constructed, and maintained by the contractor.** This will be done using the Output- and Performance-Based Road Contract (OPRC) contracting methodology. This methodology combines rehabilitation and maintenance works (for a specific period) under one contract, which focuses on outputs and not inputs. The methodology measures outputs based on actual performance. The contract would typically include the design activities. The RDA is familiar with the approach, as it implemented three generations of the OPRCs in Zambia, under World Bank finance. The first of these contracts is expected to be launched in Year 2 of project implementation, following the completion of the IIP in Year 1. The PIM will describe in detail the component implementation process from identification to construction.

55. **The IIPs will also determine specific water, power, and telecommunication infrastructure requirements.** Each IIP will include a needs assessment, an infrastructure prioritization assessment, and a final list of the infrastructure to be developed with project financing. The needs assessment will determine the facilities/infrastructure and extent of development required to equip the target destination to receive tourists and investments and serve the local communities. The final list will not include detailed designs of the respective infrastructure but the overall parameters (type, size, outputs, and so on). These parameters will be assessed based on the forecast use of these facilities.

56. **The component also includes the provision of climate-resilient community-based infrastructure.** This basic infrastructure, such as water boreholes and market sheds, will be identified in consultation with local communities where the selected roads will be rehabilitated. These will be delivered under the same OPRC road contracts.



Component 3. Project Administration and Management (US\$8.7 million)

57. This component will finance activities related to overall project planning, financial management (FM), audits, procurement, E&S risk management, monitoring and evaluation (M&E), reporting, communications, stakeholder coordination, basic training of activity implementing teams and beneficiaries, and mobilizing of external support and technical specialists. A PIU will be established, staffed, and maintained with project financing. The matching grant administration will sit within the PIU, with the matching grant administrator supported by experts and specialists drawn from within and outside government as and when needed. The independent evaluation panels for the matching grant scheme will be drawn from outside the government system, and the specialists with expertise in green transition in finance, procurement, monitoring, infrastructure, biodiversity, climate change, and tourism will be drawn from within and outside the government system.

C. Project Beneficiaries

58. **The project beneficiaries will include communities and nature-based community enterprises within the emerging tourism destination areas.** The project will aim to unlock economic opportunities within these areas for increased community incomes and job creation, through improved operating and investment climate, access to markets, connectivity, and public services. In addition, women-led entities are assisted with business advisory services including access to finance to benefit equitably from the project. At the national level, the project will strengthen institutional capacity for participating ministries through a variety of capacity-building activities and programs.

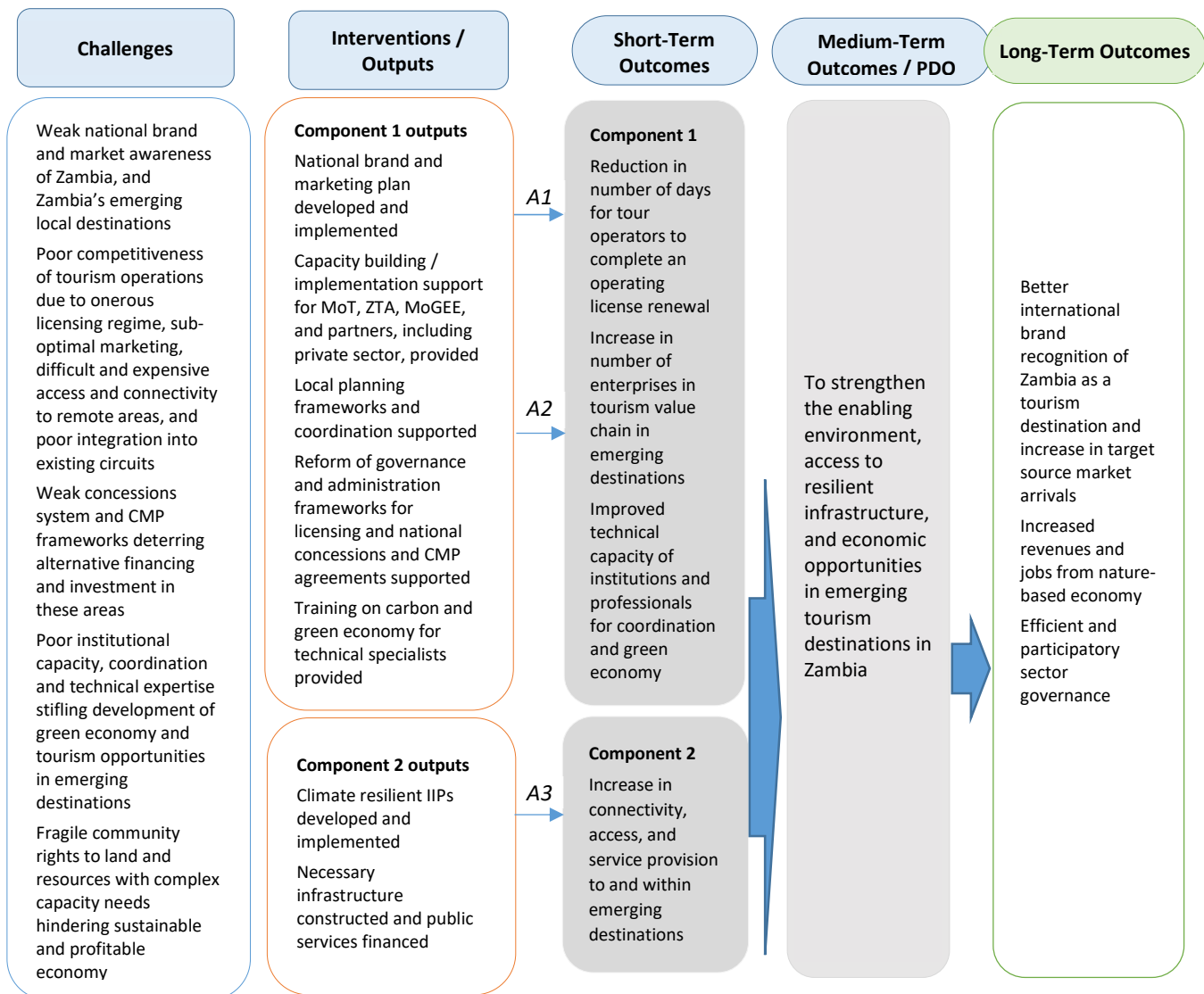
59. **The direct beneficiaries of the proposed enabling environment interventions will include the private sector and central government (including the MoT, BRRRA, Ministry of Green Economy and the Environment, and local authorities).** They will benefit from an improved enabling environment which will result in enhanced tourism destination branding, planning, and marketing, streamlined business licensing and regulations, reduced regulatory costs and time for the private sector, more efficient service delivery by the Government, and ultimately increased numbers of tourists and revenue. The direct beneficiaries of the proposed infrastructure interventions include local communities, tourism operators, and tourists. They will benefit from the improved access to tourist destinations, comfort, and improved experience within the tourists' destinations. Local residents will benefit from improved access to clean water supply and access to power. Local businesses, governments, and communities will directly benefit from the improved road and communications infrastructure. Direct beneficiaries also include road users and users of transport facilities.

D. Results Chain

60. **The project's Results Chain is depicted in the Theory of Change (TOC) (Figure 4).** The PDO, components, and outcome indicators are derived from a TOC, which is anchored in the 8NDP and the ZTMP as well as the WBG CPF. The TOC describes the process through which the project will transform several poor, remote, and environmentally vulnerable tourism destinations in Zambia into more economically productive landscapes that sustain more jobs and community incomes and are better protected. The project has identified several market and coordination failures preventing these areas from achieving these goals without intervention. These include their poor access and connectivity to markets and existing tourism circuits, insufficient public investment in natural resource management, and an enabling environment that is not conducive to scaling private sector investment in the nature-based

economy. Surveyed investors and operators, however, have expressed interest in these areas and see the opportunity that the strong natural capital can provide. The project’s interventions will address the core failures by investing in access and connectivity infrastructure to serve the needs of the nature-based economy; improving the enabling environment for private sector investment in nature-based enterprises, concessions, and CMPs; supporting public institutions to better manage green growth; and stimulating the participation of both private sector actors and community entities through partnership promotion, technical assistance, and grants. These interventions are expected to yield better access and integration of the areas into existing markets and new business and economic partnerships that protect the landscape and provide jobs and opportunities for local communities. Critical assumptions are also included.

Figure 4. Theory of Change



A1: The tourism products offered are attractive and competitive to similar offerings of the region

A2: Effective partnering process will bring technical knowledge, market links, and investment capital for sustainable NBE

A3: The MoGEE and MoT effectively mobilize other sector agencies and non-public institutions to promote green economy



E. Rationale for Bank Involvement and Role of Partners

61. **The proposed project will build on the existing strong partnership between the World Bank and GRZ across different related sectors.** The World Bank has a strong track record as a key partner across different sectors, with previous and ongoing projects in the infrastructure, microfinance, and tourism sectors. The World Bank's involvement in the project offers significant value added as it will bring in global experience, especially in building resilient infrastructure, building capacity, implementing multi-component projects, and supporting microenterprises. The World Bank's support would also bring in experiences in climate change resilience, maintenance management, and infrastructure screening processes. The World Bank's focus on poverty and inclusive growth would ensure that wider economic benefits are generated for local communities.

62. **Public sector financing is the most appropriate vehicle for addressing market failures by financing the proposed investments, and the World Bank is uniquely positioned to support these.** While each of the planned investments will collectively support private sector development, it is not possible to recover the costs of the investments directly from user fees due to concerns of affordability. Certain fees are collected, such as power, telecommunication, and water tariffs, but revenues collected will not be sufficient to warrant the private sector financing of the various infrastructure over the medium term. Also, traffic volumes do not allow for consideration of toll roads. Similarly, the airports included in the project are small regional ones which are not expected to have a commercial level of traffic in the medium term.

63. **World Bank involvement adds value and complements engagement by the World Bank and other development partners in other relevant sectors.** The project activities complement efforts supported by previous, ongoing, and pipeline World Bank-financed projects as well as other development partners such as the African Development Bank (AfDB) and the European Investment Bank (EIB) (details are provided in annex 2). In particular, the support for the development of the road network has a major role to play in ensuring connectivity from the socioeconomic hubs, such as Lusaka, and neighboring countries to the different destination areas within Zambia.

64. **In terms of access to finance, the role of the World Bank under the project is to catalyze green financing through the matching grants subcomponent to communities and partnerships in areas such as green tourism business opportunities, biodiversity, and carbon credit opportunities.** There are several partners in the green financing space including the Zambia Green Outcomes Fund, a ZMW1 billion joint partnership between the World Wildlife Fund, Kukula Capital, and Zambia National Commercial Bank (ZANACO), which invests in small and growing businesses to increase scalable green outcomes, create jobs, and grow commercially viable SMEs in Zambia. The World Bank has provided technical assistance to the central bank on a green financing framework for the financial sector, and two Zambian banks, ZANACO and Development Bank of Zambia, have received accreditation from the Green Climate Fund, enabling them to access concessional financing for green financing projects in Zambia. On the broader issue of access to credit, IFC is active in this space in Zambia, and on partial risk guarantees, the World Bank is providing ongoing technical assistance to the Zambia Credit Guarantee Scheme on capacity building and advisory on governance/regulatory issues such as having the scheme regulated by the central bank. Additional World Bank support is planned under the new Zambia Agribusiness and Trade Project-II (P179507).

F. Lessons Learned and Reflected in the Project Design



65. The project builds on the World Bank's experience on tourism development particularly through the implementation of nature-based economy and tourism projects. Project design has benefited from best practices and evaluations from other World Bank-financed projects in the Zambia portfolio including (a) Support for Economic Expansion and Diversification (SEED, P071407) - completed;⁵⁹ (b) Zambia Agribusiness and Trade Project (ZATP, P156492); (c) Transforming Landscapes for Resilience and Development in Zambia (TRALARD, P164764) currently under implementation in the northern region of Zambia; and (d) Pilot Program for Climate Resilience (PPCR) Phase II - completed. The World Bank supported projects in other countries have also provided valuable lessons, for example, Tanzania Resilient Natural Resource Management for Tourism and Growth (P150523) and Uganda Investing in Forests and Protected Areas for Climate-Smart Development Project (P170466). Specific lessons include the following:

- (a) Factoring in the political economy using appropriate tools. One of the key lessons of the SEED project was that there was insufficient analytical work through use of political economy tools to identify and factor inherent risk in a sector. The proposed project has conducted a governance assessment in this regard.
- (b) There is a need to involve the regional/park level in project management from the start of the project to avoid delays in implementation of infrastructure and monitoring. For infrastructure in remote areas where there are no contractors to carry out medium-size contracts, it may be preferable to build in-house capacity for small to medium infrastructure maintenance.
- (c) Working with local structures to support sustainable economic opportunities. For sustained benefits at the community level, it is important to build its capacity and support institutional arrangements that are integrated into existing structures. Supporting communities with grants should be done by first incorporating targeted technical assistance supported by locally based NGOs.
- (d) Use of demand-driven accountability by citizens and communities. Intertwining citizen engagement mechanisms with communication activities will facilitate beneficiaries' buy-in and thereby generate broad stakeholder ownership of project activities. Use of billboards, newspaper articles, and community radio stating what infrastructure will be built, at what cost, and by when would help in bolstering greater accountability to the community. This will be incorporated into the project through greater citizen engagement.
- (e) Matching grant fund operational procedures must ensure expeditious processing of the applications while ensuring the stakeholders' fiduciary and governance responsibilities. The present design of the matching grant facility builds on the World Bank's experience from ongoing projects in the Zambia portfolio (TRALARD P164764, ZATP P156492, and closed PPCR P127254) and other projects to (i) maintain sufficient independence in the grant management to minimize the risk of capture by special interests and (ii) ensure good M&E capacity.

66. The GREAT-TDP also considers key insights from ongoing projects in the Zambia portfolio as discussed during the 2022 Zambia Country Portfolio Performance Review. These lessons include (a) ensuring that PIUs are in place once the project is approved and commencing implementation

⁵⁹ SEED was a multisector economic diversification project which closed in 2011 and was the World Bank's last NBT project in Zambia. SEED had a significant infrastructure and support to the protected areas component and thus offers valuable lessons for the project design of the GREAT-TDP.



immediately; (b) addressing procurement challenges especially with infrastructure projects which require designs, bills of quantities, supervision of works, and the management of the contracts; (c) preparing the PIM before project effectiveness (a draft is under preparation); and (d) mitigating issues that have slowed down disbursements for projects in the portfolio (project design using advance procurement) and delayed project effectiveness (timely establishment and staffing of PIUs).

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

67. The MoT has the overall responsibility for project oversight and coordination through the PIU. Implementation arrangements involve several players whose roles are clearly spelled out in annex 1 and will be further detailed in the PIM. The implementation structure will include the establishment of a PIU under the MoT for which key positions are expected to be filled by effectiveness of the project. The PIU will work with partners and stakeholders with established track records in TDAs and among communities. The PIU will provide national oversight, coordination, and support.

