



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
FOR OFFICIAL USE ONLY

Report No: PAD4284

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED EMISSION REDUCTIONS PURCHASE AGREEMENT
IN THE AMOUNT OF US\$50 MILLION

A PROPOSED GRANT FROM THE BIOCARBON FUND PLUS INITIATIVE FOR SUSTAINABLE FOREST LANDSCAPES SINGLE-
DONOR TRUST FUND
IN THE AMOUNT OF US\$6.96 MILLION

A PROPOSED GRANT FROM THE THIRD TRANCHE OF THE BIOCARBON FUND
IN THE AMOUNT OF US\$5 MILLION

AND A

PROPOSED GRANT FROM THE GLOBAL ENVIRONMENT FACILITY
IN THE AMOUNT OF US\$2 MILLION

TO THE

REPUBLIC OF ZAMBIA

FOR AN

EASTERN PROVINCE JURISDICTIONAL SUSTAINABLE LANDSCAPE PROGRAM – EMISSIONS REDUCTION
PROJECT

May 20, 2024

Agriculture and Food Global Practice
Eastern and Southern Africa Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

CURRENCY EQUIVALENTS
(Exchange Rate Effective {March 31, 2024})

Currency Unit = USD

FISCAL YEAR
January 1 - December 31

Regional Vice President: Victoria Kwakwa
Regional Director: Iain Shuker
Country Director: Nathan M. Belete
Acting Practice Manager: Francisco Obreque
Task Team Leaders: Ademola Braimoh, Silvia Mauri

ABBREVIATIONS AND ACRONYMS

AFOLU	Agriculture, Forestry and other Land Use
BCP	BioCarbon Partners
BioCFT3	Tranche 3 of the BioCarbon Fund
BOZ	Bank of Zambia
BSP	Benefit Sharing Plan
CATS	Carbon Assets Trading System
CERPA	Chiefdom Emissions Reduction Performance Agreement
COMACO	Community Markets for Conservation
CPF	Country Partnership Framework
CSA	Climate-smart Agriculture
CSO	Civil Society Organizations
EHSG	Environment, Health, and Safety Guidelines
EP-JSLP	Eastern Province Jurisdictional Sustainable Landscape Program
ER	Emission Reduction
ERC	Emission Reduction Certificates
ERPA	Emission Reductions Purchase Agreement
ERPD	Emission Reductions Program Document
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESRM	Environmental and Social Risk Management
ESS	Environmental and Social Standard
FD-MGEE	Forestry Department of the Ministry of Green Economy and Environment
FM	Financial Management
FY	Fiscal Year
GEF	Global Environment Facility
GHG	Greenhouse Gas
GIIP	Good International Industry Practice
GRZ	Government of the Republic of Zambia
IPMP	Integrated Pest Management Plan
ISFL	Initiative for Sustainable Forest Landscapes
LULUCF	Land use, land-use change, and forestry
MGEE	Ministry of Green Economy and Environment
MOA	Ministry of Agriculture
MoFNP	Ministry of Finance and National Planning
MtCO ₂ e	Million tons of carbon dioxide equivalent
MRV	Measurement, Reporting and Verification
NDC	Nationally Determined Contribution
NERPA	Nested Emission Reduction Purchase Agreement
OAG	Office of the Auditor General
PF	Resettlement Process Framework
PIU	Program Implementation Unit
REDD+	Reducing Emissions from Deforestation and Forest Degradation

RESD+	UNFCCC Framework for Reducing Emissions from Deforestation and Forest Degradation
RPF	Resettlement Policy Framework
SESA	Strategic Environment and Social Assessment
SOE	Statement of Expenditure
UNFCCC	United Nations Framework Convention on Climate Change
VCS	Verified Carbon Standard
WMP	Waste Management Plan
ZEMA	Zambia Environmental Management Agency
ZIFLP	Zambia Integrated Forest Landscape Project

TABLE OF CONTENTS

DATASHEET	ii
I. STRATEGIC CONTEXT	1
A. Country Context.....	1
B. Sectoral and Institutional Context	2
C. Relevance to Higher Level Objectives	4
II. PROJECT DESCRIPTION.....	5
A. Project Development Objective.....	5
B. Project Components	6
C. Project Beneficiaries	9
D. Results Chain.....	9
E. Rationale for Bank Involvement and Role of Partners.....	10
F. Lessons Learned and Reflected in the Project Design.....	11
III. IMPLEMENTATION ARRANGEMENTS	11
A. Institutional and Implementation Arrangements.....	11
B. Results Monitoring and Evaluation Arrangements.....	12
C. Sustainability	14
IV. PROJECT APPRAISAL SUMMARY	14
A. Technical, Economic and Financial Analysis	14
B. Fiduciary	16
C. Legal Operational Policies	19
D. Environmental and Social	19
V. GRIEVANCE REDRESS SERVICES.....	21
VI. KEY RISKS.....	21
VII. RESULTS FRAMEWORK AND MONITORING	24
ANNEX 1: Implementation Arrangements and Support Plan	29
ANNEX 2: Land Cover Map of the Eastern Province of Zambia	35

DATASHEET

BASIC INFORMATION

Project Beneficiary(ies) Zambia	Operation Name EASTERN PROVINCE JURISDICTIONAL SUSTAINABLE LANDSCAPE PROGRAM - EMISSIONS REDUCTION PROJECT	
Operation ID P155827	Financing Instrument Investment Project Financing (IPF)	Environmental and Social Risk Classification Moderate
GEF Focal Area Land degradation		

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternative Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)

Expected Approval Date 31-May-2024	Expected Closing Date 30-Jun-2030
Bank/IFC Collaboration No	

Proposed Development Objective(s)

To generate payments to the Program Entity for measured, reported, and verified Emission Reductions (ERs) and to distribute the payments according to an agreed Benefit Sharing Plan (BSP).

Components

Component Name	Cost (US\$)
Emission Reductions payments distributed in accordance with agreed Benefit Sharing Plan	50,000,000.00
Strengthening communities and governance for sustainable land management	11,459,150.00
Program Management	2,500,000.00

Organizations

Borrower:	Republic of Zambia
Implementing Agency:	Ministry of Green Economy and Environment

PROJECT FINANCING DATA (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)?	No
Is this project Private Capital Enabling (PCE)?	Yes

SUMMARY

Total Operation Cost	63.96
Total Financing	43.96
Financing Gap	20.00

DETAILS

Non-World Bank Group Financing

Trust Funds	43.96
BioCFplus Initiative for Sustainable Forest Landscapes	6.96
BioCF Tranche 3	35.00
Global Environment Facility (GEF)	2.00

Expected Disbursements (US\$, Millions)

WB Fiscal Year	2024	2025	2026	2027	2028	2029	2030

Annual	0.37	6.40	1.30	6.00	6.00	6.00	17.89
Cumulative	0.37	6.77	8.07	14.07	20.07	26.07	43.96

PRACTICE AREA(S)

Practice Area (Lead)

Agriculture and Food

Contributing Practice Areas

Social Sustainability and Inclusion; Climate Change; Environment, Natural Resources & the Blue Economy

SYSTEMATIC OPERATIONS RISK- RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Moderate
7. Environment and Social	● Moderate
8. Stakeholders	● Substantial
9. Other	● Substantial
10. Overall	● Substantial

POLICY COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[] Yes [✓] No

Does the project require any waivers of Bank policies?

[] Yes [✓] No

ENVIRONMENTAL AND SOCIAL

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10: Stakeholder Engagement and Information Disclosure	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4: Community Health and Safety	Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8: Cultural Heritage	Relevant
ESS 9: Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

LEGAL

Legal Covenants

Sections and Description

Section 3.03: Within twelve (12) months after signature of ERPA, fulfillment of the Conditions for the obligations to sell and purchase Emission Reductions as per the ERPA. If the Conditions are not fulfilled, the Trustee may, at its discretion either extend the Conditions Fulfillment Date or terminate this ERPA by written notice to the Program Entity.

General Conditions Section 5.01: The Program Entity shall monitor and report to the Trustee on the implementation of the Safeguards Plans annually after the date of the ERPA throughout the Term.

General Conditions Section 5.01: The Program Entity shall first monitor and report to the Trustee on the implementation of the Benefit Sharing Plan six (6) months after receipt of the first Periodic Payment and annually thereafter.

General Conditions Section 5.01: Within one hundred eighty (180) calendar days following the end of each Reporting Period, the Program Entity shall provide the Trustee with an ER Monitoring Report for that Reporting Period

Section I. A.2. of Schedule 2 of the Grant Agreements: The Recipient shall, no later than two (2) months after the Effective Date, establish and thereafter maintain, during the period of implementation of the Project, a Project Steering Committee, chaired by permanent secretary of MGEE and permanent secretary of Eastern Province.

Section I.A.3. of Schedule 2 of the Grant Agreements: The Recipient shall, no later than one (1) month after the Effective Date, establish and thereafter maintain within the Eastern Province, a Project Implementation Unit (PIU) with the composition, functions, staffing and resources satisfactory to the Bank.

Section I.B.1. of Schedule 2 of the Grant Agreements: The Recipient shall, no later than one (1) month after the Effective Date, prepare and adopt a Project Implementation Manual, in a manner and substance satisfactory to the Association, and thereafter ensure that the Project is carried out in accordance with the Project Implementation Manual.

Conditions

Type	Citation	Description	Financing Source
Disbursement	General Condition Section 5.01	Only for the ERPA - General Condition Section 5.01: Submission of the Monitoring report satisfactory to the Bank, which provides in Annex: (a) evidence satisfactory to the Trustee that the ISFL ER Program Measure(s) are being implemented in accordance with the Safeguards Plans and that the Benefit Sharing Plan has been implemented in accordance with its terms and (b) information on the generation and/or enhancement of Non-Carbon Benefits.	Trust Funds
Disbursement	Schedule 1	Only for the ERPA - approval and issuance of a permit for the Jurisdictional Program in accordance with GRZ Statutory Instrument 66 of 2021	Trust Funds
Disbursement	Section 3.01 & Schedule 1	Only for the ERPA - Section 3.01 & Schedule 1: a Letter of Approval	Trust Funds
Disbursement	Section 3.01 & Schedule 1	Only for the ERPA - Section 3.01 & Schedule 1: Submission of a final Benefit Sharing Plan (BSP) for the ERPA (including the signing of CERPA and NERPA)	Trust Funds
Disbursement	Section 3.01 & Schedule 1	Only for the ERPA - Section 3.01 & Schedule 1: Issuance of a letter confirming the application of the ISFL	Trust Funds

		Buffer, the ISFL Buffer Requirements and the Registry	
Disbursement	Section 3.01 & Schedule 1	Only for the ERPA - Section 3.01 & Schedule 1: Provide evidence demonstrating the Program Entity's ability to transfer Title to ERs, free of any interest, Encumbrance or claim of a Third Party.	Trust Funds
Effectiveness	Section 4.01 of the BioCFPlus Grant Agreement	The BioCFT3 Grant Agreement and GEF Grant Agreement, have been executed and delivered and all conditions precedent to their effectiveness or to the right of the Recipient to make withdrawals under them (other than the effectiveness of this Agreement) have been fulfilled.	Trust Funds

I. STRATEGIC CONTEXT

A. Country Context

1. **Zambia, a country rich in natural resources, faces numerous development challenges, including a rapidly growing population, poverty, inequality, and high unemployment.** About 60 percent of Zambia's land surface is covered by forests, and 5.1 percent by arable land. The country is a global hub for diverse ecosystems and biodiversity, proudly possessing a range of protected areas such as national parks, game management areas, and forest reserves.¹ Zambia's population, estimated at 19.6 million in 2020, is growing at a rate of 3.4 percent per year.² In 2022, 61.5 percent of Zambians lived in extreme poverty (US\$1.90/day), amidst high income inequality (Gini coefficient of 0.51). As of 2022, unemployment was at 12.6 percent, with youth unemployment at 50.4 percent, and higher among rural youth (59.4 percent).³ To keep up with its growing population, Zambia will need to create 375,000 jobs annually by 2030.⁴
2. **Despite a lengthy debt restructuring process and subdued copper production, Zambia's economy has been recovering since the COVID-19 recession on the back of an ambitious reform package.** Zambia is in debt distress and requires substantial external financing to support fiscal adjustment measures.⁵ Meanwhile, the current administration elected to office in 2021 has pursued bold fiscal and structural reforms to restore macroeconomic stability, reinvigorate growth, and increase pro-poor spending. Supported by these reforms, and despite the protracted finalization of the debt restructuring, Zambia's economy has been recovering since the COVID-19 recession, driven by momentum in non-mining sectors, notably in services. In the fourth quarter of 2023, real gross domestic product (GDP) grew by 8 percent year-over-year despite subdued copper production. However, structural challenges underpinning Zambia's development path persist. Economic transformation is taking place at a slow pace. Growth remains heavily reliant on the mining sector, with limited spill-over benefits to other sectors. The vast mineral resources (mainly copper) have been exploited with little value addition and employment creation, making growth and revenues volatile and contributing little to inclusive growth. The mainstay agriculture sector, which employs most of the workforce, remains undiversified and with low and declining productivity, exacerbating socio-economic development challenges. The rising vulnerability to climate shocks is further affecting agricultural productivity, heightening food insecurity, and hampering the sector's contribution to growth.
3. **Land degradation, driven mainly by poverty, climate change, and low productive agriculture, is a concern in Zambia as it exacerbates the country's high level of vulnerability and hinders its progress toward faster growth and poverty reduction.** The country's climate is highly variable and, in recent decades, has experienced droughts, floods, and extreme temperatures that have negatively impacted food and water security and rural livelihoods.⁶ For instance, agricultural growth rates have fluctuated with changes in rainfall due to climate events like El Niño and La Niña, causing a 21.2 percent contraction in 2018. By 2050, temperatures in Zambia are projected to rise to 2.2°C, with the greatest increases in the southern and eastern crop production areas.⁷ Rainfall is expected to increase in the northern parts

¹ The country protected areas include: 20 national parks, 39 game management areas, 432 forest reserves, 59 botanical reserves, 42 important bird areas, and 2 bird sanctuaries.

² ZamStats 2023. 2022 Census of population and housing. Preliminary report.

