

AFRICAN DEVELOPMENT BANK GROUP



PROJECT: PEMBA-LICHINGA INTEGRATED DEVELOPMENT CORRIDOR SPECIAL AGRO-INDUSTRIAL PROCESSING ZONE (SAPZ) – PHASE 1

P-MZ-AA0-036

COUNTRY: REPUBLIC OF MOZAMBIQUE

PROJECT APPRAISAL REPORT

Date: December 2021

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REPUBLIC OF MOZAMBIQUE

PEMBA-LICHINGA INTEGRATED DEVELOPMENT CORRIDOR SPECIAL AGRO-INDUSTRIAL PROCESSING ZONE (SAPZ) PROJECT – PHASE 1

APPRAISAL REPORT

RDGS/AHFR DEPARTMENTS

December 2021

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CURRENCY EQUIVALENTS

As of July 2021

Monetary unit	=	Mozambican metical (MZN)
1 USD	=	MZN 63.53
1 UA	=	MZN 90.830
1 UA	=	USD 1.436

FISCAL YEAR

January – December

WEIGHTS AND MEASURES

1 metric tonne	=	2204 pounds (lbs)
1 kilogramme (kg)	=	2.200 lbs
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch (“)
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

Acronyms

AC	Aggregation Centre
AfDB	African Development Bank
ADF	African Development Fund
ADIN	Integrated Development Agency of the North
AgRED	Agriculture and Rural Economic Development
AIP	Agro-Industrial Park
ANE	<i>Administração Nacional de Estradas</i>
ATA	Agricultural Transformation Programme
ATC	Agriculture Transformation Center
CSP	Country Strategy Paper
CSS	Climate Safeguard System
DFID	Department for International Development
DLRSP	Drought Resilience and Sustainable Livelihoods Project
EDM	<i>Electricidade de Moçambique</i>
ENAMMC	National Strategy for Adaptation and Mitigation of Climate Change
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
EU	European Union
FAO	Food & Agriculture Organization

FDI	Foreign Direct Investment
FNDS	Sustainable Development Fund (FNDS)
GCF	Green Climate Fund
GEF	Global Environment Fund
GDP	Gross Domestic Product
GoM	Government of Mozambique
IDS	Industrial Development Strategy
IFAD	International Fund for Agricultural Development
IIAM	Mozambique's Institute of Agricultural Research
ILO	International Labour Organization
ILWRM	integrated land-water resource management
IPEME	Instituto para a Promoção das Pequenas e Médias Empresas
JICA	Japanese International Cooperation Agency
MADER	Ministry of Agriculture and Rural Development
MEF	Ministry of Economy and Finance
MTA	Ministry of Land and Environment
MOPHRH	Ministry of Public Works, Housing and Water Resources
MSME	Micro, Small and Medium Enterprises
MSP	Multi-Sectorial Platform
NDC	Nationally Determined Contribution
NGO	Non-Governmental Organization
PCN	Project Concept Note
PCR	Project Completion Report
PEDSA	<i>Plano Estratégico para o Desenvolvimento do Sector Agrário</i>
PFM	Public Financial Management
PIU	Project Implementation Unit
PNISA	<i>Plano de Investimento no Sector Agrário</i>
PQG	<i>Plano Quinquenal do Governo</i>
PRONAIM	National Program for the Industrialization of Mozambique
PY	Project Year
SAPZ	Special Agro-Industrial Processing Zone
SDAE	District Service for Economic Activities
SDPI	District Service for Planning & Infrastructure
SIDA	Swedish International Development Cooperation Agency
SME	Small and Medium Enterprises
TA	Technical Assistance
UNILURIO	University of Lúrio
UA	Unit of Account
USAID	United States Agency for International Development
WB	World Bank
WFP	World Food Program
YWEB	Project for Youth-Led and Women in Business MSMEs

Loan Information

Client's information

BORROWER:	Republic of Mozambique
EXECUTING AGENCY:	Ministry of Industry and Commerce

Financing plan

Source	Amount (UA Million)	Instrument
ADF	15.0	Grant
TSF Pillar 1	15.0	Grant
Government of Mozambique	2.0	In Kind
Other (Beneficiaries)	0.79	
TOTAL COST	32.79	

ADB's key financing information

Grant currency	UA
FIRR, NPV (base case)	24.80%, US\$ 635.63 million
EIRR (base case)	24.91%

**if applicable*

Timeframe - Main Milestones (expected)

Concept Note approval	December 2020
Project Board Consideration	December 2021
Effectiveness	March 2022
Completion	March 2026
Last Disbursement	September 2027

Project Summary

Project Overview. The Project supports the development of the first phase of the Pemba-Lichinga Integrated Development Corridor Special Agro-Industrial Processing Zone (SAPZ). Activities in the first phase will be focused in the Niassa Province in the North West of Mozambique. The project goal is to improve agricultural productivity and agribusiness development in Niassa Province. The key value chains of focus for the project are soybeans, sesame, macadamia, potatoes, wheat, beans, maize, cotton, and poultry. The Project consists of 3 components namely: (i) Strengthen Institutional Capacity, Policy, Regulatory, Institutional and Business Environment for Agro Industrial Development, (ii) Support agricultural productivity, skills, and enterprise development to enhance agricultural value chains and (ii) Project Coordination and Management. The Project will be implemented over five years (2022-2026) at a cost of UA 32.79 million (including in kind contribution of UA 2.0 million from the Government of Mozambique and Beneficiaries). The Project Implementation Unit (PIU) will be hosted at the Agency for the Promotion of Investments and Exports (APIEX) in the Ministry of Industry and Commerce (MIC) while implementation at the Provincial level will be hosted by the Department of Economic Activities. The project will pilot better policy and development coordination between the Niassa Province and national departments especially with the Ministry of Agriculture and Rural Development and the Ministry of Industry and Commerce. The Project Executing Agency will report to the Inter-Ministerial Coordination Committee that will be chaired by the Ministry of Industry and Commerce and deputy chaired by the Ministry of Agriculture and Rural Development.

Beneficiaries. The project will benefit, directly, farming households and communities, the youth, women, agribusiness MSMEs and staff of related public institutions. Indirectly the project will benefit rural populations in the coverage areas. By the end of the first phase of the project the expected employment at the farm level will be about 30,000 in direct employment and 60,000 indirect jobs 50% of each going to women. Anticipated additional benefits to farmers will include improved production and productivity, reduction in production costs and waste, supply of improved inputs including improved seeds, credit, agro chemicals and irrigation kits, price stabilisation due to increased value addition, consistent revenue to farmers, improvement in pre-harvest and post-harvest management through capacity building and training, which will translate into better standard of living for farmers. The project will purposively target to increase aggregate crop yield of 60% (guided by the Banks' experience across the TAAT commodities) to meet agro industrial raw material needs. About 200 farmer groups/outgrowers will organized and linked to the Thuma Mina ICT based platform and trained on quality standards, and responsive demand for investors needs at Park level. The project will leverage from the previous experience of the Bank in Mozambique and will work together with the Project for Youth-Led and Women in Business MSMEs (YWEB Start Up Project) with the IPEME to expand entrepreneurship development in the Niassa Province. Working together with GAPI and FARE the project will support about 500 MSMEs to receive business development services that will transform the viability of their businesses from informality and create the much-needed decent jobs. The project will review the additional professional and curriculum requirements for agro industry and mainstream same in the seven existing TVET institutions located in the Niassa Province. The target is to train an additional 400 students with agro industry related skills of which 50% will be women by the end of the project.

Needs Assessment. The Government of Mozambique has taken a bold step towards the establishment of a Special Agro Industrial Processing Zone in Niassa Province that will be in Cuamba. The purpose is to create an alternative market for agricultural commodities to reduce

food imports and take advantage of opportunities for bulk purchasing, reduced post-harvest losses, and selling to agro industries. The country's long-term objective is to improve its agricultural value chains to gradually move away from export of raw materials and commodities to export of processed/finished products to earn additional income, create jobs or at least reduce imports. The demand/pull effect created by this novel strategy necessitated the need for the Bank to support and complement the effort of the Government of Mozambique and align this initiative with the PRONAI Strategy. The proposed project in Niassa Province is the first step in the process towards agro industrialization in the northern corridor of Mozambique.

The Bank's support would be most appropriate as it complements the Government and other development partners to complete the development of the SAPZ in the country. The investment in the Mozambique SAPZ is expected to generate complementary investments in the agriculture sector with attention given to increased production and productivity gains, which are crucial to the country's effort to industrialize and increase its share of market value for key processed commodities.

Bank's Value Added. The Bank's comparative advantage and added value in supporting the first phase of the Pemba-Lichinga Integrated Development Corridor Special Agro-Industrial Processing Zone (SAPZ) originates from its accumulated experience and notable leadership in knowledge work and in financing all aspects of agriculture development all over the continent, embodied in the Feed Africa Strategy. The Bank has been at the forefront of the development of the new comprehensive approach to agro-industrialization: The Special Agro Industrial Processing Zone (SAPZ) flagship that is modelled in this project. The Bank is currently supporting the development of SAPZs in 18 Regional Member Countries (RMCs)¹ in Africa and will bring several lessons learnt to the new SAPZ.

Knowledge Management. The Project represents the comprehensive agro-industrialization model under the Feed Africa Strategy. The outcomes and outputs of the project will be closely monitored, and lessons learned will be disseminated through the usual Bank's mechanisms and will also be applied in future projects and in other areas of the continent. This will provide the Bank with the requisite knowledge to meet its objectives under the Feed Africa Strategy and the Job for Youth in Africa Strategy.

¹ Cote d'Ivoire, Democratic Republic of Congo, Ethiopia, Ghana, Guinea, Kenya, Liberia, Madagascar, Mali, Mauritius, Mozambique, Nigeria, Senegal, South Africa, Tanzania, Togo, Uganda, Zambia.

Results Framework

RESULTS FRAMEWORK						
A		PROJECT INFORMATION				
PROJECT NAME AND SAP CODE: Pemba-Lichinga Integrated Development Corridor Special Agro-Industrial Processing Zone (SAPZ) Project – Phase 1 (P-MZ-AA0-036)			COUNTRY/REGION: Mozambique/South			
PROJECT DEVELOPMENT OBJECTIVE: Improvement of agricultural productivity and agro-industrial development						
ALIGNMENT INDICATOR (S): Africa’s share of market value for key processed commodities (%), Youth unemployment rate (%), Enrolment in technical/vocational training (%)						
B		RESULTS MATRIX				
RESULTS CHAIN AND INDICATOR DESCRIPTION		RMF/ADOA INDICATOR	UNIT OF MEASUREMENT	BASELINE (2021)	TARGET AT COMPLETION (2026)	MEANS OF VERIFICATION
OUTCOME STATEMENT 1: Business environment for agro-industrial development enhanced						
1.1. Number of new business registered		√	Number	0	50 (25 belonging to women)	Project progress implementation documents from the PIU, Min of Industry & Commerce
OUTCOME STATEMENT 2: Increase in private sector investment and Job creation						
2.1. Total value of new investments		√	US\$ million	0	100 million	Project progress implementation documents from the PIU, Min of Industry & Commerce
2.2. Total number of direct jobs created (disaggregated by age group and gender)		√	Number	0	30000 (50% women), (60% Youth) (60,000 indirect jobs)	
OUTCOME STATEMENT 3: Improved production capacity and skills for agro-industrialization						
3.1 Cereal Yield		√	Tons	1.0	6	Project progress implementation documents from the PIU, Min of Industry & Commerce
3.2 Number of cooperatives/Out Growers groups linked to the SAPZ/RTCs (disaggregated by 60% Youth led, 50% Woman led)		□	Number	0	200 (60% Youth led, 50% Woman led)	
3.3. Number of (TVET- trained) students who become employed or self-employed in agro value chains or in agro industries- disaggregated by gender		□	Number	0	400 (50% women)	
OUTPUT INDICATOR 1.1: Institutional Capacities for Agro industrial developed						
1.1.1 Number of IT Based BDS systems (Registration Processes Tenant Licensing systems etc) supported		□	Number	0	5	Project progress implementation documents from the PIU, Min of Industry & Commerce
1.1.2 Number of Policy and reforms supported		□	Number	0	5	
1.1.3. Number of market sounding/Branding/ investment promotion events hosted		□	Number	0	5	
1.1.4 Number of Auctions carried out by Mozambique Commodity Exchange		□	Number	3	20	

OUTPUT INDICATOR 1.2: External connectivity infrastructure to the Agri hub					
1.2.1. Kms of external (approach) climate-resilient road constructed	□	Km	0	17	Project progress implementation documents from the PIU, Min of Industry & Commerce
OUTPUT INDICATOR 2.1: Resilient Rural Transformation Centers (RTCs) and Aggregation Centers (ACs)					
2.1.1 Number of ATCs constructed	□	Number	0	4	Project progress implementation documents from the PIU, Min of & Industry Commerce
2.1.2 Number of Aggregation Centers constructed	□	Number	0	8	
2.1.3 Number of Slaughterhouses rehabilitated	□	Number	0	2	
2.1.4 Number of ESIA/ESMP prepared and approved for the ATC/AC		Number	0	4	
OUTPUT INDICATOR 2.2 Job creation skills and access to finance for climate-smart agro-industrialization					
2.2.1 Number of farmers cooperatives, associations, out growers (50/group) documented in IT based (Thuma Mina) Platform	□	Number	0	200	Project progress implementation documents & targeted surveys to employers by the PIU and the Ministry of Industry and Commerce
2.2.2 Number of MSME’s trained and mentored (disaggregated – 50% women, 60% youth)	□	Number	0	500	
2.2.3 Number of MSMES linked to finance (disaggregated – 50% women and 60% youth)		Number	0	400	

PEMBA-LICHINGA INTEGRATED DEVELOPMENT CORRIDOR SPECIAL AGRO-INDUSTRIAL PROCESSING ZONE (SAPZ)
PROJECT – PHASE 1
PROJECT IMPLEMENTATION SCHEDULE

Year	2021				2022				2023				2024				2025				2026			
Quarter	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Initial Activities																								
Signature of loan agreement and Disbursement effectiveness																								
Finalise the setting up Project coordination Office at MIC and Project Launch																								
Component 1: Strengthen Institutional capacity Policy, Regulatory, and Business Environment for Agro industrial development.																								
Capacity building for staff local institutions (extension agents, staff of training institutions, and non-government agencies)																								
Technical Assistance to support Policy Studies/Reforms, Regulatory reforms (in line with PRONAI), IT Based Business Registration & Licensing systems, One Stop Shop, Schemes of Incentives, SOP, ERDIN, etc) and Mozambique Commodity Exchange																								
Market sounding, Branding, and Investment promotion for the Cuamba Agri Hub,																								
Contruction of the external connectivity road to the Agri hub																								
Construcution of Perimeter Fencing and site grading of the agri hub																								
Provision of Power/Energy link to the Cuamba Agri Hub																								
Component 2: Support agricultural productivity, skills, and enterprise development to enhance agricultural value chains																								
Value Chain/Market studies (Competitiveness assessment) of selected agricultural commodities																								
Mapping of farmer groups in key value chains & value chain development (Thuma Mina IT Platform for Outgrowers/MSMEs)																								
Capacity building, provision of farm inputs (including irrigation kits) and strengthening of farmer groups in key SAPZ commodities																								
Provide financial support to farmers and MSMEs using Thuma Mina IT based system in Niassa Province																								
Assess & mainstream relevant curriculum in TVET training institutions																								
Capacity building Training, and support to MSME's																								
Assessment and stakeholder consultations of potential irrigation sites, ATCs and ACs and preparation of studies and design documents																								
Construcutuon of 4 Aggricultural Transformation Centerss																								
Construcutuon of 8 Aggregation Centers																								
Rehabilitation of 2 Poultry Slaughter Houses (Lichinga and Gurué)																								
Preparation and validation of the ESIA/ESMP for the ATC/AC and rehabilitation of the irrigation schemes																								
Component 3: Project Coordination & Management																								
Project Management, M&E and communication activities																								
Coordinate Disbursement Financial Management and Annual financial auditing																								
Procurement of Goods																								
Environmental monitoring and auditing																								
Mid Term Review																								
Project Final Audit																								
Project Completion report (PCR)																								

REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE ADB GROUP TO THE BOARD OF DIRECTORS ON A PROPOSED GRANT TO PEMBA-LICHINGA INTEGRATED DEVELOPMENT CORRIDOR SPECIAL AGRO-INDUSTRIAL PROCESSING ZONE (SAPZ) PROJECT – PHASE 1

Management hereby submits the following Report and Recommendations of a Grant proposal of **UA 30.0 (Thirty) Million** from the African Development Fund (ADF) and the Transition States Fund (TSF) to finance the Pemba-Lichinga Integrated Development Corridor Special Agro-Industrial Processing Zone (SAPZ) Project – Phase 1 in Mozambique.

