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PROJECT CONCEPT NOTE

ON A

PROPOSED GRANT

IN THE AMOUNT OF 4.50 (US\$M)

FOR

Mozambique Dedicated Grant Mechanism for Local Communities (PXXXX)

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PCN DATA SHEET

Mozambique DGM for Local Communities (PXXXX)

I. Introduction and Context

A. Country Context

1. **Mozambique is richly endowed with natural resources** – arable land, forests, fisheries, water and mineral resources. Mozambique's economy has experienced some of the world's fastest growth rates since the end of its devastating civil war in 1992, with an annual average economic growth of around 7.5% in the last decade – largely driven by foreign investments. However, Mozambique continues to face profound development challenges, as rapid growth has not resulted in a significant reduction of poverty. Mozambique is still one of the world's poorest countries with about 54% of its 25 million people living below the poverty line. As evidenced by the country's low level of the Human Development Index (178 out of 187 countries in 2014), development challenges include basic health and education services, employment promotion, diversification of income sources and improving food security.
2. **The country is vulnerable to climate change and highly exposed to natural disasters.** Mozambique is ranked the third most vulnerable country to climate change in Africa, with climate change impacting 58 percent of the population and more than 37 percent of GDP by exposure to two or more natural hazards per year. This has generated on average a 1.1 percent annual loss of GDP between 1980 and 2003. Economic gains from growth and infrastructure development are significantly undermined as a result of recurrent water and weather-related hazards. Furthermore, stress on natural resources is expected to increase due to climate change, which will lead to more frequent and intense droughts, flooding, and extreme weather events.
3. **Extreme poverty is concentrated in the central and northern regions, particularly among rural areas where many households derive their income from agricultural and forest-related activities.** While poverty rates dropped in most of Mozambique's provinces between 2003 and 2008, they increased in Zambezia, Sofala, Manica and Gaza. By 2009, almost three quarters of Zambezia's population lived under the extreme poverty threshold. Zambezia and Nampula, the two most populous provinces of Mozambique, accounted for 48% of the country's poor in 2009. Along with Cabo Delgado, these provinces contain some of Mozambique's most suitable lands for agriculture and forestry, offering significant potential for poverty alleviation.
4. **Mozambique's local communities are highly dependent on natural resources.** In rural Mozambique, household earnings come mainly from crop and environmental income¹ -- with estimated household income shared ranging from 42% (Walelign, 2015) to 93 % (Pereira and Cossa, 2001), depending on adopted livelihood strategies. The poor, and more particularly women and children, suffer a disproportionate burden from climate change and ensuing natural resource degradation. As Mozambique continues its rapid development based on natural resources such as gas extraction and mining, the challenge going forward will be to develop and diversify the economy while maintaining the productivity of the resource base upon which most of the population depends directly for their survival—water, forests, soils, and wetlands.

¹ Defined as income generated from agriculture or harvesting products (e.g., timber, fuelwood, fodder, medicine plants, wild foods and processed products like charcoal and wood carvings) from forest and non-forest land.

