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READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

ON A

PROPOSED GRANT

IN THE AMOUNT US\$ 3.6 MILLION

TO THE

REPUBLIC OF MOZAMBIQUE

FOR

REDD+ READINESS PREPARATION SUPPORT
FROM THE FOREST CARBON PARTNERSHIP FACILITY

Vice President: Makhtar Diop

Country Director: Laurence Clarke

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DATA SHEET

MOZAMBIQUE REDD+ READINESS PREPARATION SUPPORT

READINESS PREPARATION PROPOSAL (R-PP) ASSESSMENT NOTE

Africa

Basic Information			
Date:	May 7, 2013	Sectors:	Environment (50%); Agriculture, fishing and forest (50%)
Country Director:	Laurence C. Clarke	Themes:	Forestry (50%); Climate Change (50%)
Sector Manager/Director:	Magda Lovei/ Jamal Saghir	EA Category	B – Partial Assessment
Project ID:	P129413		
Lending Instrument:	Grant under the Forest Carbon Partnership Facility		
Team Leader(s):	Dinesh Aryal/ André Aquino		

Date of country selection into FCPF: 2008

Date of Participation Agreement signed by Country: May, 27, 2009

Date of Participation Agreement signed by Bank: May, 27, 2009

Date of R-PP Formulation Grant Agreement signature: January 25, 2012

Expected date of Readiness Preparation Grant Agreement signature: July 1, 2013

Joint IFC: N/A

Project Implementation Period: Start Date: July 1, 2013 End Date: December 31, 2016

Project Financing Data			
<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Other	
<input type="checkbox"/> Credit	<input type="checkbox"/> Guarantee		

For Loans/Credits/Others (US\$M):

Total Project Cost : 3.6 Total Bank Financing : 3.6

Total Cofinancing : N/A Financing Gap : N/A

Financing Source	Amount
BORROWER/RECIPIENT	
IBRD	
IDA: New	
IDA: Recommitted	
Others	3.6 (FCPF)
Financing Gap	

Total

3.6

Regional FCPF Trust Fund Number: TF093599

FCPF Country Child Trust Fund Number: TF011206

Recipient: Republic of Mozambique

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PURPOSE OF THE READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

As part of its responsibilities for the FCPF, the World Bank has been asked to ensure that the FCPF's activities comply with the relevant World Bank Operational Policies and Procedures, in particular the Safeguard Policies, and the policies on Procurement and Financial Management.

The World Bank has also been asked to assist REDD Country Participants to formulate and implement their Readiness Preparation Proposals (R-PPs).

The purpose of this Readiness Preparation Proposal Assessment Note (R-PP Assessment Note), therefore, is for the Bank to assess if and how the proposed REDD+ Readiness Support Activity, as presented in the R-PP, complies with Safeguard Policies, and the Bank's policies on Procurement and Financial Management, discuss the technical quality of the R-PP, record the assistance it has provided to the REDD Country Participant in the formulation of its R-PP, and describe the assistance it might potentially provide to the REDD Country Participant in the implementation of its R-PP.

ABBREVIATIONS AND ACRONYMS

CPS	Country Partnership Strategy
CRGE	Climate Resilient Green Economy
CO ₂ e	Carbon dioxide equivalent
DNGA	Directorate for Environmental Management
DNTF	Directorate for Land and Forests
ESMF	Environmental and Social Management Framework
FCPF	Forest Carbon Partnership Facility
FMT	Facility Management Team
GDP	Gross Domestic Product
GHG	Green House Gases
GNI	Gross National Income
GoM	Government of Mozambique
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IIED	International Institute for Environment and Development
MICOA	Ministry for the Coordination of Environmental Affairs (Ministério para a Coordenação da Acção Ambiental)
MINAG	Ministry of Agriculture (Ministério da Agricultura)
MRV	Measurement, Reporting and Verification
Mt	Megaton (million metric tons)
NGO	Non-Governmental Organization
PC	Participants Committee
PDO	Project Development Objective
REDD+	Reducing emissions from deforestation and forest degradation, conservation of forest

	carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks in developing countries
REL	Reference Emission Level
RL	Reference level
R-PIN	Readiness Preparation Idea Note
R-PP	Readiness Preparation Proposal
SESA	Strategic Environmental and Social Assessment
UEM	Eduardo Mondlane University
UNFCCC	United Nations Framework Convention on Climate Change
UNREDD	United Nations REDD Programme
UT-REDD	REDD Technical Unit

MOZAMBIQUE
Reducing Emissions from Deforestation and Forest Degradation (REDD+)
Readiness Preparation Support

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REPUBLIC OF MOZAMBIQUE
Reducing Emissions from Deforestation and Forest Degradation (REDD+)
Readiness Preparation Support

I. Introduction and Context

A. Country Context

1. **Mozambique has been a very strong economic performer in Africa and has shown a remarkable recovery from the damage of the civil war that ended in 1992.** In the last fifteen years, the growth record has been impressive, averaging above 8 percent from 1993 to 2009, and 7.4 percent in 2012, making Mozambique the fastest growing non-oil economy in Sub-Saharan Africa. This remarkable performance has been made possible by good macroeconomic management, and was driven by a few significant foreign investment projects (“mega-projects”), strong donor support, healthy agricultural growth (based primarily on area expansion), and foreign direct investment in the services sector.

2. **However, the rapid economic growth has failed to translate into significant poverty reduction.** While Mozambique’s rapid economic growth was accompanied by significant strides in reducing poverty up to 2003, recent surveys indicate stagnation in poverty reduction. Household survey data indicate that the national poverty headcount fell from 69 to 54 percent during 1996 to 2003. Reduction in rural poverty was even more pronounced, declining from 71 to 55 percent during the same period. The results of the 2008/09 household survey suggest that poverty reduction has stagnated at a level around 55 percent of the population. Additionally, the survey results indicate that urban poverty continued to decline, although at a much slower rate, reaching 50 percent, while rural poverty increased to 57 percent. The geographical distribution of poverty remains largely unchanged with both moderate and extreme poverty concentrated most heavily in rural areas and in the country’s central and northern regions.

3. **Mozambique has made progress towards achieving the Millennium Development Goals (MDGs).** There has been substantial progress toward MDG targets, specifically on improving universal primary education, gender equality and women’s empowerment, reducing child mortality, and improving maternal health. The MDG for sustainable coverage for water supply could also be met, given the rapid improvements in the provision of urban water supply, although significant progress is needed to increase access to water in rural areas. However, the poverty goal, based on the recent household survey indicates that Mozambique needs to accelerate poverty reduction to halve the population living in absolute poverty by 2015 (additional 15 percent decline in poverty in six years). Another MDG goal, reducing hunger and child malnutrition, remains a challenge. Other MDGs, in particular, combating HIV/AIDS, malaria and other diseases remains a serious challenge.

B. Sectoral and Institutional Context

4. **Climate change in Mozambique.** Climate change poses a major challenge to Mozambique’s development. Mozambique is exposed to risks from multiple weather-related hazards, suffering from periodic floods, cyclones and droughts. In the past 30 years, 14 percent of the population has been affected by a drought or a flood/storm. Floods due to high intensity rain and cyclones are the most frequent disasters, although droughts affect by far the largest

number of people. Coastal erosion, storm surges and rising sea levels threaten Mozambique's coastal zone and cities - the largest cities in Mozambique are mostly located near the coast. The Government of Mozambique (GoM) recognizes that increasing climate variability and climate change impacts will negatively affect economic growth and efforts to reduce poverty. Therefore, the GoM has begun to develop policy and institutional responses to this challenge. For example, a National Climate Change Strategy¹ has been prepared by the GoM. Since climate change will have impacts across all sectors in the country, the Strategy recognizes that taking action on climate change is a responsibility that must be shared by all line ministries. The Strategy sets-out objectives and priority activities for climate resilient development planning across the economy.

5. **Forests in Mozambique and link to climate change.** Mozambique is endowed with forest, woodland resources and other vegetation which covers around 70 percent of its territory. It adds up to around 55 million hectares with 40 million hectares as forests and around 15 million hectares of thicket, woodlands and forests in areas of shifting agriculture. However, it is losing its forests at a rate of about 0.58 percent per annum, amounting to over 200,000 hectares per year – more than double the deforestation reported in 1994 (0.21 percent)². The resulting land use change is one of the largest sources of GHG emissions in Mozambique. Forest loss also erodes the resilience and productivity of the economy as a whole, by eliminating their contribution of undervalued environmental services (e.g. watershed protection, carbon sequestration, fuel supply, biodiversity, coastal protection and fisheries support).

6. **Forest ownership in Mozambique.** Land tenure in Mozambique is dictated by the country's constitution and various laws. The 1990 Constitution of Mozambique indicates that “Land is the property of the State and cannot be sold or alienated in any other form, nor can it be mortgaged”. Forests can be found in various types of tenure arrangements, such as community lands, protected areas and logging concessions. The 1997 Land Law introduced the concept of ‘local communities’ defined as a group of families and individuals living in a circumscribed territorial area which share common interests in managing natural resources, including forests; and allowed legal recognition of the land use rights to local communities. The same form of land use rights is also granted to private entities. From 1987 to 2010, land use rights (DUAT) for over 40,000 parcels that covered more than 15 million hectares of land were granted. Over 13 million ha of forests are located in protected or conservation areas which include wildlife protected areas, and are under the management of recently created semi-autonomous agency, the National Conservation Area Authority (ANAC). Forest areas that are not under ANAC management are under the jurisdiction of the Ministry of Agriculture which is responsible for the management of these forests. It is also responsible for granting logging concessions. In 2011, 179 logging concessions existed in the country covering over 6 million ha most of which were in Zambezia (28% of the area), followed by Cabo Delgado, Sofala and Manica.

7. **Legal framework for forests in Mozambique.** Forests in Mozambique fall under the general jurisdiction of the National Directorate of Land and Forestry (DNTF, under the Ministry of Agriculture) as the responsible government authority, while ANAC under the Ministry of

¹ *Estratégia Nacional de Mudanças Climáticas (ENMC) para o período 2013-2025*. Ministério para a Coordenação da Acção Ambiental. República de Moçambique

² Refer to Mozambique: Readiness Preparation Proposal (R-PP). Government of Mozambique, January 2013.

Tourism is responsible for protected areas (including forests in protected areas). The GoM has various policies, laws and regulations which deal with forests in the country. The most critical ones are:

- The Territorial Planning Policy (2007) and Law (2009) seek to organize the national territory and plan how land is to be used in accordance with its potential.
- The Conservation Policy (2009) and Law (in the approval process) promotes conservation of biological diversity and promotion of tourism in the national parks, game reserves and hunting areas.
- The 2009 Action Plan for Reforestation attempts to create opportunities for enhancement of carbon stocks. The national zoning exercised indicated that about 7 million hectares are available for tree planting.
- The Forestry and Wildlife Law (2012) addresses various shortcomings of the former Forestry and Wildlife Law, including: (i) ensuring the sustainability of Simple Licenses by obliging license-holders to submit a forest management plan and by extending the licensing period from one year to five years (previously only required for large licenses); and (ii) updating the stumpage fees for logging concessionaires and wildlife hunting fees.

8. Although existing legislations include provisions of relevance to Reduced Emissions from Deforestation and Forest Degradation (REDD+), an overarching legal framework for regulating REDD+ activities does not exist in the country yet. To address this gap, the GoM has initiated a REDD+ readiness process in 2009 and drafted a Readiness Preparation Idea Note (R-PIN) followed by a Readiness Preparation Proposal (R-PP). A decree is also under preparation³ that seeks to address this gap for the medium term until a full REDD+ strategy and legislation would be finalized.

9. **Deforestation and forest degradation in Mozambique.** The R-PP identifies some of the main direct and underlying drivers of deforestation and forest degradation in the country. The key direct drivers of deforestation include: (i) subsistence and commercial agriculture associated with unsustainable land use practices such as the use of fire for clearing land and for hunting; (ii) increasing demand for biomass energy in the urban areas; (iii) illegal harvesting of timber and non-adherence of forest management plans by concession holders; (iv) mining associated with land clearing for settlement (in particular artisanal mining); and (v) infrastructure development including roads, railways and expansion of urban areas. Underlying drivers of deforestation include: (i) low productivity of subsistence agriculture due to limited technical assistance, sparse extension network, and limited access to finance; (ii) poor governance and weak enforcement of land, forests and environmental legislation; (iii) increasing demand for food and wood products in the domestic and international markets; and (v) lack of employment opportunities in rural areas.

