



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 10-Feb-2023 | Report No: PIDC35131



BASIC INFORMATION

A. Basic Project Data

Country Zambia	Project ID P180337	Parent Project ID (if any)	Project Name Green, Resilient and Transformational Tourism Development Project (GREAT-TDP) (P180337)
Region EASTERN AND SOUTHERN AFRICA	Estimated Appraisal Date Apr 11, 2023	Estimated Board Date Jun 22, 2023	Practice Area (Lead) Environment, Natural Resources & the Blue Economy
Financing Instrument Investment Project Financing	Borrower(s) REPUBLIC OF ZAMBIA	Implementing Agency Ministry of Finance and National Planning (MoFNP), Ministry of Tourism	

Proposed Development Objective(s)

To improve revenue generation, management, tourism access and basic amenities in select tourism destination areas (TDAs) that will contribute to green economy.

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



Environmental and Social Risk Classification
Substantial

Concept Review Decision

Track I-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Zambia’s development context is described by fluctuations closely linked to copper prices and prevalence of subsistence farming**, hindering efficient development of the rich natural and human capital while deferring economic diversification. Copper mining dominates export receipts while subsistence agriculture dominates source of livelihoods. Both have impaired the environment, productivity, and human well-being by means of pollution, land conversion, 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 remained at low productivity - resulting in meager opportunities for upskilling the labor force to diversify the economy. The human capital index score of 0.397 in 2020 is around the average of low-income countries (0.378), even though in 2020 Zambia was classified as a lower-middle income country whose average was 0.480¹. Economic transformation through diversification - a long held development priority - continues to be central in the 8th National Development Plan (8NDP) together with job creation. These goals strive towards the Vision 2030 of becoming a “prosperous middle-income country”.

2. **While urbanization and working population grow, job creation lags.** With over 50 percent of its population living in urban areas, Zambia is relatively more urbanized among Sub-Saharan Africa countries. However, this agglomeration for economy of scale has not led to commensurate job creation. With a total population of 18.4 million growing at 2.9 percent per year (2020)², such annual growth is projected to continue until 2030. Among the working age group, the expected growth rate is higher at 3.4 percent. Unemployment has been rising since 2012, reaching 12.8 percent of the total labor force in 2020; while 43.7 percent of the youth were not in education, employment or training as of 2019³. Such figures are estimated to be higher in rural areas, reaching 52.4 percent unemployment among the rural youths. The Government has prioritized job creation as a primary target, through economic transformation towards a green economy, especially in areas of agriculture, tourism, mining, and technology among others.

3. **The country’s natural assets support the economy and livelihoods while contributing to mitigating global climate change impacts; but they are degrading, depleting, and becoming vulnerable.** A vast 65 percent of Zambia’s land area is occupied by forests⁴ and its freshwater resources are claimed to hold 40 percent of southern Africa’s freshwater resources⁵ - of great importance as the headwaters of the Congo and the Zambezi basins. For its biodiversity, more than

¹ <https://data.worldbank.org/indicator/HD.HCI.OVRL>

² United Nations World Population Prospects, through <https://data.worldbank.org/>.

³ International Labour Organization, ILOSTAT database, through <https://data.worldbank.org/>.

⁴ FAO (2015). Forest cover in Zambia. Accessed from www.globalforestwatch.org. Tree cover in Zambia (in 2010) had 22.4Mha or about 30% of its land area.

⁵ The World Bank (2021). Assessing the economic impact of tourism in protected areas on local economies in Zambia.



8,000 species of organisms are identified in Zambia, of which at least 600 are endemic and 174 are classified as rare⁶. Despite abundant resources, changes affecting them are alarming. In 2021, Zambia lost 201,000 hectare of tree cover compared to 163,000 hectare the year before⁷. 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 years⁸. Land use change are affecting hydrology by increasing the flow, the variability in flow volumes, and the need for water abstraction⁹. Nine species are currently listed as globally threatened, endangered or vulnerable on the IUCN Red List¹⁰, though data deficiency is a prominent challenge in updating species presence and threat levels. These challenges are compounded by climate change impacts that are increasing the vulnerability to floods and droughts that have become more frequent since 1990s. Furthermore, while a net GHG-sink country, the growth rate of carbon dioxide emissions is unabated; and Zambia is found as one of the worst performing countries in terms of policy efforts to curb GHG emissions growth rate¹¹.

4. Zambia's economy is showing positive signs of stabilizing after a period of macroeconomic imbalances that weakened economic performance. The rebound in economic activity from the initial COVID19 shock, post-election market confidence, firmer copper prices, and commitment to significant economic reforms, have supported the restoration of macroeconomic stability. The exchange rate that had sharply appreciated after the elections, has sustained relative stability, and largely supported a faster deceleration in inflation which returned to single digits in 2022 for the first time since mid-2019. However, the key challenge is to sustain macroeconomic stability that lays the foundation for sustainable growth and continue to implement structural reforms for an economic transformation that lifts more Zambians out of poverty. This is complicated by Zambia's unsustainable debt that is currently in default. Following the request for debt treatment under the G-20 Common Framework in January 2021, Government has engaged its commercial and bilateral creditors to restructure the debt and benefit from debt relief though the process has dragged owing to the challenges of diverse creditors. Over the medium-term, the economy is expected to grow positively, although the momentum is likely to weaken due to multiple protracted shocks including adverse weather, debt distress, Russia-Ukraine war, and COVID19.