³ ZamStats 2022. Annual labor force survey report.

⁴ The World Bank 2021. COVID-19, Poverty, and Social Safety Net Response in Zambia. Policy Research Working Paper No. 9571. World Bank, Washington, DC. <http://hdl.handle.net/10986/35249>

⁵ Official external creditors and the authorities agreed in October 2023 on a Memorandum of Understanding outlining treatment covering around US\$6.3 billion of official debt. Zambia is seeking comparable treatment with its Eurobond holders (US\$3.5 billion) and other external commercial lenders (US\$3.2 billion).

⁶ <https://www.adaptation-undp.org/explore/africa/zambia#:~:text=Zambia%20has%20been%20experiencing%20adverse,changes%20in%20the%20growing%20season>. Also, The World Bank. April 2017. Project Appraisal Document for A Zambia Integrated Forest Landscape Project.

⁷ CIAT; World Bank. 2017. Climate Smart Agriculture in Zambia. CSA Country Profiles for Africa Series

but decrease in the southern parts.⁸ Human activities such as unsustainable forest harvesting, forest burning, land conversion for agriculture and mining, and monocropping have contributed to soil erosion and decreased the productivity and resilience of Zambia's landscapes. This cycle of poverty and degradation, perpetuated by low-productive agriculture and deforestation, makes rural inhabitants more vulnerable to external shocks.

4. **Zambia is pursuing a bold plan of sustainable development that balances economic growth, poverty reduction, and the preservation of natural resources.** This approach aims to create a resilient and low-carbon future for the country. Zambia is committed to mitigating and adapting to the impacts of climate change. In 2016, the National Strategy to Reduce Deforestation and Degradation was adopted, with the aim of reducing greenhouse gas (GHG) emissions through improved forest and land management, while ensuring fair distribution of carbon and non-carbon benefits to communities. This aligns with Zambia's Vision 2030 of a prosperous, climate-resilient economy built on sustainable management of natural resources. The 2021 National Policy on Climate Change has elevated the profile of climate change in high-level policymaking, and the Ministry of Green Economy and Environment is tasked with implementing policies for a green economy, climate change mitigation and adaptation, and sustainable development. The Eighth National Development Plan, covering 2022-2026, prioritizes environmental sustainability and low-carbon development, with a focus on climate resilience and social inclusion, as part of the transition to a green economy.⁹

B. Sectoral and Institutional Context

5. **Transforming Zambia's development path and breaking the poverty-degradation cycle requires a focus on sustainable land management and agricultural growth, with deliberate actions targeting rural women.** The path to sustainable development in Zambia lies in the effective management of its natural resources, particularly its forests and agricultural lands. In Zambia, forests represent a source of livelihood for 1.5 million people, while approximately half of the country's labor force is employed in the agricultural sector. The productive Miombo woodlands, which make up 70 percent of Zambia's forests, provide a range of valuable ecosystem services, from food and energy to water regulation and carbon storage.¹⁰ As the majority of women reside in rural areas and play a pivotal role in managing natural resources, fostering inclusivity of women in sustainable forestry and agriculture not only has the potential to conserve resources but also to elevate the living standards of households. Accelerating the adoption of technologies among women is essential, considering that access to technology represents a significant gender gap.¹¹
6. **Sustainable land management and sustainable agriculture are also essential for reducing emissions.** According to the latest data from the United Nations Framework Convention on Climate Change (UNFCCC), Zambia's GHG emissions amounted to 120 million tons of carbon dioxide equivalent (MtCO₂e) in 2011, marking a three percent increase from 1990 levels. Land use, land-use change, and forestry (LULUCF) was the primary contributor to these emissions, accounting for 74 percent of the total in 2011, with the energy sector following behind at 23 percent. Projections indicate that emissions from LULUCF will continue to rise, reaching 100 MtCO₂e per year by 2030 due to increased deforestation. Deforestation rates in Zambia are among the highest in the world, with an estimated loss of between 79,000 and 150,000 hectares of forest annually. From 2001 to 2017, the country lost approximately 2.5 million

⁸ <https://climateknowledgeportal.worldbank.org/country/zambia/climate-data-projections>. Also, Tembo, Bernard, Sydney Sihubwa, Ignatius Masilokwa, and Mulima Nyambe-Mubanga. 2020. "Economic Implications of Climate Change in Zambia." Southern Africa – Towards Inclusive Economic Development. SA-TIED Working Paper #137. <https://sa-tied.wider.unu.edu/sites/default/files/pdf/SA-TIED-WP-137.pdf>

⁹ <https://www.nydc.gov.zm/wp-content/uploads/2022/04/8th-NDP-2022-2026.pdf>.

¹⁰ Country Forest Note: Zambia. Towards a Sustainable Way of Managing Forest

(<https://openknowledge.worldbank.org/bitstream/handle/10986/33239/Zambia-Country-Forest-Note-Towards-a-Sustainable-Way-of-Managing-Forest.pdf?sequence=1&isAllowed=y>)

¹¹ Country Forest Note: Zambia. Towards a Sustainable Way of Managing Forest

(<https://openknowledge.worldbank.org/bitstream/handle/10986/33239/Zambia-Country-Forest-Note-Towards-a-Sustainable-Way-of-Managing-Forest.pdf?sequence=1&isAllowed=y>) and Zambia Gender Assessment 2023

(<https://documents1.worldbank.org/curated/en/099052923081020509/pdf/P177348030d77b00f09db70d49e03be1574.pdf>). Low participation in agriculture, among other economic activities, has been identified as one of the critical gender gaps in Zambia.

hectares of forest, or roughly six percent of its total tree cover, resulting in the release of an estimated 252 MtCO₂e into the atmosphere. The land use change and forestry sector alone accounted for 61 percent of Zambia's national GHG emissions in 2011.

7. **The Eastern Province, a region plagued by land degradation and poverty, has been selected to pilot the implementation of climate change mitigation and low carbon development.** The Eastern Province includes the resource-rich and biodiverse Luangwa Valley and some of Zambia's most renowned national parks, such as the lucrative South Luangwa National Park, offering vast potential for the development of sustainable, natural resource-based livelihoods, particularly in tourism. The forested landscapes in Eastern Province play a crucial role in driving economic growth, creating jobs, providing clean water and essential building materials, and supplying energy to various sectors. However, the forests are facing numerous challenges, including illegal encroachment into protected areas, habitat fragmentation, and the effects of deforestation and uncontrolled charcoal production. Together, these factors contribute to biodiversity loss and elevated GHG emissions. The Eastern Province is one of the poorest regions in Zambia, with 70 percent of its 2.4 million residents living in poverty and 48 percent lacking adequate food access throughout the year.^{12,13} These rural communities are heavily reliant on agriculture and natural resources for their livelihoods, perpetuating a cycle of poverty and resource degradation. To break this cycle, it is imperative to address the underlying causes of forest loss and degradation and promote sustainable land management practices. The Government of the Republic of Zambia (GRZ) is committed to transforming Eastern Province into a comprehensive rural development model that combines forest protection and the promotion of sustainable agricultural practices. To achieve this goal, the Eastern Province Jurisdictional Sustainable Landscape Program (EP-JSLP) has been established. This program is expected to play a crucial role in bringing the GRZ's vision to life and serve as a model for shaping and influencing national and provincial policies related to forest conservation, land use, climate-smart agriculture, and sustainable natural resource management.
8. **Early private-led initiatives in the Eastern Province have demonstrated the potential and limitations of utilizing the voluntary carbon market to incentivize sustainable land management.** These projects offer valuable lessons for future efforts to tap into the carbon markets for sustainable land use in the region. The Community Markets for Conservation (COMACO) and BioCarbon Partners (BCP) have successfully implemented projects accessing the voluntary carbon market as a means of incentivizing sustainable land use in the Eastern Province of Zambia. Established in 2003, COMACO, through its partnership with the World Bank, promotes sustainable farming and agricultural services in nine chiefdoms of the Luangwa Valley.¹⁴ In 2015, COMACO launched the Landscape Management Project, Zambia's first large-scale project within UNFCCC Framework for Reducing Emissions from Deforestation and Forest Degradation (REDD+), which pays communities for their conservation efforts by generating and selling carbon credits on the voluntary market.¹⁵ The carbon revenues have been used to fund community activities, such as beekeeping and poultry farming, and the drilling of wells for drinking water. BCP, a private developer of REDD+ projects, has also generated and sold carbon credits on the voluntary market since 2012, with a focus on forest protection and forest-based livelihoods in twelve chiefdoms.¹⁶ However, the Verified Carbon Standard (VCS) program used by both projects is undergoing revision, raising concerns about the communities' ability to continue receiving carbon revenues. Critics of the use of voluntary standards, such as VCS, have raised issues of poor GHG accounting and the social and environmental integrity of certified credits.
9. **Building on the lessons learned from the early private-led projects in the Eastern Province, Zambia has taken decisive action to tap into the potential of carbon finance and is now ready to generate and trade emission reductions at the jurisdictional level.** The Government launched the 'Zambia Integrated Forest Landscape Project' (ZIFLP, P161490) in 2017 with funding from the International Development Association (IDA), the Global Environment

¹² Indaba Agricultural Policy Research Institute, IAPRI (2019). Rural Agricultural Livelihoods Survey Report.

¹³ ZamStats 2022. Zambia 2022 Census of Population and Housing

¹⁴ World Bank 2020. COMACO Landscape Project (P144254) Implementation Completion Report

¹⁵ <https://documents1.worldbank.org/curated/en/307081595830064526/pdf/Zambia-COMACO-Landscape-Management-Project.pdf>

¹⁶ <https://bcp.earth/>

Facility (GEF), and the BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL). The ZIFLP has effectively put into practice emission-reducing activities—also called underlying investments in the context of the EP-JSLP. As a result, over 73,000 farmers are practicing climate-smart agriculture (CSA) in approximately 163,000 ha, and over 70,000 ha of forest are currently under sustainable community management. Besides the initiatives led by COMACO and BCP, the ZIFLP has been one of the largest contributors to climate-positive actions in the region, laying the foundations for the EP-JSLP. The transition to a jurisdictional approach brings several advantages compared to project-specific carbon trade. Firstly, at the jurisdictional level, it allows for the scaling up of emission reduction efforts and provides a platform for multiple actors to contribute and attract financing from both the public and private sectors. This creates a collaborative space where various stakeholders can work together toward a common goal. Secondly, the jurisdictional approach includes all of Eastern Province's chiefdoms in the carbon finance scheme. This ensures that the benefits of carbon trading are extended to all communities within the jurisdiction, promoting inclusivity. Lastly, the jurisdictional approach offers a transparent and centralized carbon transaction mechanism that adheres to an improved standard. This enhances accountability and trust in the carbon market by providing clear guidelines and regulations for carbon transactions. With the ZIFLP's support, the country has established the capability and systems for measuring, reporting, and verifying emission reductions using ISFL standards and trading carbon credits through the EP-JSLP. The Eastern Province is now poised to become a model of sustainable land management and a proof of concept for using carbon financing to incentivize emission reductions from forest protection and increased carbon sinks in soils. The GRZ expects to replicate the model in other regions of the country.

C. Relevance to Higher Level Objectives

10. **The project is aligned with the World Bank Group Country Partnership Framework (CPF) for Zambia (FY19-23, Report No. 128467-ZA) discussed by the Board on September 20, 2018.** The CPF aims to support the GRZ in developing a diversified, inclusive, and sustainable approach. It emphasizes sustainable forest management, agriculture as a driver of rural growth, and reducing rural poverty. The project promotes CSA, sustainable forest management, and inclusive economic opportunities, while also supporting the resilience of rural communities to climate change and environmental shocks through job creation and sustainable production. The project is also aligned to the forthcoming CPF for Zambia (FY25-29) on: (i) improving CSA and sustainable management of natural resources for inclusive growth, food security and poverty alleviation; and (ii) developing climate-sensitive financing instruments to manage natural resources and supporting climate-smart investments. Monetizing the carbon benefits of integrated landscape management for Zambia and the local communities as promoted under the project is at the core of the forthcoming CPF. In line with the World Bank's vision of creating a world free of poverty on a livable planet, the project will make a unique contribution to fighting climate change while enhancing the livelihoods and natural resource base of a highly vulnerable and poor region. Furthermore, the project is fully aligned with the World Bank Group Gender Strategy and Climate Change Action Plan 2021-2025.
11. **The project is aligned with Zambia's national development strategies and plays a pioneering role in implementing the Eighth National Development Plan on Economic Transformation and Job Creation.** It supports the near and longer-term goals laid out in Zambia's Vision 2030, which is the overarching policy framework upon which other climate and land-use strategies have been formulated and implemented, including National REDD+, National Forestry Policy, and the National Climate Change Policy, as well as a series of five-year national development plans. The project supports Zambia's aspiration to integrate inclusive socioeconomic development and low-emissions growth into the objectives laid out in the country's development agenda. It supports the Strategic Development Area 1 of the Eighth National Development Plan on Economic Transformation and Job Creation, which promotes increased agricultural production and productivity as an engine of economic growth. In addition, the project is aligned with the Strategic Development Area 3 on Environmental Sustainability that: (i) promotes enhanced mitigation and adaptation to climate change through effective implementation of Zambia's Nationally Determined Contribution (NDC); and (ii) prioritizes the protection, conservation, restoration, and rehabilitation of the environment, ecosystems, and natural resources through integrated and community-based natural resource management systems.

12. **The project is consistent with the country's NDC.** The project supports the NDC submitted to the UNFCCC in 2021 by reducing deforestation and implementing CSA. These actions contribute to the country's decarbonization targets. The NDC also highlights the importance of adaptation by diversifying food production, adopting CSA, and protecting water catchment areas. The project aims to provide results-based financing to rural communities, encouraging them to adopt CSA practices and conserve forests in the Eastern Province. Currently, the country has prepared a National Adaptation Plan and has not yet developed a Long-Term Emission Reduction Strategy.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

13. To generate payments to the Program Entity for measured, reported, and verified Emission Reductions (ERs) and to distribute the payments according to an agreed Benefit Sharing Plan (BSP).
14. Emissions reduction will be achieved through improved capacity to implement sustainable land management practices and livelihood low carbon investments in sustainable forest management and CSA, leading to reduced deforestation and forest degradation, enhancement of forest carbon stocks (REDD+), and carbon sequestration in agricultural soils.

