PROJECT IDENTIFICATION FORM (PIF)
PROJECT TYPE: Full-sized Project
TYPE OF TRUST FUND: GEF Trust Fund

PART I: PROJECT IDENTIFICATION

Project Title:	Payment for ecosystem services to support forest conservation and sustainable livelihoods		
Country(ies):	Mozambique	**GEF Project ID:**	5516
GEF Agency(ies):	FAO	**GEF Agency Project ID:**	625467
Other Executing Partner(s):	Ministry of the Coordination of Environmental Affairs (National Directorate of Environmental Management); Ministry of Agriculture (National Directorate of Land and Forests); Ministry of Tourism (National Directorate of Conservation Areas)	**Submission Date:**	February 27, 2014
GEF Focal Area (s):	Multi-focal Areas	**Project Duration:**	60 months
Name of parent program	n.a	**Agency Fee ($):**	345,586

A. INDICATIVE FOCAL AREA STRATEGY FRAMEWORK

Focal Area Objectives	Trust Fund	Indicative Grant Amount ($)	Indicative Co-Financing ($)
BD-2	GEFTF	1,945,206	2,803840
CCM-5	GEFTF	776,256	7,500,000
SFM-1	GEFTF	916,286	1,200,000
	Total project cost	**3,637,748**	**11,503,840**

B. INDICATIVE PROJECT DESCRIPTION SUMMARY

Project Objective: To promote biodiversity conservation and climate change mitigation in miombo ecosystems, through the development of a payment of ecosystem services (PES) scheme that supports sustainable use and conservation of forests and wildlife and improves local peoples' livelihoods.

Project Component	Grant Type	Expected Outcomes	Expected Outputs	Trust Fund	Indicative Grant Amount ($)	Indicative Co-financing ($)
1. National PES mechanism design	TA	1.1 PES mechanism in place and implemented in 1 priority province (Zambezia)	1.1.1 National PES s mechanism established: - Processes and practices to be rewarded defined - Criteria and mechanisms to evaluate performance agreed - Agreed structure of PES contracts and agreements - Procedures to deliver payments to communities defined	GEFTF	1,011,944 BD- 600,000 CCM-239,291 SFM-172,653	456,038

2. Institutional capacity development	TA	2.1 National and provincial government institutions and local NGOs/CBOs capable of implementing and monitoring PES for the conservation and sustainable use of miombo ecosystems	2.1.1 Capacity building programme developed and delivered through targeted training on all aspects of PES implementation and monitoring including community-based SFM, monitoring and law enforcement. - At least 150 staff of national and local government institutions trained - About 200 NGOs and CBOs trained 2.1.2 PES best practices developed and disseminated within and outside Mozambique (this output will be largely informed by component 3)	GEFTF	1,402,577 BD- 752,577 CCM- 250,000 SFM- 400,000	500,000
3. PES implementation	TA & INV	3.1 PES successfully implemented in the pilot sites in Zambezi province and generating the following benefits: *- about 400,000 hectares of miombo forest ecosystems under sustainable management* *- about 5% increase in forest cover (20,000 hectares)* *- 1,394,600 tCO2eq sequestered* *- % increase in income of communities* (indicators and targets to be further developed during project preparation) 3.2 PES scheme replication initiated	3.1.1 Awareness programme on the PES for local communities developed and delivered through partnership between provincial government institutions and local NGOs and CBOs. 3.1.2 Communities trained on SFM (forest protection and monitoring, biodiversity protection and monitoring assisted natural regeneration, reforestation, sustainable timber and non-timber forest products harvesting, agro-forestry etc) 3.1.3 PES implemented in Morrumbala and Gile districts of Zambezi province. Communities receiving payments for agreed SFM practices that deliver environmental benefits. 3.2.1A detailed replication plan developed, incorporating the lessons learned from the piloting 3.2.2 A training of trainers program designed and conducted (trainings would focus on a. PES scheme b. SFM practices)	GEFTF	1,050,000 (TA) BD- 500,000 CCM- 250,000 SFM- 300,000	10,000,000
			Sub-Total		3,464,521	10,956,038
			Project management Cost (PMC) BD- 92,629, CCM- 36,965, SFM- 43,633		173,227	547,802
			Total project costs[4]		**3,637,748**	**11,503,840**

INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE AND BY NAME IF AVAILABLE, ($)

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Amount ($)
National Government	National Directorate of Land and Forests (DNTF)	Cash	4,803,840
National Government	National Directorate of Land and Forests (DNTF)	In-kind	500,000
National Government	National Directorate of Conservation Areas	In-kind	250,000
National Government	National Directorate of Environmental Management	In-kind	250,000
GEF Agency	FAO	In-kind	200,000
Bilateral Aid Agency	JICA	Cash	5,500,000
GEF Agency	FAO (EU- FLEGT Project)	Cash	Unknown
Others	SNV	Cash	Unknown
Total Co-financing			**11,503,840**

C. INDICATIVE TRUST FUND RESOURCES REQUESTED BY AGENCY, FOCAL AREA(S) AND COUNTRY

GEF Agency	Type of Trust Funds	Focal Area	Country Name/ Global	Grant Amount ($)	Agency Fee ($)	Total ($)
FAO	GEF TF	Biodiversity	Mozambique	1,945,206	184,795	2,130,001
FAO	GEF TF	Climate Change	Mozambique	776,256	73,744	850,000
FAO	GEF TF	Multifocal Area (SFM)	Mozambique	916,286	87,047	1,003,333
Total Grant Resources				**3,637,748**	**345,586**	**3,983,334**

D. PROJECT PREPARATION GRANT (PPG)

Please check on the appropriate box for PPG as needed for the project according to the GEF Project Grant:

	Amount Requested ($)	Agency Fee for PPG ($)
• No PPG required		
• (Upto) $50k for projects up to & including $ 1 million		
• (Upto) $100k for projects up to & including $ 3 million		
• (Upto) $150k for projects up to & including $ 6 million	**136,986**	**13,014**
• (Upto) $200k for projects up to & including $ 10 million		
• (Upto) $300k for projects above $ 10 million		