10. **Challenges of forest sector and land use coordination in Mozambique.** Linked to the drivers of deforestation above are various challenges in the forest sector specifically and in land use coordination in general. Some of the main challenges include:

³ Regulamento dos Procedimentos para Aprovação de Projectos de Demonstração que visam à Redução de Emissões por Desmatamento e Degradação Florestal - REDD+

- **Law enforcement.** The country has barely over 1,000 law enforcement officers of whom less than 500 are responsible for ensuring that the terms of harvest license are adhered to and controlling the harvesting of timber and wildlife products outside protected areas. Therefore, one officer is responsible for over 83,000 ha of forests contrary to the international standard of 1:5,000 ha. This, combined with poor means of transport and communication, makes the control of illegal practices ineffective.
- **Non-respect of forest management plans.** There is limited capacity to monitor implementation of management plans and harvesting practices as well as implementation of environmental management plans. Monitoring is done through sporadic visits to concessions. Regular law enforcement is only done at road and port check points to verify the volume and species harvested. In a 2011 inspection of implementation of management plans in forest concessions, the DNTF team observed that virtually all the legal provisions for operation of concessions were not in compliance. Many concessions do not have the timber processing capacity required by the forest legislation to stimulate value addition in the country. Selective logging prevails, which puts high pressure on the targeted species.
- **Illegal logging.** Illegal logging seems to be on the rise in Mozambique, as evidenced in recent data from Zambezia and Cabo Delgado provinces as well as anecdotal evidence. The challenge includes the growing size of the international market for illegally sourced timber. A recent report from the Environmental Investigation Agency⁴ points out to a substantial volume of timber exported illegally to China. Although there are dedicated DNTF officers at the provincial level, controlling illegal acts are very difficult because of limited budget, small number of officers, shortages of transportation means and equipment. In addition to adverse environmental and social impacts, illegal logging negatively affects the collection of taxes.
- **Simple license harvests.** An average of 557 annual (between 2004 and 2010) operators have been issued simple licenses to explore up to maximum of 500 m³/year in an area up to 5,000 ha each. This means that approximately 2.7 million ha of forests may have been undergone selective logging annually under this regime. Despite notional harvesting plans (*Planos de Maneio Simplificados*) linked to designated areas, the reality is that these operations shift from one area to another after harvesting a handful of high value timber species selectively, which means that within 10 years all productive forests could have been harvested depending on the dynamics of the species in the market. Some operators have admitted harvesting up to five times more than the quota they were officially allocated. The volume harvested is nearly twice as much compared to concessions. Therefore, unsustainable logging practices are still common despite the 1997 forest and wildlife policy intent to reduce the annual harvesting regime. The policy has been revised in 2012, including changes to the simple licenses systems such as: (i) extending the permits validity from one to five years; (ii) defining the permit to 10,000

⁴ Environmental Investigation Agency – “First Class Connections: Log Smuggling, Illegal Logging and Corruption in Mozambique”. Available at: <http://www.eia-international.org/mozambique-loses-a-fortune-to-illegal-timber-exports>.

hectares; (iii) altering the fee regime; and (iv) requiring a management plan. However, monitoring the implementation of these new measures remains a challenge.

- **Encroachment in protected areas.** Almost all protected areas of the country have settlements inside and around them. This brings challenges to effectiveness of protected areas management as well as on livelihoods of the communities. The Transfrontier Conservation Areas (TFCA) Program under the Ministry of Tourism (MITUR) has undertaken consultations to re-zoning the boundaries of some of the protected areas to exclude these communities from the protected areas to mitigate the competition between biodiversity conservation and meeting population needs. For those protected areas where re-zoning is not viable for maintaining ecological integrity, reallocation of families following consultative process is being undertaken by MITUR. However, much remains to be done.
- **Conflicts over different land uses.** There are discrepancies between land potential and allocation to different economic activities. Preliminary data collection for the development of the R-PP demonstrates the existing land use conflicts, for example, between production forests and conservation areas with mining, and agriculture land with horizontal growth of urban areas.

11. **Potential of REDD+ in Mozambique.** As various other tropical forest nations, Mozambique has expressed interest in the potential of REDD+ as a catalyzer for sustainable forest management. REDD+ also holds the potential of providing incentives to local communities in charge of managing and maintaining forest lands, which have traditionally received little benefits for such service. Furthermore, REDD+ may harness support to addressing some of the structural challenges in the forest sector, such as limited command and control capacity on the ground through proposed capacity building and forest monitoring activities. Finally, private sector has expressed interest in engaging in REDD+, both as REDD+ project developers and as potential buyers of REDD+ credits.

12. **REDD+ Readiness in Mozambique.** Led by the Ministry for the Coordination of Environmental Affairs (MICOA) and the National Forestry Directorate (DNTF - *Direcção Nacional de Terras e Florestas*) in the Ministry of Agriculture (MINAG - *Ministério da Agricultura*), the REDD+ readiness process in Mozambique started in 2009, when the country submitted a Readiness Preparation Idea Note (R-PIN) for admittance into the Forest Carbon Partnership Facility (FCPF). The REDD+ Readiness process entails an array of capacity and institutional strengthening activities including: (i) the preparation of a national strategy for REDD+ and an associated legal and institutional framework (including define roles and responsibilities of different government institutions involved in the process); (ii) the design and implementation of a system of measuring, monitoring, reporting and verifying (MRV) emissions from land use activities; and (iii) the preparation of a reference level of emissions from deforestation and forest degradation activities. This process is supported by various donors including Norway, the Japanese International Cooperation Agency (JICA) and the FCPF.

13. **Institutional arrangements for the REDD+ Readiness phase.** MICOA and DNTF have been the leading institutions for REDD+ Readiness process to date. A REDD+ Technical Unit co-led by one coordinator from MICOA and another from MINAG are expected to be created through a Decree currently under preparation. MICOA is the focal point ministry of the

United Nations Framework Convention on Climate Change (UNFCCC) and has responsibility for coordinating work on climate change and policy development on climate change – including on Reduced Emissions from Deforestation and Forest Degradation (REDD+). The Ministry of Agriculture (MINAG) is mandate with forest and agricultural land management, including monitoring land resources and overseeing and enforcing the national policies pertaining to land use, in general, and forests in particular. As mentioned above, DNTF within MINAG has the responsibility for forest policy development and overseeing forest management. In addition to these two Ministries, MITUR has responsibility for managing protected areas. To ensure inter-ministerial coordination on environment issues in general and effective policy development and implementation, an inter-ministerial National Sustainable Development Council (CONDES - *Conselho Nacional de Desenvolvimento Sustentável*), chaired by the Prime Minister, was established. CONDES coordinates policy and planning on sustainable development, including forest issues and climate change. CONDES is guided by a technical coordination committee that is chaired by the Deputy Minister of MICOA. In 2012, the Council of Ministers approved a National Climate Change Strategy which mandates MICOA to establish a coordinating unit for climate change under CONDES to promote coordinated action on climate change across line ministries and agencies. Once this unit is established, it could potentially also take the lead in the cross-governmental coordination and management of the REDD+ agenda. Assessing the most adequate institutional arrangements for REDD+ implementation is one of the objectives of the ongoing REDD+ Readiness process.

14. **Mozambique’s REDD+ Readiness Preparation Proposal (R-PP).** Through a REDD+ Technical Working Group composed of representatives from MICOA, DNTF, the Eduardo Mondlane University, Centro Terra Viva (CTV – a local NGO) and international partners (such as Brazil’s Sustainable Amazon Foundation, and UK-based IIED), Mozambique prepared an R-PP over the period of February 2010 to July 2011. This document is a roadmap for how the country aims to build national capacities to comply with emerging international requirements to participate in an international REDD+ mechanism. The R-PP is a product of extensive consultations undertaken at national and provincial level. Representatives of all districts were invited to the provincial level consultations. The R-PP is based on: (i) studies on land use and drivers of deforestation and forest degradation; (ii) experiences in addressing these drivers in different parts of the country including Niassa, Nampula, Tete, Sofala, Gaza, Maputo and Zambézia; and (iii) interviews and discussions with land users such as timber operators, small and medium scale farmers, charcoal producers and traders as well as community, district and provincial leaders.

15. **Current status of REDD+ in Mozambique.** In addition to the government-led efforts towards REDD+ Readiness, there is currently a high level of private sector interest in making investments in forest carbon management in Mozambique. However, as it is the case in most countries around the world, there is currently no governance framework for REDD+ in Mozambique. The World Bank has been providing technical assistance to the country to address this gap by designing national-level regulations. A draft decree has been developed to establish the procedures and requirements for the country to award permits to implement REDD+ projects in Mozambique. The draft decree is currently in the process of public hearings before it will be submitted to the council of ministers.

C. Relationship to CAS

16. REDD+ contributes to Pillar 2 on ‘Vulnerability and Resilience’ of the Country Partnership Strategy (CPS) 2012-2015 (Report No. 66813-MZ) for Mozambique discussed by the Executive Directors on April 3, 2012. REDD+ also contributes to the World Bank’s Africa Strategy⁵ by building-capacity for strengthening the overall government response to the climate challenge facing Mozambique. Specifically, it contributes to Pillar II on Vulnerability and Resilience by enhancing institutional capacities for forest management and contributing to sustainable management of forest.

17. REDD+ is also consistent with the overall Bank support in the country for improving management of natural resources and environment, and climate change mitigation and adaptation. It complements the Climate Change Development Policy Operation, the ongoing and planned Transfrontier Conservation Area and Tourism Development Projects, and the Disaster Risk Management project, by seeking to strengthen the country’s institutional framework and human capacity to achieve REDD+ goals and more sustainable forests management.

18. REDD+ is consistent with the National Climate Change Strategy of the Government of Mozambique (GoM) that was adopted in 2012. It contributes to Pillar 2 on “Mitigation and Low Carbon Development”. REDD+ is one of the strategic actions under Pillar 2 that seeks to promote sustainable use forests and mangroves for potential carbon capture and sequestration.

II. Proposed PDO/Results

A. Proposed Development Objective(s)

19. The Project Development Objective is to contribute to the adoption of national REDD+ strategy and of the national legal and institutional framework for REDD+.

20. Strengthening the national readiness management arrangements within the Ministry of Agriculture and Environment as well as promoting multi-stakeholder consultations are required activities to allow the country to prepare an effective national REDD+ strategy and the associated legal and institutional framework.

B. Key Results

21. The achievement of the PDO will be measured through the following results indicators:

- A national strategy to reduce emissions from deforestation and forest degradation (REDD+) is prepared and validated by national stakeholders;
- The legal and institutional framework for the implementation of the strategy is prepared and validated by national stakeholders; and
- A Strategic Environmental and Social Assessment (SESA) including an Environmental and Social Management Framework (ESMF) are prepared and validated through participatory stakeholders consultation.

⁵ World Bank 2011. *Africa’s Future and the World Bank’s Support to It*. Washington DC World Bank.

22. The Readiness Package Assessment Framework adopted by the FCPF Participants Committee will be used to assess the achievement of the key results the project activities. The Readiness Package Assessment Framework presents a series of criteria and guiding questions for the three REDD+ Readiness building blocks, as well as a process to assess those with strong emphasis on multi-stakeholder consultations. This framework will be used during mid-term review and at project completion to assess the results achieved by this project.

III. Project Context

A. Concept

23. **The Forest Carbon Partnership Facility (FCPF) is assisting developing countries** in their efforts to reduce emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest (REDD+) by providing value to standing forests. It is helping build countries' capacity to reduce emissions from deforestation and forest degradation and to tap into any future system of positive incentives for REDD+.