PDO-Level Indicators

15. The achievement of the PDO will be measured through the following indicators:
 - Volume of CO₂e Emission Reductions that have been measured and reported by the Program Entity, and verified by a Third Party (tCO₂e)
 - Measurement, reporting and verification (MRV) systems set up and functional for all relevant land-use sectors (forest degradation, and land-use change) (Yes/No)
 - Emission Reductions payments distributed in accordance with agreed Benefit Sharing Plan (Yes/No)

The Eastern Province Jurisdictional Emission Reductions Program

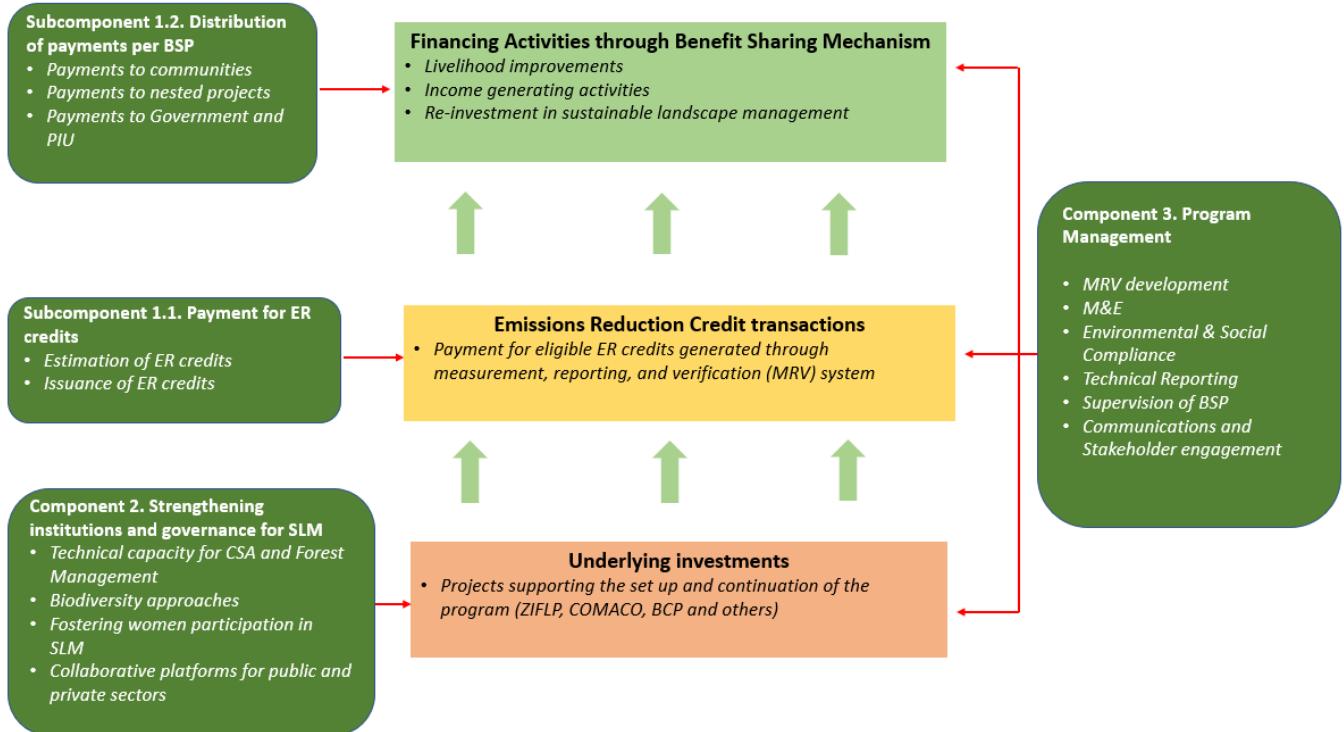
16. **The EP-JSLP is a programmatic umbrella for climate-positive interventions in the Eastern Province.** The program, as described in the Emission Reductions Program Document (ERPD), serves as a platform for harmonizing sustainable land management approaches and interventions, as well as facilitating the accounting and trading of carbon credits at the jurisdictional level. The program consists of three focus areas:

- Enabling activities and underlying investments: This includes interventions such as those implemented under the ZIFLP and any other investments that align with the program's principles. The EP-JSLP constitutes a platform for mobilizing development partners' support and crowding in private investments that lead to reduced emissions.
- Creation of Emission Reductions Certificates (ERC): ERCs are tradable instruments that represent one metric ton of CO₂ equivalent (tCO₂e) emissions reduction. These certificates are issued by comparing actual emissions to a reference baseline. The ERCs are credited to the program entity's name within the Carbon Assets Tracking System (CATS).

- Financing livelihood improvements and income-generating activities: The proceeds from carbon transactions are utilized to support livelihood improvements, income-generating activities, and further underlying investments. This ensures that the benefits generated by the ERCs are shared among the program's beneficiaries, in accordance with the BSP.

- 17. The ER Project will provide support for the Program through purchasing ERCs, supporting catalytic underlying activities, and establishing program management functions.** The World Bank commits to purchasing 3 million tons of ERCs (after verification and issuance in CATS) through the signing of an Emission Reductions Purchase Agreement (ERPA) with the Government (component 1). In addition, the project finances climate-positive activities led by local forest communities, government agencies and farmers to generate emissions reduction (component 2). Finally, project funds will be used to help the government establish the critical management structure of the program and cover operational costs for the first two years, including the MRV infrastructure (component 3). These financing mechanisms will provide crucial support for the Program and help to ensure its success in promoting emissions reduction in the long term.

Figure 1: Relationship Between the Emissions Reduction Project and the Larger Emissions Reduction Program



The elements of the Emissions Reduction Program are indicated in the straight corner rectangles in the middle of the figure, while the components of the Emissions Reductions Project are indicated in the round corner rectangles and discussed in detail under Project Description.

B. Project Components

The project components are summarized below.

Component 1: Emission Reductions payments distributed in accordance with agreed Benefit Sharing Plan (US\$50 million - \$30 million committed by the Bank and \$20 million as financing gap for optional ERs)

18. Component 1 finances the purchase of ERCs coming from the sound management of landscape and the distribution of net revenues according to the BSP.

Subcomponent 1.1: Payment for ER credits

19. **Subcomponent 1.1 will pay for eligible ERCs generated through the MRV system.** The expectation for the EP-JLSP is to generate up to 29.9 million ERCs from the forest and agriculture sectors in six years (crediting period 2024-2029). The Program classifies emission reductions into two categories: Contract ERs and Option ERs, as outlined in the ERPA.
- Contract ERs (US\$30 million) represents the value of ERCs that the World Bank as a trustee and implementing agency of the ISFL commits to purchase if they are produced from the jurisdiction. The World Bank commits to purchasing 3 million tons of Contract ERs and offers a fixed floor price that remains unchanged throughout the life of the project. The payments for these purchases will be available once the program achieves, verifies, and reports on results through the program's MRV system. According to the ERPA, the Government may still request to sell them to another buyer for a higher price subject to the right of first refusal by the ISFL.
 - Option ERs represent ERCs that the World Bank may decide to purchase, at its own discretion, if the program exceeds expectations and generates a greater volume of ERCs. Based on the appraisal, this potential additional purchase may represent up to US\$20 million, which is currently included as a financing gap in the project cost and would be canceled if there is no additional purchase.
20. **The following land-use categories will be monitored to measure emissions and compare them to the baseline:** forestland remaining forestland, forestland converted to other land uses, cropland and settlement converted to forestland, and cropland remaining cropland. The amount of ERCs to be issued will be determined for each monitoring period based on the comparison between actual emissions and a baseline, using ISFL-approved methodologies and MRV data. The ERPA will only consider the purchase of the initial contracted 3 million tons of the ERCs and an option to purchase an additional 2 million tons of ERCs that will be verified and then issued in CATS. Based on those assumptions, the estimated disbursement schedule for the purchase of ERCs by BioCarbon Fund ISFL is presented in Table 1.

Table 1. Estimated Purchase Schedule

MRV Period		Expected disbursement for Contract ERs (US\$, millions)	Expected date of payment
Beginning	End		
01/01/2024	12/31/2024	5	7/1/2025
01/01/2025	12/31/2026	10	7/1/2027
01/01/2027	12/31/2028	10	7/1/2029
01/01/2028	12/31/2029	5	12/31/2030
Potential purchase of Call options ERCs		20	12/31/2030
Total		50	

Subcomponent 1.2: Distribution of ERCs and payments as per an agreed BSP

21. **Subcomponent 1.2 aims to distribute ERCs and payments to traditional authorities, farmers, community resource groups, and community members.** Most forest and agricultural land in Eastern Province are under customary ownership, and ER activities will be undertaken by the groups involved in these complex, traditional arrangements. BSP-financed activities will include re-investment in sustainable landscape management and other measures to build climate resilience, improve livelihoods, and generate income. The distribution of benefits to those beneficiary groups will be made according to a BSP that has already been developed and agreed upon by Eastern Province stakeholders. The BSP defines principles for benefit distribution, eligible beneficiaries, and conditions for their participation in the BSP. It also explains criteria for benefit distribution, disbursement channels and institutional arrangements, monitoring provisions, and environmental and social compliance, and provides a description of the consultation process followed to design the BSP.

22. The nested projects will receive benefits in accordance with the calculation procedure described in the Program BSP and in a partnership agreement, the "Nested ERPA" (NERPA). As specified in the NERPA, these nested projects may receive either ERCs or payments. Meanwhile, the Chiefdoms will receive monetary benefits as well as non-monetary benefits. Cash payments will be allocated per Chiefdom in accordance with the Chiefdom Emission Reductions Performance Agreements (CERPAs). Payments are expected to flow to Chiefdoms and, within them, to resource management and community groups, designated leaders, and households or individuals. Budget allocations will be used to fund the upfront or administrative costs of implementing ER activities, as well as investments in community infrastructure or services. The Project Implementation Unit (PIU) and the government will receive payments to cover the operating costs for the project. The BSP operational manual will provide detailed guidance on management and distribution of funds, including fiduciary management and controls, and environmental and social risk management arrangements.

Component 2. Strengthening communities and governance for sustainable land management (US\$11.49 million)

23. Component 2 will enhance local community involvement in sustainable land management and ecosystem restoration, climate resilience and mitigation within the jurisdictional program, ensuring the generation of ERs to be paid for under Component 1. The suite of activities aims to scale up livelihood and low carbon investments, enhance technical abilities, foster social cohesion, promote inclusiveness of women across all initiative aspects, and reinforce a people-led approach to sustainable land management. This strategic component is crucial, as citizen participation is key to generating ERs and achieving the PDO. It involves promoting innovative approaches to build technical capacity for climate resilience and mitigation, strengthening communities' surveillance and monitoring capabilities including improvement of the existing Monitoring, Reporting and Verification (MRV) system, establishing collaborative platforms between local communities and public/private sectors, and mainstreaming active women participation in sustainable land management. Specifically, the component will support both maintaining of area brought under sustainable land management practices and expanding new area under sustainable land management practices through a landscape approach combining forestry and CSA activities such as improve community forest management, improve capacity to manage land rights and landscape, adoption of CSA practices, improved energy efficiency, improve livelihoods through the provision of grants, value addition and market access etc. Financing of the activities will be as follows:

- i. GEF US\$2 million will support maintaining of the area brought under sustainable land management practices under ZIFLP and strengthening people-led approach for sustainable land management. A sum of US\$200,000 is set aside for Program Management (Component 3).
- ii. BioCarbon ISFL Tranche 3 Trust Fund of US\$4 million will support enhancing the management capacity of 20 Community Forestry Management Groups (CFMGs) established under ZIFLP in sustainably managing their land, and the establishment of 30 new CFMGs, hence expanding the area under sustainable land management. The target of the combined area under sustainable land management will amount to 335,000 ha. A sum of US\$600,000 is set aside for Program Management (Component 3).
- iii. UK Government Trust Fund (BioCFPlus) of US\$6.96 million with US\$5 million to maintain CSA areas under ZIFLP, support establishment of additional 200 farmer field schools and bring 80,000 hectares under CSA; US\$1 million to support the provision of digital climate advisory services to farmers for enhanced climate resilience; and US\$0.9 million to support activities carried out by the existing seven Community Resource Boards (CRBs) in sustainable wildlife management, establish five new CRBs, and support small infrastructure improvements such as camp sites and roads around Lukusuzi and Luambe Parks. A sum of US\$700,000 is set aside for Program Management (Component 3).

24. Implementation of Component 2 activities will begin immediately after effectiveness, with the aim of establishing a strong base of technical capacity and community engagement. By prioritizing early-stage activities, Component 2 establishes the groundwork for a successful Jurisdictional Program, leading to long-term emission reduction. As

Component 2 strengthens the foundation for ER generation, Component 1 complements by providing payments for these achievements, creating a cohesive and sustainable link between the two components. The component will promote continuous learning and cost-effective training, including the use of digital technologies and the implementation of on-farm and farmer-led trials and demonstrations. It will also provide training for community members and scouts to work in collaboration with the Department of Forestry and the Department of National Parks and Wildlife. It focuses on adopting practices and technologies to narrow the existing gender gap.

Component 3: Program Management (US\$2.5 million)

25. **Component 3 aims to establish and develop the management functions required for the program's success.** The funding will cover the costs of hiring consultants for the PIU and other operating expenses related to program management. These resources will be used to prepare the first report of emission reductions, coordinate program activities, manage fiduciary matters, monitor, and evaluate performance, and implement environmental and social management measures, including regular citizen feedback. After approximately three years of project implementation, program management costs will be covered by revenues from the sale of emission reductions.
26. **The component will also finance expenses related to monitoring and evaluation, communication, and knowledge management, setting the program up to be self-sustaining and a model for future sustainability initiatives.** Operating costs include expenses associated with standard administrative activities such as budgeting and planning, procurement, and financial management, as well as environmental risks management and coordination meetings. The component will also finance expenses related to impact assessment, midterm review, and project completion evaluations. By financing key cross-cutting functions of program management, financial management, monitoring and evaluation, MRV, and environmental and social management, the project can become a model for future sustainability initiatives and make a lasting impact on the environment and local communities.