PPG AMOUNT REQUESTED BY AGENCY (IES), FOCAL AREA(S) AND COUNTRY(IES) FOR MFA AND/OR MTF PROJECT ONLY

Type of Trust Funds	GEF Agency	Focal Area	Country Name/ Global	PPG ($)	Agency Fee ($)	Total ($)
GEF TF	FAO	Biodiversity	Mozambique	63,927	6,073	70,000
GEF TF	FAO	Climate Change	Mozambique	45,662	4,338	50,000
GEF TF	FAO	Multifocal Area (SFM)	Mozambique	27,397	2,603	30,000
Total Grant Resources				136,986	13,014	**150,000**

PART II: PROJECT JUSTIFICATION

A. PROJECT OVERVIEW

A.1. Project description

Global environmental problems, root causes and barriers that need to be addressed

Background

Natural forest and other woodlands cover about 50% of Mozambique's total land area (FAO Forest Resource Assessment 2010) making the country one of the few in Africa with a significant proportion of its area still covered with natural forests. Miombo forests are the most extensive forest type, covering about two-thirds of the country north of the Limpopo River. The forest ecosystems provide habitat for Mozambique's terrestrial biodiversity which includes, among others, the following: African Bush elephants (vulnerable), cheetah (vulnerable), lions (vulnerable), hippopotamus (vulnerable), endangered wild dogs, and various species of birds that are vulnerable, endangered or critically endangered etc.

In Mozambique, the majority of the population live in rural areas and depend on natural resources for their livelihoods. Forest ecosystems hold a significant subsistence value to local communities. They provide firewood, fodder for livestock, windbreaks, medicine and material for construction. Local communities depend on forest ecosystem services to meet household needs, and this regular consumption of provisioning services saves cash resources which can then be used for other household needs. Indigenous fruits and vegetables, and honey collected from the forests form a major part of rural households' diet.

In Mozambique, forest (excluding forest plantations for the purpose of this PIF) falls under the following three categories as defined by the Forest and Wildlife Act of 1999:

- Conservation Forest: these include forests located inside protected areas, namely, national parks, forest reserves and hunting reserves. They are subject to special management regime, which can be entirely state managed, co-managed with local communities or community-managed facilitated by an NGO (with or without private sector).

- Productive forests: these areas are composed by forests with high potential for timber production, and located outside protected areas. These areas are managed under
    - Forest concessions (FCs) on natural forests: these areas are generally managed by private concessionaires. Local communities may also manage these areas, usually facilitated by an NGO or the State. Though community forest areas under this type are very limited in size and quantity, there have been remarkable success stories where local communities have showcased effective and sustainable management of forests and conservation of biodiversity.
    - Simple Licenses (SLs) on natural forests: these can be granted only to the citizens of Mozambique, and it is in fact the most common extraction regime in Mozambique. An SL allows the license holder to extract only a relatively small volume of timber and harvest NTFPs. SLs are relatively cheap to obtain (about USD 1000) and have very simple application requirements (they must only provide a rough map, a very brief management plan, a token resource inventory and a simple signature proof of community consultation). Local communities for commercial exploitation of forests under their area of influence need to apply for SLs, or else they can utilize the forests only for their subsistence (this applies only to the unmanaged multiple-use and open-access areas and not to fully designated community forestry areas, both described below).

- Multiple-use forest; these are forests located outside protected areas and with low potential for timber. These areas are unmanaged, and are generally utilized by local communities for subsistence.

Zambezia, the province proposed for this project, has two conservation areas (Derra Forest Reserve and Gile Wildlife Reserve). The forest cover expands over 14 (out of 16) districts. The total forest cover in the province amounts to 5, 063,600 ha. Of these, 616, 100 ha are within the boundaries of the two conservation areas. Districts of Morrumbala and Gile have the highest forest cover in the province. ***The project sites would be bordering the two conservation areas in the province (Map attached as an annex)***. Exact locations will be determined during the project preparation phase. The province is very rich in endemic plant species, some of which are threatened (*Cleistochlamys kirkii, Diplorhynchus condylocarpon*), and vulnerable to extinction

(*Lannea stuhlmannii, Rhus sp, Sterculia appendiculata, Sterculia quinqueloba*). The province is also rich in wildlife species like Crocodiles, Hippos, Elephants and Monkeys. The province has one of the key reptile hotspots in the country (recently two new endemic reptile species were identified- a species of snake belonging to the genus Dromophis, and a dwarf gecko, Lygodactylus sp.), and is also home to endangered species like Antelopes and Rhinos. It is also the province with the highest rate of forest degradation and fragmentation from illegal activities carried out by forest concessions and simple license holders.

Global environmental problems and root causes.

Continuing and ever increasing deforestation, forest degradation and fragmentation is reducing the capacity of the forests to deliver ecosystem services. From 1990 to 2010, Mozambique has lost around 4,356, 000 ha of forests. Though 15% of the national territory is protected and the management of these areas have improved in recent years, the threats in and outside (especially outside) protected areas remain. Protected areas are under significant and constant pressure due to the destructive practices being carried out in areas surrounding them, and the frequent incursions in to the protected areas for timber harvesting and hunting of wild animals. And also, ***a significant part of Mozambique's biodiversity is in the forests that are not covered by the protected areas.***

The destruction of forests is mainly caused by illegal logging, and unsustainable and illegal harvest of forests for firewood and charcoal production which is driven by a high demand in urban areas.

Illegal logging and unsustainable resource exploitation. In theory, all logging taking place in Mozambique is governed by strict regulations and licensing, either through forest concessions (FCs) or simple licences (SLs), with effective management plans for sustainable logging. In reality, illegal logging is rampant; in fact, about 90% of logging in Mozambique is illegal with rules and regulations constantly flouted, and little enforcement. In most cases, whether SL or FC, forest extraction happens without any reference to the management plans, and most often the extraction extends well beyond the sites specified in the management plans. Illegal logging is significantly high in open access forest areas and is frequent in the protected areas. Illegal hunting of wild animals- both in and out of protected areas- by concessions workers is also widespread. It is vital to note that in many places where illegal logging takes place, local communities have been complicit (especially given the role they are expected to play as local guardians through the stipulation under the 2002 Forest and Wildlife Regulation), with the perception that they have very little long term stake in the forests. Illegal logging at scale is largely driven by private logging companies (mostly international), and charcoal producers from urban centres (nationals holding SLs).

