Forest Investment Plan (FIP) In Mozambique

Investment Plan DRAFT

Version 3.1

UT-REDD, MITADER

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List of abbreviations and acronyms

AAC	Annual Allowable Cut
ANAC	National Administration of Conservation Areas (*Administração Nacional de Áreas de Conservação*)
AQUA	National Agency for Environmental Quality Control (*Agência Nacional para o Controlo de Qualidade Ambiental*)
CDS-ZC	Centre for Sustainable Development in Coastal Zones (*Centro de Desenvolvimento Sustentável para as Zonas Costeiras*)
CEAGRE	Centre of Studies for Agriculture and Natural Resource Management (*Centro de Estudos de Agricultura e Gestão de Recursos Naturais*)
CENACARTA	National Cartography and Remote Sensing Centre (*Centro Nacional de Cartografia e Teledetecção*)
CONDES	Council of Sustainable Development (*Conselho Nacional de Desenvolvimento Sustentável*)
COP	Conference of Parties
CSO	Civil Society Organization
CTR	Technical Review Committee
DGM	Dedicated Grant Mechanism for Local Communities
DINAF	National Forest Directorate (*Direcção Nacional de Florestas*)
DNTF	National Directorate of Land and Forestry (*Direcção Nacional de Terras e Florestas*)
DUAT	Land Use Rights (*Direito de Uso e Aproveitamento de Terra*)
EIA	Environmental Investigation Agency
FAEF	Faculty of Agronomy and Forest Engineering (Faculdade de Agronomia e Engenharia Florestal)
FAO	Food and Agriculture Organization of the United Nations
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Program
FUNAB	National Fund for the Environment (*Fundo Nacional do Ambiente*)
FNDS	Fund for Sustainable Development (*Fundo do Desenvolvimento Sustentavel*)
FUNAE	Energy Fund (*Fundo de Energia*)
GEF	Global Environment Facility
GHG	Greenhouse Gases
GoM	Government of Mozambique
IDA	International Development Association
IFC	International Finance Corporation
IGCC	Interagency Group on Climate Change (*Grupo Interinstitucional para as Mudanças Climáticas*)
IIAM	National Institute for Agriculture Research (*Instituto de Investigação Agrária de Moçambique*)
INDC	Intended Nationally Determined Contribution
INE	National Institute of Statistics (*Instituto Nacional de Estatística*)
INFATEC	Training Institute in Administration of Land and Cartography (*Instituto de Formação em Administração de Terras e Cartografia*)
INFLOR	National Forest Institute (*Instituto Nacional Florestal*)
IP	Investment Plan
IPLC	Indigenous Peoples and Local Communities
JICA	Japan International Cooperation Agency

MASA	Ministry of Agriculture and Food Security (*Ministério da Agricultura e Segurança Alimentar*)
MDB	Multilateral Development Banks
MEF	Ministry of Economy and Finance (*Ministério da Economia e Finanças*)
MICOA	Ministry for the Coordination of Environmental Action (*Ministério para a Coordenação da Acção Ambiental*)
MITADER	Ministry of Land, Environment and Rural Development (*Ministério da Terra, Ambiente e Desenvolvimento Rural*)
MRV	Monitoring, Reporting and Verification
NASCCM	National Adaptation Strategy and Climate Change Mitigation (*Estratégia Nacional de Adaptação e. Mitigação de Mudanças Climáticas*)
NGO	Non-Governmental Organization
NTFP	Non-Timber Forest Products
PCDP	Community Development Program
QNP	Quirimbas National Park
REDD	Reducing Emissions from Deforestation and Forest Degradation
REDD+	Reducing Emissions from Deforestation and Forest Degradation, together with conservation, sustainable management of forests and enhancement of forest carbon stocks
REL/RL	Reference Emissions Level
SESA	Strategic Environmental and Social Assessment
SISFLOF	Forest and Wildlife management information system
SME	Small and Medium Enterprises
UEM	Eduardo Mondlane University
UGFI	International Funds Management Unit (*Unidade de Gestão de Fundos Internacionais*)
UMC	Climate Change Unit (*Unidade de Mudanças Climáticas*)
UN	United Nations
UNCCD	United Nations Convention to Combat Desertification
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UT-REDD+	REDD+ Technical Unit
WWF	World Wide Fund for Nature

FOREST INVESTMENT PROGRAM **Summary of Country Investment Plan**		
1. **Country/Region**:	Mozambique	
2. **FIP Funding Request (in USD million):**	Grant: 10.8M	Loan: 13.2M
3. **National FIP Focal Point**:	Momade Nemane, FIP Coordinator, MITADER, momadenemane@gmail.commailto:momadenemane@gmail.com	
4. **National Implementing Agency** (Coordination of Investment Plan)**:**	Ministry of Land, Environment, and Rural Development (MITADER)	
5. **Involved MDB**	World Bank, IFC, AFDB	
6. **MDB FIP Focal Point and Project/Program Task Team Leader (TTL)**:	Headquarters-FIP Focal Point: World Bank – Gerhard Dieterle, Lead Adviser, gdieterle@worldbank.org IFC –Joyita Mukherjee, Senior Operations Officer, jmukherjee1@ifc.org AFDB – Gareth Phillips, Chief Climate and Green Growth Officer, gphillips@afdb.orgmailto:gphillips@afdb.org	TTL: World Bank – Andre Aquino, Tim Brown, Senior Natural Resources Management Specialists, adeaquino@worldbank.org, tbrown2@worldbank.org IFC – Dieter Fischer, Senior Operations Officer, dfischer@ifc.org AFDB - Olagoke Oladapo, Senior Agro-Economist, o.oladapo@afdb.org

7. **Description of Investment Plan:**

(a) Key challenges related to REDD+ implementation

1. Mozambique has an area of 800,000 km2 and a population of 25 million people. About 51% of the country's territory is covered by forests (40.6 million hectares). The country's deforestation rate is 0.58%/year, and accounts for an annual forest loss of approximately 220,000 ha. Despite rapid recent growth, it is still one of the world's poorest countries, as evidenced by the country's low level of the Human Development Index (178 out of 187 countries in 2014).

2. The major drivers of deforestation and forest degradation occur both within the forest sector and in non-forest sectors. Within the forest sector, the direct causes are unsustainable commercial timber exploration and unsustainable extraction of wood for domestic uses, particularly charcoal. Selective and unsustainable illegal logging leads to the degradation of native forest stands. Forest conversion into agriculture is the dominant driver of deforestation outside of the sector. This is predominantly shifting subsistence cultivation but also includes commercial agricultural expansion and livestock.

(b) Areas of Intervention – sectors and themes

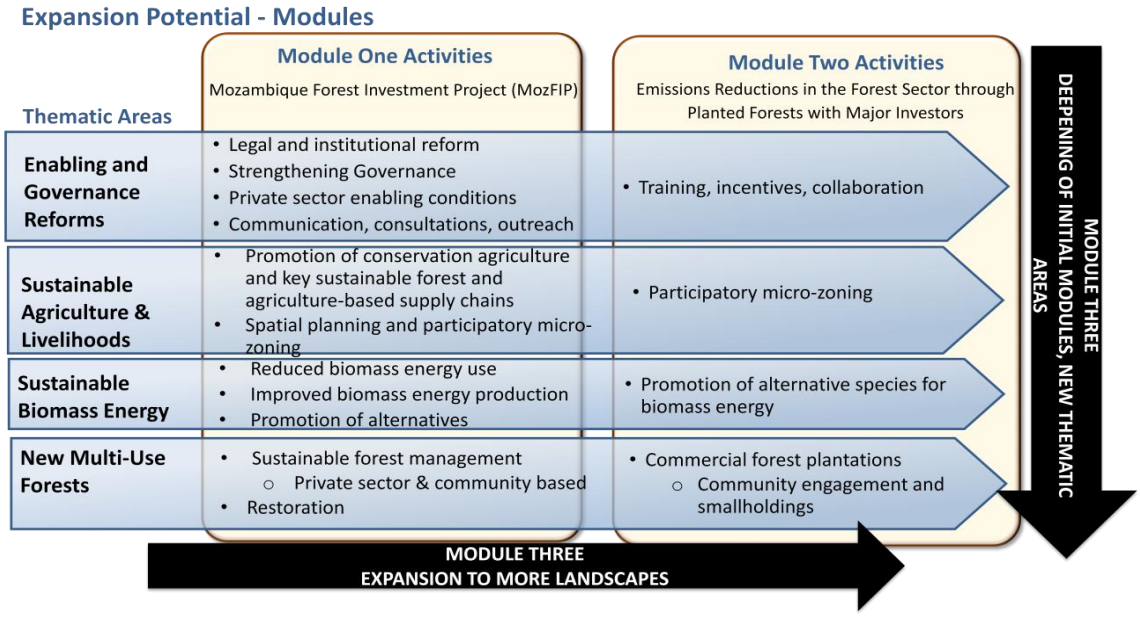
3. The Mozambique FIP Theory of Change is that improving the enabling environment for sustainable forest and agriculture management and investments will promote sustainable forest

and land management practices, contribute to rural livelihood improvements, and support Mozambique's efforts to address the drivers of deforestation and forest degradation.

4. The FIP Investment Plan process in Mozambique is being used to provide a support framework for implementing the country's national REDD+ Strategy, principally via the government's flagship forestry program, "Floresta em Pé". The FIP Investment Plan is thus designed as a large-scale, modular framework for investment both outside and within the forest sector that goes beyond the initial allocation available from the FIP. This represents the country's level of need and the GoM's level of ambition to implement the national REDD+ strategy across the country, including extensive reforms in the forest sector. It prioritizes investment needs, which could be provided by potential development partners and other sources of climate finance, including the Green Climate Fund and bilateral donors. In line with this approach, the Investment Plan acknowledges existing partner-financed efforts and identifies opportunities for collaboration and synergies during implementation.

5. The first two modules will be implemented as **two distinct projects under the FIP**, with different implementation arrangements and drawing on assistance from different MDB partners (World Bank and the IFC). The first project or module consists of national- and landscape-level interventions that aim to reduce emissions and promote rural development, and will be implemented by MITADER with support from the World Bank and a Multi-Donor Trust Fund. The second project or module is focused on leveraging the private sector to link communities to the opportunities provided by major forest sector plantation investment, and will be implemented by the IFC in coordination with the private sector and the Government.

6. Additional modules, focused on new landscapes or additional thematic areas for interventions will therefore fit into the FIP Investment Plan framework, but be financed by new sources of funds to be identified moving forward. These modules will build on policy reform successes to disseminate and replicate efforts to new geographic priority areas, and could address themes in the REDD+ strategy that have not been addressed in the current FIP IP such as conservation areas strengthening or addressing urban expansion. While significant resources have already been dedicated to the Investment Plan, to implement it fully across the entire country would require additional resources of well over 500 million USD.



7. Mozambique's Investment Plan is built on two levels of activity: (i) a national level focusing on policy and legal reform, governance and strengthening of capacity that will create the enabling conditions for change; and (ii) a landscape level focusing on the implementation of activities on the ground in specified geographic landscapes and in particular sectors. Interventions at these two levels are critical for a holistic approach, creating conditions at the national level that allow activities on the ground to generate impacts successfully.

8. The FIP will finance activities in four **thematic areas**:

    a. ***Enabling and Governance Reforms*** particularly focused on strengthening forest governance, and the promotion of private sector sustainability. These reforms are aimed at addressing the drivers of unsustainable commercial timber exploration;

    b. ***Sustainable Agriculture and Livelihoods***, predominantly working with subsistence level farmers to address the important drivers of forest conversion into agriculture;

    c. ***Sustainable Biomass Energy***, with a focus on charcoal users and producers, as well as alternatives to charcoal use; and

    d. ***Establishing New Multi-Purpose Forests***, with natural forest concession operators and community users, as well as commercial forest plantations and their interaction with communities. This final area seeks to balance the needs of commercial development with preserving natural forested areas, while providing communities with incentives to reduce shifting agriculture and unsustainable as well as illegal forest harvesting.

9. The FIP will finance a **landscape approach in two specific landscapes, in Cabo Delgado and Zambezia Provinces** (see Figure 16 - Cabo Delgado Landscape and Figure 17 - Zambezia Landscape) to fully explore the synergies to be brought about across the n ational and landscape levels as well as across sectors, and to demonstrate how to scale up public, private and other resources and activities so as to achieve transformational change.

(c) Expected Outcomes from the Implementation of the Investment Plan

10. The overall transformational impact expected from the FIP in Mozambique is reducing deforestation and forest degradation, while also contributing to improving rural livelihoods in the targeted landscapes.

11. Mozambique's Forest Investment Plan Theory of Change and the transformational impact and benefits are discussed in detail in Section 6. **Enabling and Governance Reforms** aim to revise policies and improve practices to give resource users incentives to improve livelihoods, increase investment, manage land more productively and protect forests. Expected benefits include improved governance and more sustainable forest and land management. Investment climate improvements should contribute to rural economic activity and jobs, as well as resilience and sustainability. Activities in **Sustainable Agriculture and Livelihoods** aim to promote benefits to communities by providing skills, materials and access to new techniques and markets for natural resource products. The transformative impact lies in giving communities the incentives, knowledge and tools to improve landscape management for their own benefit, while also increasing tree cover. Land use planning and delimitation will support participatory micro-zoning of community areas, strengthens local institutional capacity and engages with the private sector over land use rights. Expected benefits include community engagement in improved agricultural and land management, resulting in improved productivity, enhanced ecosystem services, increased tree cover and resilience of the resource base, helping to reduce a key driver of deforestation. Improved planning will increase security of access to and use of resources, increase information flow, and build trust between

government agencies and communities. **Sustainable Biomass Energy** activities will work on the demand side, to support more efficient cookstoves and charcoal making and technology dissemination and on the supply side, to promote community woodlots, improved production, and jobs. Benefits of transforming household energy use include reduced forest deforestation and degradation pressure. **Establishing Multi-Purpose Forests** aims to increase investment in tree planting for local uses, household energy, commerce, and restoration, which can generate local economic opportunities. Benefits to communities will come from engaging in tree planting, timber production, marketing and processing, which will create opportunities for out-growers to diversify livelihoods and increase resilience. Restoration of degraded lands will improve ecosystem functions, habitat viability and social benefits.

8. **Expected Key Results from the Implementation of the Investment Plan (consistent with FIP Results Framework and FIP Core Indicators[1]):**

Result	**Success Indicator**
Category 1: Common themes (to be reported by all pilot countries)	
Theme 1.1: GHG emission reductions or avoidance / enhancement of carbon stocks	a) Million tons CO2eq reduced emissions relative to reference emissions level b) Million tons CO2eq sequestered through natural regeneration, re- and afforestation activities, and other related activities relative to forest reference level
Theme 1.2: Livelihoods co-benefits	Number of people or households directly benefited out of total number of people targeted (Disaggregated by gender)
Category 2: Other relevant co-benefit themes	
Theme 2.1: Biodiversity and other environmental services	FIP Scorecard nº 2.1 provides a qualitative assessment of how FIP interventions have contributed to reduced or avoided loss, or enhancement of biodiversity and other environmental ecosystem services. 1. Reduced forest loss 2. Supported/contributed to country's capacities to conserve biodiversity and other ecosystem services 3. Restored forests and landscapes 4. Improved forest management and climate smart agriculture practices 5. Improved environmental services associated with forests and forest landscapes
Theme 2.2: Governance*	Scorecard 2.2 provides a qualitative assessment of how FIP has contributed to improved legal and regulatory frameworks and their application; institutional arrangements and processes; conflict resolution mechanisms; etc. 1. Consistency of broader development and land use policies in the context of REDD+ 2. Financing incentives and benefits sharing 3. Stakeholder participation 4. Transparency and accountability 5. Stakeholder capacity and action

[1] For core indicators, see Section 9.

	6. Quality of decision making 7. Administration and management of forest resources 8. Cooperation and coordination ** Specific country governance indicators will be defined further nationally through a participatory forest governance assessment to be held in July 2016*
Theme 2. 3: Tenure, rights and access	Scorecard 2.3 provides a qualitative assessment of how FIP has contributed to improving the tenure, resources rights, and access and benefit sharing 1. Establishing measures and mechanisms which ensure the tenure security of forest owners and rights holders 2. Improvement of legal frameworks to protect forest-related property rights and access for all forest stakeholders (including women and local peoples) 3. Strengthen processes and mechanisms for resolving disputes and conflicts over forest tenure and rights, including access and benefit sharing 4. Recognizing customary and traditional rights of forest dependent communities 5. Comprehensiveness and accuracy of documentation and accessibility of information related to forest tenure and rights 6. Encourage the full and active participation of local stakeholders and forest users in the management of and decision-making process for forest use
Theme 2.4: Capacity development	Scorecard 2.4 provides a qualitative assessment of the extent to which FIP helps to build capacity of relevant REDD+ stakeholders to address the drivers of deforestation and forest degradation. 1. Improve the human resources capacities in the forest and related sectors to detect and manage drivers of deforestation and forest degradation 2. Improved technical capacities of stakeholders in forest and land use planning and management 3. Improved cross-sectoral coordination, networking and cooperation 4. Enhanced institutional capabilities to develop and implement forest and forest-relevant policies at the national, regional and local level

9. **Project and Program Concepts under the Investment Plan:**

Project/Program Concept Title	MDB	Requested FIP Amount ($)[2]			Public Sector / Private sector	Expected co-financing ($)	Preparation grant request ($)
		TOTAL	Grant	Loan			
Mozambique Forest Investment Project	WB	22M	8.8M	13.2M	GoM - MITADER	Multi-Donor Trust Fund: $12M International Development Association (IDA)*	-
Emissions Reductions in the Forest Sector through Planted Forests with Major Investors	IFC	2M	2M	0	Private Sector	Private Sector: $1,329,250 Pilot Program for Climate Resilience: $575,000 IFC: $213,116	150.000
TOTAL		24M	10.8M	13.2M		14.1 M	

* The World Bank is assessing the potential to augment the FIP with resources from the International Development Association, which will depend on Mozambique's fiscal situation.

10. **Timeframe** (tentative) – Approval Milestones:

	FIP Sub-Committee Approval	MDB Board Approval	Expected Date of Effectiveness[3]
Project 1:	October 2016	January 2017	February 2017
Project 2:	December 2016	January 2017	January 2017

11. **Link with FCPF and UN-REDD Programme Activities:**

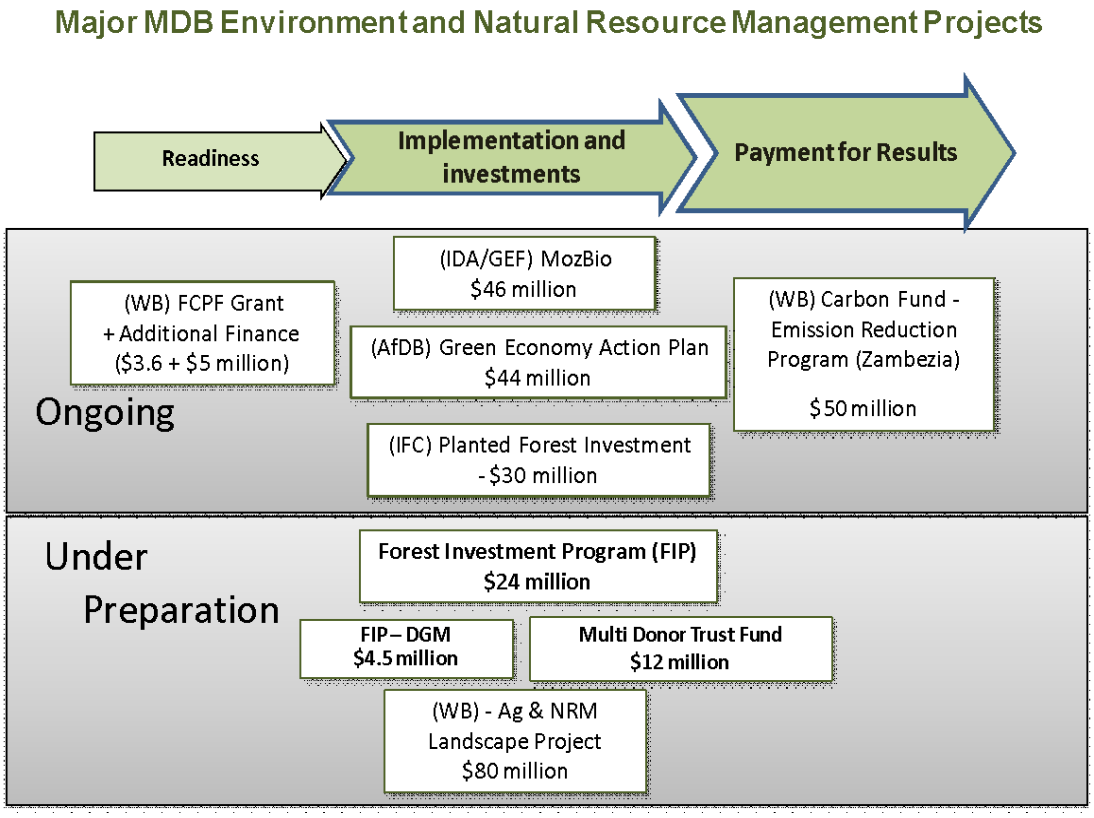
12. Mozambique's REDD+ readiness preparation process has four main components: (i) organization and consultation, (ii) National REDD+ Strategy preparation, (iii) establishment of emissions reference levels and (iv) establishment of a forest monitoring system. The GoM has support from the Forest Carbon Partnership Facility (FCPF) through the World Bank to (i) strengthen the institutional capacity building for the management of REDD+, (ii) promote multi-sector public consultations, and (iii) elaborate the National REDD+ Strategy. The implementation of the reference level and forest monitoring system is partially funded by the Japan International Cooperation Agency (JICA). The GoM is co-funding the work.

13. Mozambique's REDD+ program is moving through a three-phase process, as outlined in the figure below: (1) **readiness** preparation being supported by the FCPF Readiness Fund, JICA and other donors (2) **investment** is financed by the Forest Investment Program (FIP), the related Dedicated Grant Mechanism for Local Communities (DGM), an ongoing IDA/GEF MozBio project, an IDA Agriculture and Natural Resources Landscape Management project (under preparation), Government funds, and several other sources; (3) **Results-Based Payment** to be piloted with financing from the

[2] Includes preparation grant and project/program amount.

[3] Expected date of signature of grant or loan agreement.

FCPF Carbon Fund, which has recently provisionally accepted the Zambezia Integrated Landscape Program into its pipeline. These phases integrally reinforce each other: national policies and strategies developed under readiness support and create the enabling conditions to attract investment (from FIP and other sources). These investments, in turn, enable investments under FIP, which will help to lay the groundwork for changes in practices in the landscape that result in later emissions reductions and the potential for ultimately facilitating performance-based natural resource finance, which contributes to Mozambique's overall development financing.



12. **Other Partners involved in design and implementation of the Investment Plan:**

14. Government of Mozambique entities. Consultations have taken place with a large number of government agencies at the national, provincial, and district levels. Particular mention should be made of the involvement of the Ministry of Land, Environment and Rural Development, Ministry of Agriculture and Food Security, Ministry of Economy and Finance, National Energy Fund, the National Administration for Conservation Areas, and the Fund for Alternative Energies.

15. The FIP Steering Committee. This is a multi-stakeholder, multi-sectoral body which provides technical supervision and design insights into the FIP development and implementation processes.

16. NGOs and Civil Society. A wide range of NGOs, both national and international, have been consulted.

    The FIP Steering Committee includes the International Union for Conservation of Nature, the World Wide Fund for Nature, and the Living Earth Center.

17. Major development partners. Those involved to date have been Sweden, European Union, and Japan. Other development partners have been briefed on the process.

13. **Consultations with Indigenous Peoples and Local Communities:**

18. In line with MDB safeguard policies, Mozambique is not considered to have any indigenous peoples beyond the local communities.

19. Three main regional consultations on the FIP have taken place across the country, with over 400 participants, many of them community leaders. Local organizations and associations have also taken part in these consultations. Further consultations have also taken place at the regional level specifically for the DGM mechanism, with a further 200 participants.

20. In order to obtain final contributions from all of the interested stakeholders, the first draft of the IP was made available for public consultation during the months of February and March 2016. The Plan was made available on the REDD+ website and on MITADER's website and all Mozambican citizens and other stakeholders had the opportunity to comment.

14. **Private Sector Involvement:**

21. AMOMA, the main association representing the timber sector, has been an active participant in the preparation processes, and sits on the national FIP Steering Committee. Several forest plantation companies have also participated actively in the REDD+ process in Mozambique. Specific private sector consultations were held at the national level, and more than 50 private companies were present at the regional consultations.

15. **Other relevant information:**

Section 1: Description of the country and sector context

22. Mozambique has an area of 800,000 km2, and a population of 25 million. The country is richly endowed with natural resources – arable land, forests, fisheries, water and mineral resources. Mozambique's economy has experienced some of the world's fastest growing rates since the end of its devastating civil war in 1992, with an annual average economic growth of around 7.5% in the last decade – largely driven by foreign investments. However, Mozambique continues to face profound development challenges, as rapid growth has not resulted in a significant reduction of poverty. Mozambique is still one of the world's poorest countries with about 54% of the population living below the poverty line. As evidenced by the country's low level of the Human Development Index (178 out of 187 countries in 2014), development challenges include basic health and education services, employment promotion, diversification of income sources and improving food security.

23. Poverty is mostly concentrated in rural areas where many households derive their income from agricultural and forestry-related activities. As Mozambique continues its rapid development based on natural resources such as gas extraction and mining and, to a lesser extent, plantation agriculture and forestry, the challenge going forward will be to develop the nation economically while maintaining the productivity of the resource base upon which most of the population depends directly for their survival— water, forests, soils, and wetlands.

Mozambique's Forest Sector

24. Forests, woodlands and other vegetation types cover approximately 70% of Mozambique's total country surface (See Figure 1 below). The forest cover area is 40.1 million ha (51% of the country) of which 26.9 million ha are categorized as productive forests, suitable for timber production, and 13.2 million ha are conservation areas of which some are under community management. Mozambique's predominant forest ecosystem is the Miombo forest, which is characterized by open woodland dominated by Cesalpinoideae tree species such as Brachystegia, Julbernardia, and Isoberlinia, often associated with a dense grass sward (Byers 2001), which covers about two-thirds of forested land in the country. The Miombo forest provides a variety of biophysical ecosystem goods and services: provision of food, fuel, medicine, construction materials, carbon sequestration and water regulation services. Miombo forests are important reservoirs of above- and below-ground carbon, especially in soils and woody biomass. The above-ground carbon stock of the miombo is estimated to be 110 tCO2/ha (Sitoe et al 2016). The miombo is also an important habitat for a variety of herbivores and carnivores, including large terrestrial mammals, some of which are endemic to Mozambique and others endangered.

25. Mozambique is internationally recognized for its ecological richness and is home to important biodiversity hotspots with high levels of endemism such as Maputaland (coastal forests south of Maputo), the humid evergreen montane forests in the central and northern Mozambique, and the coastal dry forests in northern Mozambique. Other ecosystems include Mopane forests[4] in the semi-arid regions (in the valleys of Limpopo and Zambeze rivers), undifferentiated dry deciduous forests, and sub-humid sub-coastal forests near and on the coasts. Mozambique also has East and Southern Africa's largest mangrove forest, and the second largest mangrove cover area in Africa, covering around 357,000 ha (Sitoe et al 2014). Its extensive coastal mangrove forests and sea grasses are mainly distributed along the coastline in deltas, estuaries and protected shorelines, being concentrated in the northern and central regions. They are known to contain globally significant carbon pools, storing up to five times more carbon than typical upland tropical forests per unit of

[4] Mopane forest is dominated of the tree *Colophospermum mopane* (Caesalpiniaceae). It provides essential goods and services to communities; charcoal, firewood, building materials, fodder, medicinal plants, fruits, food and meat from some animal species.

area. Existing studies indicate that above and below ground biomass values range from 227 tCO2/ha in the miombo, to between from 364-1252 tCO2e/ha in mangroves (Stringer et al. 2015)[5]. On the whole, Mozambique has an estimated 1,692 million metric tons of carbon stocks in living forest biomass (NB All national CO2e numbers are being currently updated with a new national forest inventory in 2016).

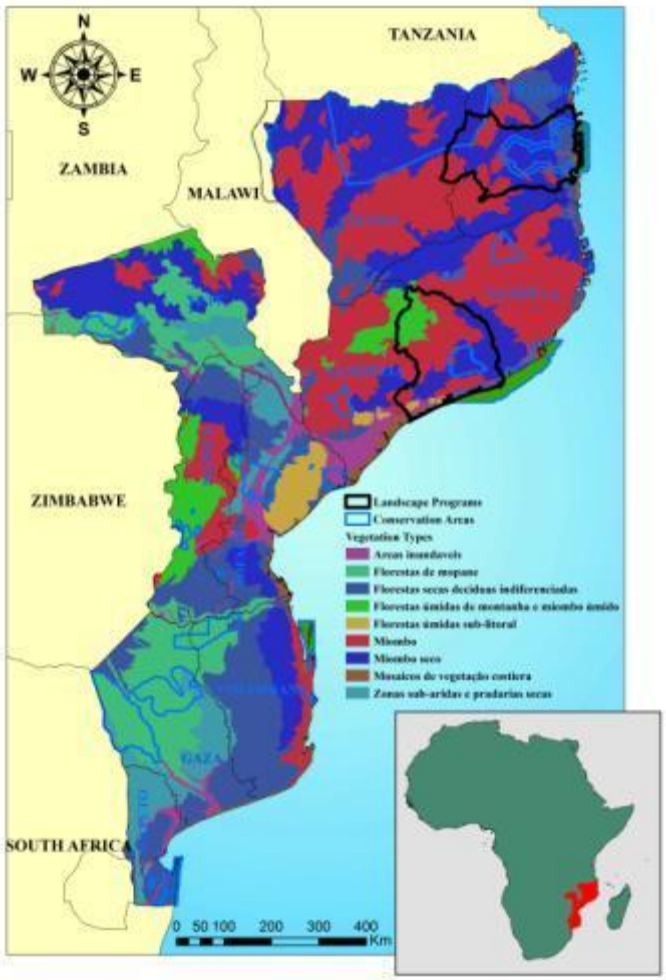


Figure 1- Forests of Mozambique –Ecological Zones

26. Forest-based activities and industries are an **important contributor to the Mozambican economy** and a major source of employment in Mozambique's rural areas. The forest economy contributes to about 2% of Mozambique's GDP. In 2011, this figure was approximately 2.8%, or $330.3 million (FAO, 2011). Twenty-two thousand people are directly employed by the forestry sector (FAO, 2011). These estimations do not account for informal forest-based activities, subsistence use, and unreported activities that include illegal logging operations, all of which likely support a significant rural population.

27. While Mozambique has 118 tree species with commercial value, the industry exports no more than 10 species that are well known in the domestic and international markets. The primary species are Jambire (Milletia stuhlmannii), Chanfuta (Afzelia quanzensis), Umbila (Pterocarpus angolensis), Pau-

[5] Stinger et al calculated total mangrove carbon values, including soil carbon, at between 1368 and 2278 tCO2eq/ha. Since the carbon values for this pools are not available for the other forest types, they have been deducted to produce the figures here.

preto (Dalbergia melanoxylon) and Pau-ferro (Swartzia madagascariensis) (Nhancale et al., 2009). 26.9 million ha, or about 67% of the total forest area, is suitable for timber production, representing a substantial commercial resource. The forests have an estimated total current commercial volume of 123 million m3. The provinces with the largest volumes per hectare are found in the Central and Northern provinces, namely Zambézia (7.7 m3/ha), Cabo Delgado (7.3 m3/ha) and Sofala (7.1 m3/ha).

28. There is no updated forest inventory or AAC estimate in Mozambique. The currently used **annual allowable cut (AAC)** was prepared in 2007 and is thus dated. It establishes quotas for each species, typically broken down by province to inform the provincial forest service of how much of each species it can license. In Mozambique, the AAC is a matter of considerable debate. Little is known about the growth rates of Mozambique's timber species. Some, like mondzo (*Combretum imberbe*), are very slow growing – taking up to 200 years to reach harvestable size while others, like umbila (*Pterocarpus Angolensis*), may take only 60 years. The AAC for the 118 potential timber producing species, including the framework messassa (*Brachystegia*) species, which can account for 50% of the overall harvestable species, had been set at 500,000 m3. In 2005, the AAC was revised based on a new national inventory (see Mackenzie 2007 for details), resulting in a fourfold increase. More recent estimates of the correct level for the AAC range from 515,700 – 640,500 m3 (FAEF – UEM, 2013). The uncertainty around the AAC poses a challenge for sustainable forest management, as the shifting baseline inhibits effective monitoring of the capacity of the forest resource.

29. Apart from the natural forest timber industry, Mozambique has significant potential to develop its production forestry sector through the promotion of small to large-scale commercial plantations. According to the National Reforestation Plan (2009), the Government aims to increase its commercial forest plantation area from the current 60,000 ha to 1 million ha in 2030. Mozambique has ripe conditions for expanding its commercial forestry, including strong political will, an abundance of land suitable for plantations, and a growing timber market. Planted forests have high potential to bring social benefits by generating jobs and increasing rural incomes. They also play a role in landscape restoration and promoting sustainable landscape management through reducing pressure on natural forests and rehabilitating degraded areas. However, some elements in business climate are also impediments to plantation development. These include cumbersome land access, shortage of skilled labor force and investment needs in infrastructure.[6]

30. In the **planted forest sector**, Portucel, a leading company in pulp and paper production, is expected to promote over 200,000 ha of plantations in order to establish a transformative pulp and paper industry in the country that could generate up to 7500 new jobs. The company is taking a landscape, mosaic approach to the plantation, where blocks of planted forests will be intermixed with conservation areas of native Miombo and communal lands to maximize the environmental benefits from such plantations, as well as a community development program that will include outgrower production support schemes. Other companies, based primarily in the central and northern provinces, include Ifloma, Chikweti Forest and Green Resources.

31. Mozambique's **protected area system** plays an important role in forest and biodiversity protection. The system is currently made up of seven National Parks, ten National Reserves, 20 controlled hunting areas (coutadas), more than 50 private game farms (fazendas) and three Community Reserves. These areas contain a wide diversity of habitats, including montane, woodlands, wetland and coastal and marine ecosystems that can contribute to climate change mitigation. When deforestation within and outside of conservation areas is compared, analysis shows that forests remain highly intact within the areas as compared to outside of their borders, demonstrating their potentially significant role in curbing deforestation (see Figure 2 below).

[6] For more information, see *reference to NLTA reports.*

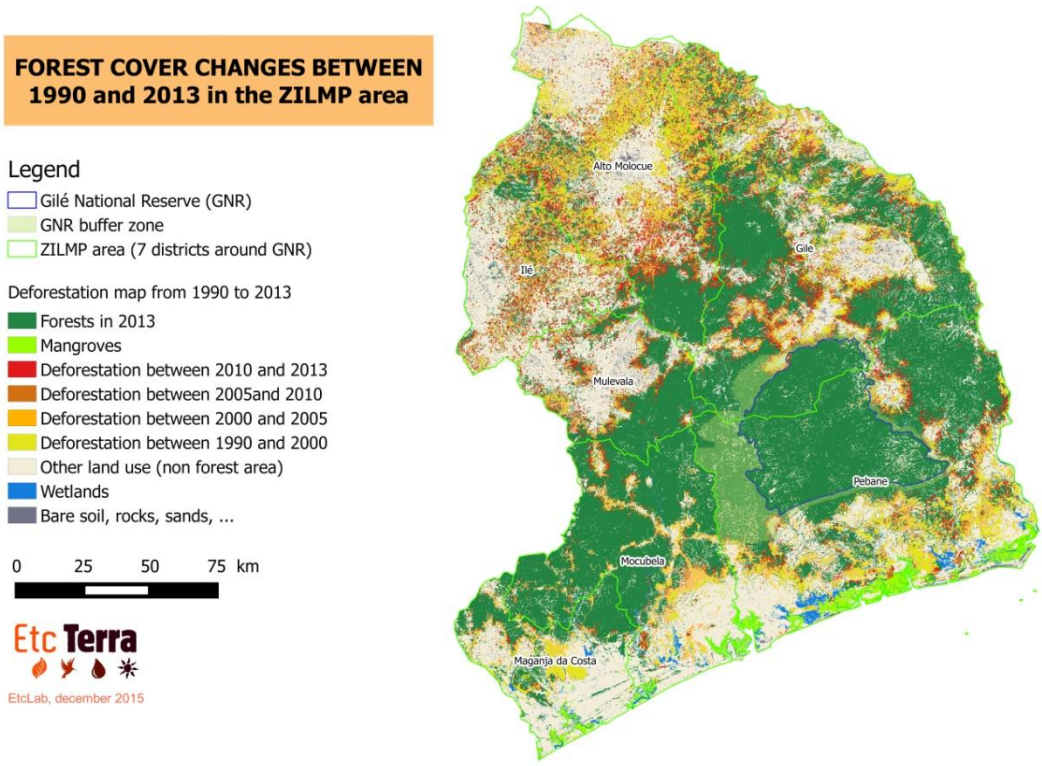


Figure 2- Deforestation rates inside (0.009% p.a) vs. outside (0.61%p.a.) the Gilé National Reserve in Zambezia

Key Drivers of Deforestation and Forest Degradation

32. While boasting rich and diverse forest ecosystems, Mozambique has a high annual deforestation rate of 0.21-0.58%/year. These rates were estimated based on national forest inventories in the periods 1970-1992 and 1992-2002 respectively. This represents an annual loss of 219,000 ha of forest, which signifies emissions of between 6.5 to 13 Mt/CO2 per year. *(NB All national CO2e numbers are being currently updated with a new national forest inventory in 2016).*

33. . The major drivers of forest loss and degradation occur both within the forest sector and in other non-forest sectors, namely in agriculture and energy (Winrock, 2015, Argola, 2004, Marzolli, 2007, Mananze, 2012 Nhantumbo et al 2013). Within the forest sector, the **direct causes** are unsustainable commercial timber exploration and unsustainable extraction of wood for domestic uses, particularly charcoal. Selective and unsustainable illegal logging leads to the degradation of native forest stands. Outside of the sector, forest conversion into agriculture is the dominant driver of deforestation outside of the sector. This includes commercial agricultural expansion, shifting subsistence cultivation and livestock.

		Direct and Indirect Drivers	Governance (Policies and Institutions)	Economic	Technological	Demographic (Populacion growth and rural-urban migration)
Commodities	Agricultural products	Commercial Agriculture	x	x	x	
	Hardwoods	Forest exploration	x	x	x	
	Pulp and paper	Forest plantations	x	x		
	Mineral	Mining	x	x		
Domestic	Residential areas	Urban expansion and infrastructure development	x	x		x
	Energy	Charcoal and firewood	x	x	x	x
	Food	Subsistence agriculture	x	x	x	x

Table 1 - The main drivers of deforestation in Mozambique.
Source: National REDD+ Strategy, 2015

34. **Commercial agriculture.** The international demand for commodities has expanded commercial agriculture in Mozambique. These primary crops include sugar cane, cotton, cashew nuts and tobacco. Recent years have seen a rise in industrial cultivation of products such as corn, banana, soy and others. Commercial agriculture is relatively incipient, and strongly tied to the small-scale sector, often through outgrower schemes with farmers. Sugar cane is one of the few crops produced industrially, with high levels of mechanization and intensive use of inputs to maintain soil productivity. Investments in commodity production have often been made in high agricultural potential areas converted from forests, later abandoned with little chance for recuperation after successions of companies have passed through.

35. **Small-scale agriculture.** Shifting cultivation, both for subsistence farming and cash cropping, is the dominant direct deforestation driver. Of 3.8 million farms inventoried in the 2011 agricultural census (INE, 2011), 99% were small-scale (average size of 1.4 ha), occupying 96% of cultivated land. When accompanied by a growing population and increased demand for food in the rural areas, small-scale agriculture increases pressure on arable land, leading to the opening of forest areas. Limited access to markets and technologies that enhance productivity exacerbate demand on the land. The practice of using fires to prepare fields has often resulted in uncontrolled fires, leading to biodiversity and carbon loss.

36. **Fuelwood and charcoal.** The high demand through the informal markets for biomass energy in the urban areas has led to unsustainable exploitation of wood for charcoal in the rural areas. The annual consumption volume of fuelwood and charcoal is estimated at 14.8 million tons nationally, an amount that is even higher than the allowable cut volume for commercial wood. High demand for these sources is attributable to low purchasing power and a lack of viable energy sources in urban areas. The difficulty in verifying production and transport licenses for charcoal, and the local, informal channels established for the flow of the products makes regulation and control difficult.

37. **Urban Expansion.** Rural urban migration and the resulting expansion of urban populations has increased the pressure on natural resources, especially fuelwood and charcoal for energy and wood for construction, often linked to deforestation that occurs on the fringes of large cities. Population pressures have also increased around tourist areas and developments of extractive industries. This is commonly accompanied by infrastructure development, such as roads and transmission lines, which create access to the forest frontier.

38. **Mining.** The mining industry has emerged as an important sector in the last decade. Mozambique boasts large coal reserves, and has increased its natural gas production. Apart from direct impact on forests through land cover change, mining alters the natural ecosystem, posing a challenge for restoration. Mining operations also often involves large-scale infrastructure development, and tends to draw significant populations seeking employment and the subsequent pressure on natural resources.

39. **Livestock.** Commercial or small-scale livestock management is driven by consumption patterns of the local population, involving cattle, goats, chicken and others. A common practice is foraging in forest areas, which when managed unsustainably causes degradation. Using fires for pasture revitalization, a similar practice with crop cultivation, can lead to uncontrolled burning and biodiversity loss.

Forest Degradation

40. **Natural Forest Timber Production**. The exploitation levels of hardwood species from natural forests are exceeding the annual allowable cut volumes, caused by a variety of unsustainable forest management practices in the sector. These include Illegal logging, lack of adherence to management plans by concessionaires and license holders, and weak enforcement in the forest sector. While the direct impact from natural forest exploration is degradation, this can enable deforestation, for instance through the opening of access roads. The volume of export-oriented illegal logging has surged in the past few years: statistical analysis conducted by the Environmental Investigation Agency (EIA, 2014)[7] estimated that 93% of all commercial logging was illegal in 2013, and an average of 81% between 2007 and 2012, a potential loss of US$146 million of foregone government revenues in the period. Timber theft also entails significant losses to local communities who are entitled to receive 20% of concession taxes.

