

# **BENEFIT SHARING PLAN (BSP)**

## **REPUBLIC OF MOZAMBIQUE**

---

National Fund for Sustainable Development (FNDS) of the Ministry of Land, Environment and Rural Development (MITADER)

**DECEMBER 2019**

*Benefit Sharing Plan of Mozambique REDD+ Emissions Reductions Program:  
the Zambézia Integrated Landscape Management Program (ZILMP)*

## TABLE OF CONTENT

<b>INTRODUCTION</b>	<b>6</b>
<b>I – BENEFITS OF THE ER PROGRAM</b>	<b>Error! Bookmark not defined.</b>
I-A. Shared benefits are « net ER payments »	<b>Error! Bookmark not defined.</b>
I-b. Operational costs	10
I-c. Performance buffer	11
<b>II – BENEFICIARIES AND THEIR ROLES IN ER PROGRAM</b>	<b>12</b>
II-A. List of beneficiaries	12
II-b. Share of benefits between beneficiaries	13
II-c. Flow of funds to beneficiaries	13
<b>III – ELIGIBILITY CRITERIA AND DISTRIBUTION MODALITIES</b>	<b>15</b>
III-A. Direct allocation to province and gile national reserve	15
III-B. Performance-based allocation to districts	16
III-C. Performance-based allocation to communities	16
III-D. Support to private sector	19
III-E. Hypothetical application on how benefits will be allocated according to performance	21
<b>IV – INSTITUTIONAL ARRANGEMENTS</b>	<b>32</b>
IV-A. Overall governance structure of the BSP	32
IV-B. Governance structure of the Matching Grant Unit	33
<b>V – MONITORING</b>	<b>35</b>
V-A. Monitoring of performance	35
V-B. Monitoring of er program activities	36
V-C. Monitoring of safeguards	37
<b>VII – CONSULTATION</b>	<b>39</b>
VII-A. Summary of consultation	39
VII-B. consultations plan	42
<b>VIII – COMMUNICATION</b>	<b>43</b>
<b>ANNEXES</b>	<b>44</b>
Annex 1 – Context and FCPF CF Processing	44
Annex 2 – Non-Carbon benefits	45
Annex 3: Cash flow model for ER Program Under different performance scenarios	46
Annex 4: BSP Implementation Guidelines	47
Appendix 1 – Application form for simplified project proposal	<b>Error! Bookmark not defined.</b>
Appendix B – Application form for complete project proposals	<b>Error! Bookmark not defined.</b>

## TABLES

Table 1: Main legal bases for the BSP .....	8
Table 2: Operational costs to be covered by gross payments .....	10
Table 3: Beneficiaries and responsibilities .....	12
Table 4: Eligibility criteria for private sector .....	20
Table 5: Ex-post estimation of ER in ER Program area .....	<b>Error! Bookmark not defined.</b>

Table 6: Repartition of net ER payments among beneficiaries .....	<b>Error! Bookmark not defined.</b>
Table 7: Performance based ERs distribution among communities, private sector and districts in Scenario 1 (100% performance) .....	<b>Error! Bookmark not defined.</b>
Table 8: Repartition of net ER payments among beneficiaries .....	<b>Error! Bookmark not defined.</b>
Table 9: Performance based ERs distribution among communities, private sector and districts in Scenario 2 (50% performance) .....	<b>Error! Bookmark not defined.</b>
Table 10: Repartition of net ER payments among beneficiaries .....	<b>Error! Bookmark not defined.</b>
Table 11: Performance based ERs distribution among communities, private sector and districts in Scenario 3 (10% performance) .....	<b>Error! Bookmark not defined.</b>
Table 12: An example of an underperformance situation within the ER ....	<b>Error! Bookmark not defined.</b>
Table 13: Detailed calculations in a case of underperformance .....	<b>Error! Bookmark not defined.</b>
Table 14: Governance structure for BSP implementation and supervision .....	32
Table 15: Safeguards instruments .....	37

## FIGURES

Figure 1: Illustration of net ER payments (monetary benefits)	11
Figure 2: Repartition of ER net payments (distribution of monetary benefits)	13
Figure 3: Flow of funds to beneficiaries	14

## ABBREVIATIONS AND ACRONYMS

ANR	Assisted Natural Regeneration
BSP	Benefit Sharing Plan
BSPIM	BSP Implementation Manual
CBO	Community-Based Organization
CGRNG	Management Council of the GNR
DPTADER	Provincial Directorate of Land, Environment and Rural Development
ER	Emission reduction(s)
ERPA	Emission Reductions Payment Agreement
ERPD	Emission Reductions Program Document
ESMF	Environmental and Social Management Framework
EVI	Enhanced Vegetation Index
FCPF CF	Forest Carbon Partnership Facility Carbon Fund
FGRM	Feedback and Grievance Redress Mechanism
FIP	Forest Investment Program
FNDS	National Sustainable Development Fund
FREL	Forest Reference Emission Level
GNR	Gilé National Reserve
GoM	Government of Mozambique
MEF	Ministry of Economy and Finance
MG	Matching Grant
MGU	Matching Grant Unit
MGS	Matching Grant Scheme
MITADER	Ministry of Land, Environment and Rural Development
MSMEs	Micro, Small and Medium Enterprises
MozBio	Conservation Areas for Biodiversity and Development Project
MozDGM	Mozambique Dedicated Grant Mechanism for Local Communities
MozFIP	Mozambique Forest Investment Project
MRV	Monitoring, Reporting and Verification
MSLF	Multi-stakeholder Landscape Forum
NDVI	Normalized Difference Vegetation Index
NRMC	Natural Resources Management Committee
NTFP	Non Timber Forest Products
PESOD	District Economic and Social Plan and Budget
PESOP	Provincial Economic and Social Plan
PIU	Project Implementation Unit

PF	Process Framework
PMP	Pest Management Plan
PQG	5-year Government Program
REDD+	Reducing Emissions from Deforestation and Forest Degradation
RPF	Resettlement Policy Framework
SDAE	District Services of Economic Activities
SESA	Strategic Environmental and Social Assessment
SIS	Safeguards Information System
SISTAFE	State Financial Management System
UNFCCC	United Nations Framework Convention on Climate Change
ZILMP	Zambézia Integrated Landscape Management Program

# INTRODUCTION

## BRIEF INTRODUCTION TO THE ER PROGRAM

1. The Zambézia Integrated Landscape Management Program (ZILMP) is a jurisdictional REDD+ program designed by the Government of Mozambique (GoM) to contribute to long-term sustainable management of forest, to reduce deforestation in the Province of Zambézia, and to improve the well-being of rural populations. It is the first program of results-based payments for Emission Reductions (ERs) in Mozambique.
2. The ER Program currently covers 9 districts of the Province: Alto Molocue, Gile, Gurue, Ile, Maganja da Costa, Mocuba, Mocubela, Mulevala and Pebane. In this area the main driver of deforestation is small-scale slash-and-burn agriculture. This small-scale agriculture is interlinked with charcoal production, which is a typical by-product of land being cleared for agriculture and remains an important driver of forest degradation to address. Illegal logging and non-sustainable forestry exploitation practices also contribute to forest degradation.
3. The ambition of the ER Program is to reduce emissions due to deforestation in the accounting area by 30% below the reference from 2018-2019 and by 40% from 2020-2024.
4. The ER Program is implemented through the following World Bank-financed projects:
  - The Agriculture and Natural Resources Landscape (*Sustenta*) Project;
  - The Conservation Area for Biodiversity and Development (Mozbio) project;
  - Mozambique Forest Investment (MozFIP) Project;
  - The Dedicated Grant Mechanism (MozDGM) project.
5. Those projects promote land-based investments that contribute to reducing deforestation in the ER Program area, including: promotion of conservation and climate smart agricultural production, including the establishment of agro-forestry systems; sustainable production of key cash-crops; forest plantations and restoration of degraded lands through assisted natural regeneration (ANR) and enrichment planting; sustainable production of charcoal; valorization of key Non Timber Forest Products (NTFP) products around the Gilé National Reserve (GNR) – which is located in the ER Program area (*see ERPD, section 2*). Along those land-based investments, enabling activities are implemented to create the necessary conditions for the ER interventions to be successful, such as land use planning, land tenure clarification, community land delimitation and strengthening of community rights to natural resources, including forests, law enforcement and improved forest management governance. Those activities will foster behavior change that is expected to lead to ERs. *More details on ER Program interventions are provided in the ERPD (section 4).*

## MONETARY BENEFITS AND PURPOSE OF THE BENEFIT SHARING PLAN

6. The ambition of the ER Program is to reach a total level of ERs of 10,680,932 tCO<sub>2</sub>eq over the crediting period (February 2018-December 2024). By selling those ERs (carbon credits), of which 10,000,000 tCO<sub>2</sub>eq could be paid by the Forest Carbon Partnership Facility (FCPF) Carbon Fund

(depending on the final terms of the ERPA), the ER Program is expected to generate monetary benefits<sup>1</sup>.

7. The BSP is framing the allocation, administration and provision of the ER Program monetary benefits (ER payments) to support activities that address the drivers of deforestation in the ER Program area and to incentivize activities that generate additional ERs.

## GENERAL PRINCIPLES TO BE APPLIED TO THIS BSP

8. The design and implementation of the BSP of the ER Program have to comply with relevant applicable laws in Mozambique, including agreements and customary rights (as required by criterion 33 of the FCPF Methodological Framework), and should ensure a high degree of efficiency and transparency in order to be successful and incentivize stakeholders' participation.
9. Benefits are shared based on performance: only the verified reduction of deforestation in the ER Program area will trigger ER payments to be shared between the identified beneficiaries.
10. Local communities are expected to benefit the most: the proportion of benefits allocated to the communities should represent the most significant share of benefits, as they are the key actors whose behaviour (in terms of land use) need to change for ERs to be achieved.
11. Central to the application of this BSP is the concept of adaptive management. REDD+ and ER payments are innovative concepts and the ER Program is only at the early stage of its implementation: although key investment projects (Sustenta, Mozbio, MozFIP, MozDGM) are already running, they are continuously adapted to the ever-evolving context of their implementation and practical constraints. In the same way, it will be fundamental that this BSP be periodically revised and updated according to available information and progress made on the ground. This will ensure the progressive and continuous incorporation of key lessons learnt into the BSP, so as to make sure that its functioning remains relevant and efficient.

## LEGAL UNDERPINNINGS OF THE BENEFIT SHARING PLAN

*The main legal bases for the BSP are summarized in **Error! Reference source not found.***

12. The Decree 23/2018 on the new Regulation for REDD+ Projects and Programs, approved by the Council of Ministers in April 2018. Decree 23/2018 clearly states that all REDD+ projects and programs will have to present an associated benefit-sharing plan and monitoring plan of shared benefits before they are approved by the relevant authority<sup>2</sup>.

---

<sup>1</sup> Although the arrangements provided in this BSP focus on monetary benefits, it should be noted that the ER Program will also generate significant non-carbon benefits (such as rural jobs, food security, biodiversity protection, water quality and quantity provision, among others). Those are detailed in the ERPD and in Annex 2. In the same way, non-monetary benefits and additional non-carbon benefits are covered in each projects' PAD (Sustenta, Mozbio, MozFIP, MozDGM).

<sup>2</sup> FNDS will be responsible for assessing all benefits sharing plans, but no specific instructions are provided in the Decree regarding the exact content, design, consultation and disclosure policies of those benefits sharing plans.

13. This Decree mandates the National Fund for Sustainable Development (FNDS)<sup>3</sup> as the institution responsible for (i) the approval of REDD+ projects and programs; and for (ii) the management of payments for Emissions Reductions from REDD+ in Mozambique (Article 6). Hence, FNDS is responsible for the overall management of the present BSP and for channelling ER Payments to the relevant beneficiaries.

Table 1: Main legal bases for the BSP

Acts	Relevant concepts for Benefit Sharing Plan
Creation of the National Fund for Sustainable Development (FNDS) (Decree 06/2016 & Resolution 19/2017)	<ul style="list-style-type: none"> <li>- Creation of the FNDS as an independent public body with administrative and financial autonomy, under the sectorial tutelage of the Ministry of Land, Environment and Rural Development (MITADER) and the financial tutelage of the Ministry of Economy and Finance (MEF);</li> <li>- Definition and approval of FNDS' organic structure, within MITADER, and core responsibilities;</li> <li>- FNDS to be responsible for promoting and managing the financing of programs and projects contributing to a sustainable and inclusive development in Mozambique, with particular emphasis on rural areas;</li> <li>- Focus on financial resources (including international funding) to be used for sustainable development policies through relevant projects and programs linked to: improved environmental management, climate change mitigation, and the sustainable management of forests, biodiversity conservation and land planning.</li> </ul>
National REDD+ Strategy	<ul style="list-style-type: none"> <li>- Need for the State to work closely with local communities in developing and implementing REDD+ programs</li> <li>- REDD+ to be implemented primarily through large-scale programs</li> </ul>
Regulation on REDD+ Projects and Programs (New Decree 23/2018)	<ul style="list-style-type: none"> <li>- Clarification of ER ownership;</li> <li>- Obligation for all REDD+ project to present a clear BSP in order to be approved;</li> <li>- FNDS as the appropriate body to manage ER payments and transfer them to appropriate beneficiaries.</li> </ul>

<sup>3</sup> Created by governmental decree in February 2016 (Decree n°6/2016 of February 24), the FNDS is an independent public body with administrative and financial autonomy, under the sectorial tutelage of the Ministry of Land, Environment and Rural Development (MITADER) and the financial tutelage of the Ministry of Finance (MEF). One of its core responsibilities is to mobilize and manage financial resources (including international funding) to be used for sustainable development policies in Mozambique.