5. Recognizing the perils but also opportunities, the new Government is hailing the banner of green growth towards a green economy. The Ministry of Green Economy and Environment created in 2021 is currently shaping the framework for green growth and its strategic approach. Key principles are emerging as fostering growth to be low-carbon, resource efficient, resilient, and inclusive; and to aim for green recovery and growth. The decline of commodity prices is urgently calling on economic diversification especially in the services sector, including tourism.

Sectoral and Institutional Context

The sector and its relevance in the country's development

6. The tourism sector in Zambia is a prominent part of the country's economic diversification and transformation agenda. GRZ promotes tourism as a job-rich economic driver that can be an important contributor to economic recovery, growth, sustainability, and inclusion. The sector is recognized for holding great potential to create formal employment and develop essential skills. Tourism has significant backward and forward linkages to several industries e.g., agriculture,

⁶ WWF (2011). Species and Protected Areas Zambia.

⁷ Global Forest Watch (2023). "Tree cover loss in [country/province name]". Accessed on 06/01/2023 from www.globalforestwatch.org.

⁸ Environment Performance Index (2022).

⁹ Tena et al (2019). Impact of Land Use/Land Cover Change on Hydrological Components in Chongwe River Catchment. doi:10.3390/su11226415.

¹⁰ WWF (2011). Species and Protected Areas Zambia.

¹¹ 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 carbon dioxide* between 2010-2019.



construction, transportation, and retail. Nature-based tourism or NBT, more specifically, brings opportunities in rural areas with higher poverty levels. Tourism sector’s contribution to rural development relates to the fact that the bedrock of Zambia’s tourism is the unique wilderness and the large network of protected areas¹². Among them are world-class tourism destinations such as the Kafue and South Luangwa National Parks and the Victoria Falls. But also, over 7,000 natural and cultural heritage sites have been identified with archaeological, historical, geo-morphological, geological and anthropological significance, presenting a dense array of attraction sites that retain high authenticity and integrity in the sites.

7. Nature-based tourism sector has economic contributions and potentials that are direct and far-reaching. In 2019 (e.g., pre-pandemic impact), travel and tourism contributed 3.1 percent of the GDP and 1.9 percent of formal employment - see Table 1¹³. Visitor spending directly supports local jobs and spurs additional indirect economic activities – i.e., generating the ‘tourism multiplier effect’ – with one study finding that three international leisure visitors generate one permanent direct job¹⁴ and another study finding one additional Kwacha spent by visitors raised incomes of households around the park by 1.82 Kwacha¹⁵. The Government collects revenues from park entry fees, concession, and business license fees; and the regulatory environment benefits from improvements geared towards attracting foreign tourists and investors. Nature-based tourism’s contribution to rural communities is notable¹⁶ for its cash flow to otherwise cash-poor areas. In 2021, a World Bank study¹⁷ around two prime national parks – Lower Zambezi and South Luangwa National Parks – found that they 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.

Table 1: Zambia Key Tourism Indicators

Indicator	2019	2021
International tourist arrivals, thousands	1,009	1,266
International tourism inbound receipts (inbound US\$, millions)	\$742.2M	\$411.6M
T&T industry GDP, US\$ million	\$811.3M	\$318.4M
T&T industry GDP, % of total GDP	3.1%	1.6%
T&T industry Employment, 1,000 jobs	119	115
T&T industry Share of Employment, % of total employment	1.9%	1.8%
Domestic T&T spending, % of internal T&T spending	46.9	44.6%

Source: World Economic Forum Travel and Tourism Development Index 2021 Report (WEF TTDI 2021)

8. The sector’s environmental contributions in keeping large scale ecosystems intact is substantial. Managing the major tourism asset - the wildlife and their habitat of miombo forests and sub-Saharan tropical forests - the tourism sector helps to conserve natural forests from conversion and to maintain the GHG sink in the country. Zambia, with especially a vast protected area estate (38 percent of the country), has pioneered with Collaborative Management Partnerships (CMP) to improve technical and financial resource deficit in managing the protected areas to achieve better conservation outcomes¹⁸. The conservation of Zambian wildlife supports the global biodiversity conservation goals, including the protection of the nine globally threatened species and about 100 species of Palearctic migrant species. Locally, the

¹² Protected areas comprise 20 National Parks, 36 Game Management Areas, 432 Forest Reserves, and others that cover nearly 40% of the land.

¹³ These figures are estimated higher - 7 and 7.2 percent respectively - according to WTTC (2019) Zambia 2020 Annual Research: Key Highlights.

¹⁴ The World Bank (2011). What will it take for Zambia’s tourism industry to achieve its potential?

¹⁵ The World Bank (2021). Op. Cit.; an earlier study had calculated the ‘tourism multiplier’ to be 2.1 - i.e., USD1,100 spent by a nature-tourist generating nearly USD2,300 in GDP (The World Bank, 2007. Zambia Economic and Poverty Impact of Nature-based Tourism).

¹⁶ 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 et al (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 Volume 182.

¹⁷ The World Bank (2021). Assessing the Economic Impact of Tourism in Protected Areas on Local Economies in Zambia

¹⁸ See Baghai et al (2021). Analysis of Collaborative Management Partnerships in Zambia, Diagnostic Report.