Charcoal production and unsustainable firewood collection. Only about 1-5% of the total charcoal production in Mozambique is registered, the rest are informal and uncontrolled, contributing to significant environmental degradation. Charcoal is an important source of energy, and the major part of the production feeds urban areas (in areas where households cannot afford electricity nor have access to traditional fire/fuel-wood). ***Charcoal production occurs throughout the country including the proposed project provinces.*** Charcoal production acts as an economic activity that brings substantial income to rural households. Charcoal production happens at two levels, producers from urban centres hire members of local communities to produce charcoal and they are paid for their services, or members of local communities themselves take up the whole production process and sell charcoal to traders directly or at local markets. The former style of operation is usually conducted at a much larger scale. In either case, the need is to streamline charcoal production with active engagement and involvement of local communities, ensuring the production is sustainable, managed and monitored properly. Uncontrolled firewood collection by local communities is also a significant contributor to forest degradation. Local communities do not just collect firewood for their own subsistence, but conduct it as quick profit making endeavour to sell it to urban markets.

At present, with the existing perception among local communities that they do not have or foresee benefits in investing in sustainably managing the forests in their localities, the current resource exploitation patterns are unsustainable and the primary inclination is to exploit the resources as much as possible with no thought given to future needs and dependence on the forests.

Barriers

The main barriers that need to be addressed to reduce the threats to the production forests are as follows:

1) Poor enforcement of logging regulations: There are descriptive and strict regulations, and licensing for logging in Mozambique. But rules are routinely flouted; over-harvesting and illegal logging is the norm.

Transgressors are rarely held accountable, and they are let-off due to the nexus between the logging companies/charcoal producers and corruption at various levels

2) Inadequate opportunities/incentives for local communities: Local communities can play an important role as custodians and managers of forests and wildlife, when they clearly visualize and share the benefits from their conservation and sustainable use. In fact, irrespective of official enforcement of logging regulations and control, local communities have the ability to monitor and prevent transgressions in their respective forests. In Mozambique, they are recognized as legal entities responsible for the use and the conservation of forests and wildlife in their areas of influence. Their complicit nature towards illegal logging and continuing unsustainable resource exploitation practices stem from their inability to obtain incentives and see livelihood opportunities from protecting and managing the forests.

3) Lack of institutional capacity to promote effective/sustainable community based forest management: The efforts to scale up and replicate community-based natural resource management success stories have had very little success mainly due to the limited institutional capacities to clearly promote and support sustainable management of forests by local communities. Through the 20% decree (explained below under baseline), there are millions of dollars available to develop systems and schemes to reward communities taking up and practicing sustainable forest management, and conserving biodiversity. Due to the lack of capacities very little progress has been achieved in devising a scheme and systematically providing incentives to local communities.

Baseline scenario and associated baseline project

The use of forest resources in Mozambique is governed by the Forest and Wildlife Act of 1999. The law establishes the basic principles and norms for the protection, conservation and sustainable use of forest and wildlife resources. It also delineates the rights and benefits of forest dependent communities. In 2005 the Government approved a Ministerial Decree that requires that 20% of all government taxes and fees collected from the use of forests (including forest concessions), wildlife and protected areas go to local communities living in the area where such resources are being used. Since then, the government of Mozambique, through the Ministries of the Coordination of Environmental Affairs, Agriculture and Tourism, has been working to increase effective community involvement in the sustainable use, conservation and management of natural resources in Mozambique, and reward them from the 20% decree funds.

In 2007, FAO/Govt. of Mozambique submitted a PIF to devise a PES scheme to effectively utilize the funds under the 20% decree. The proposal did not go through as the STAR allocation for Mozambique ran out for the GEF-4 funding cycle. In the PIF, at that time, it was mentioned that there was about USD 7 million. During the initial submission of this PIF, we had cited the figure as USD 7.7 million after consulting with DNTF (National Directorate of Land and Forests). This figure was double checked with DNTF, and after thorough calculations on their part, the figures related to the 20% decree are as follows;

No.		Amount (USD)
1	Funds under the 20% decree till 2007 (cumulative)	2.94 million
2	Funds flowing in to the 20% decree in 2008	766,000
3	Funds flowing in to the 20% decree in 2009	766,700
4	Funds flowing in to the 20% decree in 2010	1.26 million
5	Funds flowing in to the 20% decree in 2011	1.58 million
6	Funds flowing in to the 20% decree in 2012	1.64 million
7	***Total funds under 20% till end of 2012 (adding nos. 1 to 6)***	***8.96 million***
8	Money distributed in 2006	490,400
9	Money distributed in 2007	687,400
10	Money distributed in 2008	641,000
11	Money distributed in 2009	640,400
12	Money distributed in 2010	334,000
13	Money distributed in 2011	432,400

However, at this stage, it is not possible to indicate how much has been allocated to the participant actors in the process, since the information available at DNTF reports are restricted to number of fines and amount collected.

Mozambique initiated the REDD+ process in 2008 with the submission of the Readiness Project Identification Note to the Forest Carbon Partnership Facility. The R-PP has been submitted to and endorsed by the Forest Carbon Partnership Facility. The development of a National REDD+ Strategy is underway. JICA is currently funding a project to establish the REDD+ MRV system (2012 - 2017) which will provide USD 5.5 million in co-financing of the proposed project. Specifically, the project will establish a national forest resource information platform; establish on the ground monitoring systems in 10 provinces (including Zambezi province); create reference emission levels RELs and RLs; and develop datasets of biomass and carbon estimates. ***The proposed project will seek to use the monitoring systems, set up under the JICA project, to monitor carbon benefits rather than design a system that may end up being incompatible with the future MRV system.*** The application of carbon assessment tools developed under the Carbon Benefits Project will also be considered during project preparation. With regard to the National REDD+ strategy as a whole, the proposed project is going to be instrumental in informing the community participation and benefit sharing aspects of the strategy.

