



Report No: PAD4236

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 105.9 MILLION
(US\$150 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MOZAMBIQUE

FOR A
SUSTAINABLE RURAL ECONOMY PROGRAM

AS PHASE 1 OF THE MULTIPHASE PROGRAMMATIC APPROACH

WITH AN

OVERALL FINANCING ENVELOPE OF US\$500 MILLION EQUIVALENT

May 18, 2021

Agriculture and Food Global Practice
Eastern and Southern Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2021)

Currency Unit = New Mozambique Metical (MZN)

US\$1 = MZN 67.77

US\$1 = SDR 0.71

FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

ADIN	Northern Integrated Development Agency (<i>Agência de Desenvolvimento Integrado do Norte</i>)
ADNAP	National Fisheries Administration (<i>Administração Nacional das Pescas</i>)
AfDB	African Development Bank
AgRED	Agriculture and Rural Development Donor Working Group
ANE	National Roads Administration (<i>Administração Nacional de Estradas</i>)
ANAC	National Administration of Conservation Areas (<i>Administração Nacional de Áreas de Conservação</i>)
AQUA	National Agency for Environmental Quality Control (<i>Agência Nacional para Controlo da Qualidade Ambiental</i>)
BIOFUND	Foundation for the Conservation of Biodiversity
CBNRM	Community-Based Natural Resource Management
CCA	Community Conservation Area
CCP	Community Fishing Council (<i>Conselho Comunitário de Pesca</i>)
CCSA	Agrarian Sector Coordination Committee (<i>Comité de Coordenação do Sector Agrário</i>)
CERC	Contingency Emergency Response Component
CERIP	Contingent Emergency Response Implementation Plan
COVID-19	Coronavirus Disease 2019
CPF	Country Partnership Framework
CRPT	Climate Resilience Planning Tool
CSA	Climate-Smart Agriculture
DE4A	Digital Economy for Africa
DIME	Development Impact Evaluation Unit
DINAF	National Forest Directorate (<i>Direção Nacional de Florestas</i>)
DINAAF	National Directorate for Assistance to Smallholder Farmers (<i>Direcção Nacional de Apoio à Agricultura Familiar</i>)
DLI	Disbursement-Linked Indicator
DNOP	National Directorate of Operations (<i>Direção Nacional de Operações</i>)
DPAP	Provincial Directorates of Agriculture and Fisheries (<i>Direção Provincial de Agricultura e Pescas</i>)
DPDTA	Provincial Directorates of Territorial Development and Environment (<i>Direcção Provincial de Desenvolvimento Territorial e Ambiente</i>)
DRM	Disaster Risk Management
DSSI	Debt Service Suspension Initiative
EBCR	Economic Benefit-Cost Ratio
EFA	Economic and Financial Analysis
EIRR	Economic Internal Rate of Return
EL4D	Economic Linkages for Diversification
ENPV	Economic Net Present Value
ENB	Environment, Natural Resources and Blue Economy Global Practice
ENR	Environment and Natural Resource

ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESS	Environmental and Social Standards
EU	European Union
EX-ACT	Ex-Ante Carbon-balance Tool
FAO	Food and Agriculture Organization of the United Nations
FBCR	Financial Benefit-Cost Ratio
FCDO	Foreign, Commonwealth and Development Office of the Government of the United Kingdom
FCPF	Forest Carbon Partnership Facility
FCV	Fragility, Conflict, and Violence
FEWS NET	Famine Early Warning Systems Network
FIRR	Financial Internal Rate of Return
FM	Financial Management
FMS	Financial Management Specialist
FNDS	National Fund for Sustainable Development (<i>Fundo Nacional de Desenvolvimento Sustentavel</i>)
FNPV	Financial Net Present Value
Frelimo	Front for the Liberation of Mozambique (<i>Frente de Libertação de Moçambique</i>)
GALS	Gender Action Learning System
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GoM	Government of Mozambique
GRM	Grievance Redress Mechanism
IDP	Internally Displaced People
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IRM	Immediate Response Mechanism
IFR	Interim Financial Report
IGF	General Inspectorate of Finance (<i>Inspeção Geral das Finanças</i>)
ILM	Integrated Landscape Management
INTOSAI	International Organization of Supreme Audit Institutions
IPCC	Intergovernmental Panel on Climate Change
IPF	Investment Project Financing
IRRIGA	Smallholder Irrigated Agriculture and Market Access Project
IRM	Immediate Response Mechanism
IRM-OM	Immediate Response Mechanism Operations Manual
IUU	Illegal, Unreported, and Unregulated
JICA	Japan International Cooperation Agency
LAUREL	Land Used Planning for Enhanced Resilience of Landscapes
LMP	Labor Management Procedures

LNG	Liquefied Natural Gas
M&E	Monitoring and Evaluation
MADER	Ministry of Agriculture and Rural Development
MAF	Financial Administration Manual (<i>Manual de Administração Financeira</i>)
MCS	Monitoring, Control, and Surveillance
MDR	Dialogue and Complaints Mechanism
MEF	Ministry of Economy and Finance
METT	Management Effectiveness Tracking Tool
MGS	Matching Grant Scheme
MIC	Ministry of Industry and Commerce
MIMAIP	Ministry of Sea, Inland Waters and Fisheries
MTA	Ministry of Land and Environment
MNP	Magoé National Park
MOPHRH	Ministry of Public Works, Housing and Water Resources
MoU	Memorandum of Understanding
MOZBIO	Mozambique Conservation Areas for Biodiversity and Development
MOZFIP	Mozambique Forest Investment Project
MPA	Multiphase Programmatic Approach
MSMEs	Micro, Small, and Medium Enterprises
MTC	Ministry of Tourism and Culture
NAIP	National Investment Plan
NAPA	National Adaptation Program of Action
NDC	National Determined Contribution
NGO	Nongovernmental Organization
NRM	Natural Resource Management
PA	Smallholder Farmer (<i>Pequeno Agricultor</i>)
PACE	Small Emerging Commercial Smallholder Farmer (<i>Pequeno Agricultor Comercial Emergente</i>)
PDO	Project Development Objective
PEDSA	Agrarian Sector Strategic Plan (<i>Plano Estratégico de Desenvolvimento do Sector Agrário</i>)
PEF	Pandemic Emergency Facility
PFGS	Planted Forests Grant Scheme
PforR	Program-for-Results
PFS	Project Financial Statement
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PLR	Performance and Learning Review
PMP	Pest Management Plan
PNISA	National Investment Plan for the Agrarian Sector (<i>Plano Nacional de Investimento do Sector Agrário</i>)
PODERS	Sustainable Rural Economy Development Operational Program (<i>Programa Operacional de Desenvolvimento da Economia Rural Sustentável</i>)
PPSD	Project Procurement Strategy for Development

PQG	Five-Year Government Plan (<i>Programa Quinquenal do Governo</i>)
PrDO	Program Development Objective
PRICE	Project for Rural Income through Exports (Rwanda)
PROCAVA	Inclusive Agrifood Value Chain Development Programme
PRODAPE	Small-scale Aquaculture Development Project
PROMER	Rural Markets Promotion Project
PSC	Project Steering Committee
RCF	Rapid Credit Facility
Renamo	Mozambican National Resistance (<i>Resistência Nacional Moçambicana</i>)
REPMAR	Marine Fisheries Regulation
RPF	Resettlement Policy Framework
RRA	Risk and Resilience Assessment
SCD	Systematic Country Diagnostic
SDAE	District Service of Economic Activity (<i>Serviços Distritais de Actividade Económica</i>)
SDPI	District Service for Infrastructure and Planning (<i>Serviços Distritais de Planeamento e Infra-Estrutura</i>)
SEA	Sexual Exploitation and Abuse
SECF	Small Emerging Commercial Farmers
SEP	Stakeholder Engagement Plan
SH	Sexual Harassment
SPD	Standard Procurement Document
SREP	Sustainable Rural Economy Program
STEP	Systematic Tracking of Exchanges in Procurement
SUSTENTA	Agriculture and Natural Resources Landscape Management Project
TFCA	Transfrontier Conservation Area
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations Children's Fund
WBG	World Bank Group
WFP	World Food Programme
ZIMOZA	Zimbabwe-Mozambique-Zambia



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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Mozambique	Sustainable Rural Economy Program	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P174002	Investment Project Financing	Substantial

Financing & Implementation Modalities

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

Expected Project Approval Date	Expected Project Closing Date	Expected Program Closing Date
09-Jun-2021	30-Jun-2026	31-Mar-2031

Bank/IFC Collaboration

No

MPA Program Development Objective

To improve the incomes and resilience of beneficiaries and selected rural areas.

MPA Financing Data (US\$, Millions)

MPA Program Financing Envelope	500.00
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**Proposed Project Development Objective(s)**

To improve the performance of targeted small agriculture producers and AgriMSMEs and improve natural resources management practices in selected project areas.

Components

Component Name	Cost (US\$, millions)
Increasing productivity and market access	109.00
Enhancing natural resources management	26.00
Strengthening institutions and policies	15.00
Contingency Emergency Response - CERC	0.00

Organizations

Borrower:	Republic of Mozambique
Implementing Agency:	National Sustainable Development Fund (FNDS) ProAzul Blue Economy Development Fund BIOFUND

MPA FINANCING DETAILS (US\$, Millions)

MPA Program Financing Envelope:	500.00
of which Bank Financing (IBRD):	0.00
of which Bank Financing (IDA):	500.00
of which other financing sources:	0.00

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	150.00
Total Financing	150.00
of which IBRD/IDA	150.00



Financing Gap	0.00
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DETAILS**World Bank Group Financing**

International Development Association (IDA)	150.00
IDA Grant	150.00

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Mozambique	0.00	150.00	0.00	150.00
National PBA	0.00	150.00	0.00	150.00
Total	0.00	150.00	0.00	150.00

INSTITUTIONAL DATA**Practice Area (Lead)**

Agriculture and Food

Contributing Practice AreasEnvironment, Natural Resources & the Blue Economy,
Transport**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial



6. Fiduciary	● Substantial
7. Environment and Social	● Substantial
8. Stakeholders	● Moderate
9. Other	● Moderate
10. Overall	● Substantial
Overall MPA Program Risk	● Substantial

COMPLIANCE

Policy

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

[] Yes [✓] No

Does the project require any waivers of Bank policies?

[] Yes [✓] No

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

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

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

Legal Covenants**Sections and Description****Schedule 2. Section I.A.1.(d)**

Not later than four months after the Effective Date, the accountant referred to in sub-paragraph (c) of this paragraph shall have been recruited and appointed

Sections and Description**Schedule 2, Section I.A.2(a)**

The Recipient, shall cause FNDS, BIOFUND and ProAzul, not later than 90 days after the Effective Date shall establish and thereafter maintain at all times during the implementation of the Project, provincial offices of the Project Implementation Unit (PIU) established at central level within FNDS, with dedicated staff within FNDS, BIOFUND and ProAzul, with mandate, composition and resources acceptable to the Association.