C. Project Beneficiaries

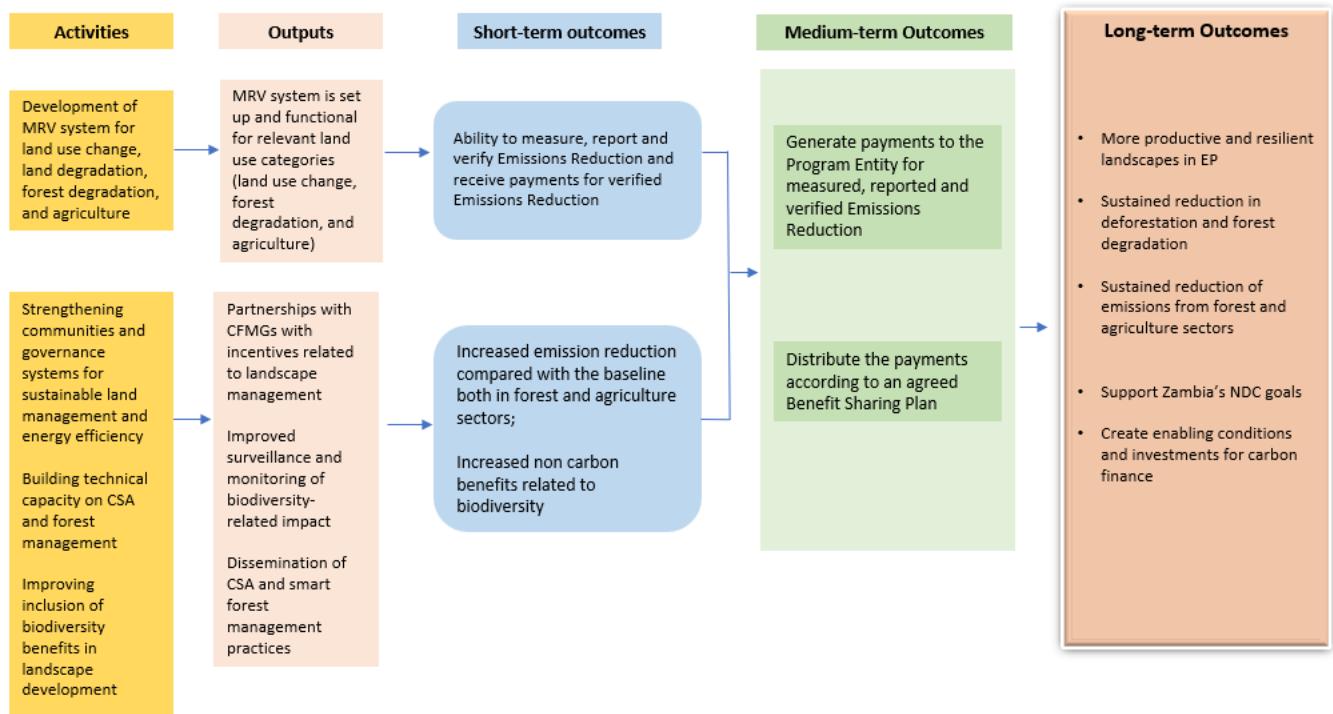
27. **The EP-JSLP will benefit stakeholders in the Eastern Province, including government agencies, civil society groups, traditional leaders, and the private sector.** Traditional leaders, farmers, community resource groups, and community members are expected to conduct most activities aimed at producing ERs, as over 90 percent of the Eastern Province is under customary ownership. Community members have the right to collectively possess resources, including forest resources, under traditional authority structures in Zambia.
28. **Beneficiaries will receive funding from carbon revenues, and beneficiaries will receive both monetary and non-monetary rewards.** The distribution of monetary benefits will be determined by eligibility and performance criteria, as described in the BSP. Non-monetary benefits will include improved community infrastructure and services. Their distribution is also described in the BSP.
29. **The project is expected to impact over 1 million people in the 49 chiefdoms of the Eastern Province, with direct beneficiaries estimated at 750,000 individuals (31 percent of Eastern Province's population), including approximately 340,000 women.** The EP-JSLP's Results Framework will track and report on the program's progress reaching these direct beneficiaries. Additionally, other rural residents will benefit indirectly through the promotion and implementation of CSA practices, forest conservation, and increased tourism in the region, among other aspects of the program.

D. Results Chain

30. **Figure 2 presents the project's theory of change.** The EP-JSLP will foster equitable and sustainable low-carbon development through: (a) strengthening communities and governance systems for sustainable land management; (b) the development of the MRV system for land use, forest degradation, and agriculture; and (c) generation of ERCs and

distribution of payments according to the agreed BSP. The project will strengthen institutions, policies, information, and environmental and social risk management to scale up investment (enabling environment), including coordinating and leveraging multiple interventions in the forest and agriculture sectors across the Eastern Province.

Figure 2: Theory of Change for the EP-JSLP



Key Assumptions

- Developing a functional MRV system will enable the project to monitor and report on emissions reduction that will be verified by third party
- Building technical and institutional capacity will lead to improved land use/biodiversity monitoring and scaling up of sustainable land management practices
- Monetary and non-monetary benefits will incentivize communities to re-invest in CSA and sustainable land management for a more-resilient landscape
- Future generation of carbon payments will create the enabling environment for carbon finance

E. Rationale for Bank Involvement and Role of Partners

- The World Bank's extensive experience in carbon finance and sustainable land use makes it a valuable partner.** The World Bank has an ample track record of financing investments that foster sustainability and climate action worldwide, including large-scale emission reduction programs in productive landscapes. As a trustee of carbon funds, the World Bank is uniquely positioned to provide incentives to countries seeking to monetize emission reductions achieved through meaningful investments and policy reforms. Furthermore, the World Bank has supported numerous African countries in accessing carbon finance through REDD+ and market readiness initiatives.
- The EP-JSLP is an overarching project aimed at harmonizing development actions in the land use sector.** It serves as an integrated rural development platform and framework, welcoming all development partners to join. The project is expected to be catalytic in promoting investments and climate-positive action in the province. Recognizing the opportunities, the GEF has provided a grant to support the local communities through the emission reduction project (Component 2) and the United Kingdom has provided a grant to support CSA activities, digital climate advisory services and sustainable wildlife management. Additionally, other development partners have shown interest in joining the program and may contribute financial resources over time, either through the project as an additional financing or

supporting parallel initiatives that ultimately are oriented toward achieving the program goals.

F. Lessons Learned and Reflected in the Project Design

33. **The project considers lessons learned from operations in multiple countries experiencing rapid deforestation and landscape degradation.** These countries include Zambia, the Democratic Republic of Congo, Colombia, Brazil, Indonesia, Mexico, Ethiopia, Guatemala, Costa Rica, and Ecuador. Integrated, cross-sectoral approaches that account for a wide range of landscape activities and stakeholders are needed to sustain efforts at scale. Enabling stakeholders to access market incentives for sustainable agriculture and land management is also important. The project leverages climate and carbon finance to invest in and reward sustainable land-use practices, involving multiple ministries.
34. **The project also reflects lessons learned in implementing climate and carbon finance operations, including the importance of fostering social inclusion, working within customary land tenure arrangements, and promoting transparency.** The MRV system and BSP set up for the project both integrate principles of inclusion and fairness. The BSP recognizes that customary uses of land are involved in communities' livelihood and are therefore vital to the underlying ER activities. The CERPAs, once signed, will formalize the involvement of Chiefdoms and their role in the overarching program architecture. Transparency will be ensured by defining clear lines of responsibility for MRV and the use of Zambia's Climate Change Portal to record emissions data. Reliance on the Integrated Financial Management Information System for financial management will further ensure transparency.
35. **The project also reflects country-specific lessons learned from the "completion and learning review" of the Country Assistance Strategy for FY13-17.** The project highlights the need to strengthen the capacity to absorb resources and implement effective coordination mechanisms, and to better engage key government ministries and departments with special attention to the decentralized level. The project similarly understands the need for strong alignment with GRZ priority programs to facilitate the scaling up of initiatives and the creation of platforms to bring in the private sector. The project will continue to build the capacity of both central government and decentralized authorities, down to the Chiefdom level, and reinforce a broader program of sustainable land-use initiatives to be developed by the GRZ. Finally, experience in ZIFLP implementation shows that continued investment in community participation in mitigation interventions is critical, especially for natural resources governance.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

36. **The MGEE is leading both the Program and the Project.** The MGEE is the authority responsible for the transfer of title of ERs based on key laws and regulations, including the Constitution of Zambia, the Forests Act (2015), and Forests (Community Forest Management) Regulations (2018). The Forestry Department of the MGEE (FD-MGEE), has the authority to transfer the title of ERs generated from agriculture activities under the project. The CFM Regulations provide details on when CFM Agreements will be required, how existing REDD+ projects can be nested into the project, and what registration and permit requirements are necessary for jurisdictional programs. The MGEE is responsible for the broader Program (EP-JSLP), in which this ER Project is anchored, and a program steering committee ensures harmonization of interventions across the program. The day-to-day coordination of project activities is supported by the Project Steering Committee, co-chaired by MGEE Permanent Secretary and Eastern Province Permanent Secretary. Various implementing institutions play a critical role in the project, including the Forestry Department, Department of National Parks and Wildlife, Ministry of Agriculture (MoA), Ministry of Local Government and Rural Development, Ministry of Lands and Natural Resources, Ministry of Energy, and Zambia Environmental Management Agency (ZEMA).
37. **A Project Implementation Unit (PIU) located in the province will coordinate operations and report to the Permanent**

Secretary of the MGEE. The PIU's tasks include coordinating activities, preparing monitoring reports, supporting the implementation of the Grievance Redress Mechanism, and supporting the implementation of the BSP in collaboration with the Ministry of Finance and National Planning (MoFNP), Nested Projects, and Chiefdoms. The PIU will contain individuals fulfilling various roles, including program coordinator, MRV technical specialist, environmental and social specialist, community grants officer, M&E specialist, accountant, procurement specialist, communication specialist, and district GHG officers. The PIU will: measure performance against the CERPA and NERPA; calculate the benefit share as detailed in the BSP; ensure monetization of ERs in the best interest of the program; provide for equitable and transparent distribution of benefits among stakeholders; and oversee implementation of BSP-financed activities, including compliance with environmental and social requirements. Additional functions and roles will be outlined in the Project Implementation Manual. The formation of the PIU will be based on the successful setup of the PIU from the ZIFLP project, incorporating existing personnel and supplementing them with any necessary new roles. Detailed implementation arrangements can be found in Annex 1.

B. Results Monitoring and Evaluation Arrangements

38. **Project M&E arrangements will consist of two sets of activities.** The first consists of MRV activities backstopping the ERPA, and the second consists of standard project M&E activities grounded in the project results framework.

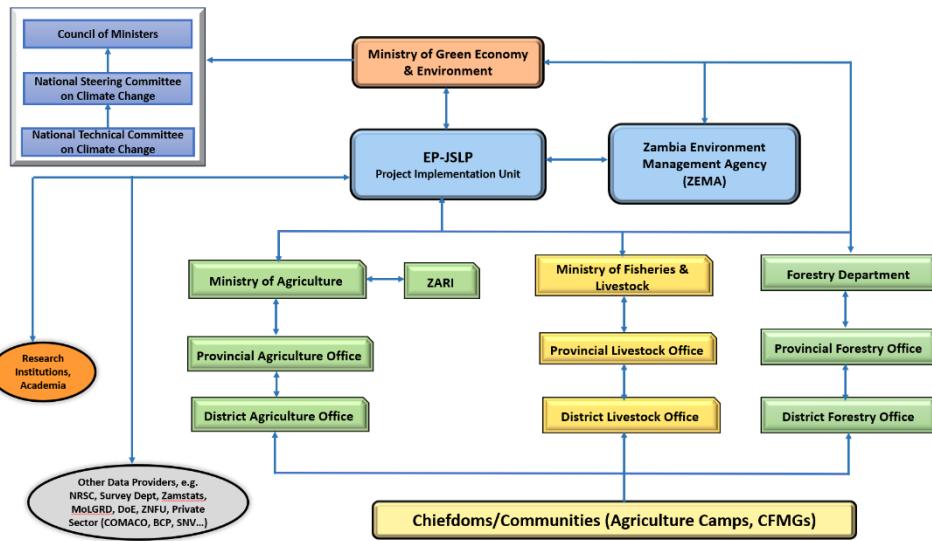
MRV Activities

39. **MRV activities will be carried out at three administrative levels: (i) at the national level; (ii) at the provincial level; and (iii) at the district level, in coordination with chiefdoms.** Data collection will be conducted at the chiefdom, district, and provincial levels, while quality control, analysis, backstopping, and coordination of MRV activities will be carried out at the national level (Figure 3). As the provincial-level units build capacity to assume these functions, they will become more involved in data quality control and analysis by working with national-level counterparts. The data collected at the district level will be passed on to provincial- and national-level offices for quality control, aggregation, processing, and analysis to reflect provincial-level realities. Specialized units of ministries, such as Zambia Agricultural Research Institute (ZARI), will collect some field data, while other data, like remote sensing data, will be gathered and analyzed by specialized units of line ministries. The entire system will be subject to the MGEE's oversight and managed using Zambia's Climate Change Portal.

40. **The key agencies involved in MRV, and their main responsibilities are the following:**

- **ZEMA** will lead the provincial-level GHG inventory development and coordinate GHG emissions accounting, data management, and quality control. A GHG emissions data compilation team comprising technical representatives from all environmental sectors will capture and process sector-based data from the MRV system. Emissions will be aggregated at national, provincial, district, and Chiefdom levels.
- **FD-MGEE** will analyze land-use change on forest land using remote sensing data and biophysical field data. It will collect provincial-level data on wood removal for timber, fuelwood, and charcoal production.
- **MoA** will collect activity data on synthetic fertilizer, crop residues, and manure use and management. Data will flow from district to provincial-level officers for quality control. ZARI, under the MoA, will measure soil organic carbon through soil sampling every three to five years.
- **Chiefdoms** will play an important role in approving data collection at the camp or Community Forest Management Group (CFMG) level.