41. **Forest governance and enforcement**. Improving forest governance to curb illegal logging is therefore a key challenge in Mozambique. There is a significant lack of both physical and human resources, with roughly 1 law enforcement official (*Fiscal*) for every 50.000 ha, where the ideal number stipulated by the Forestry Department is approximately 1:15.000 (DNTF, 2014). There is very limited capacity to detect potential infractions or infractions in the field in a timely enough manner to prevent infractions from happening. The current detection system operates principally at the level of checkpoints along the main roadways, but without any mechanisms to control the actual harvesting phase. This sub-optimal system also facilitates the petty corruption of local enforcement officials. This is exacerbated by a low capacity for response and response effectiveness. Procedures for rapid response have not yet been developed, while sanctions and response from the juridical system upon reprehension are often not appropriate.

42. These drivers are complex, often interacting each other and are difficult to separate. The model of deforestation and degradation in Mozambique occurs in sequence (Figure 3) where selective logging of high value species first takes places, opening up the forest to extraction of firewood and charcoal. Then, the area is converted into agricultural lands by small-scale farmers, accompanied by the construction of population settlements. This pattern of land use change often occurs in areas close to urban populations and roads, and where local governance of natural resources is not clearly defined. At the same time, other deforestation agents can act to modify this pattern of forest conversion. This interaction of multiple drivers acts in a cumulative manner over the long term, perpetuating the process of deforestation and degradation (Figure 3).

[7] Available at: http://www.eia-international.org/wp-content/uploads/EIA-First-Class-Connections.pdf.

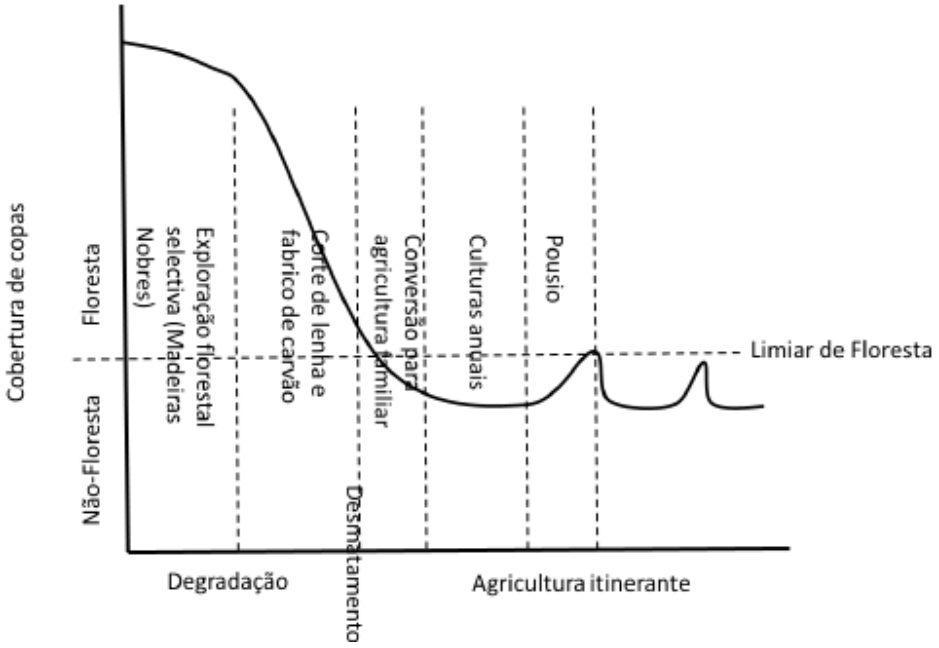


Figure 3 - The process of deforestation and degradation with the interaction of different factors.
Source: Winrock and CEAGRE, 2015

43. Figure 4 below disaggregates annual emissions by drivers at the national level, and a breakdown by geographical region. The differences between regions are determined by several factors that vary across the country, including dominant vegetation type, proximity of urban centers to the forests, current extent of forest cover, and current levels of deforestation and degradation. Despite these differences, conversion of forests for small-scale agriculture is by far the most significant driver, accounting for 59-72% of emissions.

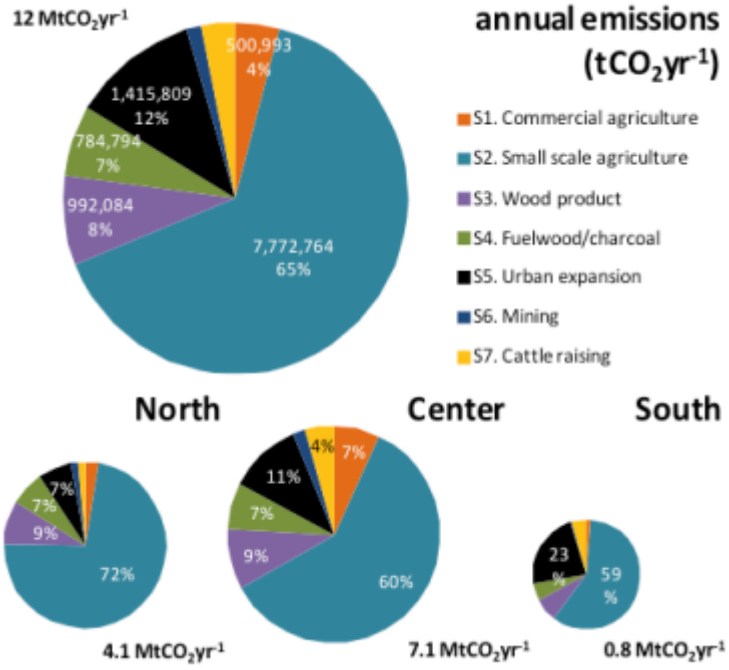


Figure 4 - National and regional distribution of emissions by driver.
Source: National REDD+ Strategy, 2016

Section 2: Identification of Opportunities for Greenhouse Gas Abatement

Mozambique's Vulnerability to Climate Change

44. **The combination of high exposure and high vulnerability makes Mozambique one of the countries at highest risk from the impacts of climate change.** It is one of the highest ranked African countries in terms of exposure to risks from weather-related hazards (drought, floods and tropical cyclones), and its low adaptive capacity and high dependence of its population and economy on natural resources exacerbates its vulnerability to climate change. Drought has already affected more than 175,000 Mozambicans, while expected floods in the coming years will worsen the situation. The effects of climate shocks are compounded by high levels of poverty, low levels of human development and low response capacity. The growing intensification of these weather hazards threatens efforts to meet national priorities, especially food security, which is essential to poverty alleviation.

45. While the impacts from climate change on forests in Mozambique have not yet been fully assessed, forest degradation will likely increase vulnerability of rural communities to changing climatic conditions, while frequency of forest fires and pest outbreaks could increase. Through protecting forests, Mozambique can strengthen climate change resilience through their mitigation and adaptation abilities. Forests sequester carbon dioxide and enhance carbon stock. Tree-based landscapes can provide resilient livelihoods in the face of erratic weather trends and buffer communities from natural disasters. Forests also reduce risk for populations by providing secure access to resources and services.

46. In its Intended Nationally Determined Contribution (INDC) presented to the UNFCCC in 2015— a statement that outlines the national commitment to address climate change— Mozambique made targets for total reductions of about 23MtCO2 from 2020 to 2024 and 53.4 MtCO2 from 2025 to 2030. **Mozambique has significant potential to contribute to these targets through forest-related climate change mitigation**. Land use change and forest degradation account for over 80% of Mozambique's GHG emissions (Moye and Nazerali 2010), offering a significant potential to reduce emissions from deforestation and enhance forest carbon stocks.. Adding reforestation to these estimates would increase this number even more. Afforestation/reforestation initiatives aiming to replant 50% of the loss in forest cover during 2000-2005 (-219,000 ha) would require the regeneration of 109,500 ha of forest land.

47. The Government of Mozambique has set its national target to reduce carbon emissions in the forest sector by 30% by 2021 and 40% by 2030. This ambition will be reached through the combined objectives of several national programs and strategies, providing the strategic direction towards net emissions reductions in the long term. A key national program is the National REDD+ Strategy, which provides a framework that identifies opportunities to address the drivers of deforestation and to enhance carbon stock in the country. The National Program for Sustainable Development, the national rural development program, has envisioned an integrated approach for achieving sustainable rural development, positioning forests as an instrument for poverty reduction. Projecto Floresta Em Pé, the forest sector's complementary project within the National Program for Sustainable Development focuses on strategic policy and management options for the forest sector that are essential to reducing deforestation and climate change mitigation. Mozambique's National Climate Change Adaptation and Mitigation Strategy (2012) identifies *Agriculture, forestry and other land uses* as one of the four strategic areas with most potential for emission reductions in the country. These, and other contributing national programs, will be discussed in greater detail in Section 3. Alongside an analysis of the drivers of deforestation, these national programs have guided

the development of Mozambique's FIP to ensure that the FIP is well aligned with national priorities and helps to achieve their objectives.

National REDD+ Strategy

48. In line with national climate change mitigation targets, the National REDD+ Strategy aims to reduce national deforestation rates from current levels of 0.85% (in 2015) to 0.5% during the period of 2016-2030. This goal will prevent the conversion of 3.7 million ha of forests, avoiding emissions of an estimated 72-140 million tCO2 over 15 years.

49. Mozambique's REDD+ Strategy will have **two axes: 1) Reducing emissions from deforestation; and 2) Increasing carbon sequestration capacity through industrial and small-scale forest plantations,** including agroforestry systems and the restoration and rehabilitation of degraded ecosystems. Interventions for reducing deforestation are based on the evidence of where the key drivers occur, as described in Section 1. Actions to reduce forest degradation at the national level should occur in parallel with deforestation reduction efforts. The increase in sequestration capacity at the national level is related to the targets in the National Reforestation Strategy, which the REDD+ Strategy has adjusted to the current context to reach at least 250,000 ha of plantations, or 25MtCO2 nationally. This combination of emissions reduction and carbon stock enhancement would signify a gain of 97-212MtCO2 between 2016-2030.

50. The Strategic Objective of the National REDD+ Strategy is to "Promote multi-sectoral integrated interventions to reduce carbon emissions associated with land use and land cover changes through adherence to the principles of sustainable management of natural and man-made terrestrial ecosystems, contributing to global efforts in mitigating and adapting to climate change and sustainable development." Mozambique sees REDD+ as an opportunity to promote rural development and reduce poverty amongst forest-dependent peoples, and to promote sustainable growth by attracting green investments in the agriculture, forest, energy and infrastructure sectors. The Strategic Objective of REDD+ is therefore based on an integrated landscape approach, which is necessary to achieve multiple benefits that extend beyond carbon.

51. In response to this Objective, the six key intervention areas of the REDD+ Strategy were identified:

    a. **Sustainable Forest Management**: To promote and strengthen the forest concession system by adding value to forest goods and services.

    b. **Conservation Areas**: To strengthen the national Conservation Area system and generate livelihood options and secure income from ecosystem services.

    c. **Energy**: To increase access to alternative energy sources in urban areas, and increase efficiency in the production and consumption of biomass energy.

    d. **Forest Restoration**: To support implementation of the National Reforestation Plan and rehabilitate and restore natural forests and degraded areas.

    e. **Agriculture and Soil Productivity**: To promote alternative practices to unsustainable small-scale agricultural activities and increase productivity of subsistence and cash crops.

    f. **Creating an Enabling Environment**: To create a legal and institutional platform for cross-sectoral coordination for land-use activities and improve land-use planning.

Figure 5 - Opportunities to Reduce Deforestation

52. Central to these interventions is the creation of an enabling environment that will facilitate the overcoming of underlying governance, economic, technological and demographic barriers. The five other intervention areas are focused on the agriculture, forest and energy sectors, where the key drivers of deforestation occur.

53. The REDD+ Strategy also lays out four strategic cross-cutting pillars that aim to address the barriers to overcoming deforestation: 1) Improvement in the governance of natural resources; 2) Economic and financial viability in the processes of production, transformation and use of goods and services in strategic sectors; 3) Provision and facilitated access to alternative technologies to reduce deforestation and forest degradation; and 4) Integration of actions that lead to reduced deforestation and forest degradation that are socially and culturally adapted to the local context.

54. The Mozambique FIP model is developed based on the opportunities identified in the REDD+ Strategy, which respond to the key drivers of deforestation and degradation. By linking the interventions to the problems, the design of the FIP is likely to yield an outcome that can indeed result in sustainable land and forest management with a direct outcome for reducing deforestation and degradation and other multiple benefits. To enhance these opportunities and increase the chances of success, lessons from similar interventions in the past will be applied in the design of FIP programs and projects.

Section 3: Enabling policy and regulatory environment

55. This section discusses the policy and institutional setting in which FIP will operate. The FIP opportunity arises at a particularly dynamic and exciting time for forest sector reform and transformational change in Mozambique.

3.1 National political commitment

56. The Government of Mozambique's principal objective is to reduce the levels of absolute poverty, for which rural development is the primary tool. As a means to contributing towards this overall objective, the government has expressed a significant level of commitment and ambition to promote sustainable forest management, reduce deforestation and increase forest cover, while contributing to biodiversity conservation. The Plano Quinquenal is the Government of Mozambique's Five-Year Plan (2015-2019) for economic and social development, and was approved by Resolution No. 12/2015 of April 14. The Plan's 5th strategic pillar is focused on transparent and sustainable management of natural resources and the environment. Among the strategic objectives is to "ensure the integration of the Blue/Green Economy and Green Growth agenda in national development priorities, ensuring conservation of ecosystems, biodiversity and the sustainable use of natural resources."

57. This bold commitment is most evident in the establishment of a new Ministry of Land, Environment and Rural Development (MITADER). The specific mandate of MITADER consolidates the responsibilities of Land (demarcation, land use planning, and registry), Environment (regulations, enforcement and protected areas management) and Rural Development (poverty reduction in rural areas). This restructuring is a clear indication of the Government's vision to promote a landscape-based approach to forest and natural resources management, placing the well-being of people as both an end in itself and a means to promote conservation of forest and other natural resources.

58. The GoM's commitment to reform is also demonstrated through the development of its flagship program for transforming the forest sector: *Projecto Floresta em Pé* (described below), which will strengthen the legal and institutional base for REDD+ and FIP investments and the link to national development objectives in the rural sector. This flagship program forms the core of the GoM's forest sector reforms and investments in coming years and provides a powerful entry point for the FIP Investment Plan process. The initial activities of *Floresta em Pé* such as the concessions review or the ban on the exploration of *pau ferro* have demonstrated this newfound willingness to tackle deeply rooted issues of governance that have remained untouched for many years.

59. The FIP Investment Plan process in Mozambique is being used to provide a framework for channeling international support to the country's commitment to achieving sustainable rural development. The FIP Investment Plan is thus designed as a modular framework for investment outside and within the forest sector that goes beyond the initial allocation available from the FIP.

60. The larger framework of the Forest Investment Plan represents the country's level of need and the GoM's level of ambition to implement the national REDD+ strategy across the country, including the extensive reforms in the forest sector. The GoM proposes a forward looking, phased approach that includes several integrated initiatives to tackle challenges across both geographic and policy dimensions. Some of these initiatives will be fully integrated into FIP-financed projects; others will run in parallel in a coordinated fashion with other streams of financing, including the Government's budget. In this way the FIP will finance early phases of the transformational effort and pave the way for deepening reforms and increasing investments that come after.

3.2 Multi-sectoral coordination

61. Implementation of the GoM's rural and forest sector development – and its flagship programs – will require strong coordination across ministries and sectors, as well as vertically among the several levels of government. The highest governmental structure to discuss and communicate with the Council of Ministers on environment and sustainable development issues is the Council of Sustainable Development (CONDES). CONDES is presided by the Prime Minister and the Minister of MITADER. This structure supports the inter-institutional coordination of the GoM's vision and commitment for sustainable forest management and reduced deforestation. The national REDD+ initiative is one important element of that effort.

62. As noted, MITADER is the key ministry responsible for implementing the government's new vision of rural development, making more effective and sustainable use of forest, land and environmental resources for the good of the people. MITADER is the key agency also for the forests and REDD+ initiative, bringing together the key elements for a landscape based approach to address the main drivers of deforestation.

63. In addition to MITADER, other key ministries participate in the inter-sectorial collaboration needed to harmonize policies and implementation in the rural sector. The Ministry of Agriculture and Food Security (MASA) maintains its focus on promoting agriculture productivity as well as management of planted forests in the country. However, all affairs related to REDD+ that were under the management of MASA have now migrated to MITADER's coordination, as has the management o natural forests. The Ministry of Economy and Finance (MEF), which brings the former Ministry of Planning and Development and the MEF into one Ministry, is also actively engaged on issues related to climate change in Mozambique, and manages the Climate Change Unit (UMC). The Ministry of Mineral Resources and Energy is also a key institution, as many of the strategies to address the key deforestation driver of charcoal production lie within this entity, along with its subordinated fund FUNAE (Fundo de Energia), which supports a wide range of alternative energy solutions.

64. Despite the existing capacity and coordination frameworks, there have been challenges that include overlap of mandates across institutions that lead to certain delays in allocation of financial and human resources, and limited clarity of roles and responsibilities across institutions, particularly for law enforcement, which is inefficient as a result. Overcoming these challenges would require efforts to strengthen governance in the sector, across all stakeholder groups. The GoM has already begun to address these critical institutional challenges by consolidating key responsibilities for land, forest and environmental management under MITADER. These changes by the new government provide a strong foundation to avoid overlap of mandates in the future and streamline conservation, agriculture, and forestry efforts. The landscape approach is expected to focus attention on the cross-sector linkages and provide a compelling practical rationale for deepening these linkage.

65. At the subnational level, both Provincial and district governments play a key role in allocation of land resources, consultation and benefit sharing mechanisms between government and local communities. Districts are administratively part of the provinces under the authority of the provincial Governor.

66. At Provincial level, the Provincial Directorate of Land, Environment and Rural Development (DPTADR) has the main role on managing the natural resources, through coordination activities and ensure the implementation of related legislation. This Directorate is composed by Department of Land Survey (SPGC), responsible for the application process for land use, issuance of land use rights, monitoring the land use plan; Department of Environmental Affairs, which deals with all aspects related to environmental licensing and inspection of activities which may affect the environment;

Department of Forest and Wildlife (SPFFB), responsible for all process of managing forest resources (licensing for harvesting, law enforcement, afforestation).

67. At District level, the District Services of Economic Activities (SDAE)is the institution responsible for natural resources management. All requests for using natural resources should have the approval of the district before it goes to the further analysis at provincial level. District governments participate in planning and coordination efforts through the District Consultative Councils and the Natural Resource Management Councils. These bodies provide a venue for consultation and participation by key stakeholder groups and a venue for disseminating national policies and capacity building programs. SDAE is also the institution responsible to arrange and prepare community consultation meetings, an obligatory tripartite meeting between the local community living where the natural resource exists, the entity commercially interested in using the resource and the Government, to avoid potential conflicts. The new landscape approach favored by the GoM requires even stronger horizontal coordination across agencies and mandates at the district and local level.

3.3 MITADER Vision and Flagship Programs

68. A key aspect of MITADER's overall mission is to contribute to the materialization of the fifth strategic goal of the GoM's Five-Year Programme, namely promoting "transparent and sustainable management of natural resources and the environment." Yet, the structure and functions of MITADER are still evolving as a Ministry as it strives to integrate several governmental functions across multiple sectors into a cohesive institutional framework and merges units from several institutions into a new ministerial structure. This ongoing rethinking/restructuring is an opportunity for new investments, such as FIP, but also presents challenges and risks that need to be understood and mitigated through design.

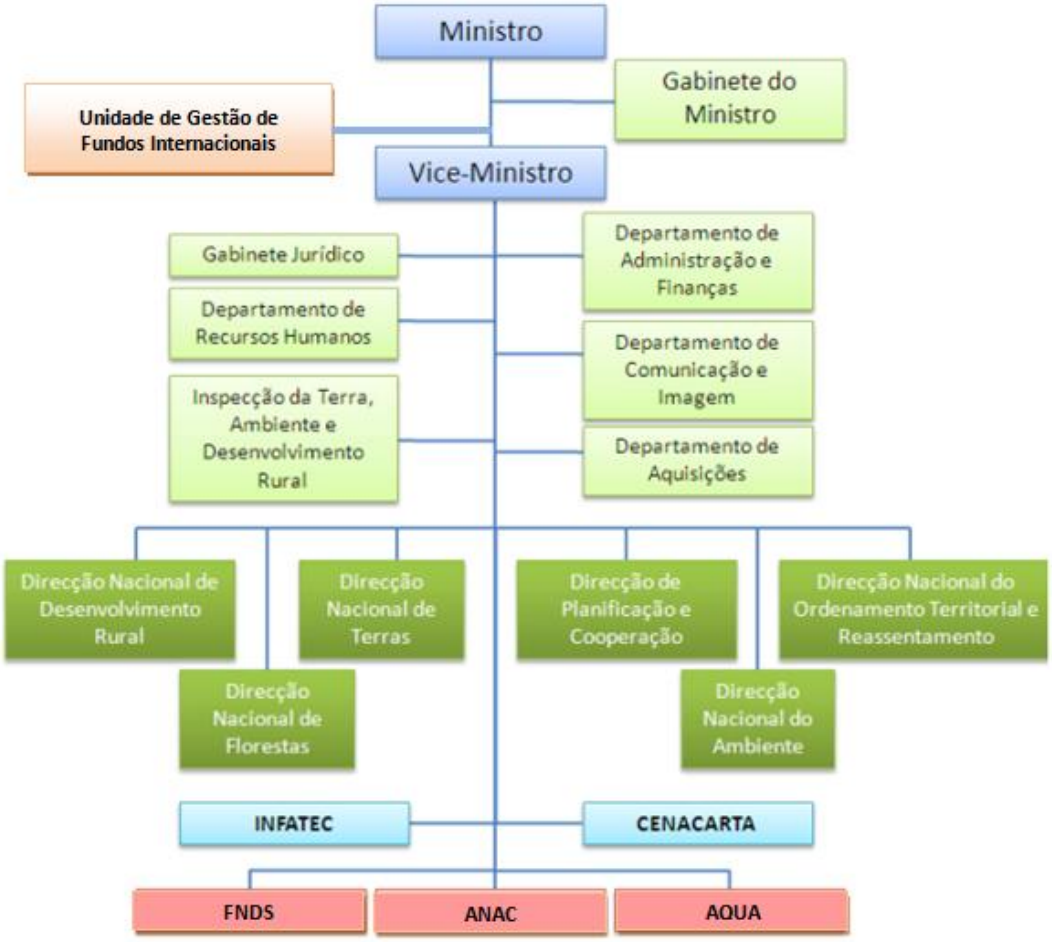


Figure 6 - MITADER: Current and Evolving Institutional Structure.
Adapted from Resolution 6/2015.

69. To achieve its mission and mandate, MITADER's structure includes six National Directorates (Land, Forests, Environment, Territorial Planning, Planning and Cooperation, and Rural Development), six support departments, oversight of two institutes (Cenacarta, the national mapping institute, and Infatec, the National Institute for Training in Mapping and Land) as well as three Agencies (FNDS, the public Fund for Sustainable Development, ANAC, the Conservation Areas' Administration, and AQUA, the National Agency for Environmental Quality Control). The structure of the Ministry can be seen in Figure 6. MITADER's responsibilities across this wide range of sectors and topics are summarized in the table below.

70. In February 2016 FNDS, the Fund for Sustainable Development, was created. The current thinking is that it will not only take over the roles played previously by FUNAB (the Fund for the Environment, now extinguished and replaced by FNDS), but will also be responsible for supervising the recently created International Funds Management Unit (UGFI - Unidade de Gestão de Fundos Internacionais). The UGFI coordinates and supervises major donor support programs, including REDD+ as well as the FIP, and currently reports directly to the Minister. The UGFI is developing a flexible staffing structure for each of the major programs to be implemented, sharing technical and administrative staff across programs to maximize efficiency. Common standards and procedures for procurement and financial management, adhering to best practice for international fund management, will eventually be developed as a core competence of FNDS, to be provided across all programs. The development of FNDS and the UGFI will be an important development for management of the FIP, and will require support and capacity development.

	Description of tasks (emphasizing relevance for REDD+ and FIP related activities)
Land management	- Ensure the development, implementation and supervision of territorial planning instruments - Develop a sustainable national land registration and information system on land including the rights of occupation in good faith and communal lands
Forest management	- Propose the approval of legislation, policies and development strategies in the area of forests - Establish standards for licensing, management, protection, conservation, supervision and monitoring of sustainable use of forest resources - Develop and implement policies and procedures on the use and sustainable management of forest resources - Assess quantitative and qualitative forest resources and the reduction of emissions from deforestation and forest degradation - Establish measures of prevention and control of uncontrolled fires; - Ensure sustainable use of woody biomass - Promote rational use of secondary forest species and non-timber forest products - Promoting community participation in sustainable management of forest resources
Environment	- Propose policies and legislation and standards for preservation actions of environmental quality - Establish and implement policies and procedures for environmental licensing of development projects - Promote the adoption of integration policies of the green economy, biodiversity and of climate change in sectoral programs - Ensure participation of local communities in co-management of natural resources and ecosystems
Rural development	- Propose policies and rural development strategies that are integrated and sustainable - Promote community participation and empowerment of associations in local economic development processes - Strengthen the local economic actors to contribute in the sustainable exploitation of natural resources and in boosting the local economy
Conservation and wildlife management	- Ensure the licensing, management, protection, conservation, supervision and monitoring of the use of wildlife resources - Establish and implement policies and procedures for licensing, management and operation of the national protected areas network - Administer the national parks and reserves and conservancies and other conservation areas - Ensure the protection, conservation and wildlife recovery of endangered species and endangered species and fragile ecosystems

Table 2 - MITADER responsibilities

Source: Beta Nemus study —The Institutional and Legal Framework for the implementation of REDD+, 2015, as reproduced in Scott Wilson, SESA Report, commissioned by GoM, November 2015.

71. The GoM's Flagship Programs under MITADER are important to frame FIP in the context of national priorities and development objectives. The following sections describe the potential of these flagship programs and their relevance for consideration in the FIP investment planning process.

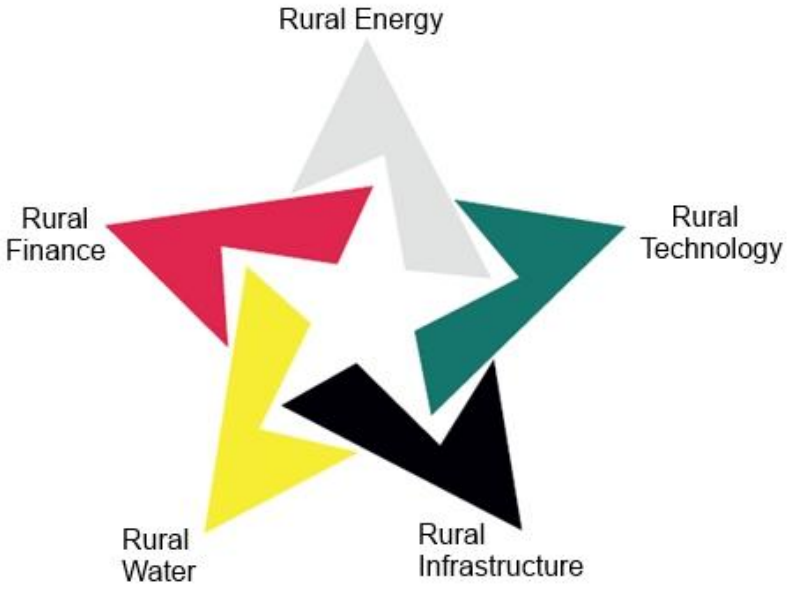
National Program for Sustainable Development

72. To implement its vision, MITADER is formulating a new sustainable rural development program known as the National Program for Sustainable Development, which is a vision of integrated rural development guided by the priorities of the 5-Year Plan. The program reflects the ministry's focus on rural development as its core, and is the key agenda that brings together the ministry's other components of land and environment.

73. The National Program for Sustainable Development has as its principal objective to provide an integrated development model for rural hubs, developing infrastructure and revitalizing rural production, with five pillars: improved access to energy; capacity development and technology transfer; infrastructure for market access; improved access to water and sanitation; and improved access to financial services.

74. The National Program for Sustainable Development is a development package focused on providing five main 'arms' of development, Water/Sanitation, Energy, Transport Access, Banking Services, and Knowledge and Skills. This is bolstered by five complementary projects in the areas of Conservation ("MozBio"), Land Rights ("Terra Segura"), Environmental Protection ("Ambiente em Movimento"), Integrated Centers for Services ("Novas Centralidades"), and Sustainable Forest Management ("Floresta em Pé").

75. As part of the initial steps to operationalize the Program, MITADER has recently created a new institution, the Sustainable Development Fund (FNDS), which not only takes the place of the old FUNAB, the National Fund for the Environment, but also widens its scope considerably to deal with the wider scope of action of MITADER.



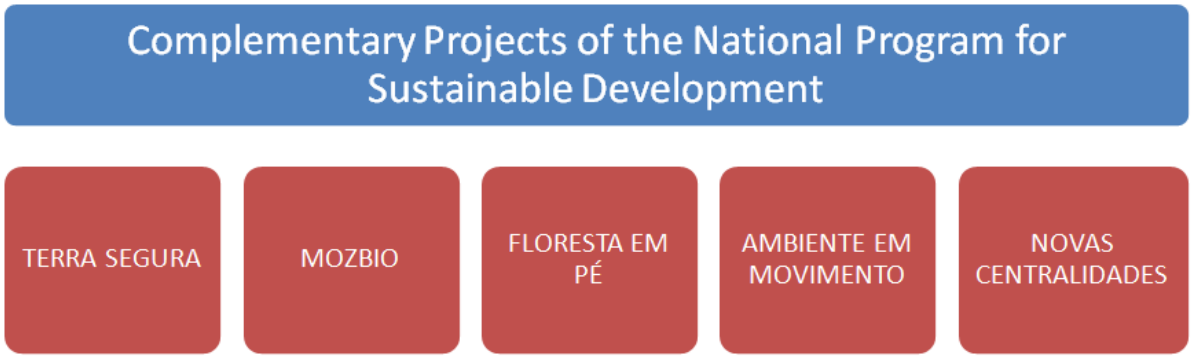


Figure 6 - Programa Estrela and its Complementary Projects

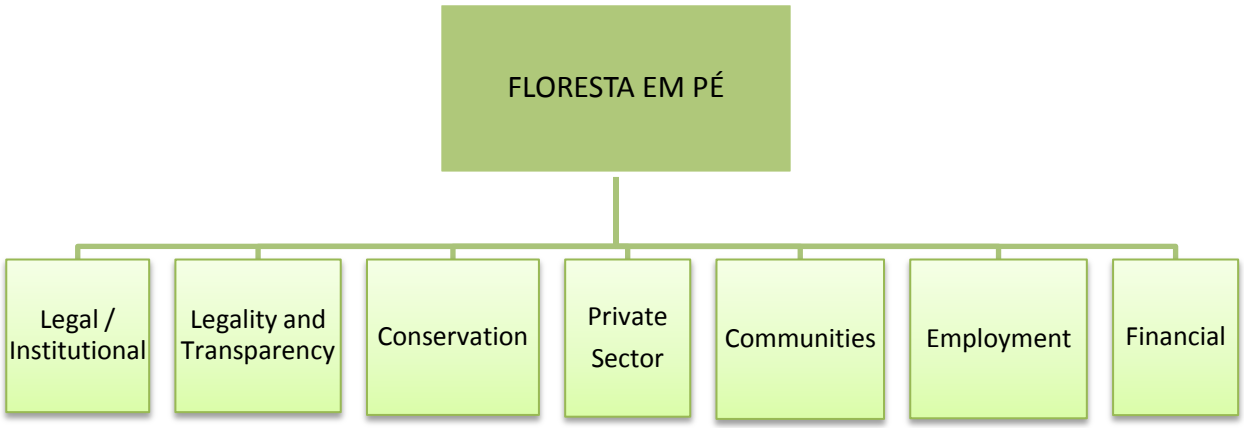
Forest Sector Reform and Projecto Floresta em Pé

76. Projecto Floresta em Pé is the flagship program for the National Forest Directorate (DINAF) under MITADER. It will focus on five key principles related to the role of MITADER and essential to the forest and REDD+ initiative: conservation and valuing of forests; financial sustainability of forest based activities; building national capacity; transparency and access to information; and climate change mitigation. The Ministry envisions a radically different way of organizing the sector, and Floresta Em Pé will advance the policies, models and implementation approaches that inform the new structure. The concept and details will continue to evolve, but the broad elements are introduced here to define the entry points and opportunities for FIP as a source of investment resources.

77. The vision of Floresta em Pé, to be enshrined in a new forest policy, is that of "*Prosperous Forests providing goods and services to society (local communities, natural and legal persons), contributing to the sustainable development of Mozambique."* The overall objective of the Floresta em Pé project is thus *"to promote the protection, conservation, creation, use and valuing of forest resources in their diversity of goods and services in a rational, responsible and transparent manner, to the economic, social and ecological benefit of Mozambicans in a framework of sustainable development, and to build resilience to climate change."*

78. To achieve its overall objective, Floresta em Pé has developed seven Specific Objectives:

- ***1- Legal and Institutional:*** Update and adapt forest policy and legislation to the changes in the sector and create an administrative structure able to implement them in an effective, efficient, and transparent manner, with the wide participation of key actors with interventions, interest or knowledge in forestry matters. Fundamental to this objective is the adoption of a new policy and a new Forest Act.
- ***2 - Legality and Transparency:*** Introduce systems and mechanisms that are open and effective to strictly apply the law to all, with the active involvement of communities, forest operators and civil society in the process.
- ***3- Conservation:*** Create alternatives to unbridled exploitation of the forest through conservation activities and the increase of forest stock.
- ***4 - Private Sector:*** Private sector support through the development of the national timber industry, diversifying and maximizing the value chains in of the forestry sector, while mitigating the impact of the restructuring / reform of the sector.
- ***5 - Communities:*** Promote the development of local communities by supporting Community management and enhancement of forest resources, and particularly of non-timber forest products.
- ***6 - Employment Creation:*** Support the creation of jobs in the forestry sector, through diversification of goods and products based upon a conservation paradigm.
- ***7 - Financial:*** Prioritize the identification and application of international funds and national revenue sources in the protection, conservation, presentation, creation and sustainable use of forests.



79. For each of these specific objectives there have been certain strategies defined, many of which are still under development. Floresta em Pé is described in some detail because it provides the principal entry point for policy related activities to be planned under the FIP investment. As noted below, Mozambique has a progressive legal framework, but it needs to be updated to meet the needs and challenges of the current decade, and harmonized to match the new mandate and forest and law governance responsibilities now gathered together in MITADER. The FIP proposed activities can find a natural entry point in Floresta em Pé as a vehicle for supporting an ongoing process of national institutional transformation. Some of the legal and institutional reform opportunities are discussed in the next section.

Specific Legal and Institutional Reforms

80. As the first step in the institutional reform process, the GoM is designing an innovative Forest Policy solely focused on forest resources. The vision is thriving forests that provide goods and services to society through valuing and managing the forest heritage in a sustainable, responsible and transparent manner, for the economic, social and ecological benefit of the current and future generations of Mozambicans. The Forest Policy will have four objectives: (i) **social** participation and equitable benefit sharing mechanisms; (ii) **environmental** sustainability in use of forest resources; (iii) increase the **economic** contribution of forests to the country's development and; (iv) strengthening of **legal/institutional** frameworks for sustainable forest management.

81. After adoption of the Forest Policy, the GoM intends to adopt an exclusive Forest Law to replace the existing Forest and Wildlife Law (while wildlife will fall under the Biodiversity Conservation Law). The Forest Law is expected to create another new institution: the National Forest Institute (INFLOR).

82. Finally the Ministry desires to develop a new system of forest information, which should be reasonable in terms of cost, comprehensive, and the information contained in it should be open to stakeholders. The system must serve the information needs not only of the authorities responsible for managing the sector, but also for forest operators at all scales, civil society, academia, journalists, professionals and the general public. The system should be capable of integrating new information modules to be developed based on the application of new technologies, such as timber transport, transport tracking, etc. The current MRV system being developed will be incorporated as a module fo this new information system.

83. The GoM is also involved in a systematic rethinking of the forest law enforcement system, with an emphasis on detection and prevention as well as enforcement methods. Initial interim measures already underway include:

- A ***nationwide audit to verify compliance*** with national standards and logging requirements.
- Enactment of ***special closed season for particularly threatened species*** such as Swartzia madascariensis (pau ferro).
- ***Suspension of new permits and concessions.***
- ***Suspension of log exports***.

84. The remaining components of the GoM's Floresta em Pé initiative also provide opportunities for integrating FIP investments. FIP can contribute by advancing policy reforms, testing pilot programs and supporting initial actions on the ground. At the same time, FIP can benefit from the creation of a more conducive legal, institutional and regulatory setting for addressing drivers of deforestation, enlisting private sector and community participation, and creating economic opportunity. Some examples of the opportunities under Foresta em Pé include:

85. To achieve the ***Conservation Objective***, MITADER will work to strengthen the conservation areas network, and propose the introduction of biodiversity offsets mechanisms to counterbalance the effect of large scale economic developments in the country.

86. To achieve the ***Private Sector Objective***, MITADER will : (i) promote activities that have a higher value-added production; (ii) develop ideal concession models, and work with simple license holders, communities, associations and existing concessions to provide support to achieving forest certification; (iii) work to develop sustainable charcoal production using logging wastes, biomass plantations and by introducing new technologies.

87. On the ***Communities Objective***, support will be provided to the production of non-forest timber products, community forest management, and small scale sustainable charcoal initiatives based on community woodlots, improved charcoal ovens, and value-chain initiatives.

88. For the ***Employment Objective***, MITADER plans to promote the development of district carpentry workshops, and forest nurseries, and expects an employment contribution as well from the production of NTFPs.

89. Finally to achieve the ***Financial Objective***, MITADER has already created a new unit within the Ministry to raise and oversee international donor project support, to be placed inside the new FNDS – Fund for Sustainable Development. The Ministry will also carry out analyses of the economic incentives and disincentives currently in place in the sector in the current legislation, with an eye to promoting more beneficial behavior from the private sector. GoM will also consider the value and provision of ecosystem services as well as their beneficiaries and delivery mechanisms to determine how to incentivize their provision and arrange fair sharing of associated benefits or potential payments. MITADER, in cooperation with various collaborative initiatives ongoing in Mozambique (BIOFUND, AFD/FFEM, Banco Mundial) is also working towards the establishment and implementation of biodiversity offsets as part of national policy.

90. The current FIP Investment plan will particularly focus at the national level on supporting the ***Legality and Transparency Objective*** as well as the ***Private Sector Objective*** of the Floresta em Pé initiative. Further discussion of the FIP investments and interventions can be found in Section 6.

3.4 Legal and Institutional Framework for Forests and Climate Change

91. Mozambique has a progressive legal framework for the promotion of sustainable forest management. However, implementation of rules has had mixed success, indicating a need for review and assessment of the implicit and explicit incentives in the current system, as well as the costs and barriers associated with compliance. Increasing transparency and the equitable

application of laws is also necessary to ensure that access to opportunities and distribution of benefits is seen as fair to all stakeholder groups.

92. Through forest sector legislation (Law on Forests and Wildlife, 1999) and regulatory procedures for land management (The Land Law 1997), Mozambique seeks to balance social, environmental and economic issues, paying special attention to the role and benefits of rural communities. MITADER is the lead agency for implementation of these two laws and has dedicated directorates focusing on these legal mandates. The laws are implemented through regulations and Ministerial decrees, which provide some leeway for adjustment and improvement without further legislative action. However, both laws are over 10 years old and could benefit from updating to reflect current institutional arrangements. Plans are underway for the review and update of the Law on Forests and Wildlife, which presents opportunities for the FIP and other new forest sector investments.

93. Under this legal framework, the GoM has deployed several important Ministerial Decrees that influence the way benefits are shared in the sector. Two in particular can be highlighted: i) the establishment of mechanisms to share 20% of revenues from wildlife and forestry exploration with the local communities that inhabit the areas where such exploration is taking place; ii) the establishment of a return of 40% taxes to private forestry operators that undertake secondary processing of wood domestically. A third decree lays out the framework for REDD+ implementation and responsibilities. Mozambique has also ratified various international conventions and regional protocols for managing forest resources. These topics are discussed in more detail in the following sections.

94. Besides the above set of important legislation, Mozambique has also developed a number of relevant policies, strategies, plans and projects with the vision of aligning the development of the country with economic, social and environmental benefits. Some of these have significant weight in guiding the country towards a reduction in deforestation and forest degradation rates. Of note is Mozambique's National Climate Change Adaptation and Mitigation Strategy approved in 2012, which integrates disaster risk management actions, and consolidates priorities and targets for action on climate change into national socio-economic planning. Mozambique is drawing on technical and financial support from development partners, including the World Bank, to strengthen its national legal, policy and institutional frameworks for climate action and mainstreaming climate resilience at sector level in key productive and social sectors[8]. Some of the main achievements include the adoption of the Climate Smart Agriculture Action Program, the establishment of the Climate Change Coordination Unit and a preparation of a new disaster risk management law.

Legal framework of REDD+

95. With the restructuring of the Government at the beginning of 2015 resulting from the last legislative and presidential elections, MITADER is now responsible for the national REDD+ initiative. This responsibility formerly rested with different institutions but is now integrated under MITADER.

96. The Decree No. 70/13 of December 20th, 2013 ("Regulation of the procedures for approval of projects for reducing emissions from deforestation and degradation") establishes that the Technical

[8] Mozambique is one of the few countries in the world receiving budget support from the World Bank against the adoption of climate change-related legislation through the World Bank Climate Change Development Policy Operation (DPO). The three-phased $150 million DPO aims at strengthening national policy and institutional frameworks for climate action and mainstreaming climate resilience at sector level in key productive and social sectors. Some of the main achievements include the adoption of the Climate Smart Agriculture Action Program, the establishment of the Climate Change Coordination Unit and a preparation of a new disaster risk management law.