Sections and Description

Schedule 2, Section I.A.3(a)

The Recipient shall cause FNDS, BIOFUND and ProAzul to establish, not later than 90 days after the Effective Date, and maintain, throughout the implementation of the Project, a steering committee (“Project Steering Committee”), with a composition, mandate, and resources satisfactory to the Association.

Sections and Description

Schedule 2. Section I.A.4.

Not later than 30 days after the Effective Date and for the purposes of implementing Part 1(a)(vi) of the Project, the Recipient shall cause FNDS to enter into a Memorandum of Understanding between FNDS and ANE (“FNDS-ANE MoU”), setting forth the respective responsibilities of FNDS and ANE with respect to the implementation of activities related priority improvements to rural roads and bridges.

Conditions

Type Effectiveness	Financing source IBRD/IDA	Description The Subsidiary Agreements have been executed on behalf of the Recipient and FNDS, ProAzul and BIOFUND respectively, in accordance with terms and conditions satisfactory to the Association.
Type Disbursement	Financing source IBRD/IDA	Description No withdrawal shall be made for Emergency Expenditures under Category (4), unless and until the following condition has been met in respect of said expenditures: the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (4); and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.





I. STRATEGIC CONTEXT

A. Country Context

- Mozambique is a low-income country of 29.6 million people located in Southeastern Africa.** Mozambique has a gross domestic product (GDP) of approximately US\$12 billion and a GDP per capita of US\$417, which is among the lowest in the world. Poverty is high at 48 percent in 2015, albeit lower than the 60 percent rate in 2003.¹ Most of the poor (84.9 percent) are in rural areas. The country's GDP growth had a high average of 7.9 percent between 2001 and 2015 but fell to about 3.3 percent between 2016 and 2019. Even under declining poverty rates, the total number of people living in poverty has grown in the past few years, as population growth outpaced GDP growth, and is expected to drastically increase in 2020 due to the coronavirus disease 2019 (COVID-19) pandemic. Poverty levels are also significantly higher in the northern and central regions of Mozambique, which have larger populations and are more distant from major urban centers and economic hubs.
- Furthermore, Mozambique has recently been classified as a fragility, conflict, and violence (FCV) country under medium-intensity conflict due to the security situation in several regions of the country.** The Mozambican National Resistance (Renamo) has maintained an arsenal and military base after the peace accord of 1992 with the Front for the Liberation of Mozambique (Frelimo), with occasional flare-ups of armed confrontations. A new peace accord was reached in August 2019, which has been violated several times by a Renamo breakaway military faction, known as the Military Junta. Meanwhile, a so-called Islamic insurgency operates in parts of the gas-rich province of Cabo-Delgado. The indiscriminate killing of civilians perpetrated by the insurgents has now spread to several districts and towns in the province. In March 2020, the rebels attacked and occupied the transport hub rural town of Mocimboa da Praia and the town of Quissinga. The number of internally displaced people (IDP) stood at nearly 600,000 by December 2020, according to the United Nations Office for the Coordination of Humanitarian Affairs and government estimates. The risk that violence spread to other areas of the country should not be underestimated.
- The rural space is the backbone of the livelihoods for most of the population.** It also accounts for most of the country's poor. While the share of the population that lives in urban centers increased from 25 to 35 percent between 1995 and 2017, more than half of the population is projected to remain in rural areas through 2040. On the back of this trend is fast population growth, particularly among rural households in the northern and central regions, where on average 2.1 more children are born per rural woman (6.6) than urban woman (4.5). Fast rural population growth combined with a persistent young age structure is adding an estimated 450,000 youth to the (rural) workforce every year. Mozambique is projected to remain largely rural for this generation, making the focus on rural income growth imperative.
- Agriculture continues to represent the key economic activity in Mozambique.** Agriculture has a vast growth potential by virtue of the variety of agroecological zones and strategic geographical position that the country has (especially with the neighboring landlocked countries and the various export departure points). There are about 4 million smallholder producers in Mozambique, and these account

¹ World Bank 2018 Poverty Assessment (Report Number 131218).



for approximately 98 percent of the total workforce and production in the sector, with the remaining 2 percent including micro, small, and medium enterprises (MSMEs) and larger agribusinesses and commercial farms. Even though 45 percent of the country is suitable for agriculture, less than 16 percent is currently cultivated.²

5. **Economic expansion in agriculture yields the highest impact on poverty reduction.** The sector's potential continues to be challenged by low productivity levels, mostly due to low input intensity and technology adoption, limited provision of agricultural services, coupled with high seasonality in production and increasing climate vulnerability. Simulations show that growth in agriculture would decrease poverty and inequality over three times faster than growth in any of the other sectors.³ In addition, access to finance, quality assurance, competitiveness, and value addition, together with general integration along value and supply chains, continue to be persistent challenges that limit the full potential of the sector's growth. At the same time, agriculture plays a critical role in ensuring food security. Rather than maximizing profit, the production choices of most smallholders is focused on food security, yet many households in the bottom 40 percent of income produce below subsistence level. A structural transition from agricultural employment to employment in industry and services, which characterizes the development process in all countries, would not be possible in the absence of rising agricultural productivity rates without endangering food security.⁴

6. **Fisheries play a major role in supporting livelihoods in Mozambique.** At sea, the Exclusive Economic Zone covers 571,974 km² along an extensive coastline of about 2,700 km, supporting significant fishery resources. Fishing grounds include river mouths, deltas, and bays (common species are small pelagic fish, demersal fish, and crustaceans); islands (with deep sea demersal fish and big pelagic fish); and sand banks (with tuna, demersal fish, as well as deep sea lobsters and crabs). The coastline may be divided into ecological regions from north to south, with the central region known as Sofala Bank being the most productive fisheries area in the country. About 850,000 households rely on subsistence fisheries for food security and source of income as part of a livelihood strategy, often integrated with agriculture,⁵ with fish estimated as making up 8 percent of total protein consumed at the national level.⁶ In 2018, artisanal fishing represented 89 percent of a total production of 397,262 tons.

7. **The country is richly endowed with natural resources but has not been able to effectively translate these into sustained poverty reduction.** Mozambique has ample arable land, water, mineral, and energy resources, including natural gas offshore. Its substantial natural capital includes 36 million ha of arable land and 32 million ha of natural forests. Its long coastline, the 4th longest in Africa, harbors some of the most spectacular coral reefs in the world and several highly productive estuaries. The country has outstanding terrestrial, freshwater, marine, and coastal species biodiversity, counting more than 10,000 species, 10 percent of which are endemic or nearly endemic. Growth has been driven by conversion of its nonrenewable natural resources through megaproject investments, with modest links to

² World Bank. 2020. *Cultivating Opportunities for Faster Rural Income Growth and Poverty Reduction: Mozambique Rural Income Diagnostic*. Overview Policy Report.

³ World Bank. 2020. *Cultivating Opportunities for Faster Rural Income Growth and Poverty Reduction: Mozambique Rural Income Diagnostic*. Overview Policy Report.

⁴ World Bank. 2019. *Agrarian Sector Transformation: a Strategy for Expanding the Role of the Private Sector*.

⁵ National Statistics Institute (INE) 2019.

⁶ World Bank (2020). *Nutrition Smart Agriculture Country Profile - Mozambique* Washington, DC: World Bank Group.



broader areas of the economy. The country also faces challenges to the sustainability of its renewable natural resources. Deforestation is high, 267,000 ha of forests have been lost annually for 2003–2013. This led to around 46 million tons of climate-change-causing CO₂ being emitted every year into the atmosphere, representing 43 percent of Mozambique's overall greenhouse gas (GHG) emissions. Deforestation is mostly driven by expansion of shifting agriculture, contributing to land degradation, water scarcity, and climate vulnerability. Priority fishery stocks such as shallow-water shrimp are considered overexploited, and encroachment in conservation areas is a persistent challenge.

8. **Mozambique is ranked the third most vulnerable country to climate change in Africa.**⁷ Large areas of the country are exposed to tropical cyclones, droughts, and river/coastal storm surge flooding. This vulnerability is heightened by the country's 2,700 km of coastline and socioeconomic fragility. About 60 percent of the population lives in low-lying coastal areas, where intense storms from the Indian ocean and sea level rise put infrastructure, coastal agriculture, key ecosystems, and fisheries at risk. As the intensity of these storms increase, the impacts are starting to also be felt inland. Access to markets, already a challenge for many rural producers, is becoming increasingly difficult after disasters hit. As 70 percent of the population depends on climate-sensitive agricultural production for their food and livelihoods, increased frequency and intensity of storms, droughts, and floods are likely to put pressure on agricultural income and food security. Historic climate trends show average temperatures have increased 1.5–2°C (1961–2010), and future climate projections in Mozambique show more marked temperature increases in the interior, southern, and coastal areas. Associated variability in rainfall and increase in droughts are expected to lead to decrease in crop yields, particularly for drought-sensitive crops. As agriculture becomes less productive, and less land area is available due to increased flooding, more land needs to be cleared, increasing the already high rate of deforestation and exacerbating the problem of land degradation and temperature rise. With the increase in number of hot days, there is an upsurge of crop and livestock pests and diseases as well as forest fires, leading to increased forest degradation. Coastal resources are also affected both by natural disasters and increasing temperatures, damaging ecosystems that sustain ocean life and fisheries such as coral reefs, mangroves, and seagrass. Warming and acidifying oceans cause loss of revenue from tourism and fisheries. As ocean-atmospheric conditions continue to change, larger alterations in patterns of species richness, changes in fisheries community structure and ecosystem functions, and consequential changes in marine goods and services are expected.⁸ The risk of declining fish stocks posed by warming is compounded by overfishing, which makes fisheries more vulnerable to warming, and continued warming will challenge efforts to rebuild overfished populations.

9. **Mozambique has a network of conservation areas that cover around 25 percent of its land surface.** It consists of 10 national parks, seven national reserves, two environmental protection areas, 17 controlled hunting blocks (*coutadas*), over 50 privately run game farms (*fazendas de bravia*), and two community conservation areas (CCAs). These areas contribute greatly to provision of ecosystem services, estimated at over US\$5 billion for 2009, half of the GDP for that year.⁹ They are an important part of a

⁷ World Risk Index, 2016 *apud* IMF, 2018. Republic of Mozambique: Selected Issues.

⁸ World Bank. 2019. *Climate Change and Marine Fisheries in Africa: Assessing Vulnerability and Strengthening Adaptation Capacity*. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/33315>. License: CC BY 3.0 IGO.

⁹ Niquice, S., and P. Cabral. 2018. "Assessment of Changes in Ecosystem Service Monetary Values in Mozambique." *Environmental Development* 25:12–22.



strategy to enhance climate resilience and reduce impact of droughts, ensuring the flow of ecological processes across production-conservation areas. They are also an important driver of Mozambique's tourism potential and rural income diversification strategy.