I – STRATEGIC THRUST & RATIONALE

1.1. Project linkages with country strategy and objectives

The Government of Mozambique (GoM), in its national strategies acknowledge the need to diversify away from low productivity, subsistence-oriented farming into higher productivity activities like industrial and manufacturing activities, including agro-processing. This is in a bid to tap into its big agriculture potential and to address its major development challenges; inefficient pace of structural transformation, the pervasive poverty and inequality, high unemployment, weak infrastructure to support a transformation and low crop yields. The Mozambique National Development Strategy '*Estratégia Nacional de Desenvolvimento*' (ENDE) 2015-2035 aims at improving the living conditions of the population through structural transformation of the economy and expansion and diversification of the production base. The short term 5-year programme '*Plano Quinquenal do Governo 2015-2019*' PQG, deriving from the ENDE has a goal to increase employment, productivity, and competitiveness to improve living conditions of the population. The PQG identifies the agriculture sector as central to the country's economic growth ambitions and the promotion of a more inclusive growth that seeks to contribute directly to the eradication of poverty in the country.

Concomitantly, the National Program for the industrialization of Mozambique (PRONAI) marks a paradigm shift for Mozambique: from focusing on production and export of commodities to in-country transformation and value addition. The Industrial Policy and Strategy (2016-2025) identifies the Food and Agro-Industrial sector as one of the seven industrial sectors necessary for the structural transformation and economic growth of Mozambique and recognizes the importance of industrial parks as implementation tools for the policy, particularly for building the infrastructure required for the development of the targeted industrial sectors. This, very much aligns with the Bank's Feed Africa Strategy for the transformation Africa's agriculture which among others, provides for the promotion of "SAPZs" as one of its key flagship programs.

The GoM seeks to transform agriculture into an integrated, prosperous, competitive, and sustainable sector. The National Agriculture Development Program (SUSTENTA) as a replacement of the operational plan seeks to contribute to food security, income and profitability of agricultural producers and to a rapid, competitive and sustainable increase in market-oriented agricultural production; accelerate production of staple and nutritious food products, guarantee income for producers, improve access and secure tenure of natural resources, and provide specialized services geared towards the development of the value

chains. The Mozambican Government has defined 15 strategic and six priority chains with a concentration of investments in six development corridors: Maputo, Limpopo, Beira, Zambezi, Nacala and Pemba-Lichinga. In these Agricultural Growth Corridors, the focus is on suitable crops and for Pemba-Lichinga (the focus area of this project), the identified value chains are soybeans, sesame, macadamia, sunflower, potatoes, wheat, beans, maize, cotton banana, strawberry, and poultry.

While Niassa province, the site of the current project, has vast potential for agricultural production, the Province is yet to generate sufficient surpluses to justify agro-industrial development. Estimates of marketable surplus in the Feasibility report show that only maize, beans, sorghum, cassava, and potatoes have positive marketable surplus: but not throughout the year. Maize is the most common crop accounting for 51% of the harvested area and constitute the most important food crops in the area. Macadamia, sesame, soya beans, cotton and poultry are emerging as important cash commodities. The poultry value chain also covers Gorue region of Zambezia province and the Lichinga region of Niassa province. Currently there is limited production of agricultural commodities with commercial potential partly due to reliance on rainfed agriculture and limited use of productivity enhancing inputs. About 7.6 % of the farmers in the Province used fertilisers, 2.0% used herbicides, 6.7% used pesticides and 1.2 % had access to credit². There is active trade in foods crops between Niassa province and other provinces of Mozambique as well as with the neighbouring countries (Malawi and Tanzania). The province has more than 300 agricultural marketing players locally and from other provinces. These private sector marketing enterprises will be key Stakeholders during consultations on the policy reforms, the establishment of the ATC and the Agri Hub in Cuamba. It is significant to note that the region imports some of its food requirement especially during the off seasons.

1.2. Rationale for Bank's involvement

The Mozambique Country Strategy Paper CSP) 2018 – 2022 has two main pillars namely: (i.) Pilar 1: Development of infrastructure to enable transformative inclusive growth and job creation; and (ii) Pillar 2: Support to agricultural transformation and value chain development. One of the key strategies for the 2018-2022 CSP for Mozambique is to address the country's overarching development challenge of pervasive poverty and inequality, notably in rural areas where most of the population live, dependent on subsistence agriculture and disconnected from the centres of growth cater for the country's rural poverty and its agriculture potentials. Another key strategy to support the creation of an enabling business environment that is more competitive to incentivize and dynamize the private sector investments and support with the considerable infrastructure gap.

The proposed SAPZ project, focuses specifically on: (i) the creation of a commercial agriculture that is competitive, and market-oriented, to expand revenue generating opportunities; (ii) the promotion of enabling environment for job creation and for the flourishing of micro/small/medium entrepreneurship by attracting private sector investment into agribusiness; (iii) the targeting and inclusion of women and youth groups by targeted support measures and facilitating the enhancement of requisite skills; (iv) increase production, productivity and quality of agricultural commodities and also supporting the promotion of new technologies, storage facilities and support to subsidiary

² MADER/DPP, Inquérito Agrário Integrado, IAI 2020

industry and MSMEs linked to the agriculture sector and contribute positively to impacting rural populations on issues such as malnutrition³ and food security. Thus, the project will contribute directly to reducing poverty rates in the country and this is aligned with the Bank's strategies for Mozambique. The SAPZ project will also focus on improving the enabling environment for private sector development. In the long term, the project will provide the fulcrum to the regional integration of the country with other African countries.

In addition, the proposed project is well aligned with the Bank Group's Ten-Year Strategy (TYS) 2013-22, as it relates to inclusivity, green growth, food security and private sector development and will help Mozambique address the looming heavy dependence on food importation. The project is also directly aligned with three of the Bank's High 5 strategic priorities, namely: Feed Africa, Industrialise Africa, and Improve the Quality of Life for Africans, helping to build a model enabling agribusiness environment that will help reduce rural poverty and develop the agricultural potential of the country. The Feed Africa Strategy maintains that there are seven sets of transformation enablers namely: i) increase large scale productivity through improved inputs, finance and mechanization, ii) boost value addition with the establishment of agro processing zones, iii) increase investment in hard and soft infrastructure including farmer e-registration, iv) expand agricultural financing including risk sharing and non-bank small and medium-enterprise finance and capacity-building v) enhance agribusiness environments including policy reforms, incentives, regional integration and trade vi) increase inclusivity, sustainability and nutrition and vii) coordinate partnership to drive transformation. These are critical enablers that will be required for the proposed project. The project further aligns with the Banks commitments to create 25 million jobs and empower 50 million youth to access economic opportunities as outlined in the Jobs for Youth in Africa Strategy (2016-2025) and aligns with the Technologies for African Agricultural Transformation (TAAT) and the recently approved AfDB Water Policy.

1.3. Donors' coordination

An active thematic donors' group for the Agriculture sector named the Agriculture and Rural Economic Development Group is chaired by the AfDB and co-chaired by USAID. Other members of the group are, World Bank, IFAD, USAID, Canada, Sweden, Switzerland/SDC, JICA, Ireland, Austria, Italy, Denmark, Finland, France, Germany, Netherlands, UK/FCDO, Norway, European Commission, FAO, UNDP, DFID, and Belgian. Most of these are providing support to the agriculture development through the Projects. The AgRED is supporting the Government in preparing a new version of the Agriculture Strategy (PEDSA) for 2021-2030 and the National Investment Plan for the Agriculture Sector (PNISA). The Government with support of the World Bank is implementing an Agriculture Program called SUSTENTA, related to climate change and environment issues, the Bank regularly participates in the meetings of the Environment Group led by the UN and it is also a member on Climate Change Coalition for Climate Resilience.

As of May 31, 2021, Bank portfolio consisted of 28 ongoing operations (22 projects) in with a total commitment of UA 1 billion (USD1.4 billion). The active portfolio comprises

³ Circa 43% of children under 5 years of age suffer from stunting (SETSAN, 2017; USAID Mozambique Nutrition Profile, 2017)

of 17 national projects representing 82% of total portfolio value, and 5 Mozambique-based regional projects accounting for 18%. In terms of sectoral distribution, 66% of Bank portfolio is committed to transport projects, 16% to agriculture and 10% to energy the overall commitment to Mozambique accounts for about 7% of the Bank's resources allocated to the Southern African region.

Table: 1.1 Donor Support to Agriculture Sector

	Sector or subsector*	Size			
		GDP	Exports	Labour Force	
	Agriculture	26.03	19	70	
	Players - Public Annual Expenditure (average): 2019 Budget				
	Government	Donors	AfDB 18 %	Others2 %	
UA m	UA 40 m	UA 350 m/year	WB 45%	JICA 7 %	USAID 9 %
%	10 %		EU 13%	WFP 1 %	
			DFID 1 %	IFAD 4 %	
		Level of Donor Coordination			
	Existence of Thematic Working Groups (this sector/sub-sector)			[Y]	
	Existence of SWaps or Integrated Sector Approaches			[N]	
	AfDB's Involvement in Donors Coordination			[M]	

Key: **L:** Leader. **M:** Member but not leader. **N:** No involvement. **Y:** Yes. **N:** No.

II – PROJECT DESCRIPTION

2.1. Project Objectives and Components

The project goal is to improve agricultural productivity and agribusiness development in the Niassa Province. The objectives of phase 1 are to: (i) strengthen institutional capacity and business environment for agro-industrial development and (ii) support agricultural productivity, skills, and entrepreneurship to enhance agricultural value chain development in the Niassa Province of Mozambique. The project will pilot better policy and development coordination between the Niassa province and national departments especially with the Ministry of Agriculture and the Ministry of Industry and Commerce.

The Project consists of 3 components namely: (i) Strengthen Institutional Capacity, Policy, Regulatory, Institutional and Business Environment for Agro Industrial Development, (ii) Support agricultural productivity, skills, and enterprise development to enhance agricultural value chains and (ii) Project Coordination and Management.

(i) Component 1: Strengthen Institutional capacity Policy, Regulatory, and Business Environment for Agro industrial development.:

The Government of Mozambique recently launched the PRONAI (the industrial strategy) with the goal of increasing national industrial production through the transformation and manufacture of raw material from local sources through improving the Business Environment. Under this component the project will provide Technical Assistance and capacity building for staff of Public institutions and regulatory reforms with a view to improve the business environment. This will include staff of the Ministry of Industry, Extension agents (MADER), staff of training institutions, and non-government agencies located in the Niassa Province. Existing policy may be reviewed, and additional regulatory reforms may be introduced in line with the PRONAI Initiative, the foreseen development

of the Pemba Lichinga Agro Industrial corridor, the introduction of Agricultural Transformation Centers (ATC) in the Province and critical commercial crops/values chains. Guided by the basic tenets of the PRONAI strategy, Technical Assistance will be provided to support Policy Studies, Regulatory reforms, IT Based Business Registration and Licensing systems, One Stop Shop for the Agri Hub in Cuamba, review Schemes of Incentives, and business oriented Standard operating procedures with a view to improving and providing an efficient business environment for private sector investments in the northern Provinces and in the Country. Value chain/market studies (see below) will inform additional reforms including the required incentives and allocation of land for commercial agricultural production in selected commodities. The external connectivity road (17km) to the Agri hub will be upgraded. During the construction phase a supervisory firm will be contracted to assure that the infrastructures are built with the required quality based on the Bank standards (and experience with the recently completed Cumba to Lichinga, 120km road). The mechanism for assurance of the quality of the works are in place and will be additionally included in the project. A power line by passes the boundary of the site at the entry point from the nearby Power Station suggesting the availability of a power source for the Agri-Hub. From the very onset private sector consultations prior to the implementation of all the above activities will be critical. Existing private sector entities include the Chimbunila Poultry Feed Mill, AgDevCo and SAN-JFS, cotton production, processing and exporting company, working with over 40,000 smallholder farmers in Niassa Province, and Westfalia Fructo (as Greenfield) as a potential investor in avocado oil processing in the Province. The project will host periodic market sounding and Investment promotion activities for the Cuamba Agri Hub, to gauge the interest of potential investors. The Project will also support an Expression of Interest to competitively select a developer for the development, management, and operation of the Cuamba Agri Hub. The testing laboratory in UniLurio may receive additional support from the project following an assessment of additional requirements to meet international Best Practice and support for Agro Industrial Development. The project will also support the Commodity Exchange office based at the MIC to help private sector activities under the silos management and promote auctions for selected commodities.

(ii) Component 2: Support agricultural productivity, skills, and enterprise development to enhance agricultural value chains:

The second component of the project is sub divided into two subcomponents namely (i) Enhance Climate-Smart Agricultural Production and Productivity and (ii) Enable Capacity & Skills for agro-industrial development. The first component will focus on supporting production and productivity of high value commodities by providing improved seeds, fertilizers, machinery and other equipment and transfer of climate smart technologies. This will be guided by Value chain/Market studies (Competitiveness assessment) of selected agricultural commodities namely (but not exclusively) soybeans, sesame, macadamia, sunflower, potatoes, wheat, beans, maize, cotton, banana, strawberry, as well as poultry value chains. This study will inform further mapping of farmer groups in key value chains and guide, policy reforms and incentives in commercial agriculture. Experience will be leveraged from the existing Agriculture Value Chain and Youth Empowerment Project. Together with local government and private entities in the Province the project, will

delineate and map out areas for large scale farms for selected high value commodities (beginning with soya beans to support the upcoming 1.5t/h soy meal processing feed mill) to enhance local content and attract additional private sector entities to invest in the Province. The component will also focus on design and construction of at least 4 Rural Transformation Centers and 8 Aggregation Centers (ACs) in designated districts. The ATCs and ACs are the platform through which inputs (including improved seeds, tractor services, agro chemicals, credit, etc) will be provided to farmers on a commercial basis. Agro input dealers will be encouraged to rent space and provide these inputs at cost to farmers. Similarly, the ATCs and ACs will also provide farmers with space for pre-processing of their output including drying, cleaning and storage of grains and pulses prior to transporting same to the factories. The silos, storage places as well as business centers will be aligned with the ACs and ATCs. The location of the ATCs and ACs will be guided and dictated by the farmers groups/associations, private sector entities and the PRONAI engagement approach. The model of ownership, operation, and maintenance of the ATCs will be determined by the Agri Hub Developer hence the need for private sector consultations from the very beginning of the project. To improve agro-processing activities, existing feed mills and two poultry slaughterhouses will be rehabilitated and contracted to professional private sector management entities under a PPP arrangement. The project will leverage micro finance from existing entities such as GAPI and FARE to provide business development training and credit to farmers and MSMEs especially in agro processing activities. Additional support will be provided to undertake technical studies around the river basins while irrigation kits and training on their use will be provided to farmers while rehabilitating small irrigation schemes to improve agriculture production. The studies will include design of the large irrigation schemes with tender documents under this project for implementation in the next phase. The studies will be guided by existing river basins as identified by the Feasibility Studies.

The second subcomponent will Enable Capacity and Skills for agro industrial development. This will include capacity building and strengthening of farmer groups in key SAPZ commodities and training for MSME's. Emphasis under this component will focus on building capacity and skills of farmers, micro, small and medium agro-processing enterprises, and equipping, upgrading, and improving TVET institutions to provide quality training for aspiring students in agriculture and agro industry. Emphasis here will be on women and youth farmers and enterprises. The project will support the development of an IT based Enterprise Development Platform (Thuma Mina) and use the platform to establish an ecosystem that creates forward and backward linkages for MSMEs in the Niassa province to farm input suppliers, mechanical and equipment providers, the appropriate business development providers, financiers, and access to markets.

(iii) Project Coordination and Management

A stand-alone project implementation unit (PIU) will be set up to ensure day-to-day management and coordination of the project. PIU will be hosted within the Ministry of Industry and Commerce and will comprise of full complement of essential experts. The Project PIU will have some of its staff located within the Provincial Directorate of Economic Activities in the Niassa Province. The Directorate is an inter-ministerial mechanism at the Provincial level required to maintain the focus of the intervention on industrialization of the agribusiness sector, while efficiently implementing the

interventions to support agricultural production necessary in the first phase of implementation. The Directorate reports to both the Ministry of Agriculture and Rural Development (MADER) and the Ministry of Industry and Commerce (MIC).

The PIU will report to a Joint Inter Ministerial Committee chaired by the Ministry of Industry and Commerce with the Ministry of Agriculture and Rural Development (MADER) as the deputy chair. The PIU Team will comprise of a Project Coordinator (who will double as the Policy and Economic Officer in charge of implementing all activities under component 1 of the Project); Financial Management Officer, Procurement officer, (each one assisted by a Project Accountant), Gender Officer, M&E Officer, Enterprise Development Officer, Environment Officer, and an Infrastructure Specialist. Representatives of the PIU namely the Gender/M&E Officer, Project Accountant, Infrastructure Specialist and Enterprise Development Officer will be based at the Province of Niassa. A Summary Table of Activities by component is presented in Annex X.