In response to the widespread and inefficient use of firewood and charcoal which is leading to deforestation and forest degradation particularly in zones around urban areas, the Government of Mozambique with support from the EU and GIZ, has developed a National Biomass Energy Strategy (approved by the Ministry of Energy in December 2012). The main focus of the strategy is on modernizing the charcoal supply chain, and addressing both the demand and supply side to ensure a more sustainable supply of biomass energy and to promote access to modern biomass technologies. Related to this, FUNAE (Energy Fund) is promoting the use of improved stoves and many NGOs (Abiotes, Livaningo, Kulima, etc.) and government agencies are actively participating in the promotion. Universal Leaf (Tobacco) Africa has also started a program for research and training of tobacco farmers on sustainable management of miombo for the production of firewood used when drying tobacco. Highlighted in the strategy as one of the main obstacles to sustainable woodfuel production is the lack of law enforcement and incentives rewarding communities that engage in sustainable woodfuel production. This is exactly the barrier the proposed project will deal with and as such contributes to the implementation of the strategy.

To address and reduce the ever increasing demand for charcoal from urban centres, SNV is currently preparing a project under the 'Climate Finance in Mozambique' initiative funded by Belgian Federal Directorate General for the Environment. The project will work directly with producer associations (these associations use wood arriving from the project sites among others) to produce improved charcoal kilns. The exact level of co-financing will be known in coming months, and will be specified at the CEO endorsement stage.

To address the driver of illegal timber trade in Mozambique, EU-FLEGT FAO project under preparation would focus on a) developing effective information and monitoring system for illegal logging and trade in/from Mozambique b) strengthened chain-of-custody systems, linked to licenses recognised in key destination countries, to ensure only legal timber can reach markets

In summary, the main co-financing will come from the 20% decree funds as well as the JICA MRV project. There is also a FAO Technical Cooperation Programme (TCP) project to support community based forest-product value addition and micro and small scale forest enterprise development in the pipeline, in addition to the projects under preparation to be implemented by SNV and FAO (EU-FLEGT)

The proposed alternative scenario, components and expected outcomes

The focus of the project is developing and implementing an effective PES mechanism for accountable and equitable disbursement of the 20% Decree funds, linking the payments to environmental enhancement and performance and creating the capacity to implement and monitor the PES mechanism. This will ensure sustainable management of forests around conservations areas, and at the same time provide economic and livelihood benefits to local communities. As mentioned, the project will be implemented in the districts of Morrumbala and Gile in the Zambezia province.

Component 1: Design of a national PES mechanism. The overall policy and regulatory framework is in place for establishing a national mechanism to reward local communities for conserving and sustainably using natural resources. This component will focus on developing a PES mechanism with detailed operational procedures for disbursement and accountability of funds at the local level. This will define the processes and practices to be rewarded, criteria to evaluate the performance of the local communities in the context of

14	Money distributed in 2012	938,100
15	***Total money distributed till end of 2012 (adding nos. 8 to 14)***	***4.16 million***
16	**Funds remaining under 20% decree at present (subtracting no.7 with no.15)**	**4.8 million**

When the PIF was submitted in 2007, the justification was to have a system in place to disburse the funds under 20% decree, in a transparent and accountable manner, to local communities engaging in sustainable forest management and forest conservation, and as a result further promote SFM and forest conservation. An independent report released in 2006 by Konrad Adenauer Sfitung (titled translated roughly to English reads 'Procedures for disbursement of 20%') proposed the need to have a standard for establishment of local resource management committees and disbursement of funds under 20% decree to these committees. ***This justification still holds true.*** A government report (DNTF, 2012), roughly translated as 'Impact of Ministerial Diploma n ° 93/2005 on the mechanisms that regulate the channeling of 20% of the taxes derived from licensing of forest and wildlife activities', identifies the following issues/problems; i) there is still lack of knowledge and the perceptions of the Decree varies a lot among different stakeholders in the process; ii) there is still a lot of money to be delivered to local communities iii) there is little information at district level and local communities, and there are issues of accountability and transparency; iv) there is a lack of monitoring of the implementation of the 20% Decree, etc.

About USD 4.16 million has already been distributed to the communities, the assessment points out that these funds received by communities so far have been used for the construction of social infrastructure such as schools and health clinics emergency centers and for income generating projects. ***This includes distribution of USD 1.27 million in Zambezia province (the province that received the maximum amount from 20% decree).*** Regarding the environmental impact, there are still insignificant actions that contribute sustainable management of natural resources, particularly in relation to the recovery of forest resources as a result of the use of funds of 20%. This is due to lack of knowledge, lack of assistance and training to communities, and lack of accountability. The assessment makes a clear recommendation: the Government should urgently develop models for channeling funds, strengthen institutions for implementation and establish a mechanism for monitoring the process. At present, communities identified within productive forest areas, need to organize themselves into representative committees to receive the money. Once the committees are created, they are considered eligible to receive the money. The criterion for money allocation is still not clear. Engagement in sustainable resource management practices is definitely not the criterion used at present to disburse the funds. Therefore the need for this project and why the Government has requested the revival/resubmission of the 2007 PIF. This project will allow designing a PES scheme and piloting the scheme for the government to replicate throughout the country. It will demonstrate a system for disbursement and use of the funds in a participatory and inclusive manner, with greater transparency in fund management and shared decision-making about the benefits, and utilize opportunity to use the funds to promote sustainable management of natural resources at local level.

In addition to the 20% revenue, the Forest and Wildlife regulation establishes that 50 percent of fines collected from offenders of the legislation are given to forest patrol agents and community members who participate in law enforcement activities or report offenders. From the period 2007 to 2012 about USD 5 million has been collected on fines as following:

Year	Amount fines collected (USD)	50% of the fines collected (USD)
2007	529,817	264,908
2008	423,572	211,786
2009	427,898	213,949
2010	717,866	358,933
2011	784,289	392,144
2012	2,124,966	1,062,483
Total	5,008,406	2,504,203

defined processes and practices, structure/format of PES contracts and agreements with the local communities, and procedures to deliver payments to the local communities (including establishing equity and fairness criteria in payment options. ***The design of the PES scheme will ensure that the rewards will be based on communities carrying out activities that aid sequestration of carbon and avoiding activities that deplete forest carbon. The level of reward would be defined through the JICA-DNTF MRV system.*** The expected outcome is that a national PES mechanism is operational and being implemented in four priority provinces.