Unit for REDD+ is responsible for carrying out activities relating to REDD+. Within MITADER, this unit has now been placed under the responsibility of the newly created International Financing Management Unit (Unidade de Gestão de Financiamento Internacional - UGFI), which responds directly to the Minister, and coordinates various programs promoting sustainable development in the country. The development of this FIP Investment Plan and the further development of FIP-financed projects will be under the responsibility of this body. Further information on the institutional structure for REDD+ implementation appears below. Other pieces of legislation are also relevant to the implementation of REDD+ in Mozambique[9], including aspects relating to the environment, land rights and land use planning, forests, agriculture and food security, conservation, Climate change, local finance and decentralization, as well as in the mining and energy sectors. These can be found on the Government's REDD+ website (www.redd.org.mz).

National REDD+ Strategy

97. A draft of the National REDD+ Strategy was finalized for consultation in December 2015 and presented at the Paris COP by the GOM. This Strategy was prepared based on a series of analytical studies: Analysis of drivers of deforestation, forest degradation and strategic option to address those drivers; Legal and institutional frameworks for REDD+; the Strategic Environmental and Social Assessment (SESA) for REDD+; Studies and workshops to settle the definition of forest in Mozambique; and broad support to enhance communication, consultation and outreach to several stakeholders (to be made available at www.redd.org.mz). The results from these studies, in draft form and at public consultation events, have informed the preparation of this FIP Investment Plan.

98. The six key objectives of the National REDD+ Strategy are as follows:

- **Agriculture**: to promote alternatives practices to current slash and burn activities, which ensure increased productivity of subsistence and cash crops;
- **Energy**: to increase access to alternative energy sources at urban areas, and to increase efficiency on production and use of biomass energy.
- **Conservation Areas**: to strengthen the conservation areas system, and to find concrete livelihood options for the population that live in those areas.
- **Sustainable Timber Forest Management**: to promote forest concessions which add value to non-timber forest products.
- **Forest Plantations**: to improve the business climate for planted forest and to improve the relation between rural communities and forest companies.
- **Cross-sectoral activities**: to create a legal and institutional platform for cross-sectoral coordination for land-use activities.

99. The strategy has been developed with broad communication, consultation and outreach to several stakeholders. In 2014, the UT-REDD+ established a dialogue platform with civil society, private sector and NGOs in order to carry out communication and outreach programs and to discuss issues related with REDD+. The platform has shown to be an effective instrument to help disseminate and discuss the Decree 70/2013 and other REDD+- related issues.

Linkages between REDD+ Program and FIP

[9] An exhaustive analysis of this legal and institutional framework can be found in Análise do Quadro Legal e Institucional para Implementação do REDD+ em Moçambique. Beta Nemus, 2015.

100. Over the past years, the Government has adopted a range of policy and institutional reforms that show commitment to the forestry and climate change agendas, which could be further scaled up through FIP to generate transformational change and reduce GHG emissions. Implementation of the FIP in Mozambique would be fully embedded in the ongoing REDD+ process, which was initiated in 2008 and for which a FCPF grant agreement was signed in 2013.

101. Mozambique's REDD+ readiness preparation process has four main components: (i) organization and consultation, (ii) REDD+ national strategy preparation, (iii) establishment of emissions reference levels and (iv) establishment of a forest monitoring system. The GoM has support from the Forest Carbon Partnership Facility (FCPF) through the World Bank to finance (i) strengthening institutional capacity building for the management of REDD+ (ii) promotion of multi-sector public consultations and (iii) elaboration of REDD+ national strategy. The implementation of the reference level and forest monitoring system is partially funded by the Japan International Cooperation Agency (JICA). The GoM is co-funding the four components. The REDD+ Readiness process recently underwent a Mid Term Review which identified areas of progress and areas where more work is needed. This document will shortly be finalized and made available at www.redd.org.mz.).

102. Mozambique's REDD+ Program is a key feature of the Government's response to climate change and its effort to promote sustainable rural development. The REDD+ Program also contributes to the GoM's efforts to access and apply global climate finance to development challenges. Mozambique's REDD+ program is moving through a three phase process, as outlined in the figure below: (1) Readiness preparation being supported by the FCPF Readiness Fund (providing financing for the Formulation and Preparation stages); (2) Investment – being financed through the Forest Investment Program (FIP), the related Dedicated Grant Mechanism for Local Communities (DGM), an ongoing IDA/GEF MozBio project; and an IDA Agriculture and Natural Resources Landscape Management project (under preparation); and (3) A large scale performance-based payment program proposed to be financed under the FCPF Carbon Fund, which has recently provisionally accepted the Zambezia Integrated Landscape Management Program into its pipeline. These phases integrally reinforce each other: national policies and strategies developed under readiness support and enable investments under FIP, which will help to lay the groundwork for later emissions reductions and ultimately facilitate performance-based natural resource finance for Mozambique.

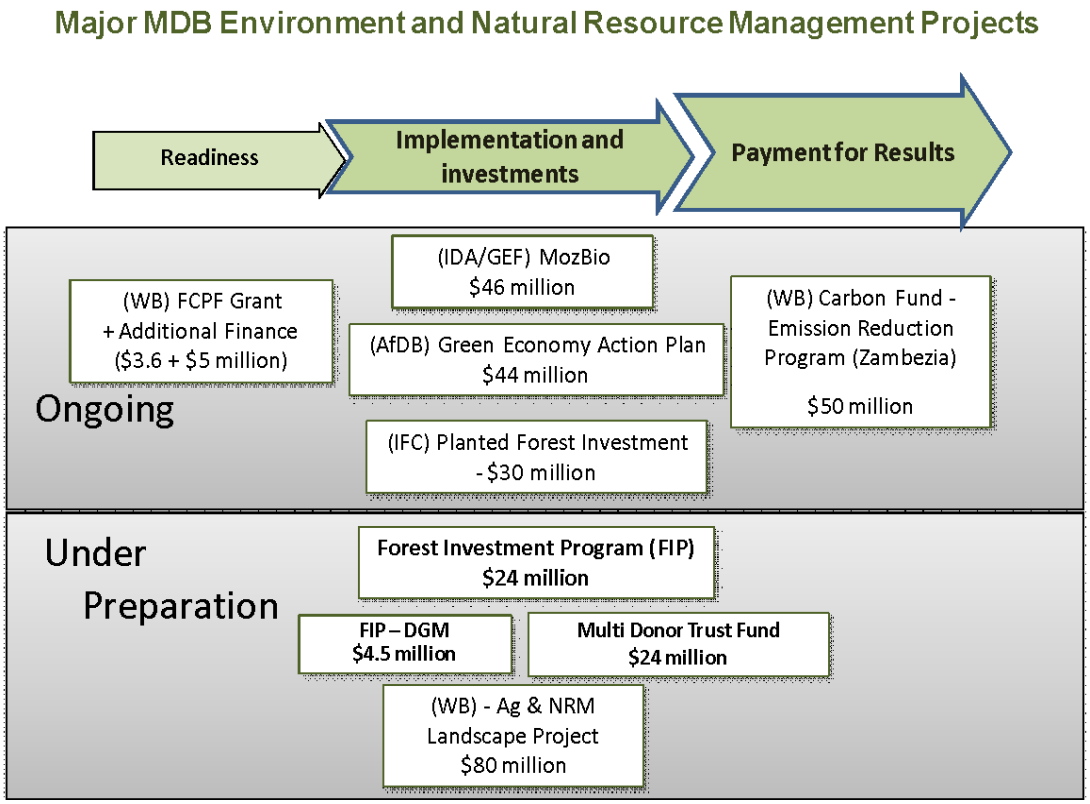


Figure 7 - Ongoing and planned operations in support of REDD+ in Mozambique.
Source: FCPF Additional Funding Request November 2015.

Institutional Arrangements for REDD+

103. As noted, Decree No. 70/13 formalized the main structures for REDD+ preparation. At the national level, the decree institutionalized the Technical Unit of REDD + (UT REDD +) and an inter-ministerial Technical Review Committee (CTR). Under the decree, the UT REDD+ ensures implementation of REDD + activities and is guided by the CTR, which has the goal of strengthening the inter-institutional coordination among sectors and stakeholders. The CTR is the means of consultation and supervision of REDD+ activities and reviews technical products. The CTR includes representatives from the Ministry of Culture and Tourism, Ministry of Gender, Ministry of Education, Child and Social Action, Ministry of Industry and Commerce, Ministry of Economy and Finance, Ministry of State Administration and Public Function, Ministry of Justice, Constitutional and Religious Affairs, and Ministry of Mineral Resources and Energy, as well as by representatives from the private sector, NGOs and research institutions. The National Fund for Sustainable Development (Fundo do Desenvolvimento Sustentável - FNDS) – also under MITADER – is the financial management unit for all REDD+ activities, handling administrative and technical processes related to funding.

Composition of the FIP Steering Committee - Mozambique
1 Representative of DINAF
1 Representative of AQUA
2 Representatives of the Private Sector
AMOMA
Portucel
2/3 Representatives of NGOs
IUCN
WWF
CTV
1 Representative of UEM
2 Representatives of MASA (DNEA - Extensão, DINAS)
1 Representative of IIAM
1 Representative of Ministério dos Recursos Minerais e Energia

104. A multi-stakeholder, multi-sectorial FIP National Steering Committee has also been formed. It is comprised of a subset of the CTR, including members from multiple ministries as well as NGOs and research institutions. Following the elections of 2014, government institutions have been restructured.

105. Following the creation of the UGFI (International Funds Management Unit), with its mandate to coordinate diverse programs related to sustainable development, the UT-REDD+ has been incorporated into this new Unit. The current practical organization of the UGFI under MITADER is shown in the diagram and table below. The GoM recognizes the need for an update to the ministerial diploma on the UT-REDD's composition and functioning so that it is in line with MITADER's current structure and mandate. This proposed decree will also solidify the more detailed internal organization of the UT-REDD, as outlined in the diagram below. This update is expected after the restructuring of the Ministry is completed by integrating the work of formerly separate units addressing land, environment and forest issues.

106. At the sub-national level, decentralization of work on REDD+ activities is also taking place, as local coordinators were hired to oversee development of the Emission Reduction Programs in Zambezia and Cabo Delgado provinces. Province-level multi-stakeholder committees were also created in the two provinces.

UGFI (International Funds Management Unit) - Structure

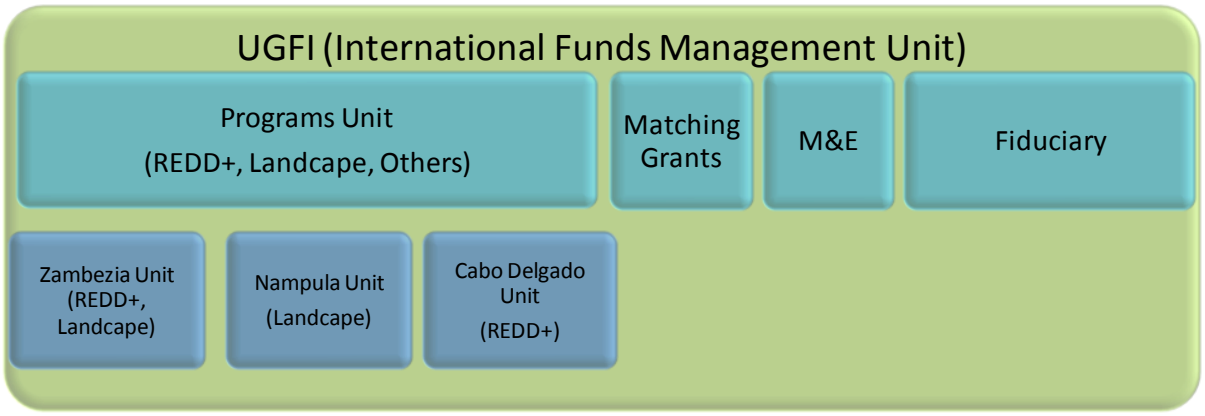


Figure 8 – UGFI Structure at current time.

UGFI Department	Responsibilities
Programs Unit	This Unit composes the National Level Technical Team, which is harmonized to provide technical assistance to all the diverse projects managed by the UGFI.
Provincial Units	These units mirror the National Level Technical Team at the Provincial Level. It is composed of a Coordinator responsible for planning all activities of the Program; coordinating their implementation; leading the Provincial team; leading communication with all stakeholders (private sector, civil society organizations, provincial government, district government, and communities). In addition to the Coordinator, the Coordination is made up of technical specialists based on the necessities and crucial intervention areas of the different projects in course. This structure may change as needed.
Matching Grant Unit	This unit was created due to the need to manage grant proposals. It is composed of a coordinator responsible for evaluating grant proposals (evaluate eligibility criteria and document readiness of proposals) as well as chairing the Investment Committee (responsible for approving or rejecting grant proposals), two grant advisors responsible for advising the manager during the grant proposals evaluation process and one administrative officer responsible for catering for all administration needs and processes.
Monitoring and Evaluation	This unit is responsible for all monitoring and evaluation activities.
Procurement and Financial Management	This unit is responsible for the procurement and financial management of the IDA, FIP and FCPF Projects. They ensure that all applicable fiduciary policies are strictly followed and reported on.

Table 3- UGFI Responsibilities

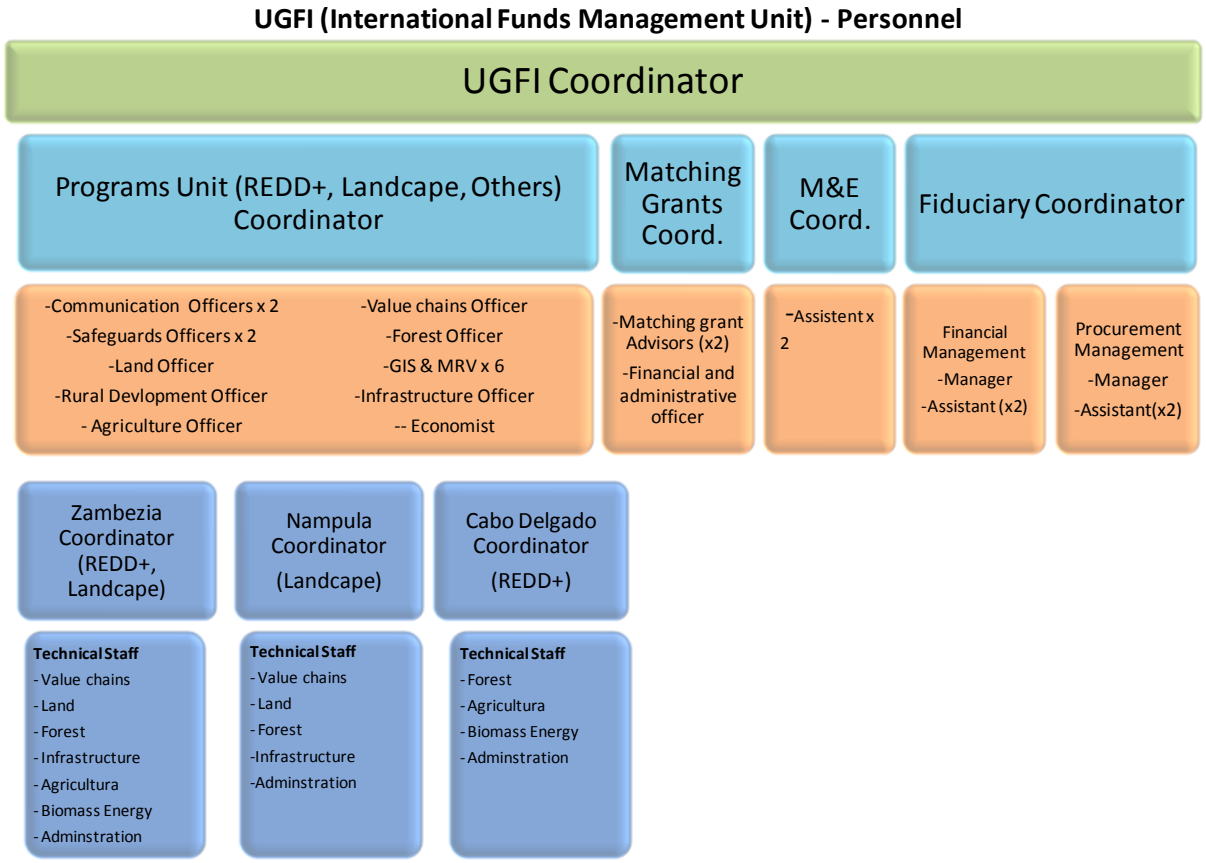


Figure 9 -– UGFI Staffing Structure

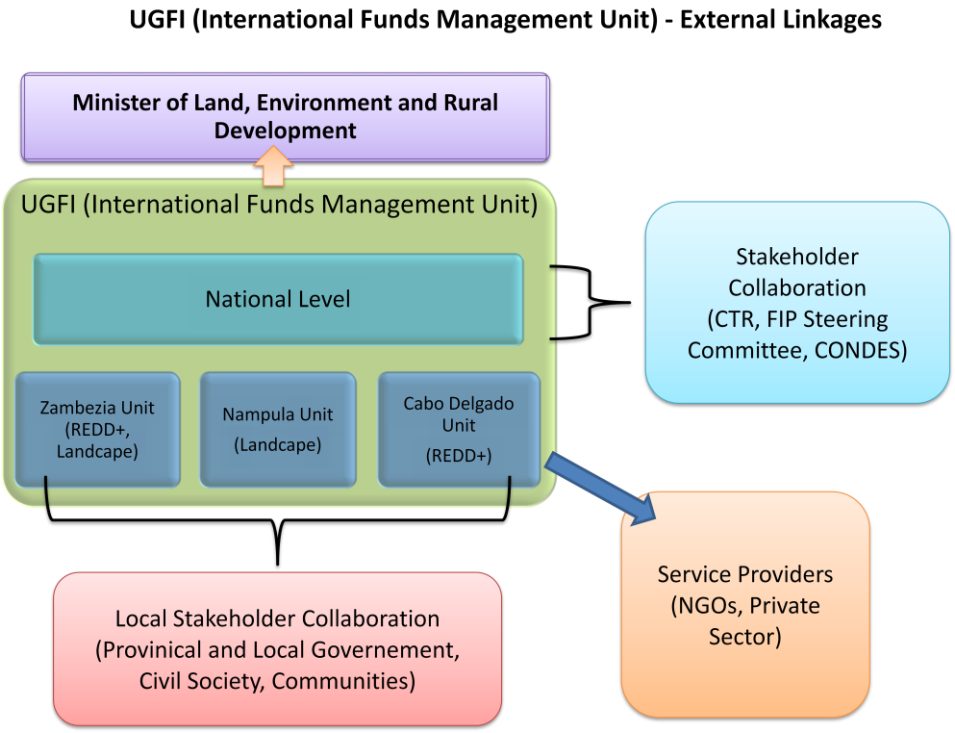


Figure 10 - UGFI Linkages

Monitoring, Reporting and Verification.

107. The establishment of Reference Emissions Level/Reference Levels (REL/RL) basically comprises two areas of activity: the activity data analysis (area of forest cover changes; deforestation, forest degradation, for the selected reference period) and the determination of emission factors (carbon stocks changes resulting from forest cover changes). For the emission factors estimation a National Forest Inventory is being prepared (tier 3, carbon stocks inventory).

108. Under FCPF funding, the following activities are being implemented: : i) Development of an updated national LU/LC base map; ii) Development of historic land cover change maps; iii) Design and implementation of the national forest inventory; iv) Improved tools and methodologies for estimating carbon pools; v) Development of FREL/FRL.

109. The design of a complete MRV system for the country will consider four levels of implementation: (i) National Level with an operational remote-sensing/GIS forest/land-use monitoring unit (MRV Unit under UT-REDD+), (ii) Provincial Level (iii) District Level and (iv) Community Level, with small forest (agroforest) information units. JICA is currently designing jointly with the FIU the heart of this system: the Forest Resource Information Platform.

110. These activities will be conducted by a new MRV Unit, under the UT-REDD+, comprised of national experts who will receive capacity building support from a senior MRV specialist. A draft Roadmap for the development of the MRV system has been produced by this unit in early 2016. MRV processes will be developed in close collaboration with the Natural Resources Management Committees, Associations, individual producers and Community Entrepreneurs. It is also considered necessary to create a technical group of stakeholders, MRV Task Force, consisting of representatives of institutions and associations related to MRV at the local, provincial and national level, to accompany the process of creating the system. This advisory body will meet quarterly.

Institution		Technical capacity related to MRV
MITADER	National Department of Forests (DINAF)	The Department of Forests (DINAF) is responsible for conducting national inventories at national scale as well as provincial and regional level; processing and analysis of satellite imagery on forest cover, definition of forest use categories and production of forest maps. The CDS-ZC develops applied research on integrated management of coastal resources including coastal forests and mangroves, and has high capacity of analysis and processing of satellite images and production of land use maps and changes that occur along the cost.
	Centre for Sustainable Development in Coastal Zones (CDS-ZC)	
	National Center for Cartography and Detection (CENACARTA)	Satellite images, cartography, teledetection. High capacity to process and distribute the images, produce land cover and land use maps, including changes.
	National Directorate of Geography and Cadastre (DINAGECA)	National registry of land occupation. Management of land information system; maintains databases of land use certificates (DUAT) and other recognized forms of land use rights. Operations at provincial level are undertaken by the Services of Geography and Registry (SPGC) which collects georeferenced data in the field and registers land occupation.
MASA	National Institute for Agrarian Research (IIAM)	The National Institute for Agrarian Research has a Department of Natural Resources with various sections including Forests, Gene Bank, Water Management and Management of Soil Fertility, equipped with human capacity and materials for soil analysis. This capacity can be used to assess change of carbon stocks as result of current uses and adoption of REDD+ activities. The IIAM forest section has substantial knowledge on forestry in the country and will

	therefore be included on the FIP National Steering Committee for guidance.
Department of Forestry of Eduardo Mondlane University - UEM-FAEF-DEF	Research on various forest issues including remote sensing and aerial photography to assess vegetation, changes in forest cover, forest degradation, change of species composition, assessment of forest biomass and stocks of carbon in the forest ecosystems. UEM also offers training to institutions at national and local level, including districts and communities on MRV.
Private companies and organizations: Portucel, EtcTerra, IUCN, WWF, IGF, BIOFUND and others	These institutions have good capacities in GIS, socio-economic information; impacts of their activities on community livelihoods, environmental analysis, among others

Table 4 - Mozambique's Institutional capacity for MRV, developed under REDD+ Readiness, useful for FIP

111. Under this structure, FIP investments will play a critical role in the GoM's step-wise approach to implementing REDD+ at national level. Landscape level implementation will generate experience and learning to feed-back and inform the national-level policy making processes and implementation guidance.

Related GoM Climate and Forest Related Initiatives

National Adaptation Strategy and Climate Change Mitigation (NASCCM, 2012)

112. Projections indicate that climate change's impact in Mozambique will increase both in frequency and intensity. In 2012, the GoM prepared a National Adaptation Strategy and Climate Change Mitigation (NASCCM) for the period 2013-2025. The NASCCM includes an action plan for 2013-2014, and strategic and priority actions to adopt and implement for 2013-2025. The document was prepared by the Interagency Group on Climate Change (IGCC), which is comprised of different ministries, the private sector and civil society, coordinated by the MITADER. The NASCCM was prepared through stakeholder consultation, community engagement, and extensive research. The NASCCM was prepared to: (i) identify key action areas and activities that can be carried out to reduce the severity of impacts through adaptation measures and reduce climate risks; and (ii) increase opportunities for mitigation and low carbon development to contribute to the reduction of greenhouse gas (GHG) emissions.

113. The primary objective of the NASCCM is to establish guidelines for action to build resilience, including reducing climate risk, of communities and the national economy and promote the development of low carbon and green economy by their integration into the sector planning and local process. The strategic goals outlined in the NASCCM include:

- Mozambique to become resilient to the impacts of climate change, while minimizing climate risks to people and property, restoring and ensuring the rational use and protection of natural capital and built environment.
- Identifying and implementing opportunities to reduce GHG emissions that contribute to the sustainable use of natural resources, access to financial resources and technological resources at affordable prices, and the reduction of pollution and environmental degradation, promoting low-carbon development.
- Building institutional and human capacity, and exploring opportunities for access to technological and financial resources to implement the NASMCC.

114. The NASCCM identifies several actions to help reduce Mozambique's climate risks, while promoting sustainable environmental practices. The strategies and proposed actions of the NASCCM are to:

i. Increase adaptive capacity of vulnerable people;
ii. Ensure protection of biodiversity;
iii. Promote tree planting mechanisms and establishment of forests for local use;
iv. Mitigation and low carbon development;
v. Improve access to renewable energy;
vi. Increase energy efficiency;
vii. Develop low-carbon agricultural practices;
viii. Reduce the rate of deforestation and wildfires; and
ix. Plan and manage biodiversity and coastal ecosystems

115. These actions are well aligned with the objectives of the GoM's REDD+ program, so that the climate adaptation and mitigation agendas in Mozambique are well aligned and compatible with the GoM's overall vision and strategy for development of the rural sector and improving people's livelihoods through more sustainable natural resource management.

Draft National Biomass Energy Strategy

116. The National Energy Policy (2003) estimated that biomass accounted for 93% of total energy consumption in 2000 and new research conducted under the Clean Energy Assessment Report suggests that the contribution of biomass was still 85% in 2011. The Ministry of Energy has carried out extensive work in elaborating the national Biomass Energy Strategy, which although it has not yet been approved can serve as a guide to the sector. The draft strategy concludes that promoting "modern" biomass strategies is the most cost-effective way to supply a large part of the Mozambican population with modern energy services.

117. The proposed action plan for the Strategy aims to put in place a holistic and inter-dependent package of measures that reinforce each other and maximize impact. These include implementing institutional reforms of the forest management and licensing system to (i) devolving responsibility to the local level, promote a sense of forest ownership and create a sustainable forest resource management framework on national and local levels, (ii) putting in place monitoring and enforcement schemes to ensure compliance and fulfilment of benchmarks, and (iii) revising the taxation system to generate funds to pay in part for the costs of implementing the strategy. This strategy provides a framework for the FIP biomass energy interventions.

Land Policy and Community Land Delimitation

118. The 'land delimitation' process plays a key role within the legal framework of Mozambique's land management system. The Land Law (Law 19/1997) introduces *Direitos de Uso e Aproveitamento da Terra* (DUATs), which can be acquired by occupation according to customary norms and practices, 'good faith' occupation (uncontested occupation over a period of ten years), or the award of discretionary concessions by the state. The vast majority of people in rural areas have use rights acquired through their local customary structures, and the law allows these structures – 'local communities' – to hold a collective DUAT over the area within which they have jurisdiction. Delimitation, defined as a flexible and participatory mechanism through which local communities confirm their right to occupy and use land, identifies these structures and the areas they occupy and manage. Vast majority of community lands in Mozambique are not yet delimited. The Government is pushing for a massive land tenure regularization initiative (5 million individual DUATs and 4,000

community delimitation certificates), and there are several ongoing NGO-supported delimitation projects. This offers a good platform for the FIP to further this effort, with the broader goal of integrating local rights into the natural resource management and investment process.

International Conventions and Treaties

119. Mozambique is party or signatory to several international conventions and treaties. As party or signatory to these international treaties and conventions, the Mozambique has made a commitment to strive to achieve the goals and objectives of the international community to protect the bio-physical and socio-cultural environment; achieve sustainable development; and protect human health and welfare. The conventions and treaties signed by the Government of Mozambique which are most applicable to the protection of the biophysical and social environment are:

i. Ramsar Convention on Wetlands, 1971
ii. United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol, 1992 (amended 1997)
iii. International Convention on Biological Diversity, 1993
iv. United Nations Convention to Combat Desertification (UNCCD), 1994, and
v. The Convention for the Safeguarding of the Intangible Cultural Heritage, 2003

3.5 Implementation Capacity and Challenges

Capacity for Implementation

120. MITADER and MASA are both newly formed ministries constituted from mandates and units that have been transferred and consolidated from other agencies. This restructuring can create challenges in integrating the various divisions and departments into a comprehensive, well-functioning whole. However, the staff of these Ministries has long experience in implementing World Bank and other complex multi-donor funded projects and should therefore have adequate institutional, technical and fiduciary capacity to effectively utilize additional funds and implement projects under the FIP.

121. The ministries also have significant capacity on the ground through their Provincial and District representatives (e.g. Provincial Directorates of Agriculture and District Services for Economic Activities), coordinating all the sector activities. In terms of conservation areas, MITADER is represented by ANAC (National Administration of Conservation Areas) as an autonomous public agency tasked with the management of all conservation areas. Within its framework, ANAC is the initiator and mediator for important collaboration between the Government, private investors and local communities for innovative nature-based economic activities that will generate revenue for the long-term sustainability of the country's conservation areas. The FIP implementation would build on this institutional capacity by assisting in the integration of the various sectors in the new Ministry via support for the REDD+ implementation and coordination structures now situated under the International Financing Management Unit.

Regulatory Gaps and Governance Challenges

122. While Mozambique largely has in place a regulatory environment that has progressed especially in recent years to enable the implementation of policies and programs for sustainable natural resource management and rural development, there remain regulatory and governance gaps that

need to be filled to ensure the transparent, effective and efficient implementation of GoM visions, strategies and programs.

123. **Development of Forest Reform**. The changes currently being made to the forest sector are wide-ranging and transformative. Proposed reforms are still under discussion both within MITADER and with the other related stakeholders, including government departments, the private sector and civil society. The details of the various strategies and plans still require working out and negotiation. There is an important role for the support of development partners in providing examples, analysis and advice based on experience in other countries to assist Mozambican institutions and policy makers develop the reforms in a systematic and harmonized manner to maximize their effectiveness.

124. **Inadequate Data and Information Systems for Forests**. The forest sector faces significant challenges in the provision of information, with the lack of timely, consistent and accurate data to support sound, evidence-based policy decision making and planning; limited information flow from central level to the District or the ground; insufficient data sharing and public access to data and information to ensure transparency; and the lack of an information system that has been systematically implemented at the District or field level (FAO, 2015). The Forest and Wildlife management information system (SISFLOF) has been under development since 2007. The information system is designed to store data on forest and wildlife licensing, compliance efforts, contracts and elaborate reports. Further assistance is need to update and streamline this system, or add new elements, to ensure that it is sound and can be implemented cost-effectively by the GoM. An important module to be added to the information system is the MRV for forests, a specific tool required by the REDD+ process, for the measurement, reporting and verification of a country's forest, and associated GHG emissions and removals, including their changes over time.

125. **Access to Information, transparency, accountability and public participation**. There are few platforms and consistent information sources that allow civil society to hold the government accountable or to take stock on policy implementation, lessons and challenges Public participation through community consultation is conducted before adjudication/allocation of forests and land to commercial exploration or for protection purposes. Government decisions have to be made within 90 days of submission of application. The challenge is to improve timely availability of information to give opportunity for an informed response by communities. Several case studies (e.g. Nhantumbo and Salomao, 2009; Norfolk, 2010) have documented that this process is often not implemented according to regulations and some parties might use it to further their interests. When communities are given the 20% royalties by the Forest authorities, there is no information on the quantity of timber extracted, the total value of revenues or the share received by other forest dwellers. Better information systems and better dissemination would allow stakeholders to participate in improving the responsiveness of GoM institutions and create more incentive for greater compliance.

126. **Accountability to the law** by private sector entities and government officials is also a challenge, particularly in the timber industry. The current scenario is characterized by irrational and unsustainable use that occurs in the exploration and illegal export, mainly marked by the widespread breach of the rules and procedures of the law (MITADER 2015). A recent study shows that the state loses annually about USD 7.8 to 11.6 million due to poor forest supervision (FAEF - UEM, 2013). Another study commissioned by WWF shows the gap between the data released by the governments of Mozambique and China in the period 2005-2013, translated in the total loss in revenue of USD 540 million over that period (WWF, 2015). According to the same study, the amount of illegally harvested timber in the country and exported to China illegally is 5.7 times greater than the volume declared officially by the forest department (WWF, 2015). Better enforcement and improved incentives for compliance will result in a more consistent revenue base for funding GoM actions and more sustainable use of the forest resource.

127. **Governance and Enforcement Capacity.** Mozambique has good policies that devolve resources to local communities and create provisions for sustainable use of resources. Yet, achieving compliance with the law is a stumbling block. The number of field officers is small (1: 50,000 km2), with limited means of transportation. At the national level there is also insufficient personnel dedicated to compliance, including technical verification of implementation of management plans (DNTF 2014). There is a gap in technical staff to monitor the content and implementation of management plans beyond sporadic visits by senior staff. There is also a need to monitor implementation of environmental management plans by the timber industries including large scale plantations. These capacity issues are exacerbated by the complexity of the rules for timber licensing, management planning, harvesting, transport, processing and sales. At each stage of the value chain, there are specific rules and gaps in their enforcement, and related opportunities for corruption or opaque information flows. The following figure provides an overview of the underlying causes and resulting problems in improving compliance in the timber sector.

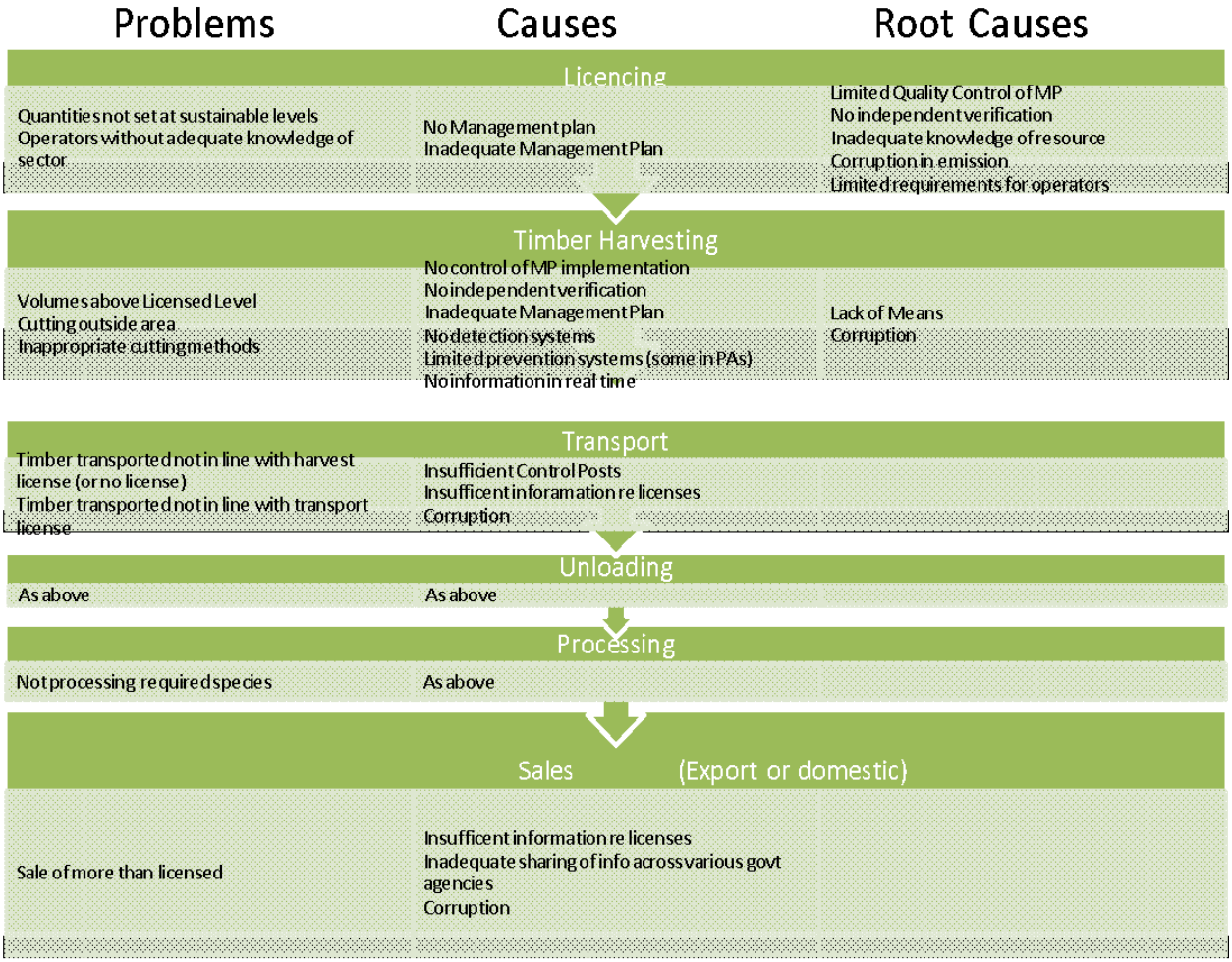


Figure 11 - Overview of Compliance Challenges

128. **Economic efficiency, equity and incentives**. Current forestry legislation clearly defines economic, social, ecological and institutional objectives and strategies to achieving them. All objectives are underpinned by principles of sustainable use, ecological integrity, creation of positive impact to the national economy and ensuring benefits to forest dependent communities. For example, the GoM has set up an incentive to encourage domestic timber processing: the private sector can receive a 40 percent reduction of royalty payments for wood processed in the country. In another system, the GoM imposes a 15 percent surcharge on royalties, which is aimed to support

reforestation and enrichment of harvested areas (Art. 101, Decree 12/2002). As another example, the GoM earmarks 20 percent of timber royalties for return to communities for rural development purposes (Art. 102, Decree 12/2002). Any commercial activity in a conservation area, or its buffer zone, must contribute financially to the protection of biodiversity in that area (Art. 11, Decree 16/2004). In addition, the public or private company that explores such an area must compensate for the impacts of its activities, so that there will be no net loss of biodiversity.

129. However, implementation of these various mechanisms is unclear or ineffective. There are no systems or mechanisms in place to ensure that the reforestation surcharge is spent, or spent effectively, and similarly, there is also limited oversight of the proper delivery of the community share of royalty proceeds[10].

130. **Financial barriers.** Credit in the country is both expensive and difficult to obtain for many local operators, which creates a barrier to the adoption of new agriculture, forestry and charcoal production methods. These financial barriers also constrain the ability to mobilize enabling investments that are needed to increase capacity, promote knowledge exchange and attract responsible businesses from the private sector and institutions committed to sustainable forestry production and deforestation free agricultural supply chains.

131. **Land zoning, planning and tenure rights**. **Community land delimitation** is a key instrument to reduce land conflicts and increase communities' land tenure security. In addition, it is a process that has seen some success in its implementation with the initiatives led by civil society organizations such as ItC, ORAM and others. Enabling communities to carry out micro-zoning within their boundaries has been shown to work in defining areas of natural forest preservation, while permitting agricultural and village expansion in a locally-driven, coordinated and holistic manner.

132. **Institutional coordination.** Although national level inter-institutional coordination mechanisms exist, these decline in effectiveness at the district or landscape level. At the local level, weak institutional and sectoral collaboration can result in illegal logging, forest encroachment and unplanned land occupation. The lack of coordination among different sectors (environment, land, agriculture, energy, education, etc.) and levels (national, provincial and districts) needs to be corrected to achieve a comprehensive land zoning and planning process that is essential for controlling deforestation. There is also a lack of strong community-based organizations that can engage in coordinating activities on the ground, ensuring fair participation in the benefits from investments, and reducing transaction costs of engagements between communities and the private sector.

133. Adding to this situation, the Government of Mozambique has recently made the ambitious decision to separate licensing and law enforcement across the Ministry, to ensure an adherence to best practices in terms of separation of functions. Law enforcement of forests, land issues and environmental performance have all been concentrated in the National Agency for Quality Control, AQUA. While this separation of function reduces institutional conflicts of interest, it presents numerous challenges in implementation, not least due to the limited number of trained personnel available to adequately staff the different agencies. This process will need significant assistance moving forward.

134. In summary, the FIP investment planning process is coming to Mozambique at the right time to capitalize on the dynamic policy and institutional reforms that are underway. The FIP investment cannot address all of the issues identified in this section, but it can help to close the gaps between plans and practices and between vision and results. The FIP planning process can also help to

[10] Less than half the amount for communities in Sofala from 2010-14 was paid out for example. See CIP Newsletter Edição Nº 20/2015.

prioritize further investments in a common framework, so that other development partners and financing sources can clearly see the opportunities and entry points.

Section 4: Expected Co-Benefits from FIP Investment

135. Through its interventions in the forest and land use sectors to reduce deforestation and forest degradation, the FIP is expected to yield reductions in carbon emissions. Given the integrated landscape vision that is necessary to achieve durable change towards sustainability in the forest landscape, and the intricate links between forests, biodiversity and people, FIP investments will also produce important social and ecological co-benefits. For many forest stakeholders, these benefits are the most tangible and critical and represent the values they have for the forests. Change must therefore be made not just to achieve sustainable forest and land management, but also the improved well-being of communities and enhancement of biodiversity.

136. **Protecting the forest landscape will help communities secure access to resources they depend on, enhancing incomes, livelihoods and reducing poverty.** Over 70% of Mozambique's population live in rural areas and are heavily dependent on natural resources for their livelihoods. The country's rich and dense forest and woodlands provide rural communities with several goods and services for subsistence, cash income and cultural reasons. It is estimated that in some areas, for example in the Gorongosa district, miombo woodlands contribute about 19% of household cash income and 40% of the household subsistence (non-cash) income. Non-timber products such as honey, mushroom harvesting and fruits are the main sources of livelihood for many rural communities. Forests are also highly important for the collection of traditional and modern medicines; it is estimated that over 200 medicinal plants are traded in the Maputo market alone. Around 80% of the country's population also depends on biomass as their primary source of energy, from fuel wood, charcoal and waste from agriculture (Draft Biomass Strategy, 2012).

137. **Sustainable agriculture can generate income diversification and generate employment among communities** through the promotion of use of various crops and improving market access. Improved agricultural techniques would enhance soil conservation and increase land productivity as well as maximize environmental services. A sustainable forest landscape management approach creates a sensible link between forest and agriculture that creates opportunities in rural areas primarily for forest and agriculture dependent communities, of whom many are women and vulnerable groups.

138. **Promotion of sustainable biomass use could decrease deforestation, improve forest management and generate health benefits**. Addressing the unsustainable exploitation of wood for energy will slow the rate of forest loss in rural areas and maintain a reliable source for domestic use. If more efficient charcoal-making technology, alternative sources of energy and improved cookstoves are accepted and used, local degradation and health risks from traditional cookstoves can be reduced.