## STRUCTURE OF THE DOCUMENT

14. Section I clarifies the type of benefits that will be shared with the beneficiaries, Section II identifies the beneficiaries and their eligibility criteria. Section III clarifies the distribution modalities according to each type of beneficiaries, while Section IV presents the roles and responsibilities of relevant entities involved in the benefit sharing arrangements. Section V presents monitoring of performance, program activities and safeguards. The BSP concludes with a summary of the consultations held to date on REDD+ and benefit sharing in section VI and communication activities in section VII.

# I – BENEFITS OF THE ER PROGRAM

## I-A. SHARED BENEFITS ARE « NET ER PAYMENTS »

15. The benefits of the ER Program that will be shared between the beneficiaries are net ER payments, as defined below. Monetary benefits from the ER Program come from ER payments. Gross payments are the entire volume of ER payments paid to Mozambique in a given reporting period
16. The implementation of the ER Program and of its BSP involves a wide range of costs, which were defined in the ERPD (section 6). For the ER Program and the benefits sharing system to be viable, all those costs should be properly covered throughout the implementation of the ER Program: in order to do so, gross payments will first be used, at the very beginning of the process, to: (i) cover operational costs; and (ii) ensure a performance buffer. Once operational costs and performance buffer are deducted, net payments will be distributed among eligible beneficiaries as per Equation 1
17. Net payments are the volume of ER Payments that can be distributed to the beneficiaries once operational costs and performance buffer set-aside volume are covered.

Equation 1: Calculation of net payments

$$\text{Gross payments} - (\text{operational costs} + \text{set aside performance buffer}) = \text{Net payments}$$

## I-B. OPERATIONAL COSTS

18. Operational costs include expenditures related to the technical support and administrative and financial management of ER Program and BSP, as detailed in Table 2. Operational costs for running the ER Program and its BSP are estimated to reach 500,000 USD per year. These costs include: (i) personnel and operational costs for supporting and monitoring community activities and ER activities implemented by the private sector, (ii) personnel, equipment and operational costs for monitoring the performance of the ER program and the implementation of safeguards (iii) internal audit, (iv) communication and (v) taxes.

Table 2: Operational costs to be covered by gross payments

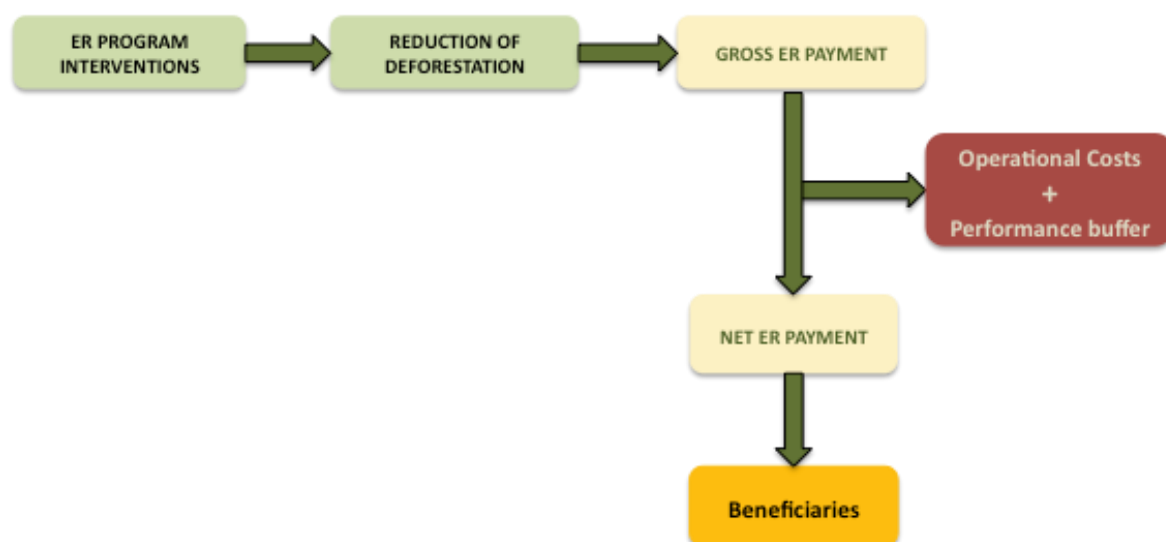
Operational costs of the ER Program and BSP	Estimated cost (USD/yr)
MRV (4 technical assistants, equipment)	100,000.00
Matching Grant Unit (financial assistant and supervisor)	60,000.00
Technical assistance and monitoring of BSP program (specialist)	30,000.00
Safeguards (specialist and technical assistant)	60,000.00
FGRM and safeguards monitoring	40,000.00
Internal audit (inside FNDS)	15,000.00
Support/monitoring of field activities and communication (PIU + MSLF)	40,000.00
Project management (support to implementation/monitoring field activities)	130,000.00
Taxes from MEF and Bank of Mozambique	25,000.00
<b>ESTIMATED ANNUAL OPERATIONAL COSTS</b>	<b>500,000.00</b>

19. Half of the operational costs (60% in 2020 and 40% in 2021) related to the ER Program and its BSP are covered until the end of 2021 by the projects currently implemented in the ER Program area<sup>4</sup>.

### I-C. PERFORMANCE BUFFER

20. The performance buffer is a mechanism through which the GoM will automatically set aside 5% of gross ER payments to cope with potential non-performance of the ER Program in a given reporting period: this set-aside money will be used to reward potential beneficiaries who would have effectively reduced deforestation in their area albeit non-performance of the ER Program area as a whole (no reduction of deforestation for the 9 districts altogether).
21. The Performance Buffer will be eligible to the Gilé National Reserve (GNR), the districts and local communities, according to a percentage split that will be annually defined by FNDS according to monitored performance and in a way that best values local communities' efforts - *detailed examples on this mechanism are provided in section III-E*. After the last verification, any potential remaining funds will be distributed as per this BSP.

Figure 1: Illustration of net ER payments (monetary benefits)



<sup>4</sup> Mozbio, Sustenta, MozFip.

## II – BENEFICIARIES AND THEIR ROLES IN ER PROGRAM

### II-A. LIST OF BENEFICIARIES

22. The categories of potential beneficiaries are summarized in Table 3. Eligibility criteria for each of them are detailed in section III. The categories of beneficiaries comprise:

- (i) All communities within the ER project area represented by a Community Based Organization (CBO) including the Community Committee or the Natural Resource Management Committee (NRMC)
- (ii) Private sector actors, who contribute or want to contribute to reducing emissions through specific activities;
- (iii) Governmental bodies: provincial and district government and the Gilé National Reserve (GNR)<sup>5</sup>.

Table 3: Beneficiaries and responsibilities

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

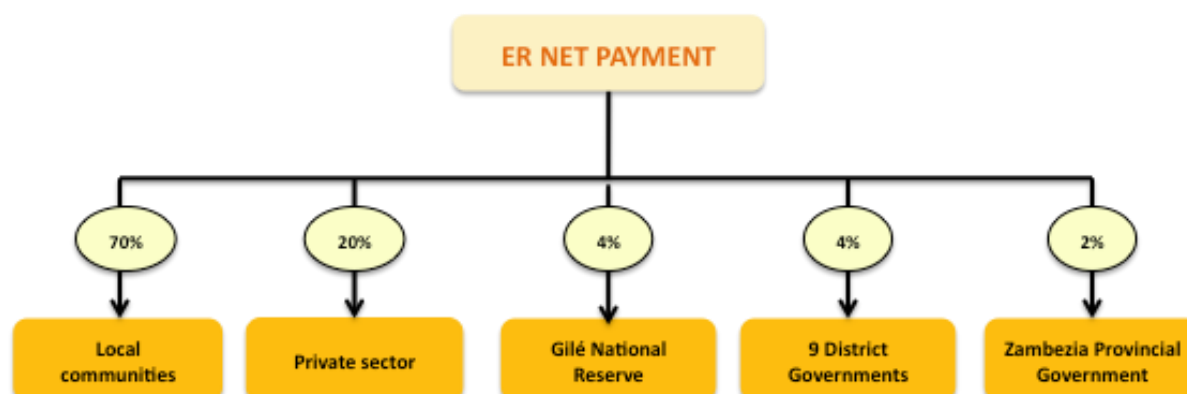
<sup>5</sup> As an introduction, it should be reminded that the GNR is a restricted area with no communities living inside. Communities of the GNR are located in its Buffer Zone only, in which no coercive measures outside of national law applies. No resettlement is forecasted in the ER Program – see ERPD for more details.

## II-B. SHARE OF BENEFITS BETWEEN BENEFICIARIES

23. Net ER payments will be shared between the identified beneficiaries as illustrated in Figure 2 and explained below:

- Seventy percent (70%) of net ER payments will be distributed to local communities, in the form of call for proposals for community initiatives;
- Twenty percent (20%) of net ER payments will be distributed to private sector actors, in the form of matching grants;
- Two percent (2%) of net ER payments will be transferred to the Provincial Direction of Land, Environment and Rural Development (DPTADER) of the provincial government of Zambézia;
- Four percent (4%) of the net ER payments will be transferred the district government of the 9 districts that compose the ER Program area;
- Four percent (4%) of the net ER payments will be distributed to the Gilé National Reserve (GNR);

Figure 2: Repartition of ER net payments (distribution of monetary benefits)



## II-C. FLOW OF FUNDS TO BENEFICIARIES

24. It is crucial for its success to base the BSP on national and provincial structures that already exist to create synergies and to strengthen coordination. As shown in the ERPD final draft, the institutional arrangements for the implementation and coordination of the ER Program builds on existing mechanisms and respect the role and function of all institutions involved in REDD+ and forest management in Mozambique. The BSP will follow the same guidelines: its governance structure is embedded within a strong national system of fiscal control and oversight of international funds.

25. The recipient of the ER payments will be the Mozambican Ministry of Economy and Finance (MEF)<sup>6</sup>.

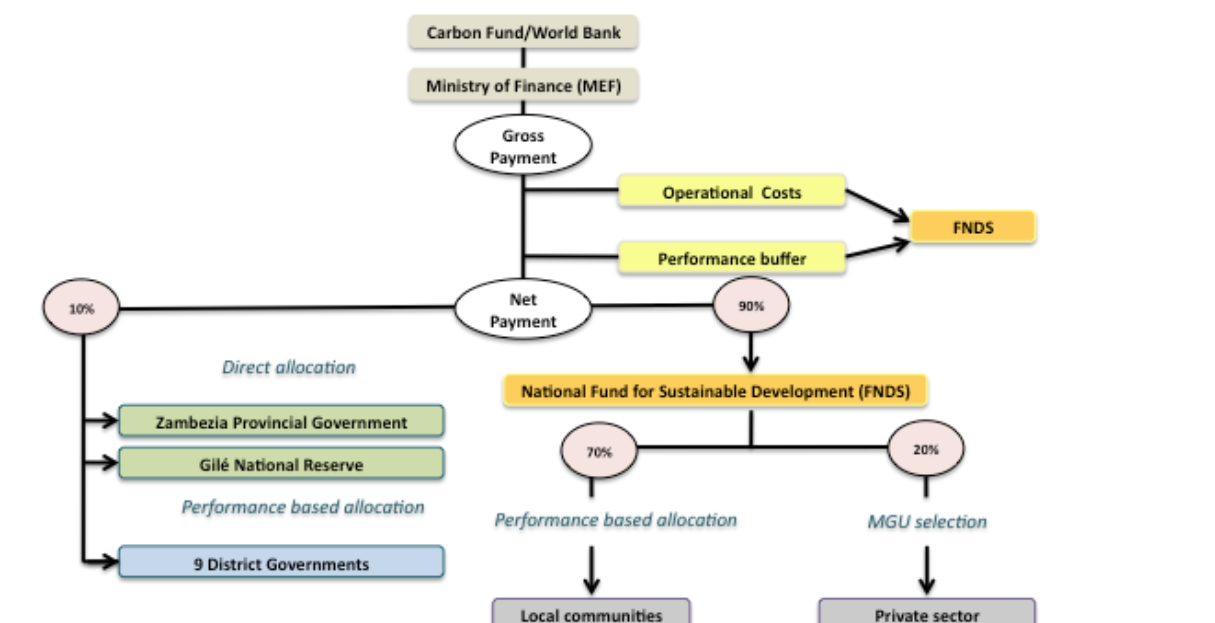
---

<sup>6</sup> The MEF is responsible for managing and coordinating national financial planning process for the Mozambican State. It aims to ensure the integrated and balanced economic and social development of the country, through consolidating an

26. National procedures mandate international funds entering Mozambique, including ER payments, to be registered by the Bank of Mozambique. ER payments will therefore be requested and received by the MEF to be deposited into a separate bank account in dollars under conditions acceptable to the World Bank (Designated Account), within the National Bank of Mozambique (*Banco de Moçambique*).
27. Once the funds are received and registered in Mozambique, MEF will transfer the funds for the operational fixed costs and the performance buffer in local currency via State Financial Management System (SISTAFE) to the National Fund for Sustainable Development (FNDS) that will be acting as the Operator of the BSP and will have a dedicated account for the BSP.
28. The MEF will also transfer the net payment, using SISTAFE, as follows: 70% for local communities and 20% for private sector initiatives to FNDS, 2% to the Provincial Government (DPTADER), 4% to District governments and 4% to Gilé National Reserve.
29. FNDS in turn will distribute:
- The 70% share for local communities will be distributed as follows:
    - a. 10% to a service provider for building the capacities of local communities<sup>7</sup>
    - b. 90% will remain at the FNDS for community projects through a call for proposals
  - The 20% share of the ER payment for private sector ER initiatives will be deposited in a dedicated FNDS account for matching grants, which will be administrated by the Matching Grant Unit (MGU). Please see more details on III-D

30. Figure 3 below illustrates the proposed flow of funds of the ER payments

Figure 3: Flow of funds to beneficiaries



integrated system of planning and implementing a sustainable and decentralized development strategy. It is fully entitled to enter into international agreements such as an ERPA with the World Bank.