2.2. Technical solution retained and other alternatives explored

The technical design of the Mozambique SAPZ was originally a corridor development project guided by a Full Feasibility Study and Master Plans for an Agri Hub, ATCs and ACs in line with the Bank's SAPZ model in Africa by clustering value addition in areas of high agricultural production. A second phase of the project will include the development of an Irrigation Scheme and the full development of the Agrihub in Cuamba in partnership with a private sector entity that will be identified at this phase. A third phase may focus on the development of the SAPZ in Pemba subject to a de-escalation of the crisis in the Cabo Delgado province. In the light of the envisaged absence of marketable surplus and the humanitarian situation in Cabo Delgado, a phased project design is proposed and retained.

Table 2.2: Project alternatives considered and reasons for rejection

ALTERNATIVES	BRIEF DESCRIPTION	REASONS FOR REJECTION
Design as an Integrated Agro Industrial Corridor	Support full internal & external infrastructure development (for production, post-harvest handling and processing) in Cabo Delgado (Pemba) and Niassa (Cuamba) provinces.	Given the humanitarian crisis in the Cabo Delgado (Pemba) Province, there was need to reduce activities and scale out the project gradually beginning from the Niassa Province.
Support to the development of the Agri Hub in Cuamba, Niassa Province).	Provide the required internal and external infrastructure required in the Agri Hub located in Cuamba, Niassa Province.	Given the low productivity and absence of a marketable surplus that can support agro industrial development, there is a need to boost agricultural output by improving value chain interventions to producers in the Province.

2.3. Project type

This intervention is designed in the form of a stand-alone Investment Project with the main aim of improving the enabling business environment for agro industrial development and agricultural productivity with potential impacts for livelihood and structural economic transformation in Mozambique.

2.4. Project cost and financing arrangements

2.4.1 The total cost of the project is estimated at UA32.79 million (US\$ 47.09 Million), net of taxes and based on 2021 prices, comprising UA 18.42 Million (US\$26.46 Million) or 56.18% of the total cost in foreign cost and UA 14.37 Million (US\$ 20.63 Million) or 43.82% in local costs. This cost is inclusive of physical and price contingencies estimated at average rates of 2% and 4%, respectively. The price contingencies were estimated based on actual and projected levels of local and foreign inflation rates of about 2% and 1.8% per annum, respectively. The physical contingencies are estimated from 0 to 10.0%, based on common practices. A summary of the project cost estimates by components and expenditure accounts is shown in Tables 2.3, 2.4, 2.5, 2.6, 2.7 and 2.8 below, while details are provided in the Technical Annex.

Table 2.3: Estimated Summary Project Costs by Component

COMPONENTS	(US\$ Million)			(UA Million)			% F.E	% B.C
	Local	Foreign	Total	Local	Foreign	Total		
A. STRENGTHEN INSTITUTIONAL CAPACITY, POLICY, REGULATORY, INSTITUTIONAL AND BUSINESS ENVIRONMENT FOR AGRO INDUSTRIAL DEVELOPMENT	2.78	5.80	8.58	1.94	4.04	5.98	68	19
B. SUPPORT AGRICULTURAL PRODUCTIVITY, SKILLS, AND ENTERPRISE DEVELOPMENT TO ENHANCE AGRICULTURAL VALUE CHAINS	10.58	18.76	29.34	7.37	13.06	20.43	64	66
Enhancing Climate-Smart Agricultural Production and Productivity	4.90	9.40	14.31	3.42	6.55	9.96	66	32
Enable Capacity & Skills Development	5.68	9.35	15.03	3.95	6.51	10.47	62	34
C. PROJECT COORDINATION AND MANAGEMENT	6.32	0.28	6.59	4.40	0.19	4.59	4	15
Total BASELINE COSTS	19.68	24.83	44.52	13.71	17.29	31.00	56	100
Physical Contingencies	0.27	0.50	0.78	0.19	0.35	0.54	65	2
Price Contingencies	0.67	1.13	1.80	0.47	0.78	1.25	63	4
Total PROJECT COSTS	20.63	26.46	47.09	14.37	18.42	32.79	56	106

Table 2.4: Estimated Summary Project Costs by Categories of Expenditures

EXPENDITURES CATEGORIES	(US\$ Million)			(UA Million)			% F.E	% B.C
	Local	Foreign	Total	Local	Foreign	Total		
I. Investment Costs	14.43	24.83	39.26	10.05	17.29	27.34	63	88
A. WORKS	5.76	13.43	19.18	4.01	9.35	13.36	70	43
B. GOODS	3.34	4.73	8.07	2.32	3.30	5.62	59	18
Equipment	2.55	4.73	7.28	1.77	3.30	5.07	65	16
Furniture	0.79	-	0.79	0.55	-	0.55	-	2
C. SERVICES	5.34	6.67	12.01	3.72	4.64	8.36	56	27
Training	0.76	1.14	1.89	0.53	0.79	1.32	60	4
Technical Assistance	3.22	4.83	8.05	2.24	3.36	5.60	60	18
Studies	0.70	0.47	1.17	0.49	0.33	0.82	40	3
Contractual Services	0.63	0.21	0.84	0.44	0.15	0.59	25	2
Audits	0.03	0.03	0.05	0.02	0.02	0.03	50	-
II. Recurrent Costs	5.25	-	5.25	3.66	-	3.66	-	12
A. PERSONNEL	3.17	-	3.17	2.21	-	2.21	-	7
B. GENERAL OPERATING COSTS	2.09	-	2.09	1.45	-	1.45	-	5
Total BASELINE COSTS	19.68	24.83	44.52	13.71	17.29	31.00	56	100
Physical Contingencies	0.27	0.50	0.78	0.19	0.35	0.54	65	2
Price Contingencies	0.67	1.13	1.80	0.47	0.78	1.25	63	4
Total PROJECT COSTS	20.63	26.46	47.09	14.37	18.42	32.79	56	106

Table 2.5: Expenditure Schedule by Component (in UA Million)

COMPONENTS	2022	2023	2024	2025	2026	Total
A. STRENGTHEN INSTITUTIONAL CAPACITY, POLICY, REGULATORY, INSTITUTIONAL AND BUSINESS ENVIRONMENT FOR AGRO INDUSTRIAL DEVELOPMENT	1.76	1.80	1.31	1.34	0.11	6.31
B. SUPPORT AGRICULTURAL PRODUCTIVITY, SKILLS, AND ENTERPRISE DEVELOPMENT TO ENHANCE AGRICULTURAL VALUE CHAINS	3.37	4.74	4.50	4.59	4.67	21.87
Enhancing Climate-Smart Agricultural Production and Productivity in Proximity to Agricultural Transformation Centers	1.27	2.50	2.26	2.30	2.35	10.68
Enable Capacity & Skills Development	2.11	2.24	2.24	2.28	2.33	11.19
C. PROJECT COORDINATION AND MANAGEMENT	1.54	0.84	0.73	0.73	0.77	4.61
Total PROJECT COSTS	6.67	7.38	6.54	6.65	5.55	32.79

2.4.2 Project Financing: The project will be financed by the African Development Fund (ADF) and Transition Support Facility (TSF), the Government of Mozambique (GoM), and the Beneficiaries as captured in Table 2.6 below. The Bank will provide financial assistance to the tune of UA 30.0 Million from ADF XV resources, representing 91.5% of the project cost. The ADF financing will be in the form of a grant and will cover different expenditure categories of the project. The contribution from the GoM is estimated at UA 2.0 Million and UA0.79 Million is anticipated from project beneficiaries as in-kind contribution. Both contributions are included as project operating costs. The breakdown of financing for the project is presented in the Table 2.6 below.

Table 2.6: Financing Plan of the project

FINANCING SOURCES	(US\$ Million)			(UA Million)			%
	Local	Foreign	Total	Local	Foreign	Total	
ADF/TSF Grant	17.36	25.72	43.08	12.09	17.91	30.00	91.5
Government	2.88	-	2.88	2.00	-	2.00	6.1
Beneficiaries	0.40	0.74	1.13	0.28	0.51	0.79	2.4
Total	20.63	26.46	47.09	14.37	18.42	32.79	100.0

The ADF Grant and TSF will be used to improve capacity building at the farm level ((including climate-smart value chain (farmer groups), technical agro-processing skills (youth and women), entrepreneurship (MSME) development)), upgrading of the external connectivity road to the Agri Hub, construction of ATC and ACs and rehabilitation of irrigation infrastructures and slaughterhouses. The ADF/TSF funds will, in addition, be used to support institutional capacity building especially for the relevant public sector institutions.

Notwithstanding the provisions of Section 5.2.3 (Conditions Precedent to First Disbursement) above, no disbursement will be made for payments made before the Date of the Grant Protocol, except for disbursements whose total amount does not exceed 5% of Miscellaneous or eighty nine thousand Units of Account (UA 0.089) for payments made within six (6) months before the date of the loan agreement, for eligible expenditure relating to the operating costs and publication of expression of interest, request for proposals relating to Component 3 Project Coordination and Management.

The ADF Grant and TSF will be used to improve capacity building at the farm level (including climate-smart value chain (farmer groups), technical agro-processing skills (youth and women), entrepreneurship (MSME) development)), upgrading of the external connectivity road to the Agri Hub, construction of ATC and ACs and rehabilitation of

irrigation infrastructures and slaughterhouses. The ADF/TSF funds will, in addition, be used to support institutional capacity building especially for the relevant public sector institutions.

2.5. Project's target area and population

2.5.1 The proposed project will be in Niassa Province which is situated in the north-western part of Mozambique, bordering Lake Niassa and Tanzania. Niassa Province which is the most sparsely populated (14.5 persons/sq.km) province of Mozambique has an area of 129,056 km² and a population of 1,865,976 inhabitants as of 2017. Niassa Province is divided into the 15 districts with a capital in Lichinga. Agriculture is the main economic activity accounting for more than 80% of employment in Niassa Province.

2.5.2 Estimated employment in the farming sector based on the SAPZ feasibility Study is 509,166 persons. And employment at the ATC/APH level is estimated at 39660. Indirect employment is estimated at 823239 on the assumption of indirect employment opportunity for one person for every five persons under direct employment. Since the current project is scaled down to improving farm productivity, expected employment, is estimated at 30,000 direct (and 60,000 indirect) jobs by the end of Phase 1 of the project. Anticipated additional benefits to farmers will include improved production and productivity, reduction in production costs and waste, price stabilisation, increased value addition, enhanced revenue to farmers, improvement in pre-harvest and post-harvest management and better standard of living for farmers. The project will aim to increase aggregate crop yield by 60% based on the Banks' experience with the TAAT Program. This will enable farmers in the Province to provide the required surplus for agro industrial processing. In addition, incentives will be developed by the project to encourage investments in medium (50 – 100ha) and large scale (> 100ha) commercial farms to also support the volumes required for agro processing⁴.

2.6. Participatory process for project identification, design, and implementation

The process of identification started in 2019 with a visit to the Province in which the team met a diversified range of stakeholders and attended the presentation of the feasibility study conducted for the Corridor Pemba-Lichinga. In 2020 during project preparation the team visited several project sites in Cuamba, Marrupa and Lichinga and had high level discussions including the meeting with Mozambique Prime-Minister. The design of the project benefitted from a physical pre-appraisal mission in May 2021 and virtual full appraisal mission in August 2021 respectively. The physical mission included field visits to the Niassa Province. During these missions the Team held meetings and consultations with Ministry of Industry and Commerce (MIC), the Ministry of Agriculture and Rural Development (MADER), the Secretariat for Youth and Employment (SEJE). The mission also met with the Institute for the Promotion of Small and Medium Enterprises (IPEME), the Mozambique National Institute of Cereals (ICM) and the chief executive of Export and Investment Promotion Agency of Mozambique (APIEX) that operate under the MIC. Meetings were also held with the Confederation of Economic Associations (CTA), National Farmers' Union (UNAC), and the Integrated Development Agency of the North

⁴ About 99% of the farm area in the Province are small (less 2 ha)
Source: Fonte: MADER/DPP, Inquérito Agrário Integrado, IAI 2020

(ADIN). The Mission met with the National Institute of Standardization and Quality (INNOQ) and had very interesting meetings with development financing institutions namely GAPI (Sociedade de Investimentos SA) and FARE (Economic Rehabilitation Support Fund, a government initiative working to boost private sector enterprises). The meetings were also joined by representatives from the Ministry of Economy and Finance (MEF). Additional data and information were received from the Directorate of Economic Activities in the Niassa Province and the UniLurio's Food Safety and Quality Assurance Laboratory. Additional bilateral meetings were also held with Fund to Support Youth Initiatives (FAIJ), the Mozambican Association of Business Angels (AMBA) and representatives of the UNHCR in Pemba. There were also consultations with the Representatives of the Provincial Authorities such as the Governor of Niassa Province, the Secretary of Government to Niassa Province key private sector actors (CTA), farmer associations (UNAC), key value chain actors, training institutions, small scale irrigation sites in the Province. The beneficiaries (men and women) including farmers and staff of these key institutions will be fully involved in implementation and supervision of planned activities. The farmers will manage the operation through their cooperatives and farmer associations. The project sites in Cuamba, especially the location for the proposed Agri hub and potential irrigation sites were also visited.

2.7. Bank Group experience, lessons reflected in project design

As at May 2021, the Bank has 28 on-going operations (22 projects) in Mozambique with a total commitment of UA 1 billion (USD1.4 billion). The active portfolio comprises of 17 national projects representing 82% of total portfolio value, and 5 Mozambique-based regional projects accounting for 18%.

Key lessons reflected in the design and drawn from the implementation of the SAPZ model in other African countries (AfDB Research Study, 2021) include political will, leadership, and ownership of the process at the highest level; vertical (between National, Provincial and districts governments) and horizontal (inter-ministerial, inter agency/department) coordination; suitable legal and regulatory institutional frameworks; and skills upgrading amongst others.

Additional lessons learnt from the implementation of the Bank Projects in Mozambique which have informed the design features of the Pemba-Lichinga SAPZ include are highlighted, which have informed the design of this project, including:

No.	Lessons Learnt	Actions incorporated into the Project Design
1	Absence of sustainability in project design	mainstreaming sustainability issues at the project level
2	Multiple focussed projects with minimalist change in quality of life of beneficiaries	remaining selective with a focus on fewer, but big transformative interventions
3	There is a dearth of required capacity for specific skills in government and non-government agencies	the continuous building of implementing agencies' capacity to ensure effective programme implementation
4	Projects close with very limited information on the knowledge and communication of project activities and success stories	dedication of adequate resources to knowledge products as these contribute to evidence-based policy dialogue
5	Project monitoring is critical to inform project evaluation and needs	formulating a robust results framework accompanied by strong project monitoring and evaluation and credible baseline data

2.8. Key performance indicators

The key performance indicators for the programme have been outlined in the Result Framework. Special emphasis will be placed on the targeting indicators that should be monitored and those related specifically to women. Regular implementation progress will be measured through bi-annual Bank supervision missions led by Mozambique Country Office, Quarterly Progress Reports, and annual technical and financial audits. The M&E of the PIU will collect and analyse programme data to monitor performance.

III – PROJECT FEASIBILITY

3.1. Economic and financial performance

3.1.1 The project is designed to generate direct benefits through improved production and productivity of the selected value chains including Soybeans, Sunflower, Macadamia, Banana, Sesame and Poultry. By the end of the first phase, the project will increase aggregate crop yield by 60% to provide the required marketable surplus required for agro industrialization. In addition to this, the project will generate economic and financial benefits through private agribusiness investments engaged in processing of the selected value chains which is anticipated to reach US\$100 million. Other benefits include increased revenue to farmers, improvement in post-harvest management, reduction in production costs and waste, price stabilisation due to increased value addition, better standard of living for farmers, the project is also expected to create about 30,000 direct employment and 60,000 indirect jobs employment at the farm and processing levels among others. Overall, the project has overwhelming social benefits to beneficiary communities.

3.1.2 Some of these benefits cannot be quantified, and therefore could not reasonably be included in the financial and economic Cost-Benefit Analysis (CBA). However, benefits derived from private investment and farming activities were included in the CBA over a 20-year operating life (see annex to the current report).

Table 2.7: key economic and financial figures

FIRR (base case):	24.80%	NPV Amount:	US\$ 635.63 million
EIRR (base case):	24.91%	NPV Amount:	US\$ 630.54 million

NB: detailed calculations are available in Annex B6

3.1.3 Thus, the financial and economic analyses gave: (i) a cash flow of over US\$63 million per year from the second year of operations expected over 20 years, according to the same type of operations. This implies that the financial benefits of the project over the period of operation exceed the cost of the investments needed to finance it; (ii) a cost/benefit ratio of 1.65, which means that the benefits are higher than the cost of the investments; (iii) financial and economic internal rate of return of 24.80% and 24.91% respectively, which is higher than the opportunity cost of capital (the capital cost of financial resources for investments in the project) estimated at 12%. The sensitivity analysis also shows that prices should be lowered to 24.07% (break-even or "switching value") to cancel out the additional benefits generated respectively at the financial and economic level, with FIRR and EIRR equal to the opportunity cost of capital, i.e. 12%. Based on these results, it can be concluded that the project presents a profitability profile justifying the cost of the investments financially. Further details on the financial and

economic analyses as well as the sensitivity analysis are presented in the Technical Annexes (Volume II).