Component 2: Institutional capacity development. Innovative financing mechanisms, such as PES, are potentially powerful tools to promote sustainable forest management but they are relatively unknown in Mozambique. Therefore, it will be very important to build capacity in national and local government institutions and civil society organizations (CBOs and NGOs) to understand how the mechanism will work and promote it among local communities. This component will ensure that sufficient institutional and human capacity is built to pilot, and subsequently replicate the PES scheme. As mentioned, forests hunting areas and national parks are currently under most pressure in the four priority provinces, so the project will focus on strengthening local institutions in these locations to give better support to local communities and the private sector and facilitate implementation of the PES mechanism. This component's capacity building programme, delivered through tailored trainings, will focus on; building local capacity to monitor forest management; community-based sustainable forest management and processes to increase local community involvement in the planning, oversight and control of forest management; implementation of the PES mechanism (including procedures developed under component 1 and monitoring and evaluation of the impacts of the PES mechanism). The expected outcome is improved capability of national, provincial and local institutions to support implementation of PES in Mozambique.

Component 3: PES Implementation. The first part of the component will focus on raising the awareness among local communities on the PES scheme and the details associated with it. The awareness programme will be delivered through partnership between provincial level government institutions and local NGOs and CBOs. And will involve training the local communities and actual participation in the PES scheme. It is expected to result in about 400,000 hectares of dryland forests sustainably managed and conserved. The details of the PES scheme will be worked out as part of the first component of this project. The activities, to be undertaken by the communities, as part of the PES scheme can be envisaged as follows;

Assisted natural regeneration, reforestation, sustainable timber and NTFPs harvesting, forest protection and monitoring, biodiversity protection and monitoring, agroforestry, forest product value-addition and sustainable forest enterprise development and functioning.

In order to facilitate the replication of the PES scheme throughout the country, the second part of the component would focus on developing a detailed replication plan in conjunction with DNTF. The plan would incorporate lessons learnt from the pilot PES implementation. The plan would detail out the key phases in replication (e.g. identification of sites, assessing capacity and human resource needs in the sites, building capacities). The clear structure and contents of the replication plan will be provided at CEO endorsement. A training of trainers programme would be designed and implemented, the training will target CBOs and NGOs. The training will focus on two aspects, a) the PES scheme itself and b) SFM activities to be rewarded under the PES scheme.

Incremental cost reasoning

Illegal logging carried out by both logging companies (transgressing their license and concession regulations) and local communities have degraded forest areas in Mozambique significantly. Also, practices like flushing out animals using fires and poorly conducted honey collection using fire have resulted in forest fires that very quickly turn extensive and uncontrollable; this has significantly degraded the landscape and has resulted in significant GHG emissions. These resource utilization patterns in areas around the conservation areas including the buffer zones, have resulted in significant loss of biodiversity in the areas. Illegal activities in the buffer zones also constantly extend in to the conservations areas, endangering the biodiversity conservation outcomes further.

The Government of Mozambique has demonstrated strong commitment to address these issues by putting in place policy and regulatory framework that supports community involvement and benefit sharing in the sustainable use and conservation of natural resources. However, there are neither clear benefits sharing mechanisms in place to disburse the 20% Decree funds nor the capacity to implement the framework effectively. Without GEF, disbursement of the funds will probably continue but without a strong link between payments and performance in terms of the delivery of important ecosystem services. The opportunity to generate global environmental benefits would be lost.

The GEF investment will support the design of a national PES mechanism and capacity building of key stakeholders for implementation of the mechanism. With local communities, through the PES scheme, undertaking sustainable resource utilization practices that incorporate biodiversity considerations, and taking up the monitoring role to prevent illegal activities (especially poaching by logging company workers) in the forests assigned to them, there will be reduced threat to biodiversity in the areas. The SFM practices adopted by the communities, and reduction in illegal logging through improved community monitoring will ensure that the forest cover is increased, and the degraded forests are restored. This will enhance the carbon stocks in the forests, and also reduce emissions from illegal logging. Forest fire management practices adopted by local communities will improve fire prevention and control, reducing forest and land degradation, and GHG emissions.

Expected global environmental benefits

SFM

By promoting the sustainable use and conservation of miombo dryland forest ecosystems, this project will result in reduced deforestation, forest degradation and forest fragmentation in an estimated area of 400,000 million ha. These forests would be brought under sustainable practices resulting in increased forest cover of 5%.

CCM

The increase in forest cover by 5% would result in increased forest area of 20,000 ha. Density of carbon in miombo woodlands that are not severely degraded has been very conservatively estimated as 19 tC/ha using different international studies[1]. Using the afore mentioned figures, sequestration of 380,000 tC (20,000 ha x 19tC/ha) is estimated. This is 1,394,600 tCO2eq.

BD

Sustainable management of forests, incorporating biodiversity concerns, around the conservation areas in Zambezi province will contribute to conservation of globally important plant and animal species. As previously mentioned in the PIF, the project districts and the province in general are home to important endemic plant species and endangered wildlife.

Innovativeness, sustainability and potential for scaling up

According to the review of the PES portfolio carried out by GEF recently, although GEF has made significant investments in PES projects, a few of these are related to the design of national PES schemes (Costa Rica and Mexico) and none of these national schemes are in Africa. Therefore this is a good addition of experience to the portfolio and potential for replication at least in other southern African countries. This project can be considered innovative as the government is devising and implementing a PES scheme, rewarding local communities directly for conserving and managing forests sustainably, from income obtained through granting forest concessions and licenses. Although under the project the PES scheme will be implemented in one priority province, the intention is to extend it to other provinces based on lessons learned.