24. **The Government of Mozambique (GoM) has developed and submitted an R-PP.** Mozambique's Readiness Preparation Proposal (R-PP) was endorsed by the FCPF Participants Committee in March 2012. The Committee requested the World Bank to conduct its due diligence with view of signing a grant of up to US\$ 3.6 million to allow Mozambique to implement the activities presented in the R-PP. The FCPF grant will finance analytical studies, consultation processes at the national and provincial levels, and capacity strengthening and technical assistance to the GoM. However, the FCPF grant will not finance the implementation of REDD+ pilot investment activities on the ground.

25. **Other Development Partners support to REDD+ Readiness in Mozambique.** As the FCPF grant will not fund all activities expect to make Mozambique 'ready' for REDD+, other development partners have committed to support the GoM (see Annex III for R-PP activities and budget). In particular, activities related to the creating of Measuring, Reporting and Verification (MRV) system, and to the preparation of a national reference scenario of emissions (i.e., reference emission level – REL) from deforestation and forest degradation have been supported by other development partners, particularly Japan. The Government of Japan and JICA have committed US\$ 10.5 million to the implementation of the activities related to MRV and REL. The Government of Norway is providing US\$3.27 million additional resources through the International Institute for Environment and Development (IIED) for research at the subnational level in particular to establish baseline, identify drivers of deforestation, devise specific investment activities and draw lessons. These lessons and the results including baseline and drivers of deforestation will further enhance the national level REDD+ agenda.

26. **Activities to be financed by the FCPF grant.** The table below summarizes the activities to be financed by the FCPF grant. These activities have been selected based on: (i) discussions with the Government authorities and national priorities for the REDD+ Readiness process; (ii) World Bank comparative advantages; (iii) existence of financing by other development partners.

FCPF Components and Activities (US\$ million)

Project Activities	Costs
1. Strengthening the national readiness management arrangements	1.8
1.1 Strengthening of the Technical Unit for REDD+ and the Technical Committee	1.0
1.2 Strengthening the decentralization of REDD+ arrangement	0.3
1.3 Project Management Costs	0.5
2. Promotion of multi-stakeholder consultations	0.9
2.1 Multi-stakeholder awareness raising and consultations on the REDD+ strategy and its legal framework	0.6
2.2 Preparation of communication material on REDD+	0.3
3. Design of the national REDD+ Strategy	0.9
3.1 Preparation of the national REDD+ Strategy	0.4
3.2 Strategic Environmental and Social Assessment (that provides both for an Environmental and Social Management Framework (ESMF) and a Resettlement Policy Framework (RPF)) and Design of a Grievance Mechanism	0.3
3.3 Design of the national legal and institutional framework for REDD+	0.2
Total Costs	3.6

1. Detailed Description

Component 1: Strengthening the national readiness management arrangements (US\$1.8 million)

27. **Rationale.** In December 2008 the Government of Mozambique through the 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) which was submitted to FCPF in March 2009 which was subsequently approved in May 2009. A first national workshop that was held in August 2009 recommended the formation of a National REDD Working Group comprising of various government institutions, NGOs, academia and research institutes and private sector. However, due to awareness and capacity constraints, not all members of Working Group have active participation. Given the complex technical requirements and multi-sectoral and multi-stakeholder nature of the REDD+ Readiness process both at the national, provincial and local level, capacity strengthening of different stakeholders and institutions, primarily the government, is critical. A Technical Unit for REDD+ (UT-REDD) will be in charge of the daily implementation of the REDD+ Readiness process, co-led by two National REDD+ Coordinators, one from MICOA and the other from MINAG. This Unit will be made up of staff from the two Ministries and of consultants/technical specialist with expertise in, among others, public administration, economics, legal and project management. As REDD+ activities will take place in the Provinces, creating capacity in key Provinces will also be critical. A Technical Review Committee, made up of representatives from various Ministries, civil society and academia, will play an advisory role throughout the process. The capacity of this Committee's members also needs continued strengthening in the rapidly evolving REDD+ agenda nationally and globally.

28. The FCPF grant will finance:

- **Strengthening of the UT-REDD and the Technical Committee:** A senior technical assistant will be hired to support the National Coordinator. Technical assistants will be hired to lead the technical sub-units of the UT-REDD including: (i) Strategy Sub-Unit

(one consultant in charge of the preparation of the strategy and its implementation framework); (ii) Action Sub-Unit (a consultant in charge of designing Pilot Projects to ensure their lessons feed the strategy preparation); (iii) MRV (a consultant in charge of supporting the development of the national MRV system and a reference emissions scenario); and (iv) an administrative and financial assistant to support the grant implementation. The FCPF grant will also support training of the members of the Unit and of staff from MICOA and MINAG working on REDD+ agenda in the country. The grant will finance some of the recurring operational costs and equipment to the Unit. In addition, the grant will support national and international training for members of the national Technical Review Committee.

- **Strengthening the decentralization of REDD+ Arrangement:** REDD+ Focal points will be hired in four Provinces in the country to facilitate implementation of REDD+ activities. Concrete REDD+ activities including pilot projects are taking place at the provincial level and lessons from these activities will be critical for further evolution of REDD+ process in the country. The grant will also finance equipment to the provincial level.
- **Project Management Costs:** The National Environment Fund (FUNAB) has been assigned as the agency to handle financial management and procurement for the FCPF funds. The administrative costs related to the grant management and implementation of the activities supported under the grant, including complying with World Bank fiduciary policies, will be covered by the grant.

Component 2. Promotion of multi-stakeholder consultations (US\$ 0.9 million)

29. **Rationale.** REDD+ is a new concept. Since it covers forests and climate change agendas in the country, a multitude of stakeholders has direct stake in the REDD+ process at the national and local levels, including the national and provincial governments, civil society and local communities, the private sector and academia. As part of the national readiness process, an awareness-raising strategy on REDD+ (goals, implementation strategy, risks, links to ongoing activities, etc.) will be pursued. In addition, to ensure that the views of a broad range of stakeholders are taken into account, participatory multi-stakeholder consultations is critical for the development of the national REDD+ strategy and its legal and institutional framework.

30. The FCPF grant will finance:

- **Multi-stakeholder awareness raising and consultations on the REDD+ strategy and its legal framework:** Through the R-PP process, several awareness raising activities both at national and provincial levels have been conducted since 2009. Some of these activities include trainings government (including national, provincial, district and local authorities), NGOs, academia, private sector (and timber concessionaires, simple license operators, plantations and agriculture), community leaders, women's organizations, forest guards, charcoal producers, agricultural association and development partners in the different provinces in order to create a critical mass with knowledge to move the REDD+ process forward. To ensure continued awareness in general and on the REDD+ strategy and its legal framework in particular, the FCPF grant will provide additional support to carry out consultations with a broad range of stakeholders around all major studies during the implementation of the grant.

- **Preparation of Communication Material on REDD+:** Communication material targeted at different audiences will be prepared as part of the awareness raising and consultation processes. Particular attention will be paid to adapting the material to local communities being targeted. This could include printed material in local languages, theater plays, music, and illustrative/photo books.

Component 3: Design of the National REDD+ Strategy (US\$ 0.9 million)

31. **Rationale.** The preparation of a national REDD+ strategy and its legal and institutional framework is the keystone of the Readiness process. This Strategy should clearly identify the direct and indirect drivers of deforestation in Mozambique paying particular attention to local-level drivers, propose strategic options to address these drivers and prioritize the actions based on analysis of costs, feasibility and potential social and environmental risks and co-benefits. In Mozambique, the preparation of the strategy will rely on a series of national-level and site-specific studies that have been conducted by various institutions and researchers including by MICOA, MINAG, IIED and UEM in recent years. It will also consider lessons learned from pilot projects to be implemented during the Readiness phase, as well as existing relevant projects in the country, including those led by other stakeholders such as NGOs and the private sector.

32. Establishing an efficient, effective and equitable national REDD+ framework will entail various legal and institutional reforms at the national level. Mozambique will need to ensure that REDD+ resources are effectively used to target existing and future drivers of deforestation, if the country is to access REDD+ funding in the future. Issues to be considered in designing this framework include the rules for sharing the potential benefits from REDD+ with stakeholders, particularly with local communities; options for managing REDD+ resources at the national level; and determining the legal nature of emission reductions and its legal ownership. In a country where REDD+ activities occur at different levels (i.e., project, national-level), such as the case in Mozambique, it is important that the country is able to register and monitor all the activities including implementation entities, geographical location and source of finance. This will avoid double counting of carbon credits and ensuring transparency internationally.

33. REDD+ has the potential of contributing to Mozambique's sustainable development by supporting a new development model based on the value of standing trees and the reduction of rural poverty. However, there are also social and environmental risks associated to the policies, programs and projects to be adopted to achieve REDD+. In order to assess the risks associated with the National REDD+ Strategy and its Implementation Framework, as well as to consider potential alternatives and mitigation actions, the country will conduct a Strategic Environmental and Social Assessment (SESA) of the national REDD+ process, including the preparation of an Environmental and Social Management Framework (ESMF) to mitigate remaining risks during the implementation of REDD+. In addition, to support the country in managing potential conflicts arising from REDD+, Mozambique will design a grievance redress mechanism to receive and facilitate resolution of queries and grievances from affected communities or stakeholders related to REDD+ activities, policies or programs at the level of the community or country. This mechanism will focus on flexible problem solving approaches to dispute resolution through means such as fact finding, dialogue, facilitation or mediation. This mechanism should improve responsiveness to citizen concerns, help identify problems early, and foster greater trust and accountability with program stakeholders.

34. The FCPF grant will finance:

- **Preparation of the National REDD+ Strategy:** A study will: (i) assemble all existing information on drivers of deforestation and forest degradation in Mozambique; (ii) assess their geographical distribution; (iii) propose strategic options at the national and local levels to address these drivers; (iv) cost these options; and (v) propose a prioritization of these options following various variables (cost, technical and political feasibility, risks, and social and environmental co-benefits). Guidelines to aid government officials in dealing with REDD+ projects will also be prepared to provide concrete direction on REDD+ implementation on the ground. Finally, Mozambique will explore the feasibility of a large-scale emission reduction program in a province with potential for REDD+. The grant will finance this feasibility study targeted at an area to be determined during the Readiness phase.
- **Strategic Environment and Social Assessment and Design of a Grievance Mechanism:** A comprehensive assessment will be carried out consisting of: (i) analyzing the initial social and environmental issues related to deforestation and forest degradation in Mozambique; (ii) screening the preliminary REDD+ strategic options presented in the R-PP for social and environmental risks; (iii) recommending risk mitigation options to feed into the Strategy development; and (iv) preparing an Environmental and Social Management Framework (ESMF) and other safeguard instruments to mitigate the residual risks of the strategy (including a Resettlement Policy Framework). Furthermore, the assessment would review existing knowledge and experience in managing conflicts between different land users, experiences of local tribunals to address conflicts, experience in implementing anti-corruption legislation, etc. to design an adequate grievance mechanism system to manage potential future conflicts related to REDD+. These activities will promote multi-stakeholder consultations. The grant will finance consultants to support the UT-REDD in conducting this work.
- **Design of the National Legal and Institutional Framework for REDD+:** A comprehensive study will be carried out in a participatory consultative process by the UT-REDD that will focus on: (i) the identification of options for the design of REDD+ benefit sharing mechanisms, including the link between benefit and land tenure; (ii) determining the legal nature of emission reductions and rights; and (iii) assessing options to manage REDD+ funds at national level. This study will identify options for the future institutional arrangements for the future phase of REDD+, i.e., REDD+ investments and payments for performance. These options are expected to be shared and discussed with government, towards the preparation of legislation and institutional framework for REDD+.

2. Key Risks and Issues

35. Generally, it is envisaged that no significant environmental and social risks may arise in the course of implementing the envisaged project activities, which are preparatory nature. Nevertheless, some risks may be foreseen, including the following:

- **National capacity to lead the REDD+ process.** The R-PP implementation will be led primarily by the UT-REDD+ Secretariat under MICOA. Since the REDD+ process is relatively new and evolving, MICOA has demonstrated important human and technical capacity constraints to lead such a complex process given the lack of personnel and of incentives for taking up new tasks by existing staff. In the short term, the UT-REDD+

Secretariat will be strengthened with consultants financed by the FCPF. However, this raises the concern of long-term sustainability of these arrangements. The team will continue discussions with the GoM on how to further involve regular staff members in the REDD+ process. As part of the Readiness process, future institutional arrangements for the subsequent phases of REDD+ will also be identified, which could address the capacity issue.

