

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

Report No.: PIDC25

Project Name	Tunisia: Ecotourism and Conservation of Desert Biodiversity (P120561)
Region	MIDDLE EAST AND NORTH AFRICA
Country	Tunisia
Sector(s)	Public administration- Agriculture, fishing and forestry (50%), General agriculture, fishing and forestry sector (50%)
Lending Instrument	Specific Investment Loan
Project ID	P120561
Focal Area	Biodiversity
Borrower(s)	Government of Tunisia
Implementing Agency	Ministry of Agriculture and Environment
Environmental Category	B-Partial Assessment
Date PID Prepared	29-Nov-2011
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Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

The tourism sector remains a significant force in the Tunisian economy, particularly in terms of employment generation. The sector contributes 7 percent of GDP (2008), generates 17 percent of total foreign exchange revenues and employs around 380,000 people (95,000 directly), representing around 10 percent of the active population. In addition, tourism constitutes the most productive activity in terms revenues for municipalities, which can be channeled into local investments. The creation of sustainable and inclusive livelihood opportunities is more important than ever before, in the wake of the recent sociopolitical events in the country. Tunisia still has a relatively high unemployment rate at 14.7 percent (which was more than double the 6.4 percent for all middle income countries in 2008). The overall rate masks a striking divergence by age, with younger groups of the labor force being more affected. There also remain important gaps between the more affluent coastal areas and the interior regions of the country.

Tunisia receives over 7 million tourists per year, mainly seasonal tourists from Europe (France, Germany, Italy, United Kingdom), with some contribution from the Maghreb market. Mass beach tourism constitutes by far the bulk of tourism activity and capacity (around 90 percent). Most of the tourism products in Tunisia are directed towards "all inclusive" high-volume, low-value tourism in coastal areas, making little or no use of the significant cultural, historical, and natural resources that the country has to offer, and without any linkages to the local communities. Tunisia's large potential for tourism in the desert and rural areas of the interior has not been realized. Tunisia has created a large number of protected areas (PAs) in the interior of the country, but these are scarcely utilized and underdeveloped for visitors. A number of reasons have been identified such as the absence of concrete product conceptualization in these areas, low capacity of tour operators, unclear administrative and regulatory procedures and incentive systems, weak coordination between the different regulatory authorities, and a lack of financing. The incentives for investment in different regions and in innovative products have not succeeded in unlocking the potential of these new products.

At the same time, Tunisia's desert ecosystems are home to a rich biodiversity of unique and highly adapted species of global significance, especially in protected areas. According to the IUCN Red List, such species include the Sand cat (*Felis margarita*) (near threatened), Houbara Bustard (*Chlamydotis undulata*) (vulnerable), Scimitar-horned Oryx (*Oryx dammah*) (extinct in the wild), Dorcas Gazelle (*Gazella dorcas*) (vulnerable), Cuvier's Gazelle (*Gazella cuvieri*) (endangered) and Barbary Sheep (*Ammotragus lervia*) (vulnerable). In an agro-ecological context native species possess valuable drought and heat resistant properties, such as Tamarix, *Thymelia hirsuta*, and *Retama raetam*. However, biodiversity is currently under threat from habitat encroachment, overexploitation of natural resources, as well as poaching and illegal collection, even within protected areas, which lack enforcement capacity on the one hand, and community involvement and awareness on the other.

Tunisia's desert ecosystems also have a high potential for meeting tourism diversification needs through an ecotourism model linked with biodiversity protection in managed protected areas. Tunisia's arid ecosystems provide an opportunity for sustainable tourism that is specific to deserts, taking into account their special characteristics, their fragility, and their diversity of natural, human, and cultural resources. In its 2009 Study on the Strategic Development of Ecotourism in Tunisia, the Ministry of Agriculture and Environment (MAE), has mapped out potential ecotourism "circuits" built around protected areas and linking in the rich cultural and historical sites of desert areas. The vulnerability of desert biodiversity and ecosystems to anthropogenic pressures cannot be emphasized enough, and so the creation of an ecotourism model emphasizing low volume but high value tourists combined with

the development of ecotourism activities for the local population would represent an optimal fit for the sustainable development of these areas, with associated biodiversity conservation benefits.