10. **The gender gap in agriculture and fisheries is extensive.** Rural women in Mozambique face large constraints in accessing essential productive resources and services, technology, market information, and financing. They are underrepresented in local institutions and governance mechanisms and tend to have less decision-making power than men. Prevailing gender norms and discrimination often lead to excessive work burden, and much of their labour remains unpaid and unrecognized. Female participation in the labor force is relatively high at around 80 percent but women are disproportionately concentrated in subsistence agriculture and the informal sector. Recent data from two World Bank projects¹⁰ in Mozambique implementing matching grant schemes (MGS) in the agriculture and fisheries sectors show that women benefit less from these schemes compared to men.¹¹ Gender-specific obstacles put female farmers and fishers at a significant disadvantage. Improving gender equity in the agriculture and fisheries sectors would not only empower women to achieve their highest economic potential but also help reduce poverty and food insecurity.

11. **Due to the COVID-19 pandemic, it is expected that a sizable number of Mozambicans will fall back into poverty.** Mozambique's already difficult poverty situation is expected to be aggravated further. The February–September 2021 FEWS NET¹² projection for Mozambique is that there will be an increase of 14 percent of the population that will be living in areas under crisis or worse food security conditions, bringing the total number of people in this category of food insecurity to 7.8 million (or 24.6 percent of the total population of the country). The deterioration of poverty level in Mozambique is due to the growing conflict in the north as well as the slowdown in economy activity.¹³ The negative impacts on income are expected to be felt relatively more in urban and peri-urban areas, where social distancing measures and business closures are having the greatest impact. The pandemic is also likely to exacerbate pre-existing factors of fragility and widen inequalities across the country. The spatial distribution of poverty is skewed, it is almost twice as high in rural as in urban areas and inequality between rural and urban areas is increasing. The pandemic has also affected livelihoods and the management of natural resources, including forestry, agriculture, fisheries, conservation areas, and nature-based tourism. The

¹⁰ Agriculture and Natural Resources Landscape Management (SUSTENTA, P149620) and South-west Indian Ocean Fisheries Governance and Shared Growth Project 1 (SWIOFish1, P132123).

¹¹ Within the context of the Agriculture and Natural Resources Landscape Management (SUSTENTA) project, only 14 percent of the commercial smallholder farmers (*Pequeno Agricultor Comercial Emergente*, PACE) and 13 percent of smallholder farmers (PA) benefitting from the MGS are women. In the fisheries sector, only 29 percent of the beneficiaries of the Mais Peixe mechanism are women, and, on average, receiving smaller grants, totalling 22 percent of the total budget. These numbers refer to data collected from the beginning of these projects up to November 2020.

¹² The Famine Early Warning Systems Network is a leading provider of early warning and analysis on food insecurity. See: www.fews.net/mozambique.

¹³ Simulations done by the World Bank's Poverty and Equity Global Practice of the potential short-term effects of the COVID-19 shock on income and consumption provide a first order approximation of the distributional impacts on household welfare. A hypothetical reduction of 10 percent in consumption across all rural households would increase poverty from 50.7 percent (baseline rate projected for 2020) to 56.6 percent. This translates into 1.4 million more Mozambicans slipping below the poverty line. This scenario would wipe out the gains in poverty reduction achieved in the last 5–6 years, underscoring the high levels of vulnerability among rural households. Limiting the shock to urban areas and workers in sectors at high risk translates into a 2.1-percentage point increase in poverty (from 32 to 34.1 percent), or 250,000–300,000 newly urban poor. More information on the impacts of COVID-19 and the response of the Government of Mozambique (GoM) can be found in annex 5.



nature-based tourism sector is suffering significant losses, leading to conservation areas' revenue shortfalls, which in turn imperil the proper functioning of conservation areas and wildlife protection. The pandemic could heighten socioeconomic grievances and sharpen the inequalities.

B. Sectoral and Institutional Context

12. **A new Government took office in February 2020 after the general elections.** The new administration adopted a Five-Year Government Plan 2020–2024 (*Programa Quinquenal do Governo*, PQG) with a strong emphasis on promoting sustainable rural productive development and a focus on the central and northern part of the country, particularly in agriculture, forestry, fisheries, and tourism.

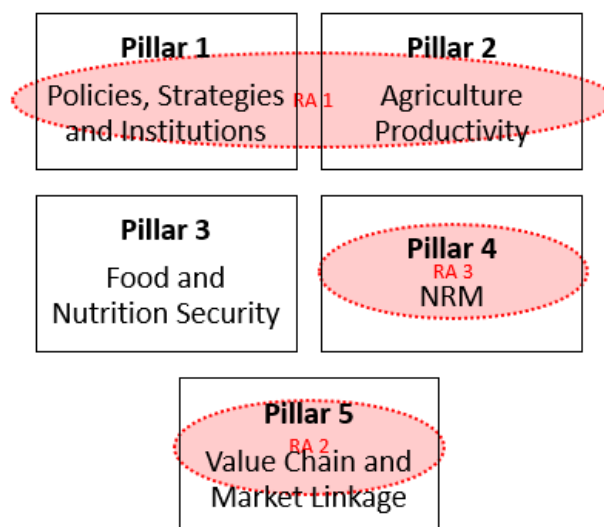
13. The GoM's strategic vision is to integrate the promotion of rural development with increased resilience and sustainability of natural resources and lay the foundation for an integrated land use approach that recognizes the interdependence between value chains in agriculture, forestry and fisheries, and natural resources (soil, water, forests, and biodiversity). It seeks to increase rural households' income while strengthening the resilience and sustainability of these natural resources. More resilient rural areas will simultaneously meet local needs (for example, water availability for households and rural businesses) while also contributing to national commitments and international targets on climate change (NDC¹⁴, REDD+ Strategy) and biodiversity (National Biodiversity Strategy and Action Plans, NBSAPs).

14. **With the aim of promoting integrated rural development, the Government is developing the Agrarian Sector Strategic Plan 2021–2031 (PEDSA II, *Plano Estratégico de Desenvolvimento do Sector Agrário II 2021–2031*).** The main objective of PEDSA II is to contribute to accelerating the growth and sustainable transformation of the rural economy based on an improvement in the incomes of rural families in line with the preservation of key ecosystem services. Initial key objectives include the following: (a) increase the sector's contribution to the national GDP; (b) substantially increase the productivity of key agricultural crops and improve their competitiveness; (c) increase rural household incomes; (d) create jobs in agriculture, agro-processing, forestry, fisheries, aquaculture, nature-based tourism, and wildlife economy; (e) reduce chronic malnutrition; (f) increase private investment into the rural economy; and (g) improve effectiveness of the management of natural resources on which the rural economy depends. To achieve this objective, PEDSA II is based on five strategic pillars (figure 1), four of which are directly supported by the results areas targeted by the proposed Sustainable Rural Economy Program (SREP) Multiphase Programmatic Approach (MPA). The GoM Program is adopting an approach supported by a multiyear effort led by the World Bank for the Land Use Planning for Enhanced Resilience of Landscapes in Mozambique (LAUREL, P160760). The World Bank expects that PEDSA II will include detailed investment programs (under a National Investment Plan, NAIP II) and that it will be aligned with the approach of building resilience of vulnerable food-insecure rural households adopted by ongoing operations in the agriculture and natural resource management (NRM) sectors.

¹⁴ NDC = Nationally Determined Contribution; REDD+ = Reducing emissions from deforestation and forest degradation in developing countries, and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries.



Figure 1. PEDSA II and SREP Results Areas



Note: Results areas denoted with dotted lines.

15. **PEDSA II aspires to align government initiatives from sectors engaged in the development of the rural economy in Mozambique, capturing synergies and harmonizing approaches.** It also aspires to serve as a tool for mobilizing funding and coordinating interventions from development partners, civil society, and the private sector. While it reflects priorities from the PQG 2020–2024, it identifies a series of complementary interventions, with emphasis on cross-sectoral coordination. The PEDSA II preparation process has involved 11 different government agencies across eight different ministries. The Ministry of Agriculture and Rural Development (MADER) is leading the development of PEDSA II with the Ministries of Land and Environment (MTA); Sea, Inland Waters, and Fisheries (MIMAIP); Industry and Commerce (MIC), Minerals and Energy, Tourism and Culture; Public Works, Habitation and Water Resources (MOPHRH); and Economy and Finance (MEF).¹⁵ PEDSA II is expected to be approved by the Council of Ministers and the Agrarian Sector Coordination Committee (*Comité de Coordenação do Sector Agrário*, CCSA) by June 2021.

16. **The full implementation of PEDSA II is expected to deliver significant improvements in rural productivity, job creation, and sustainability, although it faces key challenges.** Based on recent studies and analysis focused on the agrarian sector,¹⁶ PEDSA II identifies the following key issues and constraints

¹⁵ Government agencies involved within these line ministries include (a) National Sustainable Development Fund (*Fundo Nacional de Desenvolvimento Sustentavel*, FNDS); (b) National Directorate for Commercial Agriculture; (c) National Directorate for Family Agriculture; (d) National Forest Directorate (*Direção Nacional de Florestas*, DINAF); (e) National Administration of Conservation Areas (*Administração Nacional de Áreas de Conservação*, ANAC); (f) Blue Economy Development Fund (PROAZUL); (g) Institute of Cereals of Mozambique; (h) Energy Fund; (i) National Tourism Directorate; (j) National Planning and Budget Directorate; and (k) National Roads Administration (*Administração Nacional de Estradas*, ANE).

¹⁶ Cultivating Opportunities for Faster Rural Income Growth and Poverty Reduction (World Bank 2020); Republic of Mozambique Agrarian Sector Transformation: a Strategy for Expanding the Role of the Private Sector (World Bank 2019); Rationalization of Investments in Mozambique's Agrarian Sector: Assessment and Emerging Strategies and Priorities (MADER 2020); Mozambique National Agricultural Investment Plan (PNISA): Assessment (MASA 2019).



to be tackled by the SREP: (a) weak interinstitutional coordination mechanisms to align rural sector policy priorities, investments, synergies, and complementarities; (b) key rural infrastructure gaps; (c) underdeveloped agricultural input markets; (d) poor organization and functioning of output markets and value addition; (e) poorly developed technological know-how for more climate-resilient and sustainable agricultural and fisheries production; (f) low resilience to climate change and extreme weather-related events and land degradation due to unsustainable practices leading to fertility loss, soil erosion, and compaction; and (g) loss of key ecosystem services sustaining production from agriculture, fisheries, and forestry and high land use-based Greenhouse Gases (GHG) emissions due to poor control and governance over the use of these resources.

17. **PEDSA II will be accompanied by an investment plan (PNISA II); SREP will contribute to bridge an important portion of its financing gap.** In its current form,¹⁷ PNISA II identifies a series of investment pillars, to which SREP is fully aligned. The overall SREP financing (US\$500 million) covers approximately 20 percent of PEDSA II's financing plan, and the overall budgetary distribution across pillars and results areas are presented in table 1. The rest of the financing gap (80 percent) is expected to be covered by Government and donor resources in an approximate ratio of 2:1. Donors that have been in discussion with the Government and development partners about financing PEDSA II include the African Development Bank (AfDB), UK Department for International Development, Japan International Cooperation Agency (JICA), and International Fund for Agricultural Development. An Agriculture Public Expenditure Review conducted by the World Bank for 2013–2017 showed that public budgetary allocation to the agriculture sector has been erratic and averages 6.4 percent of total budget, well below the 10 percent target set out by the country in the Maputo-Malabo commitment. Furthermore, the public budget has not been evenly allocated across the eight NAIP I programs, with across-the-board underfunding of programs except for the food and nutrition security and the institutional strengthening programs. Nevertheless, the analysis shows that there is a high rate of budget execution (80 percent) for both internal and external funds.

