

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

Report No.: PIDC85463

Project Name	
Region	AFRICA
Country	Mozambique
Lending Instrument	IPF
Project ID	P161241
Borrower Name	National Executing Agency
Implementing Agency	National Executing Agency
Environment Category	B - Partial Assessment
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Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

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

The country is vulnerable to climate change and highly exposed to natural disasters. Mozambique is ranked the third most vulnerable country to climate change in Africa, with climate change impacting 58 percent of the population and more than 37 percent of GDP by exposure to two or more natural hazards per year. This has generated on average a 1.1 percent annual loss of GDP between 1980 and 2003. Economic gains from growth and infrastructure development are significantly undermined as a result of recurrent water and weather-related hazards. Furthermore, stress on natural resources is expected to increase due to climate change, which will lead to more frequent and intense droughts, flooding, and extreme weather events.

Extreme poverty is concentrated in the central and northern regions, particularly among rural areas where many households derive their income from agricultural and forest-related activities. While poverty rates dropped in most of Mozambique's provinces between 2003 and 2008, they increased in Zambezia, Sofala, Manica and Gaza. By 2009, almost three quarters of Zambezia's

population lived under the extreme poverty threshold. Zambezia and Nampula, the two most populous provinces of Mozambique, accounted for 48% of the country's poor in 2009. Along with Cabo Delgado, these provinces contain some of Mozambique's most suitable lands for agriculture and forestry, offering significant potential for poverty alleviation.

Mozambique's local communities are highly dependent on natural resources. In rural Mozambique, household earnings come mainly from crop and environmental income -- with estimated household income shared ranging from 42% (Walelign, 2015) to 93 % (Pereira and Cossa, 2001), depending on adopted livelihood strategies. The poor, and more particularly women and children, suffer a disproportionate burden from climate change and ensuing natural resource degradation. As Mozambique continues its rapid development based on natural resources such as gas extraction and mining, the challenge going forward will be to develop and diversify the economy while maintaining the productivity of the resource base upon which most of the population depends directly for their survival -- water, forests, soils, and wetlands.

Sectoral and Institutional Context

Forests, woodlands and other vegetation types cover approximately 70% of Mozambique's total area of 800,000 km². The forest cover area is 40.1 million ha (51% of the country), of which 26.9 million ha are categorized as productive forests, suitable for timber production, and 13.2 million ha are conservation areas. Mozambique's predominant forest ecosystem is the miombo forest, characterized by open woodland, often associated with a dense grass sward, which covers about two-thirds of forested land in the country. Other forest types are mangroves, coastal forests and mopane.

The miombo forest provides rural people with a variety of biophysical ecosystem goods and services, including food, fuel, medicine, construction materials. Fuelwood and charcoal are critical to national and household energy needs; households consume about 23.7 million m³ of fuelwood annually. A 2011 Gorongosa study found that miombo woodlands contribute about 19% of household cash income and 40% of the household subsistence (non-cash) income. Non-timber forest products are significant contributors to nutritional and medicinal needs. The miombo forests provide globally important ecosystem services, including carbon sinks and habitat for a variety of herbivores and carnivores, including large terrestrial mammals, some of which are endemic to Mozambique and others endangered.

The loss of forest cover in Mozambique is high. Mozambique has a high annual deforestation rate of 0.58%/year, representing an annual loss of 219,000 ha of forest. This (i) reduces the overall forest resources available to local communities and to the private sector, thus threatening the medium-term sustainability of the forest sector; (ii) contributes to the loss of important habitats for wildlife and biodiversity; and (iii) results in GHG emissions of around 23.4MtCO₂ per year. Deforestation rates are higher in the northern and central parts of the country and show an increasing trend. Forest loss is mostly concentrated around urban centers and along roads. There is high positive correlation in Mozambique between population density and deforestation rates in areas with elevated forest density.