3.2. Environmental and Social Aspects

The project environmental and social category is confirmed as 2 in line with Decree No. 54/2015 on Environmental and Social Impact Assessment (ESIA) in Mozambique (which list the project activities in Category B) as well as the requirements of the ISS. MADER commissioned an ESIA for the rehabilitation/construction of infrastructures in known locations such as slaughterhouses and feeder mills. This Ministry also commissioned an environmental and social management framework (ESMF) for the construction of the ATC/AC for which locations are yet to be determined. The ESIA and ESMF were reviewed and cleared by the Bank. The ESIA was approved by the Ministry of Environment on October 15, 2021 and both ESIA and ESMF were disclosed by MADER the same day. Following authorization from MADER, the ESIA and ESMF were disclosed by the Bank on October 19, 2021. The ESIA and ESMF reports indicate that stakeholders were adequately consulted although the Bank was not able to carry out field verification on these aspects due to the sanitary context.

The main E&S risks and impacts expected during construction and operations are: (i) soil and water degradation/pollution by construction wastes and protein-rich wastes (2 to 5% of live weight of animals); (ii) occupational health and safety (OHS) risks for workers; (iii) community health and safety (CHS) risks around the project sites. These impacts and risks will be mitigated through the implementation of the ESMP. The bidding documents for all the works will include E&S specifications and clauses commensurate to the E&S risks prior to their launching. A qualified E&S specialist will be recruited as part of the project implementation unit to monitor the implementation of both the ESMP and ESMF (which will lead to the preparation of the site specific ESIA). The ESMP and ESMF costs are respectively 144,00.00 USD and 795 000 USD. This cost includes the annual E&S audits to be performed by an independent consultant. The environmental and social compliance note is appended to the PAR.

3.2.1. Involuntary resettlement

There are no interventions under the known locations for this project that would necessitate involuntary resettlement. The Ministry provided evidence in terms of pictures indicating that the concerned areas are free from encumbrances. Provisions are made as part of the ESMF for unknown locations for the preparation and implementation of a RAP in the event that the project requires economic displacement for RTC and ACT (about 3 to 5 ha is required for each RTC and 1 ha for each ACT).

3.3. Climate Change

The project is classified as climate risk category 2, potentially vulnerable to climate risk, using the Bank's Climate Safeguard System (CSS). The province of Niassa is frequently

exposed to erratic and heavy rainfall; drought and tropical cyclones⁵. The average total annual precipitation in the province estimated at 1126.9mm is projected to decrease to 994.9mm /year while mean temperature to increase by at least 1.7° C by 2030-2050. This will likely increase crops' water demand; impact crops suitability; reduce production capacity and challenge the long-term viability of the development of APZ. Out of Mozambique's 10 main provinces, Niassa is ranked 8th in terms of climate adaptive capacities given the level of adoption of improved agricultural practices; access to agricultural information; access to alternative income, and education (Hunter, Crespo, *et al*, 2020). Thus, to enhance the climate resilience of the operations and its sustainability, the project will take the opportunity to strengthen institutional capacities, improve policy, and business environment through promoting integrated climate-resilient agricultural infrastructure management. Institutional capacity building to target extension services and provincial agricultural stakeholders. Policy and regulatory support to enhance climate-informed design of agricultural infrastructures. Support for agricultural productivity and enterprise development will promote the adoption of climate-smart agriculture practices including integrated land-water resource management (ILWRM) practices and promote circularity across value chains. To effectively do so, the project will map farmers' groups in the key value chain to identify climate resilience technological and knowledge needs. Capacity building will target MSMEs, farmers groups and support the provision of climate-smart farm inputs such as climate-resilient seeds and efficient irrigation kits. In addition, the project through the construction of agricultural transformation center and rehabilitation of rural infrastructure will promote the development of low carbon and climate resilience industries to support the transformation of agriculture value chains. The construction of the external connectivity road is likely to contribute to 15040tons CO₂eq of GHG emission; the project will promote the use of local material and avoid land-use change to mitigate the project carbon footprint (See Annex Climate Change). This is aligned with Mozambique's Nationally Determined Contribution (NDC,2018) which promotes the adoption of climate smart agricultural practices. The project by building agricultural resilience and promoting sectoral mitigation aligns with the Bank Climate Change Policy and Strategy 2021-2030; Mozambique National Strategy for Adaptation and Mitigation of Climate Change (ENAMMC 2013-2025). Overall, 100% of the budget account for climate finance.

3.4. Gender Analysis

Women are the principal farm labourers in Mozambique thus spend a great deal of time doing farm work. It is estimated that women spend on average 12 hours working on farm related activities, fetching water, collecting firewood and other domestic chores as compared to men who spend 6–8 hours on farming. Women are however disadvantaged in terms of extension training, access to farming resources, technologies, and markets. Rural women in Mozambique also hold primary responsibility for household food provision and participate in all stages of the food chain from the field to the plate, though they generally have less control than men in that chain. Particularly in Niassa province, women's participation in extension services training is much more limited compared to other provinces in Mozambique. This is because in the north, inheritance is predominantly matrilineal, women's subordination to the authority of the patriarchal family is more

⁵ Global Facility for Disaster Reduction and Recovery (GFDRR)

stressed, thereby making it more difficult for women to participate in group activities outside the household.

Generally, women in Mozambique have weaker property and contractual rights to land and other natural resources despite the introduction of DUAT (the right to use and benefit from the land). Available data indicate that 29.1% of women have land and house ownership compared to 70.91% of men. Challenges remain when women claim their rights over the DUAT they own, due to male dominance which is rooted and respected by the society. Discriminatory practices and perceptions continue to exist about the rights of women to access and control productive resources. For example, only 24.4% of firms have female participation in ownership compared to 75.6% of male. Inequality in access to means of production has an impact on the security of women and the use of such resources. Women are more constrained than men in relation to market access and selling of their agriculture produce because markets are normally located in the larger villages and cities that require long distance travels carrying the produces to the markets. This gets complicated during the rainy season when roads become inaccessible due to weak development of rural infrastructure.

Implementation of SAPZ Project will enhance the socioeconomic status of both men women farmers in Niassa province. The project will support formal business registration and cooperatives' growth, support TVET training to 400 students of whom 50% will be females. The skills gained will enable grandaunts to get employed in the agro industrial zone or get self-employed in agro value chains. The project will facilitate financial support and access to technology requirements, inputs, technical assistance, markets for farm produces and provide resilient road infrastructure. The project will support SMEs growth for men and women and provide training in agro- industry related skills, strengthen institutional capacity, policy, regulatory, and business environment for agribusiness and value addition. It is recommended that elementary training to impart construction skills to women be provided to enable them to participate and benefit from jobs created infrastructure activities related to the project. Thus, the project has high potential of reducing gender inequality in Niassa province. Gender mainstreaming will be emphasized at all stages and within the activities of the project. A Gender audit will be conducted to ensure guided and appropriate gender mainstreaming to maximize gender equality impact of the project in Niassa Province. The project is category 2 according to the Bank's Gender Marker System. A gender Action Plan is included in the Technical Annexes.

3.5. Fragility and Resilience

The violence in the northern region of Mozambique due to the Islamic insurgency has created a humanitarian and displacement crisis that threatens to erase economic and development gains in the country. In addition, the violence has resulted in deadly consequences in terms of human lives lost and physical destruction. As of May 2021, there were 732,227 internally displaced persons (IDPs) due to attacks by the non-state armed groups (NSAGs). Of those, over 662,831 are displaced within Cabo Delgado, while 66,910 moved to Nampula and the remaining 2,486 moved to the provinces of Niassa, Sofala and Zambezia Niassa Province alone has a total of 1 133 IDPs. The IDP hosting provinces of Nampula, Niassa, and Cabo Delgado in northern Mozambique fare poorly on the main

developmental indicators despite having rich resources. The poverty rate is estimated to be 65 percent significantly higher than the national average of 43 percent. Tensions between IDPs and host communities in areas with limited access to resources and economic opportunities have led to divisions and stigmatization. There is an urgent need to improve the living conditions of both the IDPs and the surrounding host communities. Although many IDPs have limited access to agricultural value chain and social protection systems in fragile situations, opportunities are likely to open for inclusion through SAPZ project and other agro-initiatives. The design of the Pemba-Lichinga corridor development project in Niassa province acts as a catalyst for integration of youth in agro-business value chains. Young IDPs could be looped into the project as residents in the various beneficiary districts in the Province.

IV – IMPLEMENTATION

4.1. Implementation arrangements

4.1.1. A stand-alone project implementation unit (PIU) will be set up for the day-to-day management and coordination of the project. The PIU will be hosted within the Agency for the Promotion of Investments and Exports (APIEX) in the Ministry of Industry and Commerce and will comprise of full complement of essential experts.

The PIU Team will comprise of independently recruited staff consisting of a Project Coordinator, (who will double as the Policy and Economic Officer in charge of implementing all activities under component 1 of the Project); Procurement Officer, Financial Management Officer, Project Accountant, Gender/M&E Officer, Enterprise Development Officer, Environment and social safeguards Officer, and an Infrastructure Specialist. At the provincial level the project will be implemented by Provincial Directorate of Economic Activities that represents both the MIC and MADER at the provincial level. Representatives of the PIU namely the M&E Expert, Project Accountant, Infrastructure Specialist and Enterprise Development Officer will be based at the Province of Niassa. The Gender/M&E Officer will have a strong knowledge of agronomic activities.

4.1.2 The Project Coordinator (who will double as the Policy and Economic Officer in charge of implementing all activities under component 1 of the Project); the Procurement Officer, the Financial Management Officer and the Environment and Social Safeguards Specialist will be recruited under an advanced contracting on receipt of a letter of request from the Ministry of Finance to the Bank for these positions.

4.1.3. The project PIU will report to an Inter-Ministerial committee comprising of the Ministry of Agriculture and Rural Development (MADER) and the Ministry of Industry and Commerce (MIC). The Inter-Ministerial Committee will be chaired by the Ministry of Industry and Commerce (MIC) and deputy chaired by the Ministry of Agriculture and Rural Development and will include other agencies of government such as APIEX, IPME, SEJE, and ADIN. The PIU will report project activities on a Bi-Annual basis to the Joint Inter Ministerial Committee.

4.1.4. During the project implementation period, the project team will prepare and forward to the Bank, within 45 days of the end of each quarter, Quarterly Progress Reports highlighting the status of activities, disbursements made and anticipated, problems encountered, and solutions envisaged, as well as the schedule of activities for subsequent

quarters. The Bank will monitor the implementation of the project through reviews of key outputs of the project, Interim & Final Reports for studies and quarterly progress reports on the overall project. The Bank will equally conduct annual supervision of the project.

4.1.5. Financial and Disbursement Management:

A virtual Financial Management assessment of MIC was undertaken as the designated Executing Agency. The assessment was carried out in accordance with the Financial Management Policy of the African Development Group financed operations (2014), the Financial Management manual for Bank Group Public Sector Operations (2014), and Financial Management Implementation Guidelines for Bank Group Operations (2014). The objective of the assessment was to determine whether MIC has acceptable FM arrangements, capable of (i) correctly and completely recording all transactions and balances relating to the project; (ii) facilitating the preparation of regular, timely and reliable financial statements; (iii) safeguarding the project's assets; and (iv) can be subjected to auditing arrangements acceptable to the Bank. The project will rely on the existing system at MIC, through the PIU in the Department of Industry. The project will have two finance staff, a Financial Management Officer based at MIC and a Project Accountant based in Niassa province with other PIU staff. The Financial Management Officer will be responsible for the financial management activities of the project including preparation of quarterly and annual reports as well as the management of the external audit. The Project Accountant based in Niassa Province, will be responsible for the accounting functions at the province including ensuring that supporting documentation is obtained and accounting for the advances that they receive from HQ. The project will use the existing financial management system for projects under MIC, PRIMVERA, for the recording of transactions and production of the reports. A financial management manual is in place and this manual will be updated to include project specific issues including the accountability of any resources that are sent to the implementing in the province of Niassa and how the counterpart contribution in kind will be accounted for and what it will comprise. The internal audit of MIC will cover the project, the reports resulting from the audits will be shared with the Bank during supervisions and including in the annual audit done by an independent institution. All deficiencies identified by internal audits will be communicated in a timely manner to the overall project management for action.

4.1.6. The PIU will be responsible for ensuring compliance with the Bank's reporting requirements, regarding the submission of quarterly Interim Financial Reports (IFRs) of the Bank funding and Government contribution to the Bank not later than 45 days after the end of the respective quarter. The PIU will also be required to produce annual project financial statements for review by the External Auditor.

4.1.7. The assessment concluded that the systems in place meet the minimum requirements of the Bank and can be relied upon to record transactions for the project and produce financial management reports. The overall initial FM risk for the project is assessed as moderate. An action plan will be included in PAR Volume II, Technical Annex B4 to mitigate risks that were identified at appraisal.

4.1.8. Disbursement Arrangements: Disbursement of funds under the project shall be primarily by the Direct Payment method for the activities under the project. The PIU will be responsible for certification of invoices submitted and preparation of disbursement

application which will be reviewed and signed off by Government designated staff and submitted to the Bank for payment. The Special Account method to be managed by the PIU will be limited to financing the smaller and recurring operating expenses. A Special Account denominated in USD (to be opened at the Central Bank of Mozambique) and an associated local currency project account denominated in MZN (to be opened at a Commercial Bank acceptable to the Bank) will be opened for the project. The Reimbursement Method will also be available to support the proposed advance procurement. All disbursements will be made in accordance with the Bank's rules and procedures as laid out in the Disbursement handbook as applicable. In addition, the Bank will issue a Disbursement Letter of which the content will be discussed and agreed during negotiation.

4.1.9. External Audit: MIC's financial statements are audited annually by the *Tribunal Administrative* (TA). However, due to constraints at the TA, the project will be subjected to audit by a private auditor in accordance with Bank's approved Terms of Reference (including procurement of BPS transactions & financial audit). The audit reports (including management letter) will be submitted to the Bank within six months after the end of the respective period covered by the audit with costs of the audit borne by the project.

4.1.10. Procurement Arrangement: All Procurement of goods, works and the acquisition of consulting services, financed by the Bank for the project will be carried out in accordance with the "Procurement Policy and Methodology for Bank Group Funded Operations" (BPM) dated 2015 and following the provisions stated in the Financing Agreement. Specifically, Procurement would be carried out under the following:

- **BPS – Borrower Procurement System:** Specific Procurement Methods and Procedures (PMPs) under BPS comprising its Laws and Regulations, namely Decreto 5/2016 de 8 de Março – Regulamento de Contratação de Empreitadas de Obras Públicas, Fornecimento de Bens, e Prestação de Serviços ao Estado (Regulations for Contracting of Public Works, Supply of Goods and Consultancy & Non-Consultancy Services to the State), using the national Standard Solicitation Documents (SSDs) or other Solicitation Documents agreed during project negotiations" for various group of transactions to be entailed under the project.

Bank PMPs: Bank standard PMPs, using the relevant Bank Standard or Model SDs, for contracts that are either: (i) above the thresholds indicated in Annex B5, Para. B.5.3;2, or (ii) in case BPS is not relied upon for a specific transaction or group of transactions; and (iii) in case BPM have been found to be the best fit for purpose for a specific transaction or group of transactions.

4.1.11. Procurement Risks and Capacity Development: Country, Sector, Executing Agency (EA), and Project procurement risk assessments were undertaken for the project and the output have informed the decisions on the procurement regimes (BPS, Bank or Third party) and the PMPs being used for specific transactions or groups of similar transactions under the project. The appropriate mitigation measures and costs have been included in the procurement capacity development action plan (CDAP) under the project.

4.2. Monitoring

The project is scheduled for implementation over a 60-month period, from January 2022 to December 2026. The PIU will be responsible for project monitoring and evaluation, using the Project Result Monitoring Framework and the project result based logical framework. The PIU will include a Gender/Monitoring & Evaluation staff. Baselines will be established for all project indicators at the inception of project implementation in Niassa Province. The periodic performance assessment and result reporting will be carried out by the Executing Agency, in collaboration with the beneficiary stakeholders. A consolidated quarterly and annual activity reports will also be prepared and submitted to the Bank by the MIC. The Bank will carry out a rigorous monitoring and supervision mission at least twice a year, to the extent possible on the project. The Mozambique Country Office will play an active role in the coordination, country dialogue, and project supervision and monitoring. A project completion evaluation will be conducted to evaluate progress against outputs and outcomes and draw lessons for possible follow-up operation. Table below presents the project implementation monitoring key milestones and timeframe.