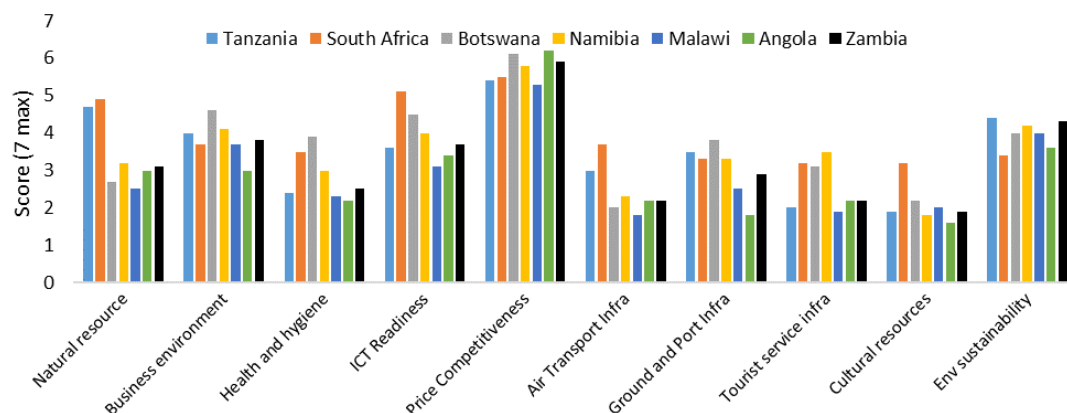


improved ecological integrity of ecosystems is increasing the resilience against weather events such as flash floods and longer-term changes in hydrology - protecting human settlements and food security for todays and future generations.

9. **The social contributions include provision of opportunities in the rural areas to mitigate poverty and improve collective organization for self-agency.** Through wage employment, tourism provides cash income earning opportunities, helping to mitigate poverty prevalence in remote communities. Furthermore, backward linkage sectors that are supplying local goods also generate formal and informal employment and income. In addition, most NBT are found to support communities through providing community education, sensitization and projects relating to environmental management¹⁹. Another social contribution is building collective organization through empowerment of community-based groups to manage natural resources, strive for entrepreneurship, and nurture self-agency. Finally, with the general level of development in the community, access to basic services such as improved physical access and access to power, network, improved school and clinic for the communities may increase.

10. **Relative to regional neighbors, Zambia fares strong in environmental sustainability and price competitiveness while weaker in tourist service infrastructure, air transport etc.** Zambia’s iconic Victoria Falls helps to appeal as the Guardian of the Zambezi and other waterbodies. Zambia’s tourism underperforms compared to neighboring competitors - trailing behind in ICT, hygiene, air travel (Figure 1).

Figure 1: WEF Travel & Tourism Development Index 2021: Scores per category across the region.



Key challenges facing the sector in the country

11. **Prior to the Covid-19 pandemic, Zambia experienced a decade of growth in arrivals and international receipts²⁰. COVID19 negatively affected that trend similar to other countries; but recovery shows slower signs in Zambia.** The country has seen international tourism inbound receipts fall from \$742.2M in 2019 to \$411.6M in 2021 as well as a drop in the share of travel and tourism’s percentage share of GDP and share of total employment (Table 1 above). The pandemic undermined not only the entire economies and the tourism sector businesses but also affected the well-being and livelihoods of employees and local communities. While such negative impact was seen globally and regionally, the 2020-2021 recovery trend shows Zambia is falling behind (Figure 2). As noted by the World Economic Forum Travel and Tourism

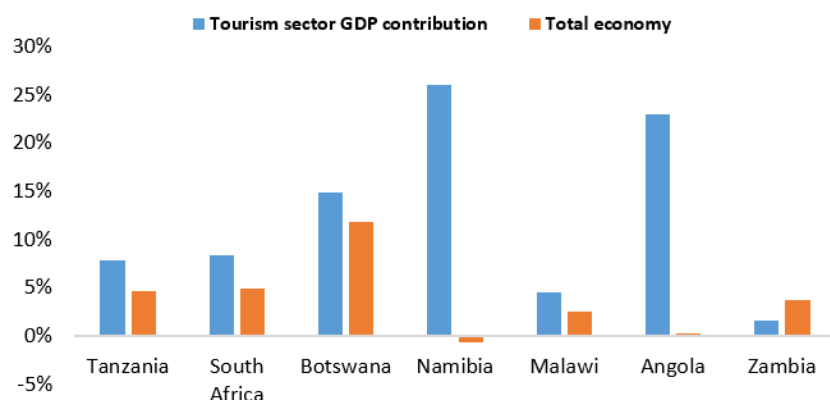
¹⁹ ANBTP 2022. Country Summary Report Zambia. African Nature Based Tourism Platform.

²⁰ World Bank data accessed January 2022. <https://data.worldbank.org/indicator/ST.INT.ARVL?locations=ZM>



Development Index 2021 Report, the sector recovery from the pandemic should critically aim to enhance inclusivity, sustainability and resilience.

Figure 2: Percent change in GDP from 2020 to 2021



Source: WTTC 2022.

12. Despite great endowment, Zambia’s Travel and Tourism Development Index (TTDI) shows many weaknesses in competitiveness, sustainability, and inclusiveness.

While the TTDI ranked Zambia’s Natural Resource attribute as 38th among 140 countries in 2021 (Table 2), other attributes such as human resources and labor, air transport and infrastructure, health and hygiene brought the overall Zambia tourism rank down to 98th. In the region, prior to pandemic, Zambia’s share of international tourist arrivals into the region hovered around just 6% in 2016²¹, despite its growing trends. Zambia is largely an “add-on” option for leisure visitors rather than end destination. This is indicated by short stays²². Factors undermining the sector performance include policy gaps, lack of funding, low capacity and data for making better strategies. These factors lead to low tourism product diversity²³, ineffective marketing, poor connectivity, and degradation of wildlife and natural attractions.