139. **Approaches that add value to forest and non-timber forest products could contribute to increased revenues and profits for local communities.** Such approaches could help promote more collaboration between private and community-led sustainable initiatives for international and domestic markets, protection of high conservation value forests for environmental services and tourism, and harvesting of non-timber forest products for niche markets—in turn adding premium to these services and products that benefit communities. Some of the most the most promising opportunities lie in the value chains of Furniture, Railway Sleepers, Honey, and Natural Oils. (FAO, 2015 - Policy Note on Natural Forest Value Chains).

140. **Sustainable management of forests also have significant environmental benefits, from biodiversity protection to water quality enhancement**. The environmental services provided by forests are innumerable, and sustainable management ensures that ecosystem functions and services are maintained at an optimum. These include watershed protection, water regulation, soil fertility, erosion and flooding control, and wildlife habitat protection. Mozambique's forests support

a rich biodiversity, boasting 5,500 plant species, 222 mammal species, and 600 bird species. REDD+ actions can help to conserve these species, contributing to national and global efforts to protect biodiversity.

141. **Improved fire management, as a practice in SFM, reduces wildfires in biologically critical ecosystems while avoiding the emissions of GHG.** Mozambique is highly affected by wildfires. Analysis of MODIS satellite data shows that nearly all of the forests in the central and northern parts of this country currently burn at least once a year, resulting in negative implications for the communities and the Miombo forest ecosystems[11]. By implementing forest fire management activities communities can be protected from fires and prevent loss of valuable forest and wildlife resources that provide income-generating activities, whilst helping also to protect endemic species to regenerate.

142. **Improved implementation and enforcement of legislation will** reduce unsustainable and illegal practices and **lead to an increase in revenues for the state.** Between 2007 and 2012, illegal logging resulted in US$146 million of foregone government revenues. Stronger enforcement will also increase the legally stipulated benefits to communities, and provide a basis for long-term, sustainable production of timber products that can provide a lasting stimulus to the rural economy.

143. Improved enforcement is also the key to **generating revenues for legitimate private sector operators**. The companies that manage natural forest concessions in a legal and sustainable way – either certified against international industry standards or not - and who produce and market the products obtained from wood cut in these concessions, are facing severe financial problems. This is due to the unfair competition of the forest concessionaires, simple license holders, and informal loggers that manage to avoid the costs of complying with the laws governing forest activities, industry regulations, taxes and trade duties (FAO, 2015 - Policy Note on Natural Forest Value Chains).

144. **Governance and institutional capacity can improve**. Policy and institutional reforms, and capacity and knowledge building through implementation experience can serve to strengthen local and national governance. By working across a landscape, FIP provides a space for the engagement of diverse actors and stakeholders that may not conventionally interact, improving coordination in the longer term across sectors and amongst government, communities and the private sector.

[11] While miombo ecosystems need occasional fires to propagate, no tree biomass can be sustained under annual fires. (Ryan and Williams, 2011)

Section 5: Collaboration among MDBs and with other Partners

145. In view of active development cooperation in the country, development partner coordination is a priority for the Government of Mozambique. In Mozambique, there are more than 25 working groups across sectors such as agriculture, energy, biodiversity conservation, governance, environment, and private sector development, in which development partners participate. Development partners active in the field of the environment have agreed to meet on a monthly basis to share information and to participate in policy dialogues. This initiative led to the creation of the Donor Working Group on Environment as a platform for dialogue bringing together government institutions, development partners, civil society and the private sector. MITADER's emergence as a new Ministry has also led to talks about the reformulation of the donor groups related to environment, conservation and others, aiming to reflect the integrated nature of issues at hand and of the counterpart Ministry. The Mozambican Government also has thematic inter-agency coordination groups, each of which have defined development partner focal points for continued interaction.

146. The Government is increasingly aware of the importance of donor coordination, and has been making efforts, including under the REDD+ process, to lead coordination in the sector as a means to achieve improved impact. Throughout the FIP IP preparation process, the Government has convened development partners frequently. Development partners attended all national consultations related to the development of the FIP IP, and also participated in joint-missions with development partners to the Zambezia and Cabo Delgado program areas. During a joint visit to Zambézia in February 2016, for instance, the Government, the World Bank and the Embassy of Sweden visited interventions that could be harnessed to address deforestation, including cashew and other fruit tree nurseries. They also participated in the Zambézia REDD+ Forum, a multi-stakeholder platform geared towards sustainable natural resources management and rural development. This and other opportunities have enabled advancing mutual understanding amongst development partners of Mozambique's FIP and its links to the vision, mandate and mission of MITADER and its programs.

147. In addition to World Bank, AfDB and IFC activities, which can be found in Annex 6, development partners are also contributing more than $400 million in about 75 projects in parallel areas of support, recognizing the growing consensus on the key drivers of deforestation and appropriate interventions at national, regional and local levels. This increased engagement has stimulated interest from development partners in the following main activities: forest governance reforms, particularly in regards to forest legislation and inspection, enforcement and control systems; support to agriculture intensification and improved natural resources resilience through conservation agriculture; and sustainable biomass production. Development partners have also expressed support to scale up and bring financing in behind the Government's programs to assist in achieving its objectives for integrated rural sustainable development. Altogether, this should lead to important shifts in development partners' agendas in agriculture, energy and other related sectors in the near future.

148. Investments through the FIP will contribute to the continued engagement of development partners in this direction. FIP is thus expected to function as an important umbrella, serving as orientation for development partner forest-related actions, rather than creating duplicate systems. FIP support will also enable and strengthen the Government's position and capability to regularly convene, document and follow up on development partner coordination events. FIP investment planning process has reinforced the government's coordination approaches and brought development partners together around the bigger picture, including beyond the FIP $24 m.

149. MITADER has managed to increase notably the engagement with natural forest operators, especially within the scope of ongoing forest governance reforms and the *Floresta em Pé* Project. The FIP platform will allow this engagement to be amplified. IFC will play a key role in this dynamic, including through the promotion of improved community-company partnerships, as exemplified by the IFC-led project on Emissions Reductions in the Forest Sector through Planted Forests with Major Investors.

150. FIP projects under design will include a management and coordination component to augment the Government's resources and ability to fulfill this development partner coordination role. The FIP design process also recognizes the importance of regular reporting to the FIP Sub-Committee on progress and indicators, using the FIP M&E framework, as well as sharing experience in international exchange gatherings, including but not limited to the FIP Country Partnership Meeting.

Section 6: Identification and rationale for projects and programs to be co-financed by FIP

The Forest Investment Plan — A Modular Approach Towards a Large-Scale Framework for Investment

151. The FIP Investment Plan process in Mozambique is being used to provide a framework for channeling international support to implementing the country's national REDD+ Strategy, principally via the government's flagship forestry program, "Floresta em Pé". The FIP Investment Plan is used to structure a large-scale, modular framework for investment both outside and within the forest sector that goes beyond the initial allocation available from the FIP. The Forest Investment Plan represents the country's level of need and the GoM's level of ambition to implement the national REDD+ strategy across the country, including extensive reforms in the forest sector. It prioritizes investment needs, which could be provided by potential development partners and other sources of climate finance, including the Green Climate Fund and bilateral donors. In line with this approach, the Investment Plan acknowledges existing partner-financed efforts and identifies opportunities for collaboration and synergies during implementation.

152. Within this Investment Plan, the GoM proposes a forward looking, modular approach that includes several integrated initiatives to tackle challenges across both geographic and policy dimensions. The initial modules are fully integrated into FIP Investment Plan financing, while others run in parallel in a coordinated fashion, and still others will begin over the next few years. Such a modular approach builds on existing successful programs, in order to assist the implementation of the GoM's flagship programs, especially the National Program for Sustainable Development and Projecto Floresta em Pé.

153. The priorities for FIP financing have been selected based on the principal drivers of deforestation in Mozambique, as determined by the national REDD+ Strategy.

Indirect and Direct Drivers of Deforestation	
Indirect Drivers	**Direct Drivers**
Cross-cutting Governance Factors	
● Policy misalignment across sectors ● Weak institutional capacity for implementation and legal enforcement ● Lack of inter-institutional coordination ● Weak engagement with community level resource users (and dissemination/education on rules and best practices)	● Ineffective regulation and management of land use change ● Inconsistent economic incentives faced by agents on the ground ● Outdated regulations, inconsistently enforced ● Inadequate detail of land use plans available for daily decision making
● Demand for agricultural commodities (e.g. sesame seed, tobacco and cotton) ● Demand for energy resources (coal, gas) ● Rural-urban migration ● Low agricultural productivity and efficiency, lack of access to technologies	● Commercial agricultural expansion ● Small-scale farming, especially shifting cultivation ● Mining ● Urban expansion ● Infrastructure development ● Livestock management ● Uncontrolled fires (associated with conversion & cultivation)
● Domestic demand for charcoal/fuelwood ● Lack of viable alternative energy sources ● International demand for export of timber	● Unsustainable extraction of wood for domestic use, including biomass energy ● Unsustainable commercial timber exploration, esp. illegal logging

Table 5 - Direct and Indirect Drivers of Deforestation

154. Recognizing the long term nature of sustainable forest management and REDD+ efforts, the modular approach will, over time, seek to extend FIP activities to other landscapes, as well as deepen and sustain existing landscape activities and policy reforms. This approach is represented in Figure 12 below. The **first module consists of national- and landscape-level interventions** that aim to reduce emissions and promote rural development, and will be implemented by MITADER with support from the World Bank and a multi-donor trust fund. The second module is focused on leveraging the private sector to link communities to the opportunities provided by major forest sector plantation investment, and will be implemented by the IFC in coordination with the private sector and the Government.

155. The first two modules will therefore be implemented as **two distinct projects under the FIP**, with different implementation arrangements and drawing on assistance from different MDB partners (World Bank and the IFC).

156. Future modules, to be focused on new landscapes or additional thematic areas for interventions will therefore fit into the FIP Investment Plan logical framework, but be financed by new sources of funds to be identified moving forward. These modules will build on policy reform successes to disseminate and replicate efforts to new geographic priority areas, and could address themes in the REDD+ strategy that have not been addressed in the current FIP IP such as conservation areas strengthening or addressing urban expansion. While significant resources have already been dedicated to the Investment Plan, to implement it fully across the entire country would require additional resources of well over 500 million USD. Initial discussions with other partners have already determined strong interest.

157. An important source of potential additional funding for Mozambique's Forest Investment Plan is the Green Climate Fund (GCF). The GoM's modular approach is designed to demonstrate the strength of the institutional and implementation structures to deliver concrete results in reducing deforestation and combating climate change. The CIF therefore contributes to building confidence in these structures to leverage additional financing from other international instruments, and to demonstrate the potential for a paradigm shift towards climate resilient sustainable development.

158. The GoM has already initiated the process for using the modular Forest Investment Plan as a basis to access potential funding from the GCF. The GoM has requested and received training on the modalities and procedures of the GCF, and will be preparing a project proposal based on the priorities and sequencing in the framework of the Investment Plan in the future.

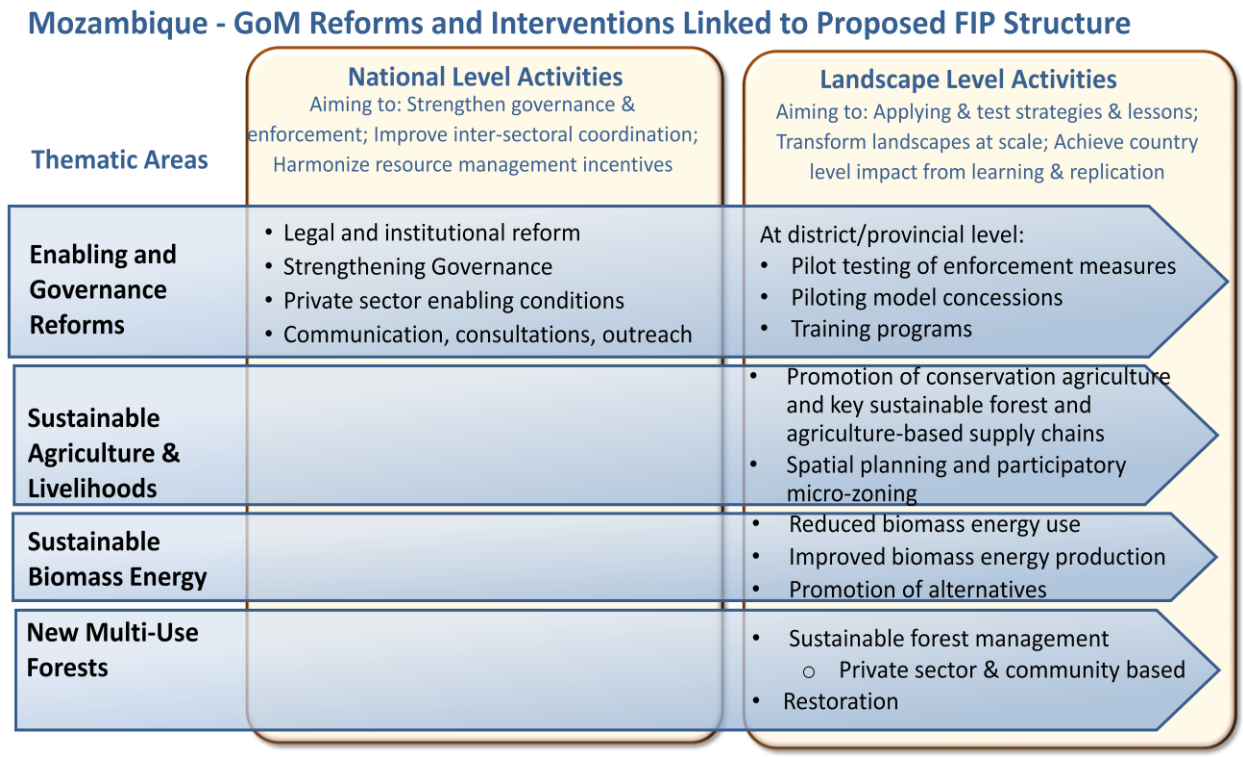


Figure 12 - Logical Model

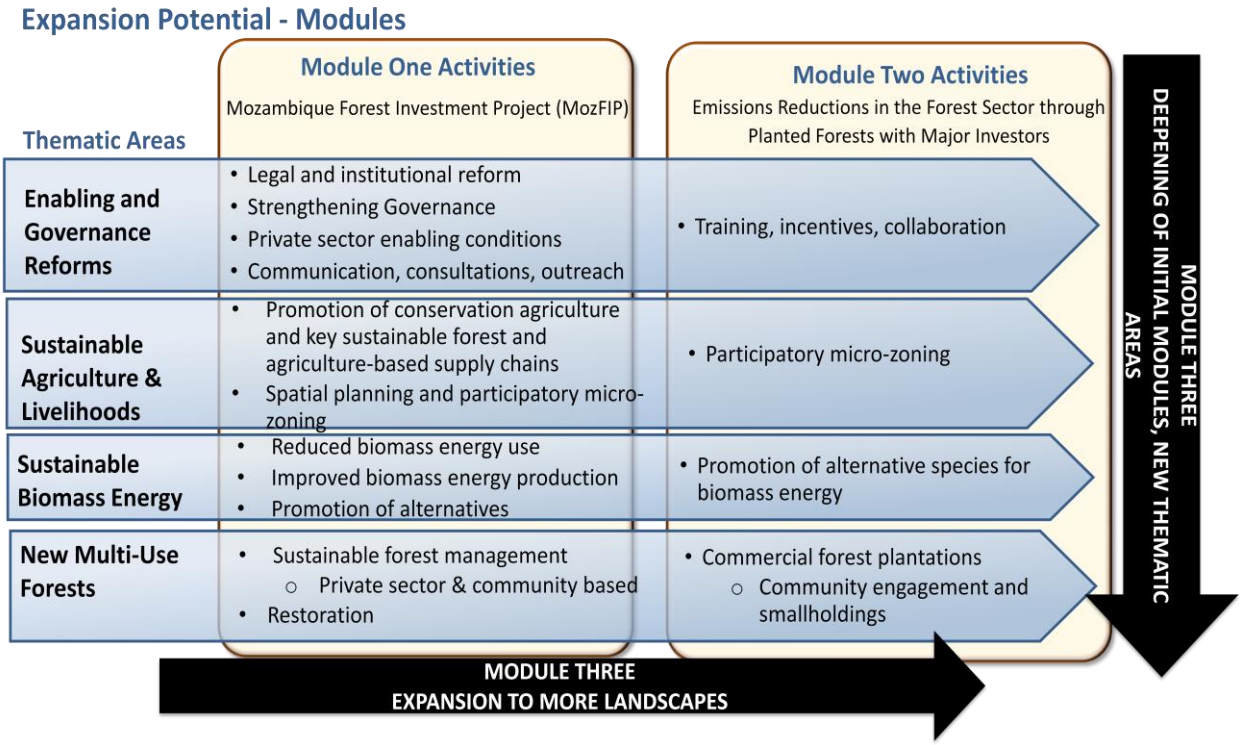


Figure 13 - Modular Expansion

Transformational Impact Expected

159. The Mozambique FIP Theory of Change is that improving the enabling environment for sustainable forest and agriculture management and investments will promote sustainable forest and land management practices, contribute to rural livelihood improvements, and support Mozambique's efforts to address the drivers of deforestation and forest degradation. The overall transformational impact expected from the FIP in Mozambique is reduced deforestation and forest degradation, while also contributing to improved rural livelihoods.

160. The figure below provides a more detailed overview of Mozambique FIP's Theory of Change and the transformational impact and benefits expected. These have been formulated based on the understanding of the issues and problems in the forest and related sectors, as well as the key drivers of deforestation and degradation. These themes and areas of intervention are also built into the design of the investment project concepts proposed in Section 6 and further detailed in Annex 1.

Mozambique FIP Theory of Change **Thematic Areas Aligned with Transformation and Co Benefits**
Enabling & Governance Reforms. The aim is to revise policies and strengthen governance so that resource users have positive incentives to manage land more productively, protect forests and improve livelihoods. Improved governance will help to level the playing field for good practice forest operators, clarify rules on forest management, certification, access to financing, etc., and transition the forest sector towards sustainability. Information systems will be strengthened for better monitoring, reporting and transparency to improve permitting, licensing, and revenue management in the public interest. The capacity of local governments to manage resources will be built. ***Expected benefits*** include improved governance, sustainable forest and land management, strengthened local governments in natural resource management. Investment climate improvements should contribute to rural economic activity and jobs, as well as resilience and sustainability.
Sustainable Agriculture and Livelihoods. Activities aim to promote greater benefits to communities by providing skills, materials and access to new techniques and markets for natural resource products. The transformative impact lies in giving communities the incentives, knowledge and tools to improve landscape management for their own benefit, while maintaining the natural resource base. Conservation and climate smart agriculture approaches will increase productivity and income, reduce the need for clearing new land, and promote diversification to increase resilience. Better tools and models will yield more collaborative work between communities and extension agents/service providers. Financing and market links would strengthen smallholder supply chains. . Land use planning and delimitation supports participatory micro-zoning of community areas, strengthens local institutional capacity and engages with the private sector over land use rights. **Expected Benefits** include community engagement in improved agricultural and land management, resulting in improved productivity, enhanced ecosystem services, increased tree cover and resilience of the resource base, helping to reduce a key driver of deforestation and degradation. Improved planning will increase security of access to and use of resources, increase information flow, and build trust between government agencies and communities.
Sustainable Biomass Energy. On the demand side, activities will support efficient cookstoves, increase charcoal making efficiency, and support SMEs in adopting and disseminating new energy technologies. On the supply side, activities will promote community woodlots, improved production, and jobs, in collaboration with provincial authorities. **Expected Benefits** include shifting biomass energy use toward alternative, higher efficiency sources, reducing degradation pressure on forest areas.
Establishing Multi-Purpose Forests. This activity will support the conditions for increased investment in tree planting for local uses, household energy, commerce, and restoration, which can generate local economic

opportunities through value chains, out-grower arrangements and jobs. Multi-stakeholder dialogues among firms, communities, government and civil society will improve relationships and increase transparency in negotiations. **Benefits** to communities will come from engaging in tree planting, timber production, marketing and processing, which will create opportunities for out-growers to diversify livelihoods and increase resilience. Restoration of degraded lands will improve ecosystem functions, habitat viability and social benefits.

Table 6 - Mozambique FIP Theory of Change

FIP Strategic Direction

161. Mozambique's FIP Investment Plan is built on two levels of activity: (i) A national level focusing on policy and legal reform, governance and strengthening of capacity that will create the enabling conditions for change; and (ii) a landscape level focusing on the implementation of activities on the ground in specified geographic landscapes and in particular sectors. Interventions at these two levels are critical for a holistic approach, creating conditions at the national level that allow activities on the ground to generate impacts successfully.

162. The FIP will finance activities in four **thematic areas**:

a. ***Enabling and Governance Reforms***, particularly focused on strengthening forest governance, and the promotion of private sector sustainability. These reforms are aimed at addressing the drivers of unsustainable commercial timber exploration;

b. ***Sustainable Agriculture and Livelihoods***, predominantly working with subsistence level farmers to address the important drivers of forest conversion into agriculture;

c. ***Sustainable Biomass Energy***, with a focus on charcoal users and producers, as well as alternatives to charcoal use, in a direct attack on this driver of deforestation; and;

d. ***Establishing New Multi-Purpose Forests***, with natural forest concession operators and community users, as well as commercial forest plantations and their interaction with communities. This final area seeks to balance the needs of commercial development with preserving natural forested areas, while providing communities with incentives to reduce shifting agriculture and unsustainable as well as illegal forest harvesting.

163. The FIP will finance a **landscape approach** to fully explore the synergies to be brought about across the national and landscape levels as well as across sectors, and to demonstrate how to scale up public, private and other resources and activities so as to achieve transformational change. A landscape approach is broadly defined as a framework to integrate policy and practice for multiple land uses, within a given area, to ensure equitable and sustainable use of land while strengthening measures to adapt to climate change, and mitigate it when possible. The landscape approach pursued seeks to address the increasingly complex and widespread environmental, social and political challenges that transcend traditional management boundaries and lead to protecting and enhancing the natural resource base upon which productive agriculture depends. It recognizes that agriculture development, natural resource management, and governance are inextricably linked, both institutionally and at the local technical level, and that interventions need to be made at scale to have an impact on rural poverty and natural resources sustainability. Using the landscape approach, the FIP aims to address the drivers of deforestation and degradation while generating rural development benefits by combining land-based economic activities with the management and conservation of natural resources.

164. The approach will promote **two specific landscapes, in Cabo Delgado and Zambezia Provinces**, where multiple actors will each implement one or more of the proposed interventions, to harness

the natural synergies between them and to create a whole that is greater than the sum of its parts. Activities at the landscape level will allow the piloting of replicable models to generate understanding and learning of the links between the implementation of forest-related investments, policies and measures and long-term emission reductions and conservation, sustainable management of forests and the enhancement of forest carbon stocks in developing countries.

165. Through all interventions there is a key identified need for **private sector engagement**. The private sector can be divided into two main categories: Large Enterprises and SMEs. The FIP addresses the need to support SMEs, integrating them into decision-making process and facilitating their catalytic role in stimulating and supplying demand for goods and services with a positive impact on reducing deforestation. The FIP will also seek to provide a series of incentives to overcome the structural issues of market access, governance failures, and perverse incentives. The Large Enterprises require a specialized approach, with specific inputs to achieve success. As a result, a separate project under the FIP will develop this specialized approach through collaboration with the largest forest plantation enterprise in the country.

166. The two projects will therefore be supported by separate MDB teams. The first project will consist of national and landscape-level components, and be implemented by the World Bank with co-financing from a Multi-Donor Trust Fund and the International Development Association (IDA)[12]. The second project will have a single component focused exclusively on a major forest plantation client and will therefore count on the involvement of the International Finance Corporation (IFC).

167. By committing to apply a priori and ex post impact assessment of programs and projects, the FIP will ensure that the outcomes and effectiveness of FIP-supported interventions in reducing deforestation and forest degradation can be measured.

Principles for Determining Activities at the National Level.

168. Activities to be financed at the national level will aim to strengthen governance. Governance comprises the processes and institutions, both formal and informal, through which government agencies, citizens and stakeholders articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences. Forest governance is geared to the management of the resources of the sector to sustain and improve the welfare and quality of life for those whose livelihood depends on the sector. Fostering good forest governance lies collectively with the Government and all relevant stakeholders. Efforts to strengthen forest governance will focus on strengthening institutions and regulatory systems, building the capacities of governments, increasing transparency in the sector through strengthening information and compliance systems, supporting sustainable forest management by the domestic private sector, improving dialogue and participation of stakeholders, and improving coordination across sectors so as to address drivers of deforestation outside the forest sector. Key activities are laid out in the GoM's plans for reform in the sector and Projecto Floresta em Pé, some of which will be implemented in the landscapes as well.

Selection of Geographic Areas for the Landscape Level

169. **Principles for Identifying Landscapes for Investment**. The principles used by the Government to select the landscapes for testing REDD+ programs, including for the use of FIP resources are:

[12] The World Bank is assessing the potential to augment the FIP with resources from the International Development Association, which will depend on Mozambique's fiscal situation.

- **Large Scale Areas and Potential to Address Forest Loss and Degradation**. For specific decentralized units of government to implement activities and engage with stakeholder groups and communities, FIP investments on the ground should be targeted at specific jurisdictional units (i.e. one or more districts), in areas of substantial size and with diverse land uses. This enables achieving economies of scale, substantial impact on the drivers of deforestation, and reliable lessons for replication and scale up in other landscapes of Mozambique.
- **Technical and Baseline Information**. These locations should be selected based on the adequacy of available information on baselines and trends in deforestation and forest degradation, drivers of deforestation, as well as the potential scale of impact on forest loss and associated carbon stock losses.
- **Existing Institutional Structures and Partners**. Selected areas should have a local management structure for the activities (associations, NGOs, private sector agents, protected area management units, etc.).
- **Transformational Impact**. Areas selected for FIP investments should leverage REDD-related local initiatives that contribute to the reduction of deforestation in large areas, thus aiding the national strategy. They can also become initial models for scaling up and wider replication, which would also indicate a certain level of awareness and community engagement.
- **Synergy, Partnership and Leverage**. There is a positive rationale to use FIP investment resources to "crowd in" resources around particular landscapes, models, and policy initiatives. Issues in the rural landscape and drivers of deforestation are sufficiently complex to warrant multiple partners working in synergy on different aspects or geographies (e.g., inside and outside PAs, bottom up and top down on value chains, etc.).
- Active government participation in human capacity and the support to resolving investment barriers will be important in creating a trustful partnership between the government and the private sector, through predictable investments and focused technical assistance.

170. **Landscapes identified for FIP investment**. Based on these criteria and the GoM's programs, the Investment Plan will, in the initial modules, focus on two priority landscapes selected by the GOM: the Zambezia Integrated Landscape, composing 7 districts in the Province of Zambezia, and the Cabo Delgado Landscape, composed of 7 districts in the province of Cabo Delgado. The work at this level should: (i) generate transformative impact at landscape level, and (ii) contribute to a positive impact at the country level as the lessons learned from the work will be used to develop a landscape management model to be replicated in other landscapes of the country as part of the phased approach proposed above. The choice of a small number of districts with substantial area, grouped into two coherent landscapes, allows for maximum focus on applying the lessons learned in addressing deforestation and forest degradation, implementing the various thematic strategies defined during the elaboration of the REDD+ National Strategy, and testing the approaches at a manageable scale, permitting synergies between the various strategies.

171. **Expansion Potential**. The government's desire to use the FIP logical framework to design a full scale, modular framework for investment that will eventually cover the entire country demands that a strategy for new modules with additional financing be able to fit within the logical model of the FIP in Mozambique. This can be done by either deepening the activities within the prioritized landscapes through adding new thematic areas or expanding the scope of the existing ones to address for example other aspects of the national REDD+ Strategy such as conservation areas, or it can be done by broadening the geographic coverage of the initial FIP modules to new landscapes in other parts of the country (see above).

Compliance with REDD+ Strategy Criteria

172. The five key objectives of the National REDD+ Strategy have been established and validated in the stakeholder consultations, and are as follows:

a. **Sustainable Forest Management**: To promote and strengthen the forest concession system by adding value to forest goods and services.

b. **Conservation Areas**: To strengthen the national Conservation Area system and generate livelihood options and secure income from ecosystem services.

c. **Energy**: To increase access to alternative energy sources in urban areas, and increase efficiency in the production and consumption of biomass energy.

d. **Forest Restoration**: To support implementation of the National Reforestation Plan and rehabilitate and restore natural forests and degraded areas.

e. **Agriculture and Soil Productivity**: To promote alternative practices to unsustainable small-scale agricultural activities and increase productivity of subsistence and cash crops.

f. **Creating an Enabling Environment**: To create a legal and institutional platform for cross-sectoral coordination for land-use activities and improve land-use planning.

173. FIP activities will therefore also serve as a pilot for testing the actions outlined in the Strategy.

Compliance with FIP Criteria

174. The consolidated FIP investment criteria include:

(a) Climate Change Mitigation

(b) Potential Demonstration at Scale

(c) Cost-effectiveness / leveraging finance

(d) Implementation Potential

(e) Integrating sustainable development (co-benefits)

(f) Safeguards

175. The following Table analyzes the two proposed priority landscapes using this analytical framework.

FIP Investment Criteria	Zambezia	Cabo Delgado
1. Climate change mitigation potential	Annual deforestation rate in the proposed initiative area is 0.75%, forest loss of 18.000 ha/year Potential for minimum of ~13 million tons CO2e to be reduced during the first 10 years of implementation between 2016 and 2025	Annual deforestation rate in the proposed initiative area is 0.18%, forest loss of 5.189 ha/year (UEM, unpublished preliminary data) Potential for minimum of ~5 million tons CO2e to be reduced during the first 10 years of implementation
2. Demonstration potential at scale	The province was among the ones selected for a rapid analysis of the existing information management systems in the context of development of the R-PP Given the high number of forest concessions, supporting the development of an information management system in Zambezia will lay a good foundation for the strengthening of cadastre-related activities in the country	Traditionally one of the most problematic provinces for forest governance and compliance, permitting lessons learned here on governance to be expanded to other provinces Reconciling Quirimbas National Park management with local resident communities' needs is applicable in all PAs nationwide
3. Cost effectiveness/leveraging finance	Existing funding through MozBio will facilitate leveraging additional financial resources Interest by private sector to support deforestation-free cashew supply chains, providing access to international buyers Area of highest number of forest concessions in Mozambique, generate further significant private sector engagement MozBio offers matching grants to initiatives for conservation agriculture and sustainable forestry to communities within and around Gilé National Reserve MozBio will help finance the management of the Gilé National Reserve as well as supporting the establishment of long term financial support to the PAs from BIOFUND Partnerships (especially with the World Bank, MozBio, EtcTerra. Agrisud and IGF) means existing multi-sectorial support that would facilitate self-sustaining economically viable models for REDD+	Existing funding through MozBio and AFD/FFEM will facilitate leveraging additional financial resources Existence of both forest and wildlife concessions, generating potential significant private sector engagement Existence of large numbers of new private sector actors in gas and mining, providing potential biodiversity offset funding, as well as new employment opportunities for communities MozBio offers matching grants to initiatives for conservation agriculture and sustainable forestry to communities within and around the Quirimbas National Park MozBio will help finance the management of the Quirimbas National Park Partnerships (especially with the World Bank, MozBio, WWF, UNEP, Aga Khan) means existing multi-sectorial support that could facilitate self- sustaining economically viable models for REDD+

4. Implementation potential		
4a) Existing governance structure for the program	Provincial REDD+ coordinator Zambezia Provincial Forum for REDD+ Benefit sharing mechanism in development Grievance redress mechanism in development	Cabo Delgado REDD+ Coordinator Cabo Delgado Provincial Forum Provincial Technical Working Group on Climate Change QNP Management structure in place
4b) Existing local initiatives toward reducing deforestation	Plans for land planning, zoning and registration NGOs operating in area for a long time: ETC Terra, RADEZA, IGF, etc…. MozBio: awareness programs and capacity building for communities, local governments and other partners	Districts with land use plans and district development plans NGOs in the area such as Kulima, Aga Khan, AMA, WWF promoting CBNRM, charcoal reduction, reforestation, etc. MozBio: awareness programs and capacity building for communities, local governments and other partners
4c) Institutional Sustainability	Strong presence of Civil Society Organizations Ongoing Pilot REDD+ initiatives (Iniciativa Testagem do REDD+) has and will continue to provide valuable lessons learned and improved local capacity Zambezia is one of the key geographical areas of the MITADER's "National Program for Sustainable Development"	Strong presence of Civil Society Organizations (CSOs) Ongoing Pilot REDD+ initiatives (FFEM Climate Change program) has provided valuable lessons learned and improved local capacity Existing coastal resource management with Community Fishing Councils (CCPs)
4d) Structures for effective stakeholder participation and decision making	Multi-stakeholder consultations taken place since R-PP formulation (2010) Discussions on forests and landscapes related issues have been ongoing at district and province level Platforms set up through the Provincial Forum for stakeholder participation Visits to key stakeholders made to discuss REDD+ Relationship established with provincial government SESA consultations held at provincial and community level	Multi-stakeholder consultations taken place since R-PP formulation (2010) Discussions on forests and landscapes related issues have been ongoing at district and province level Platforms set up through the Provincial Forum for stakeholder participation Visits to key stakeholders have been made to discuss REDD+ Relationship established with provincial government SESA consultations held at provincial and community level
5. Integrating sustainable development (co-benefits)		

5a) Improvement of livelihoods for rural communities	Highest incidence of poverty in Mozambique13 Potential for climate smart agriculture, non-timber forest products management Examples of sustainable charcoal production Potential to integrate smallholder farmers into supply chains for local, regional and global markets Potential for securing alternative and sustainable energy sourcing with energy plantations and efficient cookstoves—could have transformational social and health benefits	One of the poorest provinces in Mozambique, with the lowest standards of housing in the country[14] Potential for climate smart agriculture, sustainable charcoal production, non-timber forest products management Potential for community game farming management Potential to integrate smallholder farmers into supply chains for local, regional and global markets Potential for integrating tourism development with natural resource management Good examples of coastal resource management with CCPs
5b) Maintenance of high-value biodiversity	Province is home to one of the most well preserved tracts of miombo forests in the country, in the Gilé National Reserve Home to one of Africa's largest marine conservation areas Archipelago of Primeiras e Segundas Islands Biodiversity conservation can help spur tourism and thus the park incomes to the Gilé National Reserve, contributing to improved financial management of the Reserve	Quirimbas National Park contains both high value marine and terrestrial biodiversity Biodiversity conservation can help spur tourism and thus the park incomes to the QNP, contributing to improved financial management of the Reserve Gas and Mining operations in Palma and Balama have made public commitments to causing no net loss of biodiversity in the country, potentially funding offsets to achieve this
6. Safeguarding of natural forests	The province offers key opportunities for the Government to apply sustainable use of non-forest and restoring or protecting protected conservation area land, thus reducing pressure on remaining natural forests. Plantation forestry will be carried out in conformity with IFC Performance standards to prevent native vegetation being cleared for planting exotic species.	The province offers key opportunities for the Government to apply sustainable use of non-forest and restoring or protecting protected conservation area land, thus reducing pressure on remaining natural forests. A large percentage of this landscape is inside the QNP, so law enforcement against illegal logging will be key here.

[13] Pobreza e Bem-Estar em Moçambique: Terceira Avaliação Nacional. Ministério da Planificação e Desenvolvimento, 2011.

[14] Ibid.

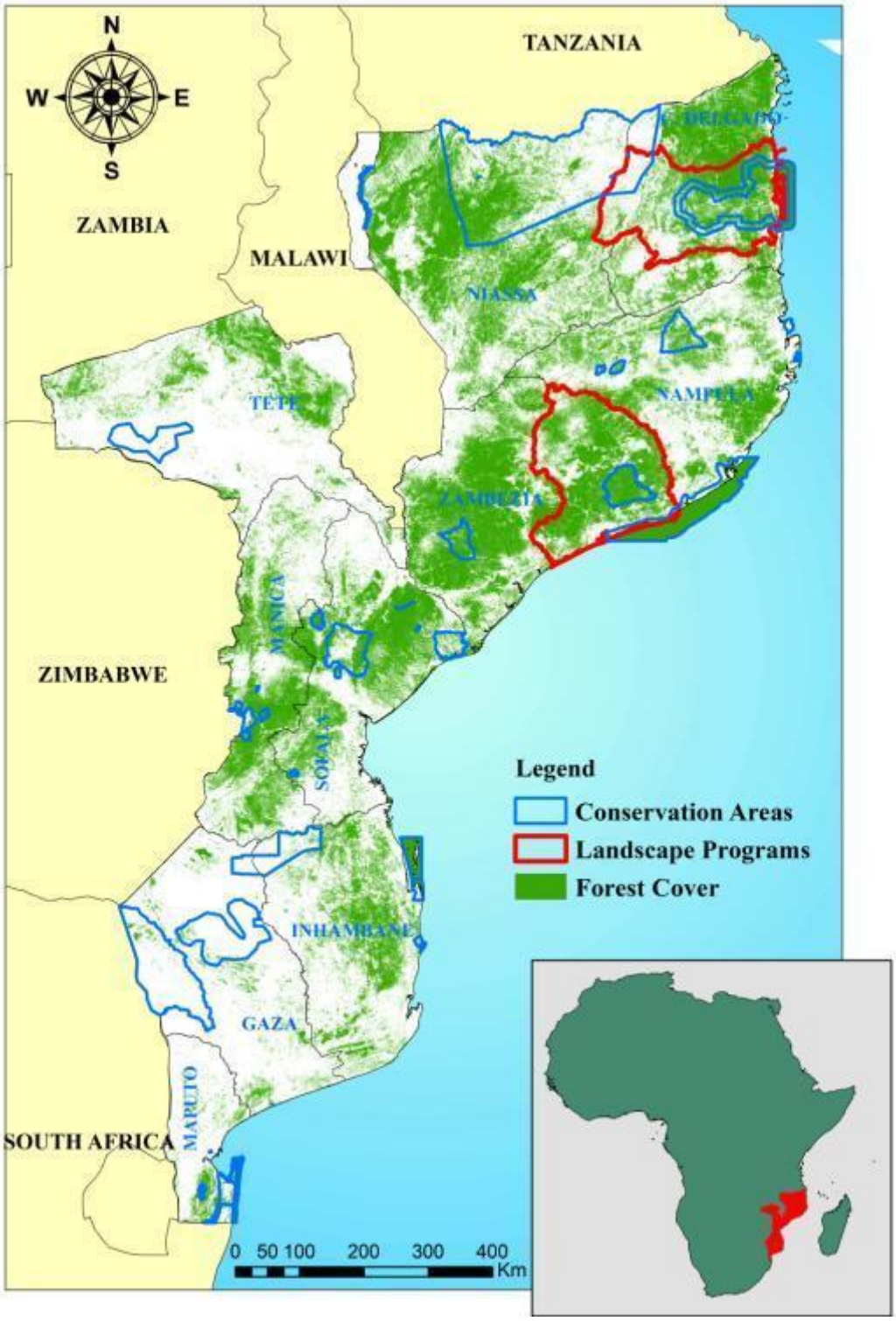


Figure 14 - Forests of Mozambique with Module One Landscapes identified

Projects Proposed for the FIP

176. The FIP in Mozambique will be comprised of two projects, each constituting one module of Mozambique's Forest Investment Plan. The first project or module consists of national and

landscape level interventions that aim to reduce GHG emissions and promote rural development, and will be implemented by MITADER with support from the World Bank. The second project or module is focused on leveraging the private sector to support community forest management around planted forests, and will be implemented by the IFC in coordination with the private sector.

6.1 Project/Module One: Mozambique Forest Investment Project (supported by the World Bank)

177. To address the deforestation and livelihood issues outlined in Section 2 and support the GoM's overall vision and the FIP intervention logic, the proposed project/module 1 *Mozambique Forest Investment Project (MozFIP) ,* to be implemented with the World Bank as partner, has been designed to address both national policy reform needs and landscape level interventions. An overview of the project structure appears in the figure below and additional detail is in Annex 1.

178. MozFIP is built on the Theory of Change that improving the enabling environment for sustainable forest and agriculture management and investments will promote sustainable forest and land management practices, contribute to rural livelihood improvements, and support Mozambique's efforts to address the drivers of deforestation and forest degradation. The overall transformational impact expected is reducing deforestation and forest degradation, while also contributing to improving rural livelihoods in the targeted landscapes. See also the detailed description in Table 6 in Section 6.

179. The proposed activities financed by FIP in Mozambique are therefore designed to contribute to a broad national effort to reduce deforestation and forest degradation in ways that improve rural livelihoods in the targeted landscapes, through a focus on itinerant agriculture, charcoal production/consumption, and inadequate forest management as the key drivers of deforestation and degradation. The proposed Mozambique FIP Project 1 contributes to this transformational impact by improving the legal and regulatory environment for forest management and strengthening forest governance at the national level and the landscape level.

180. At the national level, the MozFIP would assist the GoM with crucial policy reviews and analysis to support legal reform, activities to strengthen forest governance, support to the private sector to enable long-term sustainability in the sector, and improved communication and capacity building to support the dissemination of practical knowledge and new ways of doing business.

181. At the landscape level, the project would work in two target areas in Zambezia and Cabo Delgado provinces at the landscape level. To address key issues outside the forest sector, including encroachment and poor land and resource management, the project will promote sustainable agricultural production options, introduced through community engagement and capacity building, supported by improved spatial planning. The project will also engage communities in disseminating improved biomass energy production and use, including the promotion of alternative energy sources. To address the key issues within the forest sector, the project will support the piloting of sustainability initiatives for forest operators, as well as community livelihoods and value chains based on sustainable forest management and planted timber alternatives. Recognizing that the project cannot work with intensity on every issue in every part of the country, the project will selectively pursue key activities in critical areas where there is the greatest alignment with country programs and the greatest potential for positive results with multiple benefits, including both GHG reductions and community livelihood improvements.