Figure 3: Agencies Involved in MRV



41. **Phases and reporting periods.** While the ERPA Framework Agreement will cover the entire crediting period through the end of the BioCarbon Fund T3 in 2029, multiple phases and reporting periods have been defined as part of the ERPA negotiation process. A monitoring report will be prepared for each reporting period. Payments will be triggered once a monitoring report is successfully verified.

Standard Project M&E Activities

42. Based on the ISFL Monitoring, Evaluation, and Learning Framework, the non-carbon benefits indicators described in Table 1 will be monitored. The mandatory indicators have been adjusted to fit the circumstances of the project and are included in the Results Framework.

Table 1: ISFL Mandatory Indicators Applied to the Project

No	Mandatory Indicators from the ISFL Monitoring, Evaluation, and Learning Framework	Corresponding indicators included in the Project's Results Framework
1	Number of communities or other organizations that have received benefits (assets and/or services) from emission reduction payments.	Chiefdoms with signed Chiefdom Emission Reduction Performance Agreements (CERPAs) that have received monetary and nonmonetary benefits from the emission reductions payments
2	Number of people involved in income generation activities due to ISFL support (% women).	Number of people in Farmer Groups, Cooperatives involved in forestry and agriculture-related income generating activities and receiving benefits from the project (disaggregated by gender)
3	Volume of for-profit private sector finance leveraged to contribute to ISFL objectives.	Volume of for-profit private sector finance leveraged through Benefit Sharing Mechanism to contribute to ISFL objectives
4	Volume of not-for-profit finance (public or private) leveraged to contribute to ISFL objectives	Volume of not-for-profit finance (public or private) leveraged to contribute to ISFL objectives; This will monitor the additional investments in the Eastern Province from private actors, as well as any third-party purchase.
5	Number of people in private sector schemes adopting sustainable practices	Number of farmers in private sector schemes adopting improved agricultural practices

43. The PIU will be responsible for collecting and measuring the non-carbon benefits in collaboration with the nested

projects operators. The M&E manual will detail the methodology and frequency of collecting the data.

C. Sustainability

The key efforts of the project to ensure sustainability of the results include:

44. **Focusing on building institutional capacity to ensure a lasting impact beyond the closing date.** The project is committed to adhering to Zambia's current legal framework and strengthening the institutions and systems established by the government's decentralization policy and national climate change policy. The project is fully integrated with the government's development plans to ensure a harmonized and effective approach. By supporting the modernization of the country's MRV system, the project aims to enhance its ability to accurately report emission reductions and fulfill its obligations under Zambia's NDCs.
45. **Supporting the development of a favorable framework for creating a continuous stream of emission reductions.** The project is a critical component of a larger initiative aimed at promoting climate-positive investments from development partners, the private sector, and the government. By leveraging these investments, the region is poised to continue reducing emissions and increase the volume of verified emissions reductions over time. According to the BSP, part of the revenues will also support the protection of forests and the implementation of CSA, further reducing emissions and contributing to the virtuous cycle of revenue generation and reinvestment. On average, the lifetime of a nature-based emissions reduction operation is between 20 and 25 years, exceeding the project lifetime.
46. **Investing in enhancing governance and promoting inclusive dialogue in the province.** The project places a strong emphasis on community involvement and inclusivity and will ensure that the activities funded by the BSP are developed and selected through an inclusive consultation process. This approach will guarantee that the investments that will be channeled through the BSP, which have been collectively decided by the community for their own benefit, are sustainably maintained. Through these efforts, the project is working to drive long-term impact and promote sustainable outcomes for the communities.
47. **Capitalizing on positive market trends to ensure the country's continued benefit from carbon revenues.** The outlook for carbon markets is positive, both for compliance and voluntary markets. Although there is no certainty that these markets will remain favorable, the trend suggests they will. In 2020, the compliance carbon market reached a value of US\$261 billion and experienced yearly growth of 20 percent. In 2021, the market size skyrocketed to nearly four times its previous size, reaching US\$750 billion. Meanwhile, the voluntary carbon market is estimated to be worth US\$1 billion annually, with projections estimating a global value of US\$100 billion by 2030. The ISFL standards have been designed to fully comply with the upcoming carbon finance arrangements under the Paris Agreement and the Carbon Offsetting and Reduction Scheme for International Aviation. As a result, it is expected that the Eastern Province Program will continue to generate and trade emissions reductions even after the project has ended by utilizing other carbon issuance systems.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

Technical

48. The ER program design builds on a series of technical studies carried out during the ZIFLP preparation phase. These studies include an in-depth analysis of the drivers of deforestation and forest degradation, a Strategic Environmental and Social Assessment (SESA) and associated environmental and social instruments, integrated district planning, land administration, resource tenure and land use assessment in the Eastern Province, and a broad consultation process.

Given the prominent role of climate shocks in the sector, climate-related vulnerabilities are appropriately prioritized in sub-components with a range of resilience and adaptation enhancing interventions embedded within planned activities.

49. The project complies with the requirements of the ISFL methodological framework and UNFCCC REDD+ rules. All elements related to the carbon component (financial plan, carbon accounting requirements, legal requirements regarding the transfer of titles, benefit sharing arrangements, and ER program transactions) are described in the ERPD, which was reviewed by a third-party auditor. The third-party assessment process was conducted between December 2021 and May 2023, concluding that the information provided in the ERPD is correct and complete and the ER Program, as described in the ERPD, complies with the ISFL requirements. From the emission reductions baseline developed, GRZ will be able to measure emissions from four subcategories that contribute the most to emissions for the EP landscape.

Economic and Financial Analyses

50. The economic and financial analyses (EFA) approach for the project took account of the project's jurisdictional structure by adapting the EFA method for ZIFLP to selected underlying projects contributing to emission reduction in the EP. The underlying projects are the past and future investments that lead to the generation of ERs. The past investments in landscape management in the EP whose lasting effects contribute to the generation of ERs, were mainly supported by the two nested projects (BCP and COMACO) as well as ZIFLP. In addition, some money received from the purchase of ERs under the EP-JSLP will be re-invested in landscape management through the BSP. The cost-benefit analysis was conducted over a 20-year period.
51. Amounts paid to beneficiaries through the BSP is for compensation for improved practices under past projects (e.g., ZIFLP) and to encourage improved practices in the future (EP-JSLP). This analysis includes only contract ERs (as opposed to the excess ERs anticipated in the ERPD). The quantified benefits are mainly: reduced emissions and enhanced carbon stocks in landscapes; improved productivity through higher yields, reduced losses, and more sustainable agricultural and land management practices. Some benefits take the form of direct cash transfers to improve rural livelihoods.
52. Both the economic and financial analyses show robust returns on investment for the project. With a 12 percent discount rate, the estimated financial net present value (NPV) is US\$32.3 million, a benefit-cost ratio (BCR) of 1.7. With a 7 percent discount rate, the estimated economic NPV without social value of carbon is US\$68.6 million, a BCR of 2. The additional value provided by ER payments is US\$8.1 million constituting 27 percent of the US\$30 million ERPA commitment. Depending on the assumed price, the social value of carbon can add between US\$210 million and US\$2.6 billion.
53. Aside from the social value of carbon, most of the estimated benefits are from improved landscape management. Project returns are therefore sensitive to the assumed incremental increase in household income and number of beneficiary households. However, results are unlikely to fall below the already conservative estimates - providing efforts in improved landscape management continue. The economic and financial indicators are conservative estimates because several benefits have not been quantified, including improved forest cover, water flow/quality, and enhanced biodiversity in agricultural landscapes. Furthermore, indirect beneficiaries and multiplier effects have been excluded from the estimate because they are difficult to monitor and to attribute to the project.

Paris Alignment

54. **The operation aligns with the goals of the Paris Agreement on both mitigation and adaptation.** The project is aligned with the country's NDC submitted to the UNFCCC in 2021. The project contributes to the NDC by generating emission reductions through reduced deforestation and CSA, which can be accounted for against the national decarbonization targets. Regarding adaptation, the NDC outlines three goals/programs and thirteen priority actions. Program 1 targets strategic productive systems such as agriculture, wildlife, and water. The NDC emphasizes the importance of diversifying food production and adopting CSA, along with the protection and conservation of water catchment areas. By facilitating results-based financing that cascades to rural communities, the project will create incentives for the adoption of CSA practices and forest conservation in the Eastern Province.
55. **For mitigation, the assessment concluded that all project activities are universally aligned.** Component 1 is universally aligned, as it involves purchasing carbon credits generated by forest conservation and CSA, which are both universally aligned activities. The benefits of the project will be distributed in a way that is also aligned with these goals and can be considered universally aligned as well. Importantly, the project is designed to avoid any negative impacts on carbon stocks or deforestation. Instead, it is expected that the monetary incentives and other benefits provided by the project will encourage climate-positive actions that will sequester carbon and reduce emissions in the province. Moreover, Component 2 involves capacity building and strengthening governance for land management and is universally aligned as well. The project has no alternatives with lower emissions and no transition risks.
56. **For adaptation, the project area is highly vulnerable to climate risks.** The project location is categorized as having a high exposure to climate change risks, particularly extreme temperature, extreme precipitation and flooding, drought, and strong winds, which can lead to land degradation, bushfires, infrastructure damage, and reduced accessibility. These impacts can ultimately result in soil erosion, destruction of vegetation, and a reduced capacity to produce emission reductions. To reduce risks, the project includes a variety of strategies, such as strengthening monitoring, disseminating practices that enhance resilience to protect soils and vegetation, and increasing community awareness and preparedness through effective disaster response plans. Women have been identified as particularly vulnerable to the various impacts of climate change and geophysical hazards, and the project includes interventions aimed at reducing these risks for women. Despite the high risks associated with the project location, by implementing appropriate precautions and strategies, the risk is considered acceptable. Furthermore, the risk can only be reduced further if rural communities continue to protect the forests, soils, and overall natural resource base, which is the ultimate goal of the results-based financing scheme included in the project.

B. Fiduciary

Financial Management

57. According to the World Bank's Financial Management (FM) capacity assessment of the proposed implementing entity, the overall FM risk is considered 'moderate'. The FM assessment, as of January 2023, revealed that the ZIFLP PIU under the MGEE has put in place adequate fiduciary measures to handle the project. The assessment indicates that the FM arrangements satisfy the World Bank's minimum requirements under the World Bank Directive: Financial Management in Bank Financed Operations and Other Operational Matters issued on September 7, 2021. Therefore, the PIU can adequately provide, with reasonable assurance, accurate and timely information about the status of the project, as required by the World Bank.
58. The objective of the assessment was to determine whether the oversight and financial management system put in place by the MGEE, the implementing entity for EP-JSLP can support the implementation of the project. In particular, the objectives of the assessment were to determine whether the proposed oversight and FM arrangements are capable of: (a) adequately and effectively supervising, coordinating, and partnering with other agencies; (b) ensuring that project funds will be used for intended purposes only in an economical and efficient way; (c) accurately recording

all transactions and balances relating to the project; (d) facilitating the preparation of accurate and timely financial reports; (e) safeguarding the project's assets; and (f) being subjected to acceptable auditing arrangements.

For ER Payments

59. The World Bank FM policies for Investment Project Financing (IPF) do not apply to ERC transactions as they do not involve direct World Bank financing of the underlying activities or investments but only payment for ERs generated under such operations. However, the ERC transactions also require the program entity to distribute such ER payments (that is, the ERPA revenue) in accordance with a BSP. The World Bank reviewed and discussed with GRZ the budgeting, funds flow, accounting, recording and financial reporting of ER payments.
60. **Overall fiduciary responsibility for the ERPA.** The EP-JSLP has a role for the implementation of the ER program, in particular the EP-JSLP will prepare payment allocation plans, maintain records of use of ER benefits and provide support to chiefdoms. The MoFNP is responsible for signing the ERPA and receive payments based on the purchase of ERC issued after verification of the program's ER.
61. **Funds Flow.** Eligible payments under Component 2 and 3 which are grant proceeds will be made by direct payment to the Government Account for verified credits for distribution to beneficiaries as per BSP (as shown in Figure 5 in Annex 1). To ringfence the funds received for verified carbon credits, the government will be urged to open a segregated account for receiving these funds.

For the Grants

62. **Budget and Disbursement arrangements for the grants.** The project will follow the government's budget cycle in the preparation of the budgets. Based on the fund allocation of the Grants for that particular year, management will prepare the budget for the year, which will then be reviewed by the project steering committee. The budgets will be activity-based and will be used to monitor performance during the implementation of activities. The project's work plan and budget will be also informed by the Financing Agreement. The work plan and budget will be submitted to the World Bank for prior review and no objection. Any expenditures incurred that are not included in the work plan and budget not cleared by the World Bank will be deemed ineligible. For disbursement, the project will adopt the Statement of Expenditure (SOE)-based disbursement method with a fixed allocation. This method is currently in use by ZIFLP PIU. A USD-denominated Designated Account (DA) will be opened for this project under components 2 and 3 at the Bank of Zambia (BOZ), through which funds from the World Bank will be disbursed. On request from MGEE, the disbursement of funds will be done by moving funds from the DA to the Control 99 account in BOZ and to the operational account in BOZ. Thereafter, the funds will be deposited into the commercial bank mirror account to be opened for this project by MGEE, from which payments will be made for eligible project activities. In addition to the advance, other methods of disbursements, that is, reimbursement, direct payment, and Special Commitment will be used.
63. **External and internal audit.** The project's annual financial statements will be audited by the Office of the Auditor General (OAG) of Zambia. The OAG is constitutionally independent, and his/her office has technical staff adequate for the audit purposes. As part of the annual audit, the OAG will provide an audit opinion on the financial statements of the project and will highlight the control issues and the audit recommendations in the management letter. The audit report and the management letter for the grants will be submitted to the World Bank within six months after the close of the financial year. The project will be subject to audit by the internal audit unit of the MGEE, which will undertake at least one audit per year.
64. Detailed FM arrangements are provided in Annex 1: Implementation Arrangements and Support Plan.

