

Assessment Note of Mozambique

Revised Emission Reductions Program Document for the Emission Reductions Program

Prepared by the Facility Management Team (FMT) of the
Forest Carbon Partnership Facility (FCPF)

April 17, 2018

In February 2018, the 17th Meeting of the FCPF Carbon Fund provisionally selected the Emission Reductions (ER) Program of Mozambique (MOZ) based on the [Emission Reductions Program Document \(ERPD\) dated December 1, 2018](#), into the portfolio of the Carbon Fund subject to fulfillment of five conditions listed in [Resolution CFM/17/2018/1](#):

- A) Revision of ER-PD: Revision by Mozambique of the ER-PD and submission of such revised ER-PD to the FMT. The revised ER-PD shall summarize the outcomes of the following actions to be taken by Mozambique:
- Provide clarification on how the degradation data has been analyzed, and how the degradation will be monitored and reported;
 - Provide clarification and additional information on the benefit sharing arrangements, in accordance with the requirements of the FCPF CF Methodological Framework, and in particular, on eligibility of Beneficiaries to receive Monetary and Non-Monetary Benefits, criteria and process for the distribution of such Benefits (including clarification on the roles and responsibilities of relevant entities involved in the benefit sharing arrangement), monitoring of the benefit sharing arrangement, consultations that have been held to date on benefit sharing arrangement, and the roadmap and timeline for further development of the benefit sharing arrangement including the preparation of the Benefit Sharing Plan; and
 - Reassess the reversal buffer currently presented in the ER-PD, consistent with the FCPF CF Buffer Guidelines (in particular the risk factors B. and C. specified in Table 2 of the FCPF CF Buffer Guidelines).
- B) Provision of data on: a) deforestation in the group of Zambezian districts outside the ER Program Accounting Area ("Outside Area"); and b) baseline emissions for the Outside Area.
- C) REDD+ Decree: Ministers Council approves the REDD+ Decree (as described in the ER-PD)

Mozambique submitted its revised final ERPD on April 13, 2018. This note has been prepared by the FMT to help assess the fulfillment of the conditions in the Resolution. It serves to inform the decision-making of Carbon Fund Participants (CFPs).

Summary of the Analysis and Recommendations

The FMT's analysis reveals that all the conditions are met in substance satisfactory to the Trustee.

Table 1: Summary of FMT assessment of the five conditions listed in the Resolution

Conditions	Met / not met
a) Revision of ERPD <ul style="list-style-type: none">- Forest degradation analysis and monitoring- Benefit sharing arrangements- Reassessment of the Reversals Buffer	Met
b) Provision of data	Met
c) REDD+ Decree	Met

Additionally, the FMT confirmed that other revisions were made to the reference level. The reason for these modifications were to align the reference level of the ER program area to the latest version of the national Reference Level submitted to the UNFCCC. The main changes were: update of the deforestation figures using a different operationalization of the forest definition, and a change of the carbon fraction from 0.47 to 0.5. These changes have caused alterations on the Emission Factors and thus a reduction of the reference level from 10.2 million tCO₂e/year to 6.5 million tCO₂e/year.

A description of the changes made and the assessment is provided below.

Assessment of Condition A: Revision of ERPD

- i. Provide clarification on how the degradation data has been analyzed, and how the degradation will be monitored and reported

Clarification on how forest degradation data was analyzed, and how forest degradation will be monitored has been provided in Annex 14 of the revised final ERPD. The main concern was regarding simplifications of the calculations and methodology used for the estimation of the emissions associated with forest degradation. The calculations are now well described and therefore commendable. Within and Outside of the ER-Program, Activity Data will be updated every 2 years (consistent with the biennial reporting set under the UNFCCC). Annual LULC maps will also be generated, however will not provide AD estimates for GHG emission reporting. Monitoring will be done using a stratified estimator, where forest cover change maps will be used for stratification and reference sampling units will be used for estimating activity data and reporting associated confidence intervals. The Zambezia ER-Program is foreseen to make three reports during the term of ERPA (2020, 2022, 2024) and thus have three external verifications. The ER monitoring reports are also expected to present information regarding the implementation of the BSP and noncompliance of the Environmental and Social Safeguards instruments and operational policies. The FMT commends Mozambique for taking the initiative of reporting the ERs (both from deforestation and forest degradation) within the ER Program as well as in the districts outside of the ER Program. The FMT has confirmed that the information provided is complete and transparent.