68. The institutional arrangement considers that tourism projects are complex by nature, involving multiple agencies and geographic locations. Therefore, policy, planning, and periodic high-level performance review (typically semiannual) will be provided by a Project Steering Committee (PSC). The PSC will be chaired by the Permanent Secretary (PS) of the MoT and comprise the PSs of the ministries involved in the project such as the Ministry of Finance and National Planning (MoFNP), MoGEE, MoTL, MoIHD, and Ministry of Lands and Natural Resources (MoLNR), Ministry of Local Government and Rural Development (MLGRD), and other key stakeholder groupings such as Tourism Association and ZTA Board, and Zambia Institute of Marketing. Detailed information about the implementation arrangements is provided in annex 1.

69. The Government is preparing a PIM with detailed account of the implementation arrangements at both the national provincial and district levels, addressing issues related to procurement, FM, M&E, marching grants, and other aspects. The adoption of the PIM is an effectiveness condition.

B. Results Monitoring and Evaluation Arrangements

70. The project will be supported by an M&E system that is built on the principles and practices of accountability, transparency, communication, and learning. The M&E system will monitor project outputs and outcomes against the targets set forth in the Results Framework (RF). The PIU will prepare annual work plan and budget (AWPB) to track project implementation; semester reports will be prepared with review on the project activities and achievements against the RF. The overall M&E cost is included in the project management component. Implementation support provided by the World Bank will also enhance results monitoring and evaluation. Thus, progress against objectives will be assessed on an ongoing basis. The PIU will provide the overall monitoring of information collection on project progress and compliance with Environmental and Social Framework and fiduciary requirements. In addition, a midterm review will be held approximately halfway (in December 2027) (which is the intermediate target in the RF) through the project implementation.



71. In addition to project monitoring, the project will also enhance the Government's ability to conduct evidence-based policy making in tourism, through its work on sector-specific data gathering, monitoring, and institutional coordination.

C. Sustainability

72. **The project has been designed to support the development of the Northern and Southern Circuits that will strengthen the basis for a more competitive tourism sector at the destination level,** through provision of effective infrastructural links between TDAs and circuits. Further support toward enabling environment for the nature-based economy to stimulate economic activity within the emerging TDAs in the circuits will help ensure sustainability. The project activities will improve the enabling conditions for further development of these destinations on a market basis. The GRZ is committed to developing tourism to promote socioeconomic development, enhance livelihoods, and attain inclusive growth. Therefore, the project has good prospects for sustainability because of the current focus of the Government to develop the sector and ensure that it contributes to socioeconomic transformation for improved livelihoods, anchored in Vision 2030 and the 8NDP.

73. **Sustainability of matching grant investments.** To ensure longer-term sustainability under both the community inclusion and partnership window, a viability screening will be conducted first on all applications. This allows a qualified screening panel to put forward the projects that make market sense and have the best long-term success prospects. Preference will be given to activities that are designed to unlock longer-term financing and promote partnerships. The matching grant scheme is designed to build partnership between communities and external entities (NGOs, private investors or landowner/concessionaires, local government, and so on) and is a unique approach to enhancing sustainability in improved management of land and natural resources as well as in nature-based economic activities. Focusing on beneficiaries' demonstration of technical or economic partnership, the matching grant incentivizes both the communities and external entities to agree on roles, responsibilities, and benefit sharing, thereby improving the likelihood for a more trust-based lasting partnership toward community empowerment and revenue generation from nature-based economic activities.

74. **Sustainability of the climate-resilient infrastructure.** At the infrastructure level, the project will address sustainability through the application of the OPRC contracting methodology. The project will also benefit from complementarities offered by other World Bank-financed operations, particularly the Improved Rural Connectivity Project (P159330) which aims, among other objectives, at developing the institutional capacities at the local governments in the maintenance of rural roads infrastructure. Over the last few years, the RDA has been leading an initiative for developing climate-resilient design standards and guidelines. It is anticipated that the road sections under this project will benefit from these yet-to-be-developed standards. This will ensure more resilient and hence longer-lasting infrastructure. This will be particularly important for infrastructure in remote areas, where rapid maintenance operations may not be as readily available following extreme climate events.

75. **Sustainability of policies and programs.** The sustainability of the project interventions will depend on the ability of the sector to finance its priorities in a sustainable manner as well as the capacity of the sector to manage its programs efficiently and effectively. The project will support the MoT to prepare a sustainable financing strategy for the sector that will identify capital investment requirements in the medium term and potential sources of financing. The existing revenue management structure of the sector will be reviewed to identify potential revenue sources that are untapped, realistic pricing of



services through fees and charges, the processes for revenue collection, and the rules for revenue sharing. Budget execution in the sector has been consistently weak and needs to be strengthened. The project will support the MoT to establish a data center to collect data relating to the sector and use the data to inform policies and strategies. The project will undertake a capacity-building assessment of the various actors in the tourism sector and match it with the existing programs offered by institutions such as the Zambia Institute of Tourism and Hospitality Studies to identify gaps.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic, and Financial Analysis

76. **Technical design of the project takes into account the tourism sector challenges and opportunities for achieving results.** There has been intensive collaboration between the GRZ and World Bank in the preparation stage to ensure appropriate design and inclusiveness across all the relevant ministries for strong ownership. In addition, the project structure and components have been designed to ensure complementarities among all the components. The ZTMP aims to make Zambia an end destination through key success factors: hub-and-spoke circuit development, sustainable infrastructure, and collaboration with conservation partners including communities and businesses. The ZTMP promotes a phased approach of first concentrating on TDAs in the southern and eastern parts of the country to establish strong end destinations; subsequently expanding to develop TDAs in the northern and western parts. Sustainable infrastructure to meet increased tourist volume focuses on improving domestic air access, implementing a tourism-specific road improvement plan, and mitigating impacts of infrastructure developments while promoting sustainability and resilience in tourism-related infrastructure. Expansion of collaboration with conservation partners in developing national parks as tourism assets and nurturing stewards and entrepreneurs is highlighted: NGOs are to boost conservation capacity and NBT business interface, while communities and local development are to improve integrated land use plans, land tenure, and compatible livelihoods and enterprises. Furthermore, as part of the Southern African Development Community (SADC), Zambia—through the MoT—has endorsed a regional strategy that includes development of national CMP policies and frameworks to better promote and support CMPs for national parks and more types of protected areas.

77. **The options for road alignment, as described under Component 2 in section II.B, will be selected following a rigorous process.** Design options for the roads will be selected based on the consideration of socio-economic and environmental factors. Standard designs will be used, simplifying the technical aspects for this project.

78. **The works envisaged under the project** primarily involve rehabilitation of existing rural roads and tracks, the provision of off-grid power stations, the development of basic water supply systems (mainly boreholes) and sanitation facilities, the installation of telecommunication towers and systems, and rehabilitation of airport facilities (a combination of airstrip rehabilitation, terminal rehabilitation, and equipment/system upgrades). These are activities that do not require technical innovations and have been undertaken in Zambia, including recently. The unit costs are derived from recent government bids for similar works. As the scope gets fine-tuned, a decision on how to shield the project from undue price fluctuations will be taken. One such approach is to include price contingencies.



79. **The road civil work contracts would be procured using the OPRC contracting approach.** The contract duration would be five years, including two years of rehabilitation works and three years of maintenance. The OPRC rather than input-based contracting was selected based on its inherent advantage of reduced variation of works risks, better asset management, and reduced dependence on irregular maintenance budget provision. The contracting entity in this approach is paid based on meeting required service levels and delivery of outputs, which include adherence to quality standards and maintenance aspects, among others. The key climatic hazards being faced by Zambia are floods, droughts, and extreme temperatures, which also affect infrastructure sector adversely. To address such climate risks, the work contract would include interventions to make the infrastructure more resilient to such risks, through use of climate-smart designs and construction methods. This would be achieved by undertaking a climate vulnerability assessment of these infrastructure and proposing appropriate engineering interventions to reduce impact of climate risks.

80. **Economic and financial analysis (EFA) summary.** A 25-year cost-benefit model is used to assess the ex-ante efficiency of the project investment. All project activities are associated with both costs and benefits. Some incremental net benefit flows cannot be quantified due to lack of data. These are discussed qualitatively. Incremental net benefits are the difference between the with-project and without-project situations. The analysis includes all components and the entire US\$100 million investment as well as an average estimate of US\$6 million per year afterward for recurrent and reinvestment infrastructure costs.

81. The proposed activities aim to spur community engagement not only in tourism value chain but also in the wider scope of revenue-generating activities that are compatible with and support sustainable land use and wildlife conservation, which would all benefit the management of destination assets. Net benefits from increased tourism are captured by estimating the amount of tourist spending and labor generated from growth in the sector starting after project implementation is complete. Project activities increase the land area under sustainable management; this impact is assessed in terms of reduced GHG emissions and valued through the social value of carbon.

82. **Results indicate that the project is economically viable.** In economic terms, with a discount rate of 5 percent and without impact of GHG emissions, the project is viable with an economic benefit-cost ratio (EBCR) of 1, an economic internal rate of return (EIRR) of 6 percent, a net present value (NPV) of US\$10 million, and a 19-year payback period. When impact on GHG emissions is included through the social value of carbon, the project is viable with an EBCR of 2, an EIRR of 80 percent, an economic net present value (ENPV) of US\$310 million, and a 6-year payback period.

83. The project is not financially viable due to the lag in benefits from increased tourism only after project completion. In financial terms, the project is not viable with a 12 percent discount rate. It provides an estimated benefit-cost ratio (BCR) of 0.8 with a financial internal rate of return (FIRR) of 7 percent and a negative financial net present value (FNPV) of US\$27 million. The payback period is 18 years. The project can become financially viable if the discount rate is reduced to 5–10 percent and some of the annual tourism growth is achieved earlier than in Year 8. Furthermore, several expected benefits have not been quantified in this analysis due to lack of data.

84. Results include job creation estimated at 4,000 full-time equivalents (FTE) at an annual average value of US\$3.4 million or 12 percent of the benefits. This excludes temporary jobs directly generated by the project in infrastructure construction and maintenance. The sustainability of these jobs depends on the amount of continued tourism in the future. The remaining 88 percent of estimated benefits are



captured by operators in the tourism sector. The analysis shows that results are sensitive to changes in assumptions regarding length of stay, number of tourists, and recurrent costs of infrastructure maintenance. The results are also sensitive to the choice of discount rate or length of analysis period.

85. Key expected benefits that have not been quantified are net benefits captured by communities and beneficiary households in new nature-based economy partnerships, the value of improved tourism experiences, direct and multiplier effects on non-tourism sectors, and indirect impact on neighboring areas including increases in tourism as well as tourists diverted from other areas of interest. The full EFA summary will be included as part of the PIM. The economic analysis assumes that the tourism sector will develop without any major shocks (such as the COVID-19 pandemic).

B. Fiduciary

(i) Financial Management

86. **The FM assessments** have been carried out for the proposed implementing agency, MoT, which will host the the GREAT-TDP PIU, in accordance with the Financial Management Manual for World Bank-Financed Investment Operations. The objective of the assessment was to determine whether the implementing entity has acceptable FM arrangements in place that satisfy the World Bank Policy and Bank Directive: Investment Project Financing. The residual risk rating of the financial management arrangements of the project has been assessed as **Substantial**.

87. **The FM arrangements would ensure that the proposed PIU** (a) uses project funds for the intended purposes in an efficient and economical way, (b) prepares accurate and reliable accounts as well as timely periodic financial reports, (c) safeguards assets of the project, and (d) has acceptable auditing arrangements. The assessments concluded that the FM arrangements (budgeting, accounting, funds flow, internal control, financial reporting, and auditing systems) in place meet the World Bank's minimum requirements for project FM arrangement as per World Bank Policy and Bank Directive for Investment Project Financing.

88. **FM implementation arrangements.** The implementing ministry, MoT, will establish the GREAT-TDP PIU which will be responsible for FM of the project, maintaining the accounts and providing FM support on all fiduciary aspects of this project. The GREAT-TDP PIU will prepare AWPBs with the support of various departments within the MoT (DoT, Department National Parks and Wildlife, National Heritage Conservation Commission, ZTA, Institute for Tourism Studies and Hospitality), MoGEE (Department of Green Economy and Climate Change, Department of Forestry, and ZEMA), Ministry of Infrastructure, Housing and Urban Development MoIHD (RDA), Ministry of Energy (Rural Electrification Authority [REA]), and MoTL (Department of Transport, Zambia Airport Corporation Limited, and CAA). Once the AWPB is ready, the GREAT-TDP PIU will submit it to the World Bank before the beginning of each fiscal year, to ensure that implementation of activities commences in the new year. The AWPB will be monitored during project implementation using unaudited interim financial reports (IFRs).

89. **Accounting arrangements and periodic financial reporting.** The project's audited financial statements will be prepared using International Public Sector Accounting Standards and audits will be conducted in accordance with Internal Standards of Supreme Audit Institutions. The PIU will maintain adequate financial records in accordance with accepted international accounting standards and practices as well as the respective PIMs. The PIU will submit quarterly unaudited IFRs to the World Bank within 45



days after the end of the calendar reporting period. The Office of the Auditor General (OAG) will audit project accounts based on terms of reference (TOR) reviewed and cleared by the World Bank and the audit will be carried out in accordance with International Standards on Auditing. The Internal Audit Unit of the MoT will carry out the internal audit of the project to ensure effective internal controls, compliance with procedures as documented in the PIM, and occasional transaction reviews. The audited financial statements will be submitted to the World Bank within six months from the end of the fiscal year.

90. **Disbursement and funds flow arrangements.** This project will use advances to replenish funds and document expenses on a quarterly basis using unaudited IFR supported by statements of expenditures. The Disbursement and Financial Information Letter will specify the disbursement arrangements, including the Designated Account (DA). The project will use the IFR disbursement method for requesting funds from the World Bank. Funds will be disbursed through a DA denominated in US dollars at the Bank of Zambia (BOZ). The PIU will transfer funds from the DA to the ZMW Project Operational Account held at the BOZ and to the US dollar-denominated Project Operational Account held at the Commercial Bank (CB). From the ZMW Project Operational Account, all local currency payments would be made through the Mirror Account (zero balance) held at a CB. However, for US dollar-denominated payments, transfers, or cheques will be processed from the US dollar account opened at the CB. All the bank accounts that will be involved in the flow of funds will be reconciled monthly. All costs relating to programs shall be managed centrally from the PIU. The project will initially submit a cash flow forecast projection for six months to receive the initial deposit in the US dollar-denominated DA. Subsequent withdrawal requests will be made on a quarterly basis according to forecast cash flow for the next two quarters less bank balances as at the end of the quarter. Other methods of disbursement that will be available to the PIU include direct payments, reimbursements, and special commitments. If ineligible expenditures are found to have been made from the DA and/or the project operational account, the PIU will be obligated to refund the same. If the DA remains inactive for more than six months, the project may be requested to refund IDA amounts advanced to the DA. Detailed FM arrangements are provided in annex 1.