182. The Project will also produce significant livelihood benefits for rural communities in the targeted landscapes. Smallholder farmers will gain access to new skills and technologies for climate smart agriculture, improved agriculture practices, including climate smart approaches, and other agroforestry management practices will help to improve yields and boost incomes, as well as resilience to climate change. The activities would also enhance employment and value-added opportunities for farmers, especially for women and vulnerable groups, hence contributing to improving gender equality and inclusive development. Engaging the private sector and improving the enabling conditions will also help to strengthen value chains and stimulate investment in sustainable forest management.

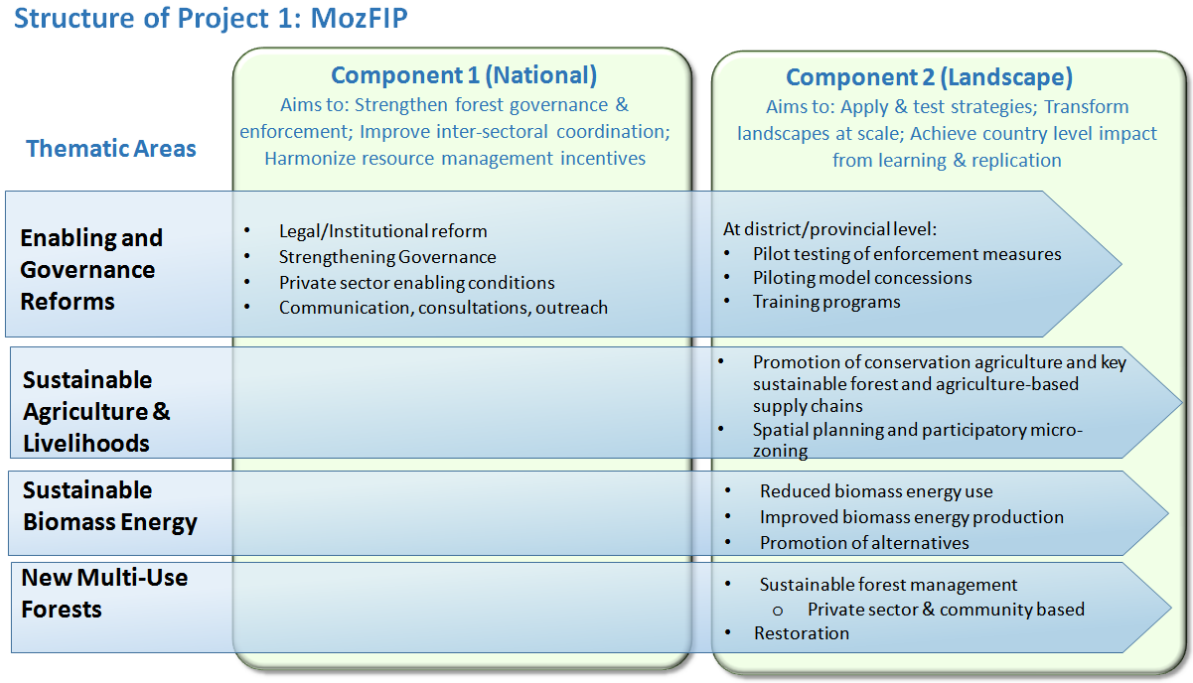


Figure 15 - Project One Framework

Component 1: Enhancing Forest Sector Governance

183. At the national level, the GOM proposes that the **Enabling and Governance Reforms** to be supported by the FIP include legal and institutional reform; improving legality and transparency in the forest sector; supporting enabling conditions for sustainability in the private sector; and efforts on communication, consultations and outreach on these interventions to ensure clarity for stakeholders.

184. **Legal and Institutional Reform** will be supported through technical assistance on the reform processes, including advice, learning exchanges, and analytic work. Strengthening forest governance on the ground will include improving the performance of national monitoring and detection systems, increasing the functionality of forest, environment and land information and monitoring systems, and enhancing coordination mechanisms amongst relevant institutions.

185. The component will also help to **support the private sector** in the sustainable management of forests and in the promotion of planted forests. This would be done through policies and regulations, supporting the development of national sustainability standards, streamlining processes

for operators, engaging stakeholders in dialogue, and providing access to financing, technical assistance and support for linkages of smallholders to forest value chains.

186. Strategic **communications and outreach** is an important aspect that applies to all FIP project components. Strong communication of the FIP's projects is critical in order to supply information, improved approaches, and training materials to complement technical work and community engagement. Support will be provided to the Government to develop a broad and strategic communication plan that focuses on strategic communication approaches, improving existing communication channels and capacities in the Government while improving and targeting communication materials aimed at the range of stakeholders involved. One of the main objectives of the communication efforts is to build trust and learning between government and national stakeholders, in particular local communities.

Component 2: Promoting climate-smart agriculture, sustainable biomass energy and sustainable forest management in the targeted landscapes

187. The GOM has identified two coherent landscapes to implement activities on the ground in the initial module of the FIP, with expansion into additional areas as resources and capacity permits. The two initial landscapes are the Zambezia Integrated Landscape, composed of 7 districts in the province of Zambezia, and the Cabo Delgado Landscape, composed of 7 districts in the province of Cabo Delgado.

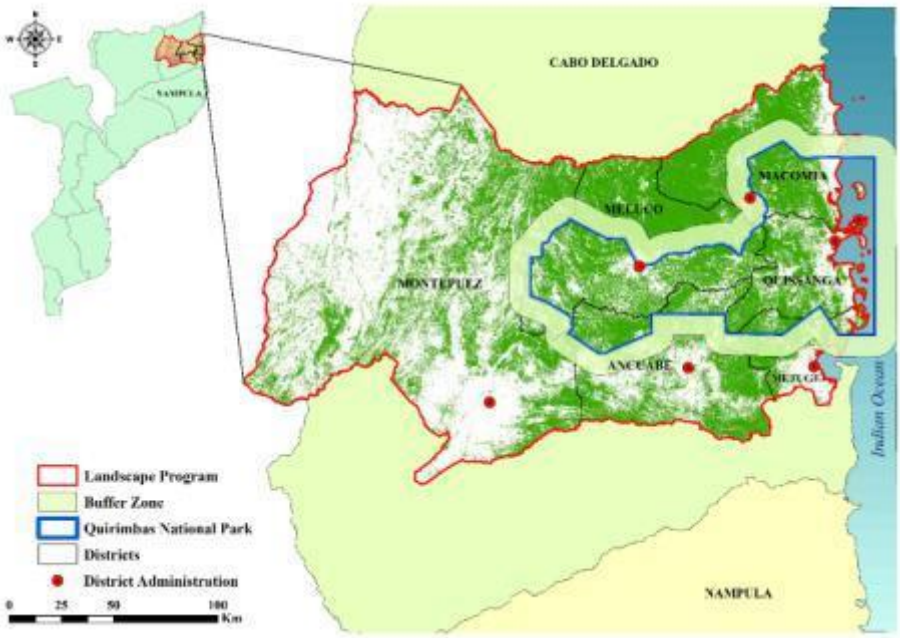


Figure 16 - Cabo Delgado Landscape

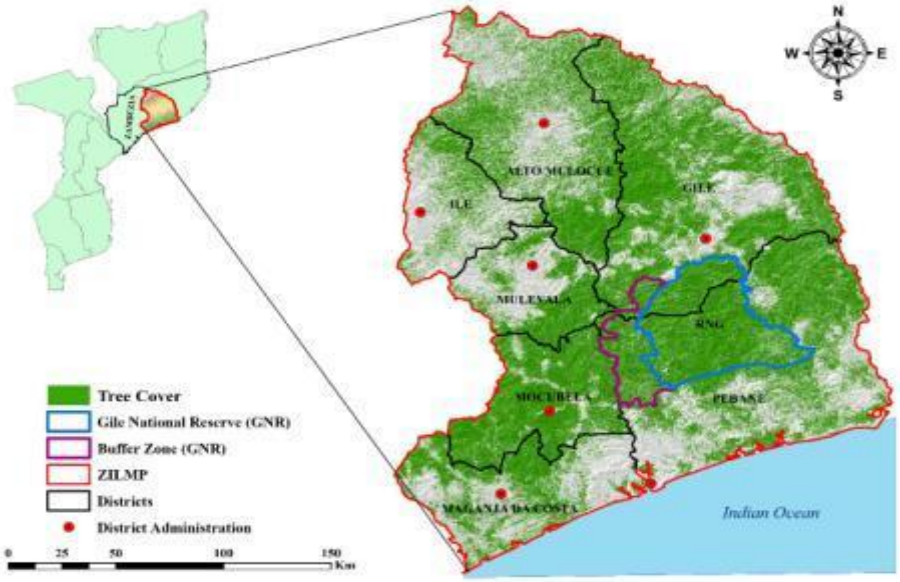


Figure 17 - Zambezia Landscape

188. The landscape level work aims to support the implementation of the national level reforms at the provincial level and to address the main sectoral drivers of deforestation in each landscape. The landscape level efforts focus on four thematic areas: **Sustainable Agriculture & Livelihoods; Sustainable Biomass Energy; Establishing New Multi-Purpose Forests**; and **Land Planning and Community Land Delimitation.** Each of these areas has a range of activities and interventions that respond to the drivers of deforestation, which have been identified through the National REDD+ Strategy process.

189. To promote **sustainable agriculture,** smallholders would be supported to adopt climate-smart agriculture techniques, particularly conservation agriculture, to increase their productivity and income, and to reduce the need for clearing new land. Extension services would be enhanced and provided alongside financing. To support the transition to **sustainable biomass energy**, the Project will promote the production, access to and use of alternatives to charcoal. Multi-purpose forest interventions will focus on supporting community outgrower schemes in partnerships with the private sector, and tree-planting to meet commercial, energy, conservation, restoration and community livelihoods needs. They will also support multi-stakeholder dialogues in planted forest areas and awareness building and training around fire management. To strengthen the basis on which these sectoral interventions will operate, the Project will support land planning initiatives, building on ongoing government-led work to systematically register community lands and encourage green district development plans.

190. Finally, it will be crucial that there is support for the **landscape implementation of the national enabling reforms**. At the district and provincial levels, the landscapes will provide the grounds for the piloting of new detection and compliance measures, model forest concessions and training programs proposed in Component 1.

191. Activities and results from the pilot landscapes will contribute to the process of building a robust REDD+ institutional structure and adaptive management system. The FIP will provide the grounds for: (i) Testing hypotheses; (ii) Refining management structures and intervention activities, including those relating to enabling conditions, policies and legislation, institutional coordination, capacity development, productivity enhancement, and market development; (iii) Identifying unforeseen gaps

and needs; and (iv) Improving REDD+ strategy design and future interventions. More details on the specific interventions can be found in Annex 1.

192. Likewise, the experiences and lessons learned from the landscape interventions in the sectoral areas will help to fine-tune and extend the REDD+ activities and interventions to other areas of the country in the future. Experiences emerging from the landscape level interventions will also contribute to the development of integrated landscape management capacity, with positive spillover effects to state administration at district, provincial and national levels.

193. Through its design aimed at key drivers of deforestation and its targeting of key landscapes, the project has the potential to contribute significantly to Mozambique's overall REDD+ program and climate mitigation goals. In the REDD+ Strategy and technical reports (see www.redd.org.mz), the Government has calculated Forest Reference Emissions Levels (FRELs) based on the annual deforestation rate (2001-2013) multiplied by the respective emissions factors. Based on these FRELs, if the national emissions reductions targets of 30% by 2021 and 40% by 2030 were to be achieved, then substantial emissions reductions would result. In Mozambique's northern provinces and forested landscapes, in particular, the potential for emissions reductions over 10 years could be as high as 15MtCO2e, given the technical assumptions around emissions factors and the assumption of 30% reductions, not including enhancement of carbon stock from afforestation and reforestation. This estimate is not based on specific attributions of emissions reductions to specific interventions being proposed in this FIP Investment Plan. These estimates do provide, however, some assurance that the FIP actions and investments are being targeted in key areas of Mozambique where the potential for climate mitigation is quite strong.

Landscape	Forest Cover (ha) 2000	Average Def.Rate 2001-13 (%/year)	Average Def.Rate 2001-13(ha/yr)	FRELs (tCO2e/yr)
Cabo Delgado	1,829,619	0,31	5,522	1,254,242
Zambezia	2,302,297	0.78%	17,101	3,884,278
Total	**4,131,916**			**5,138,520**

Table 7 - Forest Reference Emissions Levels: Cabo Delgado Landscape

(Source: Cabo Delgado: Emission factors from Saatchi 2011 counting only AGB and BGB, Deforestation from Hansen; Zambezia: ER-PIN Zambezia, 2015)

Relationship to GOM Priorities

194. The FIP is directly aligned with all of the different pillars of the flagship forestry reform program Floresta em Pé, assisting their implementation at either the national level, landscape level, or in some cases both. This is discussed in Section 3 and shown on the diagram below.

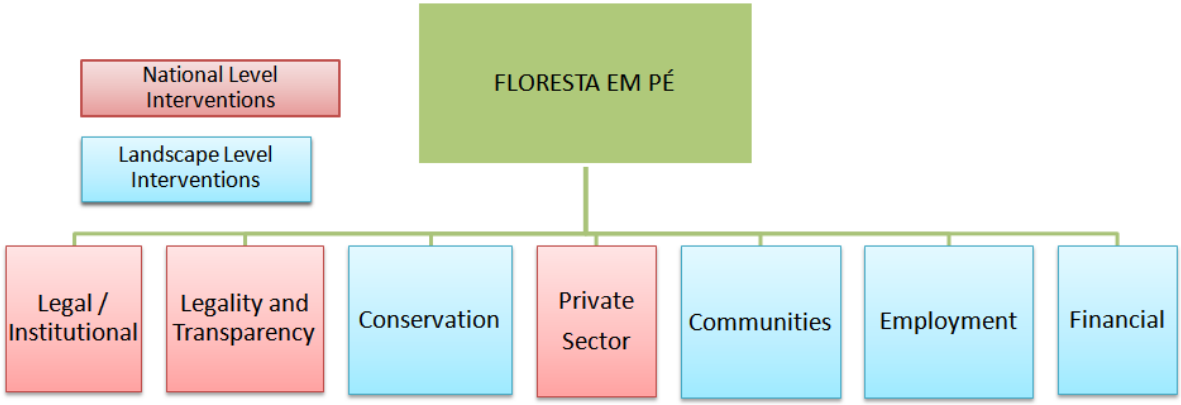


Figure 18 - Floresta em Pé and FIP Interventions

6.2 Project/Module Two: Emissions Reductions in the Forest Sector through Planted Forests with Major Investors-(IFC)

195. Plantation forestry is a developing sector in central and Northern Mozambique, with at least three major investments occurring within or close by the FIP geography. Although 23 million ha. countrywide are estimated to be suitable in terms of climate slope, and soils, plantation forest efforts to date have been plagued by stakeholder conflicts and concerns about environmental impacts and safeguards. These, more than the investment climate, infrastructure concerns, impacts of climate change, or any other issue, have been the main stumbling blocks to successful investments in plantation forestry.

196. One issue of particular concern is the 'undocumented rights dilemma'. A fundamental problem facing forestry, and the Mozambican national economy in general is that agricultural lands of commercially viable size must be identified and inserted into a landscape that is already full of pre-existing, although not yet documented or mapped, land rights. This is due to the nature of the Mozambican land law, which acknowledges four different ways to hold land rights, three of them working through traditional mechanisms, these latter being rights acquired through chiefs, land acquired through 10 years of good faith occupation, and community landholding. None of these require mapping or registry in the National Land Cadastre in order to exist. Rather, they are assumed to exist, and any incoming investor must prove that he or she has the agreement of the local residents that the land is either available, or will be ceded to the incoming investor. Only the fourth kind of land ownership is required to be registered in the National Land Cadastre, and that is the DUAT mechanism, which is akin to modern sector style landholding. As a result, it is estimated that only 5% of land holdings nationwide have ever been registered.

197. The Land Law is excellent in that it does not require a poor rural farmer to have a document from the government to establish and defend his/her land rights. Poor rural farmers have those rights, even without a piece of paper (and even though much abuse has occurred because poor rural farmers did not know their rights). The difficulty is that these rights are not mapped or documented, and thus are unavailable to decision-makers such as:

- plantation investors seeking to acquire commercially viable plots of land;
- local government officials trying to promote agricultural development in their areas;
- national government as it seeks to develop a national agro-industry;
- Or anyone else for that matter.

198. The situation is even worse in the northern provinces, where communities and their leaders assert that according to their traditions, every square meter of land belongs to some family or other, even areas which are apparently abandoned and/or are covered with indigenous forest. Thus, this 'undocumented rights dilemma' has become a flashpoint for investor and community conflict, which has resulted in vandalism, arson, and several corporate insolvencies.

199. Within the FIP landscape, IFC is supporting significant plantation forestry investments, including integrated plantation, pulp mill and biomass energy investments. The presence of IFC client(s) within the FIP geography opens an opportunity for IFC and client(s) to model approaches to stakeholder relationships that address and mitigate land conflicts, environmental impacts, and concerns about livelihoods and well-being of neighboring communities, these being the major limitations at present to plantation forest development.

200. As of this writing, the Government of Mozambique has ceded to an IFC client two concessions (Land Use Rights or DUATs in Portuguese) totaling 365,000 hectares across two provinces – Zambézia and Manica; significant portions of the Zambezia lands fall within the FIP landscape. This land is being developed using an innovative mosaic approach, with blocks of Eucalyptus (established in anthropogenized and degraded areas) interspersed by houses, agricultural fields and high value conservation areas (Figure 16). Of the total DUAT area, up to 2/3 is targeted for tree planting, with the balance remaining for community uses and conservation. An estimated 25,000 households live within the DUATs. Developing, managing and harvesting the plantations will create a significant amount of casual labor for the households living within the DUATs.

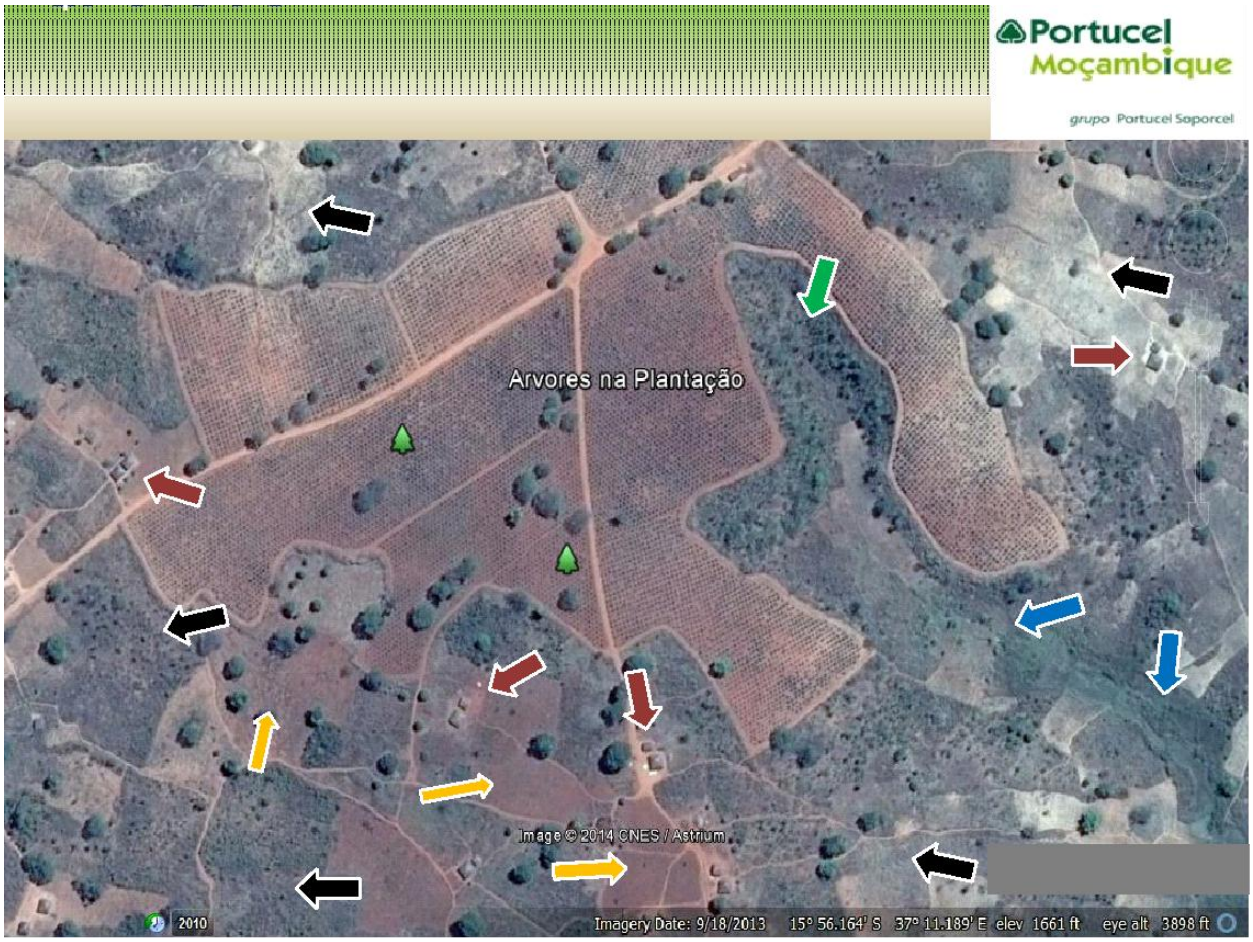
201. IFC is making an equity investment equivalent to 20% of the initial pilot stage value in these concessions.

202. Although plantation forestry investments will create opportunities and employment for the local population, making the agro-forestry mosaic approach work in the Mozambique context will be critical for long term sustainable development of the communities. The Mosaic approach brings a number of benefits:

- Facilitates clear identification of community land rights, facilitating negotiations with both communities and families;
- without physical removal of family homes and farms;
- Allows smaller patches of exotic species (Eucalyptus) to be inserted into the landscape, on degraded lands, identifying and avoiding high value biodiversity areas, existing forests, riverine reserves, etc. in a similar way;
- Reduces overall impacts of plantation agriculture on the landscape (note that the EIA's predict insignificant impacts on water tables and stream hydrology due to the scattered and lower density mosaic approach: one component of the FIP Module 2 will be to monitor streamflow to see if this is actually the case under field conditions, to inform decision makers about future proposed investments in plantation forestry).
- Opens a variety of benefit streams to local families, including not only employment and secondary employment opportunities (within a short distance of home), development of agricultural opportunities for local community neighbors, Eucalyptus outgrowing for local community neighbors, development of various value chains including charcoal and agricultural ones, and improving quality of life through social benefits such as roads, bridges, communications infrastructure, and other infrastructures that will help both forestry investors and their their neighbors such as schools and clinics, as well as other development lobbying benefits (if investors and local folk are mixed together across the landscape, their lobbying interests and positions become more and more aligned).

203. The vision is to take a landscape of low productivity such as the current mosaic of slash and burn agriculture, degraded lands, and miombo, and turn it into a highly productive landscape, creating prosperity that will subsequently be shared by all those living within the landscape.

204. The current IFC client (forestry investment company) has committed to spend $40 million within communities impacted by its investments over 7 years. During 2014, IFC assisted this investor to design a community development program utilizing these resources to improve the livelihoods of neighboring households. The resulting Community Development Program (PCDP) has three objectives: (i) To preserve and improve livelihoods; (ii) develop opportunities for economic growth; and (iii) support improvement for the quality of life.



.Figure 19 - Mosaic landscape to be implemented in Zambézia

205. The nature of plantation forestry activity and the mosaic approach means that this business model will in fact contribute to the sequestration of carbon across the geography in which it is implemented. Investors are also deeply concerned about indigenous forests that lie in and around Portucel plantations, within the mosaic landscape, and are investigating ways to preserve them. The development of plantation forestry in this landscape means that, despite an overall increase in productivity (prosperity to be shared), increased pressure will be brought to bear on the non-plantation elements of the landscape. These lands are used currently for agriculture, for timber, for charcoal making, for firewood, and for a very wide array of non-timber forest products, including medicinal plants as well as emergency foods to be eaten during hunger times. The concern is that

the increased pressure on remaining areas might lead to a loss of benefit to local communities from these areas, resulting in an overall reduction in prosperity if loss of benefit from remaining non-plantation areas outweighs the complex of benefits to be derived from the plantations. Part of the solution, as noted before, is employment and secondary employment for community members. However there are three additional focus areas needed as well, these being:

a. support to more sustainable livelihoods (including Eucalyptus outgrowing).

b. improvements in the community management of their remaining agricultural and forest areas, including also...

c. ...improved community and individual land tenure through formal documentation of rights, in straight alignment with the Government's 'Terra Segura' program.

206. All of these are directly aligned with FIP objectives and intentions, as a reduction in deforestation cannot be achieved if current dynamics are left unchecked. The logic is simple. Increased pressure on land resulting from the implantation of forestry plantations can result in increased deforestation of non- plantation areas and a concomitant loss of livelihoods as pressure of forest resources and even lands for farming increases. In order to avoid this, IFC will work with its clients to develop pilot approaches that can be used across the industry to avoid loss of forests, biodiversity, and livelihoods. In fact, approaches developed here may be even more widely applicable. As populations increase and agricultural development advances, land pressures near forest plantations in the FIP geography will be repeated on a wider scale all across the country. The FIP Module 2 experience should yield approaches and tactics that will eventually be of much wider relevance.

207. The IFC/ Module 2 approach to support more sustainable livelihoods involves several components (most relevant ones for FIP are in italics):

a. Increasing food security through the distribution of resistant cassava varieties, an activity which is particularly in need in Zambézia since the most recent flooding episodes and consequent loss of planting material in the 2014 2015 planting season;

b. improved crop storage to reduce current 50% post-harvest losses to something below 10%, effectively nearly doubling available food supplies, and reducing the need to clear larger areas for agriculture production;

c. conservation agriculture, to reduce the need to clear new areas for agriculture production;

d. developing the market chain on certain specific crops such as sesame and pigeon pea;

e. Eucalyptus outgrowing (which in addition to producing family income/small farmer income will also increase Eucalyptus plantation area that is effectively sequestering carbon), and

f. feasibility testing of alternatives for traditional charcoal production (specifically the development of Eucalyptus charcoal to replace charcoal made from indigenous trees).

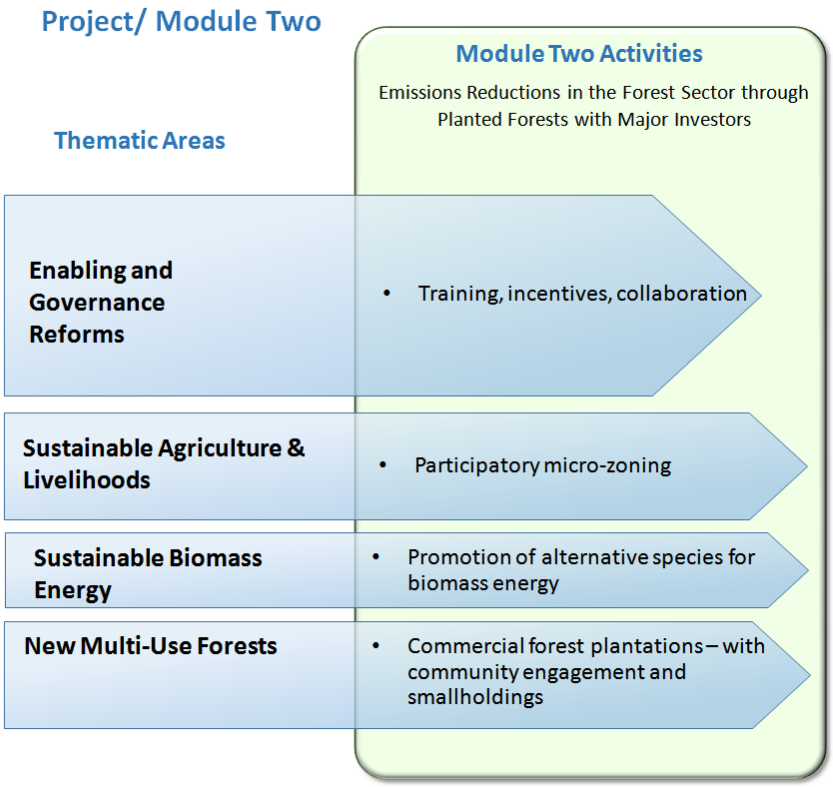


Figure 20 - Project Two Framework

208. More sustainable livelihoods means less pressure on existing forests and resources; the example of improved family grains stores noted above is perhaps the most salient example here. This, coupled with improved management of the remaining areas, will reduce deforestation in peri-plantation communities.

209. The IFC/ Module 2 approach to improvements in community management of their agricultural and forest areas involve several components, all of which are relevant to FIP and the reduction of deforestation, included the following.

210. **Development of streamlined delimitation and registration of community and individual land titles**, de-annexing these from the overall major investor land titles. Under the mosaic plantation approach, the major investors will not remove community members from their croplands and homes. Instead, module two will pilot a methodology for these areas to be de-annexed from the overall DUAT and land titles given to communities and individuals. This is a win-win situation for all concerned, as communities and community members obtain registered land titles (exactly in line with the Mozambican government's "Terra Segura" program), while the major investors, due to the de-annexation, will have to pay less in annual land fees. This novel approach has been dubbed CoVaTeCo, the Portuguese acronym for 'Community Land Value Chain' approach.

211. Parallel with more secure land tenure, the FIP Module 2 approach will support communities and individuals to manage their forests and other natural resources more sustainable.

212. **Development of capacities**, so that broad consensus can be built around management activities, not only the importance of managing, but also some idea of what the most important management activities are (early management burning, wildfire control, zoning of community crop lands and forests, etc.);

213. **Development of leadership and management structures** to lead and guide community efforts (these will include structures such as the legally mandated Community Natural Resource Management Committees and Community Police as well as Associations for Eucalyptus outgrowing and/or other agricultural activities), and developing supportive and counterbalancing relationships with existing community leaders such as Régulos (this is not always easy as new management structures can sometimes be seen as a challenge to the established order, rather than additional support to get things done);

214. Once these are in place, **management plans and zoning plans** can both be elaborated. Areas to be zoned might include agricultural areas, areas for agricultural expansion, riverine reserves, residential areas, sacred sites, areas for outgrower Eucalyptus planting, community forest reserves, and community eucalyptus plantations, offered by the operator to communities to reduce pressure on native species (these latter two are aligned to both the One Leader One Forest Initiative as well as the new Floresta em Pé program of the GoM). These community level plans are then shared, both widely within the community as well as within the various levels of the government, so they can feed into zoning and management planning being done at wider scales.

215. Following sharing comes implementation. Communities will need support and coaching to implement their management plans over time.

216. Management plans and zoning plans must include clear **monitoring methodologies with indicators that can be tracked over time**, as well as the capacity to adjust plans according to results (adaptive management). The GoM is currently developing a Monitoring, Reporting and Verification (MRV) System, which is part of the REDD+ National Strategy. The MRV is a process of systematic collection and comparison of data and information (Sitoe et al 2013). It quantifies not only the existing carbon stocks and their changes, but also the biophysical, social and economic aspects that result from the implementation of the REDD+ initiatives. There are additionally other, perhaps less obvious, indicators that are both of high relevance to degraded areas and Eucalyptus plantations and that ought to be tracked over time, to allow for adaptive management to occur and for plantation productivity goals, community well-being goals, and FIP forestry and carbon goals to be achieved. One such indicator is volume and periodicity of streamflow within the mosaic landscape (see discussion under the section Knowledge Gaps). This is important as both forest degradation and poorly planned Eucalyptus plantations can reduce water output. If plantation forests are perceived as reducing streamflow throughout their area and drying up wells and springs, this creates a very large amount of stakeholder risk, and stakeholder risk in the forest industry has frequently in the past meant vandalism and fires, in some cases leading to corporate insolvency, as mentioned earlier.

217. The IFC Module 2 is aimed directly at rapidly piloting methodologies for the reduction of deforestation that can then be rolled out across the FIP landscape, and eventually across the nation. The focus on community livelihoods and community forest management addresses major deforestation drivers that exist not only in the peri- plantation areas but also everywhere that land constraints are being felt. The fact that the major risk to plantation forestry is stakeholder risk only heightens the importance of this focus on communities. IFC investment here will allow for piloting, documentation, analysis, and dissemination of the results, in a way that would not be possible if the results were solely owned by the private sector.

218. Module 2 will also serve to independently monitor not only the social but also the environmental results of using Eucalyptus in a Mosaic fashion. Important questions to track of time include:

- corporate compliance with IFC 2012 Performance Standards, and if the mosaic model facilitates this;

- cost implications of the mosaic approach (resettlement costs are lower, need to build staff housing is lower, but distances to drive are higher, to name just a few factors);
- actual (as opposed to predicted) impacts of Mosaic Eucalyptus planting on streamflows and water relations;
- Effectiveness of community management programmes, as well as iterative analysis of what kinds of external support are needed to make these effective;
- Effectiveness of community managed Eucalyptus plantations (for home use) in reducing pressure on indigenous forests;
- And actual impacts on deforestation and biodiversity in neighboring communities.

219. The fact that IFC is already on the ground and advancing with some of these activities means that the FIP overall will get off to a faster start; furthermore the availability of co-financing from the private sector means more bang for the buck (not only carbon and forest impacts but also piloting, learning, documentation, sharing, etc.) for the entire FIP.

220. Further Details about this project are contained in Annex 1.

Relationship to the Dedicated Grant Mechanism

221. As a FIP pilot country, Mozambique will receive USD$ 4.5 million from the *Dedicated Grant Mechanism for Indigenous Peoples and Local Communities* (DGM).[15] Pursuant to the DGM operational guidelines, the establishment of DGM in Mozambique is being done in a participatory and inclusive process. More details on the specific DGM Process can be found in Annex 3.

222. In terms of alignment between the DGM and the FIP Project, there is agreement in the DGM Working Group that DGM will be developed to promote synergies with the broader FIP and REDD+ activities. Strategic areas already identified in the DGM consultations include enhancing technical and organizational capacities of community organizations, improving economic, revenue-generating opportunities for communities, improving land rights and capacity building for community governance of forest resources.

223. While the scope of the DGM is still under development, it is likely that the DGM would be developed to both overlap with the investment areas of the FIP as well as have a national reach, to strengthen the national FIP and REDD+ process. This would entail that in addition to targeted local communities in or around the FIP landscapes, beneficiaries would include other sub-national actors – who would in particular benefit from capacity building. Women are critical stakeholders in the Mozambique DGM and have been involved throughout the DGM process at the national level through women's organizations. The DGM will be developed in a gender sensitive manner which encourages participation of women in the project and that ensures gender balance among recipients.

224. Although the objective has been to align DGM preparation timeline as much as possible that of the IP preparation, preparation of DGM will take longer than the IP preparation given its innovative nature and the need to ensure a very good level of stakeholder representation in the process.

[15] The DGM is a global initiative that was conceived and developed as a special window under the FIP to provide grants to Indigenous Peoples and Local Communities (IPLCs) intended to enhance their capacity and support initiatives to strengthen their participation in FIP and other REDD+ processes at the local, national and global levels.

Knowledge Management and Monitoring

225. Collection, analysis and dissemination of the main lessons learned from FIP projects is crucial for sustainable and continuous improvement of reforms aimed at reducing deforestation and forest degradation in the country. Material collected will be important for a range of stakeholders, and in particular to enable policy dialogues and ensure that further policy reforms and activities are evidence-based. The Government therefore proposes to finance knowledge management and monitoring which would ensure strategic program coordination that allows sharing information and lessons learned within the FIP projects and components, and establishing collaboration and partnerships with other programs in the forest sector. This tracking will also enable a wider evaluation of the FIP investments in relation to the broader national goals of poverty reduction and development. In addition, it will also help Mozambique participate in global forums and dialogues with stakeholders, including the annual CIF Partnership Forums.

- Implement capacity-building programs for M&E in government, civil society and local communities that will help feed into the establishment and implementation of a monitoring and evaluation framework for the FIP program;
- Conduct monitoring and evaluation for FIP projects, based on initial collection of baseline data, including both the socio economic and forest-related information and continuous tracking of results;
- Develop and disseminate annual reports on FIP project progress and organize learning events as needed around the results (national and international);
- Work closely with other Government agencies and donor institutions to identify further linkages with other FIP interventions in the landscape and with other relevant government institutions and programs at a national level.

Section 7: Implementation potential with risk assessment

Implementation Risks

226. Mozambique has long experience implementing complex multi-donor funded projects and has adequate institutional and technical capacity to effectively implement projects funded under FIP. There is experience in the establishment of autonomous public institutions to help manage environmental and agrarian development projects, examples being the Agrarian Development Fund (FDA, established in 2006), and the Mozambican Environment Fund (FUNAB, established in 2000, and currently managing the REDD+ Readiness funds from FCPF. FUNAB has recently been transformed into the FNDS). Capacity building investments from many development partners have trained hundreds of staff members in project management, monitoring and assessment. A JICA funded project has trained over 35 technicians at the Provincial and National levels in various skills such as Remote Sensing and Carbon Stock Measuring. MITADER also has significant capacity on the ground, making use of Provincial and District representatives and coordinating sector activities at field level. MITADER also initiates and mediates collaboration between the Government, private investors and local communities for innovative nature-based economic activities that will generate revenue for the long-term sustainability of the country's conservation areas. The FIP implementation would build on this institutional capacity.

227. At the same time, Mozambique has faced challenges of weak governance, institutional coordination, delays in allocation of financial and human resources, and inefficient law enforcement. The Government has recognized these institutional challenges and the formation of MITADER and FNDS are critical institutional responses. MITADER consolidates responsibilities for land, environment and rural development into one agency with a wider and more integrated mandate. FNDS consolidates funding capacity with the broader mandate required by the new multi-sector Ministry. This provides a strong foundation for improving coordination, streamlining implementation, and clarifying roles and responsibilities. There is further need to build capacity and provide technical assistance to all officials and stakeholders in Mozambique's forestry and rural land use sectors. This is particularly true at the sub-national level where capacity of DPTADER must be strengthened to fulfill their mission.

228. The FIP Investment Plan proposes a range of actions and interventions that require a high level of coordination and management, both external to the Program (for example, among the various levels of Government programs, and other institutions) and internally (with stakeholders and within the implementation team). The activities are focused on fostering and coordinating political and institutional change that will generate the enabling conditions needed to add value and increase the sustainable use of the forests, and on generating the capacities and linkages between communities, local farmers, financial institutions and markets. These two types of activities will operate hand in hand and will mutually reinforce each other.

229. The following table summarizes risks identified during consultations on the National REDD+ Strategy and from Mozambique's Strategic Environmental and Social Assessment. Mitigation measures are discussed, and would be expected to be further developed at the level of specific investments that will come after the Investment Plan.

230. Ensuring multiple benefits of forests and REDD+ is essential for the success of the landscapes programs. Any REDD+ actions will need to be consistent with enhanced ecosystem and other social and environmental benefits. Other operational risks can be reduced by the implementation of an effective program of capacity building at multiple levels (institutions, indigenous communities, producers, businesses, or organizations), assuring the participation and consultation of stakeholders, using a gender-responsive and youth-inclusive approach, and the design and implementation of an

effective program monitoring system that would enable the identification of problems and their mid-course correction. With regards to risks related to land use and land rights, during the program preparation phase, regional socio-environmental assessments focusing on each area of intervention and its sphere of influence (direct and indirect) should be carried out.

Implementation risks and their mitigation measures. (Mostly derived from Mozambique's SESA)	
Risks	**Mitigation Measures**
Political Risks (Medium) The country remains susceptible to further outbreaks of political and social conflict, though a return to full-scale civil war is seen as unlikely. While some risk persists as long as RENAMO remains armed, the more likely risks are that continual and perhaps more frequent episodes of localized unrest and violence – as well as unofficial labor protests - could affect the rural economy including the districts in the project area through lower production, deterring of foreign investment and slow development of supporting infrastructure, as well as exacting a significant human toll. Political instability could affect the security situation in the project area. Other risks could arise from a change in government, and a reduction in commitment at the national or regional level. Economically powerful interests could resist reforms of policies or practices. **Macroeconomic Risk (Substantial)** The increase in debt levels, the depreciation of the metical and external shocks (such as commodity price) has heightened Mozambique's macroeconomic vulnerability and exposure to fiscal risk. A deteriorating macroeconomic context may affect the appetite to invest in Mozambique's agriculture sector and create a difficult business environment for the private sector through higher prices, exchange rate volatility and lower demand. While presently investors remain confident in Mozambique's long term growth prospects, driven by the gas sector, macroeconomic instability or low commodity prices could have a major impact on growth and opportunities in sectors such as agriculture.	● Build legal and institutional framework and a constituency for implementation beyond a governmental term. ● Prepare adaptive management measures as needed to respond to the security situation. ● Build communication platforms that allow use of information from early warning systems and feedback from beneficiaries.