Timeframe	Milestone	Monitoring process/feedback loop
Q1 - 2022	Project Launch	Supervision and Progress Report
Q2 2022	Design Review & Tendering for Works & Services	Procurement Plan/Progress Report
Q2 -2022	Procurement of Works, Goods and Services	Procurement Plan/Progress Report
Q3 - 2023	Procurement of Civil Works Completed	Procurement Plan/Progress Report
Q3 - 2024	50% of Civil Works completed	Midterm Review & Progress Report
Mar 2027	Project Close	Supervision/Progress Report
Q3 - 2027	Program Completion (AfDB)	Program Completion Report

4.3. Governance

4.3.1 The GoM through the Inter-ministerial Coordination Team leads the governance of the first phase of the Pemba-Lichinga Integrated Development Corridor Special Agro-Industrial Processing Zone (SAPZ) Project in Mozambique. The Coordination Team provides overall strategic direction, decides on major issues and guides policy matters. The Coordination Team is composed of senior officials from the Ministry of Industry and Commerce (MIC), the Ministry of Agriculture and Rural Development (MADER), and other agencies of government such as APIEX, IPEME, SEJE, and ADIN and the Directorate of Economic Activities of the Niassa Province. The PIU will report project activities on a Bi-Annual basis to the joint Inter Ministerial Coordination Team. The Inter-Ministerial Coordination Team will report on project status to the Ministers of Finance, Agriculture and Industry and Commerce.

4.4. Sustainability

The proposed project is part of the Government plans for a roll out of the development of Pemba Lichinga Integrated Agro Industrial Development Corridor. It also falls into one of the six Agricultural Growth Corridors identified by the Government of Mozambique for further development. Thirdly, the project is guided significantly by the goals and objectives of the PRONAI Initiative launched by the GOM in August 2021. There is therefore national ownership of the activities of the project from the onset. The selected components of the projects are demand driven, in that the elements were selected through a participatory

approach in which the critical gaps and needs at the national level were identified and prioritized during the project preparation and appraisal phases. The GoM already understands that it urgently needs to activate a robust private sector to ramp up investments in the country and provide sustainable employment to its large youth population. The development of SAPZ is a good opportunity to boost job creation at both the Agri Hub and along the identified agriculture value chains. The GoM's deliberate effort in providing an enabling environment through the basic infrastructure in and around Niassa Province SAPZ as an enabler for private sector investments is a good indicator that there is political will to develop the agro-processing sector. The presence of the private sector investors will improve the lives of the people around the park, create diversified employment and contribute to further sustainable economic development in Niassa Province.

4.5. Risk management: (See Annex IV)

4.6. Knowledge building (See Annex V)

V – LEGAL INSTRUMENTS AND AUTHORITY

5.1. Legal instrument

The financing to be used for this project shall be (i) a grant of UA 15 Million from the resources of TSF Supplemental Support Funding (Pillar I) window, which will be governed by a Protocol of Agreement to be executed between Republic of Mozambique (the “Recipient”) and the African Development Bank (the “Bank”), and the African Development Fund (the “Fund”) (the Bank and the Fund collectively referred to as the “Fund”) as Administrators of the Transition Support Facility (the “TSF”) on the other hand, and (ii) a grant of UA 15 million of the ADF performance-based allocation, to be governed by the Grant Protocol of Agreement between the Fund and the Republic of Mozambique.

5.2. Conditions associated with Bank's intervention

5.2.1 The Bank's intervention shall be subject to fulfilment of the following conditions.

A. Conditions precedent to entry into force of the Protocols of Agreement.

5.2.2 The Protocols of Agreement shall enter into force upon signature by the Recipient and the Bank in accordance with Section 10.01 of the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund.

B. Conditions precedent to first disbursement

5.2.3 The first disbursement of the Grant under each of the Protocols of Agreement shall be subject to, in addition to entry into force as described in paragraph 5.2.2 above, the fulfilment of the following condition:

B1 Submission of evidence confirming the recruitment of key Project management staff namely the (i) Project Coordinator (who will double as the Policy and Economic Officer in charge of implementing all activities under component 1 of the Project); (ii)

Procurement Officer, (iii) Financial Management Officer (iv) Environment and Social Safeguards Specialist.

c. *Other Conditions:* The Recipient shall, within six months from the Date of the Agreement:

- (a) submit evidence to the Fund confirming the development and implementation of a project implementation manual, to guide Project operation and implementation.
- (b) recruit (i) a Project Accountant, (ii) an Infrastructure Officer, (iii) a Gender/Monitoring and Evaluation Officer, and (iv) an Enterprise Development Officer, with qualifications and terms of reference acceptable to the Fund for the Project Implementation Unit; and
- (c) appoint an external auditor.

Conditions Precedent to Disbursements for Works

The obligation of the Fund to disburse the Grant under each of the Protocols of Agreement for works in a given lot that involves the use of an ESMF shall be subject to the satisfaction of the following condition(s) by the Recipient:

- (a) Submission of the site-specific Environmental and Social Impact Assessment (“ESIA”)/Environmental and Social Management Plan (“ESMP”) for each lot of works, prepared in accordance with the ESMF and the Fund’s Safeguards Policies, in form and substance satisfactory to the Fund.
- (b) Submission of the evidence of approval of the site-specific ESIA, ESMP by the applicable national authority.

Undertakings: The Recipient under the Protocols of Agreement shall, and shall cause the Executing Agency, all its contractors, sub-contractors, and agents to:

- carry out the Project in accordance with the site-specific ESMP and the Fund’s Safeguards Policies and the applicable national legislation in a manner and in substance satisfactory to the Fund
- prepare and submit to the Fund, as part of the Project Report, quarterly reports on the implementation of the site-specific ESMP including any deficiencies identified and the corrective measures thereto; and
- refrain from taking any action which would prevent or interfere with the implementation of the site-specific ESMP, including any amendment, suspension, waiver, and/or avoidance of any provision thereof, whether in whole or in part, without the prior written concurrence of the Fund.

5.3. Compliance with Bank Policies

This project complies with all applicable Bank policies.

VI – RECOMMENDATION

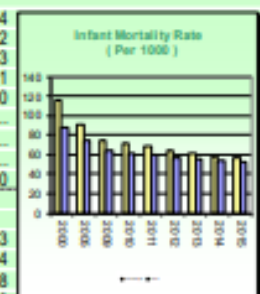
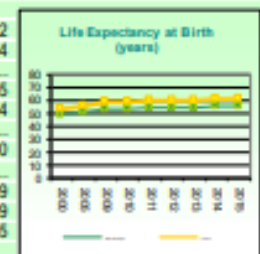
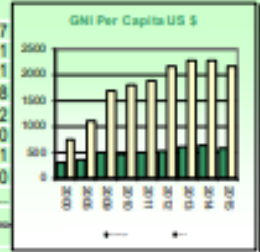
Bank Management recommends that the Board of Directors of the Fund approve the proposal for a grant to the Government of Mozambique, broken down as follows: (i) UA 15 million from the resources of TSF Supplemental Support Funding (Pillar I) window; and (ii) UA 10 million on the performance-based allocation for the year 2021; and UA 5

million (19%) frontloaded from the performance-based allocation for the year 2022 for the purpose and under the conditions set forth in this report.

Lastly, management recommends that the Board authorizes ADF funds be utilized to cover VAT and other taxes and waive the Government contribution to this Project, as detailed in Annex VII to this report and in line with the Bank policy on eligible expenditures.

Annex I: Comparative Social Economic Indicators, Mozambique

	Year	Mozambique	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km²)	2016	799	30,067	97,418	36,907
Total Population (millions)	2016	28.8	1,214.4	6,159.6	1,187.1
Urban Population (% of Total)	2016	31.4	40.1	48.7	81.1
Population Density (per Km²)	2016	36.6	41.3	65.1	33.8
GNI per Capita (US \$)	2015	580	2 153	4 509	41 932
Labor Force Participation *- Total (%)	2016	79.1	65.7	63.5	60.0
Labor Force Participation **- Female (%)	2016	82.3	55.7	48.9	52.1
Sex Ratio (per 100 female)	2016	95.7	100.1	106.0	105.0
Human Develop. Index (Rank among 187 countries)	2015	181	---	---	---
Popul. Living Below \$ 1.90 a Day (% of Population)	2008	68.7	---	21.1	---
Demographic Indicators					
Population Growth Rate - Total (%)	2016	2.8	2.5	1.3	0.6
Population Growth Rate - Urban (%)	2016	3.4	3.6	2.4	0.8
Population < 15 years (%)	2016	45.1	40.9	27.9	16.8
Population 15-34 years (%)	2016	20.1	19.3	16.9	12.1
Population >= 65 years (%)	2016	3.4	3.5	6.6	17.2
Dependency Ratio (%)	2016	94.2	79.9	54.3	52.0
Female Population 15-49 years (% of total population)	2016	23.1	24.0	25.7	22.8
Life Expectancy at Birth - Total (years)	2016	55.8	61.5	69.9	80.8
Life Expectancy at Birth - Female (years)	2016	57.0	63.0	72.0	83.5
Crude Birth Rate (per 1,000)	2016	38.4	34.4	20.7	10.9
Crude Death Rate (per 1,000)	2016	11.0	9.1	7.6	8.6
Infant Mortality Rate (per 1,000)	2015	56.7	52.2	34.6	4.6
Child Mortality Rate (per 1,000)	2015	78.5	75.5	46.4	5.5
Total Fertility Rate (per woman)	2016	5.2	4.5	2.6	1.7
Maternal Mortality Rate (per 100,000)	2015	489.0	476.0	237.0	10.0
Women Using Contraception (%)	2016	18.7	31.0	62.2	---
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2005-2015	5.5	41.6	125.7	292.2
Nurses and midwives (per 100,000 people)	2005-2015	40.1	120.9	220.0	859.4
Births attended by Trained Health Personnel (%)	2010-2015	54.3	53.2	69.1	---
Access to Safe Water (% of Population)	2015	51.1	71.6	89.4	99.5
Access to Sanitation (% of Population)	2015	20.5	39.4	61.5	99.4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2015	10.5	3.4	---	---
Incidence of Tuberculosis (per 100,000)	2015	551.0	240.6	166.0	12.0
Child Immunization Against Tuberculosis (%)	2015	95.0	81.8	---	---
Child Immunization Against Measles (%)	2015	85.0	75.7	83.9	93.9
Underweight Children (% of children under 5 years)	2010-2015	15.6	18.1	15.3	0.9
Prevalence of stunting	2010-2014	43.1	33.3	25.0	2.5
Prevalence of undernourishment (% of pop.)	2015-2016	25.3	16.2	12.7	---
Public Expenditure on Health (as % of GDP)	2014	3.9	2.6	3.0	7.7
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2016	105.8	101.2	104.9	102.4
Primary School - Female	2010-2016	101.2	98.4	104.4	102.2
Secondary School - Total	2010-2016	32.4	52.6	71.1	106.3
Secondary School - Female	2010-2016	31.1	50.2	70.5	106.1
Primary School Female Teaching Staff (% of Total)	2010-2016	43.1	47.1	59.8	81.0
Adult Literacy Rate - Total (%)	2010-2015	58.8	66.8	82.3	---
Adult Literacy Rate - Male (%)	2010-2015	73.4	74.3	87.1	---
Adult Literacy Rate - Female (%)	2010-2015	45.5	59.4	77.6	---
Percentage of GDP Spent on Education	2010-2015	6.5	5.0	4.0	5.0
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2014	7.2	8.7	11.2	10.3
Agricultural Land (as % of land area)	2014	63.5	41.7	37.9	36.4
Forest (As % of Land Area)	2014	48.5	23.2	31.4	28.8
Per Capita CO2 Emissions (metric tons)	2014	0.2	1.1	3.5	11.0



Sources : AIDB Statistics Department Databases; World Bank: World Development Indicators;

last update :

June 2017

UNAIDS; UNSD; WHO; UNICEF; UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)

** Labor force participation rate, female (% of female population ages 15+)

Annex II: Bank Group's Portfolio of Approved and Ongoing Operations

#	Sector	Project code	Loan number	Project name	Sou	Fin. Inst.	Division	Sector	App. Date	Sig. Date	Entry Into Force Date	Eff. for 1st Disb. Date	Last Disb. Date	Final Disb. Date	Disb. (MUA)	Disb. Ratio	Com Ratio	Age(yrs)	Status
1	Agriculture	P-MZ-AA0-031	2100150039194	Ppf-Value Chain And Market Development Program Along Pemba_L	ADF	Loan	RDGS2	Agriculture	06/12/2017	25/05/2018	25/05/2018	25/05/2018	21/10/2020	30/06/2021	1	71.3%	87%	3.4	OnGo
2	Agriculture	P-MZ-AA0-033	2100155036468	Drought Recovery And Agriculture Resilience Project	ADF	Grant	RDGS2	Agriculture	18/01/2018	21/02/2018	21/04/2018	05/06/2018	27/04/2021	30/06/2023	9	91.6%	88%	3.3	OnGo
3	Agriculture	P-MZ-AA0-034	2100155037718	Agricultural Value Chain And Youth Empowerment Project	ADF	Grant	RDGS2	Agriculture	20/07/2018	01/10/2018	01/10/2018	01/10/2018	19/04/2021	31/12/2023	2	19.6%	51%	2.8	OnGo
4	Agriculture	P-MZ-AZ0-003	2100150027693	Baixo Limpopo Irrigation & Climate Resilience Project	ADF	Loan	RDGS2	Agriculture	26/09/2012	08/11/2012	03/04/2013	20/06/2013	14/04/2021	30/06/2022	16	94.1%	83%	8.6	OnGo
5	Agriculture	P-MZ-AZ0-003	5565155000051	Baixo Limpopo Irrigation & Climate Resilience Project	SCF	Grant	RDGS2	Agriculture	26/09/2012	08/11/2012	08/12/2012	20/06/2013	26/04/2021	30/06/2022	1	75.6%	98%	8.6	OnGo
6	Agriculture	P-MZ-AZ0-003	5565130000001	Baixo Limpopo Irrigation & Climate Resilience Project	SCF	Loan	RDGS2	Agriculture	26/09/2012	08/11/2012	03/04/2013	20/06/2013	29/09/2020	30/06/2022	7	75.0%	88%	8.6	OnGo
7	Transport	P-MZ-D00-007	2100155033673	Mueda - Negomano Road Project Phase I	ADF	Grant	RDGS1	Transport	09/12/2016	02/02/2017	02/02/2017	11/11/2017	03/05/2019	31/12/2022	0	0.3%	22%	4.4	OnGo
8	Transport	P-MZ-D00-007	2100150036499	Mueda - Negomano Road Project Phase I	ADF	Loan	RDGS1	Transport	09/12/2016	02/02/2017	30/08/2017	11/11/2017	23/04/2021	31/12/2022	11	20.6%	54%	4.4	OnGo
9	Transport	P-MZ-DB0-012	2100150028343	Nacala Transport Corridor Phase-Iii	ADF	Loan	RDGS1	Transport	05/12/2012	15/03/2013	29/11/2013	10/04/2014	08/04/2021	31/12/2022	29	74.7%	79%	8.4	OnGo
10	Transport	P-MZ-DB0-012	2100155024216	Nacala Transport Corridor Phase-Iii	ADF	Grant	RDGS1	Transport	05/12/2012	15/03/2013	15/03/2013	10/04/2014	28/11/2016	31/12/2022	0	100.0%	100%	8.4	OnGo
11	Water Sup/Sanit	P-MZ-EAZ-003	5600155004651	Urban Sanitation, Drainage And Solid Waste Management In Chi	AWF	Grant	RDGS4	Water Sup/Sanit	14/07/2016	27/01/2017	27/01/2017	01/02/2018	13/01/2021	31/12/2021	1	61.9%	73%	4.8	OnGo
12	Power	P-MZ-FD0-003	2000130021093	Mozambique Lng Area 1	ADB	Loan	PITD4	Power	21/11/2019	11/06/2020	11/06/2020	23/03/2021	---	15/03/2025	0	0.0%	0%	1.4	APVD
13	Finance	P-MZ-HAB-001	2000130013582	Africa Sme Program Loc - Mozabanco S.A Mozambique	ADB	Loan	PIFD	Finance	11/04/2014	14/11/2014	14/11/2014	10/04/2015	31/05/2016	30/05/2016	6	100.0%	0%	7	OnGo
14	Finance	P-MZ-HAB-004	2000130020680	Line Of Credit Banco Comercial E De Investimentos S.A. Mozam	ADB	Loan	PIFD1	Finance	15/07/2019	---	---	---	---	---	0	0.0%	0%	1.8	APVD
15	Finance	P-MZ-HAB-004	5060140000551	Line Of Credit Banco Comercial E De Investimentos S.A. Mozam	PSF	Loan	PIFD1	Finance	13/11/2019	---	---	---	---	---	0	0.0%	0%	1.4	APVD