Sustainability of the PES mechanism is supported by the already existing policy and regulatory framework that ensures the continuing availability of financial benefits from PES. Building the capability of institutions at national, provincial and local levels to implement and monitor the PES scheme and effectively deliver benefits to communities for sustainable forest management and conservation will also ensure the sustainability of the scheme and continued delivery of environmental benefits. The availability of funds to finance the PES mechanism will be ensured by the 20% decree, and the corresponding income from the forestry sector. The project is being developed and implemented through existing govt. institutions and long established NGOs and CBOs; this along with the improved capacities will ensure the institutional sustainability.

A.2 Stakeholders

[1] Linda, S.K, Mringi, S, Munishi, P.K.T, Shirima, D.D, 2010. '*The role of the Miombo Woodlands of the Southern Highlands of Tanzania as carbon sinks*' Journal of Ecology and the Natural Environment 2 (12): 261-69
Dougill, A.J., Kalaba, F.K., Quinn, C.H., 2012. '*Carbon storage, biodiversity and species composition of Miombo woodlands in recovery trajectory after charcoal production and slash and burn agriculture in Zambia's copperbelt*', Sustainability Research Institute, Paper No. 40
Fernando, J, Grace, J, Rees, R.M., Ryan, C.M., Sambane, E, Williams, M, 2008. '*Carbon sequestration and biodiversity of re-growing Miombo woodlands in Mozambique*', Journal of Forest Ecology and Management 254 (2008) 145-155

A list of key stakeholders and their potential roles in the project preparation is given in the table below. A detailed stakeholder analysis and mapping will be conducted during project preparation, to include consultations with local communities, national project preparation workshops (inception and terminal) and socio-economic baseline surveys. Attention will be given to minority groups (women and youth) during these activities.

Stakeholders	Roles
Ministry of the Coordination of Environmental Affairs-MICOA (National Directorate of Environmental Management); Ministry of Agriculture MINAG (National Directorate of Land and Forests); Ministry of Tourism - MITUR (National Directorate of Conservation Areas)	Main project executing partners. Responsible for day to day execution, management, and coordination of project preparation activities
Staff (at national and provincial levels) of MINAG, MITUR and MICOA	Project beneficiaries (from capacity building) and project partners supporting implementation at national and community level. Their role will be mainly in assisting FAO in project preparation consultations and other processes, and also as project beneficiaries providing baseline in terms of capacities for PES implementation
FAO	GEF Agency. Responsible for providing technical assistance and overall management and supervision of the project preparation
JICA	Co-financing partner providing extensive support to project preparation and implementation.
Local communities	Main project beneficiaries, to be consulted for project design (through community representatives) to encourage ownership of the project and obtain their perspectives on the issues to be addressed through the project
Civil society and non- governmental organizations	Project beneficiaries (from capacity building) and project partners supporting community organisation, local capacity building and dissemination of knowledge, and facilitation of field level activities once the PES mechanism is operational. They will play a key role in providing local perspectives and knowledge in designing the project, through participation in consultations

A.3 Risks

Risk	Mitigation
CBOs and NGOs may have difficulty handling the funds from the benefit sharing mechanism.	Based on existing experiences, improved procedures will be developed and local CBOs and NGOs will be trained to support local communities with sustainable management of their natural and financial resources. This capacity building program will also focus heavily on developing local accountability and transparency.
Complexity of institutional arrangements for up scaling PES.	The design of the PES mechanism will clearly define roles and responsibilities of different institutions involved both at national and provincial level. This will ensure there is consensus and common understanding on the institutional arrangements and avoid any potential institutional bottlenecks in up scaling
Lack of institutional capacities to devise and implement a PES scheme	The project will develop the PES mechanism and put the structure in place. And the project would total of USD 1.6 million in developing the institutional capacities at different levels to ensure the PES scheme is run smoothly once the project is over. The capacity building efforts' focus will also be at provincial and district level, including CSOs and NGOs to ensure the implementation of the PES scheme at local level.
Climate change will increase the risk of susceptibility to forest fires, when temperatures raise and rainfall reduces.	Part of the development of the PES mechanism and best practices will be to reduce fire risk and susceptibility through technical means, improvements in land use practices and community awareness programs. Improved forest management in general should also make the miombo ecosystem more resilient to climate change.

Leakage – illegal forest exploitation activities will move to other areas than the ones under PES scheme	The participatory approach of the project has as one of its objectives to seek to involve all groups currently practicing unsustainable forest exploitation activities in the selected project areas. In the establishment of the compensation amounts it should also be considered if the PES is enough to give an incentive to give up unsustainable practices. Finally, strengthened surveillance and forest guarding should contribute to avoiding of illegal activities in other areas
Sustainability of local governance mechanisms- the mechanism established at local level through the project for PES implementation being unsustainable	The involvement of civil society and the predominant role they are expected to play in the project will ensure the continuance of the local governance mechanism, the inflow of the funds in to PES mechanism through the 20% decree and the strengthened capacities at local level will also aid in the sustainability of the local governance mechanisms.

A.4 Coordination with other relevant GEF financed and other initiatives.

GEF ID 4857 Sustainable Financing of the Protected Area System in Mozambique (GEF Agency: UNDP). Although the focus of this project is on protected areas we believe there are lessons to be learned particular from component 3 on community-based co-management models piloted in the Gorongosa National Park in Sofala (target province of the proposed project). The link with this project will be established through the Ministry of Tourism (MITUR) which has the overall responsibility for the UNDP-led project and will be one of the executing partners in the proposed project.

GEF ID 5225 Mozambique Conservation Areas for Biodiversity and Development Project (GEF Agency: WB). This recently approved WB/MITUR project (PIF stage) also focuses on strengthening the management of conservation areas and their contribution to the diversification of economic opportunities. Coordination with this project, which is expected to be facilitated by MITUR, will focus mainly on one of the components that deal with the promotion of sustainable forest management, improved stoves and biodigestors in order to reduce the area with incompatible land uses in and around targeted conservation areas. The conservation areas (pre)selected under the WB/MITUR project, all but one (Gile National Park in Zamberia) are outside the four priority provinces targeted by the proposed project.

GEF PES Projects

During the project preparation detailed analysis of other GEF-funded PES projects and other PES projects in Africa will be conducted, where appropriate, **consultations will be had**, to capture important lessons from the experiences of the said initiatives. Our preliminary observations, in terms of key lessons to be assimilation, are provided below.