Global Risk (Low). Other external shocks such as extreme weather events to could hamper implementation and undermine results.	
Sectoral and Policy constraints or risks (Medium) could affect implementation and results at several levels. ● **Investments external to the sector**, including infrastructure development, mining activities, transport/roads, or large commercial agriculture projects could contribute to the deforestation drivers in target areas, without proper management, coordination, and integrated development planning that takes into account rural development, local livelihood and environmental needs. ● There is a risk of insufficient harmonization and coordination among sector ministries, which could lead to implementation difficulties and inconsistencies. ● For promoting **biomass energy** uses, efforts will be needed to coordinate and integrate existing cookstove efforts and to ensure that the poor have access to improved cookstoves through reducing costs, targeted subsidies, or earmarked taxes to supplement program cots. Special attention will be needed to the charcoal and woodfuel value chain and interventions to improve efficiency in production and distribution.	● Establishment and empowerment of a cross-sectoral coordination and consultation body will help to take into consideration forestry and REDD+ related activities and the need to plan for multiple use and to manage trade-offs. ● Regulatory reforms may be needed to align incentives and to ensure equitable distribution of benefits. Proactive pursuit of additional sources of financing would be helpful.
Technical or Design Constraints (Moderate Risks) ● **In the agriculture sector**, cost and availability of inputs for conservation- or climate smart-agriculture may be constraints, if not risks. Entrenchment of traditional practices at community level, coupled with the weak agricultural extension services, may also present barriers to adoption of improved practices. Agricultural interventions would have to be mindful of the need to protect habitat for biodiversity and habitat. ● Promotion of **improved cookstoves** will need to design in features to address the important role of women and traditional practices. ● Programs to promote **plantations or woodlots** – particularly for energy purposes – need to recognize and learn from past experiences with mixed results due to insufficient capacity at local	● Policy revisions, technology transfer and improved extension services will be helpful in addressing these concerns. ● Adjusting climate smart practices to the local context will be needed, along with a cadre of well-trained extension agents with proper incentives and compensation. Introduction of new crops, value chains or markets would have to be consulted and aligned with community preferences. ● Communities adopting tree planting or tree crops will need to understand the compensation or the market returns expected for nurturing trees. ● Distribution programs need to be accompanied by sufficient information campaigns and information about alternative technologies.

level	● Projects need to be designed at an appropriate small scale, and be accompanied by adequate training and financial commitment for an appropriate time frame.
Human and institutional capacity (Medium Risk) are important constraints at national, regional and local level. Capacity improvements are needed in terms of understanding and explaining the benefits of emissions reduction programs, knowledge about cookstoves, and the ability to monitor and establish technical standards.	● Capacity enhancement should be built into most programs, along with an effective monitoring system to identify and correct problems mid-course. ● Build on the efforts of existing partners and to work within the decentralized governance system. ● Strengthen the DPTADER to deal with their new responsibilities ● Focus support on the private sector and civil society, including capacity building for small medium and micro enterprises ● Cookstove programs should include health and safety standards, certification systems, appropriate training and systematic awareness raising programs. These interventions can be targeted at the key areas with higher charcoal production
Social and Environmental Risks and Engagement of Stakeholders (Medium). ● Efforts to promote **sustainable forest management or fuelwood production** may face the risk that improved practices or uses of timber for fuel or construction material may displace traditional uses of wood and NTFPs for food, shelter or medicine – particularly by women. These interventions may also shift traditional socio-economic activities and relationships toward more market based activities, rather than traditional ones. ● Similarly, effort to promote **conservation** approaches or to conserve specific habitats– may displace traditional uses and practices or affect community structure, traditional practices, or gender roles ● Some types of **agricultural interventions**, monocultures, or land acquisition could have social effects if there are limits to community or traditional access to livelihoods, water, sources of food or medicine.	● Careful and consistent consultation processes will be needed, with awareness programs to transmit key messages and promote realistic expectations. ● Forest establishment efforts should consider multipurpose practices and species to ensure that household needs for timber, fiber and shelter are met. ● Conservation messaging needs to be tailored to local needs and beliefs and retain access to key resources, sacred areas. ● Need to manage and prevent conflict between community activities or livelihood needs and efforts to scale up conservation or REDD+ related activities that are not perceived as adding value to local economic needs. Local institutions need training and improved practices to implement activities successfully ● Community consultations would be expected to contribute to design of programs and interventions.

● Social effects may be seen if conflicts arise over **forest tenure and rights**. ● Previous failures with the distribution of community benefits may degrade trust in current efforts. ● The **domestic private sector** needs to be recognized also as an important actor for technology transfer and financial sustainability of plantation or biomass energy projects or investments. Larger scale investments would need to guard against the potential for weak community engagement, buy in and local benefit sharing. ● There is a lack of equitable participation of both genders in land use and natural resource management activities, and the role of **women** in projects is underestimated, when projects could have an adverse impact on social structure, gender roles and well-being of individuals due to loss of traditional knowledge and alternative incomes.	● Interventions and investments would need to be designed and sited to avoid environmentally sensitive sites and habitats. Plantation and woodlots should also be designed carefully and sited to reduce potential impacts on native fauna and flora. ● Programs should include efforts to ensure that community land, use and access rights are respected/ protected to avoid commercial activities displacing local food production. ● Linkages will be deepened with the Government's land tenure regularization initiative. The support to the private sector is also expected to strengthen governance by creating incentives towards sustainable forest management (such as forest certification, added value to forest processing, etc.). ● Careful and consistent consultation processes will be needed, together with balanced communication and awareness programs to transmit key messages and promote realistic expectations. Programs will need to be integrated with policy reforms to ensure that incentives are aligned for private sector participation. ● Participatory approaches will be used in the project design process to ensure the inclusive and meaningful consultation and effective participation of women in decision-making. Through the design process, inputs will be derived from women stakeholders themselves on how gender equality can be ensured in project implementation. Gender-focused outcomes or impact pathways could be developed with stakeholders to develop gender-responsive strategies as well as indicators and plans for community-led monitoring of them. Local organizations would be identified to lead on these initiatives.

Table 8 - Implementation risks and their mitigation measures

Section 8: Financing plan and instruments

231. Financing from the FIP to Mozambique will be a combination of grants and loans for a total of $24million. Of this amount, MozFIP will have $22million, while the IFC Project will have $2million. The table below shows the allocation of these existing resources, as well as the substantial resources from other partners that are being developed and aligned with the Government's vision, particularly in the two northern landscapes.

232. Co-financing of MozFIP of about US$ 12 million will come from a Multi-Donor Trust Fund (MDTF). Several development partners have expressed interest in providing financial support to the MDTF. The MDTF's objectives are closely tied to those of MozFIP and aim to support the GoM's strategic efforts to reduce deforestation and improve rural livelihoods, while also mobilizing and channeling resources from other development partners. The IFC, private sector investors, as well as the Climate Investment Fund's Pilot Program for Climate Resilience (PPCR) will provide co-financing for the IFC Project.

233. Parallel funding for each of the FIP projects will come from other existing initiatives and projects operating in the same areas, including the GoM's funds. The table below shows how MozFIP will be supplemented by other projects in the World Bank's portfolio.

234. As noted, Mozambique is proposing a National REDD+ Implementation Plan—an overarching, large scale and phased investment framework-- to match its comprehensive and ambitious program of reform of forest policy and practices and rural landscape transformation. This Investment Plan makes clear that the financial resources currently available under FIP are not adequate to meet the scale of need and ambition, even in the two target landscapes that have been selected. MozFIP and the IFC Project are part of the first phase of this larger effort. As additional sources of financing by Development Partners and other international forest and climate funds are identified moving forward, the GoM will seek to expand to other modules as described in Section 6, in order to meet the ambitious effort in the forest and landscapes sectors.

Mozambique Overall Investment Plan - FIP Financing and Other Sources (in US$ Millions)						
	FIP Financing					
Project	**Grant**	**Loan**	**Total**	**Co-Financing (MDTF and IDA*)**	**Parallel Financing**	**Description**
Investment Plan Module 1 and 2: Current FIP Package						
Proj 1 – World Bank Mozambique Forest Investment Project						
Comp 1 – Enhancing Forest Governance at the National Level	1.5	4.0	5.5	5	4.5	GoM own funds Proposed Multi-Donor Trust Fund DGM for Local Communities
Comp 2 – Promoting Climate-smart Agric, Biomass Energy & Sust. Forest Management in the Targeted Landscapes	6.3	9.2	15.5	6	46 40	MozBio Agric & NR Landscapes Project Proposed Multi-Donor Trust Fund
Component 3 - Project Management, Monitoring, Safeguards Management and Inter-sectoral Coordination	1.0	-	1.0	1		GoM own funds Proposed Multi-Donor Trust Fund
Proj 2 - IFC with Private Sector						
Emissions Reductions in the Forest Sector through Planted Forests with Major Investors	2.0	-	2.0	1.3 0.2 0.6		Private Sector Investors International Finance Corporation Pilot Program for Climate Resilience
Sub Total Programmed from FIP Resources	**10.8**	**13.2**	**24.0**			

*The World Bank is assessing the potential to augment the FIP with resources from the International Development Association, which will depend on Mozambique's fiscal situation.

Section 9: Results Framework for Investment Plan

235. The current investment plan follows the FIP logical model as set out below.

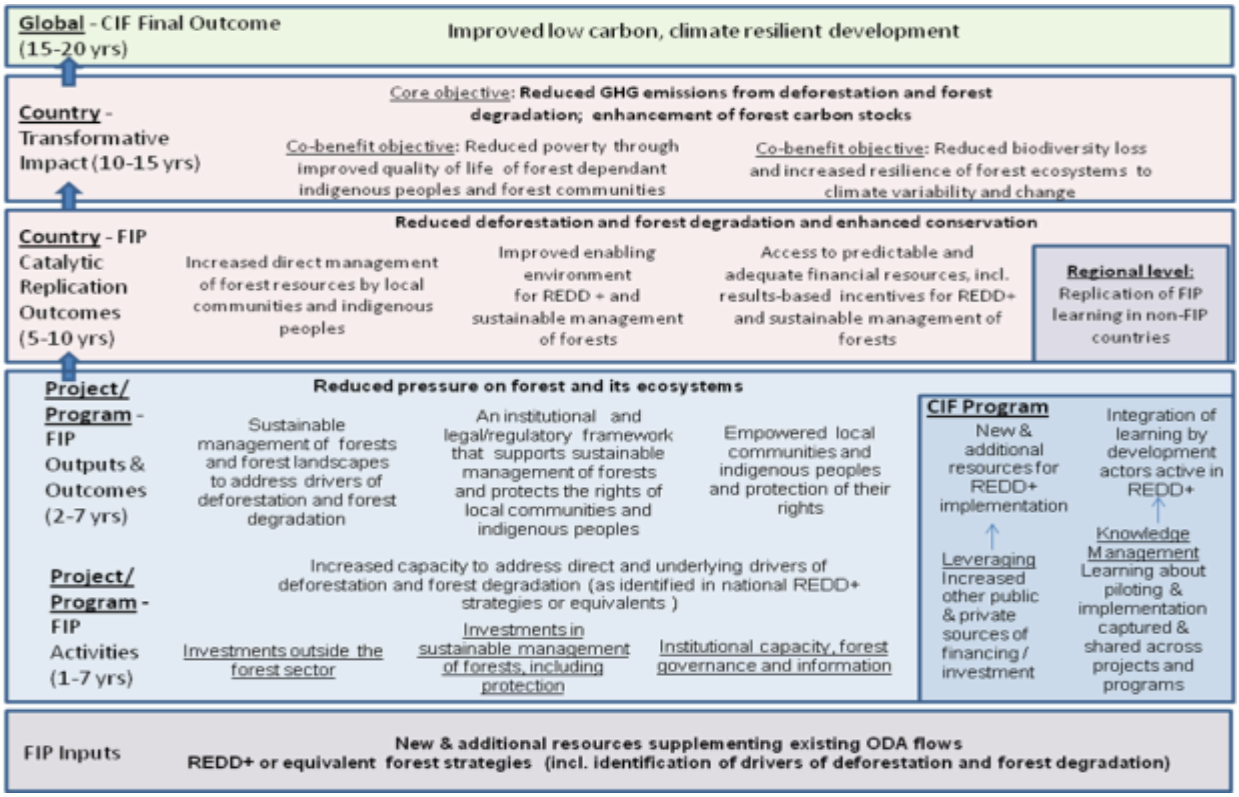


Figure 18 - FIP logical model

236. Following the best practices set out in the FIP Monitoring and Reporting Toolkit in march of 2015, it is agreed that FIP pilot countries report on the following themes organized in three categories,

Category 1: Common themes (to be reported by all pilot countries)

Theme 1.1: GHG emission reductions or avoidance / enhancement of carbon stocks

Theme 1.2: Livelihoods co-benefits

Category 2: Other relevant co-benefit themes (elements to be reported if relevant to the investment plan)

Theme 2.1: Biodiversity and other environmental services

Theme 2.2: Governance

Theme 2. 3: Tenure, rights and access

Theme 2.4: Capacity development

The relevant items under this theme are included in the table below.

Category 3: Elements for Narrative

Narrative 3.1: Theory of change and assumptions

Narrative 3.2: Contribution to national REDD+ and other national development strategies (e.g. NAMAs, national forest programs etc.) and uptake of FIP approaches

Narrative 3.3: Support received from other partners including the private sector

Narrative 3.4: Link of DGM to FIP investments from government's point of view

Narrative 3.5: Highlights and show cases (if available)

Country-Level FIP Results Framework			
	Theme/Results	**Indicator**	**Detailed Indicator (guidance for scoring assessment)**
1	Reduced GHG emissions from deforestation and degradation; enhancement of carbon stocks	a) Million tons CO2eq reduced emissions relative to reference emissions level b) Million tons CO2eq sequestered through natural regeneration, re- and afforestation activities, and other related activities relative to forest reference level	
2	Increased livelihood benefits	Number of people or households directly benefited out of total number of people targeted	Describe key monetary and non-monetary benefits - Disaggregate by gender
	QUALITATIVE SCORING (0-10)	Relevant Scorecard Questions	Quantitative Data Available to Guide Responses
3	Reduced biodiversity loss; increased ecosystem services and resilience of forest and landscape ecosystems to climate variability and change	*"To what extent has FIP contributed to…"* 1. Reduced forest loss 2. Supported/contributed to country's capacities to conserve biodiversity and other ecosystem services 3. Restored forests and landscapes 4. Improved forest management and climate smart agriculture practices 5. Improved environmental services associated with forests and forest landscapes	1) Area of avoided deforestation (natural forest cover against baseline) 2) Area of land restored or rehabilitated 3 a) Area under improved forest/landscape management and climate smart management practices in targeted landscapes (ha) 3 b) Number of smallholders adopting climate-smart agriculture practices in targeted landscapes + number of smallholders under forestry outgrower schemes
4	Improved forest governance*	*"To what extent has FIP contributed to…"* 1. Consistency of broader development and land use policies in the context of REDD+ 2. Financing incentives and benefits sharing 3. Stakeholder participation 4. Transparency and accountability	1a) Development or enhancement of legal and regulatory frameworks on forests 1c) Make forest policies consistent with national policies on climate change mitigation and adaptation or equivalents (e.g. REDD+ strategies) 1d) Make forest policies consistent and

		5. Stakeholder capacity and action 6. Quality of decision making 7. Administration and management of forest resources 8. Cooperation and coordination ** Precise governance indicators will be defined further nationally through a participatory forest governance assessment to be held in July 2016*	supportive of other related policies for land management, planning and use 1e) Encourage inter-sectoral dialogue between agencies responsible for forests and those responsible for sectors affecting but outside of forests 1f) Existence and adequacy of safeguards 2a) Support equitable sharing of forest revenue (sharing benefits or income from public forest with the local communities), equity in the distribution of access to forest resources, rights and rents? 2b) Create economic incentives and policies for sustainable utilization of timbers and NTFPs, including value addition 3a) Stakeholder processes allow the participation of marginalized groups in decision-making processes 3b) The existence and effectiveness of conflict resolution and grievance redress mechanisms 3c) Encourage dialogue amongst stakeholders, including private sector (because of Forums) 4a) Quality, timeliness, comprehensiveness and accessibility of forest-related information available to stakeholders 5a) Encouraged corporate entities and businesses operating in the forest sector or forest-relevant sectors to comply with recommended international codes of conducts, standards and safeguard 6a) Ensure that forest management planning is adaptive

			7a) Strengthened staff capacity and effectiveness of forest administration agencies 8a) Strengthened coordination among forest-related government agencies and across scales of govt (national, provincial, district)
5	Rights and Access	*"To what extent has FIP contributed to…"* 1. Establishing measures and mechanisms which ensure the tenure security of forest owners and rights holders 2. Improvement of legal frameworks to protect forest-related property rights and access for all forest stakeholders (including women and local peoples) 3. Strengthen processes and mechanisms for resolving disputes and conflicts over forest tenure and rights, including access and benefit sharing 4. Recognizing customary and traditional rights of forest dependent communities 5. Comprehensiveness and accuracy of documentation and accessibility of information related to forest tenure and rights 6. Encourage the full and active participation of local stakeholders and forest users in the management of and decision-making process for forest use	1) Increase in community areas under certification or DUAT
6	Capacity building of institutions and stakeholders to address drivers of deforestation	*"To what extent has FIP contributed to…"* 1. Improve the human resources capacities in the forest and related sectors to detect and manage drivers of deforestation and forest	1) Increase in trained HR in MRV 2) Number of stakeholders adopting improved forest management and climate-smart

		degradation 2. Improved technical capacities of stakeholders in forest and land use planning and management 3. Improved cross-sectoral coordination, networking and cooperation 4. Enhanced institutional capabilities to develop and implement forest and forest-relevant policies at the national, regional and local level	agriculture practices 3) Strengthened coordination among forest-related government agencies and across scales of govt (national, provincial, district) as evidenced by policies developed by consensus across ministries

ANNEX 1 – Projects Proposed for the Mozambique Investment Plan

Mozambique Investment Plan				
Summary Chart of Projects and Programs				
Projects	Project/Module 1		Project/Module 2	
	Mozambique Forest Investment Project (MozFIP)		Emissions Reductions in the Forest Sector through Planted Forests with Major Investors	
Components	1. Enhancing Forest Sector Governance			
	2. Promoting Climate-smart Agriculture, Sustainable Biomass Energy and Sustainable Forest Management			
	3. Project Management, Monitoring, Safeguards Management and Inter-sectoral Coordination			
MDB	World Bank		IFC	
Financing (US$ million)	FIP Grant	8.8	FIP Grant	2.0
	FIP Loan	13.2	FIP Loan	-
	Co-financing (MDTF)	12	Co-financing (IFC, private sector, PPCR)	2.1
	Co-financing (IDA)*	TBD	Others	
	Total	34	Total	4.1

*The World Bank is assessing the potential to augment the FIP with resources from the International Development Association, which will depend on Mozambique's fiscal situation.

Project/Module 1 - Mozambique Forest Investment Project (MozFIP)

a) MDB and Government Agency

1. MDB: World Bank
2. Government Agency: MITADER, via UT-REDD+

b) Problem Statement

3. Mozambique's major drivers of deforestation and forest degradation have been described in Sections 1 and 2 of the FIP Investment Plan. These stem from a combination of policy and institutional issues at the national level and more concrete issues at the landscape level. At the national policy and institutional level, issues include misaligned incentives, weak capacity, and weak implementation of existing rules, which constrain law enforcement, land-use planning, and community level engagement with local level resource users. Other key institutional problems include a significant lack of economic incentives for sustainable behavior from the private sector. At the landscape level, drivers of deforestation come both from inside the forest sector (demand for both fuelwood and timber, both produced with unsustainable and illegal practices) and, more importantly, from outside the forest sector (low productivity subsistence agriculture, poorly practiced, exacerbated by land degradation and fires). Forest conversion into agriculture and unsustainable production of biomass energy are the main direct causes of deforestation in Mozambique, while illegal logging leads to the degradation of native forest stands. This understanding of the underlying problems gives rise to the logic of the GoM's intervention structure, which includes both national policy reform activities and landscape level interventions.

c) Proposed Investment Strategy

4. To address these deforestation and livelihood issues and support the GoM's overall vision and proposed FIP intervention logic, the Proposed *Mozambique Forest Investment Project (MozFIP) ,* to be implemented with the World Bank, follows the same structure, with components and activities as indicated in the figure below.
5. At the national level, the MozFIP would assist the GoM with crucial policy reviews and analysis to support legal reform, activities to strengthen forest governance, support to the private sector to enable long-term sustainability in the sector, and improved communication and capacity building to support the dissemination of practical knowledge and new ways of doing business.
6. At the landscape level, the project would work in two target areas in Zambezia and Cabo Delgado province at the landscape level. To address key issues outside the forest sector, including encroachment and poor land and resource management, the project will promote sustainable agricultural production options, introduced through community engagement and capacity building, supported by improved spatial planning. The project will also engage communities in disseminating improved biomass energy production and use, including the promotion of alternative energy sources. To address the key issues within the forest sector, the project will support the piloting of sustainability initiatives for forest operators, as well as community livelihoods and value chains based on sustainable forest management and planted timber alternatives. Recognizing that the project cannot work with intensity on every issue in every part of the country, the project will selectively pursue key activities in critical areas where

there is the greatest alignment with country programs and the greatest potential for positive results with multiple benefits, including both GHG reductions and community livelihood improvements.

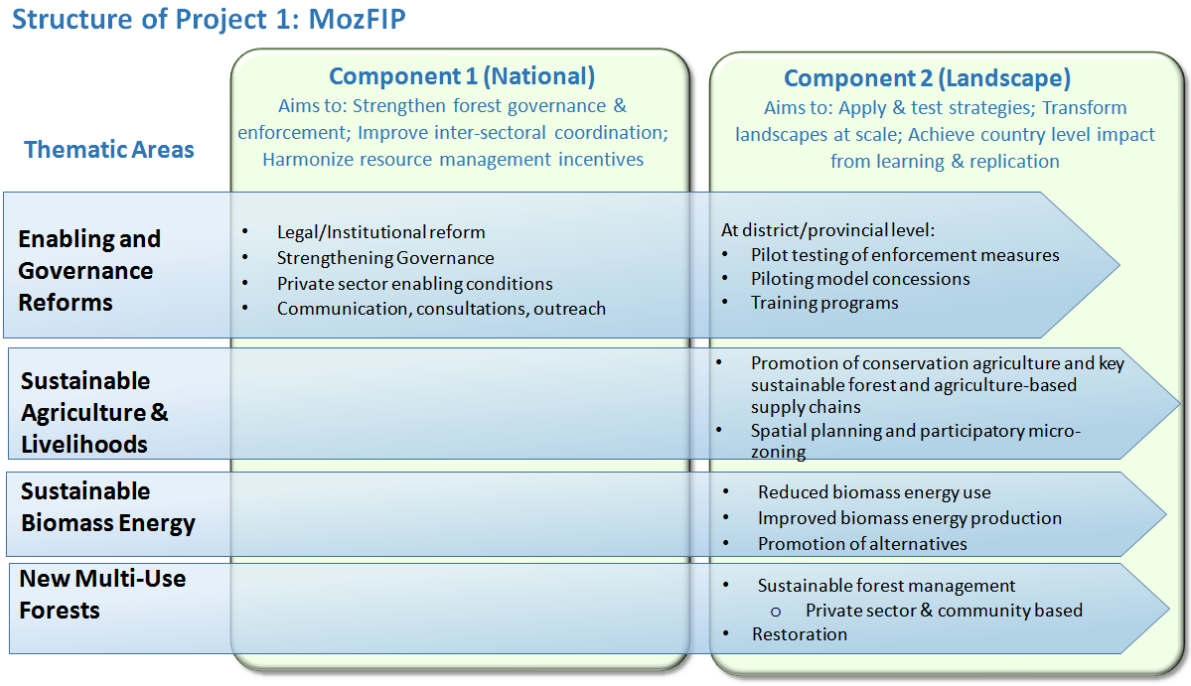


Figure 21 - Structure of MozFIP

d) Contribution to transformational impact and expected co-benefits

7. MozFIP's Theory of Change for transformational impact is that improving the enabling environment for sustainable forest and agriculture management and investments will promote sustainable forest and land management practices, contribute to rural livelihood improvements, and support Mozambique's efforts to address the drivers of deforestation and forest degradation. This is based on the Investment Plan's overall Theory of Change as outlined in Figure 6.

8. The proposed activities financed by FIP in Mozambique are therefore designed to contribute to a broad national effort to reduce deforestation and forest degradation in ways that improve rural livelihoods in the targeted landscapes, through a focus on itinerant agriculture, charcoal production/consumption, and inadequate forest management as the key drivers of deforestation and degradation. The proposed MozFIP (Mozambique FIP Project 1) contributes to this transformational impact by improving the legal and regulatory environment for forest management and strengthening forest governance at the national and landscape level.

9. At the national level, a holistic effort to strengthen forest governance will tackle the critical problem of illegal logging that has plagued the forest sector and trigger a longer-term shift in the focus of the sector from resource exploitation towards sustainable management and adding value to the domestic timber sector. Policy reforms and improved practices should also have a positive and sustainable effect on people's lives and land uses and their economic opportunities.

Clearer rules and incentives, embedded in guidance documents and training, will transform the working norms within management institutions and among resource users on the ground. Key Government agencies will also benefit from improved policies, capacity development and communication programs. By bringing new technology and systems for utilizing it to advance forest governance and law enforcement, as well as for forest information sharing, this project will significantly increase the transparency of the forestry sector, thus increasing the responsiveness of the national government to its citizens. These reforms should also provide a better understood platform for attracting investment into the sector, which should again contribute to the positive dynamic of creating more economic opportunities with less resource degradation.

10. At the landscape level, the Project will produce significant livelihood benefits for rural communities in the targeted landscapes. Smallholder farmers will gain access to new skills and technologies for climate smart agriculture, improved agriculture practices, including climate smart approaches, and other agroforestry management practices will help to improve yields and boost incomes, as well as resilience to climate change. The activities would also enhance employment and value-added opportunities for farmers, especially for women and vulnerable groups, hence contributing to improving gender equality and inclusive development. Engaging the private sector and improving the enabling conditions will also help to strengthen value chains and stimulate investment in sustainable forest management. This will help to generate local employment opportunities in planting, maintenance, seedling production, service delivery and out-grower arrangements, thus contributing to the positive dynamic. The project will also improve collaboration between natural forest concession holders and community members, which is expected to create new employment opportunities and the introduction of new value added production methods for both timber and NTFPs. Consultations, communication and participatory planning with communities will also contribute to more local ownership and responsibility for natural resource management and more ability to capture and share benefits that are generated locally.

11. The Project will also produce biodiversity benefits globally and nationally. Beyond GHG emissions reductions, conservation in Mozambique will contribute to global biodiversity gains over the long term, especially of the unique miombo forest. Nationally, the Project will lead to a higher valuation and protection of the country's biodiversity and natural resource assets, including critically endangered forest species. Restoration activities will rehabilitate degraded areas, increasing habitat viability and enhancing ecosystem service functions in the landscapes.

e) Project Description

12. The overall structure of the proposed *MozFIP,* to be implemented with the World Bank, contains a national level component, a landscape level component and a project management component. . The national level component to enhance forest sector governance would include four main sets of activities (or subcomponents):
    - Legal and Institutional Reform support;
    - Strengthening Forest Governance;
    - Promoting Sustainable Forest Management; and
    - Communication, Consultations, and Outreach.

13. The landscape level component would work in the two targeted landscapes and focus on four main sectoral subcomponents :
    - Sustainable Agriculture and Livelihoods;

- Sustainable Biomass Energy;
- Establishing new Multi-Purpose Forests
- Land Planning and Community Land Delimitation

14. The project design would also be built into and implemented through existing institutions, both at the national level (MITADER) and the provincial, district and community levels (provincial and district governments, provincial forums, civil society). The design builds closely on the GoM's ongoing REDD+, forestry and governance initiatives. The following sections describe the types of activities to be financed under each Project components.

Component 1 – Enhancing forest governance at the national level

15. **Legal and Institutional Reform Support.** This will include activities to advance the legal and regulatory reforms being developed under the GoM's *Projecto Floresta em P*é. Activities would include (i) supporting the Government revising of the Forest Policy and Law through capacity building and analytical work and feasibility studies; (ii) public multi-stakeholder consultations; (iii) outreach events and dissemination of the new Policy and Law when completed.

16. **Strengthening Forest Governance**. This will include activities to strengthen institutions and systems for improving governance in the sector. The Project would support the following types of interventions:

    a. Reinforcing field monitoring and detection to improve compliance, such as providing training to inspection and control field staff, introducing ICT tools for communication and monitoring, improving communication systems, and inter-agency (i.e., Mozambique's National Agency for Environmental Quality Control (AQUA), the National Forest Directorate (DINAF) and Customs) information sharing channels needed to enhance controls at points of sale for timber;[16]

    b. Reviewing and strengthening forest information systems, concessions management systems and their integration with information systems across MITADER. This could involve the migration to digital systems, implementing systems at the District or field level that are currently centralized, improving equipment and infrastructure, providing trainings to build technical capacity in data management, licensing processes and enhancing data sharing to the public. Specific interventions[17] could include:
        - Assessing and implementing appropriate technologies for strengthening the detection, control, monitoring, and tracking of the timber trade; and
        - Consolidating in an easily accessible online application basic data and maps on operators, concessions, licensing, exploitation, and export to make the forest sector operations transparent; and

[16] The financing will categorically exclude any kind of support for activities that are prohibited by the Bank's policies and rules as outlined in "Legal Vice Presidency Annual Report FY 2013: The World Bank's Engagement in the Criminal Justice Sector and the Role of Lawyers in the "Solutions Bank"".

[17] Opportunities to be explored include SISFLOF and the Inter-Agency GIS database. The Forest and Wildlife management information system (*Sistema de informação de Gestão de Florestas e Fauna Bravia*, SISFLOF) has been under development since 2007. The information system is designed to store data on forest and wildlife licensing, inspection, enforcement and control contracts and elaborate reports. The Inter-Agency database is being implemented under the Spatial Development Program (SDP), and consists of a unit operating at Ministry of Transport and Communications (MTC), which gathers spatial data from all ministries, expected to be operational in early 2016.

- Strengthening the coordination arrangements between entities involved in the control and flow of forest resources, such as Customs, Interior, Transport, Justice, Conservation, Agriculture, and Energy, and implementing improvements aimed at more timely detection and response to infractions.

17. Promoting **Sustainable Forest Management**. The Project would support the Government to establish consistent policies and incentives to promote sustainable forest management by the domestic and international private sector through policies and regulations, access to financing, technical assistance and financing the linkage of smallholders to forest value chains. These activities would promote two sub-sectors: i) sustainable management of natural forests; ii) promotion of forest plantations. Illustrative activities would include:
    - Reviewing and simplifying the administrative process for issuing concessions for natural forest management operations, designing administrative processes to facilitate the transition for verified legal operators from simple licenses to concessions, and developing strategies for the productive use of revoked concessions;
    - Engaging the Government and relevant stakeholders in dialogue and consensus building toward updating of forest legislation related to non-native timber species;
    - Engaging relevant stakeholders in dialogue toward improving the legal base for forestry outgrower schemes (particularly for planted forests), and developing best practice guidelines for plantation forestry;
    - Supporting the development of national standards or certification standards for sustainable forest management, its dissemination and technical assistance for operators towards achieving the standards;
    - Promoting Government-facilitated company-company dialogues to enable information exchange amongst planted forest companies, with the aim of keeping productivity of the sector at the highest level possible and enabling rapid learning by new investors;
    - Supporting selected companies to adopt the best forest management practices, move towards forest certification, and train local people on forest management, and facilitate market access to processed forest products, as envisaged in Projecto *Floresta Em Pé*.
    - Training for forest operators in technical aspects for value addition to their products, such as processing techniques, value chains and market opportunities for niche products and use of lesser-known timber species, including through public-private partnerships;
    - Supporting the enabling conditions for small and medium enterprises that have potential for income generation for rural populations through the production and processing of Non-Timber Forest Products; and
    - Exploring finance and credit options for firms interested in investing in natural forest management and planted forests.

18. **Communication, Consultations, and Outreach**. Communication, consultation and outreach will inform, prepare and involve stakeholders actively in the project. Communication and outreach activities would be important to disseminate information not only on the project, but also at the technical level during implementation, such as training materials to complement technical work and community engagement, helping to improve field level outcomes. Activities would include development of content and appropriate dissemination methods to increase the supply and access to technical know-how in the target areas. Consultation activities will include public dialogues, consultations and discussion forums at national and community levels. Considering the need to engage stakeholders in changing practices and behaviors, there is a need to use communication and training tools that are tailored and targeted to stakeholders, and readily improved and updated based what works on the ground. As such, the Project would support research such as consultations, surveys and studies to obtain feedback from target groups on

their understanding of the proposed activities and to repackage the technical material as needed to ensure results in various areas. There is a strong potential that the DGM efforts will be helpful in this process and such linkages will be further explored as the DGM Project progresses.

Component 2 – Promoting Climate-Smart Agriculture, Sustainable Biomass Energy and Sustainable Forest Management in the Targeted Landscapes

19. Activities would be implemented in the two targeted landscapes in the provinces of Zambezia and Cabo Delgado (see maps in Section 6) to address the most significant drivers of deforestation, while contributing to improving the livelihood of rural populations.

20. **Sub-component 2.1. Promotion of Climate-Smart Agriculture**. Smallholders would be supported to adopt improved and climate-smart agricultural and land management techniques, particularly conservation agriculture to increase their productivity and income, reduce the need for clearing new land and that would maximize environmental services and promote practices including agroforestry, restoration of landscapes, diversification to increase resilience. Activities would include:
    a. Provision of extension services on climate smart agriculture practices (agroforestry, inter-cropping, mulching, etc.) and woodlot establishment at the community and farm level, coupled with reinforcement of the capacity of government extension services, and link smallholders to medium and larger producers;
    b. Finance small infrastructure for market access, such as small dams and irrigation; and
    c. Matching grants for community-based enterprises and SMEs.

21. **Sub-component 2.2. Promotion of Sustainable Biomass Energy**. This sub-component would promote the production, access to and use of sustainable energy and alternatives to charcoal. The Project would support:
    a. On the demand side, supporting and extending Mozambique's ongoing efforts to disseminate improved cookstoves in main urban centers (Quelimane and Pemba); to increase the efficiency of charcoal making through improved kilns; to adopt new energy technologies (such as natural gas or solar for cooking; or biomass briquettes from forest waste). The Project would support SMEs in adopting these technologies through capacity building, marketing and access to finance.
    b. On the supply side, implementation of community woodlots and community projects for improved charcoal kilns for sustainable production. To ensure coordination at the institutional level, the Project will support collaboration with the Provincial Directorate of Energy.

22. **Sub-component 2.3. Establishing New Multi-Purpose Forests**. These activities would support private sector companies and communities to plant new forests for different purposes (commercial, energy, restoration of degraded land, biological corridors). Activities would include.
    a. Assessment and spatial planning of restoration priorities, plantation areas and forest conservation areas, cost benefit assessment and capacity building;
    b. Establishment of a matching grant mechanism to promote smallholder / SME forest planting for different purposes (charcoal, poles, constructions wood, etc.);
    c. Promoting commercial links for outgrower communities to processing facilities, as well as local distribution networks for timber products and community forest nurseries;
    d. Providing technical assistance and financing towards restoration of priority degraded areas through different methods, including assisted natural regeneration, enrichment planting, intercropping of native and exotic species, among others;

e. Supporting the convening of multi-stakeholder dialogues among planted forest companies, communities, government institutions and civil society organizations for improved relationships and increased transparency in negotiations, mediated through existing Provincial REDD+ Forums; and
f. Supporting awareness building and training around fire management, including workshops on fire control techniques, the purchase of equipment, and educational materials.

23. **Sub-component 2.4. Land Use Planning and Community Land Delimitation.** Building on ongoing government-led work to systematically register community lands, the Project would support:

    a. Systematic community land delimitation in the targeted districts. This would include providing resources and technical assistance for the participatory micro-zoning of community areas through specialized service providers.

    b. Strengthening Natural Resources Management Committees' negotiation capacity with the private sector over land use rights with particular focus on how to engage with these companies and build win-win partnerships; and

    c. Implementation of "green development plans" in the districts, which aim to generate incentives for districts to achieve sustainable development targets. This would include financing the design, piloting and implementation of such a program.

Component 3 - Project Management, Monitoring, Safeguards Management and Inter-sectoral Coordination

24. This component would cover the costs of project management and oversight, including monitoring and evaluation, procurement, fiduciary management, safeguards application and management, and coordination with related forest and landscape initiatives of the GoM and development partners.

25. Project support would strengthen inter-sectoral communication and coordination within the Government. Strengthened coordination will also be important to integrate new forest strategies into existing sectoral strategies and plans. For example, integrating conservation agriculture issues and learning into the national rural development strategy, or support for the National Biomass Strategy could be ways to leverage FIP resources to influence wider activities of the GoM.

g) Synergies with other Projects

26. MozFIP, the IFC Project and Mozambique's Dedicated Grant Mechanism for Local Communities (DGM) will converge in targeted landscapes to address the drivers of deforestation and degradation while enhancing rural livelihoods in a complementary, holistic manner. MozFIP is synergistic with the IFC Project as it will support the enabling conditions needed to scale up the implementation of forestry outgrowers schemes, such as encouraging dialogue amongst stakeholders and creating best practice guidelines. Projects will build on and enhance existing initiatives and platforms, including service providers working across the thematic issues and Provincial Forums in the landscapes. As described in Section 6, the DGM will promote synergies by boosting civil society participation in FIP-financed activities, empowering and actively involving community organizations in the governance of forest resources. The projects will work

in a complementary and coordinated fashion to target specific beneficiary groups, specific geographic areas and distinct technologies, training or interventions.

27. As noted in Section 5, MozFIP has synergies with other forest, REDD+, natural resource management and agriculture projects under implementation and development by the World Bank. The greatest synergy is with the REDD+ Readiness process, which is preparing the institutional and capacity base for FIP investments. The project also has potential to leverage resources through other projects operating in these targeted landscapes. As Mozambique moves from REDD+ readiness to implementation, funds in each phase have been leveraged to crowd in additional financing for future phases, including potentially performance-based payments for emissions reductions from the FCPF Carbon Fund in the Zambezia landscape (proposed for entry into the pipeline). Readiness work financed by the FCPF has allowed Mozambique to develop the knowledge base, consultative processes and prioritization needed to access FIP financing. In turn, FIP will finance policies, learning and pilot activities that will inform wider replication of successful REDD+ and community development activities that will contribute to success in efforts to reducing emissions from deforestation and forest degradation. FIP provides an up front investment to enable transformational policy reform, build capacity and constituency for improved forest and land management. FIP investments will be integrated with other sources of financing and support multiple actors and activities that cumulatively contribute to improving conditions at the landscape level and reducing the drivers of deforestation. Mozambique's ER Program is still under design and development. It is expected to build on and scale up the lessons learned and successful approaches piloted in the FIP, along with other engagements and models. Other projects include MozBio, which provides support to protected areas, including some located in the target landscapes, and the Agriculture and Natural Resource Management Project, which aims to improve livelihoods, rural markets and agricultural value chains in the northern provinces of Mozambique.

28. Synergies with the work of other development partners are discussed in Sections 5 and Annex 6.

h) Implementation Readiness

29. Section 3 outlined GoM's existing legal and institutional framework for implementation of REDD+, forest reforms, and FIP-financed activities at landscape level. Implementation of MozFIP will be embedded into this framework, which has been implementing the ongoing REDD+ process, and managing related financing instruments, since 2008.[18] The GoM is strengthening the capacity of the Unit for Management of International Funds (UGFI) and the FIP Unit, which will implement MozFIP.

30. The FIP is aligned with the National REDD+'s overall objectives and strategy, and will include specific cooperation agreements with the provincial governments of Zambezia and Cabo Delgado, District Administrations, and local stakeholders from civil society and the private sector. UT-REDD+ has hired in June 2015 two provincial coordinators to carry on the preparation, consultation process and implementation of the program's early activities between 2015 and 2016. The Provincial REDD+ Forums will be a key link for local institutions and stakeholders and the national REDD+ processes. UT-REDD+ also plans to elaborate and sign a

[18] REDD+ Readiness was initiated in Mozambique under the joint leadership of the former Ministry of the Coordination of Environmental Affairs (MICOA) and the former Ministry of Agriculture (MINAG) / Directorate National of Land and Forestry (DNTF). These units have now been integrated under MITADER.

Memorandum of Understanding (MoU) with the key institutions that will be involved with the program implementation.

31. The GoM also has substantial experience in implementing projects funded by development partners, including both MDBs and bilateral partners. The GoM has experience also working with the CIF under the Pilot Program for Climate Resilience, where multiple projects are under implementation with both AfDB and WB. The GoM has demonstrated the fiduciary, procurement, documentation, safeguards, and monitoring and evaluation capacity and experience necessary to meet international standards.

i) Potential National and International Partners

32. MozFIP will work with Mozambican institutions and partners at three levels:

- **National Level:** The following institutions will be involved: MITADER, Ministry of Economy and Finance, Ministry of Agriculture and Food Security, and the multisectoral National FIP Steering Committee. National level CSOs, academics and private sector organizations will also be engaged through consultative processes. Responsibilities will include to raise investments and funds, enter into agreements and ensure compliance with donors and partners, technical and administrative management of the program, transfer of funds to districts and implementation agencies, coordination of main processes and procedures and continuous evaluation and monitoring of the program.
- **Provincial level:** The following institutions will be involved: Provincial Directorate of Land, Environment and Rural Development, Provincial Governments, and the Provincial Forum of REDD+. The project will also engage and involve commercial banks of micro-credit institutions, civil society organizations and private sector associations. Responsibilities at this level will include coordination within the province and districts between different actors; manage funds from the central level; ensure compliance with the norms, standards program.
- **District level:** Districts will be the basis for landscape level implementation. Each district will represent one administrative/implementation area, where the Landscapes will plan different REDD+ activities according to their main needs. At the community level, the Project will involve the Natural Resources Management Committees, individual farmers and small community businesses. Project activities will also be implemented at the district level through District governments. District governments will monitor implementation of activities through existing mechanisms (i.e., SDAE and SDPI). The following institutions will be involved: District Governments, District Councils, and Natural Resources Management Committees (CGRN). The project will also engage and involve Community Associations, private enterprises (forest operators, medium-scale farmers, input suppliers), NGOs and Research/Academia.

33. Regarding international partners, the proposed project will also engage with development partners and international agencies active in the REDD+ / Forest / landscape nexus of issues. These include USAID, Norway, Sweden, UN REDD, FAO, WWF, CIFOR and others to be named. The project will also engage with research organizations, CSOs and NGOS at the landscape level. Some examples of organizations with valuable lessons and project experience to share include ADRA, Etc Terra, IIED, IGF, ITC, ORAM, PRODEZA, RADEZA, Aga Khan, Kulima, and AMA, among others.

j) Rationale for FIP Financing

34. The project aims to improve environment, land and forest management at the landscape level to improve livelihoods, living conditions and reduce greenhouse gas emissions from land use change and deforestation. These results are mainly global public goods with substantial benefits accruing to Mozambicans. Public financing is justified for this purpose. FIP financing is justified because the project contributes to reducing deforestation and mitigating climate change, demonstration at scale, financial leveraging, institutional sustainability, stakeholder participation and substantial development co-benefits, in full alignment with the FIP criteria, as summarized in the table below.

35. FIP financing will also capitalize on important opportunities to advance policy reform, scale up and replicate lessons at landscape scale, and leverage support from additional development partners. FIP financing will be integrated into support for the GoM's ongoing forest sector reform process, which will ultimately generate significant returns to the state in terms of optimizing revenues from forestry operators and reduced leakage from illegal timber operations. FIP support will also help to generate and document lessons from the landscape approach that can inform scale up implementation to the national level.