Table 2: Zambia Tourism Competitiveness (WEF TTDI 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

²¹ Data from UNWTO. Year 2016 is the latest data available for all five countries (Zambia 1mn, Zimbabwe 2.2mn, Botswana 1.7mn, Namibia 1.6mn, and South Africa 10mn). Similar trends are shown for 2017-2019 where data is available.

²² 2015 MoTA Annual Tourism Statistic Digest, as referred to in ZTMP 2018.

²³ Only 5 of the 20 national parks can be considered to have begun harnessing their tourism potentials, as they account for 95 percent of all tourism activities in the country, according to MoTA (2018) Zambia Tourism Master Plan 2018-2038.



13. Lack of conducive environment to attract investors is at roots of low competitiveness. Risks and costs are high for investors and operators in the sector: cumbersome investment approval processes and licensing procedures, high overhead costs (high corporate tax up to 35% plus license and council fees), lack of good understanding of businesses by the public sector, and risks looming about land tenure. Among many factors, access to financing is a major hurdle, especially for smaller enterprises. Comprising 80% of tourism businesses, Micro, Small and Medium Enterprises (MSMEs) struggle to leverage commercial financing due to high interests and collateral requirements. This has been even more acute in pandemic-stricken crisis: an IFC-funded survey at the end of 2020 with 29 private sector operators found that only about 40% have applied for financing, of which only a quarter had success (i.e., only 10% were able to access financing). Post pandemic, the sector is perceived as more risky than other sectors for lending due to the disproportion impact from the pandemic due to its face-to face nature and thus higher business closures, reduced revenues, and lesser ability to be resilient.

14. Costly and weak connectivity and basic infrastructure impair tourism circuits, constraining tourists' choices and undermining Zambia as an attractive destination. Expensive domestic air travel²⁴, long travel times on poor quality roads, and lack of basic services reduce sightseeing times²⁵ and lead to fewer tourists. This creates a less favorable investment environment. Specifically in air travel, international routes connecting to Zambia's main market (UK and Europe) do not offer direct flights and adds travel time and cost. More importantly, domestic air travel compared to other destinations in the region is costly with only one scheduled airline and the other charter flights being limited. Finally, many airstrips located within the National Parks and Game Management Areas (GMAs) are only accessible during dry months. In road travel, poor quality due to lack of maintenance is a general problem that is more severe in roads within protected areas. The lack of all-weather roads in parks contribute to shorter season in the safari industry²⁶ and severely hampers attracting self-drive visitors. A focused tourism road access and distribution plan is needed²⁷ to connect key tourism sites to main arterials and improve roads within parks so the desired tourism routes can be serviced. In terms of basic services - power, information and communication technology (ICT), water supply, and waste management face challenges. Extending power grid in rural areas is expensive; water is mostly drawn from boreholes, which can be at risk of contamination; and solid waste regulation is only in early stages throughout the country. This impacts the comfort and quality of tourism facilities at attraction areas.

15. Environmental risks persist in key tourism assets with inadequate technical and financial resources in the governance and management regime. The government has relied mainly on donor funding and co-financed partnerships to support protected areas management²⁸. Zambia's protected area system is acutely under-funded with average budget around 10-20 percent of adequate level²⁹. Despite clear advantages of Collaborative Management Partnership (CMP) models for more effective management, negotiation towards CMP are often protracted due to lack of systemic approach to guiding decisions such as revenue retention, law enforcement operation, asset ownership etc³⁰. Zambia's experience with community-based natural resource management (CBNRM) has also seen variable success. While some localities show great success, many more struggle to effectively reconcile development and conservation goals. While many models of

²⁴ MoTA (2018). Op. cit.

²⁵ The World Bank (2011). What will it take for Zambia's tourism industry to achieve its potential?

²⁶ Six-month season between May and November.

²⁷ ZTMP identifies that much of road improvement plans are geared to industrial and agriculture development, as are cross-border linkages that mainly support the mining industry.

²⁸ Effective level of public expenditures is chronically low, with most National Parks depending on international philanthropy while receiving little State budget, despite budgetary allocations increasing (\$17.6 mn in 2021 to \$24.7 mn in 2022).

²⁹ Lindsey et al. (2018). More than \$1 billion needed annually to secure Africa's protected areas with lions. Proceedings of the National Academy of Sciences, 115(45), E10788-E10796.

³⁰ See Baghai et al (2021). Analysis of Collaborative Management Partnerships in Zambia, Diagnostic Report.



management exist, National Parks continue to be affected by mining activities³¹ and more than half of the National Forest estates are affected by encroachment and settlement³². The trade-off in human-wildlife conflict have been shown to reduce crop value by 11-14 percent³³. Failure to mobilize partnership and commitment in stakeholders perpetuates the threats of unsustainable exploitation of natural resources, uncoordinated land and water use activities, and unchecked development primacy over conservation of the natural capital.