(ii) Procurement

91. **Procurement institutional arrangements.** Procurement activities for the GREAT-TDP will be undertaken by the following institutions: (a) MoT, (b) MoGEE, (c) MoFNP, and (d) MoIHD/RDA/Director of Infrastructure and Housing. The procurements in all these institutions will be coordinated and processed centrally by the MoT as the lead implementing agency where the PIU will be located. This will include approvals and payments. Actual procurement processing and contract management will be implemented by each procuring entity.

92. **Applicable procurement regulations.** Procurement activities proposed under the project will be carried out in accordance with the World Bank's 'Procurement Regulations for IPF Borrowers', Fourth edition, dated November 2020 ('Procurement Regulations'); the provisions of the World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, revised in January 2011 and July 1, 2016; and other provisions stipulated in the Financing Agreement. Procurement carried out using national bidding procedures will be implemented using the GRZ Public Procurement Act of 2020 and its accompanying Procurement Regulations of April 2022 subject to modifications to make them acceptable for use under World Bank-financed projects in accordance with provisions of Paragraph 5.3 of the Procurement Regulations.



93. **Procurement risk assessment of the main procurement entity MoT.** A procurement capacity assessment of the lead procuring entity MoT to undertake procurement has been carried out by the World Bank using the World Bank’s online Procurement Assessment and Risk Management Systems. The assessment noted that the MoT Procurement and Supplies Unit (PSU) has adequate staff. The PSU includes the Head of the PSU, Chief Procurement Officer, one Senior Procurement Officer, and four Procurement Officers, and two Purchasing and Supplies Assistants. Some of the staff have carried out procurement of works and consulting services in their previous work but may require minor skills updates and orientation. The training would include new trends in procurement that are not covered under Government procurement such as mainstreaming of environmental and social standards, treatment of abnormally low bids, improvement in evaluation practices including carrying out due diligence, handling of complaints and treatments of objections during the stand-still period following the publication of intention to award the contract stage and application of the World Bank’s fraud and corruption provisions, verification of bidder/consultant eligibility to be awarded a contract using the World Bank’s lists of debarred and temporarily suspended firms, and beneficial ownership requirements. The project procurement risk is rated as Substantial. Additional details are provided in annex 1.

94. **The PIU with the support of the World Bank has prepared a Project Procurement Strategy for Development (PPSD).** The PPSD provides details on how procurement activities will be implemented in support of the development objectives of the project to deliver the best value for money under a risk-based approach. The PPSD provides adequate justification for procurement and selection methods and market approaches in the Procurement Plan (PP) that has been developed for the project. The PPSD provides adequate justification for procurement and selection methods and market approaches in the PP that has been developed for the first 18 months of the project. The PPSD development informed the preparation of the initial 18-month PP. The procurement section or chapter of the PIM is being finalized and will be completed before project effectiveness.

95. **Use of the Systematic Tracking of Exchanges in Procurement (STEP) system during implementation.** The World Bank’s online STEP system will be used as a planning, data management and filing, and procurement management tracking system which is also enabled to publish the PP, bidding notices, and contract award information on the World Bank’s external website and United Nations Development Business (UNDB) Magazine online.

96. **Frequency of procurement supervision and procurement audits.** In addition to the prior review supervision, the World Bank will conduct semiannual implementation support missions to the field. As part of performance review and compliance monitoring, the World Bank will carry out procurement post reviews online using data in the STEP system on a sample basis if procurement is carried out on a post-review basis.

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No



C. Legal Operational Policies

97. The project triggers Operational Policy (OP) 7.50 on Projects on International Waterways, as it will finance activities that may use waters of tributaries or connected aquifers of the Zambezi River, Congo River, and Lake Tanganyika River systems, which are considered international waterways. The exception to the riparian notification requirement according to paragraph 7(a) of the policy applies because activities are limited to upgrading and rehabilitation of existing small-scale schemes which will not adversely change the quantity and quality of water flows to other riparians. The exception to the notification requirement was approved by the World Bank Regional Vice President on April 26, 2023.

D. Environmental and Social

98. **The environmental risk rating of Substantial is based on the nature of project activities which include construction and rehabilitation of low-scale infrastructure and sustainable management of tourist operations** that will, for the most part, not expand the existing interventions in and around Zambian protected area systems. Project activities are likely to occur inside and in the vicinity of protected areas comprising national parks, GMAs, bird and wildlife sanctuaries, national forests reserves, wetlands of international importance, important bird areas, and cultural heritage sites. The likely subproject areas (Kasaba Bay, Liuwa National Park and surrounding areas, and Source of the Zambezi) include (a) areas that may contain some species categorized as critically endangered (two species), vulnerable, or near threatened under the IUCN Red List for Zambia, (b) modified (human encroachment) habitats and some natural or critical habitats, and (c) areas of birdlife, endemic fish species, shorelines, wetlands, and grasslands.

99. **The proposed project activities include** (a) construction and rehabilitation of small-scale infrastructure; (b) rehabilitation of existing earthen roads, existing park loop roads, and short-span bridges; (c) rehabilitation or construction of unsurfaced airstrips and small airport facilities and introduction of river transportation and its supporting facilities; (d) construction of single-story houses, offices, and life support infrastructure outside of the national park boundaries for law enforcement agencies working on protection of biodiversity and cultural resources; (e) construction of telecommunications network and off-grid solar power infrastructure; (f) construction of visitor centers, protective fencing, and interpretative signage for selected sites; and (g) construction of water supply and sanitation infrastructure including boreholes. The likely positive environmental impacts include (a) environmental restoration activities and biodiversity conservation in project selected areas; (b) protection and preservation of tangible cultural heritage; (c) improved landscape aesthetics where tourism offers the potential to improve the appearance and management of GMAs, national parks, and TDAs; and (d) preservation and protection of ecological processes, watersheds, and ecosystems.

100. **The environmental risks and impacts of the project are likely to be direct, indirect, and cumulative.** Possible but not likely direct and indirect impacts during construction could include land clearance on non-greenfield sites, modified habitats that may inadvertently affect natural or critical habitats, migratory corridors, and ecosystems. Construction impacts may increase community health and safety risks in subproject areas and occupational health and safety risks to workers and include localized air, noise, and water pollution; illegal or unsustainable resource extraction; and the generation of all waste types. During operations, direct and indirect impacts may include increased harvesting of natural resources to supply food and tangible goods to sustain tourism demand causing resource competition, human encroachment into sensitive areas, and air pollution from air and ground transport; environmental



pollution from inadequate waste (all types) management and disposal from the provision of tourism services; unsustainable water extraction and use; road widening and formation of illegal roads leading to habitat destruction, soil compaction, and removal of vegetation; and an increased number of road traffic accidents and animal kills exacerbated by project activities. Cumulative impacts could arise from single or catastrophic events and actions intensified by tourism density, for example, large-scale fires that could destroy wildlife habitats, incremental effects of pollution on protected areas, air and road travel emissions contributing to climate change, potential for increased sediment and contaminant runoff, possible spread of invasive species, and increased air pollution.

101. **The assessments of E&S risks and impacts will be proportionate to the sensitive nature of the project activities and will follow a framework approach guided by a project Environmental and Social Management Framework (ESMF)⁶⁰.** Consultations related to potential project E&S impacts and on the prepared E&S instruments were held in Western Province on November 22, 2022; in Northwestern Province on December 20, 2022; and in Northern Province on December 23, 2022. Since the exact number, location, and designs of investments envisaged under the project specifically component 1.3 and component 2 are yet to be determined, the project will manage the environmental and social impacts and risks by following a framework approach. The project has prepared a range of framework instruments, including an Environmental and Social Management Framework (ESMF) to guide the management of foreseen environmental and social risks and impacts as per World Bank's Environmental and Social Framework (ESF). The project Subcomponent 1.3 (administering matching grants) and Component 2 (financing infrastructure works) will have screening and review process to determine the specific investment activity. Subcomponent 1.3 will finance, by a matching grant scheme, specific nature-based economic activities (tourism, wild commodity trade, and carbon trade) that are based on sustainable land management; the PIM will develop eligibility criteria and exclusion list. Component 2 will finance infrastructure works that will be determined by a set of criteria (see above, details to be developed in the PIM). Component 2 selection criteria include the social, environmental, and climate change impact criteria. They will be synchronized with the GRZ regulations and guided by the ESMF to screen potential impacts including external risks that may arise such as increased competition for land and water resources use. The ESMF will also provide further guidance on the requirements for specific activities—the mitigation measures and management plans (Environmental and Social Management Plans [ESMPs], Biodiversity Management Plans [BMPs], and Cultural Heritage Management Plans [CHMPs]) will be guided by a mitigation hierarchy based on ESS, Environmental Health and Safety Guidelines, and GIIP. Cumulative impacts will be assessed in the site-specific E&S instruments (Environmental and Social Impact Assessments [ESIAs] and ESMPs) and suitable mitigation measures provided. Subproject sites will apply the mitigation hierarchy and an exclusion list and consider the development and implementation of a BMP or a CHMP only if any residual risks and adverse impacts on habitats and their biodiversity or cultural heritage, respectively, remain. If required, the BMP or CHMP will be developed as stand-alone or as part of the site-specific ESMP. In any event, a chance finds procedure will be developed for every subproject E&S instrument and implemented during construction activities. An exclusion list is included in the ESMF and listed in the Environmental and Social Commitment Plan. The project will also prepare a Strategic Environmental and Social Assessment during implementation, and some adaptive E&S management practices will then be incorporated in the project.

102. **Social risk management.** The project is expected to contribute to enhancing the performance of the tourism sector, leading to opening up of new tourist sites and increasing the length of stay for tourists.

⁶⁰ Disclosed by GRZ on April 26, 2023 and on the World Bank website on May 16, 2023



It is envisaged that through these developments there will be increased job opportunities for communities within the project footprint. Further, the focus on NBT will foster resilience and sustainable use of natural resources by communities and tour operators, thereby resonating with the country's drive to safeguard against climate change. Proposed infrastructure development will not only serve immediate tourist sites but will also ease access for hard-to-reach areas and will ultimately lead to improvements in provision of social services to rural areas where the project will be implemented.

103. Proposed activities under Component 1 pose a low social risk, but Subcomponent 1.3 which focuses on administering of matching grants may result in the risk of exclusion for selected community groups owing to the stringent requirements for accessing this support. While technical capacity will be provided, the possibility of elite capture exists and may see women and other vulnerable groups such as persons with disability not benefiting from initiative due to low literacy levels, including financial and business acumen. Furthermore, existing social and cultural norms that perpetuate gender inequalities may limit women's participation in the project. The project has developed an ESMF that provides guidelines for assessing and addressing the risk of exclusion to ensure that project benefits are maximized by all. This has further been enhanced through the Stakeholder Engagement Plan (SEP) prepared for the project,⁶¹ which places emphasis on the participation of all identified stakeholders, especially women and vulnerable groups, by ensuring that accurate information is made available at various stages of project implementation. The SEP also describes a grievance redress mechanism (GRM) for lodging complaints that may arise from the project and a channel for giving feedback on project performance consistent with ESS10.

104. **Under Component 2, planned project activities constitute a substantial social risk given planned infrastructure works that will be implemented in various project sites.** Construction of access roads, bridges, and airstrips may result in land acquisition and involuntary resettlement for communities in the construction pathway as well as those with livelihoods dependent on natural resources derived from protected areas. Specific subprojects are yet to be designed, including geographic locations. This will be determined after project effectiveness. To manage potential risks and impacts on resettlement and restricted access to natural resources, the project has adopted a framework approach and is preparing a Resettlement Policy Framework and Process Framework, respectively. These documents are expected to be finalized within 60 days after project effectiveness; they would provide guidelines for addressing risks and impacts that may arise due to planned infrastructure works and specifies triggers for preparing site-specific Resettlement Action Plans (RAP) and corresponding Livelihood Restoration Plans aligned with the principles of the Resettlement Policy Framework and Process Framework. In addition, guidance will be included on the methodology for ensuring inclusive consultation and disclosure of information in a culturally acceptable manner. During project preparation, the government requested the World Bank to contemplate the possibility of financing the resettlement compensation costs related to the implementation of the RAPs under the project with IDA funds. Due to limited information on this particular request, it was agreed that this request would be revisited during project implementation, once a detailed RAP has been prepared and processed in accordance with applicable World Bank policy and procedures.

105. **Planned construction activities may result in influx of workers to project areas, leading to strain on available in local services.** There is also a likelihood of increased incidents of GBV and sexual exploitation and abuse and sexual harassment (SEA/SH) due to inappropriate contractor and community

⁶¹ Disclosed on April 20, 2023 by both GRZ and the World Bank.



interactions and transmission of noncommunicable diseases. An assessment of GBV risks, undertaken using the World Bank GBV risk assessment tool, established the project GBV risk as substantial. The situation may be further exacerbated by the fact that rural communities have limited access to health facilities, including referral and support services for GBV/SEA/SH survivors. Existing social and cultural beliefs could also enhance women's and girls' exposure to abuse due to power dynamics in households that may be engaged by the project. Through the Labor Management Procedures prepared for the project,⁶² codes of conduct will be adopted for all workers engaged in the project. This will include punitive measures for those perpetrating GBV/SEA/SH. Workers and community members will be sensitized on the available grievance mechanisms which also include provisions for reporting incidents of GBV/SEA/SH that may arise during project implementation.

E. Gender, Citizen Engagement, and Climate Change

Citizen Engagement

106. **Broad engagement of diverse demographic and interest groups is critical to effective collaboration among various stakeholders.** One risk is perpetuation of mistrust and disinterest of stakeholders. This risk is in large part rooted in poor access to reliable information among stakeholders who are physically dispersed and without credible modalities of information transmission. This undermines the process of transparent and equitable sharing of benefits and burdens among stakeholders, conceiving mistrust and deterioration of partnerships. The project will adopt practical protocol and discipline about information sharing to mitigate this risk. Another risk to effective citizen engagement is the social ramifications of tourism growth in areas with high prevalence of poverty. Introducing new economic activities and cultural interactions may adversely affect important local cultural and social norms.

107. **The project will promote citizen engagement and include a two-way feedback loop and monitoring throughout implementation.** During preparation, the project carried out stakeholder consultations with civil society, academia, and other relevant stakeholder, and their feedback was incorporated into the project design. During implementation, the project will include a two-pronged approach to promote beneficiaries' participation through intertwining strategic communication with citizen engagement mechanisms. This approach will help promote transparency, enhance citizens' voice, and participation. Intertwining citizen engagement mechanisms with communication activities will facilitate beneficiaries' buy-in and thereby generate broad stakeholder ownership of project activities. The project will integrate three citizen engagement mechanisms: direct consultations with beneficiaries, multilevel arrangements for registering and addressing grievances and complaints, and a community monitoring process that will be embedded at the local level. Under each project intervention, the consultations will be organized to reach relevant stakeholder groups, such as the private sector actors, in addition to targeted communities.