<sup>7</sup> Building the capacities and empowering local communities is key to the success of the ERPA and also for other initiatives implemented by the government or other donors.

## III – ELIGIBILITY CRITERIA AND DISTRIBUTION MODALITIES

### III-A. DIRECT ALLOCATION TO PROVINCE AND GILE NATIONAL RESERVE

#### Eligibility criteria of Zambézia Provincial government

31. In order to receive the ER payments, the provincial government of Zambézia will have to include REDD+ activities in its annual Provincial Economic and Social Plan (PESOP)<sup>8</sup> and submit it to FNDS. This plan will include measures to be implemented in the Province to reduce deforestation.
32. The Program Implementation Unit (PIU) in coordination with the Provincial Directorate of Land, Environment and Rural Development (DPTADER) will support the inclusion of REDD+ activities in the PESOP and will ensure that is consulted with the Zambézia Multi-Stakeholders Landscape Forum (MSLF).
33. The first ER payments will be transferred to the provincial government upon submission of the PESOP to the FNDS; subsequent ER payments will be transferred upon submission of the following documents: (i) the next annual PESOP and (ii) a technical and financial report of the implementation of the activities financed by ER payments the previous year. *No benefits will be allocated to the provincial administration without submission of those elements.*

#### Eligibility criteria of Gile National Reserve (GNR)

34. In order to receive the ER payments, the Gile National Reserve (GNR) will annually submit to the FNDS a “GNR REDD+ Annual Plan”. The GNR REDD+ Annual Plan contains the activities to be implemented by the GNR to contribute to reducing deforestation and forest degradation in the GNR and its buffer zone.
35. The Program Implementation Unit (PIU) in coordination with the Management Council of the GNR (CGRNG)<sup>9</sup> will support the elaboration of the Annual Plan
36. The first ER payment tranche will be transferred to GNR upon submission of the GNR REDD+ Annual Plan to the FNDS; subsequent payments will be transferred upon submission of: (i) the next GNR REDD+ Annual Plans; and (ii) technical and financial reports on the implementation of the previous Annual Plan. *No benefits will be allocated to the GNR without submission of those elements.*

---

<sup>8</sup> Provincial Economic and Social Plan (PESOP) are planning instruments used by Provincial Governments to help implement, at provincial level, the National Program for Sustainable Development promoted by MITADER. The Program for Sustainable Development defines activities to be developed in rural Mozambique to realize the 5th strategic pillar of the Government Five Years Program (*Programa Quinquenal do Governo - PQG*), focusing on transparent and sustainable management of natural resources and the environment.

<sup>9</sup> The NRMCG was created in 2014 as a consultative body aiming to ensure the participatory management of the GNR and its natural resources. It acts as a forum for consultation and decision-making at local level, including district authorities (district administrator of Pebane and Gile district, SDAE, heads of administrative posts) as well as the Administrator of the GNR, community officer, local community and religious leaders, representatives of the NRMCGs of the buffer zone, and observer representatives of the area of tourism, wood exploitation and environmental sector

37. In case of non-performance of the ER Program as whole, the Performance Buffer will be triggered to channel ER payments to the GNR - *details on this mechanism are provided in section III-E.*

### III-B. PERFORMANCE-BASED ALLOCATION TO DISTRICTS

#### Functioning of performance-based allocation for districts

38. ER payments will be distributed to Districts against their performance, measured by area of forests lost (deforestation) within their boundaries. These payments will be proportional to the ERs achieved by the District: the share of net ER payments to be channelled to the 9 districts will be split among them according to their individual performance. Only the districts that have achieved ERs within their boundaries will receive ER payments. The objective is to increase accountability, transparency and efficiency in Program implementation and to incentivize the districts to better perform.
39. In case of non-performance of the ER Program as whole albeit individual performance of some districts in reducing deforestation within their boundaries, the Performance Buffer will be triggered to channel ER payments to performing districts. *Details on those mechanisms are provided in section III-E and in Section V (« monitoring of performance »).*

#### Eligibility criteria for districts

40. In order to receive the ER payments, the districts will include REDD+ activities into their District Economic and Social Plan and Budget (PESOD)<sup>10</sup> which will be annually submitted to FNDS. The “PESOD” will describe specific measures to be implemented by the District to contribute to reducing deforestation.
41. The Program Implementation Unit (PIU) in coordination with the DPTADER will support the inclusion of REDD+ activities in the PESODs
42. The first ER Payment will be transferred to the districts upon the submission of their PESODs to FNDS. Subsequent payments will be transferred: (i) according to their monitored performance in reducing deforestation; (ii) upon submission of the PESODs for the following year; and the technical and financial report on the implementation of the previous ER payments. *No benefits will be allocated to the districts that have not reduced deforestation and without submission of those elements.*

### III-C. PERFORMANCE-BASED ALLOCATION TO COMMUNITIES

#### Functioning of performance-based allocation to communities

43. Local communities are the key actors in reducing deforestation and thus they will receive the most significant share of ER payments. Communities need to acquire the capacities to change their behaviour and implement adequate land use practices to reduce deforestation and achieve targeted emission reduction. Communities also need support to strengthen their governance (transparency, inclusion of vulnerable groups, rotational management, accounting and financial management, voting

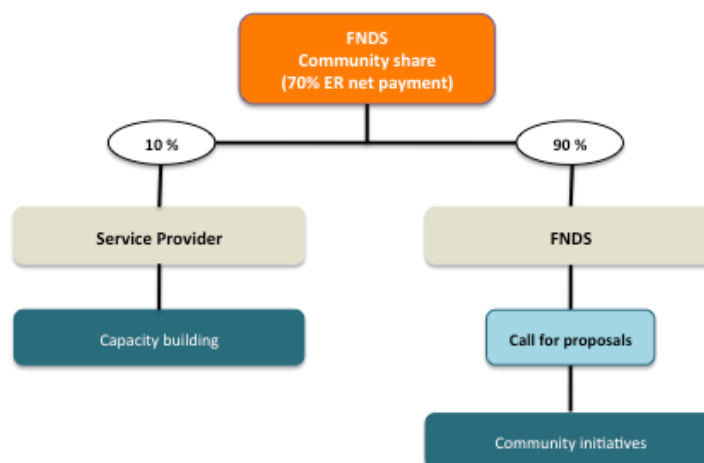
---

<sup>10</sup> At district level, Economic and Social Plans and Budget (PESOD) are planning instruments used by District Governments to operationalize their District Development Plan (PDD), which is itself a means to implement at district level the provincial PESOP.

and deliberations, etc.) and business development capacities, including support to procurement services

44. To this end, 10% of the community share (70% of the ER net payment) will be allocated to community capacity building and the remaining 90% will be for the implementation of community initiatives through a call for proposals modality.
45. The 90% share will be allocated to the communities against district performance. Only communities in the districts that have achieved reduction in deforestation will receive payments. These payments will be proportional to the ERs achieved by the districts and will be available to the communities in those districts. The objective is to increase and incentivize the communities to engage in sustainable forest management,
46. In case of non-performance of the ER Program, the Performance Buffer will be triggered to channel ER payments to communities in district(s) that reduced deforestation below their historical average albeit non-performance of the ER Program as a whole (no reduction of deforestation for the 9 districts altogether). Details on those mechanisms are provided in section III-E and in Section V (“monitoring of performance”).

Figure 4. Distribution of the community share of ER net payment



### Community Capacity Building

47. FNDS will strengthen the capacities of local communities in the ER area with the support of a service provider. The service provider will be a national institution with proven capacities for facilitating and promoting the implementation of community based natural resources management initiatives, based on standardized principles of inclusion and community participation, maximizing the benefits for the community, private sector, government and civil society institutions. The service provider will have developed a specific methodology for building the capacity of rural communities.
48. The service provider will select, train and contract other organizations (NGOs, CSOs, academia) based in Zambezia province, preferably in the 9 targeted districts to build the capacities of the communities following a common methodology. This process will focus on community governance (inclusion, transparency, benefit sharing, gender...) and institutional development and partnerships. Support will also be given to the establishment of CBOs. The service provider will monitor the performance of the organizations during the capacity building process and will draw lessons to improve the methodology.

49. The FNDS and the service provider will initially sign a MoU and then annual/biannual contracts after receiving each ER payment. The amount of the contracts will be 10% of the community share (70% of net payment) of each ER payment.

### Community initiatives – Call for proposals

50. The goal of the community initiatives is to improve the livelihoods of the communities. Community initiatives are designed and implemented by CBOs and shall contribute to one or more of the following objectives:
- Promote community management of natural resources and restoration of degraded areas
  - Stimulate conservation-friendly, nutrition-sensitive and climate-smart farming models.
  - Promote partnerships with the private sector in value chains with significant market potential
51. Community initiatives should contribute to reduce deforestation and fall mainly into one of the following thematic areas: agriculture, non-forest timber products, nature-based tourism, fisheries-aquaculture. The FNDS with the support of the MSLF and District Governments will elaborate a menu of eligible social and economic activities (“positive list”) based on the potentialities of each region.
52. After receiving the ER payment, FNDS will launch a call for the districts that have reduced deforestation indicating the amount available for each district. Community Based Organizations (CBOs) from these districts will be eligible to submit project proposals.
53. For the purposes of the BSP, CBOs include the following groups: NRMC (Natural resources management comities), community committees, associations, cooperatives and interest groups. CBOs need to meet the criteria in Table 4 to be eligible to submit proposals.

Table 4 – CBO’s eligibility criteria

The CBO is well- known by the community and has been operating for at least 1 year
The CBO is composed of a minimum of 40 members and has a clear organizational structure
The CBO works in the area of natural resources management, agro-silvo-pastoral systems, forestry production, NTFP or community tourism management.
The CBO is legalized, at least at the District Administration level, or will be legalized on the date of the signature of the grant agreement of the community project.
The CBO is not supported by other projects for the same activities it is applying for.

54. A committee - Landscape Committee – composed of representatives of provincial government; academia, MSLF (including community members), FNDS and members of the government of each of the well-performing districts will be created to assess the feasibility and sustainability of the proposal submitted by the CBOs and also evaluate some proxy indicators related to community practices in forest conservation and reduction of deforestation such as the number of uncontrolled fires, new agricultural plots (“machambas”) and functioning governance structure.

55. Guidelines for the submission of proposals, screening and approval processes of community projects including financial management procedures and relevant templates are in Annex 4.
56. ER payments will not be direct cash transfers to communities: ER payments will finance the community initiatives selected through a competitive process that will be implemented with the support of FNDS. The existing FNDS Simplified Procurement Manual <sup>11</sup> will be used to provide guidance for the procurement of community projects. CBOS will be responsible for managing some working capital for small expenses.

### III-D. SUPPORT TO PRIVATE SECTOR

#### Support to private sector projects

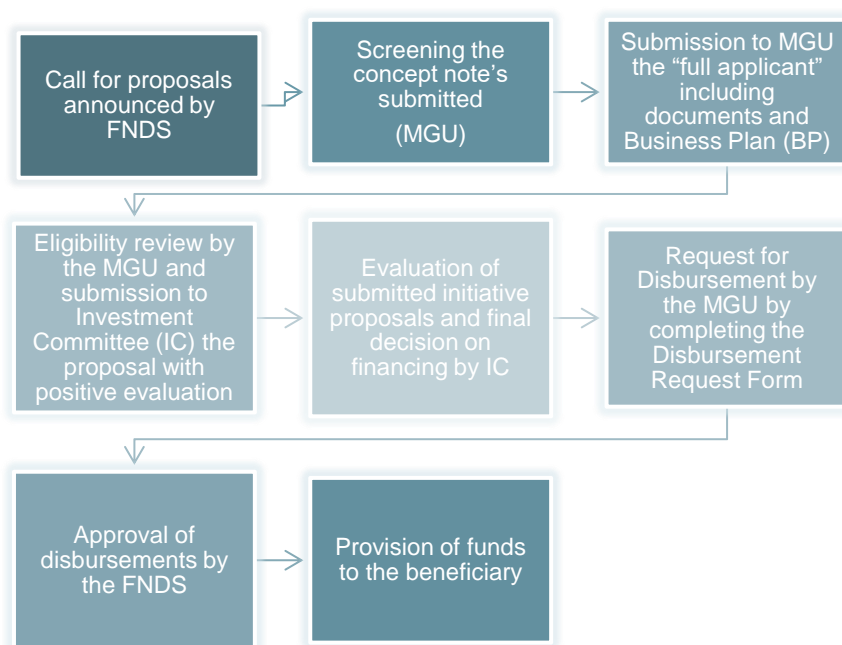
57. The BSP support private sector initiatives that will contribute to generate ERs in the Program area. This support will be operationalized through the existing Matching Grant Scheme (MGS) that is already in place at FNDS. The objective of the MGS is to improve the ability of small and medium enterprises to increase investments and create value addition through market-oriented investments. The MGS will facilitate access to commercial financing and address medium and longer-term financial access constraints of small and medium enterprises in value chain development.
58. The MGS will finance *initiatives of up to \$400,000*. The MGS will cover 80 percent (80%) of the costs of the initiative as grant, and 20 percent (20%) would be matching funds from the beneficiary (these could be their own resources, loans from financial institutions, and their assets). *The grant can be increased to 90 percent when the initiatives involve local communities*. This opportunity is applicable only when the estimated benefits (i.e.: jobs, training, technical assistance, etc.) to local communities are above 50% of the total investment of the activity that will be implemented.
59. The MGS will be demand-driven and allocations will be made through a competitive selection process based on demonstrated evidence of contribution to the generation of ERs. The application process consists of two phases, the first phase is the submission of the "Concept Note" and the second phase is the submission of the "Full Application / Business Plan". Only applications that meet the eligibility criteria will be submitted to the FNDS Investment Committee for approval. The concept notes will be evaluated based on the eligibility criteria (innovation, activities that contributes to generate ER and capacity for implementation by the applicant). The selection criteria for the "Full Application" are described in table 4.
60. The MG Scheme is implemented by a dedicated Matching Grant Unit (MGU) housed at FNDS, which is responsible for the overall reception, screening, and selection of the initiatives to be approved by the Investment Committee of the MG scheme. *The process flow and timeline are detailed in the figure below*. The MGU will also perform due diligence on the use of funds - *The composition, functioning and responsibilities of the MGU and of the Investment Committee are detailed in section VI (governance structure)*.
61. The disbursement of Matching Grants funds respects the following conditions: the beneficiary must open a dedicated initiative bank account where BSP financing from the Grant and co-financing from the beneficiary is transferred. This account must not be used for any other purpose except for implementation of the approved proposal. The Applicant bears full legal responsibility for this

---

<sup>11</sup> Manual Simplificado de Procurement para o Esquema de Subvenções Comparticipadas e Garantias Parciais de Crédito

account, documents all the payments made to and from it and reports them back to the MGU. The initiative funds are disbursed in tranches on a quarterly basis or based on approved investments.