- **Institutional leadership for REDD+ in Mozambique.** MICOA has the mandate for leading on climate change issues, whereas MINAG is responsible for overall management of land and forests in the country. The two Ministries have been collaborating on the REDD+ agenda for years now, but there still remains some questions as to roles and responsibilities of each Ministry as to the REDD+ agenda. This lack of clarity has resulted in important delays in project preparation and could lead to delays in project implementation. To mitigate this risk, an MoU between MICOA and MINAG clarifying their respective roles and responsibilities, how they will collaborate on REDD+ and in leading the UT-REDD+ Secretariat will be adopted.
- **High stakeholder expectations for REDD+ funding.** Overall, REDD+ is a mechanism that requires extensive stakeholder engagement. Because of that, there is always the possibility that stakeholder expectations may be raised, particularly amongst rural, poor communities where revenue streams coming from carbon finance may be seen by Government counterparts as a major selling point for obtaining community support. A number of options will be employed in order to ensure that these risks are managed. The project will emphasize a vigorous information sharing and multi-stakeholder consultation process during all stages of the REDD+ Strategy and during SESA formulation. Particular attention will be paid to benefit sharing and reward mechanisms, conflict resolution mechanisms and carbon rights.
- **Governance risks.** Complex governance issues characterize the forest sector in Mozambique, including illegal logging, lack of respect to local communities' land rights, elite capture of forest-related benefits among others. REDD+, by creating new incentives to the forest sectors, may create new challenges to the sector. A recent report on illegal logging prepared by the Environmental Investigation Agency and local NGOs has stirred debates in the country over overall forest governance. The Grant will finance different studies and analysis to clearly identify these risks and propose options to address them during the subsequent phases of REDD+ (investment and performance-based payments).
- **Compliance with World Bank Safeguards.** A Strategic Environmental and Social Assessment (SESA) will be conducted as part of the REDD+ Readiness process to ensure compliance with the Bank's safeguard policies. The overall capacity for implementing the SESA at the national level will need to be significantly increased to ensure that social and environmental risks are properly addressed and in a timely manner.

B. Implementing Agency Assessment

36. The execution of the national REDD+ Readiness Process will be led by the Technical Unit for REDD+ (UT-REDD), co-led by the MICOA (through its National Directorate of Environmental Management) and by MINAG (through its Directorate of Land and Forests). A MoU clarifying how this arrangement will work in practice is under preparation. A Technical Review Committee will provide an advisory role to the UT-REDD+ under the overall strategic

direction from CONDES. FUNAB will have fiduciary responsibilities including management of funds. Furthermore, an agreement has been reached between MICOA and MINAG about who will implement, and thus, accountable for an activity financed under FCPF fund, and will be reflected in an Operational Manual of the project.

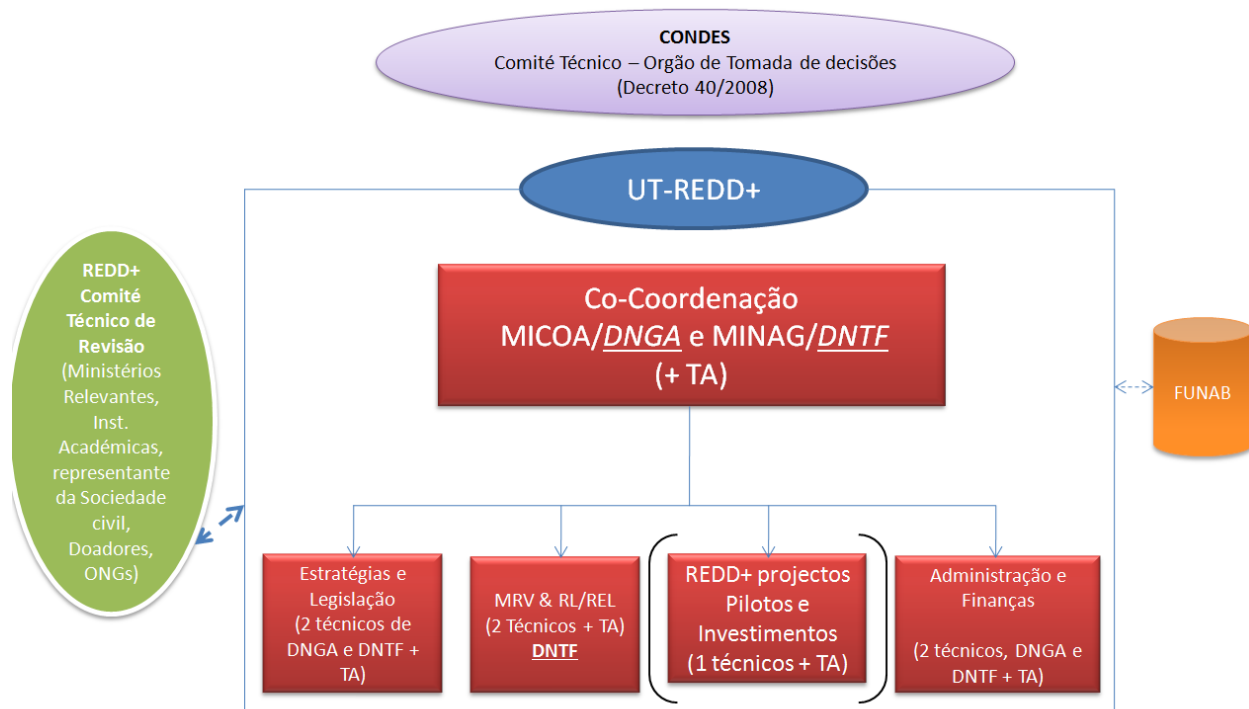
37. The UT-REDD+ will be comprised of national coordinators from MICOA and MINAG, supported by a technical assistant. Three thematic sub-units will be established – (i) strategy and legislation; (ii) REL and MRV; and (iii) pilots and investments – to be led by technical experts who will be contracted. The MRV and REL Sub-Unit will be managed by DNTF with the support from JICA. The UT-REDD+ will be responsible for the day-to-day operations of REDD+ in the country with, among others, the following tasks: (i) coordinate the implementation of the national REDD+ readiness process; (ii) ensure multi-stakeholder consultations and information sharing; (iii) manage the national registry of REDD+ activities; (iv) identify and monitor pilot projects; (v) liaise with provincial-level authorities on REDD+ issues; (vi) conduct a participatory process for analyzing potential environmental and social impacts of REDD+ activities and designing mitigation options for these risks; and (vii) monitor the implementation of the Readiness process

38. The Technical Review Committee will provide an advisory role to the UT-REDD+. It will be made up of Government agencies from different sectors⁶, civil society and private sector. The Committee will assess technical soundness of REDD+ interventions, and analyze the impact of investments towards emission reduction goals. It will provide technical support to the UT-REDD+ in assessing pilot REDD+ projects, including those proposed by third parties. It will be involved in the review and validation of the various studies to be prepared during the Readiness process.

39. CONDES is the existing high level inter-ministerial consultative body discussing sustainable management issues, including climate change. Therefore, it is well positioned to take important strategic decisions on low emissions development process, including review of land use, and reporting changes and carbon emission targets. CONDES Technical Council brings together director-level decision makers of various sectors and will serve as the National REDD+ Committee to approve the national work plan and provide strategic direction to the UT-REDD.

40. This structure is not formally adopted yet. Currently, a Decree is being prepared and consulted with various stakeholders, before the Government formally adopts the text. It should be emphasized that this is a temporary structure to lead the REDD+ Readiness phase. The implementation framework for the investment and performance-based phases of REDD+ will be assessed and designed during the Readiness phase.

⁶ Environment, Agriculture, Tourism, Rural Development, Energy, Mines, Infrastructure, Industry.



C. Project Stakeholder Assessment

41. REDD+ is essentially a multi-stakeholder process, since it involves the interests of a multitude of actors. The REDD+ Readiness process in Mozambique places a strong emphasis on consultations and on the creation of participatory mechanisms to ensure multi-stakeholder engagement.

42. The main decision-making authority on REDD+ issues is on the CONDES Technical Committee, a well-established Committee with the participation of technical departments and institutions from different sectors of the Government.

43. Civil society organizations (CSOs) are members of the REDD+ Technical Review Committee and hence are likely to be consulted on the main issues pertaining to REDD+. In general, CSOs in Mozambique, including Centro Terra Viva (CTV), have been actively engaged in the process and contributed to the R-PP preparation. Other organizations, such as UNAC (*União Nacional de Camponeses*), have been more critical of REDD+ due to concerns about potential negative impacts on local communities, especially in terms of increased pressure on their lands.

44. Private sector also plays an active role in the REDD+ Technical Review Committee. Some companies in Mozambique have expressed strong interest in implementing REDD+ projects in the country. Private companies in sectors such as logging and agriculture still have to be more actively engaged in the debates on REDD+, which should happen during the preparation of the strategy.

IV. Overall Risk Ratings

A. Risk Ratings Summary Table

Risk	Rating		Rating
Stakeholder Risk		Project Risk	
Operating Environment Risk		- Design	S
- Country	M	- Social and Environmental	S
- Sector and Multi-Sector	S	- Program and Donor	M
Implementing Agency Risk		- Delivery Monitoring and Sustainability	S
- Capacity	S		
- Governance	S		
- Fraud and Corruption (sub-category of Governance)	M		
Overall Preparation Risk	S	Overall Implementation Risk	S

H – High S – Substantial M – Moderate L – Low

B. Overall Risk Rating Explanation

45. The overall risk rating for the project is **Substantial**. The REDD+ Readiness process presents a substantial level of risk, as it depends on a several measures for the medium and long term including institutional arrangement for MICOA and MINAG to jointly work on the REDD+ processes in the country, signing of MOU between MICOA and MINGA, adoption of REDD+ decree in the medium term and introduction of legislation in the long term to create a conducive governance environment in the country. A successful REDD+ mechanism involves important changes to the existing institutional and policy frameworks and covers sensitive issues, such as tenure and carbon rights, and revenue distribution across government levels. In addition, the program has high visibility internationally, due to the high stakes of REDD+ for various stakeholders (including vulnerable forest-dependent communities).

V. Proposed Team Composition and Resources, including Technical Assistance Provided by Bank Staff to Date

46. The World Bank team has provided active support to the Mozambique REDD+ Readiness process since 2010. The Bank team has provided technical assistance to the country in preparing the R-PP, in addressing comments from the FCPF Technical Advisory Panel and from members of the FCPF Participants Committee. Furthermore, the Bank team also provided technical assistance in presenting both informal and formal versions of the document to the FCPF Participants Committee in October 2011 and March 2012 respectively. The Bank team has also provided continued technical assistance to the MICOA and MINAG teams in various activities related to the REDD+ Readiness process, including technical advice on the establishment of the national-level REDD+ Readiness arrangements, on conducting multi-stakeholders consultations and on preparing ToRs for some of the activities. In addition, the Bank responded to the Government's request of technical assistance in preparing preliminary regulations to address requests from private sector and NGOs to develop REDD+ projects aimed at carbon markets.

47. The team composition for the REDD+ Readiness Preparation Stage includes:

Team Composition			
Bank Staff			
Name	Title	Specialization	Unit
Dinesh Aryal	Senior Operations Officer	Team Lead	AFTN3
André Aquino	Carbon Finance Specialist	Co-Team Lead	CPFCF
Frauke Jungbluth	Senior Rural Development Economist	Former TTL and Rural Development Economist	SASDL
Amos Malate	Procurement Specialist	Procurement	AFTPM
Elvis Langa	FM Specialist	Financial Management	AFTFM
Kamel Ait El Hadj	Legal Associate	Legal	LEGAF
Luz Meza-Bartrina	Senior Counsel	Legal	LEGAF
Stephen Ling	Environmental Specialist	Environmental	AFTN3
Cheikh Sagna	Senior Social Specialist	Social	AFTCS
Nicholas Soikan	Social Specialist (Consultant)	Social	AFTN1
Angela Dengo	Team Assistant	ACS	AFCS2

VI. Assessment Summary

A. Technical

48. The Readiness Preparation Proposal (R-PP) prepared by Mozambique has received a positive evaluation from the FCPF independent Technical Advisory Panel (TAP) and from the FCPF Participant Committee members, which indicates the technical soundness of the proposal. The R-PP has been prepared by the Government, with strong support from national and international partners actively involved in natural resources management issues, including the Eduardo Mondlane University (UEM), IIED, CTV, and a Brazilian NGO, the Foundation Sustainable Amazonia (*Fundação Amazônia Sustentável* - FAS), .