The development of ecotourism activities in Tunisia's desert areas could provide concrete revenue opportunities for local populations, engendering a model in which desert ecosystem integrity is intrinsically linked with socioeconomic benefits flowing to communities. This suggests that the reinforcement of protected areas in Tunisia through needed investments and improved management, with the full participation of adjacent communities, and involvement of the private sector, could contribute to the objective of conserving sensitive biodiversity by improving desert livelihoods through enhanced provision of ecosystem services for the development of ecotourism. Such an approach would also provide opportunities to promote both traditional and innovative land and natural resource management practices within adjacent agro-ecosystems, thus preserving the adaptive response capacity of local communities. Furthermore, the creation of appropriate regulatory and financial incentive mechanisms for the development of ecotourism activities would facilitate involvement of the private sector in the establishment of ecotourism ventures and the piloting of management approaches that include community participation.

Sectoral and Institutional Context

The Government is making plans to diversify tourism products from a sole mass beach tourism model in order to continue to deliver sustainable growth and job creation in the sector, as well as spread benefits more evenly to the interior of the country. In the formulation process for the upcoming 2016 National Tourism Strategy, the Ministry of Tourism prepared a comprehensive diagnostic of the tourism sector, which resulted in the identification of key strengths and weaknesses. The main weaknesses identified include: (i) the nature and seasonality of the tourism product, implying a lack of diversification and capitalization on additional employment and revenue potentials; (ii) the declining quality of the current product, especially in terms of aging mass accommodation infrastructure and the critical financial situation of certain ventures; (iii) the lack of capacity in terms of available training opportunities, contributing to the declining quality of services; and (iv) the need to move away from the mass beach tourism image and tap into the breadth of regional identities, with a related need to revamp marketing strategies. The Strategy also lays out five priority axes for action: (a) diversification and innovation in tourism products offered; (b) promotion and marketing; (c) institutional framework; (d) restructuring sector finances; and (e) tourism web compatibility. Within the diversification axis, the following targets have been identified: (i) developing the "Jasmin" quality certification; (ii) encouraging the promotion of innovation; (iii) diversifying the types of tourism accommodation; and (iv) reinforcing the diversification of products offered.

Meanwhile, since 2007, 20 new protected areas have been created in Tunisia, including 9 national parks and 11 natural reserves. Protected areas in Tunisia now total 44 terrestrial areas and 5 marine and coastal areas that represent 7 percent of the total national area. It should be noted that many of the Red List species mentioned above are found predominantly - and in some cases only - in the protected areas, and are overgrazed or hunted outside of these areas. The national vision is to create a "protected areas network", rather than concentrating only on a few areas for ecotourism development and creating a potential imbalance between areas. Such a network would require contributions from different partners and donors, and activities should be complementary, including those of the proposed project. The network would thus contribute to a harmonization of activities between different government bodies and their financial and technical partners. Along these lines, the proposed project will collaborate and coordinate its approach with the French Development Agency-led (AFD) project in Chaambi National Park (financed by the French Global Environment Fund and Monaco), particularly with respect to the reinforcement of the legal and institutional frameworks for ecotourism development, and the International Finance Corporation (IFC).