108. The specific elements of the framework for citizen engagement built into project design include (a) support to the engagement of local communities in the management of resources, (b) support to community engagement in determining local priorities through activities' planning and preparation of investment plans, and (c) support to a feedback mechanism/feedback loop from target beneficiaries.

⁶² Disclosed on April 20, 2023 by both GRZ and the World Bank.



Citizen engagement outcomes⁶³ will be assessed through an indicator ‘People participating in consultations/decision-making on natural resources management (number), including female’.

109. Grievance Redress Mechanism (GRM). The project protocols, which build on the existing institutional GRM protocols, will guide the receipt and mediation of complaints and response to questions from project stakeholders and project-affected persons including cases linked to SEA/SH. Grievances will be handled at each project site and addressed by the MoT through designated channels and with overall management by the environmental and social focal point persons at the PIU. The GRM will offer an alternative simple but functional first point procedure for aggrieved project-affected persons and other interested parties to amicably seek redress to their complaints. Nonetheless, aggrieved persons would remain free to access the court system without any hindrance or retribution from the project as provided by the laws of Zambia. In addition, the project will establish a GBV Action Plan to identify other measures to handle sensitive and confidential complaints, including those related to SEA/SH. It will also provide special procedures to ensure anonymity and referral procedures to associated experienced service providers in handling GBV cases.

Gender

110. **Despite some progressive land laws, women in Zambia have lower access to land compared to men due to discriminatory customary practices such as patriarchal traditions, inadequate implementation of statutory law, and women’s lower literary skills and limited knowledge of their rights.** Women’s lower education and skill levels make it more difficult for them to find work in the formal sector and they are paid less in comparison to male counterparts. Poverty and asset scarcity in Zambia remain especially high among rural women and FHHs (with 60 percent poverty rates in FHHs and 57 percent in male-headed households). Zambian rural FHHs (25 percent of total rural households) have the highest risks of falling into poverty as they have a higher number of dependents and have lower endowments than men do in terms of education and health, limited economic opportunities, lower ownership/weaker tenure rights, and lower control over assets (especially in terms of access to land and finance), lower voice and agency, and more limited access to safety nets.

111. **Two key gender gaps of relevance to the project were identified:** (a) formalization of business for women entrepreneurs and women-led business and (b) women’s representation as decision-makers in the national and local forest governance structures which is low. In addition, an illustrative list of examples of gender gaps, activities, and indicators the project will undertake to improve includes (a) support to women entrepreneurs and women-led/owned firms in formalizing their businesses (for example, registration and license) and (b) increased participation as decision-makers in land and natural resource management and governance structures (full details will be given in the PIM).

112. The project aims to conduct a rapid Women in Green Business Assessment in Year 1 to better inform types of interventions for sustainable nature-based economy enterprises in the tourism value chain for women-led and men-led enterprises, based on extensive stakeholder consultations. Furthermore, the communication and training campaigns throughout the project will integrate gender-sensitive programming and awareness raising about the role of and significant contributions by women to the tourism sector and natural resource management. This will include age-, gender-, and culturally appropriate ways to facilitate the meaningful participation of women in the planning, implementation,

⁶³ World Bank. 2014. Strategic Framework for Mainstreaming Citizen Engagement in World Bank Group Operations: Engaging with Citizens for Improved Results (English). Washington, DC: World Bank Group.



and M&E of the project. Based on the experience from the initial stage, the project will look for opportunities to develop and build upon programming aimed more specifically at behavior and attitudinal change to improve women’s voice and agency at households and communities.

113. **Activities to promote women’s participation as decision-makers.** Increasing the participation of women in government-led and government-recognized forestry management committees in decision-making (Community Resource Board (CRBs), CFMs, VAGs) will allow them to have a stronger decision-making role and therefore more influence on decisions regarding forest management and access to forest resources and related incomes. Specific project activities will include targeted workshops for women on planning and management, promotion of women in management committees, and coaching sessions for women on participating in management committees. Sensitization workshops for men and women will be conducted on creating gender-safe spaces, reducing cultural marginalization of women, working with female leaders, and promoting safety and security of women participating in forest activities, for example, forest patrols. Within the CRB structure, participants will receive specialized training on bookkeeping, accounting, livelihoods, and leadership which will ensure women remain chair of the CRBs. In the project RF, two indicators ‘Proportion of all businesses registered with project support that are women-led / women-owned’ and ‘People participating in consultations/decision-making on natural resources management (number), including female’ will monitor progress of closing of gender gaps in women’s voice and agency in natural resources management. Table 5 provides a summary of gender gaps and the identified project activities that can address these.

Table 5. Gender Action Plan

Gender Gap	Project Potential Activities	Gender Indicator
Objective 1. Removing constraints for more and better Jobs (care services, unsafe transport, occupational sex segregation, and entrepreneurship)		
<p>Low number of formal (for example, national registration of business) female-owned businesses,⁶⁴ female entrepreneurs have less access to information, credit, fewer opportunities to upgrade their machinery and equipment required to expand sectors</p> <p>Low number of female entrepreneurs in NBT,⁶⁵ (particularly in higher-value</p>	<ul style="list-style-type: none"> • Promote women-owned/led businesses by providing support such as support with registration/licensing of new business recognizable in the national business registry, links to the markets, socio-emotional skills training, leadership training, and eco-friendly certifications. • Provide targeted training and awareness activities to improve women’s technical knowledge of natural resource management, human-wildlife coexistence, forest restoration, and so on and equip them with entrepreneurial skills to pursue alternative and sustainable livelihood activities. 	<p>‘Proportion of all businesses registered with project support that are women-led/women-owned’ (baseline 0, target 30 percent)⁶⁶</p>

⁶⁴ Global Enterprise Survey (World Bank, March 2020) indicates percent of firms with majority of female ownership is only 16.5 percent and percent of firms with a female top manager is only 12.9 percent.

⁶⁵ Global evidence suggests female-owned firms tend to concentrate in trade and retail industries, especially in textile and footwear, and pharmaceutical and perfume products, whereas male-owned enterprises dominate most manufacturing sectors as well as agriculture, forestry, and fishing (World Bank. 2022. Breaking Barriers: Female Entrepreneurs Who Cross Over to Male-Dominated Sectors).

⁶⁶ The project target of business registration for female-led businesses has been established given that female ownership of enterprises is only 16.5% (Global Enterprise Survey 16.5%). This target was set based on stakeholder consultations and project site scoping.



Gender Gap	Project Potential Activities	Gender Indicator
<p>chains) due to inadequate business development skills, market links, and so on</p> <p>Double burdening of women. Activities directed at empowering women create additional burdens or increase women’s workload</p> <p>Childcare responsibilities or mobility restricts women’s earning potential</p>	<ul style="list-style-type: none"> Organize trainings and consultations activities in a gender-friendly way (that is, aligning with female work schedules and spaces and their daily reality: accommodate childcare needs and/or schedules/locations convenient for women and using communication tools that consider cultural barriers that create information asymmetries). Support female producers/entrepreneurs (for example, honey and mushroom producers) to enhance productivity through activities to increase economic outcomes in forest landscapes including ecotourism and commercialization of non-timber forest products. 	
<p>Objective 2. Enhancing women’s voice and agency and engaging men and boys (child marriage, GBV, engaging men and boys, women’s participation, and decision-making in service delivery in governance structures)</p>		
<p>Limited participation of women in land and natural resource management, low number of women in management positions/technical roles due to factors such as lack of enabling environment and cultural and social norms</p>	<ul style="list-style-type: none"> Support for women’s participation as decision-makers in the executive bodies of registered governance structures in land and natural resource management, such as CRBs, CFMGs, and community conservancies; ensure women are supported to serve in decision-making positions of executive boards and in technical roles with financial and technical responsibilities of secretariats as well as to equitably participate in voting; support women’s long-term leadership in the governance bodies Once women are placed in elected positions, provide training to both women and men and their spouses, to increase knowledge and capacity to address gender issues as well as specific leadership and empowering skills for women Recruit female technical advisers, support investment in time they spend with the communities to build trust Create awareness on women’s involvement in the wildlife sector, share best practices, and demonstrate a case for increasing trends on the role of women in law enforcement Review sector guidelines for the community level (particularly in CBRs, CFMGs) and adopt measures that explicitly require gender participation and representation and support leadership 	<p>‘Registered land and natural resource governance bodies (CRB, CFMG, community conservancy, and so on) led by women (women in elected or secretarial positions)’ (baseline 5, target 10 percent)⁶⁷</p> <p>‘People participating in consultations/decision-making on natural resources management (number), including female’ (baseline 0, target 30 percent)</p>

⁶⁷ Indicator not included in the RF but will be monitored as part of regular project monitoring, based on the parameters to be included in the PIM.



Climate Change

114. The project is expected to have several significant positive contributions to climate adaptation, mitigation, and resilience. The proposed investments in this project to improve the enabling environment and tourism destination planning and access are expected to enhance management effectiveness to improve and maintain ecosystem functions in a vast area of 8,000 square kilometers⁶⁸ of protected areas and their surroundings within targeted TDAs. The primary climate-related ecosystem services from these areas are carbon sequestration and water flow regulation. The numerous catchments, lakes, and floodplains, including the Barotse floodplain, Bangweulu wetlands, Kafue flats, and Luapula floodplains, are important flow regulators for the biodiversity and communities of the areas. They play an important role in the climate resilience of numerous economic sectors including agriculture and energy, in addition to tourism. These sectors are the mainstay of the Zambian economy, making these water regulating services important for climate resilience at the whole-of-economy level.

115. The ecotourism sector, by supporting healthy ecosystems that are themselves more adaptable to climate change, will increase the climate resilience of human populations around the protected areas by diversifying income sources away from subsistence rainfed agriculture—which is highly susceptible to adverse effects of climate change. In terms of climate mitigation, this project is expected to directly increase or maintain carbon stocks in the project areas, with potential revenue streams from carbon finance. By better managing these protected areas and the areas surrounding them, it is expected that the expansion of agriculture and deforestation for charcoal production, currently Zambia’s primary sources of carbon emissions, will be reduced in these areas. Monitoring the state of these ecosystems, including the carbon sequestered, is an important element of building climate resilience, sequestering carbon, and access to carbon payments. The project will train monitoring specialists, including GHG accounting and carbon trade specialists, under Subcomponent 1.2. These protected areas also play an important role in mitigating carbon emissions through water regulating services to the electricity sector which generates 2,800 MW from hydropower, by displacing fossil fuel generation.

116. Finally, enhancing regulatory environment to facilitate such collaborative management partnerships, better coordinate cross-sector planning, mobilize green financing, and integrate steps to improve infrastructure climate resilience will help institutionalize critical processes and mechanism for the transition to green economy. The project may have negative consequences of increasing GHG emissions through improved access to infrastructure. Both the construction phase and use phase will directly lead to increased emissions for transport, material, and power consumption and over time increase local economy trade volume that also entails increased emissions including possible land use change. Such tourism and other trade growth may increase demands for local natural resources and trigger in-migration to the previously less accessible remote areas. The project addresses these risks: the civil works—new construction or rehabilitation—will demonstrate satisfactory fulfillment of criteria applying the mitigation hierarchy as per World Bank ESS6 where applicable and consider the low-carbon and climate-resilient design options. The GRZ has engaged with the Global Nature-Based Infrastructure Center for exploring methods to better analyze costs and benefits of alternative designs to further reduce the impacts of climate change risks and increase resilience.

V. GRIEVANCE REDRESS SERVICES

⁶⁸ Figure includes Kasaba Bay Tourism site, Liuwa National park, and Source of the Zambezi heritage site.



117. **Grievance redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.

VI. KEY RISKS

118. **The overall risk rating of the project is Substantial.**

119. **Macroeconomic risk is rated Substantial.** Improved fiscal credibility and sustainability are critical to the success of this project. The country's macro-fiscal challenges have persisted in the recent years and have been amplified by the COVID-19 crisis which resulted in the sovereign debt default in 2020. The Government has shown commitment for fiscal consolidation, debt sustainability, and mitigation of macroeconomic disruption risks. It reached a Staff Level Agreement with the International Monetary Fund on an Extended Credit Facility (August 31, 2022), which includes several conditionalities on attaining fiscal sustainability and credibility. Furthermore, to restore fiscal and debt sustainability, the Government applied to the G-20 creditors for debt treatment under the G-20 Common Framework. World Bank support toward mitigating these macroeconomic risks includes a US\$275 million Zambia Macroeconomic Stability, Growth and Competitiveness Development Policy Operation (P174911) that includes strengthening fiscal and debt sustainability as a key reform pillar and technical assistance and advisory services to improve debt management and transparency.

120. **The technical design of the project risk is rated Substantial.** The key technical risk facing this project is that the publicly provided last-mile infrastructure and technical support funded under this project fail to attract the requisite private sector investment in profit-making and job-generating tourism businesses. Without private investment, the anticipated economic growth from this project will not materialize. Underlying this risk are several risk factors that this project is designed to address. The first risk is the chronic underfunding and therefore staffing of protected areas, resulting in a degradation of the natural assets that are the draw for tourists. The project will provide funds for improving the counties protected area management system, including both government-managed protected areas and the promotion of collaborative management agreements that have been demonstrated in Zambia to draw external funding and expertise into the protected areas management system. This latter model has also been demonstrated to increase the confidence of private sector investors to invest in tourist destinations in protected areas. The project is also designed to overcome some of the underlying hurdles of doing business in the sector. This includes improving coordination between different Government agencies that operate in the tourism sector. The second underlying risk is the lack of basic public infrastructure that would support private investment—a key focus of this project. The largest share of the project allocations



directed to Component 2 are expected to be simple in nature (gravel roads, small airstrips, and small airport facilities). The technical design of these works, therefore, may not carry high risk, particularly in light of the better technical capacity of the roads and airports agencies in the country, for example, the RDA which is currently implementing another World Bank-financed project. However, there may be challenges in finding suitable contractors in remote areas—requiring flexibility in procurement methods used.