49. The studies to be carried out (strategy preparation, implementation framework, SESA, etc.) will be led by the UT-REDD+ with support of independent consultants with strong technical skills. These studies involve deep technical knowledge in various areas, including GIS/remote sense analysis, environmental economics, rural development, social sciences, public administration and law. Hence, the approach is to tap into a broad range of expertise through studies to be launched throughout the process.

50. The analysis of drivers of deforestation and forest degradation will follow a methodology combining remote sense analysis of deforestation hotspots with field analysis of local deforestation dynamics to determine the explanatory variables of land use changes. Analysis of strategic options will rely on existing knowledge of how deforestation and forest degradation can be reduced, and on results achieved in the country and internationally. Analysis of the costs of achieving REDD+, including the potential preparation of cost curves for different strategic options, can rely on a methodology prepared by the FCPF/WBI, currently under implementation in a few countries.

B. Financial Management

51. **Financial Management Assessment:** A financial management assessment was conducted in accordance with the Financial Management Manual issued by the Financial Management Sector Board in March 2010. Its objective was to determine whether FUNAB has acceptable and adequate financial management arrangements to ensure reliability of financial reporting, effectiveness and efficiency of project operations and compliance with applicable laws, guidelines and procedures. The financial management responsibilities will be under FUNAB, while the technical aspects of the project will remain with MICOA/MINAG.

52. **Financial Management Arrangements:** The proposed FM arrangements were reviewed with the following conclusions: the overall FM risk rating of the project is Moderate and the overall FM arrangements, as designed, are acceptable to the Bank given the requirements under the OP/BP 10.02. The assessment was favorably impacted by the fact that FUNAB already makes use of the government financial management Procedures Manual as well as the government IFMIS. However, it will need to register the project in the government's budget for use of country systems such as the single treasury account and the government IFMIS. The external audit will be overall responsibility of the Tribunal Administrativo, which is constitutionally mandated to audit all government funds. After successful implementation of the recommended mitigating measures, the proposed financial management arrangements, as summarized in Annex IV have a residual financial management risk rating of **Low**.

C. Procurement

53. **Procurement Assessment:** A procurement assessment was conducted of UGEA of the Environment Fund (FUNAB), the agency that has been designated to handle procurement activities for the grant on February 1, 2013. The experience of UGEA in procurement of goods and selection of consulting services is very limited, and has no experience working with projects financed by the World Bank or other donors. The UGEA responds to the Executive Secretary who acts as the Competent Authority, and has authority to take decisions and sign on behalf of the "FUNAB" as defined in the Mozambican Procurement Regulation Decree 15/2010. The UGEA, which has five staff, is not adequately accommodated or equipped and does not have procurement staff. A Public Relation and Communication Officer is supporting the procurement function and acting as manager for UGEA. The Officer has some experience in procurement under the national procedures.

54. Taking into account that the number of contracts is limited, relatively small in value and with no complexity, the risk is **Substantial**. To mitigate those risks satisfactory to the Bank, a technical assistance with experience in procurement including national and World Bank procedures is needed to undertake the procurement activities while also providing hands-on training, mentoring staff, and troubleshooting. The consultant would also help with the preparation of a procurement manual that would detail the procedures applicable to the Project. Following the implementation of the above risk mitigation measures, the residual risk rating for the Project would change to **Moderate**.

55. The review thresholds are shown as follow. The procurement plan shall set forth those contracts which shall be subject to the prior review by the World Bank. All other contracts shall be subject to post review by the World Bank (see Annex V for details):

Expenditure category	Contract value threshold (US\$)	Procurement method	Contracts subject to prior review⁷
2. Goods and Services (other than Consultants' Services)	≥ 500,000	ICB	All
	≥ 75,000 - <500,000	NCB	None
	<75,000	Shopping	None
		Direct Contracting	All
3. Consulting Firms	≥ 200,000	QCBS, LCS, QBS	All
	<200,000	CQS	None
		Single Source	All
4. Individual Consultants	≥ 100,000	IC	All
	<100,000	IC	None
		Single Source	All

D. Social and Environmental (including Consultation, Participation, Disclosure and Safeguards)

56. The FCPF Readiness Preparation grant must comply with World Bank safeguard policies regarding the management of environmental and social impacts. This grant will, in part, support the country's activities to identify the potential risks associated with REDD+ and mitigation options.

D.1. Social (including Safeguards)

57. **Strategic Environmental and Social Assessment (SESA).** The FCPF grant will support the GoM in identifying the potential risks associated with REDD+ strategic options being considered as part of the national REDD+ strategy. Therefore, the FCPF is using a Strategic Environmental and Social Assessment (SESA) to integrate key environmental and social considerations into REDD+ Readiness by combining analytical and participatory approaches. This approach also ensures that the FCPF-financed activities comply with World Bank safeguard policies regarding the management of environmental and social impacts.

58. The SESA allows: (i) social and environmental considerations to be integrated into the REDD+ Readiness process, in particular in the preparation of the national REDD+ strategy; (ii) stakeholder participation in identifying and prioritizing key issues, assessment of policy, institutional and capacity gaps to manage these priorities and recommendations, and disclosure of findings; and (iii) the preparation of an Environmental and Social Management Framework (ESMF) and other safeguards instruments to be put in place to manage environmental and social risks and to mitigate potential adverse impacts related to future investments and carbon finance

⁷ The World Bank may, at its own discretion, require that a sample of contracts below the threshold be subject to prior review, at any time or when the Procurement Plan is updated

transactions in the context of the future implementation of REDD+. The SESA has been identified as the most appropriate instrument to ensure a proper consideration of social dimensions in the REDD+ process, in line with the international best practices (including the WB policies).

59. **Environmental and Social Management Framework (ESMF).** The SESA will include an ESMF and other safeguards instruments (such as a Resettlement Policy Framework) as a distinct output, which provides a framework for managing and mitigating social and environmental risks associated with REDD+ investments and transactions, including the REDD+ pilot activities. The development of the ESMF will ensure compliance of proposed REDD+ activities with Bank Safeguard policies - most notably OP 4.01 on Environmental Assessment, OP 4.04 on Natural Habitats and OP 4.36 on Forests. The framework will identify ways to maximize benefits with regard to social, cultural and economic well-being of people, particularly forest dependent populations and marginalized groups within these populations; and prevent or mitigate any negative impacts on the forest biodiversity and wider ecosystem. The ESMF will also pay particular attention to integrating the gender dimension of REDD+ in ensuring that any social mitigation actions will have gender differential positive impacts. A Resettlement Policy Framework (RPF) and/or Process Framework may also be prepared, as necessary, to comply with the requirements of OP 4.12 (Involuntary Resettlement).

60. A multi-stakeholder/ multi-disciplinary REDD+ Consultative Committee will be established in Mozambique to coordinate the development of the SESA/ESMF. This Committee will oversee the preparation of the SESA and ensure that institutional and capacity gaps for managing environmental and social risks are fully assessed. They will work very closely with the National REDD+ Technical Review Committee.

61. **Experiences in Mozambique with SESAs.** The National Directorate of Environmental Impacts Assessment (DNAIA) at MICOA is responsible for development of policies, review environmental and social impacts studies and mitigation plans, as well as conducting environmental and social audits. MICOA also has Sustainable Development Centers for the Coastal Zone based in Xai-Xai (Gaza province) and forest and other resources in Chimoio (Manica province). The former conducted the first macro-zoning and Strategic Environmental and Social Assessment (SESA) of the Coastal Zone. The Ministry of Agriculture, through the National Directorate of Agrarian Economy (DNEA), facilitated the development of the only Strategic Environmental and Social Assessment (SESA) conducted for a national program – PROAGRI. The SESA of PROAGRI included analysis of social, economic and environmental impacts as well as legal instruments and institutions to implement mitigation measures.

62.

63. During the preparation of the R-PP some key issues were raised that could be addressed while conducting SESA. These include:

- Analysis of implication of land resources tenure and rights to environmental services in particular carbon, rights to sell and benefit from it;
- Dealing with potential private sector-led REDD+ projects;
- Understanding the organizational structures and decision-making at the community level;

- The impact of REDD+ on investments and on the current right holders and people whose livelihoods depend on forests both in the rural and urban areas;
- Involvement of communities in various forms of Participatory Forest Management and how REDD+ can support scaling this up; and
- Tradeoffs between large scale plantations, carbon balance and biodiversity conservation.

D.2. Environmental (including Safeguards)

64. The proposed project falls under safeguards **category B**.

65. As mentioned above, the FCPF grant will finance the preparation of a SESA of the national REDD+ process. The upstream analyses will include assessing the environmental concerns associated with the drivers of deforestation and forest degradation and the proposed strategic options. The SESA will also analyze the institutional framework, policy, and enabling environment required to address the social and environmental considerations in REDD+. One of the outcomes of the SESA will be an ESMF, which will include application of the requirements of the Bank's policies on Environmental Assessment (OP 4.01), Natural Habitats (OP 4.04) and Forests (4.36).

D.3. Consultation, Participation and Disclosure

i. Experience to Date

66. **Consultations.** This R-PP is a product of consultations undertaken at national and provincial levels where forests are under pressure for a variety of reasons including: (i) conversion of native forests and woodlands into large scale plantations in Niassa; (ii) high competition between economic activities such as forest harvesting, commercial agriculture including biofuels, mining, logging and forest plantations in Nampula; (iii) mining and livestock in Tete; (iv) poor forest governance resulting in intensive and illegal logging in Zambézia; and (v) supply of biomass energy to Maputo city affecting forest areas beyond Maputo province, in particular Gaza. Representatives of all districts were invited to the provincial level consultations for the preparation of the R-PP. In Nampula, all districts were represented. Equally, regional level consultations brought together representatives from all provinces (North - Cabo Delgado, Niassa and Nampula; Centre - Zambézia, Manica Tete and Sofala; and South - Inhambane, Gaza and Maputo).

67. Consultations included among others: (i) dissemination of information on REDD+; (ii) discussion on reference level scenarios and MRV system; (iii) legal and institutional opportunities and gaps; (iv) identification of drivers of deforestation and degradation in the covered provinces; and (v) actions to address drivers, and identification of potential pilot areas. Stakeholders included government, non-government organizations, academia, private sector and communities.

68. Some of the main issues raised by the stakeholders during these initial consultations which will be incorporated in the REDD+ process include:

- REDD+ should address the whole spectrum of land use and land use change challenges in the country. It would allow gradual development of capacity to measure change of

emissions from deforestation and degradation of forests as a result of forest and agriculture activities as well as energy demand;

- REDD+ should be aligned with development plans of other relevant sectors;
- REDD+ can be achieved by increasing the number of long term concessions, reducing annual licenses for small scale operators and provide incentives for them to adhere to concession regime, creating more forest reserve and improving management of existing ones; strengthening law enforcement capacity, monitoring mining practices and enforcing requirements for rehabilitation or restoration of degraded areas due to mining activities;
- Specific legislation to address REDD+ is necessary as current legislation does not provide incentives for conserving forests, but rather rewards deforestation and degradation;
- Communities own resources as the land policy recognizes customary land rights. As such these should provide carbon rights to communities. Beneficiaries of REDD+ should reflect this constitutional right;
- Establishing community-based natural resources management institutions to ensure collective action and responsibility in reducing illegal activities/practices as well as facilitating awareness raising and training of communities in techniques such as agriculture conservation, use of improved stoves and forest plantation for energy and conservation purposes should be a priority of REDD+ processes in Mozambique.

ii. Proposal Going Forward

69. Mozambique adopted the principle 10 of the Rio Declaration stressing the importance of stakeholders' participation in addressing environmental challenges, as well as the need to provide sufficient and timely information for meaningful participation. The 1997 Environmental Law indicates that participation should go beyond consultation and encompass active involvement in subsequent implementation of policies, strategies and plans. Consultation so far undertaken informed the production of this readiness plan. However the analysis of options to deliver REDD+, carbon rights, role of private sector, institutional arrangement, capacity, benefit sharing arrangement among others still need further discussion. As such, the GoM has envisaged a robust consultation and communication strategy and plan to raise awareness and to enhance the ownership of REDD+ process in the country.