Table 1. SREP and PEDSA II Expenditures 2021–2031

PEDSA II Strategic Pillars	MZN, billions	US\$, millions	
	PEDSA II	SREP (IDA%)	
Pillar 1: Efficiency and coherence of policies, strategies and Institutions	1.4	20	20 (100%)
Pillar 2: Sustainable increase of agrarian productivity	87.0	1,220	260 (21%)
Pillar 3: Strengthening food security and nutrition	1.4	20	—
Pillar 4: Sustainable use of natural resources	8.5	120	120 (100%)
Pillar 5: Market access and competitive value chain development	71.0	1,000	150 (15%)
TOTAL	171.0	2,400	500 (20%)

Note: Exchange rate used: MZN 1 = US\$0.014.

¹⁷ PNISA II is under preparation along with PEDSA II. However, the Government did prepare an investment plan in 2020 (called PODERS – Sustainable Rural Economy Development Operational Program) that was never approved but which is serving as input to PNISA II. PODERS was not approved given the significant expected overlaps with PEDSA II, which the Government had decided to develop by the time PODERS draft was completed.



18. **The GoM has recognized the need to devote significant attention to northern provinces.** The Northern Integrated Development Agency (*Agência de Desenvolvimento Integrado do Norte*, ADIN) is a public institution established in March 2020 with the mandate to promote integrated development in Mozambique's northern provinces. ADIN's tutelage was transferred in June 2020 from the Council of Ministers to MADER, highlighting the key role of rural development within the overall approach. ADIN will focus on boosting economic development in Cabo Delgado, Niassa, and Nampula, based on four main pillars: (a) humanitarian assistance, (b) economic development, (c) community resilience, and (d) communication. ADIN is currently leading the development of a more detailed engagement strategy for these three provinces, which is expected to be finalized by July 2021.

C. Relevance to Higher Level Objectives

19. **The proposed MPA is closely aligned with Mozambique's 2017–2021 Country Partnership Framework (CPF) (Report number: 104733-MZ), as revised by the 2020 Performance and Learning Review (PLR).**¹⁸ The PLR added the objective of 'Supporting Recovery and Rehabilitation,' under the CPF Focus Area 3, reflecting stepped-up IDA financing to address the impact of recent cyclones and the COVID-19 pandemic. The CPF draws on the 2016 Systematic Country Diagnostic (SCD – Report No.103507) which identified three main focus areas in support of the twin goals: (a) promoting diversified growth and enhanced productivity, (b) investing in human capital, and (c) enhancing sustainability and resilience. An update to the SCD is currently under preparation (expected to be approved by mid 2021) and confirms the continued relevance of these three focus areas in the coming years. In line with the World Bank Group (WBG) crisis response approach to COVID-19, the proposed MPA has the overarching goal of creating more inclusive growth through employment promotion and improving productivity and competitiveness in a sustainable manner. Under CPF Focus Area 1, Promoting Diversified Growth and Enhanced Productivity, it contributes mainly to Objective 2 on Increasing Agriculture Growth. The proposed MPA is expected to increase the access of rural dwellers to productivity-enhancing inputs, technologies, rural credit, irrigation, access to markets, and training in agriculture, fisheries, and forest-based value chains. Under CPF Focus Area 3, Enhancing Sustainability and Resilience, the MPA contributes mainly to Objective 11 on Improving Management of Climate Risk and Natural Resources. The proposed MPA will support investments in climate-resilient measures at the local level, including in climate-smart agriculture (CSA) and natural resources management practices of forests and fisheries. Investments will target both key production landscapes and biodiversity areas, within and around conservation areas that serve as effective natural buffers to climate change. The MPA will also support the consolidation and development of governance (for example, CCSA) and information systems (for example, Forest Management Information System and Integrated Fisheries Information System) that are expected to lead an improved decision-making on natural resources and climate risks.

20. **This operation also aims to help Mozambique manage and respond to the COVID-19 crisis.** The overall World Bank response had a financing package of US\$366 million covering priority needs across four thematic pillars of the WBG COVID-19 Crisis Response Approach (see annex 5 for detailed description of World Bank support to address COVID-19).

¹⁸ Mozambique - Performance and Learning Review of the Country Partnership Strategy IDA/R2020-0117, April 3, 2020.



21. **This Program will support the ‘building-back-better’ approach towards the recovery from the COVID-19 pandemic, addressing the identified climate and sectoral risks and vulnerabilities by prioritizing investments that help agricultural and rural resilience.** This will include promoting an approach that strengthens the natural capital base (soil, water, and forests) in selected rural areas upon which agricultural and fisheries production depends, thus rendering this production less vulnerable to climate shocks and making it more sustainable. The project will therefore combine investments aiming at increasing agricultural incomes, diversifying rural incomes (component 1) as well as investments aiming at strengthening key ecosystems, such as forests and conservation areas in selected intervention areas (component 2). Under component 1, the project will also build the capacity of farmers and institutions to implement CSA, such as (a) improving access to drought-resistant seeds, (b) promoting agricultural practices and infrastructures that reduce the risk of crop failures while reducing GHG emissions, (c) including restoration activities in business plans for rural enterprises supported by the project, and (d) increasing the knowledge base on CSA practices. To address the loss of marine life and fish stocks, the project will invest in adoption of sustainable fisheries and aquaculture techniques to compensate for the reduction in local fish supply. The combination of these interventions is also expected to significantly contribute to reducing GHG emissions across project intervention areas in addition to contributing to the resilience of production and the natural resource base. The project activities fully qualify to generate climate change mitigation co-benefits under Category 4 Agriculture, Aquaculture, Forest and Land Use, from the A.C.1 list of activities eligible for classification as climate mitigation finance of the Joint Report on Multilateral Development Bank’s Climate Finance. Furthermore, the infrastructure, agriculture, livestock, and fisheries support above are geared toward adaptation to climate change by building more climate-resilient production systems.

22. **The program is aligned with the new WBG Strategy for FCV (2020–2025) and explicitly addresses the need for more social and economic inclusion, especially for youth employment in the country’s most fragile regions.** More specifically, the program addresses the following priorities: (a) investing in human capital; (b) linking agriculture investments with food security and nutrition; (c) creating jobs and economic opportunities; and (d) building private sector/community resilience and preparedness, especially regarding the impacts of climate change. These priorities are also discussed in the Mozambique Risk and Resilience Assessment (RRA, P172327), completed in May 2021. In addition, the program is informed by lessons learned from both the RRA and the FCV Strategy to (a) systematize the use of innovative solutions, (b) build resilience in the rural communities including through strong citizen engagement, (c) focus on employment creation for youth and women and enhance monitoring and evaluation (M&E) frameworks and systems, (d) ensure to take security considerations into account, (e) engage across the WBG to develop the private sector and help create markets, and (f) scale up the engagement with civil society organizations and the private sector in delivering interventions.

23. **Sustained development in FCVs is constrained by several interlocking characteristics:** poor governance and weak institutional capacity, inadequate security, and high exposure to climate shocks. The proposed program addresses these interlocking characteristics to help exit fragility by (a) strengthening governance and institutional capacity through the food system and rural development, including vulnerable people and lagging regions in programs, and repairing and strengthening national and community-based institutions; (b) preventing and responding to food crises through improving resilience of food production and rural incomes; (c) creating jobs through agribusiness development via



support for inclusive business models; and (d) reducing conflict risk, shocks, and environmental fragility through resilient and sustainable NRM.¹⁹

24. **The Eligibility Note requesting support for Mozambique from the Prevention and Resilience Allocation (PRA) under IDA19 was approved by the World Bank Board of Directors on April 28, 2021.** PRAs provide enhanced support for countries at risk of falling into high-intensity conflict or large-scale violence, based on government commitment, and agreed milestones. This entails a recalibration of the WBG portfolio to support the Government's prevention effort.

25. **The program is designed in coordination with other operations in preparation or under implementation in Mozambique.** The program complements the efforts of other operations designed with strong focus on resilience, such as the Northern Mozambique Rural Resilience Project (P174635), which aims at improving the livelihoods of vulnerable communities and the management of natural resources in selected rural areas of Northern Mozambique; the Mozambique Northern Urban Upgrading Project (P175266); and the Improvement of Skills Development in Mozambique Project (P167054). Among other things, these operations aim at working together on joint and efficient citizen engagement.²⁰

26. **The program is aligned with Mozambique's NDC and National Climate Change Strategy²¹ to increase resilience in communities and the national economy, including the reduction of climate risks.** The GoM is committed to promoting low carbon development and the green economy through adaptation and mitigation strategies in sectoral and local planning in its NDC. In line with these commitments and the 2020 World Bank Africa Climate Change Business Plan, the program supports (a) promoting the adoption of CSA practices, clean technologies, and renewable energy sources within supported AgriMSMEs (that is, capacity building and matching grants for technology adoption); (b) strengthening capabilities of AgriMSMEs who supply climate-smart inputs and services to farmers and producers; and (c) applying climate standards in rural infrastructure investments. The program specifically contributes to the following elements in the national climate change strategy: green technology upgrading, climate-friendly transport, climate-resilient construction practices, and promotion of best practices in agriculture and fisheries sectors.²²

27. **Gender inequality and gender-based violence (GBV) are key social issues for the project.** The GBV review carried out by the World Bank in Mozambique in 2019 concluded that GBV is significantly hindering the country's economic development. The program will seek to address gender-inequality issues associated with private sector development to improve the opportunities for female farmers and female-owned/led AgriMSMEs to access markets, finance, and skills that have an impact on performance.

¹⁹ World Bank. 2021. *Building Stronger Food Systems in Fragile, Conflict, and Violence Situations*. Future of Food Series.

²⁰ North of Mozambique includes the Provinces of Cabo Delgado, Nampula, and Niassa.

²¹ For further details on project alignment to National Climate Change Strategy, see annex 4 and the full strategy can be found here:

<https://cgcmc.gov.mz/attachments/article/194/Estrategia%20Nacional%20de%20Adaptacao%20e%20Mitigacao%20das%20Mudancas%20Climaticas%20versao%20final.pdf>.

²² This will build on findings and recommendations from the ProBlue's Circular Economy analysis recently conducted in Mozambique.



The Gender Action Learning System²³ (GALS) methodology will also be applied in selected households, which has been proven effective to reduce GBV risks in Mozambique and the region. More details on the GALS are provided in annex 1.

28. **The program is well aligned with the International Finance Corporation (IFC) country strategy, in preparation²⁴, that has identified agribusiness as a key sector of focus.** The project will work in coordination with the parallel efforts led by IFC to develop sustainable value chains and strengthen links by facilitating multiple sources of capital into biodiversity-compatible enterprises. In addition, the program builds on and is complementary to IFC's Investment Climate Project (#603043) that promotes cross-cutting reforms in the business environment that will contribute to further opportunities to AgriMSMEs that can benefit from the program.