121. **Institutional capacity for implementation and sustainability risk is rated High.** Given that tourism projects are complex in nature, involving multiple agencies and geographic locations, an effective level of cross-sector coordination is required. However, the implementing institutions' capacity and the outlook for developing sustainable outcomes carry a high risk. First, the low capacity of the MoT, as the coordinating entity, has been a challenge for the sector and for other World Bank -supported projects. The additional challenges of a new project to the MoT would constitute a high risk. The MoGEE is in a nascent stage, especially in carrying out new mandates of spurring the transition to green economy. This is despite the adequate capacities of entities such as the RDA which will be responsible for delivering a good share of the infrastructure (Component 2). The institutional implementation capacity will therefore partly depend on the staffing of the PIU and the project facilities available to them. The World Bank and MoT teams will design the PIU structure and facilities as well as a capacity-building action plan. In addition, this risk is also mitigated by ensuring that preparation and implementation support of this project is provided in consultation with the Industrial Development Corporation (IDC) (under the MoFNP) Special Purpose Vehicle Tourism Investment Corporation (TIC). The TIC is overseen by a Multidisciplinary Technical Committee (MTC) that comprises director-level representatives from at least 20 ministerial departments, government agencies, and statutory bodies. Once the identified risk mitigation measures have been attended to, the residual risk will be reduced to Substantial.

122. **The residual fiduciary risk of the project is rated Substantial.** The World Bank has assessed the fiduciary capacity of proposed implementing agency to adequately carry out the project. The assessment concluded that procurement and FM arrangements for the proposed implementing agency satisfy the World Bank's minimum requirements under World Bank procedures. The MoT has had experience of implementing projects funded by the World Bank. The MoT implemented the SEED project over 10 years ago; however, the PIU staff on that project were mostly individual consultants who left after the project closed, taking with them the experience gained in project and fiduciary management. Appropriate fiduciary risk mitigation actions and risk mitigation action plans have been agreed. Due to MoT's lack of recent experience with the World Bank requirements on financial management, in order to bridge any capacity and experience gaps and ensure sustainability, the project will support capacity-building programs for staff in the MoT who will form part of the PIU and others who will be associated with implementation. In addition, where needed, individual consultants who possess the required qualifications and project implementation experience will be recruited from the open market to form part of the PIU. With this approach, the PIU staff will include qualified fiduciary staff with requisite experience. The World Bank and MoT will agree on an Action Plan for the establishment of the PIU, the adoption of instruments, and capacity building, within the first three months after project approval. To mitigate staff capacity and other institutional arrangements risks, the World Bank will undertake, within the first three months of project approval, appropriate fiduciary training to the GREAT-TDP PIU and MoT staff and/or identify and suggest additional training as necessary.

123. **Environmental and Social risk is rated as Substantial,** due to the nature of project activities which include construction and rehabilitation of low-scale infrastructure, associated with the risk of land



acquisition and involuntary resettlement of communities in paving way for construction and potential disruption in livelihoods tied to land usage There is also the risk of security of tenure particularly in rural areas where the project will be implemented as formal land titles are rarely processed. Increased presence of construction workers in project areas may lead to increased incidences of SEA/SH due to inappropriate contractor and community interactions. Although the PIU's E&S management capacity is relatively limited, the project will adopt a robust screening process and exclusion list and conduct surveys to ensure exclusion of potentially high-risk project activities, by not expanding the environmental footprint through project activities. Potential environmental impacts will be mitigated and managed in accordance with the Environmental and Social Standards (ESS), good international industry practices (GIIP), and national laws. The ESMF includes project-specific mitigation approaches for the identified risks. The project SEP places emphasis on the participation of all identified stakeholders, especially women and vulnerable groups. The SEP also provides a grievance redress mechanism. To manage potential risks and impacts on resettlement and restricted access to natural resources, the project has adopted a framework approach and identified appropriate mitigation approaches to be included in the Resettlement Policy Framework and Process Framework, respectively, currently under preparation.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Zambia

Green, Resilient and Transformational Tourism Development Project (GREAT-TDP)

Project Development Objectives(s)

The Project Development Objective is to strengthen the enabling environment, access to resilient infrastructure and economic opportunities in emerging tourism destinations in Zambia.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
Strengthen the enabling environment, access to resilient infrastructure and economic opportunities				
Average number of days for tour operators to complete an operating license renewal (Days)		120.00	30.00	14.00
Number of new enterprises in tourism value chain in emerging destination (Number)		0.00	5.00	15.00
Number of TDAs with climate resilient Infrastructure Investment Plans implemented (Number)		0.00	2.00	3.00



Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
Component 1. Enabling environment for the nature-based economy				
New agreements signed for collaborative management partnership (Number)		0.00	3.00	7.00
Number of community based organizations that are enrolled in nature-based economy partnerships (Number)		0.00	7.00	20.00
Proportion of all businesses registered with project support that are women-led / women-owned (Percentage)		0.00	30.00	30.00
New agreements signed for nature-based economy concessions (Number)		0.00	1.00	3.00
People participating in consultations/decision-making on natural resources management (number), including female (Number)		0.00	300.00	600.00
including female (Percentage)		0.00		30.00
Area under sustainable landscape management in emerging destinations (Hectare(Ha))		0.00	300,000.00	927,000.00
Component 2. Improving Climate-Resilient Destination Access and Basic Service Infrastructure				
Roads that are upgraded in compliance with climate/disaster-resilient design standards (Kilometers)		0.00	200.00	800.00
Airports upgraded with a combination of air strip rehabilitation/ upgrade and/ or airport facility rehabilitation (Number)		0.00	1.00	3.00



Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Average number of days for tour operators to complete an operating license renewal	The number of days it takes to process and issue an operating license renewal for a Tour Operator . The calculation of the number of days should only start counting when the applicants completes and submits all the required documents and procedures needed and should end when an applicant receives the final license.	Annual	MoT, ZTA	Enterprise survey	ZTA,MOT
Number of new enterprises in tourism value chain in emerging destination	Number of newly registered tourism value chain enterprises in beneficiary districts. Number (new enterprises registered); Number (type of tourism enterprises). In addition, enterprises new or existing that the project manage to link to value chains should be monitored in terms of their transactional revenue in the value chains.	Annual	Patent And Company Registration Agency (PACRA) registry	Count new tourism value chain companies in Project districts	PIU M&E Subunit, MoT
Number of TDAs with climate resilient Infrastructure Investment Plans	Each of the TDA will have its own Infrastructure	Annual	Monitoring reports of	Validation of monitoring reports	PIU M&E Subunit



implemented	Investment Plan developed according to the needs of the specific TDA and will include a combination of small-scale water supply, power supply, gravel roads, telecommunications tower and rehabilitation of air facilities.		infrastructure works constructed and maintained	against the infrastructure investment plan developed	
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Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
New agreements signed for collaborative management partnership	Agreements signed among parties including the relevant Government office. "New CMP agreement" includes renewals.	Annual	Publicly disclosed agreements	Retrieve evidence documents for counting	PIU M&E Subunit, MoT
Number of community based organizations that are enrolled in nature-based economy partnerships	Partnerships newly created - or newly agreed with improved provisions - to launch a new or expand an existing NBE activity	Annual	M&E Report	Consolidate report and validate at beneficiary sites	PIU
Proportion of all businesses registered with project support that are women-led / women-owned	'Business registered' refers to company registration with PACRA. 'Women-owned' refers to women as majority owner/shareholder. 'Women-led' refers to top managerial position filled by	Annual	Monitoring reports from the beneficiary enterprises.	Compilation of reports and validation	PIU M&E Subunit, MoT



	women				
New agreements signed for nature-based economy concessions	Agreements signed among parties including the relevant Government office. "New CMP agreement" includes renewals.	Annual	Publicly disclosed agreements	Retrieve evidence documents for counting	PIU M&E Subunit, MoT
People participating in consultations/decision-making on natural resources management (number), including female	Includes people consulted during preparation of investment and community plans	Semi-annual	Consultation records	Data will be collected based on attendance records for respective consultations.	Reported based on consultations undertaken and captured as part of regular project M&E maintained by the PIU
including female					
Area under sustainable landscape management in emerging destinations	Land area with new CMP, NBE concessions, or conservancy agreements or contracts.	Annual	Signed agreements showing land areazize	Validation of signed agreements with local stakeholders	PIU M&E Subunit
Roads that are upgraded in compliance with climate/disaster-resilient design standards	This indicator measures the cumulative number of kilometers of all roads, rehabilitated, or upgraded under the project. It is expected that the baseline value for this indicator will be zero. The selection of the roads will be guided by the Infrastructure Investment Plans. Further these will include interventions to address the key climatic hazards in Zambia, namely	Annual	RDA's reports, Infrastructure Investment Plans (IIP)	RDA's reports, Infrastructure Investment Plans (IIP)	RDA, PIU M&E, MoT



	floods, droughts and extreme temperatures in the designs.				
Airports upgraded with a combination of air strip rehabilitation/ upgrade and/ or airport facility rehabilitation	This indicator measures the cumulative number of airstrips, rehabilitated, or upgraded under the project. It is expected that the baseline value for this indicator will be zero. The selection of the airstrips will be guided by the Infrastructure Investment Plans. Further these will include interventions to address the key climatic hazards in Zambia, namely floods, droughts and extreme temperatures in the designs.	Annual	Civil Aviation Authority reports, Infrastructure Investment Plans (IIP)	Civil Aviation Authority reports, Infrastructure Investment Plans (IIP)	Civil Aviation Authority, PIU M&E



ANNEX 1: Implementation Arrangements and Support Plan

A. Project Institutional and Implementation Arrangements

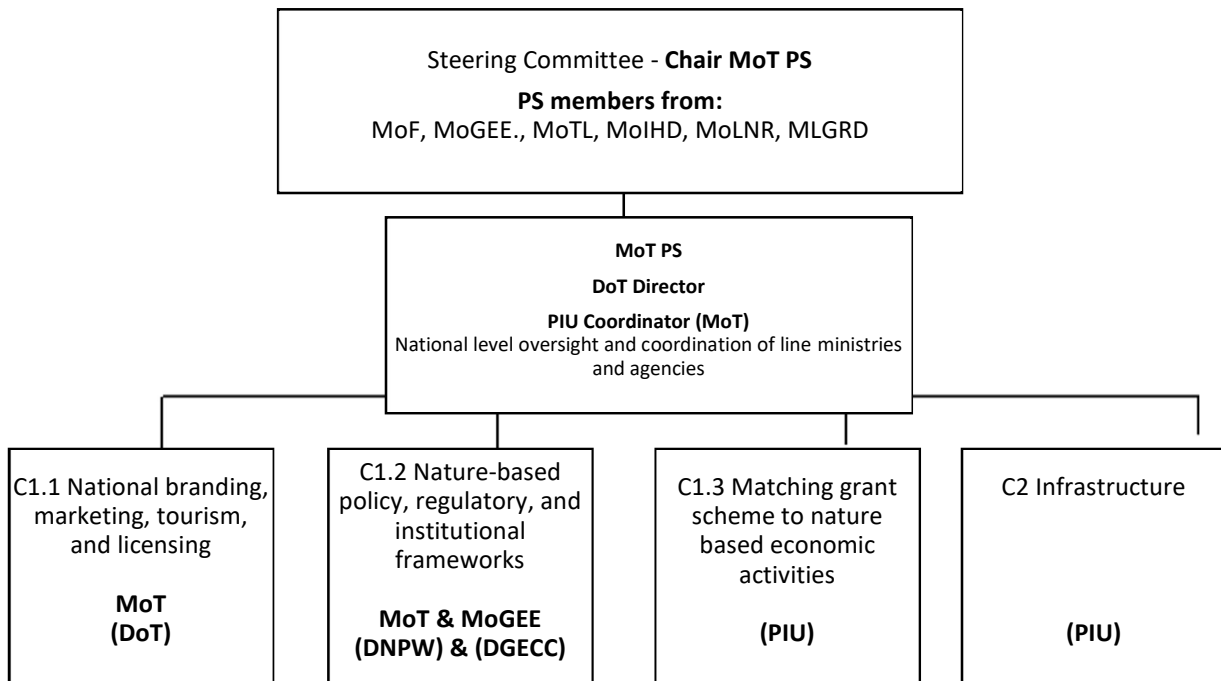
(i) Institutional Arrangements

Institutional Arrangement for Overall Project

1. **Oversight.** The project will be anchored in the MoT directly under the purview of the office of the PS for Tourism. The PS’s office will be tasked with mobilizing and liaising with the PSC as well as providing guidance to the PIU. This includes review of the AWPB and progress reports as well as clearance for contract of a certain value as per thresholds provided in the PIM.

2. **Implementation.** The project will be implemented by a PIU which reports directly to the office of the MoT PS. The PIU will be led by a coordinator. The PIU will have a Head for each component and subcomponent as described in figure 1.1. The PIU will have the service of national advisers and national consultants and may also recruit international advisers to provide specific support especially in guiding the implementation of green finance, green procurement, climate change and biodiversity management, and M&E for green transition.

Figure 1.1. Project Overall Implementation Arrangements



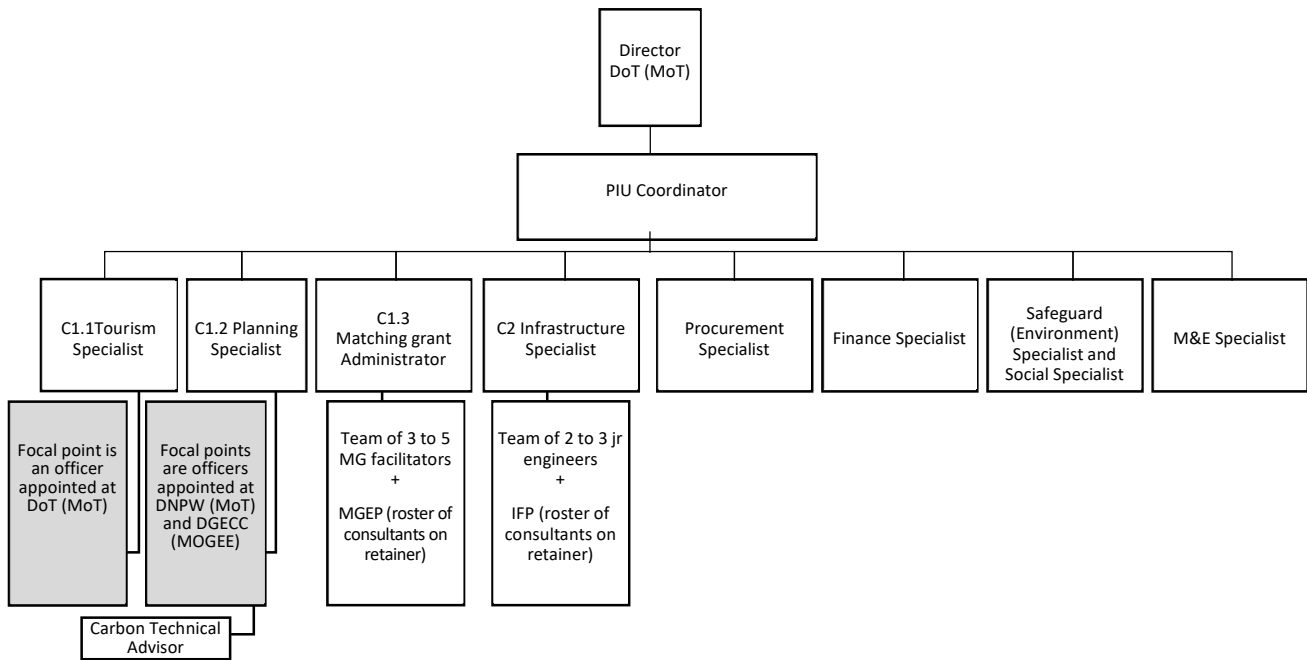
3. **Steering.** General policy, planning, and periodic high-level performance review (typically semiannual) will be provided by a PSC. The PSC will be chaired by the PS (MoT) and comprise the PSs of the ministries involved in the project: MoFNP, MoT, MoGEE, MoTL, Ministry of Lands, MLGRD, and MoIHD. The PSC reviews and approves the annual work plans and reports, approves contracts for investment



above a threshold (to be determined in the PIM) and provides guidance, as necessary on the issues brought to its attention.