Forests are lost due to a combination of direct and indirect drivers linked to several sectors, primarily small-scale agriculture, biomass energy, and unsustainably managed forestry. Forest conversion to agriculture is the dominant driver of deforestation (65% of total deforestation), and

includes mainly shifting subsistence cultivation (slash and burn agriculture, often resulting in uncontrolled spreading of fires), livestock and, to a lesser extent at present, but with the potential to become larger in the future, commercial agricultural expansion. Urban expansion and infrastructure development (1.4 tMCO₂/year; 12% of total), unsustainable commercial timber exploration and unsustainable extraction of wood for domestic uses such as firewood and charcoal represent other significant drivers (around 15% of total deforestation). Illegal logging, which generally results in degradation rather than deforestation, is also significant in Mozambique. The exploitation levels of hardwood species from natural forests are exceeding the annual allowable cut, driven by illegal logging and other unsustainable practices in connection with international trade. A study commissioned by WWF shows that the gap between the data released by the governments of Mozambique and China in the period 2005-2013 translated in the total loss in revenue of US\$540 million over that period. This also entails a significant loss to communities, which are entitled to 20% of forest concession taxes.

The majority of local community lands in Mozambique have not yet been delimited or registered. While formal delimitation and registry are not required to ensure rights held by communities over land within the Mozambican legal framework, the resulting lack of transparency regarding land holdings and land availability generates risks for local communities and makes it difficult to ensure public accountability. Community land delimitation is thus a key instrument to reduce land conflicts and increase communities' land tenure security. Delimitation methodologies developed by organizations such as iTC and ORAM have combined boundary definition with local-level land use planning. Enabling communities to carry out the so-called microzoning within their boundaries has been shown to work in defining areas for natural forest preservation, while promoting better management of agricultural and village expansion in a locally-driven, coordinated and holistic manner.

The Government has publicly recognized land, forest and other natural resources-related challenges and shown commitment to addressing them. A Ministry of Land, Environment and Rural Development (MITADER) was established in 2015, bringing together responsibilities that were previously spread across several ministries. This consolidation of responsibilities is improving the coordination needed to address challenges of cross-sectorial nature. MITADER is initiating a package of strategic actions including review of all forest concessions, suspension of new requests for exploration areas, a ban on log exports, and updating of forest policies and regulations. The Ministry's flagship initiative, called Floresta em P , aims to promote sustainable integrated rural development through protection, conservation, valorization, creation and sustainable management of forests. Toward land tenure regularization, MITADER has launched the ambitious Terra Segura Program, aimed at completing 4,000 community land delimitations in addition to the registering of 5 million parcels.

Community-centered approaches are needed to complement the Government's top down interventions. Community-centered approaches are embedded in Mozambique's National REDD+ Strategy and its Forest Investment Plan, which was endorsed at the June 2016 Steering Committee meeting in Mexico. The Government will adopt the National REDD+ Strategy by the end of 2016. The Investment Plan represents the Government's ambition for transformational change to address the drivers of deforestation and achieve sustainable rural development. It is envisioned as a large-scale, modular framework for implementing the National REDD+ strategy across the country, including ambitious reforms in the forest sector. The Investment Plan includes

three projects: i) the Mozambique Forest Investment Project (MozFIP), to be implemented with the World Bank; ii) the Emissions Reductions in the Forest Sector through Planted Forests Project, which will be implemented with IFC and the private sector; and iii) this project, the Mozambique Dedicated Grant Mechanism for Local Communities (MozDGM).

The Dedicated Grant Mechanism (DGM) for Local Communities is a funding mechanism, established under the framework of the Forest Investment Program, but with independent governance and decision making. The DGM envisages strengthening local communities' participation in REDD+ activities, as well as promoting the effective and sustainable management of natural resources and climate change adaptation/mitigation strategies by local communities. The global DGM, under which a series of country-level projects are being developed, has two components: (i) a country component, focused on grants for local communities and capacity building; and (ii) a global component, focused on knowledge exchange and strengthening of local community networks. The design and implementation of the DGM in Mozambique (MozDGM) will be guided by the DGM Design Document and DGM Operational Guidelines. In accordance with these, the Government of Mozambique (GoM), led by the UT-REDD+, initiated discussions about the DGM by engaging civil society organizations (CSOs) and encouraged the creation of a representative Working Group as a initial decision-making body.