- ii. Provide clarification and additional information on the benefit sharing arrangements, in accordance with the requirements of the FCPF CF Methodological Framework, and in particular, on eligibility of Beneficiaries to receive Monetary and Non -Monetary Benefits, criteria and process for the distribution of such Benefits (including clarification on the roles and responsibilities of relevant entities involved in the benefit sharing arrangement), monitoring of the benefit sharing arrangement, consultations that have been held to date on benefit sharing arrangement, and the roadmap and timeline for further development of the benefit sharing arrangement including the preparation of the Benefit Sharing Plan

Clarification and additional information on the benefit sharing arrangements has been provided in the Advanced Draft Benefit Sharing Plan. The FMT has reviewed the Advanced Draft Benefit Sharing Plan and confirms that it now provides information such as a list of potential beneficiaries, eligibility criteria for receiving Benefits, and timeline for distribution of the Benefit. The steps that the GoM has undertaken to advance on the benefit sharing arrangements include the organization of meetings with the Zambezia Multi stakeholder Platform; presentation and discussion during the community land management conference; and field missions to the ER Program districts to present the main ideas and outcomes of the meeting. The mission was organized by FNDS (*Fundo Nacional de Desenvolvimento Sustentavel*) in a close collaboration with the World Bank and took place in early March 2018. The table below presents the list of the potential beneficiaries identified by the different stakeholders within the ER-Program as well their responsibilities within the ER-Program.

Table 2: Summary of Beneficiaries and responsibilities presented on the ERPD

Entity	Responsibility in achieving ERs
Local communities	<ul style="list-style-type: none"> - Main stakeholders present in the ER Program area; - Commitment to using sustainable land use practices to lower deforestation (especially sustainable agriculture practices).
Private sector actors	<ul style="list-style-type: none"> - Implementations of private initiatives to further reduce deforestation in the ER Program area, such as reforestation and sustainable forest management, among others.
Gile National Reserve (GNR)	<ul style="list-style-type: none"> - Implementation of activities to protect the GNR and to lower deforestation in its Buffer Zone.
9 Districts governments	<ul style="list-style-type: none"> - Coordination of the implementation of the ERP at district level; - Possible liaison with communities and other actors for ER initiatives.
Zambézia Provincial Government	<ul style="list-style-type: none"> - Provincial coordination and supervision of the ERP and link with MITADER at central level; - Support to the Zambézia Multi-Stakeholders Landscape Forum (MSLF).

The eligibility criteria have also been well described and all beneficiaries will have to comply with specific criteria, especially involving financial management capacity. Those are detailed in table 3.

Table 3: Eligibility criteria for beneficiaries

Beneficiaries	Eligibility criteria
LOCAL COMMUNITIES	<p>2018 – 2021: All legally constituted and recognized CBOs:</p> <ol style="list-style-type: none"> In possession of sufficient financial capacity, including (i) the existence of an identified and declared Bank Account; (ii) the ability to be financially audited by FNDS; (iii) previous experience in project financial management and/or having had their accounts audited in the past; <p>And</p> <ol style="list-style-type: none"> With relevant experience, including: (i) at least 1 year of experience in the area of project implementation; and (ii) previous experience in the proposed project sector; <p>And</p> <ol style="list-style-type: none"> Willing to implement a community projects in a district where deforestation was reduced and that: (i) cannot contribute to deforestation or forest degradation; (ii) is selected and approved by the FNDS accordingly with the existing procedures; <p>Or</p> <ol style="list-style-type: none"> Willing to implement a community projects in a district where deforestation was not reduced and that: (i) does contribute to reducing deforestation in said districts; (ii) is selected and approved by the FNDS accordingly with the existing procedures. <p><i>Projects that are in favor of a larger number of beneficiaries and of vulnerable people will be given priority.</i></p> <hr/> <p>From 2022 onwards: All legally constituted and recognized CGRN:</p> <ol style="list-style-type: none"> In possession of legally recognized community delimitation certificates; <p>And</p> <ol style="list-style-type: none"> In possession of sufficient financial capacity, including (i) the existence of an identified and declared Bank Account; (ii) the ability to be financially audited by FNDS; <p>And</p> <ol style="list-style-type: none"> Willing to implement a community projects in a district where deforestation was reduced and that: (i) cannot contribute to deforestation or forest degradation; (ii) is selected and approved by the FNDS accordingly with the existing procedures; <p>Or</p> <ol style="list-style-type: none"> Willing to implement a community projects in a district where deforestation was not reduced and that: (i) does contribute to reducing deforestation in said districts; (ii) is selected and approved by the FNDS accordingly with the existing procedures. <p><i>Projects that are in favor of a larger number of beneficiaries and of vulnerable people will be given priority.</i></p>
PRIVATE SECTOR	<p>Legally constituted companies:</p> <ol style="list-style-type: none"> Willing to implement a project that: (i) contributes to reduce deforestation; (ii) is selected and approved by the FNDS accordingly with the existing procedures; as table 7 describes. <p>And</p> <ol style="list-style-type: none"> In possession of sufficient financial capacity, including (i) the existence of an identified and declared Bank Account; (ii) the ability to be financially audited by FNDS; (iii) previous experience in project financial management and/or having had their accounts audited in the past. <p><i>Projects that are in favor of a larger number of beneficiaries and of vulnerable people will be given priority.</i></p>