16. Realizing the social contributions is slow with local communities unable to fully capitalize on shared responsibilities and benefits from GMAs and tourism. Delays and lack of transparency in generating revenue and benefits have incumbered social development envisioned through community participation in conservation schemes (e.g., as part of Village Action Groups (VAGs), Community Resource Boards (CRBs) and Community Forest Management Groups (CFMGs) and. Spurring qualitative development from jobs and businesses in tourism sector has also been slow: one study found, despite having higher incomes, households with ecotourism employment can have increased vulnerability in time of shocks due to reduced livelihood diversity³⁴. The gender dimension of job opportunities in the NBT sector is also notable with 1:4 ratio of female to male staff. During the pandemic crisis, 70 Zambian NBT enterprises surveyed in 2021³⁵ had 30% staff number reduction; and female staff were more affected (33% versus 26% reduction in male staff). Other cautions about tourism development include³⁶: wage employment providing little opportunity or even disincentivizing further education and skills development; seasonal unemployment destabilizing social and economic wellbeing; business opportunities to non-local investors leading to profit leakage; demotion of community voices in decision-making processes; surge in prices of goods and competition for land; local development plans prioritizing tourism development over basic community needs; inequitable opportunities between and within communities; and potential ramifications on social norm and cultural heritage.

17. Demanding coordination needs across public offices pose a challenge, especially for new agenda such as promoting the green transformation of the economy. Institutionally, a wide range of ministries and agencies overseeing different mandates relevant to tourism creates a challenged environment. For example, the institutional fragmentation overseeing mandates about transport by air, land, and water³⁷ hinders coordinated connectivity at Tourism Destination Area (TDA) level. At TDA level, there is currently no specific body mandated to oversee development. Under the Ministry of Tourism, the Department of National Parks and Wildlife manages the key tourism assets, while tourism development and facilitation is led by Department of Tourism and Zambia Tourism Agency. Furthermore, coordination with other departments also supporting natural resource management (forests and water) have often led to redundancies or gaps in natural resource management and support to communities. Finally, green economy and green growth are new Government aspiration that is led by a nascent department and ministry. Detailed policy directions, technical capacity, as well as institutional organization are all in the early phase that require much development.

³¹ GRZ (2015). National Biodiversity Strategy and Action Plan - listed NPs affected by mining activities: Kafue, Lochnivar, Mweru-Wantipa and Lukusuzi. Today, more are added to the list, including the Lower Zambezi <https://ejatlas.org/conflict/proposed-kangaluwi-copper-mine-in-the-lower-zambezi>.

³² GRZ (2012). The Forest Estate as at 31 December 2011. Forestry Department, Forest Management Unit, MTENR.

³³ Estimation by study conducted in the Lower Zambezi National Park. The World Bank (2021). Op.cit.

³⁴ Snyman (2014). The impact of ecotourism employment on rural household incomes and social welfare in six southern African countries. Tourism and Hospitality Research 0(0)1-16. Zambian site is the South Luangwa National Park. The study found 67% of the Zambian ecotourism sector employees surveyed (South Luangwa) to be 100% dependent on ecotourism salary, and 100% being more than 50% dependent.

³⁵ ANBTP 2022. Op.Cit.

³⁶ See for example, Vansintjan (2018) The Tourism Curse <https://foreignpolicy.com/2018/10/19/the-tourism-curse/>; Mudimba et al (2017) Voices of local communities regarding their involvement and roles in the tourism development process in Victoria Falls, Zimbabwe. African Journal of Hospitality, Tourism and Leisure, Volume 6 (4).

³⁷ Air and waterways under Ministry of Transport and Logistics; roads under Ministry of Infrastructure, Housing and Urban Development; feeder roads under Ministry of Local Government and Rural Development; and roads inside National Parks under Road Development Agency.



18. An immediate challenge for the sector is to rebound from COVID-19 impacts; the Government's impetus for green growth is a timely mandate to push for a greener and more resilient tourism sector. While the world tourism industry was expected to grow at 3.3% per year worldwide and 4.1% in southern African countries between 2010 and 2030, 2020 saw a 28% collapse in international travel. Zambia's tourism and hospitality sector suffered an acute impact: a 2020 survey³⁸ had found 92 percent of the sector respondents reporting at least halved revenue, 63 percent with temporary closure, and 95 percent with changes in employment. The pandemic impacts cut 30% of jobs and 45% of the sector's contribution to the GDP in 2020 from 2019 levels³⁹, with downward trends expected to have worsened in 2021. A 2020 survey⁴⁰ on the financial needs of enterprises found: salaries and livelihood support are the most pressing need for immediate recovery; also purchasing new equipment, machinery, and skills training to make the businesses more resilient and competitive in the long term is a priority. For example, customer preferences to use reliable vehicles and other services require investments to maintain or upgrade.

Existing national and sectoral development strategy

19. The eighth national development plan (8NDP) spanning 2022-2026 is centered on economic diversification and transformation. Underpinned by four pillars of economic competitiveness, environmental sustainability, social inclusion and sustainable governance - the new Government firmly established its direction to support job-rich sectors, pointing to tourism and agriculture; focus on MSMEs to create high income jobs; and drive private sector to lead economic transformation. Specifically for the Strategy dedicated to promote tourism growth, the 8NDP identifies priority to Northern and Southern Circuits, specifically around Kasaba Bay and Liuwa National Park. The tourism sector strategy also identifies *climate resilience tourism infrastructure development* as the first of four named programmes.