B. Sectorial and Institutional Context

19. **Forests, woodlands and other vegetation types cover approximately 70% of Mozambique's total area of 800,000 km2.** The forest cover area is 40.1 million ha (51% of the country), of which 26.9 million ha are categorized as productive forests, suitable for timber production, and 13.2 million ha are conservation areas. Mozambique's predominant forest ecosystem is the miombo forest, characterized by open woodland, often associated with a dense grass sward, which covers about two-thirds of forested land in the country. Other forest types are mangroves, coastal forests and mopane.
20. **The miombo forest provides rural people with a variety of biophysical ecosystem goods and services, including food, fuel, medicine, construction materials.** Fuelwood and charcoal are critical to national and household energy needs; households consume about 23.7 million m³ of fuelwood annually.² A 2011 Gorongosa study³ found that miombo woodlands contribute about 19% of household cash income and 40% of the household subsistence (non-cash) income.⁴ Non-timber forest products are significant contributors to nutritional and medicinal needs. The miombo forests provide globally important ecosystem services, including carbon sinks and habitat for a variety of herbivores and carnivores, including large terrestrial mammals, some of which are endemic to Mozambique and others endangered.
21. **The loss of forest cover in Mozambique is high.** Mozambique has a high annual deforestation rate of 0.58%/year⁵, representing an annual loss of 219,000 ha of forest. This (i) reduces the overall forest resources available to local communities⁶ and to the private sector, thus threatening the medium-term sustainability of the forest sector; (ii) contributes to the loss of important habitats for wildlife and biodiversity; and (iii) results in GHG emissions of around 23.4MtCO₂ per year⁷. **Deforestation rates are higher in the northern and central parts of the country and show an increasing trend.** Forest loss is mostly concentrated around urban centers and along roads. There is high positive correlation in Mozambique between population density and deforestation rates in areas with elevated forest density.
22. **Forests are lost due to a combination of direct and indirect drivers linked to several sectors, primarily small-scale agriculture, biomass energy, and unsustainably managed forestry.** Forest conversion to agriculture is the dominant driver of deforestation (65% of total deforestation), and includes mainly shifting subsistence cultivation (slash and burn agriculture, often resulting in uncontrolled spreading of fires), livestock and, to a lesser extent at present, but with the potential to become larger in the future, commercial agricultural expansion. Urban expansion and infrastructure development (1.4 tMCO₂/year; 12% of total), unsustainable commercial timber exploration and unsustainable extraction of wood for domestic uses such as

² Government of Mozambique's Readiness Preparation Plan, 2013.

³Hedge and Bull. Socio-economics of Miombo Woodland Resource Use: A Household Level Study in Mozambique. In: Managing the Miombo Woodlands of Southern Africa Policies, incentives and options for the rural poor. 2011.

⁴ The WB, through the Mozambique Conservation Areas for Biodiversity and Development project *P131965, is currently financing a Household Survey targeted at communities around Conservation Areas, to gain a better understanding of local communities' dependence on natural resources.

⁵ Marzolli, 2007.

⁶ In Mozambique's 1997 Land Law and subsequent legislation has defined Local Communities as “[a] grouping of families and individuals, living in a circumscribed territorial area at the level of a locality [the lowest official unit of local government in Mozambique] or below, which has as its objective the safeguarding of common interests through the protection of areas of habitation, agricultural areas, whether cultivated or in fallow, forests, sites of socio-cultural importance, grazing lands, water sources and areas for expansion”.

⁷ Derived from the draft National REDD+ Strategy, 2016. Figures will be further refined based on the updated National Forest Inventory, to be completed in 2017.

firewood and charcoal represent other significant drivers (around 15% of total deforestation).⁸ Illegal logging, which generally results in degradation rather than deforestation, is also significant in Mozambique. The exploitation levels of hardwood species from natural forests are exceeding the annual allowable cut, driven by illegal logging and other unsustainable practices in connection with international trade. A study commissioned by WWF shows that the gap between the data released by the governments of Mozambique and China in the period 2005-2013 translated in the total loss in revenue of US\$540 million over that period.⁹ This also entails a significant loss to communities, which are entitled to 20% of forest concession taxes.

- 23. The majority of local community lands in Mozambique have not yet been delimited or registered.** While formal delimitation and registry are not required to ensure rights held by communities over land within the Mozambican legal framework, the resulting lack of transparency regarding land holdings and land availability generates risks for local communities and makes it difficult to ensure public accountability. Community land delimitation is thus a key instrument to reduce land conflicts and increase communities' land tenure security. Delimitation methodologies developed by organizations such as iTC and ORAM have combined boundary definition with local-level land use planning. Enabling communities to carry out the so-called microzoning within their boundaries has been shown to work in defining areas for natural forest preservation, while promoting better management of agricultural and village expansion in a locally-driven, coordinated and holistic manner.
- 24. The Government has publicly recognized land, forest and other natural resources-related challenges and shown commitment to addressing them.** A Ministry of Land, Environment and Rural Development (MITADER) was established in 2015, bringing together responsibilities that were previously spread across several ministries. This consolidation of responsibilities is improving the coordination needed to address challenges of cross-sectorial nature. MITADER is initiating a package of strategic actions including review of all forest concessions, suspension of new requests for exploration areas, a ban on log exports, and updating of forest policies and regulations. The Ministry's flagship initiative, called "*Floresta em Pé*," aims to promote sustainable integrated rural development through protection, conservation, valorization, creation and sustainable management of forests. Toward land tenure regularization, MITADER has launched the ambitious Terra Segura Program, aimed at completing 4,000 community land delimitations in addition to the registering of 5 million parcels.
- 25. Community-centered approaches are needed to complement the Government's top down interventions.** Community-centered approaches are embedded in Mozambique's National REDD+ Strategy¹⁰ and its Forest Investment Plan, which was endorsed at the June 2016 Steering Committee meeting in Mexico¹¹. The Government will adopt the National REDD+ Strategy by the end of 2016. The Investment Plan represents the Government's ambition for