However, Tunisia's protected areas often lack up to date, implementable, and enforceable management plans, as well as sustainable financing for the day-to-day running of the parks and the establishment of needed infrastructure. In terms of financing, the annual budget from the central Government for protected areas is currently defined as a percentage of the responsible ministry's budget (General Directorate for Forests in the Ministry of Agriculture and Environment), and not according to the specific management needs of each protected area. The legal status of older PAs does not permit collection of entrance fees at all, and even for new PAs the fees are very limited, limiting revenue-generating possibilities. There is also a high administrative burden for potential visitors, who are required to apply for a government authorization to spend the night in a PA. And if they do arrive at the PA, they typically find a lack of adequate lodging, sanitation facilities, food and water, and signage. Management options based on concessions or co-management by the private sector or NGOs are currently excluded by law for older PAs (law Â§2005-13, January 26, 2005 on concessions for land and equipment not yet officially adopted). These constraints have resulted in very few ecotourism products or services being developed around protected areas, with tour operators thus often neglecting to include national parks in their circuits. Other sustainable financing options as a national environment foundation or payment for ecosystem services (PES) have not yet be taken into account by the Government.

Adjacent communities are not currently involved in the decision making and management process for national parks. They receive no tangible benefits from the PAs and do not have the knowledge or resources to establish related income-generating projects (e.g. ecotourism projects) to supplement their revenue as compensation. The possibility of local community integration in terms of the use of protected areas (including co-management, concessions, partnerships, right to cross the protected area by use of indicated roads, etc.) is not yet included in a regulatory framework. These factors create a certain level of misunderstanding and frustration about protected areas among local communities, as demonstrated by the destruction of some national park fences during the recent events in Tunisia.

The current institutional and regulatory framework does not optimally foster ecotourism development. A lack of common vision between key players and the absence of a "spearheading" institution with coordination mechanisms, coupled with weak incentives

for the private sector to initiate start-up investments in ecotourism, hinders the development of this new product. Communication and streamlined actions among key actors represents a vital element for the success of ecotourism development, particularly during the initial years. Furthermore, the absence of a clear legal status for ecotourism providers can make interactions between private sector entrepreneurs and banks difficult in terms of applying for loans and credits. For example, the existing legislation (Â§2007-457, March 6, 2007) allows for new accommodation categories, without including a specific classification for ecolodges. This lack of recognition of true ecotourism providers can also lead to issues of "green washing."

Relationship to CAS

The proposed project is inscribed within the 2009-2013 Country Partnership Strategy (CPS), responding to the objectives of Pillar 1 "Growth, competitiveness and employment," specifically Results Area 2 "Improving Employability", and Pillar 2 "Sustainable development and climate change," specifically Results Area 3 "Strengthening Environment and Natural Resource Management".

Under the Governance and Opportunity Development Policy Loan (DPL) to the Government of Tunisia signed in June, 2011, one of the reform measures identified is improving services to businesses and citizens through the simplification of formalities and improvement of transparency. The tourism sector in particular has been selected to anchor the credibility of the process with substantial results to be reached within six months. This will include taking stock, mapping, reviewing and streamlining current regulatory and administrative procedures related to business entry and/or operation in the tourism sector. Procedures that will be reviewed in priority include those that are most burdensome on the private sector, as well as the ones that constitute key bottlenecks in the "niche" or "anchor" areas, to ensure that the regulatory simplification reinforces technical assistance provided in other aspects of tourism sector competitiveness. This will also involve the design and implementation of a "pilot anchor tourism investment project" outside of the coastal areas. The proposed project will benefit from tight collaboration with the IFC, which is leading this initiative, particularly in terms of activities related to institutional and regulatory framework revision, private sector engagement, and piloting of investments in the new environment.

As one of the projects under the ongoing MENARID Program, the proposed project also has linkages to the upcoming Middle East and North Africa Desert Ecosystems and Livelihoods Program (MENA-DELP), a World Bank-Global Environment Facility (GEF) partnership. MENA-DELP participating countries are Algeria, Egypt, Jordan, and Morocco. The MENA-DELP objective is to contribute to the enhancement of livelihoods in desert ecosystems by harnessing their value in an environmentally and socially sustainable manner, so that the flow of desert goods and services can be optimized. This goal includes the (i) enhancement of desert livelihoods; (ii) improvement in the management of production systems; (iii) conservation of desert biodiversity; and (iv) development of enabling policy frameworks to ensure the success and sustainability of these endeavors. To address these issues, MENA-DELP activities focus on developing investment opportunities that manage desert ecosystem goods and services to promote income generation, create new economic opportunities, and facilitate knowledge sharing among projects.