36. **FIP Financing with World Bank as Partner.** The World Bank has considerable experience working with the GoM on policy and regulatory issues, experience in project implementation, and long involvement in the natural resources sectors (see project inventory in Section 5). This proposed project is also consistent with the World Bank's efforts to assist Mozambique to access sources of global climate finance and apply it toward key development challenges, under the FCPF, PPCR and other instruments, in line with the Country Partnership Strategy.

37. FIP **Financing through the Multi-Donor Trust Fund** (MDTF). Co-financing to MozFIP will be provided by the **Integrated Landscape and Forests Management MDTF**. At present, US$ 12 million has been secured. Several development partners have expressed interest in providing financial support to the MDTF at later stages. The MDTF is aligned with the objectives of MozFIP, and aims to support the GoM's strategic efforts to promote integrated landscape management, reduce deforestation and improve rural livelihoods, while also mobilizing and channeling resources from development partners.

Project 1 – Mozambique Forest Investment Project (MozFIP) Comparison with FIP Investment Criteria	
FIP Investment Criteria	**Project Element & Rationale**
1. Climate change mitigation potential/Emissions reduction potential	Potential for minimum of 15 million tons CO2e to be reduced during the first 10 years of implementation between 2016 and 2025 in the 14 targeted districts in the two provinces
2. Demonstration potential at scale	The two provinces were among the ones selected for a rapid analysis of the existing information management systems in the context of development of the R-PP. Supporting the development of an information management system will lay a good foundation for the strengthening of cadastre-related activities in the country
3. Cost effectiveness/leveraging finance	Leverages existing funding through MozBio, the Agricultural Landscapes Project, and will create synergies in implementation Private sector to support deforestation-free commodity supply chains, providing access to international buyers

	MozBio offers CDD-like matching grants to initiatives for conservation agriculture and sustainable forestry to communities within and around protected areas. Mozbio can also support management of partnerships.
4. Implementation potential	
4a) Existing governance structure for the program	Described in Section 3 of Investment Plan Provincial REDD+ Forums and coordinators REDD Readiness process producing analysis and developing benefit sharing mechanism & grievance redress mechanism
4b) Existing local initiatives toward reducing deforestation	Plans for land planning, zoning and registration Enterprises & NGOs operating in project areas for a long time MozBio: awareness programs and capacity building for communities, local governments and other partners
4c) Institutional Sustainability	Strong new, consolidated Ministry of Land, Environment and Rural Development Strong presence of Civil Society Organizations Ongoing Pilot REDD+ initiatives (Iniciativa Testagem do REDD+) provide valuable lessons & improved local capacity
4d) Structures for effective stakeholder participation and decision making	REDD Readiness has sponsored Multi-stakeholder consultations since R-PP formulation Discussions on forests and landscapes related issues have been ongoing at district and province level Platforms set up through the Provincial Forum for stakeholder participation Visits to key stakeholders have been made to discuss REDD+ Relationship established with provincial government SESA consultations held at provincial and community level
Integrating sustainable development (co-benefits)	
5a) Improvement of livelihoods for rural communities	Potential for climate smart agriculture, sustainable charcoal production, non-timber forest products management Potential to integrate smallholder farmers into supply chains for local, regional and global markets Potential for alternative and sustainable energy sourcing with energy plantations and efficient cookstoves—has transformational social and health benefits
5b) Maintenance of high-value biodiversity	Target areas include some of the most well preserved tracts of miombo forests in the country, in the Gilé National Reserve, one of Africa's largest marine conservation areas Archipelago of Primeiras e Segundas Islands, and the most densely populated protected area in Mozambique, the Quirimbas National Park
6. Safeguarding of natural forests	The landscapes approach offers key opportunities for GoM to apply sustainable use of non-forest and restoring or protecting protected conservation area land, thus reducing pressure on remaining natural forests Work on enabling conditions will also improve incentives for safeguarding of forests

k) Safeguard Measures

38. The project, when developed, will also comply with the current safeguards required by Mozambican government, as well as the World Bank. Environmental and social impacts and risks will be assessed in light of Mozambique's legislation and the multilateral development banks' safeguards policies, and will be detailed in the development of specific FIP projects.

39. The proposed Project is anticipated to have positive social and environmental impacts. In compliance with World Bank safeguards policies, project-specific safeguard instruments will be produced during preparation according to Bank's safeguard requirements, only after submission and approval of the Investment Plan. Under REDD Readiness, supported by FCPF, GoM is in the process of preparing a national level Strategic Environmental and Social Assessment (SESA) and an Environmental and Social Management Framework (ESMF). The REDD Readiness Process will also produce a Resettlement Policy Framework and a Grievance Redress Mechanism. All of these documents will inform the FIP Investment Planning process, as well as the further development of the proposed FIP project of the World Bank and the project-specific safeguards documents required during preparation.

40. Regarding participation and consultation, the project preparation will conduct and build upon detailed and comprehensive procedures for consultation already being implemented by GoM in the context of the REDD readiness process. The project preparation process will also collaborate with the DGM process, being developed in parallel, to ensure that there is awareness of the project (through information sharing activities) and that there is broad community support for the proposed activities. Some landscape level activities may result in changes in land use which impact livelihoods. However, these will be voluntary and based on community based decision making. Community decision making processes will be designed and monitored to ensure that they provides for the identification of appropriate measures to mitigate adverse impacts of vulnerable members of the community, as per World Bank standards.

l) Financing Plan

41. The financial resources of the project are shown (tentatively) in the following table:

Mozambique Overall Investment Plan - FIP Financing and Other Sources (in US$ Millions)						
	FIP Financing					
Project	**Grant**	**Loan**	**Total**	**Co-Financing (MDTF + IDA*)**	**Parallel Financing**	**Description**
Project 1 – World Bank Mozambique Forest Investment Project						
Comp 1 – Enhancing Forest Governance at the National Level	1.5	4.0	5.5	5	4.5	GoM own funds Proposed Multi-Donor Trust Fund DGM for Local Communities
Comp 2 – Promoting Climate-smart Agric, Biomass Energy & Sust.	6.3	9.2	15.5		46 40	MozBio Agric & NR Landscapes Project

Forest Management in the Targeted Landscapes				6		Proposed Multi-Donor Trust Fund
Component 3 - Project Management, Monitoring, Safeguards Management and Inter-sectoral Coordination	1.0	-	1.0	1		GoM own funds Proposed Multi-Donor Trust Fund

* The World Bank is assessing the potential to augment the FIP with resources from the International Development Association, which will depend on Mozambique's fiscal situation.

m) Project Preparation Timetable

42. The main stages involved in preparing and approving the project are as follows:

Stage	Steps	Indicative Dates
FIP Approval		Month 0
Project Preparation	Preparatory WB Mission Project Document preparation	Month 1 Month 1-2
Evaluation	Multilateral review of documents Refinement of project documents	Month 3-4
Approval by GoM and NSC	Submit request for project approval	Month 5
Approval by FIP SC	Submit request for project approval	Month 6

Project/Module 2 - Emissions Reductions in the Forest Sector through Planted Forests with Major Investors

a) MDB, Government Agency and direct stakeholders

43. MDB: IFC
44. Government Agency: MITADER, via UT-REDD+
45. Private forestry companies, small and medium scale enterprises (SMEs) and smallholder farmers

b) Problem statement

46. Deforestation in Zambezia is being driven by a combination of four factors integral to rural livelihoods:

- **Subsistence farmers clearing land for new fields.** This is primarily due to smallholder farmers shifting their fields from exhausted land to fallow areas with more productive soil. Poor agricultural practices and very limited fertilizer use contribute to rapid soil degradation and low productivity, which in turn lead to food insecurity. Population growth and influx place additional pressure on fallow land. Satellite data from two districts indicate that something like 83 percent of forested land was converted to subsistence agriculture, while another 10 percent became scrub or unmanaged grassland, which is typical of when agricultural land is fallowed.[19]
- **Production of charcoal.** Charcoal, which is primarily consumed in urban areas, is a major driver of deforestation, as well as an important source of income for many rural households. Firewood, which is the dominant fuel for rural households, is a less significant driver of deforestation. Both firewood and charcoal are typically produced during the process of clearing new land for agriculture.
- **Uncontrolled bush fires.** Farmers use fire to clear new land and remove crop stubble from existing fields. These fires damage surrounding areas and are a major source of CO_2 emissions.
- **Logging for commercial timber.** This driver of deforestation is limited to mature native forests and is often done illegally. As with charcoal production, logging generates income for rural households.

47. Private companies can afforest significant areas that have been deforested or degraded by these drivers, generating employment and shared prosperity. Smallholder tree farmers, linked to private companies through outgrower arrangements, can expand afforestation even further. This afforestation is particularly effective when combined with a Mosaic approach to plantation development. A Mosaic approach allows small patches of highly productive exotic species, for example Eucalyptus, to be inserted into the landscape in previously deforested areas allowing riverine reserves, high value biodiversity areas, community lands, and homesteads to remain where they are undisturbed. This reduces social conflict, allows for conservation of important areas, reduces impacts on native species, and, as a benefit to the plantation owner, reduces the chance of wildfires or pests/diseases spreading through large areas of plantation monoculture.

[19] EO in Support of Planning for Sustainable Plantations in Rural Mozambique, World Bank and European Space Agency, 2015 – analysis of satellite data for Ile and Namarroi Districts, Zambezia Province..

48. Although forest plantations, particularly planted in the Mosaic manner, can contribute to the national economy and produce much value to be shared with local communities (jobs, upstream and downstream supply, secondary employment, etc.), as plantations are developed, the remaining natural forests and high value conservation areas (such as riverine reserves and wetlands) will be at increased risk of deforestation, due to land pressure and increased road access. Plantation forests planted in Mosaic actually create a microcosm today of land pressures that are expected to be more generalized in Mozambique in the future due to increased population, expansions in and climate change. This creates an opportunity to develop and pilot techniques now for the protection of natural forest and high biodiversity areas, and the reduction of deforestation even under increased human pressure, to be used more widely in the future.
49. Furthermore, the forestry investments themselves will be at risk if smallholders cut trees illegally, due to lack of food security, fuel or income. Fires, whether uncontrolled or intentionally set by disgruntled community members, pose additional risks to forestry investments. Various studies internationally have shown that stakeholder risk represents the highest single risk category for several kinds of major investment (higher than technical risk and commercial risks); experience in Mozambique also shows that stakeholder risk is highly significant for the forest sector. Thus, in order to reduce this risk, forest companies need to develop ways and means to interact positively with their neighbors, find ways to share prosperity, and insert themselves into the landscape without damage to and preferably with benefits to community livelihoods and ways of life. The maintenance of forests and the ecosystem services and products that forests provide to communities are fundamental. The management of the relationship between a timber plantation company and its neighbor probably represents the biggest single challenge and risk to forest plantations in Mozambique.
50. These problems are exacerbated by a changing climate, which is altering rainfall distribution and increasing the intensity of storms in northern Mozambique. In recent years, uneven rainfall and excessive run-off damaged crops, damaged access roads, and contributed to food insecurity. The forestry sector lacks up to date hydrology data to balance water use between plantation forests, natural forests and agricultural land.
51. Finally, the forestry sector in Mozambique lacks internationally recognized standards (specifically national interpretations of terms like ‘forest’ and ‘miombo’) for sustainable practices, such as Forest Stewardship Council (FSC). A national interpretation of certification standards and particularly terminology is needed to allow producers to add value to forest products through certification.

c) Proposed Investment Strategy

52. To address the drivers of deforestation, the government of Mozambique has chosen to apply a mix of policy and on-the-ground actions in key landscapes where these problems are acute. This sub-component focuses specifically on the Integrated Landscape Program in Zambezia.
53. The proposed intervention will support forestry companies, SMEs and smallholder farmers to transform degraded landscapes into highly productive mosaics of forestry blocks, out-grower tree production, houses, agricultural fields and well managed natural forests. This will improve food security, increase agricultural income and create employment for communities living within the landscape, all contributing to the sequestration of carbon across the landscape. Smallholder farmers are expected to be supported as outgrowers,

supplying major investors. Indeed, the IFC client company existent in the landscape, in its home country (Portugal) currently receives est. 80% of its raw material from outgrowers.

54. The proposed interventions complement and reinforce the existing community development programs associated with major investors, to rapidly pilot and develop engagement methodologies for communities that allow them to protect their natural resources (including forest resources, water resources, and land resources such as soil fertility), and increase their prosperity, even in the face of increased land pressure. The Mosaic landscape thus produced will bring benefits for all, including increased forest cover (both from planted forests as well as better protection of natural forests and riverine reserves), maintenance or increases in ecosystem services, and better protection of biodiversity values (many studies show that a Mosaic landscape afforested with exotic species does generally increase biodiversity values over a mosaic deforested landscape). The pilot program will be documented and results widely shared to allow for broad expansion across the FIP and eventually Mozambican landscapes over time. This will support a faster start-up for FIP.

d) **Contribution to a transformational impact and co-benefits**

a. Overall objective

55. The objective of this Project is to rapidly pilot private sector approaches to address drivers of deforestation in Zambezia. This will be done by reducing pressure on land, through supporting communities in improving their land management practices, sourcing sustainable energy, and through supporting sustainable commercial forest management. Successful approaches can then be replicated across the landscape under other sub-components. This objective is directly aligned with the Forest Investment Program, as a reduction in deforestation cannot be achieved if current drivers are left unchecked.

b. Activities

56. Pilot replicable approaches for effective community management of forest and agricultural resources to ensure that they are not degraded over time, and will continue to provide both ecosystem services to meet community needs and sequester carbon. A key approach will be development or strengthening of legally mandated natural resource management committees. This activity is central to the sub-component because other activities will be implemented through these committees. Zoning is another important activity, as decisions need to be made at community level about which areas are to be formed, which areas are to be left to provide timber and non-timber forest products, which areas are needed to be maintained so that adequate rainfall infiltration and erosion control occur, etc. Community level mechanisms to implement these decisions are also important. Due to the fact that forestry investors are already working on piloting, field-tested methodologies will be ready by early 2017. A model methodology for field testing has already been developed.

57. Reduce pressure to clear forested land by maintaining soil fertility. This will be done by introducing proven conservation agriculture techniques, such as mulching with crop residues. This activity will have the additional benefit of reducing uncontrolled bush fires. Once croplands are clearly identified by communities, then it becomes important to maintain the fertility over time and conservation agriculture techniques are one of the proven ways of doing this in Mozambique. Conservation agriculture itself without zoning and land management at community level, will not hold the spread of agriculture into areas

which may be better used for the satisfaction of other human needs or the protection of ecosystem services, so this activity goes hand-in-hand with the previous one.

58. Reduce pressure to clear forested land by increasing household food availability. Typical post-harvest losses of food crops in rural Zambezia exceed 30 percent. Reducing these losses provides families with more food, on the same amount of land. Low cost hermetic storage bags can eliminate insect pests and preserve grain quality. This and other innovative grain drying and storage technologies will be piloted and field-tested. Improved grain storage designed are already in test phase by major plantation investors.

59. Develop alternative fuel sources for households, such as Eucalyptus charcoal, to replace charcoal made from indigenous trees. Eucalyptus could be provided by community woodlots now being developed in Zambezia. There does seem to be an international body of experience, including Brazilian experience, that will serve to feed and/or initiate this dialogue.

60. Develop alternative income sources for charcoal producers, such as outgrower production of Eucalyptus. SMEs based on sawn Eucalyptus timber products, such as carpentry and building materials will be supported. SME development is also being piloted as a core element of the business model; one investor said that they would need more than 500 small harvesting businesses (consisting of a pickup truck and several chainsaws as well as people to run them) simply for its own harvesting own operations.

61. Produce up to date hydrology data to assist forestry companies and communities in land use planning. This will involve collecting streamflow and rainfall data in selected watersheds. This data would inform the development of water catchments for irrigation. Although International Research as well as nationally approved EIAs indicate that Mosaic planting of Eucalyptus at the planned densities will not impact negatively on the regions hydrology, no real data exists in Mozambique. It will be an important element of monitoring both by the company, by the government, and by civil society organizations, generate such data as well as methodologies which can be used across the industry.

62. Development of streamlined delimitation and registration of community and individual land titles, dis-annexing these from the overall major investor land titles. The Mozambican government to date has issued land titles(DUAT's) over broad swathes of countryside to plantation investors. Under the mosaic plantation approach, the major investors will not remove community members from their croplands and homes. Instead, Module 2 will pilot a methodology for these areas to be dis-annexed from the overall DUAT and land titles given to communities and individuals. This is a win-win situation for all concerned, as communities and community members obtain registered land titles (exactly in line with the Mozambican governments "Terra Segura" program), while the major investors, due to the dis-annexation, will have to pay less in annual land fees. FIP investment is needed to develop innovative GIS-based, participatory tools and methodologies so this can be done on a cost-effective basis over landscape sized areas. These tools and methodologies will not only be shared, but will be taught to contracted land rights NGO(s) within the FIP project area. The provisional title for this methodology is the community land value chain model, or CAVATECO.

c. Main co-benefits

63. These activities will bring five main co-benefits to participating households – improved food security, improved land tenure, more sustainable ecosystem services and products, increased income and access to sustainable sources of cooking fuel. These impacts will be

monitored through a rigorous results measurement system, using a quasi-experimental design that incorporates control and treatment groups.

64. The sub-component will generate significant co-benefits for biodiversity by:

    a) Maintenance and conscious management of the biodiversity found on community lands, through community management, zoning, and management planning;

    b) Development of a model for Mosaic development of plantations, as mosaics are inherently more biodiverse than extensive monocultures, and the mosaic plantation landscape does seem to be more biodiverse than the existing Mosaic deforested one.

65. Finally, this sub-component will create co-benefits for institutions by helping develop national interpretation, and for the FIP itself, by modeling strategies to cope at local level with increased pressures resulting from more intensive land use, strategies that will be documented and widely disseminated. It will also contribute to the country's understanding of plantation forest effects on hydrology, allowing for better-informed choices to be made in the future, based on actual, in-Mozambique data.

d. Contribution of project to transformational impact

66. By piloting the approaches proposed under this sub-component, FIP Mozambique will develop replicable methodologies that can be help the country prepare for the types of pressures it will be facing at national scale in the future. The proposed sub-component will focus on a geographic area that is likely to be microcosm of what will be happening in the entire country 20+ years from now. Land pressures that will arise from the occupation of a good part of the landscape in Ile and Namarroi by Eucalyptus plantations will be replicated in the not-too-distant future all across Mozambique as a result of population growth.

67. The development of an integrated, Mosaic agricultural landscape, developed completely without resettling of households, is a completely new approach for Mozambique, one that allows the benefits of private sector and community partnership to be realized by both parties (joint fire control, reduced need to build laborer's housing, joint lobbying for services such as roads and bridges, improved vigilance for theft, easier fire control due to smaller block size, easier pest control for the same reason, etc.).

68. The development of GIS-based tools and a participative methodology (COVATECO) to dis-annex individual and community lands from large DUATS will create a win-win scenario for the ongoing problem of how to manage land titling for plantation forestry (or any large scale development in Mozambique, the 'undocumented rights dilemma' (see Section 6, description of Module 2). There are differing imperatives. On the one side, forest investors need to know that the large areas of land they require will be available. On the other side, smallholders and communities need to know that there constitutionally guaranteed rights to land and resources will be guaranteed. A Mosaic plantation approach that does not require resettlement, coupled with a dis-annexation of community and individual lands within large DUAT's, may represent a best practice outcome. At very least, it will provide a better class outcome than any encountered so far; the methodology will be immediately applicable to a large number of plantation size land titles throughout the country.

69. The project will contribute to a better understanding of the hydrology impacts of the mosaic plantation model, allowing for more informed choices to be made about forestry plantations in their design in the future.

70. With respect to the afforestation and carbon goals of the FIP, the IFC program directly addresses problems caused by competition for space and natural resources as time and development advance. The tendency will be that forest plantations, though sequestering additional carbon and contributing to one side of the equation, will create a dynamic of deforestation in the surrounding areas, as communities are forced to live and access timber and nontimber forest products on reduced areas of land. Increased pressure resulting in deforestation in non-plantation areas will always tend offset the effects of afforestation in the plantation areas; success in this model will provide a strategy to overcome this.

e) Synergies with other projects

71. These include:
    a. Synergistic with plantation forestry and community development plans of major forestry companies operating in Mozambique;
    b. Synergistic with World Bank and IFC programs, including Let's Work, the Pilot Program for Climate Resilience, MozBio and the BioCarbon project;
    c. Synergetic with government efforts such as *Floresta em Pe*, *Um Lider Uma Floresta* and the *Programa Terra Segura* (accelerated community land and DUAT registration);
    d. Aligned with Government's new 5 year plan;
    e. Aligned with Zambezi Valley authority investments;
    f. Synergistic with efforts of donors and Non-Governmental Organizations supporting smallholder agriculture.
72. Of particular note are the synergies with the Module 1 project. With respect to the theory of change, IFC (Module two) activities will address three of the main drivers, these being: (i) Sustainable management of forests and forest landscapes to address drivers of deforestation; (ii) An institutional and legal/regulatory framework that supports sustainable management of forests and protects the rights of local communities; and (iii) Local communities empowered to manage land and forest resources sustainably and to defend their rights.
73. With respect to **Promoting Sustainable Forest Management** at the national level, the IFC model to investment is synergetic in that it will model both the Mosaic approach to plantation forestry which will reduce conflicts on biodiversity, on ecosystem services, and with local communities, and will also model the COVATECO approach to managing investor and community land security, and resolving the 'undocumented rights dilemma'. Both of these could serve to feed national dialogue and forest plantation policy.
74. With respect to **Communication, Consultations, and Outreach**, Module 2 will generate and document information on improved approaches to natural resource management, and inform training materials to complement technical work and community engagement, helping to improve field level outcomes.
75. With respect to Landscape Sub-component 1. Sustainable Agriculture and Livelihoods, Module 2 will explore how private investors can engage with their community neighbors to improve community agriculture and livelihoods, particularly their inclusion in plantation value chains and business models (since SMEs for harvesting for example are included in

these business models). Efforts to register community lands and to improve the management of community lands are synergetic activities here and are absolutely essential if deforestation on community lands is to be mitigated.

76. With respect to Landscape Sub-component 2. Sustainable Biomass Energy, model two is synergetic in two ways. First, plantation forests will provide ample amounts of alternative biomass that can be used to relieve pressure on natural forests. Second, direct investigation into the use of Eucalyptus to create high-quality charcoal will complement module one efforts with other sorts of biomass.

77. With respect to Landscape Sub-component 3. Establishing New Multi-Purpose Forests, module one presents a number of synergies:

    a. development of the Mosaic approach as described earlier, as a model for forest plantation implementation across the landscape;

    b. development of the COVATECO approach to resolving conflicts between the need for large-scale plantations as well as the need to defend small community and individual rights to land and resources;

    c. documentation of actual impacts of Mosaic plantations upon hydrology to better inform policy and business decisions in the future;

    d. development of best practice approaches towards management of indigenous forests within the Mosaic, so that plantations do not result in increased deforestation in these areas.

f) Implementation readiness

78. IFC has been in dialogue with forestry enterprises and other forestry stakeholders on opportunities to be pursued under FIP Mozambique. FIP resources can be used by IFC to provide advisory services or technical assistance to strengthen capacity of the local community and forestry enterprises to implement the activities described earlier. Some forest companies have significant co-financing available to implement activities once they have been piloted. Specific interventions in conservation agriculture, post-harvest storage and community based forestry and resource management pilots are implementation-ready.

g) Potential National and International Partners

79. The implementation of this sub-component will be carried out in partnership with the following organizations:

    a. Forestry plantation companies

    b. Non-governmental organizations with experience training smallholder farmers

    c. Relevant institutions and departments of the Government of Mozambique.

h) Rationale for FIP Financing

80. This sub-component will support the larger FIP program by rapidly developing viable approaches to reducing deforestation in a multi-use landscape. These approaches can then be brought to scale by government and other stakeholders across the broader landscape. Although individual forestry investors have existing community development programs, the

FIP investment will allow for more research, more experimental approaches, and documentation of successful investor approaches so they can be used more widely. It is a fair argument that investors should pay for their own community relations. It is also fair to say that some support with R&D, documentation and dissemination would allow best practice lessons learned by one or more investors to spread throughout the landscape, and that such R&D, documentation, and dissemination is an appropriate use of FIP money to create common and widespread good.

FIP Investment Criteria	Justification
1. Climate change mitigation potential/ Emissions reduction potential	This sub-component will facilitate the afforestation of more than 200,000 hectares of degraded land by forestry companies and smallholder outgrowers. This is approximately the same area that has been deforested by subsistence farmers over the past decade.
2. Demonstration potential at scale	IFC has already begun work and planning on these activities with partners, so investment in modeling and piloting will allow for a more rapid start of activities in the rest of the landscape and eventually throughout the country.
3. Cost effectiveness/ leveraging finance	FIP Investment will leverage $2 million in matching resources from private sector partners. Collaboration with SAFRA, an upcoming $85 million USAID funded agribusiness program, will expand private sector involvement in the landscape
4. Implementation potential	4a) IFC will work with forestry clients 4b) Institutional Sustainability: At village level, Natural Resource Management Committees are legally delegated the responsibility for community resource and forest management.
5. Integrating sustainable development (co-benefits)	5a) Improvement of livelihoods for rural communities ● Increasing food security through the distribution of resistant cassava varieties, an activity which is particularly in need in Zambezia since the most recent flooding episodes and consequent loss of planting; ● improved crop storage to reduce current 30%+ postharvest, reducing the need to clear larger areas for agriculture production; ● conservation agriculture, to reduce burning crop residues and the need to clear new areas; ● developing the market chains for sesame and pigeon pea; ● Eucalyptus outgrowing (which in addition to producing family income will increase Eucalyptus plantation area that is effectively sequestering carbon); ● and the development of alternatives for traditional charcoal production (specifically the development of Eucalyptus charcoal to replace charcoal made from indigenous trees 5b) Maintenance of high-value biodiversity The establishment of plantations in a mosaic pattern in the landscape means that High Value Biodiversity Areas (and the links and corridors between them) can be incorporated into plantation management 5c) Safeguarding of natural forests The project targets management of remaining forests in and around DUAT areas, enabling communities to better manage their forest resources through: 1. community attitudes and management capacities; 2. leadership and management structures to lead and guide community efforts 3. Community management plans and zoning plans including agricultural areas, riverine reserves, residential areas, sacred sites, areas for outgrower Eucalyptus planting, community forest reserves (these latter aligned to both the One Leader One Forest Initiative as well as the new *Floresta em Pé* program of the GoM), etc. 4. Community based forest and resource monitoring tools.

i) Safeguard Measures

81. The sub-component will comply with IFC's 2012 Performance Standards, which will be used as the safeguard policy for activities implemented in the project. These standards include: Assessment and Management of Social and Environmental Risks and Impacts; Labor and Working Conditions; Resource Efficiency and Pollution Prevention; Community Health, Safety and Security; Land Acquisition and Involuntary Resettlement; Biodiversity Conservation and Sustainable Management of Living Natural Resources; Indigenous Peoples; and Cultural Heritage.

j) Financing Plan

82. The indicative financial resources for this sub-component will be as follows:

	FIP grant	IFC	Private Sector	Other potential partners
Zambezia Integrated Landscape Program (Private Sector Sub-component)	$2 million	$0.2 million	$1.3 2 million	$0.57 million

k) Project Preparation Timetable

83. The main stages involved in preparing, approving and commencing execution of the project are as follows:

Stage	**Steps**	**Indicative Dates**
FIP Approval		Month 0
Project Preparation	Design of sub-component; Client discussions	Month 1-3
Evaluation	Refinement of project documents	Month 4-5
Approval by MDB management	Submit request for project concept approval	Month 5
Approval by FIP SC	Submit request for project approval	Month 6
Approval by MDB management	Submit request for project concept approval	Month 7

I) **Request for Project Preparation Grant**

FOREST INVESTMENT PROGRAM **Project/Program Preparation Grant Request[1]**			
1. Country/Region:	**Mozambique**	**2. CIF Project ID#:**	**(Trustee will assign ID)**
3. Project Title:	***Emissions Reductions in the Forest Sector through Planted Forests with Major Investors***		
4. Tentative FIP Funding Request (in USD million total) for Project at the time of Investment Plan submission (concept stage)::	***Grant: 2 million***	***Loan:***	
5. Preparation Grant Request (in USD):	***150,000***	***MDB: IFC***	
6. National Project Focal Point:	***Private sector***		
7. National Executing Agency (project/program):	***Private sector executed***		
8. MDB FIP Focal Point and Project/Program Task Team Leader (TTL):	***Headquarters-FIP Focal Point:*** *Joyita Mukherjee* *(jmukherjee1@ifc.org)*	***TTL:*** *Dieter Fischer* *(dfischer@ifc.org)*	

9. Description of activities covered by the preparation grant:

- Identification of Natural Resources Management Committees, and potential management challenges and engagement strategies in Ile and Mulevale Districts;
- Effectiveness and consumer acceptance testing of household crop storage technologies;
- Pilot methodologies to reduce the costs of community and individual smallholder land delimitation in one location.
- These three activities will be implemented by local consultants and firms with expertise in the respective technical areas.

Expected outcomes:

- A summary of the activities of existing NRM Committees in Ile and Mulevale Districts. This will accelerate the start-up NRM capacity building;
- Rapid assessments of management challenges and as well as potential solutions (a survey of in-country and in-community resources, methodologies, experiences, and ideas);
- A household granary model that is effective, easily maintained, and cost-effective, and well accepted by households. By reducing post-harvest losses (from an estimated 50% to below 10%), food security can be improved, reducing pressure to clear new land;
- A methodology for land use planning and delimitation that reduces costs, adapting current practices to involve "district 'para-surveyors', use of remote sensing and GIS, and other streamlining practices. The end result will be a tested and improved land use planning methodology that clearly identifies high value conservations areas and areas to be used for livelihoods (fields and forest resources), which will support HVCA preservation and reduce the

tendency to shift agriculture fields.	
10. Outputs:	
Deliverable	**Timeline**
(a) Report on existing NRM Committees and their activities in areas surrounding forestry plantations feeding into baseline survey and FIP Module 2 design.	August 2016
(b) Documented survey of in-country and in-community challenges, resources, methodologies, experiences, and ideas, incorporated into FIP Module 2 design.	September 2016
(c) Documented methodology for reducing land delimitation costs, based on a pilot in the lands of one community (village), incorporated into FIP Module 2 design.	September 2016
(d) Documented field test leading to decision about household granary design, incorporating feedback from users, incorporated into FIP Module 2 design.	**November 2016**
11. Budget (indicative):	
Expenditures[3]	**Amount (USD) - estimates**
Consultants	$135,000 (local technical experts)
Equipment	n/a
Workshops/seminars	$5,000
Travel/transportation	$10,000
Others (admin costs/operational costs)	
Contingencies (max. 10%)	
Total Cost	150,000
Other contributions:	
· Government	
· MDB	
· Private Sector	IFC client will contribute time of Community Development Programme and Communications Department Staff time to document existing NRM

	Committees and their activities. IFC client will contribute time of Community Development Programme staff and Communications Department Staff to survey in-country and in-community challenges, resources, methodologies, experiences, and ideas. Three pilot communities in plantation areas will be surveyed directly using the techniques of PRA (Participatory Rural Appraisal), which will be triangulated with best practice in-country CBNRM experiences from the NGO, Government, and private sectors. The Community Development Program implemented by IFC client will contribute material for household silo prototypes and staff time to monitor silo performance. IFC client will also contribute aerial photographs and Communications Department and Forest Operations Department (GIS team) staff time and expertise to facilitate community land use planning and delimitation
· Others (please specify)	

12. Timeframe (tentative)

Submission of program proposal document for FIP Sub-Committee Approval: 6-9 months after FIP Sub-Committee approval of the Investment Plan

Expected Board/MDB Management[4] approval date: 6-9 months after FIP Sub-Committee approval

13. Other Partners involved in project design and implementation[5]:

Stakeholder consultations will be held for each activity as follows:

· Interviews and PRA activities with NRM Committee members and their respective communities to document activities and plans for the future (preliminary information at the time of writing indicated that an estimated 10% of communities already have such committees created by NGO's);

· PRA activities to document challenges, resources, methodologies, experiences, and ideas, in at least three pilot communities;

· Interviews with households testing silo prototypes;

· Community land use planning meetings and consultative processes as required by the project and by Mozambican law (which mandates a series of comprehensive community and neighbor consultations over several months for all land delimitation processes).

14. If applicable, explanation for why the grant is MDB executed:

IFC plans to execute this grant to leverage resources provided by its private sector client. These pilot activities will support the forestry sector as a whole and accelerate implementation of FIP funding.

15. Implementation Arrangements (incl. procurement of goods and services):

Annex 2: Stakeholder Engagement and Consultation Plan for the FIP Investment Plan (IP)

84. The Government of Mozambique recognizes that preparation and implementation of the FIP Investment Plan should include extensive consultations among the key stakeholders. The consultation process is led by UT-REDD+, which have identified the following main stakeholder groups for engagement and consultation: national and provincial level government agencies, civil society, private sector, local communities, development partners academia and media.

85. The FIP consultation process and stakeholder engagement has benefitted from and built on Mozambique's extensive consultation process for REDD+, especially of the national REDD+ Strategy. As consultations on the REDD+ process were initiated already in 2010, the Government has managed to build important relationships with a large group of stakeholders that are engaged in REDD+ and climate change mitigation and adaptation in Mozambique. These platforms are thus promising vehicles for consultation on the FIP IP. The following main objectives has guided the consultation process in Mozambique:

    · Engage the main interested stakeholders in the design of the IP in order to ensuring their effective participation at the implementation stage;

    · Clarify the investment proposals in order to align expectations and to keep the interested parties informed of the proposed investments;

    · Publicize the Mozambique IP to interested parties in order to allow their appropriation;

86. Based on experiences and best practices in the Mozambican context the Government decided to use a phased approach to stakeholder engagement with the use of range of different tools to reach the stakeholders. This methodology was developed to ensure the effective and inclusive participation of all stakeholders. The instrument used were:

    a) Public consultations on a national and regional level;
    b) Bilateral meetings with key affected stakeholders to obtain more in-depth feedback on the IP priority investment areas;
    c) Information sharing session with stakeholders during the FIP Joint Mission;
    d) Publication of the draft IP on the REDD+ website for 30 days in order to collect feedback;
    e) Participatory and informative workshops on the final IP at national and provincial levels

87. The below sections outline the scope and findings of these various approaches.

A. Public consultations on a national, regional and provincial level

88. From July to December 2015, a range of information workshops was held with actors interested in the objectives and priority investment areas of the FIP. Initial consultations focused on the objectives and processes of the FIP, followed by more detailed discussions on activities that can best address drivers of deforestation and forest degradation. The main findings from the stakeholder consultations were that stakeholders are expressing interest in FIP's potential to support substantial improvements in forest management and governance. The Government's ambitious forest sector reform activities and the landscape level support are seen as a positive effort to improve forest governance and promote sustainable forest management at the national and local level.

89. In order to ensure a big number of participants, the Government has made invitations and information available to stakeholders through both the REDD+ website, Facebook page as well as through bilateral invitations. Reports from the consultations with accompanying participants lists have been well documented and are publicly available on the REDD+ website (www.redd.org.mz). The consultations are shown in the table below.

Date	Objective	Area	Attendees	# of attendees
28/07/ 2015	National consultation on REDD+ & FIP	Maputo	Civil society, national government representatives, private sector and academia	53
18/08/ 2015	National consultation on REDD+ & FIP	Maputo	Civil society, government representatives, private sector and academia	61
25/08/ 2015	Regional consultation on REDD+ & FIP	Xai-Xai (Southern Region)	Civil society, local government representatives, private sector, community leaders from Maputo, Gaza and Inhambane provinces	95
14/09/ 2015	Regional consultation on REDD+ & FIP	Quelimane (Central region)	Civil society, national government representatives, private sector from Sofala, Tete, Zambézia and Manica provinces	230
15/09/ 2015	Regional consultation on DGM	Quelimane (Central region)	Civil society, community leaders private sector from Sofala, Tete, Zambézia and Manica provinces	42
22/09/ 2015	Regional consultation on REDD+ & FIP	Nampula (Northern region)	Civil society, national government representatives, private sector from Nampula, Cabo-Delgado and Niassa provinces	124
23/09/ 2015	Regional consultation on DGM	Nampula (Northern region)	Civil society and private sector from Nampula, Cabo-Delgado and Niassa provinces	40
30/09/ 2015	National consultation on FIP & DGM	Maputo	National civil society, national government representatives, private sector and academia	28
22/10/ 2015	Regional consultation on DGM	Xai-Xai (Southern region)	Civil society, community leaders from Maputo, Gaza and Inhambane provinces	118
03/11/ 2015	National consultation on DGM	Maputo	National and provincial level civil society organizations	40

Table 9 - List of consultations and number of participants per consultation

Participation in FIP Consultations per Sector								
Sector	28/07	18/08	25/08	14/09	22/09	30/09	TOTAL	Percentage
Private Sector	11	5	14	25	10	0	65	11%
NGOs	16	28	4	52	30	16	146	25%
Government	20	22	71	136	78	12	339	57%
Communities	0	0	2	9	2	0	13	2%
Academia	6	6	4	8	4	0	28	5%
TOTAL	**53**	**61**	**95**	**230**	**124**	**28**	**591**	**100%**

Table 10 - Participation in FIP Consultations, breakdown per sector

Participation by gender in FIP consultations							
Participation	28/07	18/08	25/08	14/09	22/09	30/09	Total
Men	33	35	67	197	111	19	462
Women	20	26	28	33	13	10	129
TOTAL	**53**	**61**	**95**	**230**	**124**	**28**	**591**

Table 11 - Participation in FIP consultations, by gender

Participation	North 15/9	Center 23/9	South (Maputo) 28/9	South (Gaza+ Inhambane) 22/10	TOTAL	Percentage
Private Sector	5	22	0	2	29	11%
NGOs	24	39	16	93	172	64%
Government	9	8	12	12	41	15%
Communities	1	2	0	9	12	4%
Academia	2	8	0	2	12	4%
TOTAL	**42**	**82**	**28**	**118**	**270**	**100%**

Table 12 - Participation in DGM Consultations, breakdown per sector

Participation	15/09	23/9	28/9	22/10	Total
Men	39	58	21	62	180
Women	3	24	7	56	90
TOTAL	**42**	**82**	**28**	**118**	**270**

Table 13 - Participation in DGM consultations, by gender

B. Bilateral meetings with key affected stakeholders to obtain more in-depth feedback on the IP priority investment areas

90. UT-REDD+ has organized a range of bilateral meetings with key interested stakeholders, mainly directed to civil society organization and local government representatives that have approached UT-REDD to obtain more detailed information on investment priorities. The Government has used these occasions to receive direct input to the development of the IP on key technical areas, from specialized organizations that can give valuable insight from issues and solutions on the ground in regards to technical areas. A list of the main stakeholders can be found below:

    NGOs: UNAC, CTV, ABIODES, MUGEDE, AESA, iTC, KULIMA, ORAM, IUCN, WWF, FAO, OXFAM, AJOAGO, MAHLEHLE

    Private Sector: World Vision, Green Resources, Bosque y Comunidad

    Development Partners: Embassy of Finland, Embassy of Norway, Embassy of Sweden, Embassy of Canada, European Union

C. Information sharing session with stakeholders during the FIP Joint Mission

91. During the Joint Mission on the Mozambique Investment Plan, which was carried out from September 28 to October 2, 2015, the Government together with the three MDBs (WB, IFC and AfDB) held specific information sessions with civil society, private sector representatives and development partners. The consultations enabled the Government to engage relevant actors beyond what could be reached with public consultations and fostered in-depth dialogue on key areas relevant for the IP. The meeting with development partners generated valuable discussions on the government's ambitious plans and the areas in which development partners are also working on similar projects and where synergies may arise. The meeting with the private sector included a variety of private sector actors—forestry companies, local banks, industry associations, and technical assistance providers and focused on opportunities and challenges for private sector entities to engage in the forestry sectors and how FIP investments could bring private actors on board.

D. Publication of the draft IP on the REDD+ website prior to submitting to the FIP IP

92. In order to obtain final contributions from all of the interested stakeholders, the final draft of the IP was made available for public consultation for 4 weeks from February 22 to March 27, 2016. The IP and a comprehensive questionnaire with 9 open-ended and multiple-choice questions was posted on the REDD+ website and on the MITADER Forestry Blog and all

Mozambican citizens will be welcome to comment. The questionnaire20 included questions related to the overall objectives of the plan as well as inputs on specific interventions in thematic areas such as agriculture, biomass and private sector engagement. Announcements on the public consultation were sent via e-mail to the FIP mailing lists and interested stakeholders as well as publicized in national newspapers and national radio stations.

93. At the end of the consultation period, 37 people had responded to the full questionnaire. A breakdown of the profile of the respondents can be found below.

Sector	Number of people	Percentage
Public Sector	12	32.4%
Private Sector	9	24.3%
NGOs	7	18.9%
Academia	4	10.8%
Other	5	13.5%
TOTAL	**37**	**100%**

Table 14 - Participation in the Online Consultation, breakdown per sector

Geographic representation of respondents	Number of people	Percentage
Maputo	**14**	**37.8%**
Other province in country	**21**	**56.8%**
Outside of country	**2**	**5.4%**
TOTAL	**37**	**100%**

Table 15 - Geographic representation of respondents in online consultation

e. Participatory and informative workshop on the final IP

94. To complement the virtual review and in order to ensure that all interested stakeholders had the opportunity to voice opinions and comments on the IP, the GoM organized 3 final in-person consultations to present the IP and respond to any additional issues raised. The national workshop was held in Maputo on March 9, 2016 and was attended by 51 participants and the two regional workshops were held in Zambezia on April 12-13 and in Cabo Delgado on April 20-21 (see table below for breakdown).