Procurement

65. **Components 2 and 3 will follow the World Bank Procurement policies**, while the purchase of ERCs and investments using carbon revenues under Component 1 will not be subject to these policies. Components 2 and 3 will include the procurement of consultants, non-consultant services, works and goods. The purchase of ERCs and investments using the carbon revenues will not be subject to World Bank procurement policy, as the purchase of ERs only involves payments to the Program Entity for generated ERs, and therefore no procurable activities are involved. According to World Bank guidance for Emission Crediting Transactions, the funds provided by the World Bank are solely for the purchase of ERs, and there is no provision in the procurement policy for further utilization of these funds. Zambia must ensure that the revenue from the ER payment to beneficiaries is used for intended purposes following the BSP, with due consideration for economy and efficiency.
66. **Procurement Institutional Arrangements.** Procurement activities, including approvals and payments for the Project, will be coordinated, and processed centrally by the MGEE. For purposes of enhancing efficiency in project implementation, the MGEE will delegate, according to the procurement plan, some procurement activities to the Eastern Province Administration where EP-JSLP will be housed. Actual procurement processing and contract management will be implemented by the Procuring Entity established for the EP-JSLP continuing from the ZIFLP, which has already been assessed and has experience with the procurement process for World Bank-financed projects.
67. **Applicable Procurement Regulations.** Procurement activities proposed under the Project will be carried out in accordance with the **World Bank's 'Procurement Regulations for IPF Borrowers'**, 4th edition dated November 2020. The regulations are also referred to as 'Procurement Regulations'. Other applicable procurement regulations include the provisions of the World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, revised in January 2011 and July 1, 2016, and other provisions stipulated in the Legal Agreements. Procurements carried out using national bidding procedures will be implemented using the GRZ's Public Procurement Act of 2020 and its accompanying Procurement Regulations of April 2022, subject to modifications to make them acceptable for World Bank-financed projects in accordance with provisions of Paragraph 5.3 of the World Bank's Procurement Regulations.
68. **Procurement Risk Assessment and capacity assessment of the procuring entity to undertake procurement.** A procurement capacity assessment of the MGEE (as the main project implementation agency, which will also be responsible to work with and get input for processing procurement risks at the centralized level for the project) has been carried out by the World Bank using the World Bank's Procurement Risk Assessment and Management System (PRAMS). The Procurement risk is rated as "**Moderate**" due to the basic and non-complex nature of the procurements.
69. The PIU, with the support of the World Bank, has prepared a simplified Project Procurement Strategy for Development (PPSD) to address how procurement activities will be implemented in support of the development objectives of the project to deliver the best value for money under a risk-based approach. The PPSD has been developed and provides adequate justification for procurement and selection methods and market approaches in the procurement plan (PP) that has been prepared for the project.
70. **Use of the Systematic Tracking of Exchanges in Procurement (STEP) system during implementation.** The World Bank's Online STEP system will be used as a planning, data management, and filing and procurement management tracking system. STEP is also enabled to publish the procurement plan, bidding notices, and contract award information on the World Bank's external website and UNDP Magazine online.
71. **Frequency of procurement supervision and procurement audits.** In addition to the prior review supervision to be carried out by the World Bank, the World Bank will conduct semi-annual implementation support missions to the field. As part of performance review and compliance monitoring, the World Bank will carry out procurement post Reviews

online using data in STEP on sample basis of procurement activities carried out on procurement post review basis.

C. Legal Operational Policies

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

D. Environmental and Social

72. **Environment and Social Risk Classification.** The environmental risk classification for the EP-JSLP is Moderate. EP-JSLP will maintain the positive environmental gains fostered by the ZIFLP (P161490) and through BCP and COMACO activities. EP-JSLP activities could generate several indirect, direct, and cumulative environmental risks and impacts on a macro and micro scale such as carbon storage reversals due to natural or manmade events over the project area, indirect carbon emission leakages impacting on biodiversity and the climate, and direct pollution of soil and water resources. The EP-JSLP will indirectly involve recipients or beneficiaries of carbon, monetary, and non-monetary benefits. The activities under the non-monetary benefits could include infrastructure development and livelihoods projects, including training in artisan trades.
73. Where appropriate and applicable, activities under the non-monetary benefits will be guided at the concept, design, and operational phases by government laws and regulations that are appropriate and relevant for the activity such as the preparation of Environmental and Social Impact Assessment (ESIAs) or Environmental Project Briefs (EPBs). The project Environmental and Social Management Framework (ESMF) provides the necessary screening procedures in line with national laws and regulations including where applicable building and fire codes, consideration of universal access, with the addition of Chance Finds Procedure (section 3.17 ESMF), the use of national guidance on Integrated Pesticide Management including Annex 7 Abbreviated Pest Management Plan of the ZIFLP ESMF, Occupational Health and Safety requirements and the preparation of Emergency Response Plans.
74. **E&S Instruments.** The project will adopt and implement the SESA Report; Updated ESMF Report; Updated Process Framework Report; Updated Resettlement Policy Framework Report; Feedback Grievance Redress Mechanism (GRM), Labor Management Plan (LMP), Stakeholder Engagement Plan (SEP), and a Gender Based Violence Action Plan (GBVAP). The commitments and timelines are recorded in the Environmental and Social Commitment Plan (ESCP). The project ESMF is to be adopted upon effectiveness and implemented throughout project implementation. The ESMF was prepared and disclosed under the closed ZIFLP but updated to cover the Emissions Reduction Project and re-disclosed in-country on December 20, 2023, and by the World Bank on May 15, 2024.

Social risks

75. **Potential social risks and impacts, and mitigation.** The social risk classification for the project is moderate. The potential negative social risks and impacts are not likely to be significant. These risks and impacts are due to the purchase of ERs and distribution following the BSP. These activities relate to small-scale construction/maintenance for social amenities, including schools, clinics/health centers, roads, and income generating activities such as beekeeping and tourism-based activities around protected areas. The activities may result in impacts related to land acquisition, loss of livelihoods, and restriction of access to natural resources as well as inadequate consultation and lack of inclusive participation. As identified in the SESA, potential risks include limited institutional capacity for law enforcement; weak coordination among sectoral institutes for joint planning on forest issues and sustainable

management of land and natural resources; access restriction and exclusion during benefit sharing; and exclusion of women in decision making over benefit sharing.

76. **The ER Program is anticipated to have a positive impact on the lives of the rural communities and on the environment in the project areas.** The ER Program's intervention strategy has been developed in alignment with the National REDD+ Strategy Framework and has considered the recommendations resulting from the SESA process and National ESMF. The GRZ has also defined its National Social and Environmental Standards to put in place its own national regulatory framework (ZEMA) and ensure the integration of social and environmental considerations in the implementation of REDD+. This national regulatory framework is in full compliance with the Cancun Safeguards. The program will apply these environment and social instruments during implementation and operationalize the risk management matrix that has been prepared. The management of social and environmental impacts of the program is fully integrated into the identification, design, monitoring, and evaluation of its activities. All projects/activities implemented by the program will need to comply with the requirements of the ESMF at every stage of implementation.
77. **A Resettlement Policy Framework (RPF) and a Resettlement Process Framework (PF) have been prepared, updated, and disclosed.** The RPF was initiated due to the legacy issues in Lukusuzi National Park, which resulted in the eviction of approximately 270 families. These families were accorded land and resettled in Kazembe Chiefdom, and ZIFLP has provided necessary livelihood activities. The PF was prepared because implementation of the ERP activities may cause restrictions on access to natural resources in the Protected Areas. The PF establishes a process by which members of potentially affected communities will participate in project design and help determine measures to achieve resettlement policy objectives and implementation/monitoring of project activities. The documents were prepared and disclosed under the closed ZIFLP but updated to cover the Emissions Reduction Project and re-disclosed in-country on December 20, 2023, and by the World Bank on May 15, 2024.
78. **The GBV/Sexual Exploitation and Abuse (SEA)/Sexual Harassment (SH) risk classification for this program is rated Substantial.** Existing data show that GBV continues to be highly prevalent in Zambia, according to the Zambia Demographic Household Survey (2018). Contextual factors such as location, statistics on GBV, child marriages as well as low help-seeking behavior increase the risk of GBV. To address this risk, a GBV Action Plan has been developed. The project will ensure that the GBV/SEA/SH mitigation measures are included in the standard bidding documents and other procurement conditions. The project has included tailored actions targeting women to help narrow the existing gender gap of access to knowledge and technology for sustainable land management.
79. **A Labor Management Plan (LMP), a GBVAP, and a SEP were newly developed and disclosed on September 15, 2023, on the World Bank website following in-country disclosures, on September 12, 2023. In addition, an ESCP, which sets out the material measures and actions required by the ER Program to be implemented in accordance with the relevant Environmental and Social Standards of the ESF and applicable national legislations, has been developed and disclosed on October 9, 2023, on the World Bank website following in-country disclosures on October 5, 2023.**
80. **Consultation and participation.** There have been numerous but targeted stakeholder consultations with government agencies, traditional leadership, local communities, NGOs, and private sector actors in clusters throughout all 14 districts of Eastern Province. The outcomes of these consultation meetings are captured in updated documents, including the SESA and the ESMF. The SEP outlines an all-inclusive engagement process of purpose, time, methods, and strategies for disclosure resulting from previous, current, and likely arising consultations to be undertaken by EP-JSLP. In addition, a GRM is set to detail the procedures that EP-JSLP will establish for managing complaints and grievances arising from ER Program activities.
81. The PIU will ensure that the BSP is implemented through a participatory approach and apply beneficiary feedback mechanisms as defined in the SEP. Moreover, mitigation measures for risks related to elite capture of benefits were included in the BSP through a consultative process. The existing, project-level GRM will be strengthened to effectively

function in addressing any grievances and concerns related to the project's overall activities throughout the project intervention areas in the region, including grievances related to benefit distribution.

82. Further, the EP-JSLP will fully take advantage of the Environmental and Social Risk Management (ESRM) framework established under ZIFLP. The project has established robust environmental and social systems in Eastern Province for managing environmental and social risks. There are currently E&S focal persons and committees in all districts, and a functional GRM and established measures to screen, monitor, report, and document the ESRM performance in the Eastern Province accounting areas. The ESRM, which is being implemented under ZIFLP, will be strengthened during the ERPA period through resources to be allocated from the proceeds of the ERPA, and ISFL Trust Fund.

Citizen Engagement and Grievance Redress Mechanisms

83. **The project will continue the citizen engagement and social accountability mechanism, including the GRM, established under the ZIFLP.** This includes measuring and publicizing project impacts, as well as generating feedback from the communities through grievance committees. All communication and visibility efforts will be part of a communication strategy, which will be continuously revised and improved, with support of the World Bank. Citizens will provide feedback on the services delivered through the extension workers and regular consultations. A citizen-engagement indicator –Beneficiaries satisfied with the project – has been included in the project to monitor how project investments reflect the needs of the beneficiaries. The GRM provides multiple channels and access points for grievance redress, which include resolution through telephone, complaint boxes, website submissions, email, and postal address. The GRM procedure and mechanism for resolution of grievances ensures that grievances are recorded and given appropriate and fair consideration. The GRM established will address complaints related to Resettlement or Compensation Issues, GBV and labor management, among others. The Grievance resolution will continue to be at the MGEE, and in Eastern Province.

V. GRIEVANCE REDRESS SERVICES

84. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's GRS, visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, visit <https://accountability.worldbank.org>.

VI. KEY RISKS

85. The project's overall risk rating is 'Substantial', mainly due to risks arising from the political and governance, environment, macroeconomic and fiscal environment, technical design, institutional capacity and stakeholders.
86. **The political and governance risk is rated Substantial.** Sudden shifts in political direction at the grassroots level could undermine the program's effectiveness, promoting excessive use of fertilizers, agricultural expansion, or deforestation. To mitigate these risks, the ER project and EP Program are managed by the leading authority on climate

change policies, in close coordination with multisectoral climate change committees. Strict implementation of the BSP and Component 2 activities will solidify the basis for collaboration and local governance. Despite these measures, substantial risks remain due to the national government's track record of policy changes and weak governance.

87. **The macroeconomic risk is rated Substantial.** The country's debt distress and macroeconomic situation pose risks to the EP Program. Unfavorable policy decisions that increase emissions, such as deforestation and exploitation of natural resources, represent key risks. The recently secured Extended Credit Facility (ECF) from the International Monetary Fund can help restore macroeconomic stability and foster growth, reducing some of these risks. Nonetheless, this risk remains substantial due to potential factors like inflation and drops in commodity prices. Achieving macroeconomic stability will depend on consistent and coordinated efforts for several years, involving progress in debt restructuring and fiscal consolidation.
88. **The level of risk associated with sector strategies and policies is rated Substantial.** Conflicting sectoral policies and incentives related to charcoal making, infrastructure development, fertilizer subsidies, agricultural expansion, and lack of enforcement of existing policies could conflict with action plans, and incentives supported by the project. To mitigate the risk, the project will facilitate a coordinated and transparent dialogue with partners and sectors, leading to better understanding of the trade-offs involved with sustainable forest management and REDD+ and enabling GRZ to take more informed decisions on land use planning, especially at the provincial level.
89. **The level of risk associated with the technical design of the project is Substantial.** The ER project's innovative approach and complex configuration pose risks. Errors and delays in carbon accounting can set back the program and damage its credibility. Mitigation measures are in place, and the PIU is well-equipped to handle technical challenges. The World Bank will continue to support technical solutions and training for data collection/MRV of emission reductions. Substantial risks remain, however, due to potential calculation errors or gaps in data and staff turnover leading to loss of institutional memory in the PIU.
90. **The level of risk associated with institutional capacity for implementation and sustainability is Substantial.** The ER Project is complex and requires high capacity and coordination from multiple actors. Insufficiently qualified staff may lead to errors or noncompliance. The project has start-up funding for program management and capacity-building activities for partner institutions to help mitigate this risk. Some risk remains due to external factors beyond the government's control, as well as the possibility of staff turnover. Once ER transactions begin, program management will be fully financed by the government using carbon revenues. Because of this arrangement, delays or lower amounts than expected could significantly impact the ability to maintain the program management structure. The Benefit Sharing Plan has been prepared based on extensive local consultation thereby promoting project ownership at the grassroots. Project activities include strengthening land use governance structures at the local level to harmonize the various needs of stakeholders and ensure fairness and sustainability. The establishment of Project Steering Committee will help ensure cross sectoral coordination, while the establishment of District Multisectoral Teams will foster participatory approaches including alignment of project activities to development priorities, support the selection and implementation of viable subprojects, strength coordination among local actors, and further ensure project sustainability at the grassroots.
91. **Stakeholder risks are Substantial.** Implementation of the project faces challenges due to diverse stakeholders and the need to distribute carbon transaction proceeds transparently. Failure to adhere to the BSP can lead to conflicts, undermining the program's credibility. Component 2 brings actors together, creating shared understanding and values. Proper information dissemination and transparency are crucial. Risks remain due to the large number of actors involved, and even small errors or delays in implementing the BSP can cause conflicts. Delays in payments at the Chiefdom and village levels are likely, and the cost of processing the BSP could reduce the actual amount going to communities, leading to frustration.
92. **Other risks are rated Substantial.** Factors beyond the project's control could hinder its performance and lead to

insufficient carbon emission reductions. Since ERs can only be created and generate additional revenues if there are significant changes in forest management and agriculture practices, it is crucial that the Eastern Province continues attracting new projects and programs that contribute to sustainable and integrated landscape management in the province. The World Bank will engage in ongoing dialogue with the GRZ to raise awareness about supporting climate-positive interventions and facilitate investments in the province. The possibility of non-performance represents a substantial hazard, leading to frustration and adversely affecting the credibility of the entire program and carbon finance scheme. To address the risk of non-performance, the government must effectively implement Component 2, maintain transparent communication, and mainstream citizen engagement to ensure stakeholders' satisfaction.