29. **Finally, the program is well aligned with the WBG's Digital Economy for Africa (DE4A) Initiative that aims to ensure that every individual, business, and government in Africa will be digitally enabled by 2030 in support of the African Union (AU) 'Digital Transformation Strategy for Africa'.** The DE4A calls for ensuring investments in public goods leverage the use of digital technologies. The program will promote the use of digital tools within agribusiness plans by AgriMSMEs, extension services, and for remote monitoring project implementation activities. In a similar vein, the program will support improvements in digital access and adoption by specific national and local agencies as required to perform activities in support to rural producers and for the management of natural resources.

D. Multiphase Programmatic Approach

A. Rationale for Using MPA

30. **The GoM is engaging in a medium-term strategy (PEDSA II) to reduce rural poverty, food and nutrition insecurity, and the degradation of natural resources.** The World Bank strategic support in a single 4–5 year project will not suffice to have a sustainable impact on those medium-term development objectives. The MPA will allow for a phased approach toward the PEDSA II goals by gradually building capacity and scaling up strategic interventions (geographically and sectorally) for having the needed technical and financial continuity in achieving the desired sustainable higher-level impact.

31. **The MPA is also the preferred instrument given the need to establish a clear pathway and financial support for the Government, development partners, and World Bank interventions over the medium to long term.** The lessons learned from previous and ongoing operations in the development of the rural economy in Mozambique and the region point to the appropriateness of use of the MPA as follows:

²³ GALS is a household planning methodology that enables households to start delineating realistic joint plans based on resources available to the household. In the process, barriers limiting household progression, including common areas of gender inequality manifested at household level, and corresponding corrective measures are identified and integrated by the household in their daily lives. GALS allows for the integration of other social risks such as HIV prevention and treatment, GBV (including information of clinical and psychosocial services available), and nutrition.

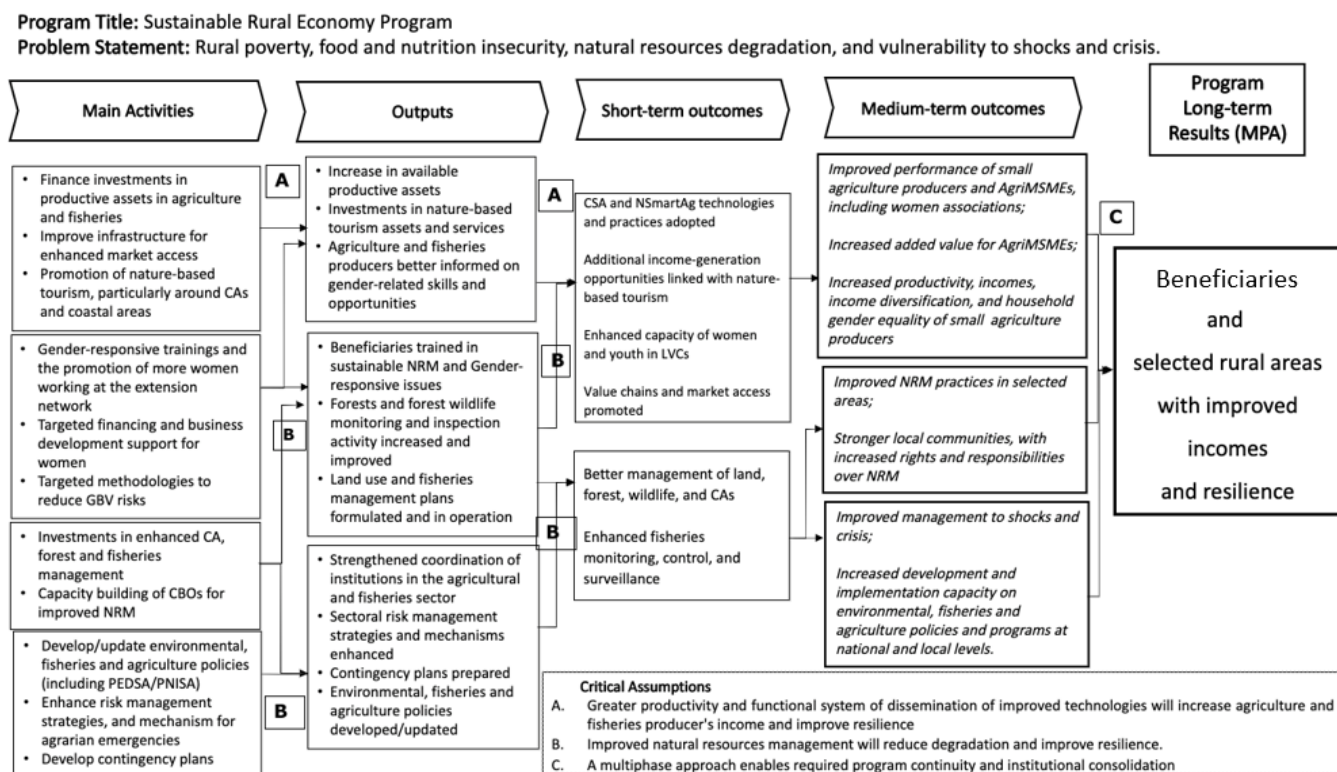
²⁴ The strategy is expected to be finalized in Fiscal Year 2022.



- (a) The MPA will ensure coherence of interventions at the national level and across investments, across development cycles financed by the World Bank, and development partners by establishing a medium- to longer-term multi-partner sector development platform important to achieve the sustainable outcomes of PEDSA II, in particular, for engaging in longer-term institutional strengthening and policy reform.
- (b) In the FCV context, the MPA will build institutional capacity in a gradual manner, anchored in lessons learned from the previous phase, and ensuring that the capacities built are institutionalized over the program implementation.
- (c) The MPA will focus on achieving impacts throughout its implementation by integrating quick course correction measures based on the findings of the learning agenda. The World Bank projects in Mozambique have fallen short in targeting rural economy objectives related to impacts such as income and sustainable use of natural resources, which cannot be achieved by a single stand-alone project.
- (d) Compared to stand-alone Investment Project Financing (IPF) or Program-for-Results (PforR) projects, a MPA is likely to make more consistent progress toward longer-term complex objectives in Mozambique. These objectives include strengthening weak interinstitutional coordination to align rural sector policy priorities, investments, developing agriculture input markets, bringing efficiencies in output markets and their value added, significantly increasing technological know-how for climate resilient and sustainable agricultural and fisheries production, preventing land degradation, and loss of key ecosystem services sustaining production from agriculture, fisheries and forestry, due to poor control and governance over the use of these resources. Such strategic objectives require a consistent focus and investments over a longer period, not easily achieved by a stand-alone project.
- (e) An MPA with simultaneous phases over a period of 10 years, and with a combination of IPFs and PforRs would allow for progressive support in implementing the Government's strategic objectives for scaling up geographically and sectorally to develop the rural economy, while building the institutions and capacity gradually, moving from financing of inputs to financing of results. Phase I would build key institutional capacity at national level under an IPF, while Phase II will begin simultaneously as a PforR to scale investments geographically and sectorally. Phase 3 would follow as a PforR taking the program towards national coverage and towards rural economic diversification and resilience.



Figure 2. Program Results Chain



B. Program Development Objective with Key Program Development Objective Indicators with Baselines and End Targets

32. The MPA development objective is to improve the incomes and resilience of beneficiaries and selected rural areas.

33. In the Program Development Objective (PrDO) statement, resilience is defined as the capacity of targeted beneficiaries and selected rural areas to diversify rural incomes (target of 60 percent of program beneficiaries adopting diversified livelihood activities) while being able to overcome crisis and emergencies, which could result from events such as climatic shocks, extreme weather events, plant and animal pests/disease outbreaks, pandemics, and economic and social disruptions. In the context of the proposed program, resilience building involves strengthening multiple capacities at the household and institutional level: (a) assessment capacity (identify/understand risks), (b) absorptive capacity (mitigate/prevent negative impacts of shocks/crisis), (c) adaptive capacity (adjust/adapt to/prepare for moderate future potential negative impacts from shocks/crisis), and (d) transformative capacity (prepare a financial protection strategy to address the residual risks of negative impacts from shocks/crisis).

34. The progress toward the PrDO will be measured through the following outcome indicators (these indicators will be measured and reported throughout the implementation of the MPA program):



Table 2. PrDO Indicators and Targets

Indicator	Baseline (Year 0)	End Target (Year 10)
a. Percentage increase in agricultural income of small producers in selected areas (disaggregated by women and youth)	0	30% (women: 30%, youth: 30%)
b. Avoided deforestation area (Ha) as a result of the Program	0	500,000
c. Area (Ha) under the adoption of climate-resilient assets and services as a result of the Program	0	2,894,400
d. Percentage of target beneficiaries adopting diversified livelihood activities supported by the Program (disaggregated by women and youth)	0	60% (women: 40%, youth: 30%)

C. Program Framework

35. **SREP is anchored in PEDSA II.** SREP will focus on the GoM's ambition and strategic targets and need to increase significantly public and private sector investments in the agriculture sector while leveraging additional sources of funding to support this ambition. It will, therefore, focus on improving resilience of the rural economy by (a) promoting the productivity and intensification of agriculture through climate-resilient and sustainable practices that reduce the adverse impact of agriculture on natural forests and ecosystems, (b) enhancing ecosystem services (soil, water, and forests) that rural production depend on, and (c) diversifying the rural economy to new sustainable productive activities (forestry, fisheries, and nature-based tourism) that reduce the dependence and associated land use change from agriculture in rural areas of Mozambique. PNISA will be developed at a later stage to operationalize PEDSA II in the form of a detailed investment plan. The CCSA²⁵ will oversee the preparation and implementation of PEDSA/PNISA II and will have an important role in guiding funds allocation from the Government, the private sector, and the development partner community. Development partners with engagement in the rural and agrarian sector are organized in the Agriculture and Rural Development Donor Working Group (AgRED), chaired by the AfDB, which has an advisory function to the CCSA.

36. **While PEDSA II targets all rural economy sub-sectors at national level, the first phase of the MPA will mainly target the agriculture, livestock, fisheries, and artisanal, semi-industrial and aquaculture sub-sectors within selected provinces.** Phase II and III will expand the subsectors and geographic coverage as described in table 3 and Figure 3. To this end, SREP boundaries are defined in terms of Program duration and timeframe and the indicative results areas that would be supported by the PforRs for Phases II and III of the MPA. In terms of timeframe, SREP will support the timeline of the overall government program (PEDSA II). It will help strengthen the government systems, institutions, and processes for more efficient and effective delivery of investments (both public and private) into the rural economy, as well as critical policy reforms. In terms of results areas and activities, SREP will support (a) promoting the sustainable productivity of the agrarian sector, especially by smallholders, (b) developing sustainable and competitive agrarian value chains (driven by an expanded private sector), and (c) preserving the provision of key ecosystem services and production landscapes while reducing land use based GHG emissions. Proposed disbursement-linked indicators (DLIs) for Phases II and III are still indicative and will be adjusted in close coordination with the GoM and based on final PEDSA II's proposed target/results and its M&E system.