20 https://docs.google.com/forms/d/1s2evxeVcMyAYBYWx8bgPTdWtmXuM9koIvd9PrKEaUxo/viewform

Participation	Maputo March 9, 2016	Pemba, April 12-13	Quelimane April 20-21	TOTAL	Percentage
Private Sector	5	11	31	46	24%
NGOs	19 (+7 press)	13	16	56	29%
Government	18	23	26	67	35%
Communities		2	9	11	6%
Academia	3	5	4	12	6%
TOTAL	52	54	86	192	

Table 16- Participation in informative workshops and consultations on final IP, breakdown per sector

Participation	Maputo March 9, 2016	Pemba April 12-13	Quelimane April 20-21	Total	Percentage
Men	27	44	73	144	75%
Women	25	10	13	48	25%
TOTAL	52	54	86	192	

Table 17 - Participation in informative workshops and consultations on final IP, breakdown per gender

95. Engaging a wide range of stakeholders throughout the development of the IP has generated a range of questions, recommendations and concerns. All contributions that were received, both through the online and in-face consultations, were systematized and taken into consideration during the review of the second draft of the IP. A matrix of issues raised and responses was disseminated on the relevant websites21 and the main questions raised by stakeholders in consultations and IP review process can be found in the table below.

[21] http://www.redd.org.mz/

Thematic issue	Response
General FIP Issues	
Ensuring that the FIP has a broad enough scope to tackle deforestation at both national and provincial level	Mozambique's FIP Investment Plan is built on two levels of activity: (i) A national level focusing on policy and legal reform, governance and strengthening of capacity that will create the enabling conditions for change; and (ii) a landscape level focusing on piloting approaches on the ground to address deforestation. Interventions at these two levels are critical for a holistic approach, creating conditions at the national level that allow activities on the ground to generate impacts successfully. Work at the landscape level will contribute to a positive impact at the country level as the lessons learned will be used to develop a landscape management model to be replicated in other landscapes of the country as part of the modular approach of the IP. This is explained in more detail in Section 6.
Institutional strengthening	
Ensuring that the FIP contributes to strengthening local governance	The Government sees the FIP as a crucial tool to support strengthening of local governments to manage natural resources. Local government officials are among the intended beneficiaries of FIP activities. This will be achieved through a range of methods such as training, equipment, exchange visits and capacity building activities at the local level that focuses on improving governance, planning and management in general as well as more detailed areas such as land management practices, including spatial planning and participatory micro-zoning. This is described in Section 6.
Ensuring that the IP places more emphasis about the fact that the FIP is also about rural development	The IP is being used to provide a framework for channeling international support to implementing the country's national REDD+ Strategy, principally via MITADER's flagship forestry program, "Floresta em Pé", and also through the country's rural development program, "Programa Estrela". The rural development goals of the FIP are described in greater detail in Section 3. Through its multi-level approach, the FIP undertakes a holistic approach towards sustainable rural development. More information was also included in the FIP IP on how rural communities will benefit from sustainable forest management activities that contributes to rural development.
Gender	
Clarifying the role of women and how gender issues will be integrated in the FIP	The Government understands gender as an area for improvement and FIP implementation will explore approaches to better understand and address gender-related risks identified in the Strategic Environmental and Social Assessment (SESA). One potential approach to be explored during project preparation is to develop a roadmap for mainstreaming gender into the design and implementation of the project. Participatory approaches would be used in the project design process to ensure the inclusive and meaningful consultation and effective participation of women in decision-making. Through the design process, inputs would be derived from women stakeholders themselves on how gender equality can be ensured in project implementation. Gender-focused outcomes or impact pathways could be developed with stakeholders to develop gender-responsive strategies as well as indicators and plans for community-led monitoring of them. Local organizations would be identified to lead on these initiatives. Approximately one third of the representatives of the National FIP Steering Committee are women. Gender-oriented NGOs who have been working on this issue, such as

	MUGEDE, for example, are an important part of the REDD+ working groups, as well as part of the DGM interim National Steering Committee.
Conflicts	
Ensuring that the FIP addresses conflicts over forest tenure and rights	FIP support for the Government's land tenure regularization initiative and other land planning (in Project 1, Mozambique Forest Investment Project) attempts to approach the existing issues over forest tenure. The Government understands that another potential conflict that may arise is between livelihood needs and efforts to scale up conservation or REDD+ related activities that are not perceived as adding value to local economic needs. This will be addressed through appropriate and wide-ranging communication, consultation and outreach with local communities.
Monitoring, Follow-up and Reports	
Clarifying the Results Frameworks indicators and baselines to be used	The national FIP will be reported on as per the FIP Monitoring and Reporting Toolkit[22], which provides suggestions on the themes on which countries may report. It consists of quantitative and qualitative indicators, which will be defined and assessed through a national process. The FIP Steering Committee will be the multi-stakeholder group to conduct the qualitative scoring assessment. Scoring criteria will be developed to guide the scoring assessment. Baselines will be defined in the first year of the project. The detailed Results Framework is in Section 9.
Long-term sustainability	
Clarifying the expectations and timeline for accessing additional finance beyond FIP to ensure financial sustainability	The government recognizes that FIP is a 5-year program and additional resources will be needed for the next modules. The Investment Plan's modular approach (see Section 6) is designed to demonstrate the strength of the institutional and implementation structures to deliver concrete results in reducing deforestation and combating climate change, and provides a framework for the government to draw additional funding from other domestic and international sources as well as development partners. One important source of potential funding for Mozambique's Forest Investment Plan is the Green Climate Fund (GCF). The GoM has already initiated the process for using the modular Forest Investment Plan as a basis to access funding from the GCF. The GoM has requested and received training on the modalities and procedures of the GCF, and will be preparing a project proposal based on the priorities and sequencing in the framework of the Investment Plan in the future.
Risks	
Ensuring that FIP address issues regarding weak government capacity for implementation	The government has made considerable strides towards increasing transparency and good governance in the forest sector since the creation of the Ministry of Land, Environment and Rural Development in January 2015. While there are undoubtedly weaknesses in the new system it is for precisely these reasons that the FIP funds come at a critical moment to assist in cementing these fundamental changes that can spur positive governance changes in the long-run.
Ensuring that FIP addresses tension around the 20% payment to communities and improves the flow of these resources to	In order to improve payment and utilization of the 20% to communities, the government understands that it is important that FIP includes continuous capacity building for the Natural Resources Management

[22] https://www-cif.climateinvestmentfunds.org/knowledge-documents/fip-monitoring-and-reporting-toolkit

communities	Committees as well as strategies to improve communication on the rights and participation of everyone and reinforcing the decision-making role of women for local communities. This should help to reduce the risk of previous failures, many of which have been brought about because of inadequate support and attention to community level structures.
Ensuring that the current political situation in Mozambique will not affect FIP implementation	Some risks, such as the current political situation, are well beyond the control of the projects to influence. The project areas currently defined are not affected by serious conflict to date, but the government is monitoring closely the security situation. Principles of adaptive management and relevant measures will be applied as needed to respond to any security situation. All project agreements allow for a possible interruption of disbursements in the unlikely event that it is needed (see Section 7).
Sectoral interventions	
Clarifying how the activities to be implemented in the two landscapes were chosen	Extensive analytical and scoping studies were conducted to better identify the needs, issues and potential solutions for addressing the deforestation drivers at the national level and in these landscapes. These include: studies on drivers of deforestation; agriculture and forest value chains; institutional frameworks for implementation of REDD+; the Strategic Environment and Social Assessment (SESA); forest sector policy notes; and so on. The government has also been very dedicated to organize provincial forums in which the private sector, NGOs, the provincial and district public sector and local community representatives from the targeted districts have discussed these issues and provided inputs to decision-making. The government has also worked closely with these two provincial forums on REDD+ to develop an Action Plan in a participatory manner, through the creation of working groups that represent the main thematic areas in order to identify the main activities/areas to be prioritized. Extensive consultations have also been carried out (see Annex 2) for public input.
Clarifying the activities to be implemented in the agricultural sector	It is clear that the activities to be implemented on agriculture will need to be in conformity with the sector needs. FIP will therefore be used to harmonize, complement and reinforce the implementation of activities related to conservation agriculture with the efforts of the Ministry of Agriculture and Food Security (MASA), while also working with the National Institute of Agronomic Research (MIREME) on the issue of soil fertility. The stakeholder outreach and online consultation of the IP also contributed to the input of concrete activities that will be further explored.
Suggestions on best practices to increase income and reduce deforestation pressures include: land use planning, improved monitoring and law enforcement, agroforestry systems, increased energy access, promotion of apiculture, improve charcoal production efficiency, establish community forest plantations, provide improved seeds, environmental education, support the Natural Resource Management Committees.	These suggestions are highly welcome, and many have already been considered in the Investment Plan proposed. Detailed scoping, analysis and further consultations around these options will be undertaken during project preparation to determine their feasibility for implementation and inclusion in the projects.
Good examples for reduction of charcoal consumption and improvements in production include: introduce improved stoves and	

alternatives to charcoal, produce charcoal from alternative sources (agricultural stubble, sawdust, sugar cane pulp, etc), education and training on alternatives to charcoal use, afforestation activities with emphasis on select species.	
Recommended measures for developing community forest management include: define and declare zones for use and for preservation, ensure land and resource ownership, capacity building for communities (including children), create community associations advised by CSOs, identify and map the resources, direct partnerships with private entities.	

Table 18 - Matrix of Comments and Responses

Stakeholder engagement going forward

96. The effective participation of key stakeholders carried out during the development phase of the Investment Plan will continue when Mozambique designs and implements the specific projects prioritized within the FIP IP. The Government is thus committed to continue to involve key actors at each level – local, regional and national – to maximize their valuable contributions in terms of lessons learned, experiences and suggestions.

Annex 3: DGM in Mozambique

This Annex was prepared by the Interim DGM NSC of Mozambique during the months of December 2015-May 2016.

Overview of the DGM

97. As a FIP pilot country, Mozambique will receive USD$ 4.5 million from the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM). The DGM is a global initiative that was conceived and developed as a special window under the FIP to provide grants to Indigenous Peoples and Local Communities (IPLCs) intended to enhance their capacity and support initiatives to strengthen their participation in FIP and other REDD+ processes at the local, national and global levels.

The status of the DGM in Mozambique

98. The design and implementation of the DGM in Mozambique will be guided by two key documents, the DGM Design Document and DGM Operational Guidelines. In accordance with these, the Mozambique government initialed the process by informing civil society and encouraging the creation of the National Steering Committee (NSC) in order for civil society to take full ownership and drive the process forward. There are many active civil society organizations active in the realm of forestry and natural resource management that showed great interest in the opportunities under the DGM.

99. Pursuant to the DGM operational guidelines, the establishment of the NSC is being done in a participatory and inclusive process. The consultation process was initially facilitated by UT-REDD, which included a number of national and regional participatory workshops that brought together the main stakeholders, in particular civil society organizations, NGOS and community organizations (see Annex 2). The consultations were held in conjunction with the REDD+ and FIP consultations to generate greater participation as well as ensure the linkages between FIP and DGM. The consultations convened more than 250 interested actors in 10 provinces of the country, with a gender representation of 33%.

100. The workshops spanned over an entire day and included presentation and discussions on the scope and objectives of the DGM, lessons from other DGM countries, presentation of the DGM operational guidelines and the best process for establishing DGM in Mozambique. The presentations were followed by in-depth group discussions covering a range of topics, and in particular the process for establishing the NSC and the choice and range of its members.

101. The participation of women and equal gender representation was considered essential during the consultation process, and has been particularly highlighted in discussions regarding the composition of the final NSC. There is clarity about the importance of women's involvement in these processes, due their vulnerability and concerns in light of issues related to forests.

102. All of the consultations have been well documented and records on the participants list, photos and main outcomes can be found on the REDD+ website. In order to create transparency, the consultations were also filmed and this is now under production to eventually be available for people that are interested to follow the process of the NSC formation. In order to ensure broad participation, UT-REDD disseminated invitations widely

and in a timely manner through radio, newspapers, website, Facebook and bilateral invitations.

103. An important initial aspect pointed out in consultations is that the concept of Indigenous Peoples is not applicable in Mozambique. The people that live in and around forests are not identified as a homogenous group that would be different from the rest of the Mozambican population. As such the beneficiaries of DGM will be local communities whose livelihood mostly depends on natural resources that are related to the forests.

The Interim NSC – (DGM Working Group)

104. The consultation process generated agreement by civil society to create a DGM Working Group, which acts as an Interim NSC and has a transitional role to continue consultation efforts and establish the final NSC. This Interim NSC includes 15 representatives from the 3 regions of the country (North, Center, South) and is mostly represented by civil society organizations that work close with local communities. In addition to civil society, the interim NSC also includes observers from the government (Ministry of Land, Environment and Rural Development), private sector, representatives from the FIP Steering Committee and the World Bank as observer – all which were selected among civil society following the regional and national consultations.

105. Since its formation, the Interim NSC has had two formal meetings, its first meeting in Maputo on November 5, 2015 and its second in the Northern province of Pemba on March 29-30, 2016 (reports and photos from both meetings can be found on the REDD+ website). The Interim NSC will continue to meet every other month, alternating the meetings between the different provinces, lasting two to three days. In order to ensure broad consultation efforts and follow-up on the ambitious work needed, the Interim NSC will work closely with an NGO that will help execute the planned activities.

106. The objective is to establish the final NSC by August 2016 and prepare as much as possible to for the selection of the National Executing Agency (NEA) by later in 2016. The activities to be executed over the coming months includes raising awareness on the DGM in the target provinces, especially among communities; organizing necessary consultations with stakeholders in and outside communities on the establishment of the final National Steering Committee; helping select the NEA; as well modifying the DGM guidelines to the national context of Mozambique. Two other areas that have been of special focus for the Interim NSC are i) how to ensure the active participation of women in the DGM, especially in driving and taking part of decisions on what activities to focus on and ii) how the DGM can involve community members into the final NSC and increase the voice of communities in making investment choices. Two prominent gender-focused organizations, MUGEDE (Women, Gender and Development) and MMMR (Mozambican Movement of Rural Women) have been included in the NSC and in the latest Interim NSC meeting, community organizations were invited to share project experiences as well as discuss how the DGM can best represent community needs.

107. In order to allow for a smooth continuation of work in between the formal meetings, the Interim NSC has created three regional working groups, led by three appointed focal points, that are responsible for taking things forward with the help of local stakeholders.

Complementarity between FIP and DGM

108. In terms of complementarity between the FIP and DGM, it is anticipated that the planning for and implementation of the DGM in Mozambique can be well integrated with the FIP planning and preparation process, so that local communities and civil society can play an active role in the FIP process. The DGM in Mozambique will thus be developed to promote synergies with the broader forestry activities under FIP and REDD+, using various channels to mutually reinforce efforts to target the principal underlying drivers of deforestation.

109. Strategic areas already identified by civil society in which the DGM can complement the FIP IP include enhancing the technical and organizational capacities of community organizations such as CGRNs; improving economic, revenue-generating opportunities for communities, improving land rights and tenure assurance and capacity building for community governance of forest resources. As such, the DGM in Mozambique is expected to have strong focus on empowering and improving the governance capacity of local stakeholders, which hopefully contributes to increased transparency of forest resource management as well as explicit benefits to rural communities.

Further linkages will be specified once the DGM becomes more operational.

Annex 4: FCPF/UNREDD Readiness Preparation Proposal (R-PPs), National REDD+ Plan, Action Plan

110. Mozambique is one of the 44 countries selected to benefit from the Forest Carbon Partnership Facility (FCPF)to access funding to develop and implement strategies aiming to reduce emissions from deforestation and forest degradation (REDD). In December 2008 the Government of Mozambique, namely Ministry of the Coordination of Environmental Affairs (MICOA) and Directorate National of Land and Forestry (DNTF), Ministry of Agriculture (MINAG) jointly initiated the process of preparing a reduced emissions from deforestation and forest degradation (REDD) project idea note (R-PIN) with a funding from the Norwegian Embassy in Maputo and technical support from INDUFOR, and submitted the Note to the FCPF in March 2009 which was subsequently approved in May 2009.The R-PP was endorsed by the FCPF Participants Committee in March, 2012. The country submitted a revised version addressing the FCPF PC comments in January 2013, which was posted on the FCPF website. The WB conducted its due diligence in view of signing a Grant Agreement for R-PP implementation. The Preparation Grant Agreement (US$3.6 million) was signed on 12th July 2013. All effectiveness conditions have been met and disbursement of funds had started in February 2014. Annual progress reports for Readiness are provided for the FCPF following a reporting format developed by the FCPF team.

111. These reports, the most recent of which was elaborated in April 2016, as well as the RPP, the Emission Reductions Program Idea Note, and other Country REDD+ information are available from https://www.forestcarbonpartnership.org/mozambique. Other documentation can also be found on the government REDD+ websites www.redd.org.mz and http://reddmozambique.wix.com/blog.

Annex 5: Evaluation of the Mozambique Investment Plan (MIP) for the Forest Investment Program (FIP) and Response from the Mozambican Government

Evaluator: Mariano Colini Cenamo
Date of Evaluation: 13th May 2016

1. Introduction

112. Mozambique has an area of 800,000 km2 and a population of 25 million people. The country is richly endowed with natural resources – arable land, forests, fisheries, water and mineral resources. Mozambique's economy has experienced an annual average economic growth of around 7.5% in the last decade, but still faces profound development challenges, as rapid growth has not resulted in a significant reduction of poverty. It is still one of the world's poorest countries with about 54% of the population living below the poverty line and 70% of the population lives in rural areas, as evidenced by the country's low level of the Human Development Index (178 out of 187 countries in 2014).

113. About 51% of the country's territory is covered by forests (40.6 million hectares). The country's deforestation rate is 0.58%/year, and accounts for an annual forest loss of approximately 220,000 ha. This is almost half of Brazil's total annual forest loss (480,000ha), despite the fact that Brazil has 12 times more forests than Mozambique. As the country continues its rapid development based on land use activities such as mining, agriculture and unsustainable forestry, the challenge going forward is to develop the nation economically while maintaining its natural resources. The Mozambique Investment Plan (MIP) was comprehensively designed to tackle the main drivers of deforestation and promote low emissions rural development. Hence it will finance activities both outside and within the forest sector, in four thematic areas:

1. **Enabling and Governance Reforms** particularly focused on Strengthening Law Enforcement, and the promotion of private sector transformation. These reforms are aimed at addressing the drivers of unsustainable commercial timber exploration;
2. **Sustainable Agriculture and Livelihoods**, predominantly targeted at subsistence level farmers to combat forest conversion into agriculture;
3. **Sustainable Biomass Energy**, with a focus on charcoal users and producers, as well as alternatives to charcoal use; and
4. **Establishing New Multi-Purpose Forests**, with natural forest concession operators and community users, as well as commercial forest plantations and their interaction with communities.

114. The MIP will finance complementary activities at (i) national level focusing on policy and legal reform, governance and strengthening of capacity; and (ii) a landscapes level focused in the implementation of "on the ground activities" initially in two priority landscapes: the Zambezia Integrated Landscape, composing 7 districts in the Province of Zambezia; and the Cabo Delgado Landscape, composed of 7 districts in the province of Cabo Delgado. These two areas comprise a total of 4,1 million ha of forests.

115. The MIP should be implemented through a cooperative approach combining policies, programs and actions across different levels of the government (national, provincial and districts) and multiple stakeholders (government, farmers, communities, private sector,

NGOs, etc,) to maximize funds and institutional capacity. The total funding requested under the MIP is U$ 24 million.

116. The FIP support is a key feature of the Government's REDD+ Program and should contribute to the GoM's efforts to access and apply global climate finance to development challenges. The FIP is considered as a core element of a "three-phased" finance strategy that aims to raise over U$ 300 million in the next five years as outlined in the figure below: (1) Readiness being supported by the FCPF Readiness Fund; (2) Investment being financed through the Forest Investment Program (FIP), the related Dedicated Grant Mechanism for Local Communities (DGM), an ongoing IDA/GEF MozBio project and an IDA Landscape Management Project funded by the WB (under preparation); and (3) Results-Based Payment programs as the ZILMP that was approved in the FCPF Carbon Fund pipeline in 2015 and should deliver it's first ER's in 2017.

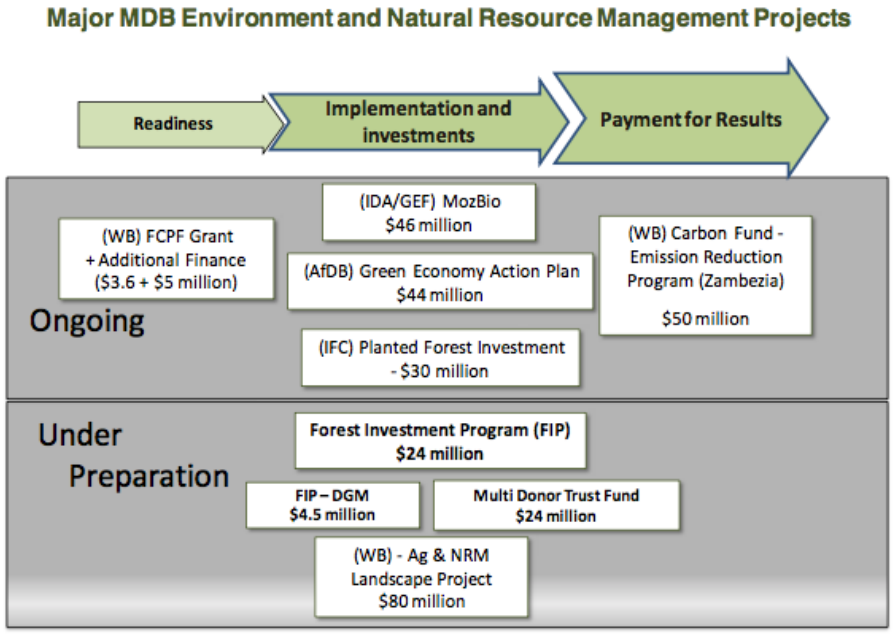


Figure 22 - Programs and projects approved and under negotiation for environment, REDD+ and natural resource management in Mozambique

117. These phases integrally reinforce each other: national policies and strategies developed under readiness support and enable investments under FIP, which will help to lay the groundwork for later emissions reductions and ultimately facilitate performance-based natural resource finance for Mozambique.

2. General Comments

118. The Government of Mozambique has expressed a significant level of commitment and ambition to promote sustainable forest management, reduce deforestation and increase forest cover, while contributing to rural poverty reduction and biodiversity conservation. The "Estrela" master Program and its flagship programs as the "Floresta em Pé" and "Terra Segura" show important signals and investments. The MIP is expected to support the process of building on steps towards a transformational change in forests and agriculture policies and practices, and will likely rely strongly in promoting inter-institutional collaboration related to land use planning.

119. The Theory of Change for the MIP is that strengthening institutional and regulatory systems and improving forest and agriculture management practices will promote sustainable management of forests, contribute to rural livelihood improvements, and support Mozambique's efforts to address the drivers of deforestation and forest degradation. At the landscape level, the Project expects to produce significant livelihood benefits for rural communities in the targeted landscapes, providing access to new skills and technologies for improved agriculture practices, including climate smart approaches, and other agroforestry management practices that should help to improve yields and incomes, as well as resilience to climate change.

120. The Theory of Change was well designed and built based on solid comprehension of the legal, institutional and operation challenges currently faced by the GoM to address deforestation and promote sustainable development.

3. Compliance with FIP Criteria and Guidelines

121. The MIP clearly complies with the four specific objectives of the FIP. The GoM sees the FIP support as an opportunity to promote rural development and reduce poverty amongst rural communities, and to promote sustainable growth by attracting green investments in the agriculture, forest, energy and infrastructure. This is also fully integrated with the National REDD+ Strategy.

122. The following tables present my assessment of the Mozambique Investment Plan according with the General Criteria and FIP specific principles and investment criteria for the MIP.

GENERAL CRITERIA	RATING	NOTES/COMMENTS
Takes into account the country capacity to implement the plan	Medium	The MIP was well designed and considers the GoM capacity of implementation, although this remains as one of the main challenges for the program. The document could provide more information of MITADER's structure and UGFI org staff, specifying the roles and attributions of key staff dedicated to the project implementation.
Has been developed on the basis of sound technical assessments	High	The plan is clearly based on sound studies and technical assessments, and reflects good knowledge about the challenges and opportunities relevant to the project.
Demonstrates how it will initiate and promote transformative impact.	High	The theory of change is clear and very consistent with the country's demands for transformative impact, although it could provide a bit more details on the project operational strategy, such as intermediary outputs and outcomes to achieve the final results and goals expected with the project implementation.
Adequate capturing and dissemination of lessons learned, and monitoring and evaluation of results	Medium	The project is consistent with the FIP results framework and is fully integrated to fill relevant gaps in the GoM broader strategy for REDD+ and rural development. However, it could provide more detailed thinking on mechanisms for monitoring, evaluation and resolution of conflicts during the project implementation.
Has been proposed with sufficient stakeholder consultation and provides for appropriate stakeholder engagement	High	A multi-stakeholder, multi-sectorial FIP National Steering Committee has been formed including members from multiple ministries as well as CSOs and research institutions. The consultation process for the MIP involved 10 meetings in different locations and also an online survey.
Adequately addresses	High	The IP is strongly dedicated to reduce poverty and improve

social and environmental issues, including gender		livelihoods for rural populations and small-holders. The geographic areas chosen for the program have high conservation values and the climate-smart farming and forestry practices should generate multiple environment benefits. There is not much attention to gender issues.
Supports new investments or funding additional to on-going/planned MDB investments	High	The FIP funding was designed to fill the gaps of the national REDD+ program and is part of a broader investment package that may sum up to U$ 300 million.
Takes into account institutional arrangements and coordination	Medium	Despite the proposed coordination frameworks, one of the top challenges for the project seems to be coordination and overlapping mandates (and hierarchy) across institutions in the GoM and sometimes, even inside MITADER.
Promotes poverty reduction	High	The project proposes to tackle poverty in two of the poorest provinces in Mozambique (Zambezia and Cabo Delgado).

Table 19 - General criteria for assessing the Mozambique Investment Plan (MIP)

FIP CRITERIA	RATING	NOTES/COMMENTS
Climate change potential	High	The project expects to avoid at least 15 million tons of Co2 emissions between 2016-2025, only with avoided deforestation and degradation activities. There is an additional target to implement 200.000 hectares of forest plantations, although the document does not provide estimations on CO2 sequestration.
Addressing drivers of deforestation and degradation	High	The MIP was designed in solid understanding of agents and drivers of deforestation and degradation. If successfully implemented, the proposed activities should address those drivers.
Forest-related governance provisions defined	High	The program aims to support strong policy revisions and institutional strengthening to improve forest governance and management.
Country's ownership, preparedness and ability to undertake REDD initiatives	Medium	The main challenge for the program, particularly MITADER and UGFI, will be coordinating the FIP implementation with several other REDD+ related initiatives underway in Mozambique.
Leveraging additional financial resources including from private sector	High	The GoM aims to combine FIP funds with at least U$ 280 million from other sources, including World Bank, IFC and other donors.
Integrating sustainable development (livelihoods, biodiversity, ecosystems, economic viability)	High	The "landscapes approach" proposed by the program aims to engage forest and non forest sectors and has the ultimate goal to reconcile forest conservation and restoration with social and economic development.
Inclusiveness of processes and participation of all important stakeholders, including indigenous peoples and local communities	High	The MIP and DGM were extensively discussed with several stakeholders in at least 10 meetings in different locations in Mozambique. The document also states that there was an "online consultation" through the official government website for REDD+ in Mozambique (http://www.redd.org.mz/), although the MIP seems not to be available in the website.
Capacity building measures for local and national institutions	High	The MIP dedicates special attention to capacity building at local and grassroots level.
Coordinating with other	High	The project is fully aligned with other REDD+ initiatives under

REDD efforts		coordination of MITADER.
Demonstrating learning and impact capacity	Medium	MITADER and particularly UGFI are showing incredible capacity in improving their structure for projects implementation and institutional coordination, but it still seems a great challenge to build the capacity needed to manage so many projects at the same time.
Safeguarding the integrity of natural forests	High	The project aims to support the protection of the largest remaining areas of native forest (Miombo) in Mozambique.
Measurable outcomes and results-based approach	Medium	The MIP could provide more measurable outcomes in terms of: (i) expected benefits to reduce poverty and improve quality (ex: number of families engaged in sustainable farming; expected increase in income generation (%) for communities engaged in the program, etc.); (ii) climate benefits from the reforestation component of the MIP; and (iii) intermediary or "enabling" outcomes that will have to achieved to lead the project for it's full implementation (ex: creation of "X" laws for forest reforms; contract of "Y" service providers for technical assistance; provision of "$WW" in rural credits for cash-crops; etc.

Table 20 - FIP Specific Criteria for assessing the Mozambique Investment Plan (MIP)

4. Conclusion and recommendations

123. My evaluation is that the Mozambique Investment Plan is viable and is in line with the principles and objectives of the FIP. The proposal is clearly written and presents well the programs strategy and objectives. Some minor recommendations are made in the Section 3 above and could improve the program strategy and presentation.

124. The proposal is very much focused on strengthening institutional and regulatory systems, tackling the main drivers of deforestation and forest degradation, reducing poverty and promoting sustainable livelihoods. Although Mozambique has not yet demonstrated experience in implementing large-scale interventions in reducing deforestation, it surely has the capacity, political will and a network of partners to implement the Program. Research institutions, NGOs and private sector have developed several experiences that are examples in many regions of the country and generate good examples on how deforestation and forest degradation can be successfully attended.

125. Despite the proposed coordination frameworks, the main challenges for the project coordination seems to be the overlap of mandates (and hierarchy) across institutions leading to certain delays in allocation of financial and human resources, and limited clarity of roles and responsibilities across institutions, particularly for law enforcement, which is inefficient as a result. It is worth to mention though, that this is common challenge to most tropical developing countries trying to reconcile forest conservation and social and economic development.

126. To improve this situation, the GoM has already consolidated key responsibilities for land, forest and environmental management under MITADER. Nevertheless, I recommend further efforts in building capacity, and engagement of external stakeholders (service providers) for the implementation of key activities, particularly the ones expected to happen "on the ground" as provision of technical assistance, financial and credit/loan services, distribution of agricultural and forest supplies and equipments, basic infrastructure and access to markets.

127. At the subnational level, provincial and district governments should play a key role in allocation of land resources, law enforcement, consultation and benefit sharing mechanisms

between government and local communities. The new landscape approach favored by the GoM requires strong horizontal coordination across agencies and mandates at the district and local level.

128. My final recommendation is that the MIP is should move forward in the FIP approval process. The required support would come on a very sensitive political and economic time in the country, providing a much welcome support to reinforce the GoM commitments to forest conservation, REDD+ and the construction of low carbon development economy.

5. GOM Response to Reviewer Comments

129. The government welcomes the recommendations and comments made by the reviewer. In the following table, all criteria evaluated lower than HIGH are addressed.

CRITERIA	RATING	NOTES/COMMENTS	GOM Response
Takes into account the country capacity to implement the plan	Medium	The MIP was well designed and considers the GoM capacity of implementation, although this remains as one of the main challenges for the program. The document could provide more information of MITADER's structure and UGFI org staff, specifying the roles and attributions of key staff dedicated to the project implementation.	The specific organizational structure of the UGFI unit has been added to Section 3.4 above. The Unit is in fact still evolving its operational structures, and we agree that defining the roles appropriately will be a key factor for success of the FIP as well as the other programs managed by UGFI.
Adequate capturing and dissemination of lessons learned, and monitoring and evaluation of results	Medium	The project is consistent with the FIP results framework and is fully integrated to fill relevant gaps in the GoM broader strategy for REDD+ and rural development. However, it could provide more detailed thinking on mechanisms for monitoring, evaluation and resolution of conflicts during the project implementation.	The Monitoring tools provided by the FIP Monitoring and Reporting Toolkit in March of 2015 are still relatively new and will need careful accompaniment during their implementation. Adapting these to the reality of Mozambique will be an important element at the project development stage. Recognizing M&E as a key skill, the UGFI has recently established an M&E Department for the Unit with staff experienced in monitoring World Bank projects for the government. Their role will be critical in defining the results framework for the MozFIP project.
Takes into account institutional arrangements and coordination	Medium	Despite the proposed coordination frameworks, one of the top challenges for the project seems to be coordination and overlapping mandates (and hierarchy) across institutions in the GoM and sometimes, even inside MITADER.	The creation of MITADER, FNDS and the UGFI has merged and altered many disparate mandates and the government is still in the process of finalizing roles and responsibilities, while acknowledging the uncertainty that this causes in the interim period. The GOM is optimistic that the FIP Steering Committee can be a helpful platform to deepen practical coordination across departments and Ministries.
Country's	Medium	The main challenge for the program,	The creation of MITADER has

ownership, preparedness and ability to undertake REDD initiatives		particularly MITADER and UGFI, will be coordinating the FIP implementation with several other REDD+ related initiatives underway in Mozambique.	consolidated the disparate REDD+ initiatives into one institutional home, reducing the institutional barriers to coordination. The subsequent creation of the UGFI and the placing of REDD+ initiatives under its mandate reflects the desire of the government to ensure that they are increasingly well coordinated, and should ensure significantly more cohesion in this aspect than was previously the case.
Demonstrating learning and impact capacity	Medium	MITADER and particularly UGFI are showing incredible capacity in improving their structure for projects implementation and institutional coordination, but it still seems a great challenge to build the capacity needed to manage so many projects at the same time.	The government acknowledges this challenge and with the assistance of development partners is committed to building this capacity.
Measurable outcomes and results-based approach	Medium	The MIP could provide more measurable outcomes in terms of: (i) expected benefits to reduce poverty and improve quality (ex: number of families engaged in sustainable farming; expected increase in income generation (%) for communities engaged in the program, etc.); (ii) climate benefits from the reforestation component of the MIP; and (iii) intermediary or "enabling" outcomes that will have to achieved to lead the project for its full implementation (ex: creation of "X" laws for forest reforms; contract of "Y" service providers for technical assistance; provision of "$WW" in rural credits for cash-crops; etc.	Specific measurable outcomes will be determined at the project development stage, which the GOM is planning to initiate by defining the Project's Results Framework.

130. In addition to these specific ratings, the reviewer has drawn attention to the fact that the IP has not drawn significant attention to gender issues, something raised during the public consultation period as well. As mentioned in Annex 2, the Government understands gender as an area for improvement and FIP implementation will explore approaches to better understand and address gender-related risks identified in the Strategic Environmental and Social Assessment (SESA). One potential approach to be explored during project preparation is to develop a roadmap for mainstreaming gender into the design and implementation of the project. Participatory approaches would be used in the project design process to ensure the inclusive and meaningful consultation and effective participation of women in decision-making. Through the design process, inputs would be derived from women stakeholders themselves on how gender equality can be ensured in project implementation. Gender-focused outcomes or impact pathways could be developed with stakeholders to develop gender-responsive strategies as well as indicators and plans for community-led monitoring of them. Local organizations would be identified to lead on these initiatives. Approximately one third of the representatives of the National FIP Steering Committee are women. Gender-oriented NGOs who have been working on this issue, such as MUGEDE, for example, are an important part of the REDD+ working groups, as well as part of the DGM interim National Steering Committee.

Annex 6: IBRD, AfDB and IFC activities in Mozambique

131. Natural resource management portfolios of the World Bank, African Development Bank and the International Finance Corporation in Mozambique are presented in the following table:

MDB	Title	Budget	Geographic Coverage	Description	Implementing Agencies, Project Partners and Consultants
WB	MozBio	$46,000,000	National	Brings together conservation, rural development & nature-based tourism. Pilots CDD approach through matching grants. Uses a landscape approach in communities around CAs (Gile, Quirimbas). Promotes improved livelihoods of local communities through community-based NRM (agriculture, forestry, tourism, etc.).	MITADER / ANAC
WB	REDD+ Readiness Technical Assistance	$8,600,000	National	Establish the institutional and human resource capacities to contribute to the reduction of emission of GHG from deforestation and forest degradation. Support to UT-REDD+ (MITADER). Approved in June 2013, $3.6 million from the Forest Carbon Partnership Facility (FCPF). Government will request additional finance (US$5 million) by end of 2015	MITADER
WB	Agriculture and Natural Resources Landscape Management Project (Phase 1)	$80,000,000	10 Districts (Nampula and Zambezia)	The objective is to promote rural agriculture and forest-based value chains to improve rural incomes. The PDO This will be achieved through increasing value addition of rural economic activities, strengthening land administration and tenure security, and improving the natural resources these value chains depend on. NRM aims to ensure the sustainability of the natural base that Agriculture and Forestry depend on (soil and water	MITADER

				conservation and rehabilitation, forest and wildlife management, land use planning).	
WB	Zambezia Integrated Landscape Imitative for Emissions Reductions Payments	$50,000,000	Zambezia (7 districts)	Early Idea for a landscape initiative in the "Zambezia Landscape" informally presented to the FCPF CF in April 2015 by MITADER. The initiatives would cover 7 districts, and around 2.5 million ha of forests; and would bring up to US$50 million in carbon payments to Mozambique should deforestation be reduced in the targeted area. MITADER is currently preparation a Program Early Idea Note for formal inclusion into the FCPF portfolio (to be presented in September 2015)The Program Idea Note was included in the FCPF pipeline in September 2015.	MITADER / Government of Zambezia. [Funding for Emissions Reductions payments]
WB	Climate Change Technical Assistance Project (CCTAP)	$2,000,000	National	Climate Change Technical Assistance Project (CCTAP) - strengthening institutional and technical capacity of the Government of Mozambique to mainstream climate change resilience into key economic sectors and to improve the evidentiary basis for future development policy and planning. WB also leads and coordinates with AFDB and IFC on implementation of the $91 million PPCR program, which includes 4 sub-projects in the WB portfolio.	CONDES/ Climate Change Uniot
WB	Third Climate Change Development Policy Operation (CCDPO3)	$20,000,000	National	The third in a series of three that supports a medium term reform program for climate change. The two previous DPOs comprised single tranche operations of US$50 million each. CCDPO 3 may be around $20 million USD	
WB	Analytical Work - NLTA on Planted	$275,000	National	Improving business climate for planted forest – To	UNIQUE

	Forests			provide information to the GoM on promoting investments in planted forests (both large and small scale) and their role in poverty reduction, income generation and economic development. Key partnering institutions are Ministry of Agriculture (MASA). Approved in 2014, deliverable expected by early 2016	
WB	Analytical Work - NLTA on Land and Community-Based Natural Resource Management	$35,000	Zambezia and Sofala	It aims to contribute to strengthening Community-Based Natural Resources Management (CBNRM) around natural resources management (forests and wildlife). Activity is a component of a larger Land NLTA. Deliverable expected for end of FY16	National Consultants
WB	Analytical Work - Biodiversity Offsets Project	$250,000	National	Mozambique Biodiversity Offsets Toolkit. One of two country case studies (Liberia is the other case study) exploring potential and developing tools for the design of biodiversity offsets.	National and International Consultants
WB	Analytical Work - Forest Sector Reform Policy Notes	FAO/CP $50,000	National	A set of policy notes that aims to provide input to the national forest sector reform, designed around priority themes: forest enforcement, inspection and control; key timber value-chains; management of forest revenues; and a forest and environment information management system. Support to DINAF (MITADER). Under the Cooperation Partnership with FAO. Deliverable expected for October 2015	FAO
WB	Agriculture and Rural Development Technical Assistance [2015-2016]			The Agriculture and Rural Development Technical Assistance aims to update the knowledge base on the structure and performance of the agriculture sector in Mozambique and to identify	

				opportunities for market-led growth and employment. The activity directly informs the World Bank Country Partnership Framework, as well as the design of the proposed Mozambique Agriculture Commercialization Project and the Agriculture and Natural Resources Landscape Management Project. This Technical Assistance will also contribute to the ongoing agriculture sector policy dialogue supported by the African Union's Comprehensive African Agricultural Development Program (CAADP), and inform the implementation of the agriculture sector investment plan (PNISA).	
WB	Let's Work [2015-2018]			Let's Work Mozambique focuses on 3 sectors - agriculture, plantation forestry and construction –, with the overall objectives of increasing formal jobs in the selected value chains, increasing incomes of the economically active adult population currently under the poverty line, increasing productivity of the formally employed, and improving working conditions in formal employment. It aims to achieve this by undertaking: jobs diagnostics; stock take/rapid assessment of sectors; value chain mapping of sectors; promoting value chain initiatives with anchor firms; assessing the demand for skills; designing a jobs strategy and multi-partner interventions; piloting operations and evaluation for jobs; and coordinating with partners and shareholders.	

AfDB	Baixo Limpopo Climate Resilient & Irrigation Dev. Project	USD 21 million	Gaza	The SLWRMP is an integrated project to strengthen the capacity of the rural communities to address the inter-linked challenges of climate change, rural poverty, food insecurity and land degradation through the provision of water harvesting infrastructure, restoration of natural habitats and landscapes as well as capacity building for the affected communities.	INRI & DPA
AfDB	Economy & Sector Work: Green Economy Action Plan	USD 44 million	Gaza	The project consist of three components namely: a) Infrastructures Development including: Marketing Infrastructure and Agro Processing; Climate Resilient Irrigation Infrastructure; Climate Proofed Rural Roads; b) Capacity Building and Farm Diversification; c) Project Management	INRI & DPA
IFC	Investment	$30,000,000	Zambezia	The project is the first phase of an integrated US$2.3 billion plantation forestry, agriculture, pulp and green energy investment in Zambezia and Manica provinces of Mozambique which is being implemented by Portucel Mocambique Ltda). The first phase aims to test the Company's forestry model by developing up to 40,000 ha of sustainably managed eucalyptus plantations and establishing its operational base in the country in 2014-2016 ("Project"). Among the development priorities of the Project is improving conditions for agriculture on the remaining land and creating well-functioning agribusiness supply chains to link smallholders with markets. The objective of the proposed IFC investment is to	Portucel Mozambique Ltda.

				support the development of this transformational opportunity to help create an inclusive agro-forestry project in Mozambique.	
IFC	Advisory/Technical Assistance	$2,000,000	Zambezia	Providing advisory services to Portucel in strengthening the sustainability of the company's forestry operations in Mozambique. The project support will include assessments of environmental and social impact, community engagement, community development planning, and help with the implementation of community and enterprise investments. The supported activities are expected to enhance the developmental impact of Portucel's investment and create shared growth opportunities for local communities in its concession areas in Mozambique.	Portucel Mozambique Ltda.

Table 21 - Natural resource management portfolios of MDBs in Mozambique