70. The consultation and communication strategy and plan define five stakeholder groups with specific objective and activities:

- **Government:** CONDES as a platform to communicate on REDD+ to reach institutions will continued to be used for raising awareness and building ownership plus commitment in addressing drivers of deforestation and degradation in the different sectors. The objectives are to: (i) build awareness for cross-sector mainstreaming of activities and monitoring processes that can contribute to reduction of emissions from conversion or degradation of forests; (ii) reach an agreement on definition of forests and what constitutes conservation and degradation; (iii) build sector and cross-sector ownership of the process and outcomes of REDD+ readiness and implementation; (iv) ensure that mitigation measures of REDD+ are identified, implemented and monitored; (v) provide information that will enable provincial and local institutions understanding their role in facilitating green economic growth, through good governance; (vi) identify indicators for assessing REDD+ performance; and (vii) discuss potential and existing land use

conflicts, lessons on conflict management and recommend framework for inclusive and transparent resolution and management mechanisms.

- **Private Sector:** Engagement of private sector is critical and the existing platforms, in particular CTA and FEMA that congregates several businesses including megaprojects, will continue to be used. Agribusiness, timber companies, large scale plantations and charcoal producers/vendors/intermediaries will be targeted at sub-national level. Pilot provinces already highlight the areas where these detailed discussions should take place. The objectives are: (i) build a mutual understanding on carbon rights and legislation to enforce protection of community rights; (ii) understand changes in resources use practices to contribute to curbing emissions; (iii) promote partnerships with communities to address drivers of deforestation and degradation; (iv) operationalize benefit sharing mechanisms and potential contribution to funding REDD+ projects in the country; and (v) discuss potential and existing conflicts and identify good practices for conflict management mechanisms.
- **Communities:** Communities are key players in implementation of sustainable land use and management practices. As such continued consultation is critical, focused on those areas where REDD+ activities are taking place. The objectives are to: (i) understand the REDD+ design options that could contribute to curbing emissions and evaluate the tradeoffs associated with change in practices; (ii) exercise FPIC in land allocation to investments and REDD+ pilot areas – what does it mean and what are implications?; and (iii) discuss potential and existing conflicts in land use, how REDD+ implementation help minimize or exacerbate those, and good practices in conflict management.
- **Academia and research institutions:** The objectives are to: (i) prompt reflection on adequacy of current curriculum at various levels to respond to emerging challenges and capacity needs; and (ii) contribute to design of targeted short and long term training to provide the necessary skills for REDD+, for example, on MRV systems.
- **NGOs:** Understanding of REDD+ concept, process, options by NGOs is fundamental as the multiplier effect of their knowledge is immense. They are the main intermediary that enables many communities to access information and technologies to improve land productivity and efficient use of resources. The objectives are to: (i) foster integration of climate mitigation in rural development initiatives; (ii) reflect and share lessons on agriculture technologies and alternative enterprises that can contribute to emissions' reduction and co-benefits; (iii) capitalize on the existing extension network to disseminate information on REDD+ and build awareness of land users on the impact of their practices; and (iv) discuss existing conflicts and causes as well as key drivers, how REDD+ implementation can mitigate or exacerbate conflicts, experiences in conflict management and role played by different stakeholders, recommend tested good practices.

D.4. Safeguards Policies Triggered

71. In general, the implementation of this grant is expected to have positive downstream impacts on the environment, including reducing the loss of native habitats through reduction in deforestation and promoting sustainable forest management.

Safeguard Policies Triggered	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		
In line with the nature of the REDD+ Readiness preparation activities, the Government of Mozambique will use a Strategic Environmental and Social Assessment (SESA) as the applicable safeguards approach. The strength of the SESA for REDD+ is that it will combine analytical work and participatory stakeholder consultations to inform the preparation of the REDD+ strategy. The SESA will help ensure compliance with the Bank's safeguards policies by integrating key environmental and social considerations relevant to REDD+ including all those covered by the above triggered four safeguards policies. The SESA will help the Government of Mozambique to formulate their REDD+ strategy in a way that reflects inputs from key stakeholder groups, including women, the poor and most vulnerable groups and addresses the main environmental and social issues identified. The SESA will factor in an Environmental and Social Management Framework (ESMF) as a framework for managing and mitigating the environmental and social risks related to investments and carbon finance transactions in the context of the future implementation of REDD+. All future investments and carbon finance transactions will still require specific environmental and social screening and assessments, but these will benefit from the strategic context created by the SESA that provides for both an ESMF and an RPF/PF. The ESMF will include standard methods and procedures, along with appropriate institutional arrangements for screening, reviewing, implementing and monitoring specific ESMFs to prevent adverse induced and/or cumulative impacts.			
Natural Habitats (OP/BP 4.04)	X		
The application of this policy seeks to ensure that all options proposed in the National REDD+ Strategy take into account the conservation of biodiversity, as well as the numerous socio-environmental services and products that natural habitats provide to human society. Overall, REDD+ activities are expected to have significant positive impacts on natural habitats, as the country will put in place an effective strategy to reduce the possible loss of natural habitats and forests. The SESA will address issues related to natural habitats and potential impacts of the National REDD+ Strategy..			
Forests (OP/BP 4.36)	X		
Overall, REDD+ activities are expected to have significant positive impacts on forests in the country, in that the main goal of the project is to reduce, in the short-to-long term, deforestation and forest degradation, while contributing to the well-being of forest-dependent communities. Potential impacts of the National REDD+ Strategy on natural forests will be assessed through the SESA that provides also for the ESMF. The SESA will reflect the basic requirements of the Bank's Operational Policy regarding forests management, in particular as these relate to the establishment of plantations.			
Pest Management (OP 4.09)			X
This policy could be triggered depending on the final scope of the National REDD+ Strategy. Agricultural intensification and reforestation activities, for instance, could trigger this policy, depending on the methods employed by concrete activities on the ground to manage pests. If triggered, the SESA will also address critical issues related to pest management, as necessary.			
Physical Cultural Resources (OP/BP 4.11)			X
This policy could be triggered if REDD+ activities promote actions in areas containing sites deemed as physical cultural resources by communities living there (e.g. holy sites such as sacred graves, sacred or holy forests, etc.). Though it is not anticipated that the grant will have negative impacts on any such sites, the existence of any such sites and the corresponding need to trigger this policy will be determined once the National REDD+ Strategy is completed.			
Indigenous Peoples (OP/BP 4.10)		X	
As per World Bank definition of Indigenous Peoples, the policy is not triggered as it doesn't apply in Mozambique.			
Involuntary Resettlement (OP/BP 4.12)	X		
The project description shows no factual sign of triggering this policy; however, the elaboration of the			

Safeguard Policies Triggered	Yes	No	TBD
REDD+ strategy may suggest activities that will trigger Involuntary Resettlement in situations involving land acquisition resulting in involuntary restrictions of access to legally designated parks, or protected areas (such as forest management / reforestation areas, etc.). The policy basically aims to avoid involuntary resettlement to the extent feasible, or to minimize and mitigate its adverse social and economic impacts in cases where resettlement or other involuntary restrictions cannot be avoided. The SESA process will make provision through an RPF and/or a PF for ensuring that any issues related to land acquisition or involuntary resettlement will be identified, analyzed and adequately mitigated.			
Safety of Dams (OP/BP 4.37)		X	
The policy is not triggered simply because the project will not finance activities that will include construction of dams and/or use of waters from a nearby dam.			
Projects on International Waterways (OP/BP 7.50)		X	
The policy is not triggered simply because the project will not finance activities on/using international waterways.			
Projects in Disputed Areas (OP/BP 7.60)		X	
The policy is not triggered simply because the project will not finance activities in/on disputed areas.			

Annex II: Preparation Schedule and Resources
REPUBLIC OF MOZAMBIQUE: Reducing Emissions from Deforestation and Forest Degradation
(REDD+)
Readiness Preparation Support

Preparation Schedule

Milestone	Basic	Forecast	Actual
AIS Release	From system	From system	From system
Concept Review	From system	From system	From system
Auth Appr/Negs (in principle)	From system	From system	From system
Bank Approval	From system	From system	From system

Sector Unit Estimate of Resources Required from Preparation through Approval

Source of Funds	Preparation Expenses to Date (USD)	Estimate of Resource Requirements (USD)	
		Fixed	Variable
Bank Budget	From system	From system	From system
Trust Funds	From system	From system	From system

Team Composition

Bank Staff				
Name	Title	Specialization	Unit	UPI
Dinesh Aryal	Senior Operations Officer	Team Lead	AFTN3	
André Aquino	Carbon Finance Specialist	Co-Team Lead	CPFCF	
Frauke Jungbluth	Senior Rural Development Economist	Former TTL and Rural Development Economist	SASDL	
Amos Malate	Procurement Specialist	Procurement	AFTPM	
Elvis Langa	FM Specialist	Financial Management	AFTFM	
Kamel Ait El Hadj	Legal Associate	Legal	LEGAF	
Luz Meza-Bartrina	Senior Counsel	Legal	LEGAF	
Stephen Ling	Environmental Specialist	Environmental	AFTN3	
Cheikh Sanga	Sr. Social Development Specialist	Social	AFTCS	
Nicholas Soikan	Social Specialist (Consultant)	Social	AFTN1	
Angela Dengo	Team Assistant	ACS	AFCS2	
Non Bank Staff				
Name	Title	Office Phone	City	

Annex III: R-PP Submitted by the REDD Country Participant

REPUBLIC OF MOZAMBIQUE: Reducing Emissions from Deforestation and Forest Degradation (REDD+) Readiness Preparation Support

1. **The Forest Carbon Partnership Facility (FCPF) is assisting developing countries** in their efforts to reduce emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest (REDD+) by providing value to standing forests. It was announced at the Conference of Parties (CoP13) to the United Nations Framework Convention on Climate Change (UNFCCC) in Bali in December 2007 and became operational in June 2008.
2. **The FCPF is helping build the capacity of developing countries** in tropical and subtropical regions to reduce emissions from deforestation and forest degradation and to tap into any future system of positive incentives for REDD+. The aim is to enable countries to tackle deforestation and reduce emissions from REDD+ as well as develop capacity for assessment of measurable and verifiable emission reductions.
3. The FCPF's initial activities relate to strategic planning and preparation for REDD+ in IBRD and IDA member countries in the tropics across Africa, East Asia and Pacific, Latin America and the Caribbean and South Asia. Specifically, countries prepare for REDD+ by:
 - Assessing the country's situation with respect to deforestation, forest degradation, conservation and sustainable management of forests and relevant governance issues;
 - Identifying REDD+ strategy options;
 - Assessing key social and environmental risks and potential impacts associated with REDD+, and developing a management framework to manage these risks and mitigate potential impacts;
 - Working out a reference level of historic forest cover change and greenhouse gas emissions and uptake from deforestation and/or forest degradation and REDD+ activities, and potentially forward-looking projections of emissions; and
 - Designing a monitoring system to measure, report and verify the effect of the REDD+ strategy on greenhouse gas emissions and other multiple benefits, and to monitor the drivers of deforestation and forest degradation, as well as other variables relevant to the implementation of REDD+.
4. These preparatory activities are referred to as '**REDD+ Readiness**' and are supported in part by the Readiness Fund of the FCPF. This FCPF Readiness Preparation grant activity (referred to as "Project" in the R-PP Assessment Note) will fund only a portion of the R-PP activities, but will help the Country towards achieving REDD+ Readiness, even though the Country may not reach this stage until well after the grant closes; it will not finance any implementation of REDD+ activities on the ground (e.g., investments or pilot projects).