GOVERNMENTAL BODIES	<p>Zambézia provincial Government:</p> <ul style="list-style-type: none"> - Have presented an Action Plan for the Reduction of Deforestation in Zambézia province (approved by FNDS). <p>ER Program district governments:</p> <ul style="list-style-type: none"> - Have presented an Action Plan for the Reduction of Deforestation in their district area (approved by FNDS). <p>Gilé National Reserve (GNR) and other protected areas (once operational):</p> <ul style="list-style-type: none"> - Have presented its Annual Action Plan for the Reduction of Deforestation in the GNR and its Buffer Zone (approved by FNDS).
----------------------------	--

An integrated monitoring of the BSP will be coordinated by FNDS (figure 1). The safeguard department within the FNDS, will be responsible for reporting on the safeguards implementation, the SIS and the Feedback and Grievance Redress Mechanism (FGRM); its GIS and MRV unit will be responsible for monitoring the ER generated; and transactions will be monitored in the Mozambique Program Registry and in the ER transaction registry of the FCPF (as Mozambique has not yet developed its own ER transaction registry).

The GIS and MRV department within FNDS, will prepare the ER monitoring report to be submitted to the FCPF Carbon Fund for verification by an independent reviewer. The verified ERs per reporting period will be the basis for ER payments to be made by the Carbon Fund to the Recipient.

The FNDS Matching Grant Unit (MGU) will oversee the distribution of ER payments in accordance with the BSP, with the support of the PIU in Zambezia. The MGU will report on the proper implementation of the BSP to the Carbon Fund in an annex to the ER monitoring report. The applicant must indicate in the proposal how they plan to supervise and monitor the proposed activities and outcomes. Then, the MGU based on the information provided on the plan, will also verify on the ground the compliance of all acquisition processes, activities and outcomes. In order to facilitate project monitoring, the activities, the expected outputs, and the associated indicators of success (i.e., how to know that activity has been successfully implemented) will be stated.

An external independent environmental, social, health and safety audit will be carried out at mid-term of project implementation (after the first third party verification) and at the end of the project. The audit team will report to MITADER and the World Bank, who will deal with the implementation of any corrective measures that are required. The audits are necessary to ensure that (i) the ESMF process is being implemented appropriately, and (ii) mitigation measures are being identified and implemented accordingly. The audit will be able to identify any amendments in the ESMF approach that are required to improve its effectiveness.