Figure 5: MGU process flow



### Conditions for ER payments to the private sector

62. **Eligibility criteria** regarding the types of applicants and the types of eligible investments and expenses for the MG application are summarized in the table below.

Table 4: Eligibility criteria for private sector

<b>Time frame</b>	The supported activities and their budget must be completed by 2024.
<b>Geographic Scope</b>	Project applicants must implement the activities in the targeted landscape in Zambezia provinces (ER Program area): Gilé, Ile, Pebane, Alto Molocué, Maganja da Costa, Mocubela, Mulevala Mocuba e Gurué.
<b>Applicants</b>	Applicants need to be classified as Agribusiness, Ecotourism or Forestry Micro, Small and Medium Enterprises (MSMEs) legally registered in Mozambique. Only one application submission per applicant per call for proposals will be selected. Eligible businesses are understood as commercial companies participating in agriculture, ecotourism and forest-based value chains in the program area.
<b>Documentation Requirements</b>	The applicant will be asked to provide the following documents: company Registration Certificate, business license (Alvará), fiscal registration number (Número Único de Identificação Tributária - NUIT), Environmental and social Screening Questionnaire a copy of the last bank account statement and, if available, audited company statements or financial report, proof of last IVA payment, dedicated bank account details, Bank statement for the dedicated bank account (up to 6 months but at least 3 months prior to application date), proof of applicant's own contribution (for the small grant window, the ability to finance the remaining 20% or 10% according to the window applicable).
<b>Financial Viability</b>	For the purpose of this BSP, financial viability is defined as the business'

		ability to generate income to cover/meet the operating costs and financial obligations of the firm as well as to render profit and provide the potential for future growth. Applicants must clearly describe the technical and financial viability of the business as well as of the proposed investment.
<b>Operational Sustainability</b>		The applicants must describe whether the business can maintain existing practices (as well as innovate and increase productivity) without placing future resources at risk. The applicants will be evaluated against the proposal's incidence on conservation of both ecological and social resources.
<b>Indicative Chains</b>	<b>Value</b>	The value chains to be supported are: forest-based products and timber from planted forests; non-timber forest-based products (e.g. honey, natural oils, dried fruits), ecotourism; or other activity that could contribute to generate ERs.
<b>Eligible Expenditures</b>		Mechanization equipment, tools, machinery; soil conservation measures such as terracing, land leveling and watershed treatments; inputs including seeds, fertilizers, other vegetative material and agriculture inputs; seeds for seed production; salaries, storage and processing infrastructures, nursery components/infrastructures, patent application and fees, certifications.
<b>Ineligible Expenditures</b>		Land acquisition; large civil works such as the construction of new buildings that are not productive assets; retroactive payments for expenditures prior to the date on which the MG agreement is signed; financial participation in a firm's equity. Interest or debt owed to any party, Items already financed through another program or company/institution and salaries of government employees.

### III – E. HYPOTHETICAL APPLICATION ON HOW BENEFITS WILL BE ALLOCATED ACCORDING TO PERFORMANCE

63. Four different performance scenarios are shown below. *For details on Cash flow model for ER Program under different performance scenarios, see annex 3.*
- Scenario 1: Assuming 100% performance within the ER Program;
  - Scenario 2: Assuming 50% performance within the ER Program (underperformance scenario);
  - Scenario 3: Assuming 10% performance within the ER Program (underperformance scenario);
  - Scenario 4: Assuming a non-performance situation within the ER Program for one year subsequent to a performance year (no reduction of deforestation in the ER Program area as a whole, albeit some individual performance of a few districts only).
64. In order to study these scenarios, the table below provides ex-post estimations of ERs within ER Program area.

Table 5: Ex-post estimation of ER in ER Program area

ERPA term year (yr)	Reference Emission level (tCO <sub>2</sub> e/yr)	Estimated ERs	Estimated ER uncertainties	Estimated ER uncertainties associated with reversals	Estimated ERs post uncertainty discount
April, 2018 (retroactive)	3,243,723	973,117	38,925	280,258	653,935

ERs)					
2019	6,487,447	1,946,234	77,849	560,515	1,307,869
2020	6,487,447	2,594,979	103,799	747,354	1,743,826
2021	6,487,447	2,594,979	103,799	747,354	1,743,826
2022	6,487,447	2,594,979	103,799	747,354	1,743,826
2023	6,487,447	2,594,979	103,799	747,354	1,743,826
2024	6,487,447	2,594,979	103,799	747,354	1,743,826
<b>TOTAL</b>	<b>42,168,404</b>	<b>15,894,246</b>	<b>635,770</b>	<b>4,577,542</b>	<b>10,680,932</b>

65. Under the ERPA, with a price of \$ 5/tCO<sub>2</sub>e, Mozambique may receive up to \$ 50 million for the ERs generated (ER Gross Payments). Prior to the distribution of ER payments, operational fixed costs will be covered (\$ 500,000.00 per year, totalizing \$ 2,500,000 million over the ERPA terms – between 2020 (first payment) and 2024)) and a 5% of ER Gross Payments will be set-aside in a Performance Buffer (totalizing \$ 2,500,000 million over ERPA terms) - *see Section I and table below.*
66. The remaining amount of payments (ER net payments) will be then distributed as direct payments (Province and GNR), performance based payments (districts and communities) and support to private initiatives, as specified in Section II: two percent (2%) of the payments will be channeled as direct allocation to the Zambézia Provincial Government and four percent (4%) will be allocated to the Gilé National Reserve; four percent (4%) and seventy percent (70%) will be allocated to, respectively, the districts and local communities based on their performance; twenty percent (20%) will be used to support private sectors initiatives.
67. *It is important to understand that ER payments to private sector initiatives will not necessary be linked to the performance of the district.*

### Scenario 1: 100% performance within the ER Program

68. Under the 100% performance scenario, the ER Program will generate around 10,000,000 tCO<sub>2</sub>eq between April 2018 and December 2024. As presented on Table 6, the fixed costs throughout the ERPA term will totalize around \$2,500,000 and the performance buffer around \$2,500,000. Around \$ 45,000,000 would remain to be distributed among all the beneficiaries as described in section II. The communities would benefit the most from the ER Payments, and it is expected that around \$31,500,000 out of the \$45,000,000 would be channeled to them. The provincial government and the Gilé National Reserve would benefit from direct allocation of the ER Payments and around \$900,000 and \$1,800,000 would be allocated respectively. The amount to be allocated to the District Government based on their performance, would always be equal to the amount allocated to the GNR as they both would receive a share of 4% from the Net payments. The private sector, would be expected to benefit from around \$9,000,000 representing the second most benefited among all the beneficiaries.

Table 6: Repartition of net ER payments among beneficiaries

Year	Calculated ER for the ERPA term (tCO <sub>2</sub> e/yr)	GROSS ER PAYMENTS	Performance buffer (5% ER gross payments)	Operational costs (fixed)	NET ER PAYMENTS	Direct allocation		Performance-based allocation		Support to initiatives
						Provincial Gov. (2% ER net payments)	GNR (4% ER net payments)	Districts (4% ER net payments)	Communities (70% ER net payments)	Private Sector (20% ER net payments)
2018	653 935	3 269 675	163 484		3 106 191	62 124	124 248	124 248	2 174 334	621 238
2019	1 307 869	6 539 345	326 967		6 212 378	124 248	248 495	248 495	4 348 664	1 242 476
2020	1 607 646	8 038 230	401 912	500 000	7 136 319	142 726	285 453	285 453	4 995 423	1 427 264
2021	1 607 646	8 038 230	401 912	500 000	7 136 319	142 726	285 453	285 453	4 995 423	1 427 264
2022	1 607 646	8 038 230	401 912	500 000	7 136 319	142 726	285 453	285 453	4 995 423	1 427 264
2023	1 607 646	8 038 230	401 912	500 000	7 136 319	142 726	285 453	285 453	4 995 423	1 427 264
2024	1 607 612	8 038 060	401 903	500 000	7 136 157	142 723	285 446	285 446	4 995 310	1 427 231
<b>TOTAL</b>	<b>10 000 000</b>	<b>50 000 000</b>	<b>2 500 000</b>	<b>2 500 000</b>	<b>45 000 000</b>	<b>900 000</b>	<b>1 800 000</b>	<b>1 800 000</b>	<b>31 500 000</b>	<b>9 000 000</b>

69. The table below illustrates how the performance-based payments may be channeled among the beneficiaries in case of full performance of the ER Program, meaning that the expected 10 million ERs are achieved. Here again, it is important to understand that community and private sector initiatives will not necessary be linked to the performance of the district. The example below, shows only what would be the contribution of each districts performance to the total amount of the ER Payments to be allocated to the communities and the private sector. However, the amount of payments flowing to the district government will always be allocated based on performance and in case of no performance, the district would not receive any amount of the ER Payments.
70. In case of performance of the ER Program as whole, the performance buffer set-aside payments will be re-distributed among all the beneficiaries as described above on section II.

Table 7: Performance based ERs distribution among communities, private sector and districts in Scenario 1 (100% performance)

Scenario 1: 100% performance					
Districts	Relative performance weight	Calculated ER for the ERPA term by district (tCO <sub>2</sub> e/yr)	Community	Private	Districts
Gilé	0,26	2 600 000	8 190 000	2 340 000	468 000
Alto Molocué	0,07	700 000	2 205 000	630 000	126 000
Pebane	0,07	700 000	2 205 000	630 000	126 000
Maganja da Costa	0,09	900 000	2 835 000	810 000	162 000
Ilé	0,04	400 000	1 260 000	360 000	72 000
Gurué	0,15	1 500 000	4 725 000	1 350 000	270 000
Mulevala	0,11	1 100 000	3 465 000	990 000	198 000
Mocuba	0,07	700 000	2 205 000	630 000	126 000
Mocubela	0,14	1 400 000	4 410 000	1 260 000	252 000
<b>TOTAL</b>	<b>1,00</b>	<b>10 000 000</b>	<b>31 500 000</b>	<b>9 000 000</b>	<b>1 800 000</b>

71. In each of the 9 districts, the relative performance weight of the district is applied to the total amount available for each category (community, private sector, districts). For instance, the total contribution of Gilé with the ER payments for local communities under the district of Gilé is:  $0.26 * \$ 31,500,000 = \$ 8,190,000$ . Table 7 described the respective value of ER payments for each category.

#### Scenario 2: Underperformance Scenario - 50% performance within the ER Program

72. In a case of 50% performance within the ER Program, the amount of the ERs to be channeled to the beneficiaries reduces almost by half (\$21,250,000 against \$45,000,000). In Scenario 2, it is assumed that the maximum volume of ERs that will be generated is 5 million and, in terms of ER payments, this would represent up to \$ 25 million (based on a price of \$ 5 / tCO<sub>2</sub>e). The fixed costs remain the same across all the scenarios. However, changes on the amount of the ER Payments to be allocated within the performance buffer change because these costs are deducted from the Gross payments which directly depend on the amount of ERs generated. Under this scenario, the amount of ERs payments set aside at the performance buffer during the entire ERPA period, will be distributed at the

end of the ERPA term among all the beneficiaries following the same criteria as the ones that are used to distribute the ER net payments.

73. The provincial government and the Gilé National Reserve would benefit from direct allocation of the ER Payments and around \$425,000 and \$850,000 would be allocated respectively, representing less than half of the amount of payments that would be received in the case of 100% performance.