20. The diversification and transformation agendas, where tourism fits ideally, are further manifested through the Government's new commitment to green growth. Part of the ongoing strategy development for green growth – aiming for approval in early 2023 - seeks to explore and establish incentive and regulatory schemes to support the improvement of environmental and social performances of economic activities across the board. Moreover, the strategy is to select priority sectors⁴¹ to promote as green economic sector. Tourism with its multi-dimensional contributions to development is well placed to be at the forefront of green growth. Green economy has a low-hanging fruit in nature-based-tourism. The reliance on natural resources is non-consumptive and involves nature-conserving activities; furthermore, its growth is linked to the sustainability of the natural capital and effective cooperation with communities and enterprises. The sector is well-posed to demonstrate the transition and the potential to thrive, where businesses have also expressed desire to improve their bottom lines through more efficient operation to reduce expenses and minimize damage costs.

21. The GRZ tourism sector has a dedicated national policy, master plan, and relevance to other key policies such as those for parks and wildlife and climate change. The 2015 National Tourism Policy, with a vision to make Zambia an exciting and growing destination, aims to raise the country's status as one of top five tourist destinations (arrivals) in sub-Saharan Africa by 2030. The Policy is supported by the Zambia Tourism Master Plan (ZTMP 2018-2038), which elaborates the systematic approach to realizing the vision to create a competitive must-see holiday destination and a regional conference hub. ZTMP presents high level goals aiming for improving the business and investment environment, market

³⁸ Impact Capital Africa (2020). COVID-19 Zambia Survey Inside business: impact & responses.

³⁹ WTTC 2021. Zambia 2021 Annual Research: Key Highlights. World Travel & Tourism Council. <https://wtcc.org/Research/Economic-Impact/moduleId/704/itemId/237/controller/DownloadRequest/action/QuickDownload>

⁴⁰ ANBTP 2022. Op.Cit. (to be updated with Investment Appetite Assessment, forthcoming February 2023).

⁴¹ As of early 2023, the sectors being deliberated are: agriculture and environment; industry and tourism; energy, transport, and manufacturing; social inclusion; and micro-economics and finance.



demand, physical infrastructure, access to services - together with diversifying tourism products especially with ecotourism enterprises and private game ranching, and with restocking of national parks for sustainable wildlife habitats.

22. 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 first concentrating on TDAs in the southern and eastern part of the country to establish strong end destinations, and phasing 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, 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 asset and in nurturing stewards and entrepreneurs are 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 Southern African Development Community (SADC), Zambia - through Ministry of Tourism - has endorsed a regional strategy that includes development of national CMP policies and frameworks in order to better promote and support CMPs for national parks and more types of protected areas.

23. GRZ has the Industrial Development Corporation - under which the Tourism Investment Corporation (TIC) is implementing the Tourism Investment Programme (TIP)⁴². TIC established in 2015 is to initially own tourism assets and raise capital for their development, complementing Government effort to accelerate tourism investments through equity-based partnerships with the private sector. Early 2022, TIC launched the TIP to identify key infrastructure constraints and to facilitate development of enabling infrastructure such as electricity, roads, waters, communication, etc. The current pilot phase focuses on 8 sites⁴³, which the aim to conduct various studies with technical site visits, identifies sector impediments, costs and recommends specific investment to the Ministry of Finance and National Planning⁴⁴. The TIP is overseen by a Multidisciplinary Technical Committee (MTC) comprising multisector representatives⁴⁵ with mandate to ensure coordination in the country's tourism development.

24. GRZ, through the Bank of Zambia, introduced the ZMW 10 billion Targeted Medium-Term Refinancing Facility (TMTRF) in 2020 with the objective of strengthening and enhancing financial sector resilience in the wake of the COVID-19 pandemic. The sectors targeted include the tourism sector, and thus among the beneficiaries are tourism operators across the country in the hospitality, recreation and restaurant sectors. A recent evaluation of the TMTRF found that 80 percent of disbursements under the facility went to individuals/households and not to the targeted sectors. Due to existing structural issues around perceived credit risk to SMEs, the majority of TMTRF funds were used for refinancing existing loans at the expense of new loans⁴⁶. Targeting of key sectors such as tourism under the TMTRF is therefore a key concern.

⁴² In 2015, the Government - upon recommendation by the Ministry of Tourism (MOT) - engaged the Industrial Development Corporation (IDC) to incorporate a special purpose vehicle - the Tourism Development Investment Corporation (TDIC, and in 2019 renamed Tourism Investments Corporation or TIC).

⁴³ (1) Kasaba Bay, Mpulungu District; (2) Ntumbachushi Falls, Kawambwa District; (3) Lumangwe/Kabwelume Falls; (4) Kawambwa/Mporokoso Districts; (5) Kalambo Falls, Mbala District; (6) Kalundu site, Kafue National Park; (7) Katoyana site, Liuwa National Park; and (8) Kwale site, Liuwa National Park.

⁴⁴ Studies will be conducted by recruited firms and include a range of assessments for each site, expected to deliver study findings in Q4 2023 and disseminate them in Q1 2024 through an online database for potential investors and partners. Studies include tourism development feasibility studies and market assessment, site specific surveys and assessment of required infrastructure, and the environmental and social impact assessment (ESIA).

⁴⁵ MoFNP, ZESCO/ZPC, ZAMTEL/INFRATEL, MoT, DNPW, NHCC, ZTA, MoTL, ZAFL, CAA, MIHUD, RDA, MLGRD, MCTI, RDA, MoFEE, ZEMA, MoHA, MoE, REA.

⁴⁶ Centre For Trade Policy and Development, Assessment of the Roll-Out of the Bank of Zambia Targeted Medium-Term Refinancing Facility (TMTRF), 2022.