⁸ Identification and analysis of the direct and indirect agents and causes of deforestation and forest degradation in Mozambique, Winrock and CEAGRE, 2016.

⁹ Evaluation of the loss of rent due to illegal exploration and trade in Mozambique from 2003-2013, Falcão et al., WWF, 2015

¹⁰ Mozambique is in the process of developing and implementing a program for Reducing Emissions from Deforestation and Forest Degradation (REDD+). The Government created the REDD+ Working Group in 2009 and developed a Readiness Preparation Proposal, which was accepted for funding by the FCPF in March 2012. The development of the National REDD+ Strategy, expected to be formally adopted by the Government by October 2016, is informing the Government's approaches to target interventions to key drivers of deforestation and address institutional and capacity gaps. The World Bank supports REDD+ readiness through a grant (US\$3.8M plus US\$5M in additional finance) from the FCPF Readiness Fund.

¹¹ The Forest Investment Program (FIP) provides financing for REDD+ efforts in developing countries in order to address key drivers of deforestation and forest degradation with a focus on transformational change. The FIP is one of the three programs under the Strategic Climate Fund (SCF), a Multi-Donor Trust Fund established in 2009 under the Climate Investment Funds (CIF) partnership to provide fast-track climate financing to reduce deforestation and forest degradation in tropical countries

transformational change to address the drivers of deforestation and achieve sustainable rural development. It is envisioned as a large-scale, modular framework for implementing the National REDD+ strategy across the country, including ambitious reforms in the forest sector. The Investment Plan includes three projects: i) the Mozambique Forest Investment Project (MozFIP), to be implemented with the World Bank; ii) the Emissions Reductions in the Forest Sector through Planted Forests Project, which will be implemented with IFC and the private sector; and iii) this project, the Mozambique Dedicated Grant Mechanism for Local Communities (MozDGM).

26. **The Dedicated Grant Mechanism (DGM) for Local Communities¹² is a funding mechanism, established under the framework of the Forest Investment Program, but with independent governance and decision making.** The DGM envisages strengthening local communities' participation in REDD+ activities, as well as promoting the effective and sustainable management of natural resources and climate change adaptation/mitigation strategies by local communities. The design and implementation of the DGM in Mozambique (MozDGM) will be guided by the DGM Design Document and DGM Operational Guidelines. In accordance with these, the Government of Mozambique (GoM), led by the UT-REDD+,¹³ initiated discussions about the DGM by engaging civil society organizations (CSOs) and encouraged the creation of a representative Working Group as a initial decision-making body.
27. **The Working Group led to the establishment of an Interim National Steering Committee (NSC), which is composed of representatives who were elected during consultations.** The Interim NSC has a transitional role centred on ensuring the continuation of ongoing consultations, and establishment of the definitive NSC. This Interim NSC includes 14 representatives from the 3 macro-regions of the country (North, Center, South) and is mostly represented by CSOs that work closely with local communities¹⁴. In addition to civil society, the interim NSC members also includes two observers from the government (Ministry of Land, Environment and Rural Development - MITADER), two representatives from the FIP Steering Committee and one from the World Bank. The Interim NSC has held three formal meetings and has scheduled periodic meetings in order to achieve the Project approval in timely fashion.
28. **Consultations on the DGM were initiated early and are ongoing, using a participatory and inclusive approach.** The consultation process on the DGM was initially facilitated by UT-REDD+, and included a number of national and regional participatory workshops that brought together the main stakeholders, in particular civil society organizations, NGOs and community-based organizations. These meetings were held in conjunction with other consultations on the National REDD+ Strategy and the FIP Investment Plan to generate greater participation and ensure positive linkages between the ongoing processes. The consultations convened more than

¹² The FIP Subcommittee approved the basic design for the DGM on October 31, 2011. Mozambique is one of the new pilot countries, following Brazil, Burkina Faso, Democratic Republic of Congo, Peru, Indonesia, Ghana, Lao and Mexico.