II. Proposed Global Environmental Objective(s)

Proposed Global Environmental Objective(s)

The Proposed Development Objective is to contribute to the conservation of desert biodiversity and the sustainability of desert lands by piloting an improved approach to protected areas management that integrates ecotourism development and community engagement.

Key Results

The project's proposed key performance indicators for monitoring and evaluation include:

- (i) Increased numbers of key indicator species of flora and fauna in the target areas;
- (ii) Number of protected area management plans prepared/implemented with community participation;
- (iii) Number of new ecotourism and protected areas management-related jobs in the project area; and
- (iv) Increase in number/value of ecotourism visits to protected areas.

III. Preliminary Description

Concept Description

The project will pilot a first sustainable approach to ecotourism as a means to promote environmental, financial and social opportunities in Tunisia with view to upscale this model at a later time. It aims to reduce and reverse the degradation of Tunisia's natural capital by integrating conservation of desert biodiversity and desert lands at all levels of ecotourism development, to initiate the generation of local employment and revenue streams that would serve as an incentive for community and private sector engagement, and to improve the management of desert protected areas.

Serving as a model, the project implementation will be centered on protected areas and their immediate environment (including typical agricultural and pastoral systems) located in the desert regions of the country, and will be selected among the Governorates of Gabes, Tataouine, and Medenine (South-East region) and Tozeur, Gafsa and Kebili (South-West region). The choice of the protected areas will be based on a short-list using specific eligibility criteria defined by the steering committee (e.g. the existence of significant biodiversity after IUCN classification, the location within existing tourist circuits, the ecotourism potential, appropriateness for replication, etc). Not more than three protected areas will be chosen out of this short-list and further analyzed for project use. Candidate protected areas for the short-list process include: Dghoumes National Park, Jbil National Park, Sidi Toui National Park, Bou Hedma National Park (Gafsa Governorate), and Chaambi National Park (Kasserine Governorate - supported by AfD), among others. Project target groups will mainly consist of adjacent communities, park staff, and private sector tourism entrepreneurs operating in these areas.

Component 1: Strengthen public capacity and services. (total estimated cost \$4.97m; GEF \$ 2.37m; IFC \$0.25m; Government \$0.75 M; AfD \$1.6M). This component will contribute to professionalizing the management of PAs, and investment opportunities for ecotourism circuits while supporting IFC activities in mapping and strengthening the institutional and regulatory framework necessary to support ecotourism development. It will support an improved management of targeted protected areas and their immediate environment, taking into account their specific characteristics as arid ecosystems. The main activities in this component would include: (i) the updating/development and implementation of participatory PA management plans, in consultation with MAE and MOT technicians, local authorities, tourism operators and local communities for approximately 2-3 PAs chosen during a site selection process based on the short list; (ii) physical investments within targeted PAs focused on ecotourism development, as for example the construction and equipping of eco-museums and visitor centers, ecotourism circuits (including signs, tracks, vista points, etc.), water and sanitation facilities, and necessary access infrastructure around the parks, as identified in the PA management plans; (iii) training for ministerial and parks staff to increase their understanding of ecotourism, community engagement, and the contribution they can make to sustainable PA management; and (iii) strengthening sustainable natural resource management practices and techniques (including soil and water conservation measures) within and around the PAs.