VII. RESULTS FRAMEWORK AND MONITORING

Project Development Objectives(s)

To generate payments to the Program Entity for measured, reported, and verified Emission Reductions (ERs) and to distribute the payments according to an agreed Benefit Sharing Plan (BSP).

PDO Indicators by PDO Outcomes

Baseline	Period 1	Period 2	Closing Period
Emission Reductions payments distributed in accordance with agreed Benefit Sharing Plan			
Emission Reductions payments distributed in accordance with agreed Benefit Sharing Plan (Yes/No)			
Jun/2023	Sept/2025	Sept/2027	May/2028
No	Yes	Yes	Yes
Volume of CO2e Emission reductions that have been measured and reported by the Program Entity, and verified by a Third Party (Metric ton)			
Jul/2023			May/2029
0.00			3,000,000.00
MRV systems set up and functional for all relevant land-use sectors (forest degradation, agriculture, and land-use change) (Yes/No)			
Jul/2023			Dec/2023
No			Yes

Intermediate Indicators by Components

Baseline	Closing Period
Emission Reductions payments distributed in accordance with agreed Benefit Sharing Plan	
Chiefdoms with signed Chiefdom Emission Reduction Performance Agreements (CERPAs) that have received monetary and nonmonetary benefits from the emission reductions payments (Number)	
Jul/2023	May/2028
0.00	49.00
Number of people in Farmer Groups, Cooperatives involved in forestry and agriculture-related income generating activities and receiving benefits from the project (disaggregated by gender) (Number)	
Jul/2023	May/2028



0.00	400,000.00
Number of people in private sector schemes adopting improved agricultural practices (Number)	
Jul/2023	May/2029
0.00	500,000.00
Strengthening communities and governance for sustainable land management	
Women trained in leadership skills (Number)	
Jul/2023	May/2029
0	420
Land area under sustainable landscape management practices (Hectare(Ha))	
Jul/2023	May/2029
0.00	415000
Communities with strengthened capacity for sustainable land management (Number)	
Jul/2023	May/2029
0.00	500.00
Program Management	
Beneficiaries satisfied with the project (Percentage)	
Jul/2023	May/2029
0	90
Volume of for-profit private sector finance leveraged through Benefit Sharing Mechanism to contribute to ISFL objectives (Amount(USD))	
Jul/2023	May/2028
0.00	11,000,000.00
Volume of not-for-profit finance (public or private) leveraged to contribute to ISFL objectives (Amount(USD))	
Jul/2023	May/2028
0.00	10,000,000.00



The World Bank

EASTERN PROVINCE JURISDICTIONAL SUSTAINABLE LANDSCAPE PROGRAM – EMISSIONS REDUCTION PROJECT
(P155827)

Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes

Emission Reductions payments distributed in accordance with agreed Benefit Sharing Plan	
Emission Reductions payments distributed in accordance with agreed Benefit Sharing Plan (Yes/No)	
Description	This indicator seeks to capture the development aspects of the transaction. ERPA payments have to be distributed based on agreed Benefit Sharing Plan (BSP) that has been deemed acceptable to the World Bank. To be deemed acceptable to the World Bank, a BSP must meet all of the requirements, as detailed in criterion 3.6 of the ISFL ER Program Requirements. ER Monitoring Reports will have to provide evidence satisfactory to the World Bank Group that the Benefits have been shared in accordance with the BSP.
Frequency	Reporting periods as set in the Emissions Reduction Purchase Agreement
Data source	ER Monitoring
Methodology for Data Collection	Review of Progress Reports and spot checks
Responsibility for Data Collection	World Bank
Volume of CO2e Emission reductions that have been measured and reported by the Program Entity, and verified by a Third Party (Metric ton)	
Description	This indicator measures the Volume (i.e., ERs) aspect of the transactions in CO2e. It is conditioned on the existence and operation of a National GHG Monitoring system to measure and report the ERs generated by the ER Program, from both the forestry and agriculture sectors. All ERs generated by the ER Program during each Reporting Period are subject to Verification by an Independent Reviewer contracted by the World Bank Group in consultation with the Program Entity.
Frequency	Reporting periods as set in the Emissions Reduction Purchase Agreement
Data source	National MRV System
Methodology for Data Collection	Review of ER Monitoring Report and conclusions of the Third Party Verification
Responsibility for Data Collection	ZEMA, PIU and implementing partners
MRV systems set up and functional for all relevant land-use sectors (forest degradation, agriculture, and land-use change) (Yes/No)	
Description	This indicator will monitor the performance on the creation of MRV infrastructure to effectively monitor ERs from all relevant land-use sectors
Frequency	Reporting periods as set in Emissions Reduction Purchase Agreement
Data source	National MRV system
Methodology for Data Collection	Review of ER Monitoring Reports
Responsibility for Data Collection	ZEMA and PIU with support of Forestry Department, Ministry of Agriculture and other implementing partners

Monitoring & Evaluation Plan: Intermediate Results Indicators by Components

Emission Reductions payments distributed in accordance with agreed Benefit Sharing Plan	
Chiefdoms with signed Chiefdom Emission Reduction Performance Agreements (CERPAs) that have received monetary and nonmonetary benefits from the emission reductions payments (Number)	
Description	This indicator measures the number of Chiefdoms receiving monetary and nonmonetary benefits from the Program
Frequency	Reporting periods as set in Emissions Reduction Purchase Agreement
Data source	ER Monitoring Report including reports on payment distribution to communities as guided by the BSP
Methodology for Data Collection	Review of data from ER Monitoring report and payment distribution reports
Responsibility for Data Collection	PIU
Number of people in Farmer Groups, Cooperatives involved in forestry and agriculture-related income generating activities and receiving benefits from the project (disaggregated by gender) (Number)	
Description	This ISFL mandatory indicator measures the beneficiaries in Farmer Groups and Cooperatives involved in forestry and



The World Bank

EASTERN PROVINCE JURISDICTIONAL SUSTAINABLE LANDSCAPE PROGRAM – EMISSIONS REDUCTION PROJECT
(P155827)

	agriculture-related income generating activities and receiving benefits from the Program (disaggregated by gender)
Frequency	Reporting periods as set in Emissions Reduction Purchase Agreement
Data source	ER Monitoring Report and payment distribution reports as guided by the BSP
Methodology for Data Collection	Review of data from BSP section of ER Monitoring report, counting the registered cooperatives that received payments aimed at generating incomes
Responsibility for Data Collection	PIU
Number of people in private sector schemes adopting improved agricultural practices (Number)	
Description	This indicator measures the number of farmers adopting improved agricultural practices due to the project. This is connected with the effort on CSA, especially in the nested projects
Frequency	Reporting periods as set in Emissions Reduction Purchase Agreement
Data source	ER Monitoring Report
Methodology for Data Collection	Review of data from ER Monitoring report
Responsibility for Data Collection	PIU
Strengthening communities and governance for sustainable land management	
Land area under sustainable landscape management practices (Hectare(Ha))^{CRI}	
Description	The indicator measures, in hectares, the land area for which new and/or improved sustainable landscape management practices have been introduced. Land is the terrestrial biologically productive system comprising soil, vegetation, and the associated ecological and hydrological processes; Adoption refers to change of practice or change in the use of a technology promoted or introduced by the project; Sustainable landscape management (SLM) practices refers to a combination of at least two technologies and approaches to increase land quality and restore degraded lands for example, agronomic, vegetative, structural, and management measures that, applied as a combination, increase the connectivity between protected areas, forest land, rangeland, and agriculture land.
Frequency	Reporting periods as set out in the GEF Grant Agreement
Data source	Project Progress Report
Methodology for Data Collection	Project Progress Report
Responsibility for Data Collection	PIU
Communities with strengthened capacity for sustainable land management (Number)	
Description	This indicator measures the number of communities whose capacities have been developed in sustainable landscape management through GEF financing. the target is 250 communities, that is, 5 communities per Chiefdom, where 1 community comprises roughly 5 to 10 villages.
Frequency	Reporting periods as set out in the GEF Grant Agreement
Data source	Project Progress Report
Methodology for Data Collection	Review of Project Progress Report
Responsibility for Data Collection	PIU
Program Management	
Volume of for-profit private sector finance leveraged through Benefit Sharing Mechanism to contribute to ISFL objectives (Amount(USD))	
Description	The indicator measures private sector financing channeled to emissions reduction activities
Frequency	Reporting periods as set in Emissions Reduction Purchase Agreement
Data source	Project Progress Report
Methodology for Data Collection	Review of Project Progress Report
Responsibility for Data Collection	PIU



The World Bank

EASTERN PROVINCE JURISDICTIONAL SUSTAINABLE LANDSCAPE PROGRAM – EMISSIONS REDUCTION PROJECT
(P155827)

Volume of not-for-profit finance (public or private) leveraged to contribute to ISFL objectives (Amount(USD))	
Description	The indicator measures the dollar amount not-for profit financing (public or private) leveraged to contribute to ISFL objectives
Frequency	Reporting periods as set in Emissions Reduction Purchase Agreement
Data source	Project Progress Report
Methodology for Data Collection	Review of Project Progress Report
Responsibility for Data Collection	PIU



ANNEX 1: Implementation Arrangements and Support Plan

Governance structure

1. The governance structure of the Eastern Province Jurisdictional Sustainable Landscape Program (EP-JSLP) and the Project align with the government's decentralization policy and national climate change policy of 2016. The Council of Ministers on Climate Change is responsible for making policies, ensuring policy consistency, and overseeing climate change initiatives. Technical support and guidance are provided by the Climate Change Technical Committee and Committee of Permanent Secretaries, while the Ministry of Green Economy and Environment (MGEE) is accountable for overall GHG accounting and reporting. Implementations of projects and programs are carried out by line ministries through decentralized offices in collaboration with local authorities and multisectoral committees.

2. The MGEE leads the Project. The MGEE is responsible for the broader EP-JSLP, of which the Project is a part. The MGEE chairs a program steering committee and ensures harmonization of interventions across the program through the committees for climate change. The implementation of project activities is supported by the Project Steering Committee, co-chaired by MGEE Permanent Secretary and Eastern Province Permanent Secretary.

3. Various implementing institutions play a critical role in the EP-JSLP and the Project:

- a. The Forestry Department, under the MGEE, holds responsibility for sustainable forest management and GHG accounting in forests. The department also oversees the reclamation of areas managed by communities.
- b. The Department of National Parks and Wildlife, under the Ministry of Tourism, is responsible for managing wildlife and preserving biodiversity in parks and game areas. The Department also tracks GHG emissions in these areas.
- c. The Ministry of Agriculture promotes the implementation of climate-smart agriculture practices and tracks GHG emissions and carbon sequestration in soils.
- d. The Ministry of Local Government and Rural Development in collaboration with Zambia Environmental Management Agency (ZEMA) is responsible for implementing and enhancing land use planning; and
- e. The Department of Energy, under the Ministry of Energy, promotes alternative, sustainable energy sources in collaboration with the Forestry Department.