The Working Group led to the establishment of an Interim National Steering Committee (NSC), which is composed of representatives who were elected during consultations. The Interim NSC has a transitional role centred on ensuring the continuation of ongoing consultations, and establishment of the definitive NSC. This Interim NSC includes 14 representatives from the 3 macro-regions of the country (North, Center, South) and is mostly represented by CSOs that work closely with local communities. In addition to civil society, the interim NSC members also includes two observers from the government (Ministry of Land, Environment and Rural Development - MITADER), two representatives from the FIP Steering Committee and one from the World Bank. The Interim NSC has held three formal meetings and has scheduled periodic meetings in order to achieve the Project approval in timely fashion.

Consultations on the DGM were initiated early and are ongoing, using a participatory and inclusive approach. The consultation process on the DGM was initially facilitated by UT-REDD+, and included a number of national and regional participatory workshops that brought together the main stakeholders, in particular civil society organizations, NGOs and community-based organizations. These meetings were held in conjunction with other consultations on the National REDD+ Strategy and the FIP Investment Plan to generate greater participation and ensure positive linkages between the ongoing processes. The consultations convened more than 250 interested actors in 10 provinces of the country, 33 percent of whom were women. Consultations on the design of the DGM are ongoing.

The participation of women and equal gender representation was considered essential during the consultation process, and has been particularly highlighted in discussions regarding the composition of the definitive NSC. There is clarity about the importance of women's involvement in these processes, due to their vulnerability and key role in the sustainable management of forests and other natural resources.

A non-profit organization, AESA (Associação de Educação para a Saúde do Ambiente e Comunicação) was recruited (using funds controlled by the Government) to provide technical

support to the Interim NSC and (i) promote good communication flow among the working group, (ii) develop informational, educational and communication material and tools, (iii) support community engagement through sensitization and mobilization campaigns in partnership with local actors and (iv) assist in the recruitment and establishment of the National Executing Agency (NEA). Important discussions taking place within the Interim NSC include addressing the project components, budget allocation, institutional arrangements and a methodology for community engagement. AESA is expected to provide guidance to the interim NSC and assist in its consolidation.

The definitive National Steering Committee is expected to be established by October and the selection of the National Executing Agency (NEA) by December 2016. The NEA will serve as the secretariat for the NSC, being responsible for tasks such as disbursing funds to grant projects selected by the NSC, monitoring funded projects and ensuring appropriate use of DGM funds, managing grievance and complaints redress processes, as well as reporting to the World Bank and interacting with the DGM's Global Executing Agency. This project concept note reflects that status of ongoing discussions within the aforementioned organizations. The project design will continue to be developed through the leadership of the NSC members and their advisors.

Relationship to CAS/CPS/CPF

The Country Partnership Framework for Mozambique FY16-FY20 is organized around three pillars: (i) promoting diversified growth and enhancing productivity; (ii) investing in human capital; and (iii) enhancing sustainability. The DGM is fully aligned with the CPF, as it aims to promote the participation of local communities in the management of natural resources (CPF's Objective 9). A significant portion of Mozambique's natural resources, particularly forests and fisheries, are managed by local communities, which generally have low levels of management capacity and formally recognized rights. This prevents them from making the most of their natural resources, including adding value to the products they harvest (such as timber or non-timber forest products, or nature-based tourism products), accessing markets for these products or entering into win-win partnerships with third parties, including with the private sector. Strategies to promote the participation of Community-Based Organizations could include the strengthening of rights to land and natural resources management through community land delimitation and brokering win-win partnerships with third parties to generate income for rural communities.