IFC activities under this component will consist of two main parts. Part I: Diagnostics and Assessments will include (a) mapping/ assessing the current legal/regulatory framework in place, (b) reviewing/assessing institutional roles and responsibilities and identifying gaps/overlaps, (c) confirming and validating the assessment with the private and the public sector through workshops, (d) producing recommendations that would inform the design of a framework for attracting sustainable private investment, including improved regulations, incentives, and transparent processes for securing investments. Part II: Design and Implementation of Reforms will include (a) drafting legal/policy/regulatory documents affecting ecotourism and amendments to laws to implement reforms; (b) drafting inter-institutional MOUs, and decrees if required to resolve, clarify and integrate the different regulatory responsibilities, mandates and jurisdictions of the relevant institutions, and (c) capacity building workshops/training on the new regulations/standards as required.

In line with the improved sustainable financing for Tunisia's protected areas through ecotourism development, this component could help to define other sustainable future finance options for protected areas (e.g. REDD+, biodiversity foundation for protected areas) and mechanisms for protected area and ecotourism management (e.g. private sector arm of conservation institution), in addition to the national budget.

Component 2: Mobilizing community and private sector partnerships. (total estimated cost \$2.95m; GEF \$1.6m; IFC \$0.2m; Government \$0.75m; AfD \$0.4m). This component will initiate an understanding of ecotourism among local communities and the private sector and support their set-up of ecotourism businesses with specific products for the national and international tourism market. It will support the creation of ecotourism development opportunities for local communities and the private sector while at the same time ensuring compliance with PA management plans and biodiversity and soil conservation objectives. Activities under this component would include: (i) the creation of employment and revenue opportunities for the local population linked to ecotourism, including (a) posts within the protected areas (eco-guards, workforce, etc.), and (b) revenue generating activities linked to ecotourism (accommodation, handicrafts, local products and services, local associations promoting traditional practices and products, agrotourism, etc.); (ii) capacity building for local communities and the private sector in ecotourism development linked to PA management, including training in the areas of ecotourism and natural resource management, training of eco-guides within the local population and PA managers, environmental sensitization for local communities, and study tours and exchange visits aimed at assimilating best practices; (iii) a tailor-made promotion and communication strategy for this project including transparent communications for the choice of the selected ecotourism sites, dissemination activities concerning the vision of ecotourism as well as project goals, and an information campaign for international tour operators operating in ecotourism; and (iv) supporting public-private-partnership (PPP) initiatives through the introduction of incentive frameworks, financial mechanisms and ecotourism concessions for the private sector with a view to encouraging investment in ecotourism development, namely the creation and promotion of ecolodges, circuits, etc.

IFC work in terms of investment generation activities under this component will consist of two main parts. Part I: Assessments of

Pilot Anchor Projects will include (a) mapping, assessing and selecting greenfield sites that have been short-listed for investment generation (conduct site assessment visits), and (b) conducting an investor survey to confirm investor interest and provide market intelligence. Part II: Investment Facilitation will include (a) producing brief pre-feasibility studies for select projects, (b) assisting the client to promote the identified opportunities to potential investors, (c) assisting in the development of the necessary information and materials and the presentation of the opportunities to potential investors at an investor conference or through a road show, and (d) should sufficient investor interest be generated, assisting in the tendering out of a test project, using the regulatory framework already developed.

Component 3: Project Management and M&E. (total estimated cost US\$0.8m; GEF US\$0.3m; Government \$0.5m). This component would support the establishment and operationalization of the Project Management Unit, through the provision of goods, works, equipment, consultant services (training, study tours), and incremental operating costs, associated with the management, implementation, M&E and audits for the proposed project.

It should be noted that the proposed activities within each of the components will be further refined following the completion of the project preparation study for which procurement processes are currently underway. It should also be noted that a participatory approach will be sought in the preparation and implementation of the protected areas management plans, the implementation of project investments, as well as in project M&E.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	X		
Natural Habitats OP/BP 4.04			X
Forests OP/BP 4.36		X	
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11			X
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12			X
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	

V. Tentative financing

Financing Source	Amount
BORROWER/RECIPIENT	2.00
Global Environment Facility (GEF)	4.27
FRANCE French Agency for Development	2.00
International Finance Corporation (IFC)	0.45
Total	8.72

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