Table 8: Repartition of net ER payments among beneficiaries

Year	Calculated ER for the ERPA term (tCO <sub>2</sub> e/yr)	GROSS ER PAYMENTS	Performance buffer (5% ER gross payments)	Operational costs (fixed)	NET ER PAYMENTS	Direct allocation		Performance-based allocation		Support to initiatives
						Provincial Gov. (2% ER net payments)	GNR (4% ER net payments)	Districts (4% ER net payments)	Communities (70% ER net payments)	Private Sector (20% ER net payments)
2018	326,968	1,634,838	81,742	0	1,553,096	31,062	62,124	62,124	1,087,167	310,619
2019	653,935	3,269,673	163,484	0	3,106,189	62,124	124,248	124,248	2,174,332	621,238
2020	803,823	4,019,115	200,956	500,000	3,318,159	66,363	132,726	132,726	2,322,711	663,632
2021	803,823	4,019,115	200,956	500,000	3,318,159	66,363	132,726	132,726	2,322,711	663,632
2022	803,823	4,019,115	200,956	500,000	3,318,159	66,363	132,726	132,726	2,322,711	663,632
2023	803,823	4,019,115	200,956	500,000	3,318,159	66,363	132,726	132,726	2,322,711	663,632
2024	803,806	4,019,030	200,952	500,000	3,318,079	66,362	132,723	132,723	2,322,655	663,616
<b>TOTAL</b>	<b>5,000,000</b>	<b>25,000,000</b>	<b>1,250,000</b>	<b>2 500 000</b>	<b>21,250,000</b>	<b>425,000</b>	<b>850,000</b>	<b>850,000</b>	<b>14,875,000</b>	<b>4,250,000</b>

74. In this scenario, a total of \$14,875,000 would be available for local community initiatives; \$4,250,000 for the private sector; and \$850,000 for the district governments, as shown in Table 9. In each of the 9 districts, the relative performance weight of the district is applied to the total amount available for each category (community, private sector, districts). For instance, the total ER payments available for local communities in the district of Gilé is:  $0.26 * \$ 14,875,000 = \$ 3,867,500$ . The table below describes the respective value of ER payments for each category.

Table 9: Performance based ERs distribution among communities, private sector and districts in Scenario 2 (50% performance)

Scenario 2: 50% performance					
Districts	Relative performance weight	Calculated ER for the ERPA term by district (tCO <sub>2</sub> e/yr)	Community	Private	Districts
Gilé	0,26	1 300 000	3,867,500	1,105,000	221,000
Alto Molocué	0,07	350 000	1,041,250	297,500	59,500
Pebane	0,07	350 000	1,041,250	297,500	59,500
Maganja da Costa	0,09	450 000	1,338,750	382,500	76,500
Ilé	0,04	200 000	595,000	170,000	34,000
Gurué	0,15	750 000	2,231,250	637,500	127,500
Mulevala	0,11	550 000	1,636,250	467,500	93,500
Mocuba	0,07	350 000	1,041,250	297,500	59,500
Mocubela	0,14	700 000	2,082,500	595,000	119,000
<b>TOTAL</b>	<b>1,00</b>	<b>5 000 000</b>	<b>14,875,000</b>	<b>4,250,000</b>	<b>850,000</b>

### Scenario 3: Underperformance Scenario - 10% performance within the ER Program

75. Under the 10% performance scenario, the ER Program will generate only 1,000,000 tCO<sub>2</sub>e between 2018 and 2024. This represent a total of \$5,000,000 of gross payments (based on a price of \$ 5 / tCO<sub>2</sub>e) to be channeled to Mozambique and around \$ 2,500,000 to be channeled to the beneficiaries as the fixed costs (\$2,500,000) of the program would represent almost half of the gross payments. A total of \$250,000 is expected to be set aside at the buffer performance. Under this scenario, there is high risks that in some years the amount of payments received will not be used to distribute among the beneficiaries as it will only cover the fixed costs and be enough to keep certain amount of the payments within the performance buffer. So the idea in these cases will be to set aside all the funds at the performance buffer “account”.

Table 10: Repartition of net ER payments among beneficiaries

						Direct allocation		Performance-based allocation		
Year	Calculated ER for the ERPA term (tCO <sub>2</sub> e/yr)	GROSS ER PAYMENTS	Performance buffer (5% ER gross payments)	Operational costs (fixed)	NET ER PAYMENTS	Provincial Gov. (2% ER net payments)	GNR (4% ER net payments)	Districts (4% ER net payments)	Communities (70% ER net payments)	Private Sector (20% ER net payments)
2018	65,394	326,968	16,348	0	310,619	6,212	12,425	12,425	217,433	62,124
2019	130,787	653,935	32,697	0	621,238	12,425	24,850	24,850	434,866	124,248
2020	160,765	803,823	40,191	500 000	263,632	5,273	10,545	10,545	184,542	52,726
2021	160,765	803,823	40,191	500,000	263,632	5,273	10,545	10,545	184,542	52,726
2022	160,765	803,823	40,191	500,000	263,632	5,273	10,545	10,545	184,542	52,726
2023	160,765	803,823	40,191	500,000	263,632	5,273	10,545	10,545	184,542	52,726
2024	160,761	803,806	40,190	500,000	263,616	5,272	10,545	10,545	184,531	52,723
<b>TOTAL</b>	<b>1,000,000</b>	<b>5,000,000</b>	<b>250,000</b>	<b>2,500,000</b>	<b>2,250,000</b>	<b>45,000</b>	<b>90,000</b>	<b>90,000</b>	<b>1,575,000</b>	<b>450,000</b>

76. The communities would benefit the most from the ER Payments, and is expected that they received around \$1,575,000. The provincial government and the Gilé National Reserve would benefit from direct allocation of the ER Payments and around \$45,000 and \$90,000 would be allocated respectively. The amount to be allocated to the District Government based on their performance, would always be equal to the amount allocated to the GNR as they both would receive a share of 4% from the Net payments (\$90,000). The private sector, would be expected to benefit from around \$450,000 representing the second most benefited among all the beneficiaries. In each of the 9 districts, the relative performance weight of the district is applied to the total amount available for each category (community, private sector, districts). For instance, the total ER payments available for local communities in the district of Gilé is:  $0.26 * \$1,575,000 = \$409,500$ . The table below describes the respective value of ER payments for each category. The amount of ERs payments set aside at the performance buffer during will be distributed at the end of the ERPA term among all the beneficiaries and would only be triggered in a case of a non-performance scenario as described below on scenario 4.

Table 11: Performance based ERs distribution among communities, private sector and districts in Scenario 3 (10% performance)

Scenario 3: 10% performance					
Districts	Relative performance weight	Calculated ER for the ERPA term by district (tCO <sub>2</sub> e/yr)	Community	Private	Districts
Gilé	0,26	260 000	409,500	117,000	23,400
Alto Molocué	0,07	70 000	110,250	31,500	6,300
Pebane	0,07	70 000	110,250	31,500	6,300
Maganja da Costa	0,09	90 000	141,750	40,500	8,100
Ilé	0,04	40 000	63,000	18,000	3,600
Gurué	0,15	150 000	236,250	67,500	13,500
Mulevala	0,11	110 000	173,250	49,500	9,900
Mocuba	0,07	70 000	110,250	31,500	6,300
Mocubela	0,14	140 000	220,500	63,000	12,600
<b>TOTAL</b>	<b>1,00</b>	<b>1 000 000</b>	<b>1,575,000</b>	<b>450,000</b>	<b>90,000</b>

#### Scenario 4: ER Program non-performance for a specific year

77. In the event of non-performance of the ER program for a specific year, the performance buffer will be triggered as shown below:

- In the following example, it is assumed that, in 2019, all the districts have had 100% performance (see table 12).
- As presented in Table 6 above, at the end of the year 2019, \$ 326,967 are therefore available in the Performance Buffer.
- This set-aside money can be used the next year to incentivize the districts that did reduce deforestation in their jurisdiction but whose performance was to some extent offset by the increased carbon emissions of other districts: despite their own individual reduction of deforestation, the ER Program as whole did not reduce deforestation in a given year (e.g. 2020).
- In the example below, it is assumed that this non-performance situation would take place in 2020: in this scenario, in 2020, the emissions of the 9 districts altogether would exceed the FREL (6,487,447 tCO<sub>2</sub>e/yr) by 1 MtCO<sub>2</sub>e/yr, reaching a total of emissions of 7,500,000 tCO<sub>2</sub>e/yr.
- In that case, the money set aside in the Performance Buffer would be eligible to the Gilé National Reserve (20%), the districts (10%) and local communities (70%) that would have reduced deforestation in their area. *This percentage split is an example* – it will be annually defined by FNDS according to monitored performance and in a way that best values local communities.

Table 12: An example of an underperformance situation within the ER

ERPA term year t	Reference level (tCO <sub>2</sub> e/yr)	Emissions under the ER Program (tCO <sub>2</sub> e/yr)	Emissions Reduction under the ER Program (tCO <sub>2</sub> e/yr)	Emissions set-aside to reflect the level of uncertainties associated with the estimation of ERs during the Term of the ERPA (tCO <sub>2</sub> e/yr)	Emissions set-aside to reflect the level of possible reversals associated with the estimation of ERs during the Term of the ERPA (tCO <sub>2</sub> e/yr)	Emission Reductions (tCO <sub>2</sub> e/yr)
2020	6,487,447	7,500,000	-1,012,553			-1,012,553

78. As shown in the table below, monitoring will enable to identify the districts that did reduce deforestation albeit underperformance of the ER Program as whole. In this example, we can see that only four districts did perform in reducing deforestation, while emissions increased in the five others. In this case, the volume of money that has been set aside in the Performance Buffer by FNDS in the previous years is eligible to those the four districts only. The relative weight of each district in

reducing deforestation would be estimated according to the volume of ERs generated within every single one of them, compared with the total of ERs generated by the four successful districts altogether. It is really important here to note that the FREL would have to distribute among the 9 districts in order to be able to assess district performance.

79. The volume of ER payments of the Performance Buffer eligible to local communities and to the Gilé National Reserve would then be estimated as follows (hypothetical example):

- Community:  $0.7 \times \text{Performance buffer in 2019 } (\$ 326,967) = \$ 228,877$
- Gilé National Reserve:  $0.2 \times \text{Performance buffer in 2019 } (\$ 326,967) = \$ 65,393$

Table 13: Detailed calculations in a case of underperformance

District	FREL	Monitored Emissions for 2020 by district (tCO <sub>2</sub> e/yr)	Calculated ERs for 2020 by district (tCO <sub>2</sub> e/yr)	5% Buffer
Gilé	900,000	1,300,000	- 400,000	
Alto Mulocue	1,200,000	350,000	850,000	11,402.18
Pebane	487,447	350,000	137,447	1,843.76
Maganja da Costa	1,300,000	450,000	850,000	11,402.18
Ilé	800,000	200,000	600,000	8,048.60
Gurué	550,000	750,000	- 200,000	
Mulevala	250,000	1,550,000	- 1,300,000	
Mocuba	150,000	850,000	- 700,000	
Mocubela	850,000	1,700,000	- 850,000	
<b>TOTAL</b>	<b>6,487,447.00</b>	<b>7,500,000</b>	<b>- 1,012,553</b>	<b>32,696.73</b>

## IV – INSTITUTIONAL ARRANGEMENTS

### IV-A. OVERALL GOVERNANCE STRUCTURE OF THE BSP

80. The table below summarizes the overall governance structure of this BSP and the responsibility of each institution for the implementation and functioning of the BSP.

Table 14: Governance structure for BSP implementation and supervision

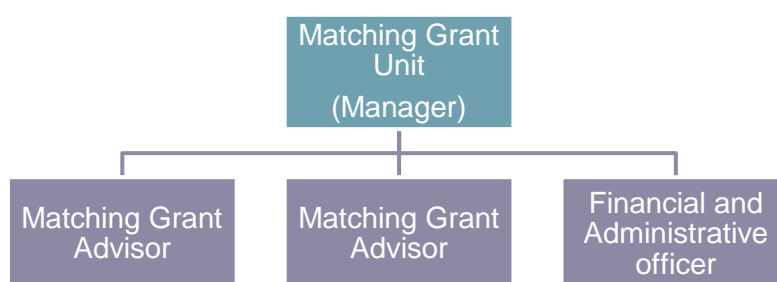
Institution	Role and Responsibility
<b>Ministry of Economy and Finance (MEF)</b>	<ul style="list-style-type: none"> <li>• Approval authority for receipt of ER Gross Payments</li> </ul>
<b>Bank of Mozambique</b>	<ul style="list-style-type: none"> <li>• Registry of ER Gross Payments in international currency (dollars)</li> <li>• Transfer the funds via SISTAFE to eligible beneficiaries based on the criteria established in this BSP</li> </ul>
<b>National Fund for Sustainable Development (FNDS)</b>	<ul style="list-style-type: none"> <li>• Funds Recipient and Administrator:               <ul style="list-style-type: none"> <li>○ Establishment and maintaining of a Designated Account in national currency (Metical) to operate the BSP;</li> <li>○ Fiduciary supervision of the flow of funds</li> <li>○ Management of operational costs and performance buffer funds</li> </ul> </li> <li>• Central operator of the BSP:               <ul style="list-style-type: none"> <li>○ Overall supervision and monitoring of the ER program</li> <li>○ Revision of Zambézia PESOP with specifically included REDD+ activities;</li> <li>○ Revision of Districts' PESOD with specifically included REDD+ activities;</li> <li>○ Revision and approval of the GNR REDD+ Plan;</li> <li>○ Revision and approval of Province, Districts and GNR's technical and financial reports on the use of ER payments;</li> </ul> </li> <li>• Responsible for the overall management, procurement and monitoring of community projects submitted by CBOs and private sector ER initiatives</li> <li>• Responsible for MRV functions and ER Monitoring Reports, including monitoring and reporting of performance in ER Program area;</li> <li>• Hiring and supervision of the service provider for building the capacities of the local communities</li> <li>• Ensure safeguards compliance of community projects and supervision of safeguards policies in ER Program area, including FGRM.</li> </ul>

	<b>Matching Grant Unit (MGU) – within FNDS at central level</b>	<ul style="list-style-type: none"> <li>• Selection and approval of private initiatives eligible to ER payments through the window;</li> <li>• Processing of requests for funds disbursement for those initiatives.</li> <li>• Selection and approval of community project proposals</li> </ul>
	<b>Program Implementation Unit (PIU) in Zambezia – Within FNDS at provincial level</b>	<ul style="list-style-type: none"> <li>• Support to the Zambézia province, the GNR and the 9 districts in the definition and inclusion of REDD+ activities in, respectively, their PESOP, GNR REDD+ Plan and PESODs.</li> <li>• Monitoring the implementation of the REDD+ activities included in the provincial, district and Gilé annual plans</li> <li>• Monitoring the capacity building process and the community readiness assessment</li> <li>• Participation in the pre-evaluation of community initiatives and proposals eligible for ER payments</li> <li>• Management of safeguards policies in ER Program area, including FGRM.</li> <li>• Monitoring the community projects and the ER private sector initiatives</li> </ul>
<b>Zambézia Multi-Stakeholders Landscape Forum (MSLF)</b>	Provide advice and recommendations to FNDS on community and private sector initiatives eligible, including capacity building for communities and participation in the pre-evaluation of community projects proposals eligible for ER payments.	