²⁵ The CCSA composed of the MEF, MADER, MTA, MIMAIP, MOPHRH, the MIC, as well as the private sector, and civil society is a high-level coordinating body for rural development in Mozambique.



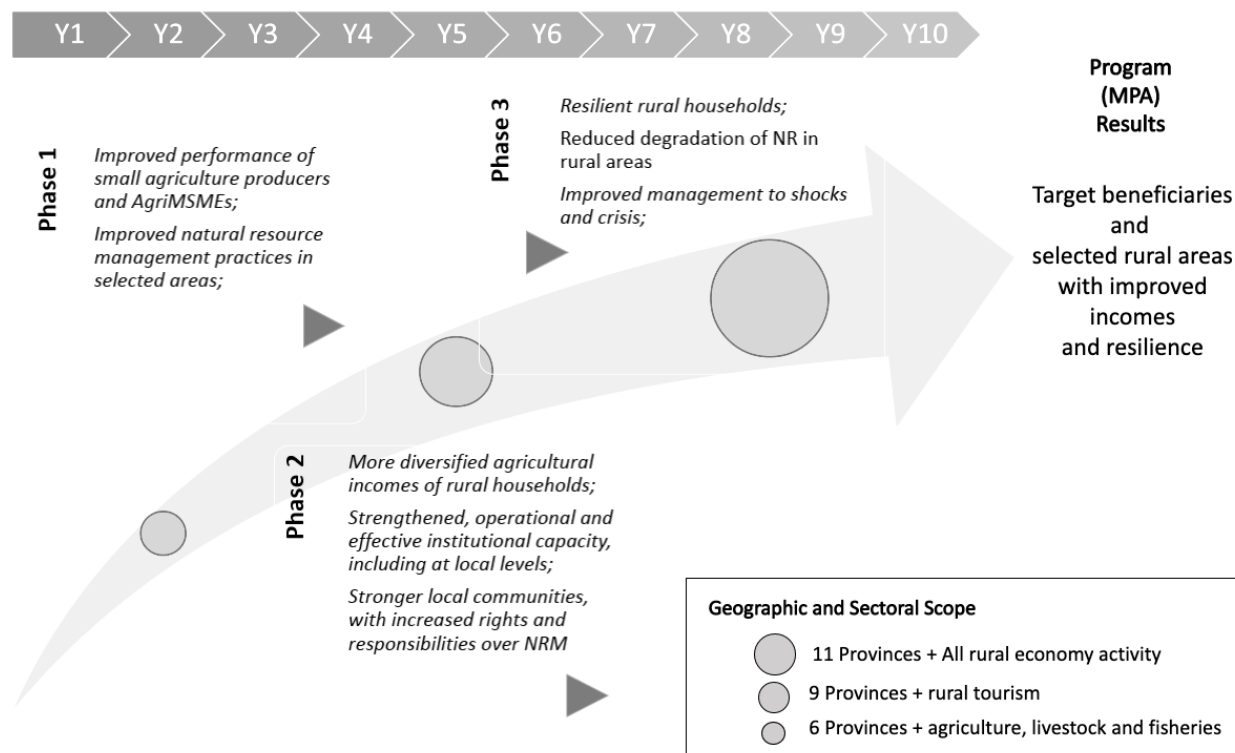
Table 3. Government Program (PEDSA II) and SREP (all phases) - General Comparison

	Government Program (PEDSA II)	SREP (MPA)			Reasons for Nonalignment
		Phase I (IPF)	Phase II (PforR)	Phase III (PforR)	
Overall financing	US\$2.4 billion	US\$150 million	US\$150 million	US\$200 million	SREP to fund 20 percent of PEDSA II planned financing
		Total MPA: US\$500 million			
Objective	Contribute to accelerating the growth and sustainable transformation of the rural economy based on an improvement in the incomes of rural families in line with the sustainable use of natural resources.	PrDO: To improve the incomes and resilience of beneficiaries and selected rural areas			The language of the SREP’s PrDO also focuses on resilience; however, the main indicators and results of PEDSA II are fully aligned.
Duration	2021–2031	2021–2031			MPA will be 10 years, to match the duration of the future Government strategy.
Geographic coverage	Entire country	Entire country			Phase 1 will prioritize 6 provinces. This will be scaled-up gradually with phase 3 covering the whole country.
Strategic Pillars and Results Areas	Pillars 1–5	Result Areas 1–3 (Pillars 1, 2, 4, and 5)			Pillar 3 on food and nutrition security will be funded by other funds and other donors.

37. **The Program activities are designed under three consistent components (results areas) in all phases (see Figure 3):** (a) increasing productivity and market access, to ensure assistance and financial support for production systems based on value chains and improved infrastructure; (b) enhancing natural resources management, to ensure the harmony between production and natural resources conservation; and (c) strengthening institutions and policies, to improve the business environment in the sector and to promote more investments. These three components combined will allow the rural household agricultural income to increase in an integrated and sustainable way, with female empowerment and youth engagement while maintaining the natural resource base on which agricultural production and rural households depend. Thus, this combination will satisfy the sustainable rural economy program objective. The components may be revised for the subsequent phases based on lessons learned during the program implementation.



Figure 3. Results and Phases of the SREP



38. **Phase I is a US\$150 million IDA IPF Grant**, focusing on increasing agriculture productivity and value added by smallholders and AgriMSMEs in a sustainable and climate-resilient manner and improving natural resources management practices in selected regions. It will cover six provinces²⁶ over five years and will focus on building institutional capacity for delivering key services and support to small rural producers and AgriMSMEs while improving the stewardship over natural resources in the targeted rural areas. The overall MPA will be national in scope and, although the first phase will cover a few selected provinces in terms of direct support to smallholders and AgriMSMEs, it will seek to build capacity nationwide to build future phases and interventions by the World Bank and other donors at the national level. The six selected provinces and 54 districts selected within these provinces²⁷ were identified based on (a) the agriculture and fisheries potential according to the land use potential assessment undertaken

²⁶ Phase I of the Program will not include Cabo Delgado. This decision was taken by the GoM considering the Government's ambition to affect a significant number of provinces with large rural economies, the substantial resources planned to be directed to Cabo Delgado through other investments (both through the World Bank pipeline and through other development partners), and the requirement for a specific approach to the region considering the unfolding insurgency. Notwithstanding this, the investments and beneficiary targeting (focus on women and youth) proposed will contribute significantly to addressing fragility drivers and conflict prevention and conflict escalation avoidance. Cabo Delgado is expected to be included in the second Phase of the Program.

²⁷ Activities on forest inspection and control by National Agency for Environmental Quality Control (*Agência Nacional para Controlo da Qualidade Ambiental*, AQUA) will cover the entire provinces of Tete and Zambezia. If these additional districts are included, the number of districts amounts to 70.



by the World Bank (LAUREL program)²⁸ and (b) the potential for synergies, coordination, and complementarities with other ongoing operations²⁹. Annex 3 presents the map of selected areas.

39. **Phase II is proposed as a US\$150 million PforR (IDA Grant).** It will focus on strengthening the institutional capacity and systems put in place during Phase I. Phase II will begin approximately in Year 3 of program implementation. It will expand the farmer and AgriMSME support launched under Phase I from six to nine provinces. Phase II is expected to expand the scope and deepen the integration within the agriculture development and natural resources management strategies, breaking with the ‘project’ approach to sector investments, and building capacity on improved risk management strategies, in particular in light of systemic shocks (natural disasters, crisis, and so on).

40. **Phase III is proposed as US\$200 million PforR (IDA Grant) following the Phase II PforR.** Phase III would invest deeper into resilience strengthening of the rural economy and natural resources to ensure a better management of future crises, consolidating the gains in income and natural resources protection from the first two phases at the national level while focusing on women and youth. It would allow for increases not only in agriculture income and reductions in natural resources degradation but also in the smoothing of those gains as well as the implementation and scaling-up of the risk management strategies improved during Phase II. The decision to seek the approval of the program's subsequent phases will depend on satisfactory implementation of the preceding phase and availability of World Bank financing. The embedded adaptive learning will ensure the program's efficiency to achieve the PrDO and mitigate the risks.

41. The Program's phase 2 and 3, supported through PforRs, will achieve these objectives by supporting three results areas that are linked to the Government's PEDSA II: (a) sustainable increase of agriculture productivity, (b) sustainable use of natural resources, and (c) expanding of agrifood market access and value chain competitiveness. These results areas are indicative at this stage and would be linked to the DLIs to be achieved under the Program and to be defined during the preparation of Phase 2. During the implementation of Phase I of the MPA (IPF), the following conditions would need to be met (among other performance indicators and funding availability) to move forward with the preparation and submission of Phase II for approval by the World Bank Board of Directors: (a) approval of PEDSA II and PNISA II (end of Year 1); (b) submission of proposal to the World Bank of results areas and DLIs for Phase II (end of Year 1); (c) identification of institutions to implement Phase II (end of Year 1); (d) action plan for institutional strengthening (technical, fiduciary, and safeguards) of identified institutions to implement Phase II (end of Year 1); (e) full implementation of the institutional strengthening action plan (end of Year 2); and (f) positive evaluations undertaken by the World Bank of the institutions identified for implementing Phase II, including the technical, fiduciary, safeguards, and integrated risk assessments (end of Year 2).

²⁸ The WB-led Land Use Planning for Enhanced Resilience (LAUREL) advisory service program (P160760) aimed to support integrated decision making for landscape management in Mozambique, through improved spatial data on land degradation. It developed a prototype platform (LANDSIM) for simulating, evaluating, and re-orienting as appropriate, land use and land use change processes, which is being used by the Government of Mozambique to inform decision-making.

²⁹ For example, the WB-supported SWIOFish1 (P132123), SUSTENTA (P149620), or projects funded by other donors such as the IFAD-supported Inclusive Agrifood Value Chain Development Programme (PROCAVA).



42. Lastly, the proposed MPA closely aligns with the World Bank's maximizing finance for development principles of leveraging private sector financing and optimizing the use of scarce public resources. Agriculture input and output markets are currently highly distorted by Government interventions. With the MPA, the rules of the game will be clear as private actors will be encouraged to participate along the value chain. Furthermore, institutional and policy barriers to investments will be addressed upstream during Phase I and results will be tracked and supported during Phases II and III.

D. Learning Agenda

43. **The initial phase of an MPA provides an excellent opportunity to embed an adaptive learning agenda.** There remains a dearth of rigorous evidence in several key areas relating to the sustainable development of the rural economy in Mozambique and resilience building at household and landscape levels, all of which are highly pertinent to the design and implementation of this MPA. Foremost are questions surrounding the effectiveness of potential strategies to promote the adoption of improved and more sustainable agricultural production and NRM practices among small rural producers and institutions involved in the development of rural areas, as well as how to support the development of sustainable and inclusive value chains. Therefore, the design of the learning agenda of the MPA builds in flexibility to ensure responsiveness to evolving needs, results, and priorities. The learning agenda will focus on assessing the impact of the investments in Phases I and II to inform the design of subsequent phases. Given that the MPA also includes mechanisms for transferable knowledge and capacity building across the various components, the learning agenda will seek to understand how systemic shocks are managed in the context of the planned investments to learn and improve the effectiveness and efficiency of the resilience-building activities at household and landscape levels. Impact evaluations will be designed and implemented to track key program objectives and indicators. Finally, adaptive learning from operational rollout, with necessary documentation, is at the core of the program's M&E system.