5. It is expected that approximately five to ten countries that will have made significant progress towards REDD+ readiness will also participate in the Carbon Finance Mechanism and receive financing from the Carbon Fund. Specifically, these countries will benefit from performance-based payments for having verifiably reduced emissions from deforestation and/or forest degradation through their Emission Reductions Programs. The structure of these payments will build on the options for REDD+ that are currently being discussed within the UNFCCC process, with payments made to help address the causes of deforestation and degradation.

6. The experiences generated from the FCPF's methodological, pilot implementation and carbon finance experience will provide insights and knowledge for all entities interested in REDD+. The FCPF thus seeks to create an enabling environment and garner a body of knowledge and experiences that can facilitate development of a much larger global program of incentives for REDD+ over the medium term.

7. Thirty-seven countries have been selected as REDD+ Country Participants in the FCPF Readiness Mechanism, based on Readiness Preparation Idea Notes reviewed by the Participants Committee and independent reviews by a Technical Advisory Panel.

8. Many of these REDD Country Participants received grant support to develop a Readiness Preparation Proposal (R-PP), which contains a detailed assessment of the drivers of deforestation and forest degradation, terms of reference for defining their emissions reference level based on past emission rates and future emissions estimates, establishing a monitoring, reporting and verification system for REDD+, adopting or complementing their national REDD+ strategy, and actions for integrating environmental and social considerations into the REDD+ Readiness process, including the national REDD+ strategy. A Consultation and Participation Plan is also part of the R-PP.

9. **The Government of Mozambique (GoM) has developed and submitted an R-PP.** This REDD+ Readiness Preparation grant will provide additional funding to support the Country in carrying out the activities outlined in its R-PP. The grant will fund only a portion of the broader set of activities spelled out in the R-PP (see Schedule and Budget table below) focused on key elements of the REDD+ Readiness process. However, it should be noted that the Country may not reach the REDD+ Readiness stage until well after the grant closes.

10. **Mozambique and the FCPF.** Mozambique's Readiness Preparation Proposal (R-PP) was endorsed by the FCPF Participants Committee in March 2012 (see the link below). The Committee requested the World Bank to conduct its due diligence with the view of signing a grant of up to US\$ 3.6 million to allow Mozambique to implement the activities presented in the R-PP. The R-PP includes activities related to: (i) the preparation of national REDD+ strategy and a legal and institutional framework; (ii) the design and implementation of a national Measurement, Verification and Reporting (MRV) system to allow the country to monitor and report on emissions arising from deforestation and forest degradation; and (iii) the preparation of a national reference level of emissions from deforestation and forest degradation.

Schedule and Budget (by component and funding sources)						
		Estimated Cost in thousand US\$ ('000)				
		(2011/12)	2013	2014	2015	Total
Component 1 Organize & Consult	1a. National Readiness Management Arrangements	(297)	511.5	496.5	465.5	1,352 (297)
	1b. Information Sharing and Early Dialogue with Key Stakeholder Groups	(698)	85			85 (698)
	1c. Consultation and Participation Process		160	160	130	450
Component 2 Prepare the REDD+ Strategy	2a. Assessment of Land Use, Forest Law, Policy and Governance	(45)	195	130	10	335 (45)
	2b. REDD+ Strategy Options	(330)	653	908	620	2,181 (330)
	2c. Social and Environmental Impacts during Readiness Preparation		170	200	200	570
	2d. Social and Environmental Impacts during Readiness Preparation and REDD+ Implementation		125	150	25	300
Component 3 Develop a Reference Level		(97.5)	280	640	680	1,600 (97.5)
Component 4 Design Monitoring, Reporting and Verification System	4a. Emissions and Removals		7,700	650	1,350	9,700
	4b. Multiple Benefits, Other Impacts and Governance					
Component 6 M&E			23	43	34	100
TOTAL		(1,467.5)	9,902.5	3,377.5	3,514.5	16,794.5 (1,467.5)
Government of Mozambique			18.0	18.0	18.0	54.0
FCPF			1,501.5	1,251.0	847.5	3,600.0
Government of Japan			7,000.0			7,000.0
JICA			680.0	990.0	1,830.0	3,500.0
Government of Norway*		(1,467.5)				
<i>To be identified</i>			703	1,118.5	819.0	2,640.5

*The financing was provided in 2011/12. Disbursement schedule of additional resources is yet to be finalized.

R-PP (January 2013):

http://www.forestcarbonpartnership.org/sites/fcp/files/2013/Mozambique%20RPP%20Final_08022013%20cleaned.pdf

R-PP Annexes (March 2012):

https://www.forestcarbonpartnership.org/sites/forestcarbonpartnership.org/files/Documents/PDF/Jan2012/Mozambique_R_PP_Annexes_January_2012.pdf

Annex IV – Financial Management Arrangements

REPUBLIC OF MOZAMBIQUE: Reducing Emissions from Deforestation and Forest Degradation (REDD+) Readiness Preparation Support

1. The Ministry for the Coordination of Environmental Affairs and the Ministry of Agriculture will be the coordinating agency for the REDD+. More specifically, the coordination of the FM related activities will be under the responsibility of the *Fundo do Ambiente* (FUNAB) DAF. FUNAB has been implementing the Bank-financed Readiness Preparation Grant, although, a very limited number of activities have taken place so far. The financial management assessment of FUNAB was also favorably impacted by the fact that it already has satisfactory FM arrangements (Budgeting, accounting, funds flow, internal controls, financial reporting, and external auditing). The project will also make use of other country's FM systems as described below.

Budgeting

2. The budgeting, budgetary control, and budget revisions will follow national procedures requiring that the project budget is inserted as part FUNAB's budget and approved by parliament. This annual activity will be carried out by the FUNAB in close collaboration with MICOA.

3. In addition to the above, the approved activities on the budget will be captured in annual work plans prepared in coordination with MICOA, which for IDA purposes will be the documents driving implementation. The project budget will need to be registered with the National Directorate of Budget (DNO) and National Directorate of Treasury (DNT) prior to effectiveness to be able to make use of the country FM systems including the government accounting system e-SISTAFE and *Single Treasury Account* (CUT). In addition, the DNO will provide a separate budget code to be used under the project to ensure that only the respective project implementing units have access to the project funds as well as for budget execution monitoring purposes. Budget preparation should take into account the time periods required for the project to receive the 'Visto' from the *Tribunal Administrativo*.

Internal control and Accounting procedures

4. As the project will be making use of the country's FM systems, the internal controls and accounting will similarly be based on the national procedures used in the institutions' day to day operations. FUNAB will be responsible for ensuring that the internal controls of the project are effective and functioning, however, the *Inspecção Geral das Finanças* (IGF) will be responsible for conducting independent, objective internal audit/inspections, which normally take place at least on a yearly basis and based on risk profiles of the institutions.

5. FUNAB will follow the day-to-day government financial management procedures as defined on the *Manual de Administração Financeira* (MAF) and therefore, there is no need for a new manual under the project. However, in addition, to be used in conjunction with the MAF, procedures will be agreed and documented on FM coordination aspects between the FUNAB and MICOA. It will be FUNAB's and MICOA's responsibility to ensure that the simple annex on FM coordination remains current throughout the life of project.

6. In addition, FUNAB is in the process of creating an internal audit unit, which will be responsible for conducting independent, objective assurance activities and will report directly to *Director General* regarding the institution's risks, internal controls and compliance.

Staffing

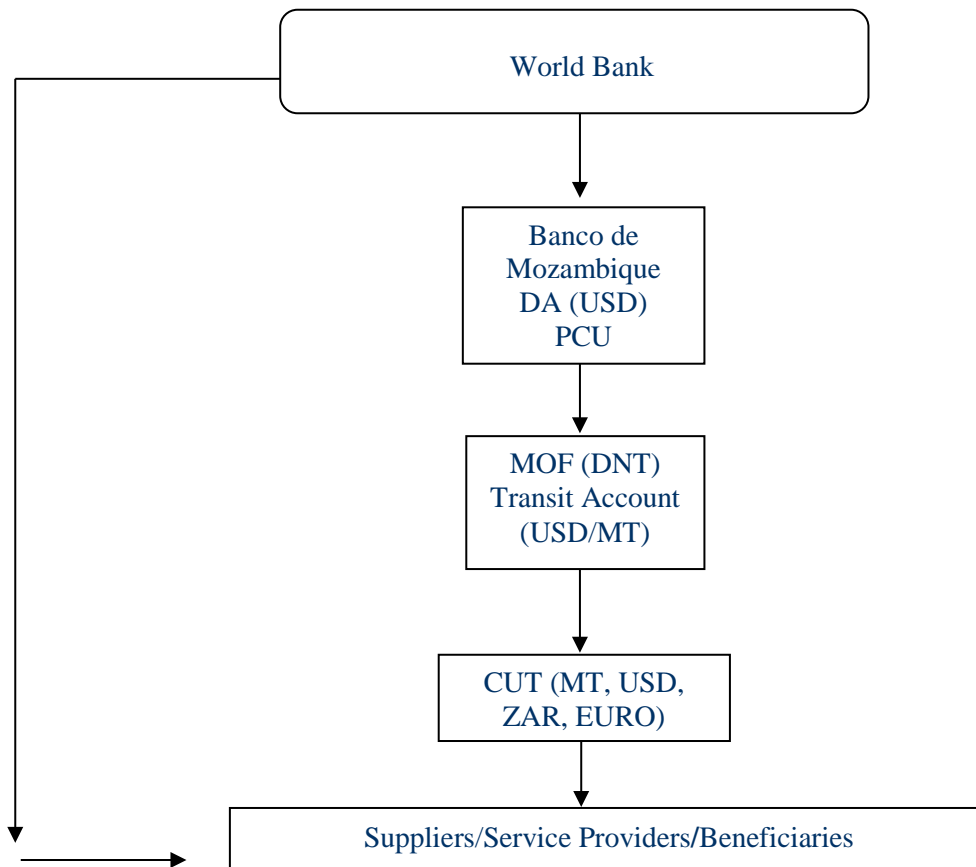
7. FUNAB's DAF appears to be adequately staffed to handle the responsibilities of the rather straight-forward operation. It is headed by an experienced FM manager and aided by other accountants who have also benefitted from trainings on Bank's FM and Disbursement procedures. No additional FM staff is expected to be recruited under the project. The mix of skills and qualifications within FUNAB is sufficient to be able to handle the simplicity of the operation.

Accounting system

8. FUNAB will make use of the government's own IFMIS e-SISTAFE for summarizing its transactions. It will however, need to register the project's budget at DNO to be able make use of the system.

Funds Flow

9. The project will operate one Designated Account managed by FUNAB covering all project payments as shown on the illustrative chart below:



Reporting

10. FUNAB will provide quarterly reports directly to the Bank. The formats of these quarterly reports will be agreed by negotiations. The quarterly reports will be prepared and submitted to the Bank within 45 days of the end of each calendar quarter reported on covering all project activities. These quarterly reports will include:

- Sources and Uses of Funds;
- Detailed Use of Funds Schedule by Project Component/ Disbursement Categories, comparison with budgets; and short-term forecasts of expenditure;
- A narrative summary of implementation highlights for the quarter helps the readers understand the financial statements better.

11. One set of audited annual financial statements together with the management letter to the Bank within six months of the end of the fiscal year. The audits will be carried out by the *Tribunal Administrativo*.

12. The Annual Financial Statements will also incorporate all of the project's activities, and will be prepared in accordance with International Public Sector Accounting Standard for cash basis and specifically include among others:

- A Statement of Sources and Uses of Funds showing funds from IDA and how they were applied;
- A Summary of Expenditures analyzed by both Component and Category; and
- The supporting Notes in respect of significant accounting policies and accounting standards adopted by management;
- Designated Account Activity for the Year showing deposits and replenishments received, payments substantiated by withdrawal applications, interest that may be earned on the account and the balance at the end of the fiscal year;
- Summary of Withdrawals, listing individual withdrawal applications by reference number, date and amount.

External Auditing

13. Audit TORs have been agreed with the Supreme Audit Institution (SAI), the *Tribunal Administrativo* (TA) which is constitutionally mandated to audit all government funds. However, these TORs will also be shared with the project team. The audits may be subcontracted to a firm of private auditors, with/or without the participation by TA staff in the actual audit.