Relationship to CPF

25. The Zambia Country Partnership Framework (CPF) for the period of FY19-FY23 puts forward an integrated World Bank, IFC, and Multilateral Insurance Guarantee Agency strategy to support Zambia's development as set forth in the 7NDP. The goal of the CPF for the period of FY19-FY23 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 linkages to private sector development in the tourism sector and the project intends to address these issues. The project PDO (see below) is squarely anchored in this CPF goal. The outcomes envisioned to contribute towards the PDO relate to all three CPF focus areas: (1) territorial development especially for the rural; (2) inclusive access to social services; and (3) stronger institutions for governance and management.

26. In particular, the Project would 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 region. The Project, by aiming to incentivize communities and institutions to integrate vulnerability assessments and resilience designs to their activities - will contribute to Objectives 1.2 and 1.3. Although 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 PIU to improve planning and budgeting, fiduciary management, and more ambitiously - aiming to 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.

C. Proposed Development Objective(s)

27. The Project Development Objective (PDO) is "to improve revenue generation, management, tourism access and basic amenities in select tourism destination areas (TDAs) that will contribute to green economy".

Key Results (From PCN)

28. The Project success will be measured by a set of outcome indicators, to be refined throughout preparation. These indicators would measure the following project results (1) improved protected areas management- increase tourism attractions; (2) improved policies, regulations and practices some of the barriers to tourism investment, (3) improved access to finance in the sector increase investment and jobs, (4) better integration of communities with tourism and natural resources economies improve security of livelihoods (5) clarified and well established green standards and incentive schemes in tourism and relevant sectors encourage the stakeholders to avail themselves of the support for transition, and (6) more accessible tourism areas attract more investors.

D. Concept Description

29. **The project will target specific geographical areas as below and their circuit-wide tourism destinations:** All three selected TDAs are identified under the 2018-2038 Zambia Tourism Master Plan as "longer-term" priorities but, the new Government administration has under the recently developed 8th National Development Plan (2022-2026) identified North and West TDAs as priorities where the Government's Tourism Investment Corporation through the Tourism Investment Programme is set to bring public investment. The North-West TDA which includes the source of Zambezi on the other hand is proposed by the Government as key area that addresses imminent threats to the Zambezi River source



through interventions and investment to protect and facilitate future tourism development as well as forest management in the area.

- (a) North TDA: Kasaba Bay in Nsumbu National Park and surrounding areas;
- (b) West TDA: Liuwa Plains National Park and surrounding areas;
- (c) North-West TDA: Source of the Zambezi;
- (d) Other more developed tourism sites in the Southern and Northern Tourism Circuits⁴⁷ - e.g., Lower Zambezi, Mosi-O-Tunya (Livingstone), and Kafue national parks.

30. The project will be organized in three components: (1) Greening Business Development around Destination Assets; (2) Destination Access and Basic Service Infrastructure; and (3) Project Administration and Management.

31. **Component 1. Greening Business Development around Destination Assets. US\$ 13 million.** A Tourism Investment Appetite Assessment is being undertaken to provide inputs into the overall design of this component. Activities under this component include:

(a) Provide matching grants (US\$5.5M) to finance existing and prospective entities (including Micro, Small and Medium Enterprises (MSMEs) and community-owned/partnered enterprises) who are committed to enhancing their impact on nature and the environment: include business models based on improved land use plan, natural resource use practices, or improving energy/resource efficiency⁴⁸. Synergies with similarly focused investment and accelerator programs (e.g. World Wide Fund for Nature (WWF)) will be explored. In addition to MSMEs, the main target group for the matching grant sub-component is the community-based groups (i.e., Community Resource Boards, Village Action Groups, Community Forest Management Group, cooperatives, and other registered organizations and groups to be registered). The matching grant scheme will be designed to engage the existing Collaborative Management Partnerships (these already exist in two of the three targeted areas) in the landscape or new actors (specialized organizations in rural nature-based economy and development, private investors etc.) to partner with and bring the matching capital. A rapid Women in Green Business Assessment will be conducted to ensure that the matching grant is gender sensitive in its design;

(b) Promoting access to finance for green business (US\$3M) through de-risking lending by selected Participating Financial Institutions (PFIs). A PFI readiness assessment will be conducted to identify and finalize eligible PFIs. This activity would also include technical assistance to eligible banks and Micro Finance Institutions (MFIs) to build capacity in better assessing risk and targeting credit to the sector;

(c) Regulatory reform for improved green economy enabling environment (US\$0.5M) including supporting rollout of Single Business Licensing program currently being piloted in Livingstone and other tourism related regulatory reform initiatives. It also includes enhancement of the CMP framework, associated capacity building and institutional support for full operationalization; and Supporting the Department of Green Economy of MoGEE to develop necessary regulation, incentives and technical guidelines (in collaboration with MoT) for promoting and monitoring the greening of the tourism sector.

⁴⁷ The Zambia Tourism Master Plan 2018-2038 has outlined strategies to link Southern and Northern Tourism Circuits (map in Annex 1) in the country, in order to attract more international and domestic visitors in the country and persuade them to stay longer. These strategies, together with assessment of current international travel operators' offer of circuit itineraries, and consultation with sector stakeholders will guide the identification of the most relevant sites.

⁴⁸ forest and wildlife conservation, sustainable NTFP products, climate-smart agriculture products, investment in renewable energy or electric vehicles, waste-to-energy etc.