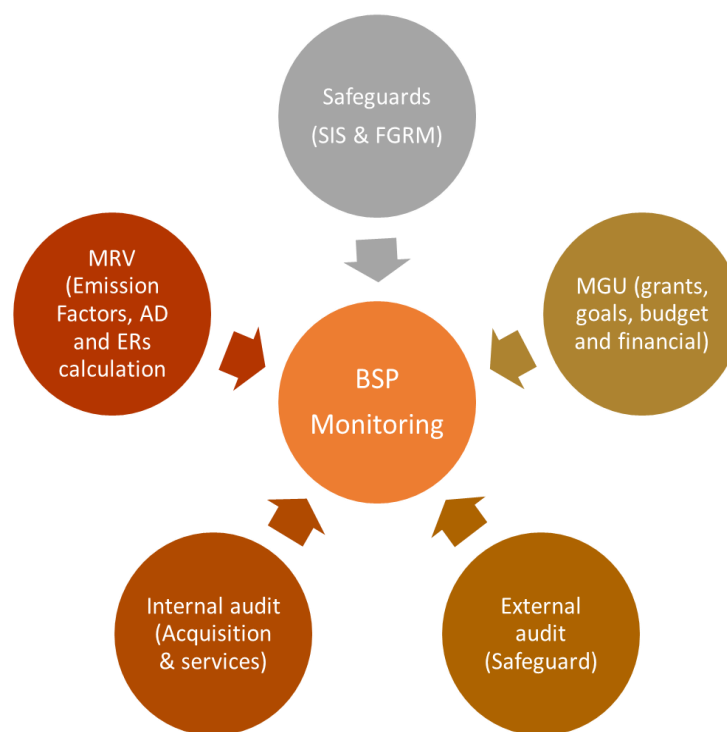


Figure 2: BSP integrated monitoring process

More detailed information can be found in the separate BSP document. This document also describes in detail how the ER Payments will be allocated every year to the beneficiaries and how the districts with no performance will be then incentivized to achieve performance in the subsequent years. In terms of road map, the internal World Bank Decision Meeting is planned for May 16th. The ERPA workshop and appraisal mission will be held in May, with additional consultations between May and June, and a final BSP by July. The BSP will also undergo an internal World Bank review.

- iii. **Reassess the reversal buffer currently presented in the ER - PD, consistent with the FCPF CF Buffer Guidelines (in particular the risk factors B. and C. specified in Table 2 of the FCPF CF Buffer Guidelines).**

The non-permanence risk analysis has been revised (table 4 below and table 65 of the revised ERPD). The risks were assessed taking into account its probability of occurrence, its impacts, (in terms of carbon emissions reductions and contribution to poverty alleviation) and the ability of the project to restore or implement the preventive or corrective actions.

- For Risk A- The most important indicator is poor perception of carbon and non-carbon benefits generated by the ER Program
- For Risk B- The most important indicator is poor political commitment
- For Risk C- the most important indicator is increased deforestation linked to unpredicted levels of cultivation of cash-crops

- For Risk D- the most important indicator is the occurrence of typhoons, floods and drought

Risk A and B maintained with the same value, but risk C and D changed from medium to high risks because of the impact of the most important indicators in the carbon stocks and in poverty alleviation. Thus the buffer was increased from the previous 26% to 30%.

Table 4: Revised Risk assessment tool to assess the number of ERs to be deposited in the ER Program CF Buffer

Risk factor	Risk indicators	Default Reversal Risk Set Aside Percentage	Discount (increment)	Resulting Reversal Risk Set-Aside Percentage
Default Risk	Not applicable, fixed minimum amount	10%	Not applicable	10%
Risk A - Lack of broad and sustained stakeholder support	Existence of a transparent Benefit Sharing Mechanism	10%	Reversal risk is considered Medium: 5% discount	5%
	Existence of legal mechanism for the systematization of community consultation			
	Signature of MoU with implementing partners			
	Existence of a Feedback and Grievance Redress Mechanism (FGRM) during the ER Program implementation, likely to generate the implementation of long-term efficient practices beyond the project life time			
	Existence of consultative forums and platforms involving various stakeholders with concrete and immediate perception of benefits, likely to make consultation become a long-term concern (including out of the scope of the ER Program)			
	Implementation of an efficient and large enough land titling and delimitation process to ensure stability of land rights in the long run			
Risk B – Lack of institutional capacities and/or ineffective vertical/cros	Existence of designated and empowered relevant structure for ER Program implementation	10%	Reversal risk is considered Medium: 5% discount	5%
	Experience in multi-sectorial project implementation			
	Experience of collaboration between different levels of government			