14. Therefore, one set of audited financial statements, along with the auditor's report and management letter (incorporating management's comments) covering identified internal control and accounting system weaknesses, will be submitted to IDA within six months of the end of each fiscal year. A single audit opinion will be issued all IDA funded receipts and payments.

Table of audit compliance requirements

Action	Submission Date	By whom
Submit annual audited financial statements together with the management letter	Annually by June 30	FUNAB

FM Action Plan

Action	Indicative Date	By whom
Agree on formats of IFRs	Within one month after signing	FUNAB/Bank
Procedures manual on coordination activities between FUNAB and MICOA	Within one month after signing	FUNAB

Disbursements Arrangements

15. The project will use transaction based disbursements (Statements of Expenditure – SOEs). The project may also make use of other disbursement methods/procedures such as (i) Reimbursement disbursement method, whereby the Bank reimburses the Borrower for eligible expenditures that the Borrower has pre-financed from its own resources; (ii) Direct Payment method, by which at the borrower's request, the Bank makes direct payments to suppliers and contractors from the Credit account; (iii) the Special Commitment method, whereby the Bank will issue special commitment to commercial banks for payment of eligible expenditures. The Bank will issue the "Disbursement Letter" which will specify the additional instructions for each of the implementing units for withdrawal of the proceeds of the Credit.

Annex V – Procurement Plan
REPUBLIC OF MOZAMBIQUE: Reducing Emissions from Deforestation and Forest
Degradation (REDD+)
Readiness Preparation Support

General

1. The procedures to be followed for National Competitive Bidding (NCB) shall be those set forth in the *Regulamento de Contratação de Empreitada de Obras Públicas, Fornecimento de Bens e Prestação de Serviços ao Estado* of the Republic of Mozambique of May 24, 2010, as per Decree No. 15/2010, with the modifications described in the following paragraphs.

Eligibility

2. No restriction based on nationality of bidders and/or origin of goods shall apply. Foreign bidders shall be allowed to participate in NCB without restriction and shall not be subject to any unjustified requirement that would affect their ability to participate in the bidding process, such as, but not limited to, the proof that they are not under bankruptcy proceedings in Mozambique; have a local representative; have an attorney resident and domiciled in Mozambique; form a joint venture with a local firm. In cases of joint ventures, they shall confirm joint and several liability.

3. Prior registration, obtaining a license or agreement shall not be a requirement for any bidder to participate in the bidding process.

4. Government-owned enterprises or institutions of the Republic of Mozambique shall be eligible to participate in the bidding process only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Borrower or Sub-Borrower.

Bidding documents

5. Standard bidding documents acceptable to the World Bank shall be used.

Preferences

6. No domestic preference shall be given for domestic bidders and/or for domestically manufactured goods.

Applicable procurement method

7. Subject to these provisions, procurement shall be carried out in accordance with the “Public Competition” method (*Concurso Público*) set forth in the Regulation.

Bid preparation time

8. Bidders shall be given at least twenty eight (28) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids.

Bid opening

9. Bids shall be opened in public, immediately after the deadline for their submission in accordance with the procedures stated in the bidding documents.

Bid evaluation

- (a) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified; the evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. Qualification criteria shall be applied on a pass or fail basis.
- (b) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents; criteria other than price shall be quantified in monetary terms.
- (c) A contract shall be awarded to the qualified bidder offering the lowest-evaluated and substantially responsive bid.
- (d) Bidders shall not be eliminated on the basis of minor, non-substantial deviations.

Rejection of all bids and re-bidding

10. All bids shall not be rejected and new bids solicited without the World Bank's prior concurrence.

Complaints by bidders and handling of complaints

11. The Borrower shall establish an effective and independent protest mechanism allowing bidders to protest and to have their protest handled in a timely manner.

Right to inspect / audit

12. In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Financing shall provide that: (i) the bidders, suppliers, and contractors and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the World Bank, at its request, to inspect their accounts, records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the World Bank; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.

Fraud and corruption

13. Each bidding document and contract financed from the proceeds of the Financing Agreement shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The World Bank will sanction a firm or individual, at any time, in accordance with prevailing World Bank sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a World Bank-financed contract; and (ii) to be a

nominated sub-contractor, consultant, supplier or service provider of an otherwise eligible firm being awarded a World Bank-financed contract.

Debarment under the national system

14. The World Bank may recognize, if requested by the Borrower, exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption or similar misconduct, and further provided that the World Bank confirms that the particular debarment procedure afforded due process and the debarment decision is final.

Procurement plan

15. The Borrower has developed a procurement plan for the first 18 months of Project implementation and being reviewed by the World Bank and will be made available at FUNAB in the Project's database, and in the World Bank's external website. The procurement plan will be updated annually or as required to reflect the actual project implementation needs.

16. The frequency of procurement supervision missions will be once every six months. Special procurement supervision for post procurement reviews will be carried out at least once every twelve months.

Procurement arrangements

Goods

17. The project will not finance works. Particular methods of procurement of goods are as follows:

- (a) **International Competitive Bidding.** Except as otherwise provided in the next paragraph, Goods shall be procured under contracts awarded on the basis of International Competitive Bidding (ICB).
- (b) **Other methods of procurement of goods.** The following list specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used.
 - (i) National Competitive Bidding,
 - (ii) Shopping, and
 - (iii) Direct Contracting.

Schedule for goods

18. **Procurement of Goods and non-consulting services:** Goods and non-consulting services procured under the Project will include procurement of IT equipment, furniture, vehicles, and dissemination material among others. Procurement will be done using the World Bank's Standard Bidding Documents for all International Competitive Bidding (ICB) estimated to cost starting US\$500,000 equivalent per contract. National Competitive Bidding (NCB) for the contracts estimated to cost less than US\$500,000 equivalent per contract may use national procedures and documents including the use of Portuguese language in accordance with the Mozambican Procurement Regulations as per Decree Number 15/2010 with the WB exceptions

below. The bidding documents will be agreed by the World Bank. Small value goods estimated to cost less than US\$75,000 per contract may be procured under the Shopping procedures by comparing written price quotations obtained from several qualified and reputable suppliers with a minimum of three, to assure competitive prices, and is an appropriate method for procuring readily available off-the-shelf goods.

Consulting services

19. Particular methods of procurement for consulting services are:

- (a) **Quality and Cost-Based Selection (QCBS).** Except as otherwise provided in the paragraph below, consultants services shall be procured under contracts awarded on the basis of Quality and Cost-Based Selection.
- (b) **Other methods of procurement of consultants' services.** The following list specifies selection methods, other than Quality and Cost-Based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used:
 - (i) Quality-based Selection (QBS)
 - (ii) Selection based on the Consultant's qualifications (CQS)
 - (iii) Least-cost selection (LCS)
 - (iv) Single-source selection for firms (SSS),
 - (v) Individual Consultants (IC).
 - (vi) Single-source selection for IC (SSS),

Schedule for consulting services

20. **Selection of Consultants:** Consulting services to be procured under the Project will likely include: Social and environmental strategic assessment, Emission Reduction Program Idea Note –ER-PIN consultancy, financial audits, technical assistance for financial management, procurement, technology transfer, amongst others. All consulting service contracts estimated to cost more than US\$200,000 equivalent per contract for firms will be awarded through Quality and Cost Based Selection (QCBS) method, Least Cost Selection (LCS) method or Quality Based Selection (QBS) method. Contracts for assignments estimated to cost less than US\$200,000 equivalent may be contracted through Consultants' Qualification (CQS For the selection of Consulting Services estimated to cost less than the equivalent of US\$200,000 per contract, the short list may be comprised only of national consultants, and the provisions of the Decree 15/2010 apply.

(i) List of Goods Contract Packages to be procured during the initial 18 months of implementation (draft):

 Republic of Mozambique Ministry for Coordination of Environmental Affairs National Directorate of Environmental Management REDD+ Project							
Simplified Procurement Plan: REDD+ Project (in USD) - From March 2013 to March 2016							
GOODS							
Ref. No.	Contract (Description)	Estimated cost (USD)	Procurement Method	Review by Bank (Prior/Post)	Specifications	Expected Bid opening	Expected Contract Completion
G01	Vehicles	180,000	NCB	Prior	June 2013	September 2013	January 2014
G02	IT equipment	66,000	Shopping	Post	June 2013	September 2013	January 2014
G03	Office equipment	20,000	Shopping	Post	June 2013	September 2013	January 2014
G04	Design of REDD+ advertising material	100,000	NCB	Post	January 2014	April 2014	December 2015
G05	Print of REDD+ advertising material	100,000	NCB	Post			
G06	Dissemination of REDD+ advertising material	50,000	Shopping	Post			
Total	Sub-total Goods	516,000					

(ii) List of consulting assignments (draft):

 Republic of Mozambique Ministry for Coordination of Environmental Affairs National Directorate of Environmental Management REDD+ Project								
Simplified Procurement Plan: REDD+ Project (in USD) - From March 2013 to March 2016								
CONSULTANT SERVICES								
Ref. No.	Description of Assignment	Estimated cost (\$)	Selection Method	Review by Bank (Prior/Post)	Terms of Reference	Expected Proposal Submission	Expected Contract Completion	Comments/Responsibility
CS01	Technical Assistant	108000	DC	Prior	November 2012	March 2014	March 2016	MICOA+MINAG
CS02	Administrative and Financial Assistant	90000	DC	Post	2/1/2013	June 2014	March 2016	MICOA+MINAG
CS03	Technical Assistant for Strategic Legislation and Legal	90000	IC	Post	June 2013	July 2013	September 2013	MICOA+MINAG
CS04	Technical Assistant for demonstrative projects	30000	IC	Post	June 2013	July 2013	September 2013	MINAG
CS05	Technical Assistant for MRV and Reference scenarios	15000	IC	Post	July 2013	August 2013	October 2013	MINAG
CS06	Creating the System for Monitoring and evaluation for the REDD+ process	60000	IC	Post	September 2013	October 2013	December 2013	FUNAB
CS07	Financial Audit	60000	IC	Post	October 2013	November 2013	December 2013	FUNAB
CS08	Hiring Provincial coordinator (Nampula?)	60000	IC	Post	October 2013	November 2013	December 2013	MICOA+MINAG
CS09	Hiring Provincial coordinator (Zambezia?)	60000	IC	Post	October 2013	November 2013	December 2013	MICOA+MINAG
CS10	Hiring Provincial coordinator (Gaza?)	60000	IC	Post	October 2013	November 2013	December 2013	MICOA+MINAG
CS11	Hiring Provincial Coordinator (Sofala?)	60000	IC	Post	October 2013	November 2013	December 2013	MICOA+MINAG
CS12	Conceptualization and implementation of REDD+ Information Platform / registry	20000	IC	Post	December 2013	January 2014	February 2014	MINAG
CS13	Definition of forests in Mozambique	50000	CQ	Post	September 2013	October 2013	December 2013	MINAG
CS14	Design the program for REDD+ and proposal for Institutional arrangements for REDD implementation phase	50000	SQC	Post	August 2013	September 2013	October 2013	MICOA+MINAG
CS15	Strategy development (analysis of drivers and strategic options to address drivers), including cost analysis of strategic options.	125000	CQ	Post	August 2013	September 2013	October 2013	MINAG
CS16	Strategic Environmental and Social Assessment and Environmental Management Framework: (including capacity building and consultations)	175000	QCBS	Post	October 2013	November 2013	December 2013	MICOA
		175000	QCBS	Post	October 2013	November 2013	December 2013	MINAG
CS17	Study on elements of the implementation framework for REDD+ (benefit sharing options, carbon rights, options to manage REDD+ funds at national level, fiscal policy)	50000	CQ	Post	February 2014	April 2014	June 2014	MICOA
		50000	CQ	Post				MINAG
CS18	Develop guidelines to assess demonstrative projects proposals presented to Gov and strength the capacity of MICOA and UT-REDD on REDD+ projects	100000	CQ	Post	March 2014	April 2014	June 2014	MICOA
		100000	CQ	Post	March 2014	April 2014	June 2014	MINAG
Total	Sub-total Consultant Services	1,588,000						