#### IV-B. GOVERNANCE STRUCTURE OF THE MATCHING GRANT UNIT

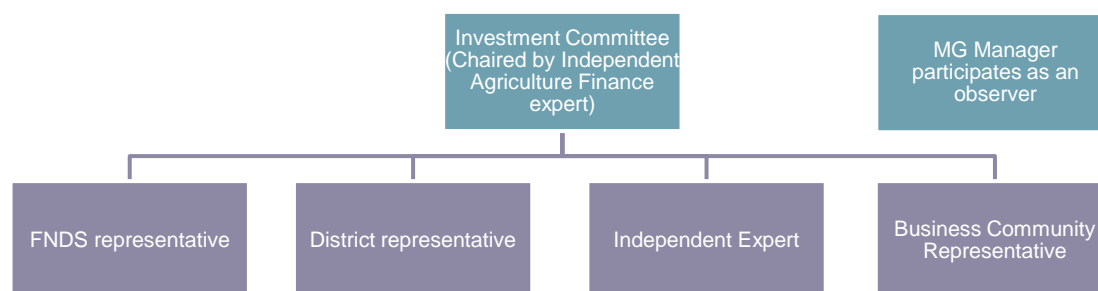
81. The MGU is established under the FNDS. Within FNDS, the direct Responsibilities of the FNDS Manager with regard to the MGU are to: (i) authorize the disbursements for the Business Plans that have been approved by the Investment Committee; (ii) accompany the verification on the ground, during the monitoring process of the beneficiaries, the compliance of the acquisition processes and the equipment acquired within the scope of the approved business plans.
82. The MGU is composed of: one MG Manager (who reports to the head of the investment department of FNDS), two Grant Advisors and a Financial and Administrative Officer, as described in the figure below.

Figure 6: Matching Grant Unit Organizational Chart



83. The responsibilities of the MGU are: (i) receiving the submitted Business Plans; (ii) confirming that all items presented in the proposals are in accordance with the eligibility criteria; (iii) analyzing the financial, economic and socio-environmental feasibility of the proposals/business plans; (iv) ensuring that the documentation is completed for the submission of the proposals to the Investment Committee; (v) submitting to the Investment Committee proposals for which the MGU has a positive opinion; and/or the proposals that have not matched all the requirements to be submitted to the Investment Committee, to be improved by the MSME and subsequent re-submission if deemed appropriate; (vi) Making the disbursements for the Business Plans that have been approved by the Investment Committee upon authorization by the FNDS; (vii) Verifying on the ground, during the monitoring process of the beneficiaries, the compliance of the acquisition processes and the equipment acquired within the scope of the approved business plans.
84. The MGU will also be responsible for performing due diligence on the use of the funds. Disbursement applications for the use of the ER payments funds will be channelled through the FNDS, and MG fund will be deposited in a special dedicated Initiative account for the scheme – see section VI for institutional arrangement and flow of funds. Disbursements will be done in tranches based on approved investments. Actual expenditures of the grants will be reported in addition to the disbursed funds to ensure next tranche is liberated for disbursement. The MGU will prepare quarterly financial statements based on the final use of the funds and actual expenditures, and submit them to the FNDS, which will include them in the quarterly reports.
85. The MGU comprise an Investment Committee, whose responsibilities are: (i) receiving the proposals submitted by the MGU; (ii) validating the financial, economic, socio-environmental feasibility analysis and investment return rate of the business plans proposals; (iii) after the validation of the evaluation made by MGU, approving (or rejecting) the proposals; (iv) approving conditionally the proposal that meets all eligibility criteria but requires additional funding so that final approval is given as soon as the proposal obtains additional funds.
86. The Investment Committee is composed of five members: (i) one FNDS representative; (ii) one district representative that that performed well; (iii) an independent expert whose role will include to evaluate investment proposals; and (iv) Business Community Representative. The MG Manager will participate as an observer. The Committee will be guided by the Proposals' objectives, agreed selection criteria, and will be responsible for reviewing and approving the business proposals as well as the quarterly reports.

Figure 7: Investment Committee Composition



## V – MONITORING

### V-A. MONITORING OF PERFORMANCE

87. Successful implementation and monitoring of performance of the ER Program will be done at district level in order to (i) enable synchronization and coordination of ER Program implementation with various institutions; (ii) increases accountability, transparency and efficiency in the ER Program implementation and monitoring; and (iii) incentivize the districts to better perform.
88. ER payments for districts will be performance-based, assessed against the historical emissions for that district. That is, a reference level of emissions will be calculated for each district, based on a subset of the same dataset used to calculate the reference level for the Program Area. Annual emissions for a district will then be compared against this individual reference level.
89. The MRV unit within FNDS has developed a methodology to estimated annual emissions from deforestation. This methodology results in deforestation maps for the Program Area, which are then used to generate estimates of area of deforestation
90. Monitoring at the ER program level and district level will be linked to the Forest Reference Emissions Level (FREL) so it will be done using a stratified estimator, where forest cover change maps will be used for stratification and reference sampling units will be used for estimating activity data and reporting associated confidence intervals.
91. It is important to keep in mind that when used at a level below district, the deforestation maps only provide relative information of the area of deforestation, compared to the estimates generated for the whole district. This relative information can be used to determine whether an administrative post is performing or underperforming, compared to the rest of the district. The deforestation map cannot be used to monitor deforestation at the community level.
92. The methodology to produce the estimates of annual deforestation for the ER Program Area is as follows:
  - a. Produce Sentinel-2 image stacks for the Program Area, containing all images for the the wet season (e.g. January - May), for the reference period (year 1) and current period (year 2). Image stacks are generated using scripts that run on Google Earth Engine.

- b. Generate a set of composite image features from the image stacks which are used to identify changes in forest cover, including changes in vegetation indices (e.g. Normalized Difference Vegetation Index (NDVI), Enhanced Vegetation Index (EVI), the phenological state of surrounding forest, and measures of multi-temporal variation in NDVI to separate crop cycles from deforestation.
- c. Training samples are collected, identifying 3 classes: stable forest, stable non-forest and deforestation. These training samples are used to calibrate an automated change detection algorithm, which results in a map with a continuous measure of the probability of deforestation in each pixel.
- d. For the purpose of area estimation it's important to minimize errors of omission in deforestation. A classified forest cover change map is produced using probability thresholds, with strata defined of high, medium and low probability of deforestation. Buffer regions of 50 m area added around high probability deforestation events to reduce the likelihood of any deforestation events being missed.
- e. Stratified random sampling is conducted for each of the forest cover change strata, resulting in estimates of deforested area for the reference year, with confidence intervals.

## V-B. MONITORING OF ER PROGRAM ACTIVITIES

- 93. The FNDS with the support of the PIU is responsible for the overall supervision and monitoring of the activities implemented with the ER payments. The FNDS has an M&E unit, which has developed an M&E system that will be used to track the implementation of all activities funded with the ER payments.
- 94. The FNDS will monitor the implementation of the REDD+ activities included in the provincial PESOP, districts's PESODs and the GNR REDD+ Plan. In addition, the FNDS will supervise and monitor the emission reductions activities implemented by the private sector through the matching scheme and the community projects implemented by the CBOs.
- 95. The first report will be submitted within 6 months of the first ERPA payment as per the ER Monitoring Report Template. Annual, midterm and final reports on BSP implementation activities and funds distribution among the stakeholders will be prepared and submitted to the trustee – the World Bank
- 96. Financial audits will be conducted annually by the Administrative Court to ensure compliance and legality in the project's financial process. Quarterly monitoring and audits will be carried out internally by FNDS by the finance team and the audit office respectively. Within 2 years an independent external audit may be considered if necessary.

## V-C. MONITORING OF SAFEGUARDS

### Safeguards regarding ER Program activities

97. As previously stated, all activities of the ER Program are funded by the World Bank through investment projects<sup>12</sup>. These projects are all safeguards compliant.
98. Various safeguards instruments were prepared for the implementation of the ER Program interventions that will generate the ERs – see table 15. The application of these instruments mitigates the social and environmental risks from the investments projects that make up the ZILMP. *See ERPD (section 14) for more details*. In order to assure compliance with the social and environmental aspects of implementation of the BSP, the monitoring will be aligned with safeguards instruments adopted within the framework of the World Bank projects funded, respectively MozFIP, MozDGM, SUSTENTA and MozBio as well as the national legal framework.

Table 15: Safeguards instruments

Projects	Instruments	Approval date
<b>MozBio</b>	ESMF PF PMP	July 2014
<b>Sustenta</b>	ESMF RPF PMP	March 2016
<b>MozFIP, MozDGM, REDD+ initiatives</b>	ESMF PF Addendum	January 2017
<b>National REDD+ Strategy</b>	SESA	November 2017

99. In compliance with the principles of implementation of REDD+, in the context of the UNFCCC, a Safeguards Information System (SIS) has being designed at the national level and will also be used to report on the progress of the ER Program. The SIS will provide information on how the safeguards will be treated and respected throughout the implementation of the ER Program.
100. The SIS will complement the existing Feedback and Grievance Redress Mechanism (FGRM), a system created to answer questions, clarify issues, and complaints from individuals or groups affected by the activities under the program. Among other utilities the FGRM serves as an instrument for pursuit of harmonious relationship between the parties concerned and interested in the areas of implementation of projects and programs. The information about registration and complaints attendance will be available in the online platform and updated continuously.
101. Currently, FNDS has a team of Safeguards Specialists, composed by social and environmental experts at the central and landscape level, to oversee both the WB-financed investment projects and community and private sector activities implemented with ER payments. These specialists, together with the community development officer of Gilé and other provincial technicians from

---

<sup>12</sup> Mozbio, Sustenta, MozFip and MozDGM projects – see introduction and ERPD for more details

governmental institutions, have benefitted from the previous and ongoing safeguards training initiatives carried out by the World Bank and continue to gain competency in implementing World Bank safeguards requirements.

102. Every year, supervision activities are carried out on the ground to check compliance with the contractual obligations relating to implementation of safeguards activities by service providers, private companies and other direct beneficiaries of the BSP.
103. External auditing processes are expected at 2 years intervals, through a consultant accredited services by the national environmental agency, DINAB.

#### **Safeguards regarding communities and private sector initiatives**

104. WB safeguards instruments will also apply to community and private sector activities implemented with ER payments. MozFIP safeguards instruments will be applied to activities implemented by both communities and private sector. The existing GRM will also be used by individuals and communities who believe they are adversely affected by the community and private sector initiatives.
105. The FNDS safeguards team (four specialists at national level and one specialist in the Zambezia office) will be strengthened by two individuals (an specialist and an assistant) to ensure compliance with the World Bank safeguards requirements of community and private sector initiatives implemented with ER payments.

## VII – CONSULTATION

### VII-A. SUMMARY OF CONSULTATION

106. In Mozambique, the necessity to consult with stakeholders for matters related to REDD+ is embedded in national law: both the Mozambican Constitution and Environment Law establish the rights of citizens to have information about and to participate in decision-making about activities which may affect them and the environment. This advanced draft of BSP was therefore designed in compliance with national procedures and with criterion 31 of the FCPF MF (FCPF, 2016a), requiring that it shall be elaborated in a «consultative, transparent, and participatory manner».
107. In order to ensure transparent and participatory processes, the benefit sharing mechanism to be applied to the ZILMP has been at the center of discussions in various forums: during Readiness phase, an extensive consultation process was undertaken at national level to design the ER Program and its BSM. Between February 2010 and July 2011, more than 1,500 participants took part in consultations and training workshop. From March 2013 to November 2016, 61 public consultation meetings on REDD+ and associated projects were organized. 10 of them were community consultations. Along those consultation, 3,370 participants were recorded, 29% of which were women.
108. From February to April 2018, a total of 4 consultations were carried out in the framework of the preparation of the BSP, respectively: (i) at the integrated landscape development platform of Zambézia, 2 (two) meetings involving representatives of local government, communities, private sector, NGOs; (ii) at the central level 1 (one) meeting with government representatives in the sectors of Land, Conservation Areas, Agriculture, Forestry, Mineral Resources and Energy, Rural Development, State Administration and representatives of the World Bank and; presentation during the V National Conference of Community Management. In these events 445 individuals participated, 30% of them were women. The main objective of the meetings was to discuss the percentages of benefit allocation, allocation models/processes, priorities areas and benefits sharing challenges of the BSP.
109. In November 2019, the BSP was presented to civil society organizations in a meeting held in Maputo. 48 individuals of whom 42% were women participated in the meeting. The objectives of this meeting were: 1)- To reach consensus on improving mechanisms for channelling and utilizing community benefits through access to and exploitation of natural resources; 2)- To consider the impact of benefits already channelled to local communities and approaches to their improvement and 3)- To share experiences among different actors in the local development process with the involvement of local communities and existing potentials. The allocation of 70% to local communities was highly appreciated by the participants. In general, civil society members showed interest and availability for building the capacities of local communities
110. In December 2019, the present version of the BSP was discussed with MSLF in Zambezia Province. 71 individuals of whom 32% were women participated in the meeting. Participants included: members of civil society; community members; local, provincial and central government; private sector; academia and international partners (FAO). The main issues discussed were related to i) the selection of proposal based on good practices in terms of

governance and the sustainable use of natural resources by communities and CBO's, ii) starting date for ER payments and iii) sustainability of the ER Program.