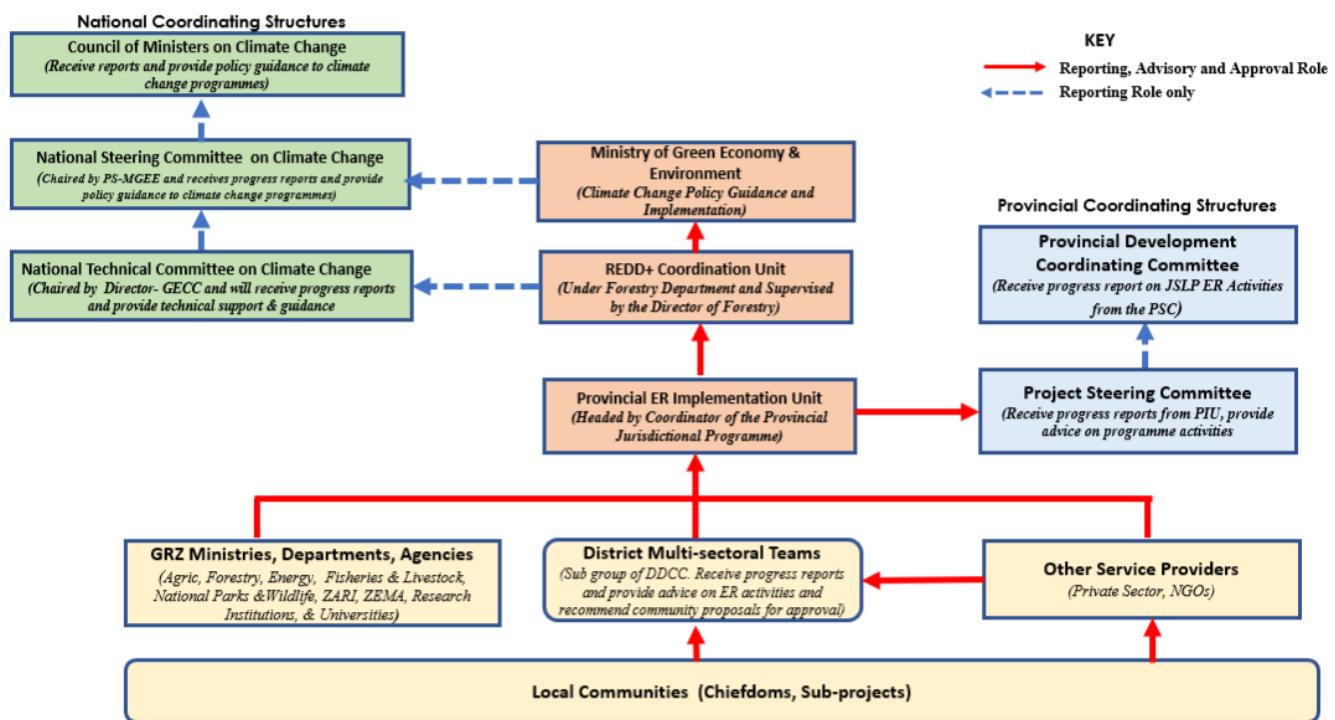
4. A Project Implementation Unit (PIU) located in the province will coordinate operations and report to the Permanent Secretary of the MGEE and the Permanent Secretary Eastern Province. The PIU's tasks include:

- a. Coordinating activities of implementing partners and ensuring alignment with EP-JSLP objectives, compliance with the Environmental and Social Management Framework (ESMF), providing technical support to implementation agencies, and communicating with EP-JSLP stakeholders (Figure 1.1).
- b. Preparing monitoring reports by compiling data, calculating emission reductions (ERs) compared to the baseline in collaboration with the ZEMA, tracking non-carbon benefits indicators, documenting the implementation of the Benefit Sharing Plan (BSP), and preparing the draft monitoring report in conjunction with the Forestry Department and ZEMA (the report will be validated by the steering committee).



- c. Supporting the implementation of the Grievance Redress Mechanism by receiving and recording grievances and beneficiary feedback, assisting in resolution, answering questions, and communicating the impact of the program; and
- d. Supporting the implementation of the BSP in collaboration with the Ministry of Finance and National Planning, the Nested Projects, and the Chiefdoms. The PIU will measure performance against the Chiefdom Emissions Reduction Performance Agreement (CERPA) and Nested Emission Reduction Purchase Agreement (NERPA), calculate the benefit share as detailed in the BSP, ensure monetization of ERs in the best interest of the Program and equitable distribution among stakeholders, and oversee implementation of BSP-financed activities, including compliance with environmental and social requirements.

Figure 1.1: Institutional Arrangements



5. The organizational structure of the PIU will be based on the setup of the PIU from the ZIFLP project (which proved successful), incorporating existing personnel and supplementing them with any necessary new roles. Table 1.1 outlines the roles and duties of individuals involved in the EP-JSLP program, including which positions are transitioned from the previous ZIFLP project.

**Table 1.1: PIU staff to be transitioned from ZIFLP or newly hired.**

No	Position	Responsibility	Remark
1	Program Coordinator	Overall coordination of the EP-JSLP including oversight and reporting both at Provincial and National levels	Transitioned
2	MRV Technical Officer	Delivery of technical activities for the Program, including MRV	Transitioned
3	Environmental & Social Inclusion Officer	Social and environmental framework implementation, including oversight, and compliance	Transitioned
4	Assistant Environmental & Social Inclusion Officer	Social and environmental framework implementation, including oversight, and compliance	Hired
5	M&E Officer	Planning, monitoring, and evaluation of program and project activities in the Jurisdiction.	Transitioned
6	Program Accountant	Management of Program and Project financial matters including resource benefits to the program participants	Transitioned
7	Assistant Accountant	Assist the Program Accountant in the day-to-day handling of financial matters.	Transitioned
8	Procurement Officer	Handling of procurements both for the project and at the later stage when carbon revenues begin to flow in	Transitioned
9	Administrative Assistant	Assist in the organization of work, schedules, programs, activities of the EP-JSLP	Transitioned
10	Emission Reduction Program IT Officer	Responsible for the implementation of the MRV data management at ZEMA	Hired
11	GIS & Remote Sensing Officer	Lead the application of geographic information systems and remote sensing in designing data collection tools, ensuring spatial data quality, performing geospatial analysis, and producing web maps and managing geospatial information systems.	Hired
12	Communication Officer	Develop and implement effective communications activities for stakeholders	Hired
13	District GHG Project officers (6 no.)	Responsible for the coordination and implementation of the MRV functions at District level given absence of ZEMA at the district level	Hired
14	Community Forest Management Officer	Responsible for facilitating the upscaling sustainable forest management	Hired
15	Climate Smart Agriculture Officer	Responsible for facilitating the upscaling climate smart agriculture	Hired
16	Drivers (3 no.)	Assist with transport and logistics facilitation for the Program	Transitioned

Financial Management

6. A financial management (FM) assessment of the proposed implementing entity under the MGEE was carried out. The objective of the assessment was to determine whether the oversight and financial management system put in place by the MGEE, the implementing entity for EP-JSLP can support the implementation of the project. In particular, the objectives of the assessments were to determine whether the proposed oversight and FM

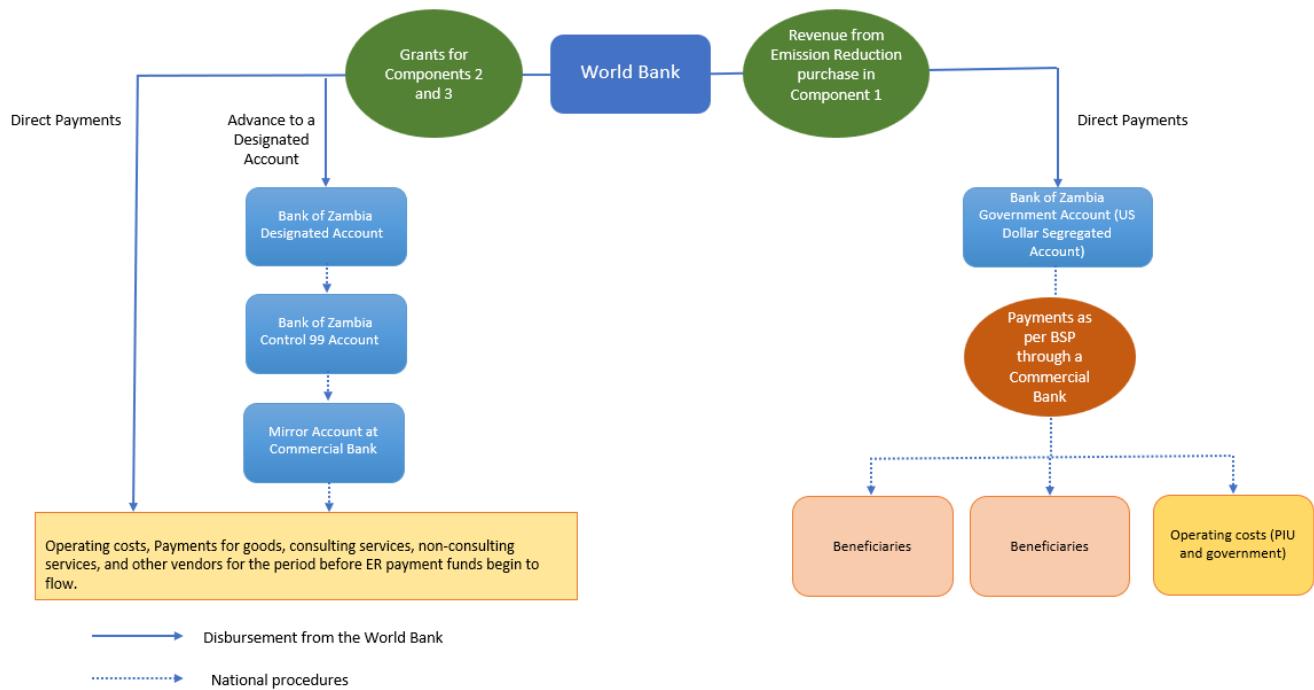


arrangements are capable of: (a) adequately and effectively supervising, coordinating, and partnering with other agencies; (b) ensuring that project funds will be used for intended purposes only in an economical and efficient way; (c) accurately recording all transactions and balances relating to the project; (d) facilitating the preparation of accurate and timely financial reports and; (e) safeguarding the project's assets; and (f) being subjected to acceptable auditing arrangements. The FM assessment was carried in accordance with World Bank Directive: Financial Management in Bank Financed Operations and Other Operational Matters issued on September 7, 2021.). This assessment has concluded MGEE has basic oversight and FM arrangements to satisfy the Bank's minimum requirements under Bank Procedures. The overall FM risk rating of the project is moderate.

7. The ZIFLP PIU, which will transition into EP-JSLP PIU, has gained experience in implementing World Bank-financed project. The PIU has been implementing the ZIFLP for the last five years and managing the fiduciary aspects of the project well.
8. The detailed FM arrangements under the project, which is mainly an Emission Reduction project with IPF portion, is given below:
9. **Planning and Budgeting.** The project will follow the government's budget cycle in the preparation of the budgets. Based on the fund allocation of the Grants for that particular year, the PIU will prepare the budget for the year, which will be reviewed by the project steering committee. The budgets will be activity-based and will be used to monitor performance during the implementation of activities. The project's work plan and budget will be also informed by the Financing Agreement. The work plan and budget will be submitted to the Bank for prior review and no objection. Any expenditures incurred that are not included in the work plan and budget not cleared by the Bank will be deemed ineligible.
10. **Disbursements and Funds Flow.** The project will adopt the Statement of Expenditure (SOE)-based disbursement method with a fixed allocation (Figure 1.2). This method is currently in use by the ZIFLP PIU. A USD-denominated Designated Account (DA) will be opened for this project under Components 2 and 3 at Bank of Zambia (BOZ), through which funds from the World Bank will be disbursed. On request from MGEE, the disbursement of funds will be done by moving funds from the DA to the Control 99 account in BOZ and to the operational account in BOZ. Thereafter, the funds would be deposited into the commercial bank mirror account, to be opened for this project by MGEE, from which payments would be made for eligible project activities. In addition to the advance, other methods of disbursements, that is, reimbursement, direct payment, and Special Commitment. Eligible payments under Component 1 which are ER payments will be made by direct payment to the Government Account for verified credits for distribution to beneficiaries as per BSP. To ringfence the funds received for verified carbon credits, the government will be urged to open a segregated account for receiving these funds.



Figure 1.2: Funds Flow Diagram



11. Accounting: The PIU has implemented the SAGE evolution accounting package recording of project financial transactions, and the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds. The FM team has a full-time Project Accountant who carries out the day-to-day financial management functions, supported by an Assistant Accountant. Both are qualified and experienced and are familiar with World Bank financial management procedures.

12. Internal Controls: The PIU has a Project Implementation Manual (PIM) that includes a chapter on financial management that sets out internal controls for financial management. The manual also incorporates FM and disbursement procedures. The manual has been updated and aligned to EP-JSLP. Further, the project will be implemented in line with the financing agreement, disbursement financial information letter (DFIL), and the loan handbook for World Bank borrowers. In addition, it is expected that the internal audit unit will carry out regular internal audits to assess the effectiveness of internal controls put in place. Reports of the internal audit work will be shared with the World Bank.

13. Financial Reporting: On a quarterly basis, the PIU will prepare and submit to the Bank the unaudited interim financial reports (IFRs) used to monitor the use of funds disbursed to the project. At a minimum, the IFRs will show a statement of sources and uses of funds, with the uses of funds analyzed by eligible category to compare actual expenditures with the budget. The formats and contents of the IFRs will be included in the DFIL. The IFR shall be submitted to the World Bank within 45 days after the end of the quarter. The project's annual accounts/financial statements will also be prepared and submitted to the external auditor within three months after the end of the financial year for audit.



- 14. External audit:** The audit of the project's annual financial statements will be undertaken by the Zambia's Office of the Auditor General, which is deemed to have adequate technical competence and is constitutionally independent. As part of the annual audit, the OAG will audit the eligible expenditures and provide an audit opinion to the World Bank. The audit report and management letter will be submitted to the World Bank within 6 months after the close of the financial year.
- 15. Governance:** The project will be subject to the World Bank Guidelines on preventing and combating fraud and corruption in projects financed by IBRD loans and IDA credits and grants. The tender documents' Fraud and Corruption Clauses will be aligned to the World Bank's Anti-corruption Guidelines. MGEE will ensure a robust system of effective internal controls to prevent corrupt practices and whistle-blowing arrangements are in place.
- 16. ER Payments:** The World Bank FM policies for IPF do not apply to emission reductions crediting transactions, as they do not involve direct World Bank financing of the underlying activities or investment, but rather only payment of ERs generated under such operations. The eligible expenditure in this case is the ER payment made for the verified ERs achieved. ER arrangements are outlined in the BSP, which includes controls, recording, and reporting of ER payment distributions to beneficiaries. Basic staffing structure, budgeting, accounting recording system and financial reporting, fund flow, audit arrangements, and internal control systems were discussed with the government.
- 17. Conclusion of the FM Assessment:** The results of the assessment indicate that the overall FM arrangements satisfy the World Bank's minimum requirements under the World Bank Directive: Financial Management in Bank Financed Operations and Other Operational Matters issued on September 7, 2021, and the Small Recipient Executed Trust Fund Grant Guidance note. Therefore, the FM system is adequate to provide, with reasonable assurance, accurate and timely information on the status of the project as required by the World Bank.

World Bank Implementation Support Plan

18. Based on the risk assessment of the project, the World Bank FM supervision review will be conducted twice every year. The mission's objectives will include ensuring that strong financial management systems are maintained for the project throughout its life. Reviews will be carried out regularly to ensure that expenditures incurred by the project remain eligible for Grant funding.

ANNEX 2: Land Cover Map of the Eastern Province of Zambia