s sectorial coordination	Existence of dedicated mechanism or body for inter-sectorial cooperation			
	Support from additional projects and programs for institutional capacities strengthening;			
	Deployment of relevant staff on the ground			
	Training for long-term capacities on forest management and monitoring	5%	Reversal risk is considered High: 0% discount	5%
Risk C - Lack of long term effectiveness in addressing underlying drivers	Experience in decoupling deforestation and degradation from economic activities			
	Support form completing projects and programs oriented on deforestation and forest degradation reduction			
	Existence of a relevant legal and regulatory environment conducive to REDD+ objectives in the long run			
	Creation of relevant incentives for adoption of sustainable agricultural practices in the long run, including beyond the project lifetime			
	Clear perception of non-carbon benefits for stakeholders at long term and especially beyond the terms of the ERPA			
	Deployments of efficient and committed extension-agents at long-term			
	Adaptation of promoted sustainable practices to local constraints and dynamic in order to make it possible for them to be maintained in the long run			
	Potential administrative changes are expected to be progressive and participatory. But potential risk may exist due to the fact that the ER program area doesn't cover the whole Province and additional coordination might be required.			
	Well defined structures to ensure ensures the continuation of the ER Program beyond government term			
	Pre-identification of financing sources			
Risk D - Exposure and vulnerability to natural disturbances	Vulnerability to fires, storms and droughts	5%	Reversal risk is considered High: 0% discount	5%
	Capacities and experiences in effectively preventing natural disturbances or mitigating ¹ their impacts			
	Promotion of climate smart agricultural practices			

Existence of a Pest Management Plan			
Actual Reversal Risk Set-Aside Percentage: 10+(Result A+ Result B+ Result C+ Result D) = 10 + 5 + 5+ 5 +5 = 30%			

Conclusion: Condition A) is met to the satisfaction of the Trustee

Assessment of Condition B: Provision of data

- I. The Program Entity provides data on: a) deforestation in the group of Zambezan districts outside the ER Program Accounting Area (“Outside Area”); and b) baseline emissions for the Outside Area

The FMT checked the revised final ERPD and confirmed that it now contains in Annex 15 data on deforestation and the baseline emissions in the Outside Area. The FMT confirmed that this has been estimated using the same data sources and methods as those for the ER Program accounting area. The overall level of uncertainties is 14% at the 90% confidence interval, corresponding to mean annual emissions of 8,226,085 tCO₂e/yr +/- 1,102,899. The FMT commends the GoM for undertaking this exercise and for presenting detailed information on emissions of the districts outside of the ER Program. Details regarding the reference level can be found in the table below:

Table 5: Annual emissions due to deforestation in the Outside Area

Reference periods	Historical deforestation rate - in ha/yr	Emissions related to AGB - in tCO ₂ e	Emissions related to BGB - in tCO ₂ e	Total reference emissions - in tCO ₂ e/yr
Semi-deciduous forests	20,501.7	4,510,368	1,140,678	5,651,046
Evergreen forests	5,650.1	1,880,751	472,442	2,353,193
Mangroves	484.3	168,369	53,478	221,847
Average over the reference period - baseline	26,636	6,559,487	1,666,598	8,226,085

Conclusion: Condition B) is met to the satisfaction of the Trustee

Assessment of Condition C: REDD+ Decree

- i. Council of Ministers approves the REDD+ Decree (as described in the ERPD).

The FMT confirms that the REDD+ Decree was approved and adopted by the Council of Ministers in order to best reflect the evolution of REDD+ policies in Mozambique since 2013 and meet all the requirements

of the FCPF MF. The new REDD+ Decree, which now regulates and defines principles and standards for the implementation of all REDD+ programs and projects in the country, provides a more precise framework with regards to, *inter alia*, REDD+ data management systems and registries, ER titles ownership and institutional arrangements. The final version of the REDD+ decree is available upon request.

Conclusion: Condition C) is met to the satisfaction of the Trustee

Update to the Reference Level

In addition to the conditions, the reference level presented at CF17 was also revised. The previous estimates were based on the interpretation of land cover change using a hierarchy tree where if a 20% of the sampling unit was covered by cropland or settlement the whole unit would be classified as either cropland or settlement. This was used as a proxy to allow estimated land use instead of land cover. This rule caused an overestimation of deforestation as less forest area was identified in 2015. The national FREL submitted to the UNFCCC used the same dataset but with a different rule, where if tree canopy covers at least 30% of the sampling unit, then it would be classified as forest (figure 2). This rule gave lower estimates of deforestation and higher of forest cover, in comparison to the previous one.