4. **PIU composition.** The PIU will comprise at least four functional subunits in addition to two (sub-) component subunits. The functional subunits work across all subcomponents of the project, while the remaining are in charge of heading Subcomponent 1.3 on matching grant and Component 2 on infrastructure. Figure 1.2 illustrates the organization and the subunit head and their foreseen team composition.

Figure 1.2. PIU Composition



Institutional Arrangement for Each (Sub)Component

Subcomponents 1.1 and 1.2

5. **Head and implementing focal points.** Subcomponents 1.1 and 1.2 are directly coordinated by the PIU coordinator but implemented by focal points in Government departments and agencies of other ministries to handle the day-to-day management. The various PIU subunits (planning, M&E and reporting, procurement, FM, and if needed environment and social standards) will provide implementation support to these agencies (see figure 1.2).

6. **The focal point of Subcomponent 1.1** is an officer appointed within the MoT.

7. **Focal points of Subcomponent 1.2** are designed to closely collaborate. The focal point for improving concession frameworks, collaborative management partnerships, broader nature-based economy planning, and investor outreach is an officer appointed within the DNPW, MoT, to closely coordinate with the DoT, MoT, for planning and investor outreach. The focal point for enabling environment for green economy and the technical expertise building is an officer appointed within the



Department of Green Economy and Climate Change (DGECC) of the MoGEE, who will be supported by a carbon technical adviser.

Subcomponent 1.3

8. **Lead implementer and MG-Facilitators.** This subcomponent is implemented by the PIU under the direction of the Head for Subcomponent 1.3. The day-to-day facilitation of the matching grant schemes will be carried out by the PIU MG-Administrator and its team hired by the PIU.

9. **Matching Grant Evaluation Panel (MG-EP).** For the review of the matching grants along the identification and preparation process, the PIU will constitute an MG-EP. The MG-EP will be mobilized from a roster of experts (consultants) on retainer selected from the market based on qualification in the areas of tourism, rural development, natural resource management, and green enterprises.

10. **Regional Warden DNPW and Regional Director National Heritage Conservation Commission (NHCC).** In each protected area landscape, the main point of contact will be the Regional Warden (DNPW) and Regional Director (NHCC) as representatives of the MoT, together with their collaborative management partners for protected areas.

Component 2. Improving Climate-Resilient Destination Access and Basic Service Infrastructure

11. **Implementing team.** This component is implemented by the PIU under the direction of the Head for Component 2. The component Head will be assisted by a small team of contracted senior and junior engineers.

12. **Supporting ministerial departments and agencies.** For the selection, feasibility, engineering design, climate resilience and biodiversity outcome, procurement, and construction, the PIU will work with the MoT, MoGEE, and Government agencies responsible for infrastructure development such as the RDA, CAA, Zambia Telecommunications Company Limited, and REA.

13. **Infrastructure Panel (IFP).** For the review of the selection, feasibility, engineering design, climate resilience and biodiversity outcome, procurement, and construction, the PIU will rely on an IFP. The IFP members will be consultants recruited from the market based on qualification in the areas of tourism, green and climate proof infrastructure, infrastructure economic evaluation, civil, aviation or communication engineering as well as environmental and social standards.

14. **Eligibility criteria.** The PIU will also create an arrangement with the MoFNP Public Investment and Planning Department (PIPD), ZEMA, RDA,⁶⁹ and Zambia Public Procurement Authority (ZPPA) to subject each infrastructure investment (concept, feasibility studies, design, ESIA) to Government regulations. For the investment criteria that require provisions beyond Government regulations, the PIU will rely on the MOGEE to provide overall supervision.

15. **Landscape focal points.** At the level of protected area landscape where the proposed infrastructure investment is being considered, the main point of contact will be the Regional Warden (DNPW) and Regional Director (NHCC) as representatives of the MoT together with any private sector partners they have in the landscape. The planning officers under District and Provincial Planning Sub-

⁶⁹ For verifying compliance with Green and Climate Resilient Standards and Codes for Roads.



Committees (DPSC and PPSC)⁷⁰ will work closely with the infrastructure proponents at all stages from concept to construction and use.

(ii) Implementation Arrangement (Process)

Subcomponent 1.1: Destination branding, marketing, tourism licensing

16. This subcomponent is led by the DoT (MoT).

17. **Improve national marketing.** Commissioned by the DoT, and led by ZTA, this task will comprise validation of target audience prioritization and demand-product matching—leading to a national marketing strategy. Based on the strategy, the ZTA will lead training of stakeholders for their uptake.

18. **Improve tourism statistics.** The DoT will lead this task. The DoT, in collaboration with the Zambia Statistics Agency, will (a) design a new data collection and analysis framework combining with the tourism natural capital accounts framework, (b) implement it through training and deploying data collectors and statisticians, and (c) publish results. On the data collection framework, the DGECC (MoGEE) and the Working Group on Tourism Natural Capital Accounts will be approached for knowledge sharing on the natural capital accounts.

19. **Optimize the tourism licensing process.** The DoT will lead this task. Multistakeholder consultation workshops will be convened with the DoT, DNPW, ZTA, BRRA, and local authorities to streamline licenses and fee structure. The project will collaborate with SMART-Zambia Institute⁷¹ to support the rollout of the Government online service platform.

Subcomponent 1.2: Improving competitiveness of nature-based policy, regulatory, and institutional frameworks

20. This subcomponent is led by two departments under two different ministries, the DNPW (MoT) and DGECC (MOGEE), aimed to promote cross-sector interaction.

21. **Improving frameworks for NBE concessions and CMPs across landscapes.** The DNPW of the MoT will lead this activity which will involve the convening of a focus group under an existing forum that is widely representative of the sector stakeholders (for example, ZNCRB Association). The DNPW will lead the agenda setting of the focus group toward participatory development of framework guidelines and/or procedures to improve the processes and conservation outcomes through concession and CMP agreements. The MOGEE will be an active ministry through the DGECC, for aligning protected area priorities and opportunities with climate goals and evolving carbon trade regulations; the Department of Forests, for facilitating streamlined approach to ecosystem-level conservation, governance, and management; and the ZEMA, for more effective safeguarding of protected areas. The DNPW and possibly Department of Forest or Heritage Commission will carry out pilot testing of the guidelines or procedures

⁷⁰ The district and provincial planning officers working with the provincial PS and district commissioners may decide to mobilize their relevant committees.

⁷¹ The SMART Zambia Institute is a Division under the Office of the President mandated to coordinate and implement electronic government for the citizens, businesses, and within government for improved service delivery. The Institute was established through a Government Gazette notice No 836 of 2016.



developed to improve the existing CMP, establish new CMPs, and facilitate concessions. These agencies may determine to mobilize technical assistance.

22. **Nature-based economy planning and investor outreach.** The DNPW will lead this activity to convene a wide range of stakeholders both at the central and site levels. At the central level, the DNPW will coordinate closely with the DGECC, DoF, and DoT (MoT) among other sectors prominent in protected area landscapes and nature-based economy. At the destination level, the DNPW Regional Warden, with CMPs where present, will undertake the role of focal points to lead the convening of local stakeholders. Consultants may be recruited as needed to facilitate workshops and produce mapping, analysis, and assessments.

23. **Building DGECC and MoGEE capacity on green economy.** It supports (1a) the development of guideline for mainstreaming green and climate resilience in the tourism sector including taxonomy and (b) the building of pool of qualified carbon project service providers while providing carbon cross-support to other components.

24. **First, the DGECC will develop a guideline for mainstreaming green and climate resilience in the tourism sector that is integrated with a biodiversity taxonomy.** Over the first two years, the task will be carried out in collaboration with the DoT (MoT) and the Working Group on Mainstreaming Green Finance. Technical assistance is expected from other donor-funded consultants (for example, the Biodiversity Finance Initiative). The mainstreaming guideline will incorporate the biodiversity finance taxonomy that supports the financial sector engagement in the conservation-compatible tourism sector as well as the broader nature-based economy. The DGECC will recruit a team of international and national advisers to help build DGECC and the Working Group capacity on the biodiversity finance taxonomy and facilitate outreach with the banking sector.

25. **Second, the DGECC will catalyze building human resource pool for green economy through carbon knowledge and technical expertise.** This task will closely interact with the carbon technical adviser to train, mentor, and deploy trainees to various activities under this project around GHG accounting and MRV. The DGECC will convene a select group of interested academic institutions (for example, Mulungushi University, University of Zambia, Copperbelt University, and vocational training schools) to identify nominated participants as well as explore development of training curricula toward a professional certification program. While working on development of 'carbon specialists', the DGECC will also improve their capacity in managing carbon trade projects by providing oversight and cross-support to other components.

Subcomponent 1.3: Administering matching grant schemes

26. A matching grant is a grant to a beneficiary, to co-finance conservation and economic activities that the beneficiaries implement with the aim of conserving biodiversity as the primary objective or as co-benefits in protected area landscapes. The matching grant scheme administered by the project is to support the capital investments to start-ups and ongoing investment (by partners to community-based organizations or by SMEs) for scale-up and improve biodiversity outcomes through financially sustainable investments rooted in the conservation or environmental activity.

27. **Targeted applicants.** The potential beneficiaries are community-based partnerships. As typical in such partnerships, community-based organizations bring land or natural resources ownership or access



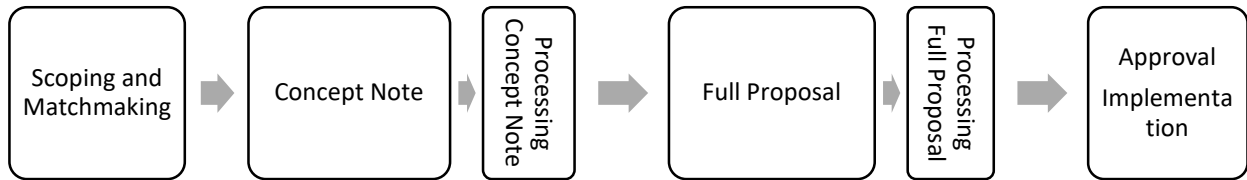
right, while private enterprises or NGOs bring capital, expertise, and market links. The PIM will include basic rules to govern the partnership agreement to ensure equitable and fair partnership (for example, minimum matching capital required according to the type of partner involved and maximum ‘cap’ on the allowed share of benefits entitled to the partner).

28. **Conservation and economic activities eligible.** Matching grant will co-finance economic activities in tourism, wild commodity trade, and carbon trade that can be identified under the following three categories:⁷²

- (a) Activities that seek to generate biodiversity co-benefits—climate-smart agriculture, sustainable freshwater production, waste management, forestry, sustainable tourism
- (b) Activities with biodiversity conservation and/or restoration as the primary objective habitat conservation—terrestrial and water
- (c) Activities and investments in nature-based solutions to conserve, enhance, and restore ecosystems and biodiversity natural infrastructure, watershed management.

29. **Matching grant schemes administration cycle.** The details of the cycle will be described in the PIM. The cycles of receiving/reviewing concept notes/full proposals will be deadline based (not rolling basis) and staggered across the ‘protected area landscape’ to not overwhelm the PIU, MG-EP, and others. The matching grant scheme will have at least two calls over the lifetime of the project. The cycle will follow these steps around two-step evaluation of (a) concept note and (b) full proposal.

Figure 1.3. Matching Grant Administration Cycle



30. **Scoping and matchmaking.** These events are organized by the PIU in collaboration with the local authorities (that is, DPSCs and DNPW Regional Warden with the partner where applicable) in the beneficiary TDAs. The events are aimed to advertise the availability of matching grant funding for the tourism value chain and stimulate the emergence of additional community-private partnerships. At these events, community and private organizations can meet, exchange ideas, and, when convergence of interests is found, seal a formal partnership.

31. **Concept Note.** The PIU will open at least two calls. Applicants submit a Concept Note to the PIU. Only Concept Notes involving at least one registered community-based organization will be considered.

32. **Processing Concept Note.** The PIU MG-Facilitators, working with the DNPW Regional Wardens, will carry out a first-level screening, including due diligence on the applicants, to eliminate the non-receivable Concept Notes. The retained Concept Notes are sent at the same time to the (1) district and provincial planning officers⁷³ to check relevance and alignment with provincial and district development

⁷² Following the 2022 IFC Biodiversity Finance Reference Guide.

⁷³ The district and provincial planning officers working with the provincial PS and district commissioners may decide to mobilize their relevant committees.



plans and sector plans, (2) MG-EP to check compliance with eligibility criteria, technical quality, and economic sustainability, and (3) DGECC of the MOGEE (supported by the carbon technical adviser team in Subcomponent 1.1) to select those with potential to generate carbon credits from emissions reduced or count toward nationally determined commitment under the Paris Agreement. Once cleared by the district and provincial planning officers and MG-EP, if the proposed matching amount is larger than US\$100,000, the PIU seeks the World Bank no-objection before pipeline inclusion and release of preparation grant. If not, the activity is registered in the pipeline and the PIU releases a proposal preparation grant to the applicant.

33. **Option for carbon inclusion (concept stage).** The DGECC, supported by ‘Carbon Brokers’, will select the Concept Notes with potential to generate carbon credits according to criteria to be laid out in the PIM. According to sector-specific guidelines provided by the technical department or agency (Department of Forest, Department of Renewable Energy, and so on), the DGECC will work with PIU MG-Facilitators and local authorities to (a) inform the proponents of the select Concept Notes and (b) upon agreement from proponent, deploy the ‘pool of trainee carbon specialists’ to collaborate in the full-proposal development to include the activities in a carbon project development document (PDD).

34. **Full proposal.** The beneficiaries receiving full proposal preparation fund will develop and submit the full proposal to the PIU. The proposal will include a copy of the partnership memorandum of agreement laying out the agreement among the parties on FM and benefit sharing. The proposal will also include a disbursement schedule.