UNDP/GEF Institutionalizing Payments for Ecosystem Services; Though this is a global project supporting many different PES initiatives, after going through the terminal evaluation report of the project and the project design, we would highlight the following key lessons that can be incorporated in to this project's design. 1) Need for detailed risk analysis and risk mitigation strategy during the project design of a PES project 2) Rigorous pre-selection of sites for piloting the PES scheme during the project design 3) Systematization of institutional capacity building during the project

UNEP/GEF Project for Ecosystem Services; this project is still ongoing, and the most important area this proposed project can learn from is 'adopting a systematic outreach and dissemination strategy on the PES scheme' enabling improved understanding of the scheme at local level (both in institutional and community contexts)

FONAFIFO (Costa Rica); the key area of learning from this project would be the fact that trade-offs in a PES scheme are different from site to site even within a specified geographic area (e.g. a province), it is therefore important to have active facilitators (CSOs and NGOs) on the ground for effective implementation

Payment for Hydrological Environmental Services Program, Mexico; important lessons that might be very useful in the design of this project would be 1) Setting of very clear and concrete objectives is the most essential part of designing a PES scheme 2) Monitoring should consist of choosing communities at random and assessing the quality of the forest cover on the ground and through satellite images 3) It is important to have an effective outreach throughout the participating communities, in many cases, majority of the communities do not understand why they are receiving the payments, this could be detrimental to the success of the scheme.

Other GEF-financed PES projects the proposed project will have to seek lessons from are the following; UNEP –led *Developing an Experimental Methodology for Testing the Effectiveness of Payments for Ecosystem Services to Enhance Conservation in Productive Landscapes in Uganda* and UNDP-led *Sustainable Management of the Mbe River Forested Watershed through the Development of a Payments for Ecosystem Services (PES) Mechanism* in Gabon.

Other related national projects and initiatives the project will coordinate with:

- Testing REDD+ delivery models in the Beira landscape-corridor of Mozambique (2012-2015), IIED/Norwegian Embassy: the coordination with this project will be mainly for mutual learning in the area of benefit sharing mechanisms.
- Climate change technical assistance project (2012-2016), World Bank and the Ministry of Planning and Development: this project focuses on enabling different sectors in integrating climate change actions (including forest based mitigation) into sectoral plans and strategies.
- Sustainable and equitable use of natural resources in Zambezia Province of Mozambique (2013-2014), Government of Mozambique project: this project aims to enhance capacity of local communities for management of forest and natural resources

There are various other agencies involved in the forestry sector in Mozambique (Civil society- Centro Terra Viva, NGOs- IUCN, WWF, Livaningo, KULIMA, etc), coordination with these agencies and their work will become clearer during the project preparation.

B. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:

B.1 National strategies and plans or reports and assessments under the relevant conventions

NBSAP: The project will address some of the key issues raised in NBSAP (2008) and the Fourth National Report to CBD (2010) . Specifically, these include strengthening the supervision on the exploitation (formal and informal) of natural resources, community management of natural resources, creating conditions for improving the welfare of individuals from exploitation and sustainable use of natural resources. The project is also aligned with the following objectives: to ensure that biodiversity considerations are an integral part of the forestry sector legislation, policies and strategies and of forest management practices, and promote community-based sustainable use of biodiversity, and recognise, document and promote the use of traditional knowledge systems of importance to the conservation of biodiversity.

National Communication to UNFCCC: The first national communication from Mozambique to UNFCCC identifies the need for initiatives and projects to promote reduction of GHGs emissions in the forestry sector. This project, through its forest management activities, will reduce GHGs emissions and enhance the conservation of carbon stocks.

National development strategy: The sustainable use of natural resources is the basis of Mozambique's development strategy. Benefit sharing from economic development is also a major priority in Mozambique's poverty reduction strategy. Good management practices are embedded in the country's new forest and wildlife policies and legislation, which also require local participation in the sector. A landmark in this policy framework was the Ministerial Diploma passed in 2005 that authorized the benefit sharing arrangements for local communities engaged in sustainable natural resources management and law enforcement activities. This project is focused on supporting the implementation of this policy and legal framework.

B.2 GEF focal area strategies, eligibility criteria and priorities including Aichi Target(s).

Biodiversity: In the biodiversity focal area, this project will focus on Objective 2: to mainstream biodiversity conservation and sustainable use into production landscapes by increasing the sustainably managed forest landscapes that integrate biodiversity conservation, around the protected areas, in Mozambique.

Climate change: For climate change it will promote conservation and enhancement of carbon stocks through sustainable management of land use, land-use change, and forestry (Objective 5), through the good management practices undertaken by the communities to reduce deforestation and forest degradation, and improve forest restoration.

Sustainable forest management and REDD+: The project should contribute to objective 1. A national PES system will be established, and as part of the PES system, dryland forest areas will be brought under

sustainable management leading to reduced pressure on forest resources and sustainable flows of forest ecosystem services.

Aichi Targets: The project will contribute to achievement of the following Aichi Targets:
Target 5: The project, through the efforts of the local communities, will try to halt the degradation and fragmentation of the forest habitats targeted by the project.
Target 7: Forest areas targeted under the project will be sustainably managed, ensuring conservation of biodiversity.
Target 14: Miombo ecosystems provide essential services to local communities that contribute local communities' health, livelihoods and well-being. Through the project the ecosystems will be restored and sustainably managed.

B.3 The GEF Agency's comparative advantage for implementing the project

FAO is the United Nations institution with the mandate to work on forestry, agriculture and natural resource management. In Mozambique, FAO has been the main partner for policy and legal reform in the forestry sector since 1995 and has been one of the main providers of technical assistance for policy making and capacity building on broader community-based natural resource management. FAO has provided support through projects such as *'Support for Community Forestry and Wildlife Management'* and through *ACP-FLEGT programme* (a programme addressing illegal logging in African, Caribbean and Pacific countries).

The project also fits well within the FAO Country Program Framework within the UN Delivering as One (2012-2015). Specifically, it will contribute to the implementation of one of the priorities identified – improve natural resources management and resilience to food and agricultural threats.