II. Project Development Objective(s)

Proposed Development Objective(s)

The Project Development Objective is to strengthen the capacity of local communities, community-based and civil society organizations to participate in sustainable forest and land management and REDD+ processes at the local, national and global levels.

Key Results

The PDO will be measured against the following indicators:

- (i) Direct beneficiaries in selected landscapes with increased monetary or non-monetary benefits (number, disaggregated by gender)
- (ii) Land users adopting sustainable land management practices as a result of the project (number, disaggregated by gender)
- (iii) Communities or community-based organizations participating in capacity building or technical assistance programs (number)
- (iv) Local communities, community-based and civil society organizations with increased participation in REDD+ processes at the local, national or global levels (percentage)

III. Preliminary Description

Concept Description

The proposed project is part of a global program - the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) under the Forest Investment Program, one of the Climate Investment Funds - which has allocated \$4.5 million in grant resources to Mozambique. The MozDGM is based on (a) the Design Proposal for the global DGM, which was developed by the Global IPLC Working Group and (b) Mozambique's Forest Investment Plan, submitted by the Government of Mozambique to the Forest Investment Program. It follows the framework guidelines and set of activities covered under the components designed for the global DGM.

MozDGM will be prepared as a stand-alone project that complements the MozFIP project (P160033). MozDGM was designed to promote the participation and inclusion of local communities in processes and activities that seek to reduce deforestation and forest degradation. The project will build the capacity of targeted local communities, thereby enabling their inclusive and effective participation in sustainable forest and land management and REDD+ processes at the local, national and global levels. This will contribute to the goals of MozFIP, which is to improve forest and land management by local communities, the government, and the private sector in selected landscapes.

Similar to MozFIP, MozDGM will operate at two levels: (i) the national level focusing on capacity building and institutional strengthening; and (ii) the landscape level focusing on the implementation of activities in the two selected landscapes, Zambezia and Cabo Delgado. Activities on-the-ground will aim to address the drivers of deforestation, while prioritizing livelihoods improvements for communities who live in and around the forests. MozDGM will be differentiated from MozFIP through its community-centered approach in design and implementation, and the emphasis on community organization, knowledge and capacity strengthening as the foundation for sustainable resource management. MozDGM will complement MozFIP and other natural resource management initiatives in the landscapes from the bottom-up perspective.

The MozDGM, like DGM activities in other countries will establish a small grants program. Organizations will apply for and implement grants under the supervision of the National Executing Agency. Specific grantee selection and eligibility criteria are still being developed. It is expected that DGM activities and grants in Mozambique will: (a) promote a strong sense of ownership and social accountability among the grant beneficiaries and key stakeholders; (b) strengthen the institutional capacity of communities, community-based and civil society organizations by means of in situ training events on managerial issues for grant beneficiaries and by encouraging a diversity of partnerships with governmental and civil society organizations; and (c) provide culturally adequate technical assistance to design, develop and implement on-the-ground activities. The NSC and NEA

are also expected to design adequate, flexible, and efficient administrative and financial arrangements that will enable easy, streamlined and fast-track access to grants by local communities and their representatives, and facilitating adequate financial flows and management of project resources to diverse communities. The NSC and NEA will also carry out preliminary assessments of the economic, environmental and social feasibility of community proposals.

The project has been informed by the national REDD+ Readiness process, the FIP preparation process and analytical work on the state of forests and the role of communities. This includes studies on deforestation drivers, a social and environmental assessment, and studies specific to Zambezia and Cabo Delgado on proposed interventions to address deforestation drivers and socioeconomic needs. Two critical analytical NLTAs that provided a rigorous, analytical basis for project design addressed the issues of land rights delimitation and community-based natural resource management in Mozambique, with case studies conducted in the project area.

IV. Safeguard Policies that Might Apply

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

V. Financing (in USD Million)

Total Project Cost:	4.5	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
			4.5

VI. Contact point

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