1 6	Social	P-MZ-100-002	2100155036425	Unilurio--Support To Skills Development For Agriculture And I	ADF	Grant	RDGS2	Social	16/01/2018	21/02/2018	21/02/2018	21/02/2018	26/04/2021	31/08/2023	2	17.9%	36%	3.3	OnGo
1 7	Social	P-MZ-IZ0-002	2100150030643	Consolidation Women's Entrepreneurship	ADF	Loan	RDGS2	Social	18/12/2013	25/03/2014	05/12/2014	30/09/2015	27/11/2018	30/12/2021	1	86.2%	100%	7.4	OnGo
1 8	Social	P-MZ-IZ0-002	2100155026666	Consolidation Women's Entrepreneurship	ADF	Grant	RDGS2	Social	18/12/2013	25/03/2014	22/04/2014	08/08/2014	30/03/2021	31/12/2021	2	80.6%	70%	7.4	OnGo
1 9	Social	P-MZ-IZ0-003	2100155032268	Job Creation And Livelihood Improvement Project	ADF	Grant	RDGS2	Social	18/05/2016	17/06/2016	17/06/2016	17/06/2016	12/04/2021	30/06/2023	2	32.7%	44%	4.9	OnGo
2 0	Multi-Sector	P-MZ-K00-012	2100155040738	Multi-Country Covid-19 Response Support Program For Mozambiq	ADF	Grant	ECGF	Multi-Sector	22/07/2020	28/07/2020	28/07/2020	06/08/2020	21/08/2020	30/04/2021	15	100.0%	0%	0.8	APVD
2 1	Multi-Sector	P-MZ-K00-012	5900155016266	Multi-Country Covid-19 Response Support Program For Mozambiq	TSF	Grant	ECGF	Multi-Sector	22/07/2020	28/07/2020	28/07/2020	06/08/2020	03/09/2020	30/06/2021	15	100.0%	0%	0.8	APVD
2 2	Multi-Sector	P-MZ-KB0-001	5700155002751	Nacala Corridor Business Linkages Ta Project	FAP A	Grant	RDGS2	Multi-Sector	14/06/2017	14/09/2017	27/11/2017	08/02/2018	23/02/2021	30/12/2021	1	73.3%	67%	3.9	OnGo
2 3	Transport	P-Z1-DB0-039	2100150020398	Multi-Nacala Corridor Project (Mozambique)	ADF	Loan	RDGS1	Transport	24/06/2009	23/10/2009	24/02/2010	20/07/2011	22/04/2021	30/10/2021	83	81.0%	76%	11.8	OnGo
2 4	Power	P-Z1-FA0-073	2100150030595	Enabling Large Scale Gas & Pwr Investmnt	ADF	Loan	RDGS1	Power	18/12/2013	25/03/2014	03/02/2015	03/02/2015	23/04/2021	30/06/2022	5	54.1%	63%	7.4	OnGo
2 5	Agriculture	P-Z1-AZ0-014	5900155015802	Post Cyclone Idai Emergency Recovery And Resilience Programm	TSF	Grant	RDGS4	Agriculture	05/06/2019	20/08/2019	20/08/2019	20/08/2019	25/03/2021	30/12/2023	1	10.4%	21%	1.9	OnGo
2 6	Agriculture	P-Z1-AZ0-014	2100155040216	Post Cyclone Idai Emergency Recovery And Resilience Programm	ADF	Grant	RDGS4	Agriculture	05/06/2019	20/08/2019	20/08/2019	20/08/2019	23/02/2021	31/12/2023	5	26.6%	33%	1.9	OnGo
2 7	Agriculture	P-Z1-AZ0-014	5900155015801	Post Cyclone Idai Emergency Recovery And Resilience Programm	TSF	Grant	RDGS4	Agriculture	05/06/2019	20/08/2019	20/08/2019	20/08/2019	26/11/2020	31/12/2023	0	0.9%	21%	1.9	OnGo
2 8	Transport	P-Z1-DB0-039	5110155000758	Multi-Nacala Corridor Project (Mozambique)		Grant	RDGS1	Transport	28/11/2019	---	---	---	---	---	0	0.0%	0%	1.4	OnGo
2 9	Transport	P-Z1-DB0-039	6550655000451	Multi-Nacala Corridor Project (Mozambique)		Loan	RDGS1	Transport	10/03/2010	10/03/2010	06/07/2010	20/07/2011	---	06/07/2016	0	0.0%	100%	11.1	OnGo
3 0	Transport	P-Z1-DB0-222	5900155016172	Mueda-Negomano Phase Ii (Lot A)	TSF	Grant	RDGS1	Transport	25/11/2019	24/02/2020	24/02/2020	30/10/2020	---	31/12/2023	0	0.0%	0%	1.4	OnGo
3 1	Transport	P-Z1-DB0-222	2100155040649	Mueda-Negomano Phase Ii (Lot A)	ADF	Grant	RDGS1	Transport	25/11/2019	24/02/2020	24/02/2020	30/10/2020	27/04/2021	31/12/2023	0	0.4%	0%	1.4	OnGo
3 2	Power	P-Z1-FA0-164	2100155040366	Temane Transmission Project (Ttp)	AD F	Grant	RDGS1	Power	19/07/2019	29/08/2019	29/08/2019	17/08/2020	06/11/2020	31/12/2023	0	0.2%	0%	1.8	APVD

Annex III. M&E arrangements

A. Alignment indicators									
Indicator name	Definition/ description	Source	Baseline and targets (where possible)						
Increased share of market value for key processed commodities (%)	Value of agro processed commodities divided by total agro commodities x 100	National Statistics	Baseline (2021): Target (2026):						
Youth unemployment rate (%),	# of Youth (15 – 35) unemployed divided by total # of youth x 100	National Statistics	Baseline (2021): 10.0% Target (2026):9.0%						
Enrolment in technical/vocational training (#)	Total # of Students enrolled in TVET institutions	National Statistics	Baseline (2019): 112,300 Target (2026):120,000						
B. Outcome and output indicators (<i>performance indicators</i>)									
Indicator name	Definition/ description	Methodology for collection	Responsibility for collection	Frequency of reporting	Results planning				
					2022	2023	2024	2025	2026
OUTCOME INDICATOR 1.1 Number of new business registered	Measure of Number of new business	Project Progress reports and implementation documents/MIC database	MIC/DPAE	Quarterly/ Annual	0	5	15	25	50
OUTCOME INDICATOR 2.2. Total number of jobs created (disaggregated by age group and gender) (30% indirect jobs)	Measure of direct and indirect jobs created by age group and gender	Project Progress reports and implementation documents/surveys	MIC/DPAE	Quarterly/ Annual	0	3 000	6 000	15 000	30 000
OUTCOME INDICATOR 2.1. Total value of new investments (US\$ million)	Measure of Value of new investment	Project Progress reports and implementation documents// MIC database	MIC/DPAE	Quarterly/ Annual	0	10	50	75	100
OUTCOME INDICATOR 3.1. Cereal (Crop) Yield	Measure of Crop Yield (tons)	Project Progress reports and implementation documents/surveys	MIC/DPAE	Quarterly/ Annual	1	3	4	5	6
OUTCOME INDICATOR 3.2 Number of cooperatives/Out Grower groups linked to the SAPZ/RTCs (disaggregated by 60% Youth led, 50% Woman led)	Measure of number supplied (disaggregated by age and gender)	Project Progress reports and implementation documents/ MIC database	MIC/DPAE	Quarterly/ Annual	0	50	100	150	200
OUTCOME INDICATOR 3.3 Number of (TVET – trained) students who either become employed or self-employed in agro value chains or in agro industries- disaggregated by gender	Measure of agripreneurs capacity building by gender	Project Progress reports and implementation documents/ surveys	MIC/DPAE	Quarterly/ Annual	0	100	200	300	400

B. Outcome and output indicators (<i>performance indicators</i>)									
Indicator name	Definition/ description	Methodology for collection	Responsibility for collection	Frequency of reporting	Results planning				
					2022	2023	2024	2025	2026
OUTPUT 1.1: Capacities for Agro industrial development improved									
1.1.1 Number of relevant public institutions supported with Technical Assistance	Measure of number of Public Institutions	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	1	2	3	4	4
1.1.2 Number of staff trained in the relevant institutions	Measure of number of staff in Institutions disaggregated by gender (at least 50% women)	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	10	20	30	40	50
1.1.3 Number of policy/regulation and business reforms supported	Measure of number of policies & regulations	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	1	2	3	4	5
1.1.4. Number of market sounding/Branding/investment promotion events hosted and Mozambique Commodity Exchange	Measure of IP events	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	1	2	3	4	5
1.1.5 Number of Auctions carried out by Mozambique Commodity Exchange	Measure of number of Auctions	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	3	5	10	15	20
OUTPUT 1.2: External Connectivity Infrastructure to the Agri Hub Developed									
1.2.1 Kms of external (approach) climate-resilient road constructed	Km of road infrastructure	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	0	0	17	-
OUTPUT 2.1: Resilient Rural Infrastructure provided and operational									
2.1.1 Number of ATCs constructed and equipped	Measure of ATCs	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	1	1	2	-
2.1.2 Number of feed mills rehabilitated (for poultry feeds)	Measure of Feed mills	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	1	1	1	-
2.1.3 Number of climate-resilient Aggregation Centers constructed and equipped	Measure of Aggregation Centers	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	2	2	2	2

2.1.4 Number of slaughterhouses rehabilitated	Measure of Slaughterhouses	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	0	1	1	-
2.1.5 Number of Small irrigation schemes Rehabilitated	Measure of small irrigation schemes	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	1	2	3	2
2.1.6 KM of feeder roads rehabilitated.	Measure of Feeder roads	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	10	10	15	15
OUTPUT 2.2: Agricultural Productivity and Farmer Coordination Strengthened									
2.2.1 Number of Farmers Groups/cooperatives supported with improved inputs (improved seeds rice, maize, and beans)	Measure of number of Farmer Groups (disaggregated by crop type or commodity)	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	50	100	150	200
2.2.2: Volume of improved inputs provided to farmers (fertilizer, seeds, agro-chemicals, irrigation kits) disaggregated by commodity & type.	Measure of volume of improved inputs (tons; disaggregated by type of input)	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	500	1000	2000	3000	4000
2.2.3: Value of improved inputs supplied to farmers/outgrowers (disaggregated by type in USD)	Measure of agri inputs supplied (disaggregated by type in USD)	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	\$5 million	\$10 million	\$15 million	\$18 million
2.2.4. Number of IDPs provided with improved inputs	Measure of Number of IDPs (disaggregated by gender)	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	50	100	200	300	400
2.2.5. Number of Farmers documented on the IT based platform	Measure of number of Farmer (disaggregated by gender)	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	2500	5000	7500	10,000
2.2.6 Number of farmers cooperatives, outgrowers documented on the IT based Platform	Measure of Farmer cooperative groups/Outgrowers registered on the IT platform	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	50	100	150	200
OUTPUT 2.3: Capacities and skills for agribusiness Improved									
2.3.1 Number of MSMES supported with Finance	Measure of MSMEs (disaggregated by size)	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	50	100	200	150

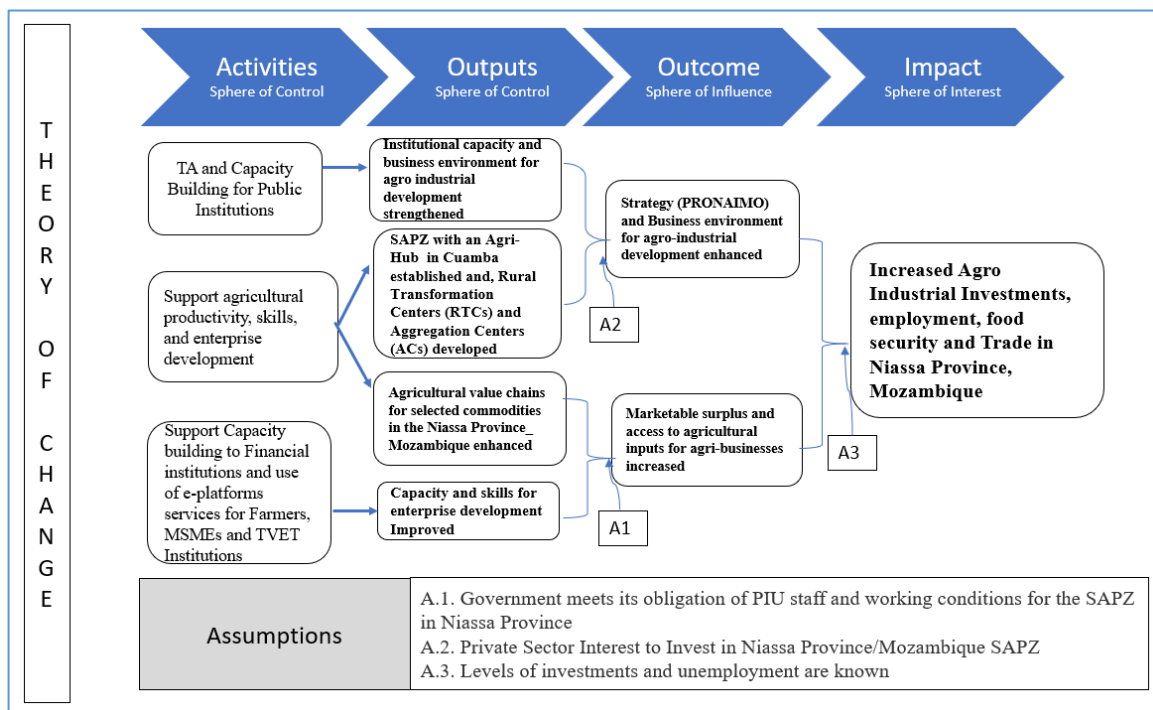
2.3.2. Value of credit provided to MSME agro enterprises	Measure of value (USD) disaggregated by size)	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	50,000	100,000	200,000	150,000
2.3.3 Number of students trained in climate-smart agro-industry related skills	Number of Students trained (disaggregated – 50% women, 60% youth)	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	100	100	100	100
2.3.3 Number of TVET institutions/community colleges supported	Number of Institutions supported with teaching aid equipment for processing	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	0	1	2	2	2
OUTPUT 3.1: PIU staffed and equipped (PDU)									
3.1.1 Disbursement rate on Bank's managed resources (%)	Measure of funds disbursed	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	20	40	60	80	100
3.1.2 Number of implementation Progress reports prepared	Measure of implementation progress	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	4	4	4	4	4
3.1.3 Number of audit reports prepared and validated	Measure of audits performed	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	1	1	1	1	1
3.1.4 Number of gender mainstreaming audit reports	Measure of audits performed	Project Progress reports and implementation documents	MIC/DPAE	Quarterly/ Annual	1	1	1	1	1

Annex IV: Risk Management

Risk Analysis Matrix				
Risk Category	RISK DESCRIPTION	RATING	MITIGATION MEASURE	RISK OWNER
Country's Political and Governance Context	Loss of interest in the project due to a change in Government. The head of state in Mozambique is elected to a five-year term and the project timeline exceeds 2024 when the next election is expected	Low	The Government has been consistent and focused with its goal to attract private sector investments into the country and in all economic sectors including agriculture, industry, energy, and mining. The Bank will continue to dialogue with the government despite the anticipated change in government leadership.	MIC
Sector Strategies and Policies	The Government changes policy focus that will make the SEZ/SAPZ to function at sub optimal level	Low	The Government has just launched the PRONAIM Strategy, and the Project is the first initiative to test this Strategy. To mitigate this risk, the Project will undertake a market sounding and branding exercise with the private sector very early at project implementation and investment promotion events subsequently. The Bank and other donors will continue to dialogue with the Government on continued reforms to improve business climate.	MIC
Capacity of Implementing Entity	Implementation coordination risks	Low	This is a critical objective of PRONAIM. The MIC and its Agencies have a performance track record in the implementation of previous Bank-financed projects. However, there will be close monitoring of the Project and supervision of PIU by the Bank.	MIC /AfDB
Other	Lack of interest of agro companies in internship programmes	Low	The project will actively support private sector mobilisation for skills development; and the signing of MoUs with Provincial TVET Bureaus to operationalize internship, dual training and mainstreaming of the new agro-processing training curriculum	MIC

Annex V: Theory of Change

This project is underpinned by a Theory of Change (ToC) that is informed by robust evidence. The Project target is to establish sustainable agro-processing industries but at this phase, the project will support activities that will improve the volumes of produce at the farm level that will be available for industry. The ToC is based on the fundamental logic that improving agricultural productivity for selected agricultural commodities in the Niassa Province will lead to a commensurate increase in the marketable surplus that will meet the demand required by private sector processing factories. The strategic thrust of the project is a game changer as it emphasizes the connection between private sector and SMEs by linking them through production and consistent supply of agricultural commodities matched by demand for raw material in processing factories thus reducing rural unemployment and providing sustained farmer incomes. The Project establishes strong links between institutional capacity building, including skills for entrepreneurship and agro industrial development. This is expected to be achieved by improving the business environment for industrialization, improved productivity, and value-chain development. Under the assumptions that the agro-industrial sector will be expanding enough to create jobs and adequate complementary investments are made in the agricultural sector of the economy, the ToC considers that the supply of quality and relevant TVET and digital skills will improve employability, promote job-creating growth, and contribute to improved quality of life of the people in Niassa Province.