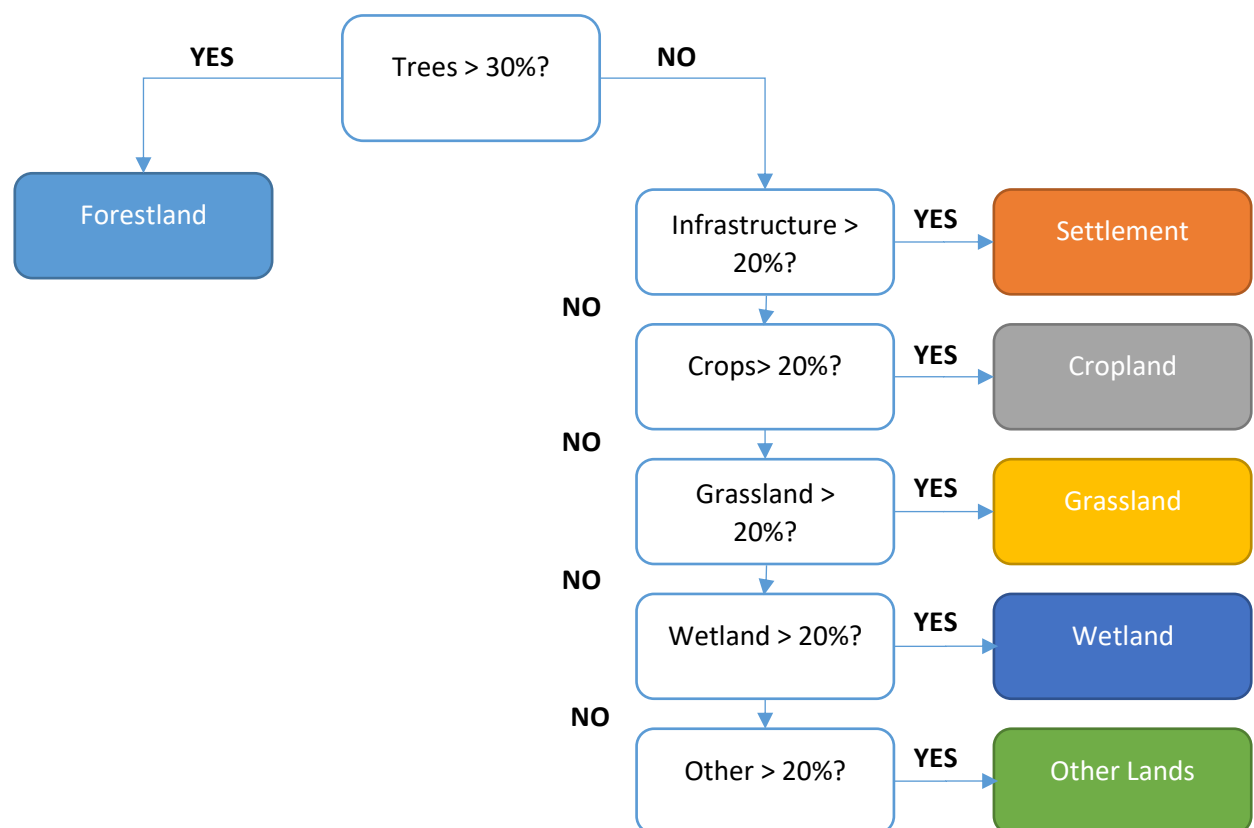


Figure 2. Decision tree for the allocation of the IPCC Land Use category based on the cover of the objects present in the sampling unit

In order to ensure consistency in the reported data and in line with the requirements of the MF, Mozambique decided to update the figures of deforestation presented in the revised final ERPD. This caused a reduction of the average annual deforestation rates in the reference period, and a reduction of the reference level. Moreover, to ensure this consistency the carbon fraction used nationally of 0.5 was used instead of 0.47. The overall consequence of this was a slight modification of the Emission Factors and a reduction of the reference level from 10.2 million tCO₂/year to 6.5 million tCO₂/year (table 5). However, Ex-ante analysis presented on the ERPD indicates that the ER-Program has the capacity to generate around 10.68 million ERs during the ERPA term.

Table 5: Annual emissions due to deforestation in the ER Program area

Reference periods	Historical deforestation rate - in ha/yr	Emissions related to AGB - in tCO ₂ e	Emissions related to BGB - in tCO ₂ e	Total reference emissions - in tCO ₂ e/yr
Semi-deciduous forests	16,983.9	3,736,461	944,956	4,681,417
Evergreen forests	4,336.3	1,443,440	362,590	1,806,030
Mangroves	0	0	0	0
Average over the reference period - baseline	21,320.20	5,179,901	1,307,546	6,487,447