35. **Processing full proposals.** After rapid screening for completeness, the PIU will share the proposal to the MG-EP to review the proposal in detail, carry out in-depth assessment of the applicant capacity to implement the proposed activity, and recommend either improvement or approval of the matching grant and release of the first tranche. World Bank no-objection is required when the matching grant is above a threshold to be determined in the PIM. At that stage, the PIU will sign a Grant Agreement with all parties to the partnership. A template of the Grant Agreement will be included in the PIM.

36. **Option for carbon inclusion (proposal stage).** For beneficiaries that reached agreement with the DGECC to develop carbon projects for their matching grant scheme, the DGECC will assign a team from the ‘pool of trainee carbon specialists’ to help develop a carbon PDD according to a methodology acceptable for validation by a standard-setting organization. The DGECC will ensure that carbon credit project design will be aligned with the evolving regulations on carbon trade (for example, development of jurisdictional and nested REDD+ framework and other regulations around Paris Agreement Article 6 on carbon trade in line with project activities).

37. **Technical assistance.** For communities or community organizations that require upstream support in improving basic governance and management structures for effective engagement with other organizations, technical assistance will be provided. The PIU will mobilize consultants, or the beneficiary communities and experienced NGOs in the landscape may have the option to devise plans for receiving funds for technical assistance to carry out the capacity building activities.

38. **Matching grant implementation support.** Once matching grant beneficiaries are in the implementation stage, regular implementation support including M&E will be provided by the PIU and the MG-EP in collaboration with the district planning officer and the DNPW Regional Warden. For those generating carbon credits, the carbon specialists with trainee carbon specialists will carry out MRV.



39. **Disbursement.** The matching grant will be disbursed in tranches based on triggers. The terms of disbursement will be described in the full proposal. Detailed instruction of identifying triggers for disbursement will be provided in the PIM.

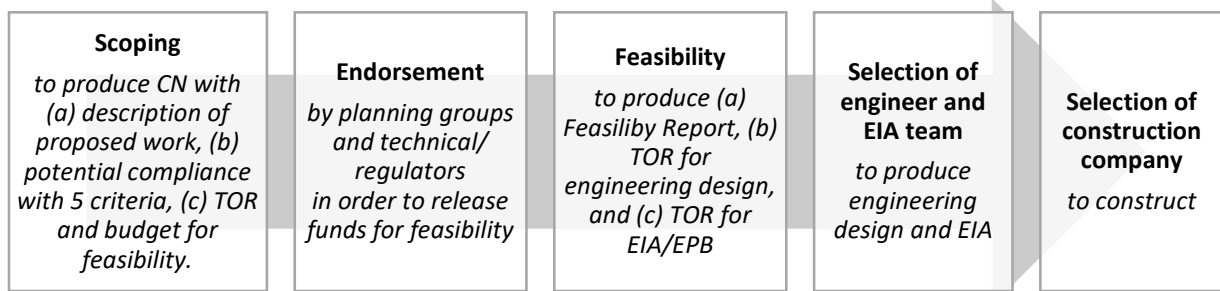
Component 2: Improving Climate-Resilient Destination Access and Basic Service Infrastructure

40. **Implementer and infrastructure work proponents.** This component is implemented by the PIU under the direction of its head for Component 2. The infrastructure development will follow standard stages for such work. ‘Proponents’ will be the Government agencies responsible for infrastructure development (for example, RDA, CAA, ZAMTEL, and REA).

41. **Portfolio selection criteria.** At the project start, no infrastructure work is predetermined. A portfolio of infrastructure work will be selected in the first two years, based on the development of the IIP and the subsequent screening process which follows the following five criteria:

- (a) Enhanced link between and within tourism destinations
- (b) Acceptable economic and financial feasibility (refer to GRZ public investment and planning appraisal process)
- (c) Adequate measures to meet social standards (refer to GRZ impact assessment and management process and World Bank ESF)
- (d) Adequate measures planned to avoid, minimize, restore, and offset inevitable negative environmental impact (refer to GRZ environmental management legislative instruments, World Bank ESF)
- (e) Adequate measures to avoid and minimize GHG emissions and maximize climate resilience (refer to GRZ green and climate-resilient standards and codes on infrastructure).

Figure 1.4. Flow Chart for Component Implementation Process



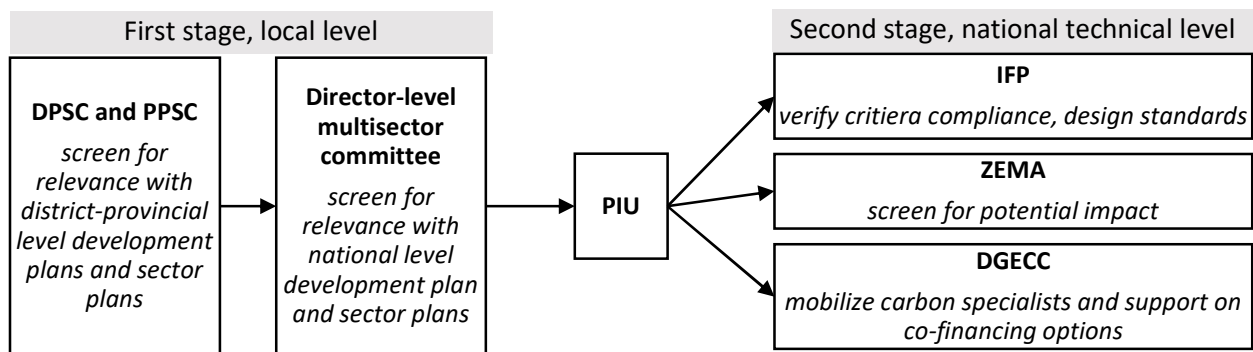
Note: CN = Concept Note; EIA = Environment Impact Assessment; EPB = Environmental Project Brief.

42. **Scoping.** The PIU and the DoT (MoT) will work together to identify a preliminary portfolio of work. They will be guided by the five criteria. The PIU will then approach potential work proponents among the Government agencies responsible for infrastructure development (for example, RDA, CAA, ZAMTEL, and REA) and invite them to produce Concept Notes—describing the proposed work, the potential compliance with the five criteria, the TOR, and budget for feasibility.



43. **Two-stage endorsement.** The Concept Note follows a two-stage endorsement process to verify its local and national relevance: (a) at the district level to the district and provincial planning officers and (b) at the national level to the existing multisectoral (director-level) committee. The Concept Note is then submitted to the IFP which verifies the potential criteria compliance and the proposed design consistency with industry standards. At the same time, the PIU shares the Concept Note with other agencies such as the ZEMA if they have comments or objections. The PIU also shares the Concept Note with the DGECC/MoGEE focal point to (a) possibly mobilize carbon specialists to assist with the climate vulnerability assessment and GHG emission mitigation opportunities and/or (b) help the proponents consider co-financing options from green bonds. Once cleared by the evaluation panel, the Concept Note is submitted to the World Bank for no-objection on the work inclusion and the TORs of the feasibility.

Figure 1.5. Flow Chart for Component 2 Concept Note Two-Stage Endorsement Process



44. **Conducting feasibility study (FS) and drafting TORs.** The PIU will allocate the fund and, together with the proponent, select a consultant firm to carry out the FS. This is the opportunity to (a) verify the technical adequacy, and the EFA of the proposed work as described in the Concept Note; (b) conduct assessments and produce planning documents necessary to demonstrate fulfilment of the five criteria, for example, to carry out the economic analysis, and implement the first stages of the mitigation hierarchy (explore alternative design to fulfil the environmental performance criteria on climate change and biodiversity impact); (c) refine the estimated budget; and (d) prepare the TORs of the engineering design and of the ESIA.

45. **IFP review of the FS and TORs.** The feasibility report is then reviewed by the IFP for final verification of (a) the five criteria fulfilment, (b) budget realism and availability, and (c) the technical adequacy of the TORs of the engineer(s) and of the ESIA teams.

46. **ZEMA review of the FS and TORs.** After receiving endorsement from the IFP, the PIU shares the feasibility report and TORs with the ZEMA for (a) comment on or objection to the early stages of the mitigation hierarchy, (b) decision whether an EPB or ESIA is required, and (c) clearance of the TOR for EPB/ESIA.

47. **World Bank no-objection of the FS and TORs.** Provided clearance by the IFP and ZEMA, the feasibility report, TOR for engineers, and TOR for the EPB/ESIA are submitted for review and no-objection by the World Bank and to any prospective co-financiers.



48. **Design.** The PIU, with the proponent, will select the engineering firm. The engineering firm will then carry out the technical design of the proposed work, carry out an EPB or ESIA, and prepare bidding documents. Once engineering design, ESIA, and bidding documents are prepared, these are subject to review by the PIU (IFP, PIPD, ZEMA, ZPPA). Once the package is cleared, it is submitted to the World Bank and other co-financier for review and no-objection to proceed with work procurement. If the proponent has opted for co-financing through green bonds or other financing, the review process will include assessment of the co-financing structure.

49. **Construction and completion.** Once a construction enterprise is contracted, construction will follow the prescription of the contract which will be monitored by the engineer and the proponent until completion and closure.

B. Financial Management

50. An FM assessment was carried out on the proposed implementing entity, GREAT-TDP PIU under the MoT. The objective of the assessment is to determine whether the oversight and FM system put in place by the MoT for the implementing entity for the GREAT-TDP can support the implementation of the project. In particular, the objectives of the assessments were to determine whether the proposed oversight and FM arrangements are capable of (a) adequately and effectively supervising, coordinating, and partnering with other agencies; (b) ensuring that project funds will be used for intended purposes only in an economical and efficient way; (c) accurately recording all transactions and balances relating to the project; (d) facilitating the preparation of accurate and timely financial reports; (e) safeguarding the project's assets; and (f) being subjected to acceptable auditing arrangements. The FM assessment was carried out in accordance with World Bank Directive: Financial Management in Bank Financed Operations and Other Operational Matters issued on September 7, 2021. This assessment has concluded that the MoT has basic oversight and FM arrangements to satisfy the World Bank's minimum requirements under World Bank procedures. The overall FM risk rating of the project is Substantial.

51. The MoT has experience in implementing World Bank-financed projects. The ministry implemented the SEED project over 10 years and managed the fiduciary aspects of the project satisfactorily. However, the implementation was carried out by PIU staff who are now no longer with the ministry. Current staff in the Finance Directorate do not have experience in implementing World Bank-financed projects. To mitigate this lack of experience and knowledge of World Bank policies and procedures, the World Bank will train staff who will be assigned to the project. The FM arrangements under the project are detailed in the following paragraphs.

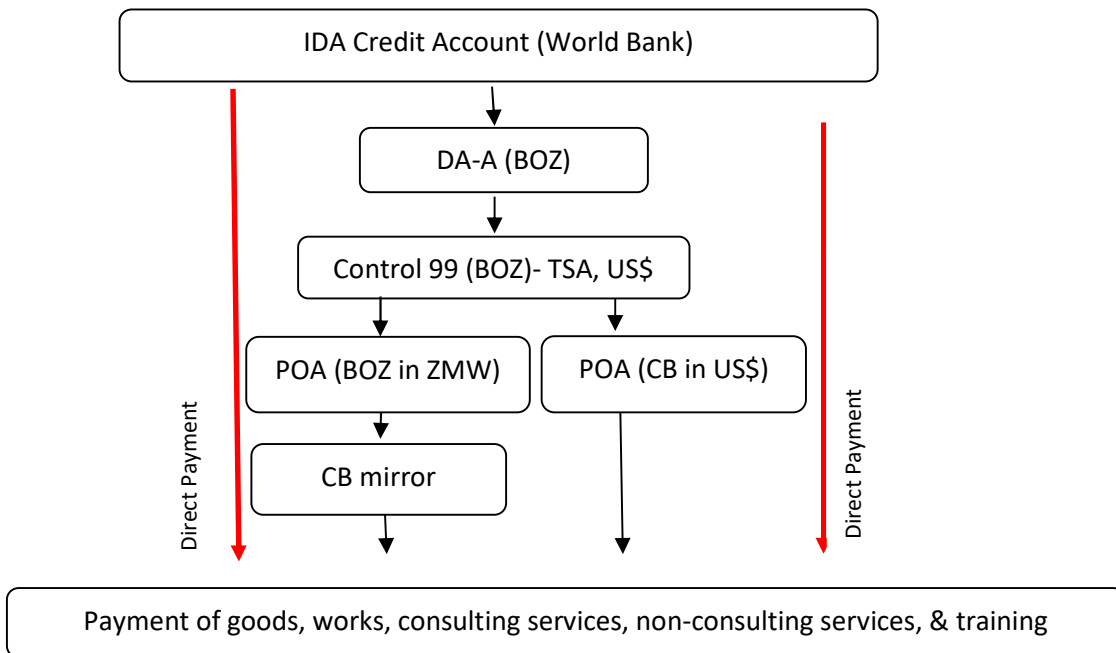
52. **Budgeting.** Project budgeting will be done in accordance with existing GRZ procedures. The budget shall be based on the AWPB and PP developed by the MoT PIU. The project planning and budgetary process shall be implemented in accordance with the standard government fiscal year which begins on January 1 of each financial year. The agreed PAD and the Financing Agreement will form the basis for defining the project activities and ensuring that sufficient funds are allocated to achieve the agreed results. The PIU will submit the AWPB to the MoT for approval by the PS during the month of October to ensure that necessary approvals are obtained before the commencement of the year. 'No-objections' from the World Bank will be required for workshops, training, and activities such as monitoring trips where daily substance allowances are payable. Any expenditures incurred that are not included in the work plan and budget and not cleared by the World Bank will be deemed to be ineligible.



53. **Accounting system.** The MoT is on the Integrated Financial Management Information System (IFMIS) and the GREAT-TDP will use the IFMIS project module for processing and recording transactions and producing reports. The IFMIS project module is adequate to meet the requirements of the GREAT-TDP, which include retention of accounting information for up to five years. It is robust enough and will enable quick retrieval and analysis of the accounting information at any given point in time. However, the project module has not been used before, so the MoT will engage staff in the IFMIS section to work on this. Prior to pilot implementation of the IFMIS project module in the MOT, the project will use manual accounting. The PIU staff will include a full-time project accountant to carry out the day-to-day FM functions and will be supported by an assistant accountant. At least one experienced individual who is familiar with World Bank FM procedures will be recruited or assigned to the GREAT-TDP PIU. The PIU will make available the FM Procedures Manual to the World Bank as part of the PIM before project effectiveness.

54. **Funds flow.** The project will use the IFR-based method of disbursement. Replenishment to the DA will be based on the forecast for the next two quarters less bank balances at the end of the quarter. Funds will be disbursed from the World Bank to a US dollar-denominated DA at the BOZ. The PIU will transfer funds from the DA to the ZMW Project Operational Account held at the BOZ and to the US dollar-denominated Project Operational Account held at the CB. From the ZMW Project Operational Account, all local currency payments would be made through the Mirror Account (zero balance) held at a CB. However, for US dollar-denominated payments, transfers, or cheques will be processed from the US dollar-denominated account opened at the CB. All the bank accounts that will be involved in the flow of funds will be reconciled monthly. All costs relating to programs shall be managed centrally from the PIU. In addition to the advance through the DA, other methods of disbursements, that is, reimbursement, direct payment, and special commitment, will be available to the project. Matching grants will be administered in accordance with the matching grants manual, to be included in the PIM, currently under preparation and expected to be approved before project effectiveness.