FAO has a fully fledged Representation in Mozambique. The office has the operational capacity to implement this project and has a dedicated Forestry Programme Officer. In addition, technical backstopping will be provided by a multi-disciplinary project task force comprising FAO technical staff based in Rome and the sub-regional office in Harare.

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

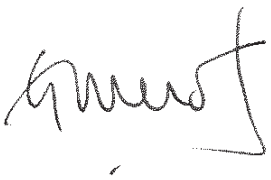
A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):

(Please attach the Operational Focal Points endorsement letter(s) with this template. For SGP, use this OFP endorsement letter).

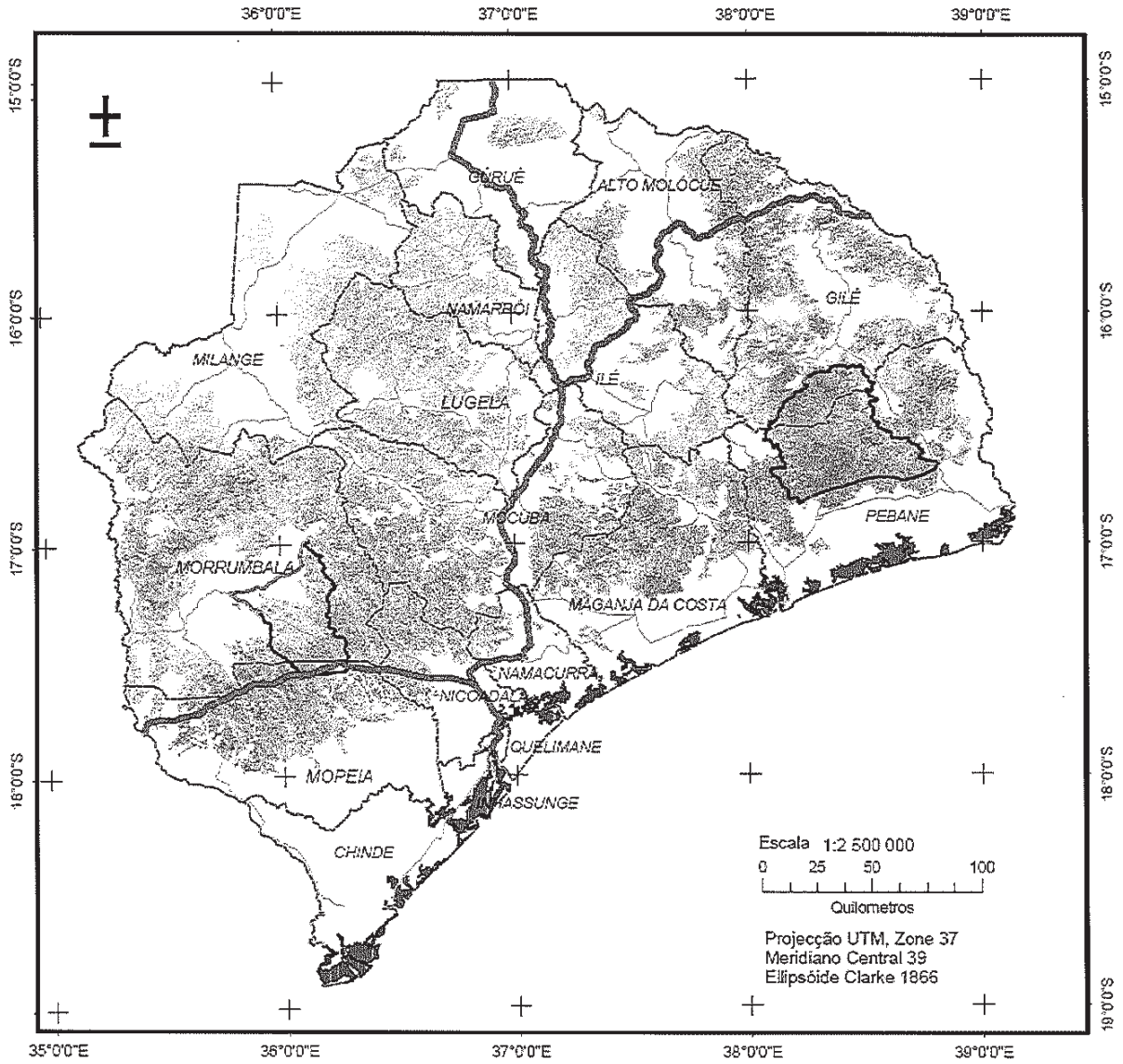
NAME	POSITION	MINISTRY	DATE
Ms. Marilia Telma Antonio MANJATE	GEF Focal Point Director of Cooperation	Department of International Cooperation Ministry for the Co-ordination of Environmental Affairs (MICOA)	June, 7, 2013

B. GEF AGENCY CERTIFICATION

This request has been prepared in accordance with GEF/LDCF/SCCF/NPIF policies and procedures and meets the GEF/LDCF/SCCF/NPIF criteria for project identification and preparation.

Agency Coordinator	Signature	Date	Project Contact Person
Gustavo Merino Director Investment Centre Division Technical Cooperation Department FAO Viale delle Terme di Caracalla (00153) Rome, Italy TCI-Director@fao.org Barbara Cooney FAO GEF Coordinator Email: Barbara.Cooney@fao.org Tel: +3906 5705 5478		February 27, 2014	Adrian Whiteman, FAO Forestry Department, Rome. +39 06 570 55055 Adrian.whiteman@fao.org

Annex 1



República de Moçambique

Ministério de Agricultura
Direcção Nacional de Florestas e Fauna Bravia
Departamento de Florestas
Unidade de Inventário Florestal
Maputo (2005)

PROVÍNCIA DE ZAMBÉZIA

Mapa de localização das florestas

LEGENDA

- Estradas principais
- Outras estradas
- Limites de Distritos
- Limites de reservas

Classes florestais

- Outros usos
- Floresta densa (>100 m3/ha)
- Floresta meia densa (70-100 m3/ha)
- Floresta aberta (<70 m3/ha)
- Mangal

Anexo 6