44. **Evidence from rigorous studies on agricultural development suggests that both financial constraints and informational constraints play an important role in encouraging farmers to adopt new practices and join productive value chains.** However, more information is needed on supply-side interventions and on the interplay of financial and information constraints (Magruder 2018)³⁰. Several evaluations have used randomized control trial methods to inform agricultural policy in Mozambique: on optimizing extension methods (Kondylis et al. 2016, 2017)³¹ and on take-up of fertilizer and seed subsidies (Carter et al. 2013)³². Yet, knowledge gaps remain on the potential complementarities between these policy approaches, as well as how to translate individual demand for inputs or new technologies into profitable value chains. Moreover, the proposed MPA will invest significant resources in supporting small agriculture producers through the Small Emerging Commercial Farmer (*Pequeno Agricultor Comercial Emergente*, PACE) approach that has been implemented under SUSTENTA. However, no rigorous impact

³⁰ Magruder, J. R. 2018. An assessment of experimental evidence on agricultural technology adoption in developing countries. *Annual Review of Resource Economics*, 10, 299-316.

³¹ Kondylis, F., Mueller, V., Sheriff, G., & Zhu, S. 2016. Do female instructors reduce gender bias in diffusion of sustainable land management techniques? Experimental evidence from Mozambique. *World Development*, 78, 436-449; Kondylis, F., Mueller, V., & Zhu, J. 2017. Seeing is believing? Evidence from an extension network experiment. *Journal of Development Economics*, 125, 1-20.

³² Carter, M. R., Laajaj, R., & Yang, D. 2013. The impact of voucher coupons on the uptake of fertilizer and improved seeds: evidence from a randomized trial in Mozambique. *American Journal of Agricultural Economics*, 95(5), 1345-1351.



evaluation of such model has been done, and the approach to supporting PACEs has changed in the past few years. The MPA's learning agenda will finance rigorous impact evaluations (surveys and research studies) of the investment in PACEs to improve the interventions in future phases.

45. **The learning agenda of the MPA will focus on the largest component and intervention—the matching grants delivered through SUSTENTA Matching Grants Scheme (MGS)³³.** In particular, the impact evaluations will seek to assess to what extent program interventions are contributing to the overall PrDO and what different implementation modalities seem to be more effective and efficient. However, the team will work with providers of novel types of data, such as remote sensing of natural resources, to measure outcomes for impact evaluations of other program components. Evaluation plans for the matching grants to PACEs include (a) estimating the overall impact of the provision of matching grants, (b) testing different approaches to connecting PACEs with smallholder farmers (*Pequenos Agricultores*, PAs) to maximize spillover effects, and (c) comparing the PACE model to direct cash transfers. Details on the learning agenda and impact evaluation program are in the project files and are available upon request.

46. Other potential evaluations will be explored and pursued during implementation depending on their feasibility, including (a) the impact of support through the PACE model and the support to sustainable agricultural practices on land use (for example, on deforestation); (b) the impact of *Mais Peixe Sustentável* matching grants³⁴ and fisheries co-management interventions on fishing patterns; and (c) the impact of different interventions aimed at promoting gender equality, including those connected to the matching grants facilities promoted by the project.

³³ The referred Matching Grants Scheme was originally established under the Agriculture and Natural Resources Landscape Management Project (P149620), also called by the GoM's SUSTENTA. However, it has now been scaled-up by the government with other funds, maintaining the name of SUSTENTA Matching Grants.

³⁴ Please refer to the Project description section for more details on the *Mais Peixe Sustentável* Matching Grants Scheme.



Table 4. Project Costs

Phase #	Project ID	Sequential or Simultaneous	Phase's Proposed DO	IPF or PforR	Estimated IBRD Amount (US\$, millions)	Estimated IDA Amount (US\$, millions)	Estimated Other Amount (US\$, millions)	Estimated Approval Date	Estimated Environmental and Social Risk Rating
1	P174002	—	To improve the performance of targeted small agriculture producers and AgriMSMEs and improve natural resources management practices in selected project areas. ³⁵	IPF	0	150	0	June 8 2021	Substantial
2		Simultaneous	To diversify rural incomes of targeted beneficiaries and MSMEs and reduce degradation of natural resources in selected areas.	PforR	0	150	0	December 2023	Substantial
3		Simultaneous	To improve the resilience of targeted rural households, MSMEs and institutions to shocks and crisis.	PforR	0	200	0	December 2026	Moderate
Total					0	500	0		
Revised Financing Envelope							500		
Board Approved Financing Envelope							500		

³⁵ The selected project areas are specified in annex 3.



II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement (for Phase 1)

47. The Project Development Objective (PDO) is to improve the performance of targeted small agriculture producers and AgriMSMEs and improve natural resources management practices in selected project areas.

48. The performance of small agriculture producers will be assessed by the increase in productivity and market access of their crop, livestock and fish products, while the performance of AgriMSMEs will be measured by their increase in sales. Targeted agriculture producers and AgriMSMEs refer to the actors within the broader 'agrarian sector', including inputs, production, and processing of crops, livestock, and fish. For project definition purposes, there are two kinds of smallholder farmers: (a) commercial smallholder farmer (*Pequeno Agricultor*, PA) and (b) small emerging commercial farmer (*Pequeno Agricultor Comercial Emergente*, PACE). A map of selected project areas is found in annex 3.

Table 5. PDO-level Indicators

Indicator	Baseline (Year 0)	End Target (Year 5)
a. Basic crops with minimum productivity increase (50%) by target beneficiaries (number of crops)	0	3
b. Targeted small agriculture producers integrated into agriculture value chains disaggregated by woman and youth (Percentage)	0	80 (women: 40%, youth: 30%)
c. Increase in gross sales of targeted AgriMSMEs (Percentage)	0	30
d. Targeted value chain actors receiving support under ProAzul's ³⁶ Matching Grants Scheme (Number) broken down by		
(i) Individual family applicants - (disaggregated by women and youth)	(i) 0 (0, 0)	(i) 2,500 (women: 1,000, youth: 750)
(ii) Commercial business applicants	(ii) 0	(ii) 10
e. Improved natural resource management effectiveness (METT) of selected conservation area (Number)	23	32

49. **The improvement of the performance of small agriculture producers and AgriMSMEs is based on the first critical assumption that production surpluses from producers and AgriMSMEs can be marketed.** To achieve these results in a sustainable way, the second part of the PDO, to improve NRM practices in selected areas, is supported by the second critical assumption on the use of environmentally friendly technologies to increase productivity while preserving natural resources with the adoption of better natural resources management practices. This improved performance of rural actors, coupled with the adoption of climate-resilient practices and investments, would then be a first step toward the PrDO to increase the resilience of these small agriculture producers and the selected rural areas. Therefore, the PDO is connected to the PrDO and its central critical assumption for poverty reduction, food, and

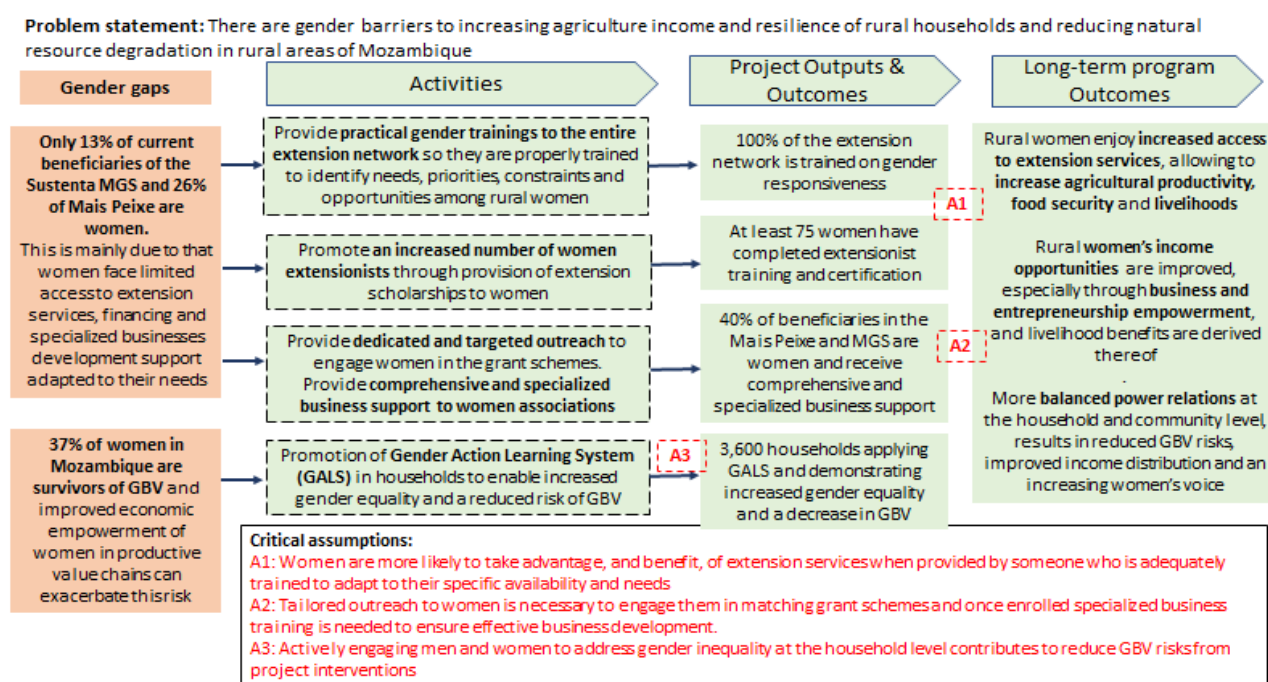
³⁶ Mozambique's Blue Economy Development Fund. Please refer to the Project description section for more details.



nutritional insecurity mitigation in the medium term (Phase I period) is the need to enhance agricultural productivity integrated with sustainable NRM with a special focus on women and youth engagement. The final critical assumption is that to be effective, the Program's first phase needs to improve the institutional capacity of the public and private sectors that operate in the rural economy, adapt, and prioritize the sector's policies and strategies.

50. **The project aims to address relevant gender gaps, with focus on women's participation in agriculture and fisheries value chains.** Gaps have been identified on the basis of the WBG's Gender Strategy 2016–2023, the Environment and Natural Resource (ENR) Global Practice Follow Up Note for fiscal years 2019–2021, and the comprehensive Gender Gap Analysis and Action Plan developed for the Integrated Landscape Management portfolio in Mozambique,³⁷ among other instruments. These include, among others, (a) unequal and limited access to finance, as well as extension and business development services, and (b) substantial barriers to women's voice and agency, as well as GBV risks. The Results Framework includes specific indicators and targets on women's access to Matching Grants Schemes under the project and on the reach GALS interventions, while gender-disaggregated data will be provided wherever feasible for other results. A visual description of the Results Chain for these two main gender gaps is found in Figure 4. Annex 1 provides more details on gender gaps and the project approach.