111. In total, 3,974 individuals participated in REDD+ consultation events of which 564 individual participated in BSP consultations (31% women). The main objectives of the BSP meetings were to discuss the program approach, the percentages of benefit allocation, allocation models/processes, priorities areas and benefits sharing challenges of the BSP.
112. The contributions resulting from this consultation process were integrated into the BSP plan. The distribution percentage of the allocation was a consensual subject, considering the community as the main beneficiary with 70% of the payment of RE results and Benefit Sharing proportional to the reduction of deforestation by district. The following table provides a summary of the main aspects discussed.

Table 16. Consultation process- synthesis of discussions

Subject	Result/comments
Districts of the Zambezia landscape	<ul style="list-style-type: none"> <li>• Zambezia landscape: The landscape is composed of 9 districts: Gile, Alto Molocue, Ile, Pebane, Mocuba, Mocubela, Mulevala, Maganja da Costa and Pebane</li> </ul>
Current Challenges of BSP Implementation	<ul style="list-style-type: none"> <li>• Communities shall be considered as part of the solution to problems of sustainable management of natural resources (MISRN) and not the problem.</li> <li>• Issues of gender mainstreaming should be taken into account. Check cultural and local customs.</li> <li>• Communities have many weaknesses and need to be empowered to better use the revenue from forest concessions (20%) and other funds. It is suggested to build the capacities of community members in community governance and management of natural resources</li> <li>• The process to access the funds must be simplified and differentiated according to the beneficiaries, Private Sector and CBOs.</li> <li>• One of the challenges has been the complexity of processes to access the funds, high levels of eligibility criteria in the face of local reality with low levels of illiteracy.</li> <li>• Urbanization and population growth should be analysed as a relevant factor for community development.</li> <li>• Lack of effective legal instruments for sharing benefits in the community; Suggests the need to develop a conceptual framework on benefit-sharing</li> <li>• The revision of diploma 93/2005 was recommended so that the 20% is attributed on merit of participation in the protection of natural resources.</li> <li>• Promote partnerships between communities and the private sector</li> </ul>
Potential eligibility criteria for funding / grants	<ul style="list-style-type: none"> <li>• Potential eligibility criteria for funding/grants:               <ul style="list-style-type: none"> <li>○ CBO or NRMC located in forest areas in Zambezia landscape</li> <li>○ Delimited community</li> <li>○ To be known and recognized in the region where the ER initiative will be implemented (More than 1 year)</li> <li>○ To have a bank account</li> <li>○ Evidence of financial management experience</li> <li>○ Integration of vulnerable groups (women and young people)</li> <li>○ Projects with a greater number of beneficiaries will be a priority</li> <li>○ If an CBO or NRMC does not comply with the above requirements, it is possible for an anchor institution (service</li> </ul> </li> </ul>

	<p>provider) to be used to financially manage the project, and support in preparing proposals as long as their cost does not exceed 20% . The contracts would be signed between the FNDS, CBO and the anchor institution.</p>
Mangroves in the ER initiatives	<ul style="list-style-type: none"> <li>• Mangrove recovery, maintenance or enrichment are eligible projects.</li> <li>• There is no information available on mangrove deforestation data in the region.</li> <li>• Initiatives that do not contribute to the reduction of deforestation will be eligible under the Benefit Sharing Plan for the Zambézia Program as long as they are community priorities and are not on the list of ineligible initiatives</li> </ul>
The Gile National Reserve	<ul style="list-style-type: none"> <li>• Administration of the Gilé National Reserve will receive direct funds</li> <li>• Funds will be used to support the implementation of the annual plan of activities includes ER initiatives.</li> <li>• The Management Council of Gile National Reserve is composed of district authorities (district administrator of Pebane and Gile, distrital services of economic activities (SDAE), heads of administrative posts, local community leaders, religious leaders, Gile reserve administrator, community officer, NRMCS of the buffer zone, and as observers, representatives of the tourism activity, wood exploitation that operate in the vicinity of the reserve.</li> </ul>
Initiatives under the BSP	<ul style="list-style-type: none"> <li>• Promotion of ecotourism (Example: Nzou camp in the Chimanimani National Reserve, central region of Mozambique)</li> <li>• Support the sustainable initiatives of forest value chain</li> <li>• Promoting agroforestry systems and conservation agriculture</li> <li>• Ensure investment in the following pillars: Natural resource management, institutional development &amp; governance and investment in livelihood improvement.</li> </ul>
Selection process of community projects	<ul style="list-style-type: none"> <li>• The selection process of community projects includes two phases: i) the selection of project proposals by a local committee (Landscape Committee) composed of representatives of provincial government; academia, Multi-stakeholder Landscape Forum (MSLF), FNDS and members of each of the well-performing districts; and ii) a technical analysis of the proposals by the FNDS MGU – Matching Grant Unit.</li> <li>• Communities/CBO's implementing good practices of sustainable management of natural resources will have priority in the selection of proposals</li> </ul>
Project Sustainability	<ul style="list-style-type: none"> <li>• The project has a strong component of community awareness and capacity building to engage communities in the sustainable management of natural resources;</li> <li>• There are other national programs (i.e “retaining 20% of the forest concessions permits for communities”) discussing how these funds can be used to engage communities in sustainable forest management activities.</li> </ul>

## **VII-B. CONSULTATIONS PLAN**

113. This BSP has been presented to local communities and to the multi-stakeholder forum of Zambezia, and the inputs of those consultations have improved this document. All consultations that took place are available on line<sup>13</sup>.
114. Consultation is a continuous process and therefore communities will continue to be consulted in order to provide contributions to improve the BSP implementation. This information will be integrated in a database at the FNDS and PIU level. New consultations may be held in the 9 districts once the first payment has been received and the first call for proposals launched.

---

13

<https://docs.google.com/spreadsheets/d/1LOo1dvQyUOXMHOU20Djg61E3ECM7OgDbJEhf68jPZ5c/edit#gid=862126948>

## VIII – COMMUNICATION

115. The communication aims to be sure that stakeholders are aware of the scope of this program and the stakeholder's role in reducing deforestation. The communication process will be developed on a multi-sectoral approach, which seeks to involve all stakeholders: Communities / NGOs / Academia / Private Sector / Partners / Journalists and media / Public in general and etc. The message to be can vary according to the interested party, for example:

*Communities:* What is climate change and how does it affect us? Why are forests important and what is their role in climate change? What are greenhouse gases? What is the importance of forests in reducing the emission of these gases? What can I / my community do to contribute to preventing deforestation and reducing greenhouse gas emissions? What is Result Based Financing (RBF)? (make clear that payment is only made by reaching the predefined results). How can I benefit from this? Mention here the FCPF, making it clear that the payment will only be made if they are able to reduce greenhouse gas emissions resulting from deforestation, according to the agreed target.) How will deforestation be monitored in my community?

*NGOs / Academia / Private Sector / Partners / and other general stakeholders:* What is REDD +? Opportunities and benefits related to the program. What is Result Based Financing (RBF)? How will the forest cover monitoring system work?

116. The available means of communication will be: Radios: Spots in community and provincial radios; Printed Material: Banners, A3 Posters, Roll ups and Brochures; Web: Electronic dissemination in portals of partners, the Government and the World Bank; Videos: Production of explanatory video about the project / Video with success stories; Theatrical pieces: to be produced with the main message of the project and transmitted in the communities involved; Field Stories: Collecting success stories for blog postings and etc.; Newsletters: to send to partners and other stakeholders about the progress of the project, telling success stories that have already occurred; Events: Workshops with the media to know the project; socialization with educational institutions of the communities / provinces; promote outreach sessions in local communities - focus on opinion leaders and influence figures; Training: Promote training of key people who can help in the promotion of communication, especially in the local communities.

## ANNEXES

### Annex 1 – Context and FCPF CF Processing

- In 2015, the Government of Mozambique (GoM) successfully presented to the Carbon Fund of the Forest Carbon Partnership Facility (FCPF CF) the Early Idea and the Emission Reductions Program Idea Note (ER-PIN) of the Zambézia Integrated Landscape Management Program (ZILMP). The ER-PIN was selected into the Carbon Fund's pipeline in October 2015 (Resolution CFM/13/2015/6), and a Letter of Intent (LOI) was signed during the Paris Conference of Parties (COP 21) in December 2015 between the Ministry of Land, Environment and Rural Development (MITADER) and the Carbon Fund.
- In January 2017, the GoM submitted its Readiness Package, which was approved by the Participants Committees Meeting (PC23) in March 2017 (Resolution PC/23/2017/5).
- Mozambique issued its draft ERPD in July 2017. The Technical Advisory Panel (TAP) reviewed it and issued its TAP Review document in August 2017. The Carbon Fund Participants reviewed the draft ERPD and the TAP Review document and submitted their consolidated comments to the FCPF Facility Management Team (FMT) in October 2017. Based on the findings of the TAP Review and the comments of Carbon Fund Participants, Mozambique submitted to the FMT a final ERPD in December 2017. The TAP reviewed it and issued its final TAP Review document to the FMT in December 2017.
- On January 30, 2018 Mozambique presented its final ERPD at the FCPF Carbon Fund meeting. It was provisionally included into the portfolio of the Carbon Fund in February 2018, through Resolution CFM/17/2018/1. The provisional inclusion of Mozambique's ERPD into the portfolio of the Carbon Fund was deemed approved upon fulfillment of several conditions, including the provision of additional information on its Benefit Sharing Mechanisms (BSM), in particular on: eligibility of beneficiaries to receive monetary and non-monetary benefits; criteria and process for the distribution of such benefits (including clarification on the roles and responsibilities of relevant entities involved in the benefit sharing arrangement); monitoring of the benefit sharing arrangement; consultations that have been held to date on benefit sharing arrangement; and the roadmap and timeline for further development of the benefit sharing arrangement including the preparation of the Benefit Sharing Plan.

## Annex 2 – Non-Carbon benefits

The ER Program is expected to generate significant non-carbon benefits, generated during its implementation and which is expected to continue long after the terms of the ERPA. All the ER Program interventions (ERIs) are associated to pre-identified non-carbon benefits, including a genuine improvement in livelihood, the strengthening of forest management and governance, as well as long-term environmental benefits. They are summarized Table 2, and detailed in sections 4 and 16 of the Final ERPD.

Table 17: Outline of all potential non carbon-benefits associated with the ER Program

Direct non-monetary benefits improving rural population's livelihood
◆ Sustainable use and long-term access to forest resources
◆ Increase and diversification of income and employment opportunities
◆ Alternative and sustainable energy sourcing and health benefits
◆ Adaptation of agricultural practices to climate change to increase agricultural production
◆ Clarified land tenure
Strengthening of forest management and governance
◆ Increased transparency in the forest sector
◆ Long-term engagement of multiple stakeholders in forest management with strong role of Local Communities
◆ Reduction of unsustainable practices and illegal logging
◆ Improvement of business environment in forestry sector
Long term environmental benefits
◆ Soil conservation
◆ Protection of ecosystems
◆ Maintenance of high-value biodiversity
◆ Rehabilitation of degraded lands

## Annex 3: Cash flow model for ER Program Under different performance scenarios

Scenario 1: 100% performance within the ER Program

100%							
	2019	2020	2021	2022	2023	2024	Total
Verification	NO	YES	NO	YES	NO	YES	
ER acquired by the Carbon Fund	2000000	0	3000000	0	3000000	0	8000000
Payments Upon Verification	0	12000000	0	13000000	0	17000000	42000000
Cash Payments	<b>2000000</b>	<b>12000000</b>	<b>3000000</b>	<b>13000000</b>	<b>3000000</b>	<b>17000000</b>	<b>50000000</b>

Scenario 2: 50% performance within the ER Program

	2019	2020	2021	2022	2023	2024	Total
Verification	NO	YES	NO	YES	NO	YES	
ER acquired by the Carbon Fund	1000000	0	1500000	0	1500000	0	4000000
Payments Upon Verification	0	6000000	0	6500000	0	8500000	21000000
Cash Payments	<b>1000000</b>	<b>6000000</b>	<b>1500000</b>	<b>6500000</b>	<b>1500000</b>	<b>8500000</b>	<b>25000000</b>

Scenario 3: 10% performance within the ER Program

	2019	2020	2021	2022	2023	2024	Total
Verification	NO	YES	NO	YES	NO	YES	
ER acquired by the Carbon Fund	200000	0	300000	0	300000	0	800000
Payments Upon Verification	0	1200000	0	1300000	0	1700000	4200000
Cash Payments	<b>200000</b>	<b>1200000</b>	<b>300000</b>	<b>1300000</b>	<b>300000</b>	<b>1700000</b>	<b>5000000</b>

## Annex 4: BSP Implementation Guidelines

### 1. Steps for the submission, screening and approval of project proposals,

**Step 1 - Launching the call for proposals:** FNDS launches a “call for proposals” after receiving each ER payment, which clearly indicates: (i) the amount of funds available for each district, (ii) eligibility criteria, (iii) eligible activities, (iv) guidelines and deadlines for the submission of proposals; (v) project duration and minimum/maximum budget; (vi) selection criteria.

**Step 2 - Dissemination of the call:** Information of the call (eligibility criteria, timing, financial conditions ...) is disseminated through different channels: (i) community radios, (ii) relevant websites (FNDS, MSLF, District Governments, etc.), (iii) posters in key locations (i.e schools, health posts...) in the communities; (iv) community meetings.

**Step 3 - Submission of simplified proposals:** CBOs submit simplified project proposals (Application form in Appendix A) including basic information of the CBO, the social and economic activity to be implemented and an approximate budget. The project proposal can include small social investments (e.g. a borehole) as well as technical assistance and training.