(d) Innovation, Partnerships and Branding (US\$4.0) will include (i) Supporting the development of multi-stakeholder TDA-level management committees to support the planning, identity and development of TDAs at the local level. This will include the mapping of activities across the TDA and the development of longer-term integrated green financing strategies and instruments; and (ii) Funding MoT/Zambia Tourism Council to work with TDA committees, CMPs and private sector for identity/branding of the three identified Tourism Destination Areas (TDAs) and positioning them in the market with reference to existing national and regional destinations and tourism circuits. This would include the development of destination and site management plans. In this regard, and, as a first step, a market assessment will be undertaken to assess current and potential tourism markets to be targeted to the TDAs and identify product and service preferences to be developed. Projects that meet the needs of the market will be prioritized for support under Component 1(a). Additionally, marketing and capacity building support (in particular collaborative content marketing) will be provided to stakeholders vested in the successful development of the TDAs (Ministry of Tourism including Department of Tourism, Department of National Parks and Wildlife (DNPW) together with the Collaborative Management Partners, and Department of Culture, Ministry of Transport, private sector, Zambia Tourism Council and Aviation, amongst others).

32. **Component 2. Destination Access and Basic Service Infrastructure. US\$ 78.3 million.** This component finances the development/ improvement of key infrastructure serving the TDAs including roads, airports, water supply and telecommunication. The activities will improve the accessibility and fill basic service gaps in the TDAs by: (a) improving all-seasons connectivity through the construction/rehabilitation of roads, bridges, airstrips, and airports facilities to and within TDAs, (b) providing/ upgrading other services (e.g., game loops, interpretative signage, and office/management infrastructure) within TDAs to make destinations more attractive and safer, and (c) providing water supply and telecommunication infrastructure within the TDAs. Sustainability and inclusiveness are integral dimensions of this component: sustainability through ensuring adequate maintenance regimes, improving climate resilience and biodiversity impacts of the infrastructure and services; and inclusion through extending infrastructure/service access as job opportunities to local communities. Each infrastructure financed will aim to meet good environmental and social standards i.e., lower carbon emissions in construction and operation, higher climate resilience, and net-positive (or no-net-loss) outcome to biodiversity.

33. **Component 3. Project Administration and Management. US\$ 8.7 million.** This component comprises activities to administer and manage the Project: planning, financial management, audits, procurement, safeguards, M&E, reporting, communications, coordinating with the stakeholders, basic training of activity implementing teams and beneficiaries, and mobilizing technical specialists for specific project quality assurance and enhancement especially on the green transition.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	



34. **The environmental risk rating is Substantial.** The project will likely involve activities within and around Zambian Protected Areas Systems (PAS) comprising of National Parks (NPs), Game Management Areas (GMAs), Bird and Wildlife Sanctuaries, National Forests, Local Forests, wetlands of international importance, important bird areas, and possibly heritage sites. The proposed Project activities within these targeted geographical areas may include (i) construction, rehabilitation of key infrastructure including (ii) construction of new and the upgrade of existing roads, park loop roads, road linkages and bridges (iii) upgrading or relocation of existing airstrips (iv) construction of housing, offices and life support infrastructure to improve law enforcement and protection of wildlife and other natural and cultural resources. The likely positive environmental impacts include (v) more land designated as protected areas, environmental restoration activities and biodiversity conservation in project selected areas (vi) protection and preservation of tangible cultural heritage funded by increased tourism revenues (vii) improved landscape aesthetics where tourism offers the potential to improve the appearance and management of GMAs, NPs and Tourism Destination Areas (TDAs) (iv) likely preservation and protection of ecological processes, watersheds, biodiversity and ecosystems.

35. The environmental risks and impacts of the project are likely to be direct, indirect and cumulative (i) land clearance in sensitive areas threatening habitats, migratory corridors, ecosystems, biodiversity, landscape aesthetics, increase in community health and safety risks, localized air and noise pollution, and the generation of all types of waste (ii) increased harvesting of natural resources to supply food and other tangible goods to sustain tourism demand causing resource competition with the local communities, human encroachment into sensitive areas, air pollution due to increased frequency of flights and ground transport; environmental pollution from inadequate disposal of waste of all types arising from the provision of services and; road widening and formation of illegal roads leading to habitat destruction, soil compaction, removal of vegetation; (iii) increased likelihood of road traffic accidents and animal kills associated with improved road access and linkages (iv) cumulative impacts from the project could arise from single or catastrophic events and actions exacerbated by increased density of tourism in sensitive areas e.g. large scale forest fires that could destroy wildlife and habitats, slow and incremental effects of pollution on protected areas, increased air and road travel contributing to global climate change, land use change resulting in habitat fragmentation throughout the project sites, changes in water flows and water quality over a large geographical area, increased sediment and contaminant runoff from multiple sources into pristine water courses, direct mortality from multiple road kills, spread or exacerbate the spread of invasive species and increase air pollution.

36. The social risks and impacts associated with the project activities have potential to disrupt livelihoods tied to land usage thus affecting economics of agriculture in communities, including changes in food security for affected households and limited access to natural resources. Social exclusion is also envisaged as a risk. There is a risk of elite capture, with some stakeholders (such as people living with disabilities, marginalized women, the young and the elderly) may not be actively engaged or participate in project activities. Furthermore, existing social and cultural norms may contribute to limited participation of women during community consultations. Planned construction activities will result in influx of workers to project areas leading to constraints in local service provision, increased incidents of sexual exploitation and transmission of non-communicable diseases (NCD)



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