Annex VI: Knowledge building

Knowledge building: The multisectoral character of this project, from design to implementation, including the programmatic support to both agro-industrial infrastructure and the enabling environment for sustainable agro-industrialisation, through value chain capacity and entrepreneurship development, is a source of useful knowledge for the Bank. The project's preparation was an example of collaboration between the sector departments of the Bank (AHFR, AHHD, AHGC, SNSC,), the regional department (RDGS) and the country office (COMZ). The project is designed as a combination of two AfDB flagship programmes: (i) the Special Agro Industrial Processing Zones flagship program of the Feed Africa Strategy; and (ii) the Skills Enhancement Zone of the Jobs for Youth Strategy. The Project will have inbuilt data collection and monitoring component to be implemented by the Monitoring and Evaluation Officer. Baseline studies will be undertaken as part of the Project. The information in these studies and the lessons learned will guide project implementation and the impact study at Project completion will be available for use in future projects. This will provide additional project knowledge that could be replicated in other African countries who face similar situation as Mozambique: huge reservoir of workforce in agriculture, low agricultural productivity, and who considers agro-industrialisation as a priority for economic transformation. Furthermore, the project will fund various knowledge work and policy tools (regional skills gap and roadmaps for agro-industrial skills development, responsive value chain development, Monitoring/Evaluation systems to capture job created through the project) that will guide future interventions from the Government and other development partners as the project is rolled-out in Mozambique. Information on this project will be available to the public through the Bank's communication channels.

Annex VII: Justification for 100% projects' cost financing including VAT

Context: The Government of Mozambique (GoM) has submitted a request to the Bank Group to finance 100% of the projects' costs, including VAT and duties, initially for new projects approved in 2017 and 2018. A second request was submitted in October 2020 to include 2021 and 2022 approved projects. This would bring the practice of the Bank in line with other development partners such as the World Bank and address some emerging project implementation issues. The Policy on expenditure eligible for Bank financing⁶ (2008) allows the Bank Group to waive the principle that its projects are exempt from duties and taxes on a case-by-case basis, in cases where (para 3.2.2 of the mentioned policy):

(i) the country's tax system has a reasonable level of tax and duty rates; and (ii) the taxes and duties do not constitute a significant proportion of project costs or are not specifically directed at Bank-financed projects, activities, or expenses.

This annex considers the justification to accede to this request on grounds of improved project implementation during a period of tight fiscal space and shrinking departmental budgets.

The fiscal context: Mozambique has made progress in restoring macroeconomic stability, but challenges remain. Mozambique has grown on average 3.3% a year from 2016-2019, below the historic 7% average from 2004-2015. In 2020, economic performance was drastically impacted by the COVID-19 social, economic and health crisis, which led to a 1.3% GDP contraction in 2020. Before COVID-19, Mozambique was just recovering from the series of financial shocks it was submitted in 2015-16, which included the disclosure of "hidden debts" (that was followed by the suspension of the IMF's programme and donors' budget support operations⁷), and the impact of cyclones IDAI and Kenneth in 2019, which caused damages equal to around a fifth of GDP. Further pressures are expected to impact the economic and fiscal scenarios, such as the prolongation of the COVID-19 pandemic and the increasing nature of the conflicts in the North of the country that may not only increase budget military and humanitarian expenditure needs, but also postpone the start-up of the natural-resources based mega-projects and its revenues.

The GoM has taken measures in consolidating the fiscal situation, bringing more transparency to its budget and financial discipline into management of State-Owned Enterprises. It reached a restructuring agreement with bond-holders and also filed a fraud claim in the U.K., disputing the validity of two of the "hidden" loans, while remained serving multilateral debt. Inflation was put under control and market distortions such as fuel subsidies were eliminated.

⁶ **BD/WP/2007/106/Rev.2**

⁷ The suspension of these financing programmes were partly a consequence of the discovery of previously undisclosed commercial debt obligations, which saw the Government own up to USD1.2 billion (10% of the country's GDP) in loans between 2013 and 2014. Debt/GDP ratio increased from 87.4% in 2015 to 126.9% in 2016 putting public debt on an unsustainable path and requiring fiscal consolidation of the public budget.

Fiscal reform effort has been significant. Fuel and wheat subsidies were eliminated, an automatic fuel price adjustment mechanism was adopted, and electricity and public transportation tariffs were increased in 2017-18. These efforts combined with cuts in public investment have reduced significantly the primary fiscal deficit to about 2 percent of GDP in 2018, compared to 4¾ per-cent of GDP in 2016. Budget has become more realistic than in the previous assessment. Macroeconomic reforms were coupled with Public Financial Management improvements, such as improved rules on public debt issuing and guarantees as well as SOE management law and regulation, new framework for public Funds and other public entities, the creation of a fiscal risk unit within the Ministry of Finance and Economy (MEF) with IMF's assistance and the regular publication of fiscal risks. Investigation and implication of serving and former officials in the illegal contracted debt also followed suit. The GoM is committed to monitoring any new spending that would be financed by the debt service standstill and to fully disclose this information and their public sector financial commitments.

Debt situation - Mozambique's debt remains in distress as debt restructuring discussions are ongoing, and nonetheless sustainable in the medium-long term, according to the 2020 DSA. The sustainability assessment is also anchored in the authorities' strong commitment to implement fiscal consolidation and a prudent borrowing strategy. The approval of the and disbursement of the IMF Rapid Credit Facility of about US\$ 309 million played a catalytic role in securing needed external grants from development partners to help the authorities deal with the economic effects of the COVID-19 pandemic. The authorities request for forbearance from creditors under the recently announced G-20 DSSI (Debt Service Suspension Initiative) would deliver further cushion for health and social expenditures needs amid the pandemic.

Policy response and implications. The GoM has implemented reforms to enhance financial governance and actions towards resolving the hidden debts case. It also undertook a gradual fiscal consolidation since 2016, reducing arrears consistently until 2019. Moreover, the GoM has responded to the sequence of crisis swiftly where the AfDB has played a crucial role on funding, implementation and dialogue. The GoM tapped in (i) a short-term relief and a reconstruction plan after cyclones and IDAI and Kenneth, (ii) a set of comprehensive measures towards mitigating COVID-19 impacts such as increasing social programs, applying tax waivers and reducing electricity bills for the MSMEs, and is designing together with the AfDB, EU, UN and WB to an integrated development strategy to address the drivers of fragility and resilience in the North. Mozambique leveraged, to a larger extent, grants and highly concessional funds to finance such responses but given their magnitude and frequency, fiscal constraints are significant. As highlighted in Table 1, larger deficits are expected in the Mozambique's fiscal accounts making it difficult for the government to fulfil its financial obligations.

Table 1: Mozambique's budget position (figures in % of GDP).

Government Operations	2018	2019	2020	2021
Total revenue	23.8	28.9	24.1	24.2
Total expenditure and net lending	31.3	30	30.9	33.3
Overall balance, after grants	-8.2	-1.2	-4.1	-6.3
Primary Balance after grants	-3.8	2	-1	-3.2

Source: IMF NO. 21/101 on Mozambique

Prior to this request Bank-funded projects in Mozambique have experienced challenges relating to co-financing of VAT and other expenses as well as with VAT reimbursement to private operators. At least 14 active Bank projects had reported arrears in payment of VAT from Government, causing significant delays in project implementation. The 100% financing has positively impacted on projects implementation and helped to restore the confidence of the private sector operators in particular of small local businesses in bidding to Bank's financed activities.

Compliance with Bank policy requirements. The request for the Bank to cover tax and duties on project activities is consistent with the conditions laid out in the policy:

Tax and duty rates in Mozambique are broadly in line with continental average. VAT rates, at 17% are slightly above the SADC average but broadly in line with similar economies in the continent (see table 2 below).

Table 2: Comparative VAT rates

Mozambique	17%		Tanzania	18%
Ghana	17.5%		Kenya	16%
Cote d'Ivoire	18.%		RSA	14%
Zambia	16%		Namibia	15%

Taxes and duties are estimated at 12.31% (USD 5,644,800) of total project costs in the Pemba-Lichinga Integrated Development Corridor Special Agro-Industrial Processing Zone (SAPZ) Project – Phase 1 with the infrastructure component attracting most duties. According to the Government Decree 13/2016, art. 15 infrastructure and its operation and maintenance are cover by an especial exemption of 60% of the total cost. Charging of taxes and duties are not specifically directed at Bank projects; in fact the World Bank already covers these expenditures under its projects in Mozambique.

Annex VIII: Summary of Procurement Arrangement (UA'000)

#	Project Components/Categories	*BPS	**BPM (ICB)	**BPM (NCB)	**BPM Individual Consultant (OCB – Shortlist)	**BPM (Short List)	Total
1	Goods	300	8,200	540			9,040
1.1	Supply of Laboratory Equipment for Niassa Province		3,700				3,700
1.2	Supply of farm inputs (including irrigation kits) to farmers in key SAPZ Commodities (2 Lots)		4,500				4,500
1.3	Supply of Equipment for upgrading, and improving TVET institutions to provide quality training for aspiring students			540			540
1.4	Supply of 4 Motor vehicle 4x4 Double/Twin Cab	200					200
1.5	Supply of IT Equipment	30					30
1.6	Supply of IT Equipment	70					70
2	Works			12,870			12,870
2.1	Upgrading of the access road to the Agri Hub			4,670			4,670
2.2	Construction of Perimeter Fencing and Site Grading of the Agri Hub			520			520
2.3	Construction of two Slaughterhouses			1,040			1,040
2.4	Construction of 4 (nos) Rural Transformation Centers (4 lots)			3,360			3,360
2.5	Construction of 8 (nos) Aggregation Centers (2 lots)			1,360			1,360
2.6	Rehabilitation of Small Irrigation Schemes			1,920			1,920
3	Consultant Services (Firms)					3,300	3,300
3.1	Consulting Services for Capacity building for staff of Public institutions and regulatory reforms.					500	500
3.2	Consultant Services to Support Auctions for Agricultural Commodities Exchange					210	210
3.3	Technical Assistance to support Policy Studies, Regulatory reforms (in line with the introduction of RTCs), IT Based Business Registration & Licensing systems, SOP procedures, etc)					500	500
3.4	Hosting of market (Branding &) sounding & investment promotion events					300	300
3.5	Consultancy Services for Engineering Design and Supervision of Civil Works for Upgrading of the access road to the Agri Hub and Construction of Project Infrastructures					1,250	1,250
3.6	Training, Capacity building and support to MSME's					180	180
3.7	Consultant Services for capacity building and strengthening of farmer groups in key SAPZ commodities including Training of farmers on the use of irrigation kits					180	180
3.8	Assessment & mainstreaming relevant curriculum in training institutions					100	100
3.9	Procurement and Financial Audit					80	80
4	Consultant Services (Individuals)	140			1,150		1,150
4.1	PCU - Project Coordinator				190		190
4.2	PCU – Accountant				170		170

4.3	PCU - Monitoring & Evaluation (M&E) and Gender Expert				150		150
4.4	PCU - Procurement Specialist				170		170
4.5	PCU - Infrastructure Specialist				170		170
4.6	PCU – Environmental and Social Specialist				150		150
4.7	PCU - Enterprise Development Expert				150		150
4.7	Individual Consultant for Assessment and stakeholder consultations for potential irrigation sites, ATCs and ACs and preparation of design documents and Studies around the river basins	50					50
4.8	Produce Project Implementation Manual (PIM)	20					20
4.9	Baseline Survey	70					70
6	Operating costs	5,500					5,500
6.1	Operating expenses including Provision of financial support through matching grants to farmers and MSMEs using Thuma Mina IT based system in Niassa Province (SSS)	5,500					5, 500
	TOTAL	5,940	8,200	13,410	1,150	3,300	32,000

*BPS: Borrower Procurement System, ** BPM Bank Procurement Methods

Annex IX : FRAGILITY AND RESILIENCE ANALYSIS

Introduction: The project fragility assessment report focuses on the Northern Region of Mozambique with a special lens on Niassa Province where the Bank seeks to implement Phase I of the *Pemba-Lichinga Integrated Development Corridor Special Agro-Industrial Processing Zone (SAPZ)*. Its objective is to unpack the drivers of fragility and the sources of resilience in the region by mapping the structural features of the context, the formal and informal institutions that shape the way things are done, and the interests and incentives of diverse stakeholders. The goal is to understand how these power dynamics inform investments and programming decisions in the region, and to identify strategic areas for intervention and policy dialogue. This assessment consists of a review of the literature on the Northern Mozambique and the findings of the project appraisal mission.

Although geographically Niassa, is the largest province in the country, it has the smallest population and lowest population density. Despite its reliance on agriculture, the province has not benefitted from a comprehensive agriculture programme since independence, with infrastructure remaining poor. Recent improvements include the Nacala Corridor extension to Niassa. Infrastructure and commercial farming zones have begun developing around the corridor, resulting in increasing population density in certain districts. This is in marked contrast to more rural districts in the central and northern parts of the province, such as a Majune and Sanga, which are sparsely populated by subsistence farmers. The Bank is a key stakeholder in Northern Mozambique and is particularly involved in projects in the Nacala Corridor and in the construction of roads connecting rural areas with local and regional markets in particular the cross-border regional growth poles of Niassa and Cabo Delgado. The Bank's Country Strategy for Mozambique 2018-2022 focuses on two priority areas: (1) Infrastructure development to enable transformation of inclusive growth and job creation; and (2) Supporting agricultural transformation and value chain development. These priority areas seek to create conditions for a competitive business environment and promote the consolidation of the private sector by connecting rural areas to development corridors, local sector and regional markets.

Key Drivers of Conflict in the North of Mozambique: Political and economic exclusion, and from the sharing of the peace dividend, has fostered a sense of alienation and disenfranchisement among certain groups, and is reflected in uneven patterns of exclusion. This sense of grievance is sharpened by limited avenues for dialogue and peaceful contestation, as well as for civic engagement and citizen voice, particularly among the youth. Meanwhile, the use of violence as a form of dispute resolution and to maintain public order has undermined state-society relations and impacted the social contract. Mixed progress on decentralisation, despite it being fundamental as a mechanism for power-sharing and greater political inclusion, has reinforced a sense of exclusion from the centre and hardened a sense of regional identity. Weak mechanisms for transparency and accountability have underscored the challenge of corruption. This has implications for most public services and for public trust, enabled illicit trafficking, and contributed to poor human capital outcomes.

The youth, many of whom have low levels of education and skills and are largely in a status of “waithood”, remain particularly marginalised and disenfranchised. The FDI

in resource extraction has brought few benefits to the population and has not met the expectations of Northern Mozambique increasingly youthful population, regarding access to jobs, income and better education and services. Among the specific challenges they face are a general low level of education and practical skills, which excludes them from the formal job markets and survival in the informal sector and petty trade which does not yield enough income to invest in better education, make small investments into a dwelling or small business or found and sustain a family. Meanwhile, women face challenges related to exclusion from political and economic opportunities, amidst high rates of GBV. For both groups, limited opportunities for formal sector employment with the private sector skewed towards elite interests and stacked against new entrants, contributing to a high degree of informality.

Uneven delivery of basic services and inequalities in per capita spending have deepened the marginalisation of the region and highlighted its development deficit. These imbalances are reinforced by limited decision-making powers and voice at the subnational levels in the allocation and distribution of expenditures, as well as in regional gaps in basic infrastructure provision. Inclusion and fairness in service delivery is undermined by perceptions of preferential treatment and corruption, while rapid population growth and rural-urban migration have strained service delivery and housing provision in poorly-served peri-urban areas and informal settlements.

Limited confidence in the state to protect citizens and deliver justice in light of allegations of corruption and human rights violations by the security forces, and perceived lack of independent investigation and accountability. This alienates the population and risks driving adolescents and youth towards radicalisation and violence. Meanwhile, avenues for delivery of transparent, timely, and impartial justice are often limited or inaccessible, similarly for protection entities such as Ombudsmen and human rights commission services. The absence of national reconciliation processes, as well as national and community dialogue, has undermined a sense of national identity and weakened national unity.

Perceptions of unfairness in the distribution of the benefits of resources and extractives, and challenges related to governance and management of these resources, generate grievances along a number of vectors, including: in relation to limited benefits to the population, and particularly to the youth, from investments in resource extraction, while land dispossession, insufficient resettlement schemes, lack of transparency in the award of concessions and land use titles have particularly impacted the rural population, together with inadequate compensation. Frequent consequences of FDI for Northern Mozambique rural population are the expulsion from their land, which results in reduced or lost livelihood opportunities, and diminishing self-reliance in food production, increased poverty, socio-economic exclusion, and rural urban migration. Competition over land and resources and elite capture at the local and community level acts as a further source of grievance, as does lack of legal enforcement.