**Step 4 - Screening of simplified proposals:** A Landscape Committee composed of representatives of provincial government; academia, MSLF, FNDS and members of each of the well-performing districts is responsible for assessing the simplified proposals. Once the assessment is finalized, the safeguard specialist carries out the environmental and social safeguards screening of the selected simplified proposals to avoid projects with adverse environmental and social impacts. After the environmental and social screening, the Landscape Committee approves the final list of proposals.

**Step 5 - Announcement of the list of approved proposals:** FNDS publishes the list on its website and in the eligible districts and their administrative posts in the interest of transparency. To keep the process manageable, it only directly contacts pre-approved CBOs. All approved CBOs are invited to a meeting in which the application process is explained.

**Step 6 – Preparation of complete project proposals:** The selected CBOs prepare the complete proposal. CBOs that require support in writing the business plan, procurement of inputs, equipment and services and the complete proposal could be awarded with small preparatory grants to hire a consultant. For those proposals, which are eventually approved, the cost of the preparatory grant is included in the total cost of project.

**Step 7 - Evaluation of complete proposals:** The FNDS Matching Grant Unit (MGU) does an independent review of proposals to ensure technical compliance with all criteria. As needed, they may call on specialists within or outside of FNDS to provide a technical review. In the case, the MGU considers that a project proposal needs to be improved; the CBO will be given some time to make the necessary amendments and resubmit the proposal. Finally, the MGU provides its analysis and gives a score to each proposal, and prepares a list ordered by score. If

**Step 8 - Notification-** The Landscape Committee receives the list and informs the selected CBOs. The FNDS prepares official letters to notify the selected CBOs and inform them on the following steps.

**Step 9 - Contracting:** Following approval, contracting is primarily the responsibility of FNDS. Standard contracts are signed between the CBO and the FNDS. The CBO signs also a “Conservation Agreement” with specific conservation commitments to protect their lands

and reduce deforestation — such as keeping forests standing by not logging them, avoiding deforestation activities.

**Step 10 - Implementation and monitoring:** The CBO is responsible for the implementation of the project in accordance to business plan and annual plans submitted and approved in the project proposal. The CBO submits quarterly technical and financial reports. FNDS is responsible for monitoring the implementation of the projects

## 2. Implementation modalities

Most CBOs still have little capacity to manage projects with significant financial resources and to apply the rules and procedures required by the Government and the World Bank. For this reason, CBOs will only be responsible for the implementation of field activities while FNDS will be in charge of the financial management on behalf of CBO. However, CBOs should be involved in financial management through a learning-by-doing process in order to progressively strengthen their capacities at local level. For this reason, CBOs will be responsible for the direct management of a working capital through which they can make purchases at local level.

Two alternative implementation modalities are proposed:

### Model A: CBO with FNDS Support

- The CBO will be the implementing agency responsible for carrying out the field activities.
- FNDS will be responsible for procurement and administrative and financial management of the project on behalf of CBO.
- Technical assistance and capacity building, if required for project implementation, will be provided by a local service provider selected by the CBO
- The CBO will be responsible for managing a working capital of up to 20,000 MZN for small expenses, which will be replenished after accountability.
- There is no need to open a project-specific account, as the funds will be managed directly by FNDS, with the exception of the CBO working capital.

### Model B: Partnership (CBO with private sector or NGO) with FNDS Support

- The CBO will sign a partnership agreement with a private sector or an NGO for the implementation of the community project.
- The CBO will be the implementing agent responsible for carrying out the field activities.
- The partner will support the CBO with procurement management, technical assistance, capacity building and commercialization.
- FNDS will be responsible for administrative and financial management of the project on behalf of CBO.
- The CBO will be responsible for managing a working capital of up to 20,000 MZN for small expenses, which will be replenished after accountability.
- There is no need to open a project-specific account, as the funds will be managed directly by FNDS, with the exception of the CBO working capital.

### **3. Financial management of community projects**

FNDS will be responsible of the administrative and financial management including most procurement for works, purchase of goods or acquisition of technical services and consultancy. In model B, the partner (private firm or NGO) can help the CBO with the procurement but the purchase/contracts will be the responsibility of the FNDS.

The CBO does not need to open a specific account for the project, as all payments will be made and recorded by FNDS in accordance with the procedures set up in the FNDS Procurement Policies

#### **Management of CBO working capital**

A small working fund of up to MZN 20,000 of community project funds will be delivered by hand (cash) to the CBO by the FNDS. The CBO will be fully responsible for the proper management and submission of working capital accounts to FNDS. To this end, basic training on fund management and accountability should be provided by the FNDS.

The working capital may be used for small running costs essential to the implementation of the project (eg communications, transport, daily allowances, etc) or for small purchases related to project activities (eg equipment, tools, labour, small services, etc).

The CBO will prepare a financial report with a list of expenditures and keep supporting documents (invoices or receipts) for the purpose of presentation of accounts. In some cases, it may not be possible to obtain an invoice or receipt (e.g. small community work, mobile phone credit refill, local transport service, etc.). In these cases, the CBO manager will sign a statement to certify the expense. Expenses incurred without evidence (invoice, receipt, declaration) will not be accepted by FNDS and the CBO will be responsible for the refund.

The working capital will be replenished after the accounts are approved by the FNDS.

## Appendix 1 – Application form for simplified project proposal

1. PROPONENT INFORMATION (CBO)		
Name of CBO		
CBO Type <i>Natural Resources Management Committees,, Interest Groups, Cooperatives</i>		
Objectives and activities of CBO		
Number of CBO members		
Is the CBO a legal entity <sup>14</sup> ?		
Has the CBO a bank account ?		
Name of the representative or contact person of the CBO		
<b>Address</b>	<b>Cell phone</b>	<b>E-mail</b>
CBO project management experience		

2. COMMUNITY PROJECT INFORMATION				
Project Title				
District				
Locality/Community				
Duration of the project (months)?				
Project Thematic Area <i>Mark with X</i>	<b>Agriculture</b>	<b>Forest</b>	<b>Tourism Based in Nature</b>	<b>Fisheries</b>
Modality of Implementation <i>Mark with X</i>	<b>Model A (CBO)</b>		<b>Model B (CBO+ Partner)</b>	
Partner <sup>15</sup> <i>If Model B</i>				
Experience of Partner in project management				

<sup>14</sup> If it is not legalized yet, the CBO should regularize the situation, at least at the municipal administration level, by the date of signature of the contract, if approved.

<sup>15</sup> If the chosen form of implementation is between CBO and Partner, a Commitment Letter between CBO and Partner must be provided.

3. COMMUNITY PROJECT DESCRIPTION	
<i>Briefly describe each of the following topics</i>	
What is the problem that should be solved with project?	
What is purpose of the project?	
What are the main results expected?	
What are the main activities?	
Who are the direct and indirect beneficiaries? (Total number, number of women and youth)	
Do you plan to form a partnerships? If yes, with who?	
Does the project include the improvement, rehabilitation or construction of some social infrastructures (water hole, school ..?)	
Does the project include training? If yes, in what areas?	
Is technical assistance required? If yes, in which areas?	
What will be the main impact of the project in the community? (Social, economic, environmental)	
What are the measures to ensure the sustainability of the project ?	

4. COMMUNITY PROJECT BUDGET (MZN)	
Total Value	
Other contributions (if any)	

5. GENERAL TIMELINE			
Main Activities	Year 1	Year 2	Year 3

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

**ANNEXES:**

Attach supporting documents and CBO/Partner identification documents

## Appendix 2 – Application form for complete project proposals

1. PROPONENT INFORMATION (CBO)				
CBO's name				
CBO type <i>Natural Resources Management Committees, Production groups, Interest Groups, Cooperatives</i>				
CBO's Objectives and activities				
Number of CBO members				
Is the CBO a legal entity <sup>16</sup> ?				
Has the CBO a bank account?				
Name of the CBO representative or contact person				
Cellphone				
Address				
E-mail				
CBO experience in project management				

2. COMMUNITY PROJECT INFORMATION				
Project Title				
District				
Locality / Community				
Duration (months)				
Project Thematic Area <i>Mark with X</i>	Agriculture	Forest	Tourism Based in Nature	Fishery
Modality of Implementation <i>Mark with X</i>	Model A (CBO )		Model B (CBO + Partner)	
Partner <sup>17</sup> <i>If Model B</i>				
Experience of Partner in the project management				

<sup>16</sup> If it is not legalized yet, the CBO should regularize the situation, at least at the municipal administration level, by the date of signature of the contract, if approved.

<sup>17</sup> If the implementation modality chosen is Model B, a Commitment Agreement signed between OCB and Partner must be submitted.

<b>3. COMMUNITY PROJECT DESCRIPTION</b>
<b>3.1 Background and justification</b>
<p>What is the problem that the project will try to solve ?  <i>(Briefly describe the problem, needs or priorities you want to address with this project)</i></p>
<p>How were the beneficiaries identified?  <i>(Briefly describe what was the process of identifying beneficiaries, community consultations or meetings, who participated, number of participants, consultations or meetings with other actors such as local authorities, NGOs, private sector)</i></p>
<b>3.2 Intervention Strategy</b>
<p>Project objective:</p>
<p>Expected Results:</p> <p>Result 1: ...</p> <p>Result 2: ...</p> <p>Result 3: ...</p> <p>....</p>
<p>Project Activities:</p> <p>For Result 1</p> <p>Activity 1.1 -</p> <p>Activity 1.2 -</p> <p>Activity 1.3 -</p> <p>For Result 2</p> <p>Activity 2.1 -</p> <p>Activity 2.2 -</p> <p>Activity 2.3 -</p> <p>....</p>
<p>What is the project intervention strategy?  <i>(Explain clearly and briefly how the project will work to achieve the results and objectives, what is the logic of intervention, the relationship between the main activities and the expected results)</i></p>
<b>3.3 Partnerships and synergies</b>
<p>Will the project establish partnerships with the private sector? <i>(Explain if the project will be implemented in partnership with the private sector, the type of partnership and the tasks of each partner)</i></p>

The project will create synergies or complementarities with other initiatives or ongoing projects for local natural resource management?

*(Explain what kind of synergies or complementarities can be created with this project. Explain how the project will avoid duplication with other ongoing actions in the field)*

### 3.4 Social Impact

What will be the impact of the project on the lives of the beneficiary families? will it have any impact on the community?

*(Explain how the project will contribute to reducing vulnerability and improving people's livelihoods, in particular access to natural resources and benefits)*

### 3.5 Economic Impact

Will the project promote market access?

*(Explain if the project will promote market access and integration, which value chains or products are covered, what type of strategies will be adopted).*

What will be the impact of the project on the household and local economy?

*(Explain if the project will generate new jobs in the community (direct or indirect) and whether the project will contribute to the income level of beneficiaries and families. quantify whenever possible.)*

### 3.6 Environmental and Social Safeguards

What are the potential environmental and social impacts (positive and negative) of the project (see the socio-environmental analysis fact sheets and checklist)? What mitigation measures can the CBO propose?

*(Explain what are the potential environmental impacts applied to the project, which are positive (conservation agriculture, sustainable management of natural resources, restoration of degraded areas) or negative (erosion, deforestation ...). Also explain the possible positive social effects (job creation, gender equity ...) as negative effects (child labor, increased risk of HIV...). Identify possible mitigation measures. See how socio-environmental analysis sheets and checklists.*

## 4. COMMUNITY PROJECT SUSTAINABILITY

What are the factors that can guarantee the sustainability of the project after its completion in institutional, environmental, social, technological or economic terms?

## 5. SOCIAL INFRASTRUCTURES

Does the project include the improvement, rehabilitation or construction of some social infrastructure? What? How will the community benefit?

**6. TECHNICAL ASSISTANCE**

What are the technical assistance needs for the project? Are service providers that can provide this assistance already identified ?

**6. TRAINING AND AWARENESS**

What are the capacity building or community awareness needs of the project? Are the recipients, topics and possible service providers that can support these actions already identified ??

**7. BUDGET****7.1 Total budget**

Total value	MZN
Other contribution (if any)	MZN

**7.2 Detailed Budget**

Item	Unit price (MT)	Quantity	Total Value (MT)
Civil works			
Assets and equipment			
Training			
Technical Assistance			
Administrative Costs			
		TOTAL	

**8. BUSINESS PLAN**

What value chains does the project support, or type of products and/or services expected to produce or deliver?

What is the existing market situation for this value chain? Are there any competitors? What will be the business strategy (quality/price) ? What are the main markets or buyers identified?

8.1 Business Plan			
COSTS	Unit Price (MT)	Quantity	Total Value Total
<b>FIXED COSTS</b>			
Salaries			
Lease/Rent			
Electricity			
Others			
<b>VARIABLE COSTS</b>			
Salaries			
Lease/Rent			
Electricity			
Others			
<b>Total Costs (Fixed + Variable)</b>			
REVENUES	Unit Price (MT)	Quantity	Total Value (MT)
Product 1 ...			
Product 2 ....			
Service 1 ....			
<b>Total Revenues</b>			
<b>PROFIT (Revenues – Costs)</b>			

9. CRONOGRAM <i>(just for the first year )</i>													
Activity Description	Implementation Period (months)												
	1	2	3	4	5	6	7	8	9	10	11	12	

10. INDICATORS AND MONITORING		
How will the project be monitored (indicators, frequency, etc.) and who will be involved ?		
i		
Description	Indicator	Goal
Result 1: ...		
Product 1.1		
Product 1.2		
Result 2: ...		
Product 2.1		
Product 2.2		
Activities R1		
Activities R2		

**Date:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**ANNEXES:**

*Attach supporting documents and CBO/Partner identification documents*