¹³ The Technical REDD+ Unit (UT-REDD+) was created by the Council of Ministers through the Decree 70/2013 to coordinate the implementation of REDD+ activities in Mozambique, including, among others, the implementation of the National REDD+ Strategy, the elaboration of rules and guidelines for REDD+ projects, and monitoring the impact of REDD+ on poverty reduction, food security, culture and gender. MITADER houses the UT-REDD+, which is placed under the responsibility of the newly created International Financing Management Unit (*Unidade de Gestão de Fundos Internacionais - UGFI*). The UGFI, in turn, responds directly to MITADER's Minister. UT-REDD+ currently has 10 staff: 1 overall coordinator at the level of UGFI; 1 REDD+ coordinator; 1 Forest Investment Program coordinator; 1 pilot projects coordinator (i.e. Zambezia and Cabo Delgado Integrated Landscape Programs); 2 Provincial coordinators based in Zambezia and Cabo Delgado; 1 safeguards specialist; 1 communications specialist; 1 MRV specialist; and 1 procurement and financial specialist

¹⁴ Mozambique's DGM interim NSC is comprised of representatives from 14 CBOs, namely MMMR, MUGEDE, UNAC, FONGA, FOPROI, RADEZA, ORAM, MICAIA, ADEL, ITC, WWF, Forum Terra, CTV and KULIMA.

250 interested actors in 10 provinces of the country, 33 percent of whom were women. Consultations on the design of the DGM are ongoing.

29. **The participation of women and equal gender representation** was considered essential during the consultation process, and has been particularly highlighted in discussions regarding the composition of the definitive NSC. There is clarity about the importance of women's involvement in these processes, due to their vulnerability and key role in the sustainable management of forests and other natural resources.
30. **A non-profit organization, AESA (Associação de Educação para a Saúde do Ambiente e Comunicação) was recruited (using funds controlled by the Government) to provide technical support to the Interim NSC** and (i) promote good communication flow among the working group, (ii) develop informational, educational and communication material and tools, (iii) support community engagement through sensitization and mobilization campaigns in partnership with local actors and (iv) assist in the recruitment and establishment of the National Executing Agency (NEA). Important discussions taking place within the Interim NSC include addressing the project components, budget allocation, institutional arrangements and a methodology for community engagement. AESA is expected to provide guidance to the interim NSC and assist in its consolidation.
31. **The definitive National Steering Committee is expected to be established by October and the selection of the National Executing Agency (NEA) by December 2016.** The NEA will serve as the secretariat for the NSC, being responsible for tasks such as disbursing funds to grant projects selected by the NSC, monitoring funded projects and ensuring appropriate use of DGM funds, managing grievance and complaints redress processes, as well as reporting to the World Bank and interacting with the DGM's Global Executing Agency. This project concept note reflects that status of ongoing discussions within the aforementioned organizations. The project design will continue to be developed through the leadership of the NSC members and their advisors.

C. Relationship to World Bank's Country Partnership Framework

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

II. Proposed PDO/Results

A. Proposed Development Objective(s)

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

B. Key Results

The PDO will be measured against the following indicators:

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

III. Project Context

A. Concept

1. Description

19. The proposed project is part of a global program - the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) under the Forest Investment Program, one of the Climate Investment Funds - which has allocated \$4.5 million in grant resources to Mozambique. The DGM is based on (a) the Design Proposal for the global DGM, which was developed by the Global IPLC Working Group and (b) Mozambique's Forest Investment Plan, submitted by the Government of Mozambique to the Forest Investment Program. It follows the framework guidelines and set of activities covered under the components designed for the global DGM.
20. MozDGM will be prepared as a stand-alone project that complements the MozFIP project (P160033). MozDGM was designed to promote the participation and inclusion of local communities in processes and activities that seek to reduce deforestation and forest degradation. The project will build the capacity of targeted local communities, thereby enabling their inclusive and effective participation in sustainable forest and land management and REDD+ processes at the local, national and global levels. This will contribute to the goals of MozFIP, which is to improve forest and land management by local communities, the government, and the private sector in selected landscapes.
21. Similar to MozFIP, MozDGM will operate at two levels: (i) the national level focusing on capacity building and institutional strengthening; and (ii) the landscape level focusing on the implementation of activities in the two selected landscapes, Zambezia and Cabo Delgado. Activities on-the-ground will aim to address the drivers of deforestation, while prioritizing livelihoods improvements for communities who live in and around the forests. MozDGM will be differentiated from MozFIP through its community-centered approach in design and implementation, and the emphasis on community organization, knowledge and capacity strengthening as the foundation for sustainable resource management. MozDGM will complement MozFIP and other natural resource management initiatives in the landscapes from the bottom-up perspective.
22. The MozDGM, like DGM activities in other countries will establish a small grants program. Organizations will apply for and implement grants under the supervision of the National

Executing Agency. Specific grantee selection and eligibility criteria are still being developed. It is expected that DGM activities and grants in Mozambique will: (a) promote a strong sense of ownership and social accountability among the grant beneficiaries and key stakeholders; (b) strengthen the institutional capacity of communities, community-based and civil society organizations by means of *in situ* training events on managerial issues for grant beneficiaries and by encouraging a diversity of partnerships with governmental and civil society organizations; and (c) provide culturally adequate technical assistance to design, develop and implement on-the-ground activities. The NSC and NEA are also expected to design adequate, flexible, and efficient administrative and financial arrangements that will enable easy, streamlined and fast-track access to grants by local communities and their representatives, and facilitating adequate financial flows and management of project resources to diverse communities. The NSC and NEA will also carry out preliminary assessments of the economic, environmental and social feasibility of community proposals.

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

2. Project Components

24. The proposed components of the Project will be discussed and finalized by the NSC. At this stage, the draft components under discussion include:
25. **Component 1: Capacity Building and Strengthening for Sustainable Natural Resources Management** (estimated cost: US\$1.0mi). This component will finance capacity-building and institutional-strengthening activities for communities, community-based and civil society organizations¹⁵ across the country. The activities to be financed aim to strengthen communities' knowledge and technical capacity on matters related to climate change and forest and land management, as well as their managerial and grant-making competencies. Activities would promote the sharing of experiences and knowledge among communities and their participation in FIP, REDD+ and climate change-related decision-making processes at the local and national level. Activities could include, for example, the strengthening of Natural Resource Management Committees (CGRN) in forest monitoring, training in fire management and seminars on accounting and grant proposal writing. The format of activities could include: i) workshops and seminars; ii) study tours and exchange visits; and iii) field-based training programs, such as semi-permanent demonstration plots or training in the use of fire equipment.
26. Communities, community-based and civil society organizations across the country would be eligible for activities under this Component.
27. **Component 2: Promoting Sustainable Local Community Initiatives (estimated cost: US\$2.5 mi)**. Component 2 could have two parts: direct grants to community organizations and technical assistance with to help grantees with implementation and reporting.

¹⁵ Natural Resource Management Committees (CGRNs), Associations and Unions could be considered community-based organizations. The definition of CBOs will be determined by the National Steering Committee and National Executing Agency.