Figure 1.6. Funds flow





55. **Internal controls, including internal audit.** The ministry has well-documented authorization and approval levels, accounting policies, and procedures in the Financial Administrative (Procedures and Regulations) Manual 2020. Internal audits will be conducted to provide assurance that internal controls are effective, the project is being undertaken in accordance with the PIM, and it complies with GRZ regulations and the financing covenants. The project will be included in the internal audit plan of the MoT and will be audited twice a year. The PIU will share the internal audit reports with the World Bank.

56. **Financial reporting.** The PIU will prepare and submit to the World Bank on a quarterly basis the unaudited IFRs to monitor the use of funds disbursed to the project. At a minimum, the IFRs will show a statement of sources and uses of funds, with the uses of funds analyzed by eligible category and component to compare actual expenditures with the budget. The formats and contents of the IFRs will be included in the Disbursement and Financial Information Letter. The IFR shall be submitted to the World Bank within 45 days after the end of the quarter. The project’s annual accounts/financial statements will also be prepared and submitted to the external auditor within three months after the end of the financial year for audit.

57. **External audit.** On an annual basis, the consolidated financial statements for the project will be audited by the OAG. The OAG is constitutionally mandated to carry out audit of government institutions and World Bank/donor-finance projects. The audited financial statements together with a Management Letter shall be submitted to the World Bank within six months after the end of the fiscal year in accordance with World Bank guidelines. Audit TORs should be prepared and cleared with the World Bank and shared with the auditors.

58. **World Bank implementation support plan.** Based on the risk assessment of the project, the World Bank FM supervision review will be conducted twice a year. The mission’s objectives will include ensuring that strong FM systems are maintained for the project throughout its life. Reviews will be carried out regularly to ensure that expenditures incurred by the project remain eligible for IDA funding.

FM Action Plan

Table 1. 1. Key FM Actions to Be Taken

No.	Significant Weaknesses	Action	Responsible Person	Completion Date
1.	Use of manual accounting for the project transactions	Engage staff from the MoFNP IFMIS team to work on the activation of the project module on a pilot basis.	MoFNP IFMIS team and finance team	During implementation
2.	Lack of experience and knowledge of World Bank procedures and policies	Undertake trainings of FM and other staff in World Bank procedures and policies	World Bank	During implementation

C. Procurement

59. **Procurement institutional arrangements.** Procurement activities for the GREAT-TDP will be undertaken by the following institutions: (a) MoT, (b) MoGEE, (c) MoFNP, and (d) MoIHD/RDA/Director of Infrastructure and Housing. The procurements in all these institutions will be coordinated and processed



centrally by the MoT as the lead implementing agency where the PIU will be located. This will include approvals and payments. Actual procurement processing and contract management will be implemented by each procuring entity

60. **PP and technical assessment.** The design of the procurement arrangements will be informed largely by the existence and functionality of the following elements: (a) adequacy and application of procurement regulatory framework and management capability, including number and competencies of procurement staffs; (b) the adequacy of internal and external oversight and integrity; (c) strength and effectiveness of procurement organizational systems and processes; and (d) the medium to high complexity of the procurement and proposed procurement arrangements. Procurement staff with the required qualifications and experience already exist in the MoT. The challenge that the project will face includes coordination and experience in selection of consultants and work contracts for infrastructure activities which will require additional technical capacities.

61. **Applicable procurement regulations.** Procurement activities proposed under the project will be carried out in accordance with the World Bank's 'Procurement Regulations'; the provisions of the World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, revised in January 2011 and July 1, 2016; and other provisions stipulated in the Financing Agreement. Procurement carried out using national bidding procedures will be implemented using the GRZ Public Procurement Act of 2020 and its accompanying Procurement Regulations of April 2022 subject to modifications to make them acceptable for use under World Bank-financed projects in accordance with provisions of Paragraph 5.3 of the World Bank's Procurement Regulations.

62. **Procurement risk assessment and capacity assessment.** A procurement capacity assessment of the MoT as the main project implementation agency which will have the overall implementation responsibility for procurement has been carried out. This includes assessment of the mechanisms and institutional arrangements that the MoT has put in place for implementing procurement in a decentralized setup involving other participating ministries. The procurement risk is rated as Substantial. The following are some of the key risks and mitigation measures that are proposed to be implemented: (a) Risk -lengthy procurement procedures; mitigations: streamline procedures, document, and assign clear institutional responsibilities in procurement (assign client activity representatives); and address the lengthy processing and approvals including payment procedures, reduce time for budget availability verification and draft contract reviews by the office of the Attorney General in the Ministry of Finance and National Planning); (b) Risk: Accountability for procurement activities by client departments inadequate: Mitigation: assign staff under each participating ministry or implementation agency in procurement to take the lead; (c) Risk: Inefficient procurement processing; Mitigation: outline and assign time to all the stages of procurement processing both internal and external; and where possible in the interest of efficiency, carry out advance procurement for all defined and agreed procurement activities up to evaluation without advertising intention to award a contract or, at a minimum, prepare TORs and specifications and cost estimates and detailed implementation plans (road maps); (d) Risk: Inadequate experience in procurement under Bank funded procurement; Mitigation: bridge capacity and experience gaps in procurement and contract management for staff who may be assigned project implementation roles through training of procurement staff and other staff who will be involved in procurement in the PIU (this will include basics on how to implement procurement under World Bank-funded projects using the World Bank's Procurement Regulations early in the life of the project and thereafter conduct regular procurement clinics); (e) Inadequate procurement planning and implementation: Mitigation: integrate procurement



planning and updates as part of the AWPB and reviews. The process should also be used as a management tool for allocating responsibilities and accountability and monitoring procurement performance; and (f) Inadequate Contract Management: Mitigation: enhance contract management and decision-making capacity by assigning contracts managers for each procurement activity at the procurement planning activity stage. Identify key milestones for each contract and monitor these regularly and effectively including by carrying out supplier / contractor and consultants’ post- completion performance evaluations.

Table 1.2. Identified Risks and Proposed Risk Mitigation Actions

No.	Description of Risk	Proposed Risk Mitigation Action	Period of Implementation	Those Assigned to Carry Out Risk Mitigation
Internal risk to MoT				
1.	(a) Lengthy institutional procedures and nonuse of service standards for reviews and clearances (b) Irregular meetings for the approvals committee that is called the Ministerial Procurement Committee	Document and use procurement and contract management processing forms which assign time and staff resources at each stage	Throughout the life of the project	PIU, PSU, and MPC and all staff assigned reviewing and approval roles
2.	(a) Lengthy payment systems (b) Time delays for budget verifications at contract award	Review and streamline payment systems and assign time to each process and review and report performance	Initial review early in the life of the project and thereafter periodically	PIU, PSU, and MoT at high level with other ministries
3.	(a) Delays by user departments or technical specialist to prepare TORs or specifications on time (b) Nonuse of time-bound processing schedules for procurement and contract management and pre-identification of team members for specific procurements	Document and use procurement and contract management processing forms which assign time and staff resources at each stage	Throughout the life of the project	PIU, PSU, and MPC and all staff assigned reviewing and approval roles
4.	Inadequate Contract Management	Enhance contract management and decision-making capacity by assigning contracts managers for each procurement activity at the procurement planning activity stage. Identify key milestones for each contract and monitor these regularly and effectively including by carrying out supplier / contractor and consultants’ post-	Early in the life of the project and throughout the life of the project	MoT and Participating Ministries and PSU



No.	Description of Risk	Proposed Risk Mitigation Action	Period of Implementation	Those Assigned to Carry Out Risk Mitigation
		completion performance evaluations.		
External risks to MoT				
5.	(a) Time delays that result from reviews of draft contracts by the Attorney General/Ministry of Justice (b) As a non-infrastructure/technical ministry, it needs to coordinate and bring on board support of other ministries. This may pose a challenge.	(a) Engage the Attorney General, MoF, and technical support ministries to agree on service standards for reviews and clearances and monitor and report on effectiveness of use of agreed service standards. (b) Assign staff to provide required services (c) Sensitize all staff on their roles and importance of team work to achieve objectives	Initial review early in the life of the project and thereafter periodically	PIU, PSU, and MoT at high level with other ministries
6.	a) Slow or inadequate market response to project needs—and need to engage the support ministries and the private sector suppliers/contractors and consultants b) Capacity constraints may delay implementation especially for civil works and related consulting services procurement	(a) Sensitize market players on proposed project activities, complexity and timing of bidding opportunities, publish the PP, General Procurement Notice, and Specific Procurement Notices. (b) The ministry may consider engaging private sector consultants a lot for design cost estimates tendering and supervision to meet capacity gaps.	Initial review on requirements and market engagement early in the life of the project and thereafter periodically	PIU PSU and MoT technical ministries

63. **The PIU, with the support of the World Bank, has prepared a PPSD** to address how procurement activities will be implemented in support of the PDOs to deliver the best value for money under a risk-based approach. The PPSD provides adequate justification for procurement and selection methods and market approaches in the PP that has been developed for the project. The PPSD development informed the preparation of the initial 18-month PP, which will set out the procurement profile of the project and selection methods to be followed by the recipient during project implementation in the procurement of goods, works, and non-consulting and consulting services financed by the project. The PP will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. The PPSD will be updated during the project implementation phase as needed. A Procurement Implementation Manual is being prepared as part of the PIM development.

64. **Use of the STEP system during implementation.** The World Bank’s online STEP system will be used as a planning, data management and filing, and procurement management tracking system which is also enabled to publish the PP, bidding notices, and contract award information on the World Bank’s external website and UNDB Magazine online. The system has clear implementation road maps with activity start and end dates. It is a tool used for monitoring delays, establishing benchmarks, measuring procurement performance, and detecting and flagging any debarred firms when bidder’s information is



uploaded in the system. The World Bank will provide training in use of STEP to staff who will be involved in procurement and contract management under the project.

65. **Frequency of procurement supervision and procurement audits.** In addition to the prior review supervision, the World Bank will conduct semiannual implementation support missions to the field. As part of performance review and compliance monitoring, the World Bank will carry out procurement post reviews, using data in the STEP system on sample basis for procurements undertaken under post review.

66. **Procurement in greening public investment** was considered important to ensure Component 2 infrastructure works adopt procedures and process to enhance environmental performance of the public investment. Relevant guidance has been shared by the World Bank.



ANNEX 2: Complementary Infrastructure Programs

1. **This annex describes the ongoing infrastructure projects/initiatives, more specifically in the transport sector, and how these will contribute to improving accessibility to the TDAs at both the national and regional levels.** The project targets the provision of basic infrastructure and access within and to the emerging TDAs. In parallel, some of the larger infrastructure programs that are being developed by the Government will benefit the target TDAs. These projects were planned to serve various objectives including, but not limited to, improving access to remote areas and fostering economic growth.

The Trans-Caprivi Corridor

2. The corridor runs from Kazungula in Zambia to Walvis Bay in Namibia through the border point of Katima Mulilo. The corridor provides access from and to Namibia and to and from Botswana (together with the North-South Corridor which is described below). The Government will raise the standard of the section within Zambia (Kazungula to Katima Mulilo, 140 km), with potential World Bank financing.

3. Once completed, this road will provide direct road links from Namibia and Botswana to the Liuwa Plain National Park through the Katima Mulilo to Mongu Road, which is a 300 km road currently in good condition. The estimated travel time by vehicle from Kazungula to Mongu will be six hours. This will offer a good opportunity to tourism companies to provide package trips covering attractions in either Zambia and Namibia or Zambia and Botswana.

The North-South Corridor

4. The North-South Corridor is the most important corridor in Zambia. It connects Kazungula in the south to Nakonde at the borders with Tanzania and Chingola at the Democratic Republic of Congo borders through Lusaka. The corridor is of particular importance to tourism, agriculture, and mining activities. Together with Nacala Corridor, where the World Bank will potentially finance the Lusaka-Luangwa section, they encompass the Central and Muchinga Provinces. These include key tourism attractions.

5. The World Bank is also in discussion with the Government to finance the rehabilitation of the Serenje-Mpika section of the North-South Corridor (238 km). Once completed, this will reduce the travel time from Lusaka to Mpika to seven hours (a total distance of 640 km). From Mpika, the road link to Kasaba Bay is an additional 600 km that is yet to be rehabilitated and improved to reduce the travel time from 12 hours to 7.5 hours.

6. Once developed, the North-South Corridor will offer tourism companies the opportunities to develop multi-stop packages from Lusaka to Kasaba Bay. Such packages will take advantage of the touristic attractions on the way, including South Luangwa Park, Lavushi Manda Park, and Lake Bangweulu.

The Lobito Corridor

7. The Lobito Corridor connects, on the Zambian side, from Ndola in the northern part of Zambia (lies along the North-South Corridor), through Jimbe on the borders with Angola, to the port of Lobito in Angola. The corridor is still at early stages of development but received attention at the level of the Presidents of the two countries (in February 2023), who pledged to develop the corridor and connectivity between their countries. The corridor is expected to generate socioeconomic development along its



length, which, in turn, will be highly beneficial for the development of tourism activities in the Source of the Zambezi area.

Lake Tanganyika Development Initiatives

8. The World Bank, AfDB, and other entities are separately involved through projects and technical assistance programs to support the development of Lake Tanganyika, with a focus on improving safety and navigation. While many of these activities are still at early stages, they will provide good support to the development of the lake, particularly Kasaba Bay, for tourism. The development of the TDA requires the enhancement of several aspects including, but not limited to, the management of navigation and safety on the lake, the development of basic infrastructure, the attraction of private sector involved in lake tourism activities, and the development of adequate access to the region. This project, together with the other mentioned initiatives, will play an essential role in providing foundations toward the full utilization of this TDA.

Airports Development Program

9. The GRZ is currently embarking on a program for the development of the key airports in the country, by providing paved runways and improved terminals and facilities. The program will improve the national and international connectivity in the country in a manner that will greatly benefit tourism and access to remote tourism sites. The Infrastructure Development Plans for the TDAs (to be delivered under the project) will be developed considering the targets of this airports development program.

Other Improvement Projects

10. Other programs that will result in improved access to Zambia generally, and the tourism sites in particular, include the development of one-stop border posts (OSBPs) at all borders of Zambia. Some of these OSBPs have already been developed and others are yet to be developed. These OSBPs will ease the flow of tourism (as well as freight) through the borders, and this has proven to benefit tourism largely in sites such as Victoria Falls.