Artisanal miners often informal face high insecurity of tenure and have historically contended with violent expulsion from areas of informal economic activity. The

growing in-migration of often better-educated workers from other provinces and neighbouring Tanzania, attracted by reasonably well-paid jobs in the gas and associated business, contributes to conflicts between locals and newcomers. This is highlighted by the case of Montepuez Rubi Mining (MRM) where grave human rights violations by private and public security forces employed by MRM took place. It prompted the company to accept an extrajudicial settlement for damages and the payment of indemnity to a number of affected artisanal miners who had been driven from the MRM concession area. This prompted further conflicts with the local population and informal traders due to insufficient coverage of all people affected and continued insecurity of tenure for artisanal mining, instead of settling the matter

AGRICULTURE AS A LENS INTO DEVELOPMENT DYNAMICS IN THE NORTHERN REGION OF MOZAMBIQUE

Agriculture is the country's largest economic sector, representing 23 per cent of Mozambique's GDP and employing nearly 80 per cent of the labour force. The sector saw robust GDP growth of an average of 8 per cent in the 2000s, although this fell to just under 4 per cent from 2010-2018, and just 1.2 per cent in 2019 (INE, 2020a). Overall, productivity and growth in agriculture are low, by both regional and global standards. Maize and cassava are the country's main staple crops, with cassava grown mainly for household consumption. Other important staple crops include beans, peanuts, sorghum, sweet potato and millet. Major cash crops include tobacco, cotton, sugar, cashew, and oil seeds. The production of fruit has also experienced considerable growth in recent years. By province, based on latest production data available from INE, the major crops by province are:

Production of staple cereal crops in Mozambique, 2015-19

Year	2015 (t)	2016 (t)	2017 (t)	2018 (t)	2019 (t)
Niassa	100,445	116,548	160,163	137,521	142,786
Cabo Delgado	117,291	137,116	172,447	175,274	184,124
Nampula	119,019	133,065	168,609	154,256	160,253

Source: INE (2020a)

The agricultural sector is dominated by small-scale subsistence farming on rainfed land holdings of less than 1 hectare on average. Medium-scale farms (ranging from 10 to 50 hectares) and large-scale farms (typically larger than 50 hectares) represent only 2.1 and 0.02 percent of total land holdings respectively (INE, 2011; MADER, 2021). Recent data (MADER, 2021) reveals that the number of medium-scale farming units has grown considerably over the past 10 years and these now constitute about 2.1 percent of total units, whereas large-scale units reduced slightly but remain 0.02 percent of total land holdings. Despite the challenges in the agriculture sector, the high-level policy vision for agriculture has remained relatively stable. The dominant vision is one of modernising smallholder agriculture by improving access to inputs for high value crops in high potential

areas. Growth corridors, linking infrastructure development, mining and agriculture for export, provide the backdrop in which strategic value chains can flourish within the region.

METHODOLOGY FOR DRIVERS OF FRAGILITY ASSESSMENT

The Project fragility assessment (PFA) of the Pemba-Lichinga Integrated Development Corridor Special Agro-Industrial Processing Zone (SAPZ) is informed by the 2021 Country Fragility Assessment for Mozambique. It is also guided by the preliminary findings of the Country Resilience and Fragility Assessment (CRFA) tool, which objectively, systematically and quantitatively measure pressures and capacities the country faces and complement its findings with the qualitative fragility assessment. The PFA was carried out in accordance with the draft guidelines on the Application of Fragility Lens issued by RDTs. The assessment is aimed at identifying entry points for programs to address, mitigate, or adapt to drivers of fragility as well as program/project areas that can have the greatest impact in building resilience.

Linkages of Drivers of Fragility and Design Responsiveness

Key areas of the Project linked to addressing root causes of fragility as identified in Qualitative Fragility Assessment and CRFA of the Pemba-Lichinga Integrated Development Corridor Special Agro-Industrial Processing Zone (SAPZ)		
Driver of Fragility	Downside Risk Stemming from the Root causes of Fragility	Proposed Project Interventions
Inadequate institutional capacity and regulatory infrastructure for agro-industrial development	<ul style="list-style-type: none"> a. Lack of adequate staff capacity among extension workers/agents. b. Lack of critical regulatory reforms and licensing systems. c. Inadequate infrastructure connectivity to Cuamba and other Agricultural Hub in the province. 	Component 1
Limited agricultural productivity	<ul style="list-style-type: none"> a. Inadequate competitiveness market studies. b. Limited agricultural transformation centres. c. Lack of enough aggregation centres. 	Component 2
Lack of financial support and skills development among farmers	<ul style="list-style-type: none"> a. Limited financial support and agricultural inputs to farmers in Niassa Province b. Lack of farm inputs (including irrigation kits) for farmer groups in key SAPZ commodities 	Component 2

Conclusion: The rapid escalation and intensification of an armed insurgency in the Cabo Delgado Province since 2017 has made Northern Mozambique the focus of growing national and international attention. The conflict risks spilling over into the neighbouring province of Niassa and is increasingly gaining a regional dimension too. There are also concerns of structural fragility that insurgents could keep moving further south while also

going deeper into Niassa Province to escape the reach of security forces and may recruit young people there. The design of the Pemba-Lichinga corridor development project, which in its initial conception is an agro- zone is to act as a catalyst for integration of youth in agro-business value chains. Estimates suggest that majority of the young people in Niassa are employed in subsistence agriculture and the informal sector. Actual unemployment rates correspond with perceptions of economic exclusion. This project places an emphasis on building capacity and skills of young farmers and small and medium agro processing enterprises and improving TVET institutions to provide quality training for aspiring students therefore enhancing resilience building. It is argued that unemployment, literacy and radicalisation have been real motivating factors for the recruitment of young people in Niassa to participate in the conflict in Cabo Delgado.

Annex X: Summary of Project Activities by Component

#	COMPONENT NAME	ESTIMATED COST (Million UA)	COMPONENTS DESCRIPTION
1	Strengthen Institutional capacity, Policy, Regulatory, Institutional and Business Environment for Agro Industrial Development	6.31 (19.24%)	Support the enabling business environment, <u>Sub-components</u> <ul style="list-style-type: none"> a) Capacity building for staff of Public institutions (extension agents, staff of training institutions, and non-government agencies) b) Technical Assistance to support Policy Studies, Regulatory reforms (in line with PRONAI), IT Based Business Registration & Licensing systems, One Stop Shop, Schemes of Incentives, SOP procedures, etc) c) Hosting of market sounding, Branding & investment promotion events for the Cuamba Agri Hub d) Support the Mozambique commodity exchange e) Construction of the external connectivity road to the Cuamba Agri hub
2	Support agricultural productivity, skills, and enterprise development to enhance agricultural value chains	21.87 (66.70%)	Enhance Climate-Smart Agricultural Production and Productivity <u>Sub-components</u> <ul style="list-style-type: none"> a) Value Chain/Market studies (Competitiveness assessment) of selected agricultural commodities b) Assessment and stakeholder consultations for potential irrigation sites, ATCs and ACs and preparation of studies and design documents c) Rehabilitate small irrigation schemes d) Construction 4 Agricultural Transformation Centers e) Construction of 8 Aggregation Centers f) Rehabilitate 2 slaughterhouses g) ESIA/ESMP for the construction of the ATC/AC and rehabilitation of the irrigation schemes <p>Enable Capacity & Skills for agro industrial development</p> <u>Subcomponents</u> <ul style="list-style-type: none"> a) Mapping of farmer groups in key value chains and value chain development (Thuma Mina Enterprise Development Platform for Outgrowers/MSMEs) b) Provide financial support and agricultural inputs to farmers and MSMEs using Thuma Mina Enterprise Development (ICT) platform in Niassa Province c) Capacity building, provision of farm inputs (including irrigation kits) and strengthening of farmer groups in key SAPZ commodities d) Assess & mainstream relevant curriculum in training institutions, training of trainers and students in agri-business and agro-processing e) Training, Capacity building and support to MSME's
3	Project Coordination & Management	4.61 (14.06%)	The establishment of the Project Executive Agency, within the MIC for the Management and Coordination of the Project. ESMP and ESMF Monitoring & Implementation Gender Audit & Gender action plan that includes training of women in construction to enable their participation and benefit in related project activities Project Communication materials and Videos

Value Chain Development

This Project will enhance productivity by deploying TAAT technologies (maize, rice, wheat, beans, cassava, sweet potato, sorghum) through IIAM – one of TAAT partners in the country. The project will also enhance the competitiveness of smallholder farms and young entrepreneurs and create inclusive and equitable opportunities to integrate them into the up- and downstream aspects of agriculture value chains. It will strengthen the linkage between agriculture actors and industry activities, by building the capacity of local rural smallholder farmers, young entrepreneurs, and small-scale enterprises to produce and

operate as competitive business entities. This will link agricultural production to the market by bringing together farmers, processors, and retailers to maximize value addition, minimize wastage, increase farmers' income and create employment opportunities particularly in the rural sector. From the beginning, a Enterprise Development (Value Chain) officer will be situated in the PIU to help organise farmers and farmer groups in the target commodities, create a database and register each farmer/farmer group by location, resource endowment, and ensure that they are given the relevant training and capacity to meet supply of products according to industrial requirements. This will be supported with the Thuma Mina IT Based Platform. For example, GAP training will help to increase productivity and production output, TVET training will create opportunities for youth employability and the growth and performance of small and mid-sized women and youth-owned agribusiness, which through their operations can help reduce post-harvest losses, increase primary value addition, and provide consistent supply of quality produce, as feed stock for the planned emerging agro-industries in the Agri Hub.

The farmer groups and cooperatives, women and youth organisations are the target group for a focussed and demand driven value chain development and training that will include inter alia good agricultural practices (GAP), product quality and conformity assessment in line with industry requirements and training on logistics, product handling and delivery of agricultural produce.

The project will pilot the value chain approach with the soyabean value chain by supporting farmers to produce and supply raw material to the 1.5t/hr capacity Chimbunila Poultry Feed Mill that requires an estimated 3750 tons per annum of soya beans (or 1875 ha of additional land area for production at 2t/ha). The project will encourage buffer farms for the Chimbunila investment as well as promote commercial production of soyabeans in the Niassa Province.

Presently, the Smallholder Development Unit (SDU) of AgDevCo is providing Technical Assistance to 40,000 farmers under the SAN-JFS out grower program in the cotton value chain in Niassa Province. The technical assistance includes supporting smallholder productivity through the development and improvement of trainings provided through extension service officers. The training includes good agricultural practices, climate smart agriculture and health and safety, using innovative approaches to engage with younger people. To reduce labour intensity, a selection of smallholders is provided with inputs such as tractors, spray barrows and planters. A similar approach will be adopted for soya beans and other value chains of focus in this project.

Land Acquisition and Allocation is critical to encourage commercial large-scale farming in the Province. With respect to the *acquisition of land for large scale commercial farms*: The government has created an enabling environment to facilitate land acquisition for large-scale commercial farms. The 1997 Land law, which is currently under review, stipulates that all land remains the state's property, but land leases can be granted for up to 50 years. These leases are renewable, inheritable, and may be transferred (other than by inheritance) subject to prior administrative authorization in effect.

Further the Project will allocate land to IDPs who may be interested in Project activities. To effectively manage massive displacements and mitigate the impact of the conflict on land, the government supported the creation of relocation sites by scaling up DelCom planning and established at least 35 relocation sites with agricultural areas in the

Province. In doing so, the government has started to allocate agricultural land to IDPs in relocation sites, providing IDPs with the opportunity to produce their food. However, the land they are receiving now (1 acre) is insufficient and has unknown fertility. The Project will strive to improve the livelihoods for IDPs in relocation areas.

Entrepreneurship and Job/Employment Creation

To boost employment opportunities, the project will build the capacity of MSMEs, youth and women-led enterprises, and cooperatives to seize business opportunities in the SAPZ value chains. First, 1000 farmer groups members (Trainers) will be trained on quality standards, and responsive demand for investors needs at Park level, and will be linked to the relevant ecosystem (Quality infrastructure laboratory in UniLurio, Standards Bureau, financial services, etc.) to enhance their productivity. Secondly, through a robust Business Development Service program, 50 young people will receive entrepreneurship training to sharpen their business skills and create more jobs in the specified value chains. This should increase employability through creation of at least 100 additional jobs. The project will leverage from the previous experience of the Bank in Mozambique and will work together with the YWEB Start Up Project with the IPME to expand entrepreneurship development in the Niassa Province. Working together with GAPI and FARE the project will support about 500 MSMEs to receive business development services that will transform the viability of their businesses from informality and create the much-needed decent jobs.

Skills Development

The TVET network in Mozambique is composed by 68 public schools, 33 semi-public schools and 48 private schools, and 4,725 teachers teaching a total of 75,737 students, of which 15,727 are senior students. The TVET system is demand driven, integrating education and work, and is inclusive of girls and women, as well as urban and rural youths. The curriculum is competency-based and designed with wide involvement of the private sector. The number of systems associated with the Mozambican National Qualifications Framework have been improved and are currently being implemented. All students enrolled in vocational and technical schools, independent of the qualification, must study entrepreneurship modules. In Niassa province there are seven TVET institutions offering basic, medium, and professional level and type of education. Areas of training in the professional area include Industrial maintenance, Machinery and Vehicles Driving, Construction, Mechanics, Locksmiths, Livestock, and Hotel and tourism.

The project will together with the relevant agencies, namely the INEFP/Ministry of Employment, Work and Social Security (MITESS), and SEJE, review the additional professional and curriculum requirements for agro industry and mainstream same in the existing TVET institutions located in the Niassa Province. The target is to train an additional 400 students with agro industry related skills of which 50% will be women by the end of the project.

Annex XI : Environnement and Compliance Note

ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON) ¹		AFRICAN DEVELOPMENT BANK GROUP	
A. Basic Information²			
Project Title: Pemba-Lichinga Integrated Development Corridor Special Agro-Industrial Processing Zone-Phase 1 ³		Project "SAP code": P-MZ-AA0-036 ³	
Country: Mozambique	Lending Instrument: <input checked="" type="checkbox"/> DI <input type="checkbox"/> FI <input type="checkbox"/> CL <input type="checkbox"/> BS <input type="checkbox"/> GU <input type="checkbox"/> RPA <input type="checkbox"/> EF <input type="checkbox"/> RBF <input type="checkbox"/>		
Project Sector: Infrastructure and urban development ³		Task Team Leader: Chukwuma EZEDINMA ³	
Appraisal date: 21/07/2021 (for the rest of the team) and 27/09/2021 for E&S ³		Estimated Approval Date: 15/12/2021 ³	
Environmental Safeguards Officer: Modeste L. KINANE ³			
Social Safeguards Officer: XXXX ³			
Environmental and Social Category: 2 ³		Date of categorization: 27/11/2020 ³	
Operation type: <input checked="" type="checkbox"/> SO <input type="checkbox"/> NSO <input type="checkbox"/> PBO <input type="checkbox"/>			
Is this project processed under rapid responses to crises and emergencies? ³		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Is this project processed under a waiver to the Integrated Safeguards System? ³		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
B. Disclosure and Compliance Monitoring³			
B.1 Mandatory disclosure³			
Environmental Assessment/Audit/System/Others (specify: ESMF + 01 ESIA ³)			
Were the documents disclosed prior to appraisal? ³		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> NA <input type="checkbox"/>	
Date of "in-country" disclosure by the borrower/client ³		15/10/2021 ³	
Date of receipt, by the Bank, of the authorization to disclose ³		15/10/2021 ³	
Date of disclosure by the Bank ³		19/10/2021 ³	
Resettlement Action Plan/Framework/Others (specify: N/A ³)			
Was the document disclosed prior to appraisal? ³		Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>	
Date of "in-country" disclosure by the borrower/client ³		[Date] ³	
Date of receipt, by the Bank, of the authorization to disclose ³		[Date] ³	
Date of disclosure by the Bank ³		[Date] ³	
Vulnerable Peoples Plan/Framework/Others: N/A ³			
Was the document disclosed prior to appraisal? ³		Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>	
Date of "in-country" disclosure by the borrower/client ³		[Date] ³	
Date of receipt, by the Bank, of the authorization to disclose ³		[Date] ³	
Date of disclosure by the Bank ³		[Date] ³	
If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: N/A ³			
B.2. Compliance monitoring indicators³			
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? ³		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>	
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost? ³		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>	
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized and secured? ³		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>	
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? ³		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>	
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? ³		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>	
C. Clearance³			
Is the project compliant to the Bank's environmental and social safeguards requirements, and to be submitted to the Board?			
Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>			
Prepared by:	Name:	Signature:	Date:
Environmental Safeguards Officer:	KINANE Modeste Luyakiles ³		18/10/2021 ³
Social Safeguards Officer:	XXXX ³		
Task Team Leader:	Chukwuma EZEDINMA ³		18/10/2021 ³
Submitted by:			
Sector Director:	Atsuko TODA ³		26/10/2021 ³
Cleared by:			
Director SNSC:	Maman Sani ISSA ³		02/12/2021 ³

¹ Note: This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.

² DI-Direct Investment; FI-Financial Intermediary; CL-Corporate Loan; BS-Budget Support; GU-Guarantee; RPA-Risk Purchase Agreement; EF-Equity Financing; RBF-Results Based Financing.

Annex XII: Map of Niassa Province, Republic of Mozambique



Annex XIII: Map of the location of ATCs and ACs in Niassa Province