28. **Local Community Initiatives.** This activity would support local communities and community-based organizations through grants for implementing subprojects. These subprojects would cover areas of interventions that contribute directly or indirectly to reduce deforestation while enhancing local livelihoods, including, but are not limited to: food security improvement activities; production and commercialization of artisanal and non-timber forest products; community woodlots for biomass energy production; community land delimitation; micro-zoning for territorial management plans; restoration of degraded areas; developing fire management plans; sustainable agro-ecological production; and ecotourism. These specific geographic areas of intervention will be defined and are subject to approval by the National Steering Committee and the National Executing Agency.
29. This activity would be implemented through multiple grant cycles over the five years of the project. As communities and community-based organizations are at varying levels of readiness and capacity for the grant program, the structure of sequential grant cycles would allow an induction period for potential applicants who require it for mobilization, capacity training and preparation. They would then be able to access and be competitive for the following grant cycles.
30. Grants will undergo midterm evaluations in order to allow for adaptive management of the grant as well as to evaluate the need for additional technical assistance. Subprojects that show clear results and benefits, based on specified performance benchmarks, could be eligible for funding into the following grant cycle. New proposals would be reviewed for each cycle. Different funding windows could be created as appropriate, depending on the characteristics of eligible communities and community-based organizations.
31. Only communities and community-based organizations in the Zambezia and Cabo Delgado provinces are eligible for activities under this Component, in alignment with the selected landscapes under MozFIP. Beneficiaries of the MozFIP project would not be eligible to receive grants under MozDGM.
32. **Technical Assistance to Grantee in Implementation.** Grant recipient organizations could be eligible to receive technical assistance and support throughout the duration of the grant cycle. This subcomponent would finance field-based technical training, tailored to the needs of the grantee and the technical area of the proposed activity. Such training would be designed to facilitate success of the activity during the project life and into the future. Technical assistance would be provided by agents well acquainted with participatory methodologies, and made available early on, taking into consideration traditional local knowledge, governance mechanisms, cultural values and vulnerable groups concerns.
33. **Component 3: Project Management, Monitoring and Evaluation, Safeguards and Communication** (estimated cost: US\$500,000) This component would finance the operational costs incurred by the National Executing Agency to carry out its responsibilities, which include, among others: (i) serving as secretariat to the NSC; (ii) ensuring project's technical coordination, monitoring and evaluation; (iii) reporting to the World Bank and the Global Steering Committee; (iv) ensuring Project's financial management, procurement, and auditing; (v) operating the Project's Grievance Redress Mechanism; (vi) supervising the implementation of community initiatives and assessing results; and (vii) ensuring communication, public consultation and outreach activities. This component will also finance studies, the development of a grant administration manual, travel and limited procurement of equipment for desk and monitoring activities.

2. Overall Risk and Explanation

Risk Categories	Rating
1. Political and governance	Substantial
2. Macroeconomic	Moderate
3. Sector strategies and policies	Moderate
4. Technical design of the project and program	Moderate
5. Institutional capacity for implementation and sustainability	Substantial
6. Fiduciary	Moderate
7. Environmental and social	Moderate
8. Stakeholders	Substantial
9. Other	
Overall	Substantial

34. The overall risk rating for the project is substantial. See the SORT tool for details. The key risks to the PDO are: (i) political and governance; (ii) institutional capacity for implementation and sustainability; (iii) institutional capacity for implementation and sustainability; and (iv) stakeholders. The key risks and proposed mitigation measures are outlined below.
34. **Political and governance.** The country remains susceptible to further outbreaks of political and social conflict, though a return to full-scale civil war is unlikely. While some risk persists as long as Mozambican National Resistance (Resistência Nacional Moçambicana, RENAMO) remains armed, the more likely risks are that continual and perhaps more frequent episodes of localized unrest and violence—as well as unofficial labor protests—could affect the rural economy including the districts in the Project Area. Many of the beneficiary communities are expected to be in remote locations where mitigation actions against security risks are not as effective. To mitigate potential political and governance risks, the Project will ensure that security risks are taken into account in decisions of the NSC and in the engagement of the NEA. The security situation and the political economy dynamics will be monitored closely.
35. **Institutional capacity for implementation and sustainability.** Community-based organizations will drive sub-project design and implementation. Financial and operational management are expected to be a challenge for a number of organizations accessing DGM funds, particularly if grant resources are fully decentralized. To mitigate this risk, the Project will ensure that the experience and performance of the NEA against criteria related to the management of community-driven development projects and decentralization of resources to local communities are assessed during recruitment and adequately monitored during Project implementation. Additionally, the NEA will be required to conduct regular field visits to Project grantees. When screening sub-projects, the NEA and the NSC will be encouraged to require the inclusion of the TA components in projects submitted when deemed necessary.
36. **Stakeholders.** Given that representatives of local communities, community-based organizations and other actors engaged in grassroots interventions will drive the Project, a very participatory decision-making structure is being established as the basis for Project governance and implementation. The more horizontal nature of the governing body bears the risk of more frequent disruptions of activities and decisions by individual actors who might feel their concerns and opinions are not adequately being taken into account, possibly even with illegitimate reasons. Such disruptions might result in significant Project design and implementation delays. To mitigate this risk, structures, including an online platform and an effective grievance redress mechanism, will be set up to ensure a high level of transparency and inclusiveness, in such a way that only legitimate claims may result in delays and that grievances are swiftly resolved. Moreover, while the World Bank will support the NSC and

the NEA to manage the process of DGM design and implementation more effectively, it will also respect the process required for participant organizations and representatives to take ownership of MozDGM and achieve consensus on all key Project aspects.

B. Economic Analysis

1. Briefly describe Project's development impact in terms of expected benefits and costs

37. On-the-ground activities related to climate-smart agriculture, sustainable biomass energy and sustainable forest management are expected to produce important social, ecological and economic co-benefits, as well as to reduce forest and land based greenhouse gas emissions. Capacity building provided by the Project will enable local communities to better capitalize on the country's natural resources wealth, while conserving and enhancing the natural resources base on which they depend for their livelihoods. Project finance will enable communities to have improved land tenure security, diversify and increase their sources of income, and enhance community-level organizational structures. The value of benefits is expected to exceed Project costs. An economic analysis, including quantitative information, will be undertaken after the definitive NSC validates Project design and activities.

2. Rationale for public sector provision/financing, if applicable

38. The project aims to empower local citizens, improve land and forest management, improve rural livelihoods and living conditions and to reduce greenhouse gas emissions from land use change and deforestation. These results are mainly global public goods with substantial benefits accruing to Mozambicans. Public financing is justified for this purpose.

3. Value added of Bank's support

39. Technical Expertise on Climate, Landscape and Forestry Issues. In Africa, the World Bank's climate change portfolio focuses on promoting resilience and helping countries with adaptation, as well as mitigation. The Bank conducts technical analysis, provides advice and designs projects to address countries' critical adaptation and mitigation needs, including sustainable land management, forest and land use, climate smart agriculture, as well as building resilience into infrastructure investments. The Bank can provide expertise to Mozambique based on a large staff of technical and sectorial experts in key fields. To support countries' initiatives toward reduced emissions from deforestation and forest degradation, the World Bank hosts a range of carbon and climate finance mechanisms, as noted below, which provide technical and financial support for transformational changes in land use and forestry.

40. Experience in Mozambique. The World Bank has considerable experience working with Mozambique on policy issues and project implementation in the natural resources sectors. The World Bank has actively supported the Government's efforts in sustainable natural resource management for two decades with the inception of the Trans-frontier Conservation Areas (TFCA) management project in 1995. The Forestry sector became an integral part of the portfolio in 2012 with the financing, advice and analytical support to the Government on REDD+ through the Forest Carbon Partnership Facility (FCPF) REDD+ readiness grant. The Bank is already assisting Mozambique to access sources of global climate finance and apply it toward key development challenges under several instruments. The Bank's leadership in the sector is widely recognized, as illustrated by the request of some donors' for the WB to set up a MDTF in support of the forest sector in Mozambique.

4. Brief description of methodology/scope and next steps

40. On-the-ground activities related to climate-smart agriculture, sustainable biomass energy and sustainable forest management are expected to produce important social, ecological and economic co-benefits, as well as to reduce forest and land based greenhouse gas emissions. Capacity building provided by the Project will enable local communities to better capitalize on the country's natural resources wealth, while conserving and enhancing the natural resources base on which they depend for their livelihoods. Project finance will enable communities to have improved land tenure security, diversify and increase their sources of income, and enhance community-level organizational structures. The value of benefits is expected to exceed Project costs. An economic analysis, including quantitative information, will be undertaken after the definitive NSC validates Project design and activities.

A. Implementing Agency Assessment

41. The two main implementing institutions – the NSC and the NEA – have not yet been defined. The National Executing Agency will serve as the executive secretariat of the NSC. The NEA will be selected during Project preparation on the basis of a competitive process in which the NSC will participate, in accordance with relevant FIP, DGM and World Bank guidelines. Before the NEA is selected, the NSC needs to be established. The definitive National Steering Committee is expected to be established by October 2016. The National Executing Agency (NEA) is then expected to have been selected by December 2016.