Figure 4. Gender Results Chain



³⁷ Available at <http://documents1.worldbank.org/curated/en/481751590469652942/pdf/Gender-Responsive-Natural-Resource-and-Landscape-Management-A-Mozambique-Pilot-Program.pdf>.



B. Project Components

51. **The project has four components.** The project will link the support for productivity and value addition in the agriculture sector to the adoption of sound NRM practices on which rural production depends, with the overarching objective to increase rural resilience and sustainability of agricultural production. The summary of components is presented in the following paragraphs, while additional details can be found in annex 1, including on their contribution to reducing gender gaps.

Component 1. Increasing productivity and market access (US\$109 million equivalent)

52. Component 1 will focus on supporting small agriculture producers and AgriMSMEs improve their performance, in particular for small producers to increase productivity and their access to input and output markets, and for AgriMSMEs to increase their sales. Under this component, the project will provide direct support to small producers and strengthen public goods related to extension services and transport infrastructure. The project will also finance civil works, goods, services, consulting services, training, and matching grants. The component is divided into two sub-components, one in support of farmers (crops and livestock) and the other in support of fisheries.

53. The project will also seek the participation of the private sector in the project. For example, business development services will be provided to PACE and AgriMSMEs to develop business plans, should they want to apply to the MGS financed under this sub-component. In addition, business links for agricultural inputs and outputs will be developed between small producers and PACEs. Finally, AgriMSMEs supported by the project will be expected to provide private technical assistance services to small producers. This support to different categories of farmers and enterprises will lay the ground for successful development of the private sector, along with an improvement of transport infrastructure and public extension services.

54. The project will roll out the GALS methodology in selected communities of smallholder farmers and beneficiaries of the SUSTENTA MGS and Mais Peixe MGS (refer to annex 1 for details).

Sub-component 1.1. Agriculture productivity and market access (US\$94 million equivalent)

55. **Adoption of climate- and nutrition-smart agriculture technologies.** The project will follow the approach developed for the National Rural Extension and Assistance to Family Farming Policy, which aims to enhance the integration of family farming into productive and sustainable value chains. The project will finance training and technical assistance for agriculture extension services, including extension agents, farmers, and other stakeholders leading to the adoption of climate- and nutrition-smart agriculture (CSA and NSmartAg) technologies and practices,³⁸ such as use of pest, disease and drought-resistant crop varieties, early maturity crop varieties (to escape late droughts), biofortified crop varieties, crop association, crop rotation, crop residue management, agroforestry systems, climate-smart livelihood diversification, restoration of priority ecosystems within agricultural areas, among others, aiming to build

³⁸ Climate Smart Agriculture Country Profile for Mozambique:

<https://climateknowledgeportal.worldbank.org/sites/default/files/2019-06/CSA-in-Mozambique.pdf>; the Nutrition Smart Agriculture Country Profile for Mozambique: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/392721597038541068/nutrition-smart-agriculture-in-mozambique>. They highlight some of the available technologies and practices at farm and post-harvest, some of which will be the focus of the project as well.



resilience to climate change, bridge the micronutrient deficiency gap of the local population, and to reduce natural resources degradation and deforestation from agriculture while improving productivity and nutrition.

56. **Women's empowerment.** The project will provide practical gender training to extension agents on identification of needs, priorities, constraints, and opportunities among rural women, with a focus on understanding climate risks and available CSA options. In addition, scholarships for women to enter and complete medium-level agricultural extension technical training studies will be financed, to increase the number of female extension agents.

57. **Development and use of digital technologies.** The project will provide incentives to small producers for the development and use of digital technologies to enhance their services and to leverage private sector investments into small emerging commercial farmers (PACE) by co-financing inputs, services, and materials for the adoption of the improved CSA and NSmartAg technologies and practices.

58. **Contingency mechanism.** The project will set up a contingency mechanism that would provide financial resources to project-supported small agriculture producers in case of emergencies related to climate shocks and extreme weather events. In addition, in case of a severe disaster or crisis, additional resources can be mobilized for emergency response interventions in the selected areas by reallocating project resources to the Contingent Emergency Response Component (Component 4, CERC).

59. Special efforts will be made to effectively target and ensure participation of female PACEs, including through dedicated and targeted outreach to inform and engage women in the grant scheme opportunities offered by the project.

60. **Restoration of natural ecosystems and conservation areas.** To revert ecosystem and land degradation processes caused by agricultural activities or by extreme climatic events, such as extreme weather events (storms, cyclones, heavy rains, and flooding) or droughts, PACEs will be able to apply to SUSTENTA MGS, on the basis of a business plan and a restoration plan. The restoration initiatives so supported will increase the availability of ecosystem goods and services, including water, firewood, construction materials, and medicinal plants, among others. They will also aim at controlling erosion, protecting water resources, improving soil fertility, establishing biodiversity corridors, and protecting critical habitats for fauna and flora with high ecological value.³⁹ Moreover, in areas where PACEs are close to conservation areas, they will be required to sign Conservation Agreements.⁴⁰

61. **Rural transport infrastructure.** Building on successful experiences from the Agriculture and Natural Resources Landscape Management Project (SUSTENTA), the project will finance selected priority improvement to rural roads and bridges, focusing on spot climate-resilient repairs, to ensure all-weather

³⁹ This mechanism is already under implementation, with about 2,000 ha under restoration within the Agriculture and Natural Resources Landscape Management Project (P149620). Restoration plans are developed as land use plans for PACE, which are requirements for accessing matching grants. These are developed by extension agents and PACEs themselves with support from natural resources management specialists and geographic information system specialists within the FNDS. The plan combines typical restoration models, remote sensing information, field-based observations, and the PACEs preference in terms of species. Seedling costs are absorbed by grants delivered together with the business plan, whereas the PACE is responsible for restoration labor and monitoring costs.

⁴⁰ Conservation Agreements are already being implemented within the context of the Mozambique Conservation Areas for Biodiversity and Development Project - Phase 2 (MOZBIO II, P166802). The agreement contains a pledge from beneficiaries to protect their soils, forests, and wildlife.



connectivity between production and input/output market areas.⁴¹ Prioritization of investments is done based on a Climate Resilience Planning Tool (CRPT).⁴² In addition, climate-resilient infrastructure standards will be integrated.⁴³ On activities related to rural transport infrastructure, the project will also coordinate with the ongoing Integrated Feeder Road Development Project (P158231) and its Additional Financing, particularly in relation to risks associated with GBV.

62. **Scaling-up of SUSTENTA MGS.** The project will support the scaling-up of the SUSTENTA MGS, which supports individual farmers and MSMEs in rural value chains. Matching grants will partly finance investments by AgriMSMEs which focus on long-term sustainability. These assets will enable AgriMSMEs to strengthen the links with a significant number of smallholder farmers in their value chains and locations, enhancing their resilience, productivity, and marketing capacity.⁴⁴ As per the SUSTENTA MGS, farmers will be required to promote the functional restoration, including assisted natural regeneration, of priority areas within their plots and engage a significant number of smallholders in their business asset acquisition, such as equipment, tractors, micro irrigation, greenhouses, and storage units. The MGS will finance sustainable value chains, the promotion of sustainable agriculture and livestock management that aim to reduce and reverse the degradation of farm and pasture lands, and help intensify and stabilize production, thereby deterring changes in land use and deforestation. The project will support expanding the existing proposal evaluation criteria by prioritizing and ensuring the adoption of comprehensive CSA approaches/practices in all the investments. Preference will be given to investment proposals using green technology and renewable energy (for example, solar power). Other selection criteria could include innovative use of digital tools within their agribusiness plans and extension services and for remote monitoring of project implementation activities. The SREP will further explore whether to launch specific calls for digital innovation in agriculture. While prioritized value chains will be those indicated as strategic value chains for the family agriculture sector in MADER's Programa 2020–2024,⁴⁵ the Program will remain open to capture opportunities in other value chains, including non-timber forest products, especially

⁴¹ This follows successful experiences under the Agriculture and Natural Resources Landscape Management Project (P149620). The FNDS has some in-house capacity on transportation infrastructure but relies on technical advice from the National Roads Administration (ANE). ANE identifies areas to be rehabilitated, draws specifications, participates in technical committees for the evaluation of bidders, and monitors works. The FNDS handles fiduciary aspects, and supports incremental costs borne by ANE. ANE and the FNDS have agreed to update their MoU to cover aspects related to this Program.

⁴² The CRPT tool was developed and piloted, and is currently being expanded under the context of the World Bank's Integrated Feeder Road Development Project (P158231). The objective of the CRPT is to identify vulnerable areas and protect road assets by designing resilient interventions to manage the resources in a more predictable and systematic way. The tool allows consideration of economic losses from extreme flooding and rainfall and the benefits of climate resilience in the assessment and prioritization. Recurrent cyclones and the devastation they bring emphasize the urgent need to adapt Road Assets Management System (RAMS) to changing climatic conditions and make it an integral part of preventing the loss of assets and planning the limited resources.

⁴³ Road designs under the project will follow climate-resilient design standards developed under a previous World Bank operation (Mozambique - Roads and Bridges Management and Maintenance Program - Phase II, P083325). Design standards are sensitive to the topography, climate change risks, primarily flooding, and recurrent climatic events and drought, among other considerations of resilience. Resilient building practices ensure that the replacement hydraulic structures account for frequent and much severe flood events, through wider openings, better rip-rap, higher bridge profile, higher vertical profile of the road, and more effective cross and side drainage structures, among others.

⁴⁴ There is negligible risk of competition with IFC and, in fact, potential for significant synergies. The typical size of the funding and the type of beneficiaries that SREP targets (PACs, AgriMSMEs) are not targeted by IFC. However, beneficiaries are expected to become more bankable following Program support. Moreover, interactions during Program implementation will be done regularly, to ensure knowledge exchange and pipeline referrals.

⁴⁵ These are horticulture, maize, sesame, and soy. Programa 2020–2024 was approved by the Council of Ministers in the first semester of 2020; Programa 2020–2024 guides MADER's investments in the agriculture sector.



around conservation areas supported by the program under sub-component 2.1. Synergies with other relevant AgriMSME support programs in the country, including those funded through the World Bank such as the Economic Linkages for Diversification Project (EL4D; P171664),⁴⁶ will be sought during implementation.

63. **Planted Forests Grant Scheme (PFGS).** The project will also scale up the PFGS, successfully piloted under the Mozambique Forest Investment Project (P160033). The PFGS provides technical assistance and performance-based grants to small- and medium-scale investors to establish commercial multipurpose forest plantations and to perform forest restoration in priority areas within their properties in selected districts. It works with investors ranging from smallholder associations and other legally organized groups, local nongovernmental organizations (NGOs), church groups, emerging commercial farmers, private sector investors, aiming to stimulate creation of a commercial forestry industry, diversifying rural income sources and assets while generating climate adaptation and mitigation co-benefits.⁴⁷

Sub-component 1.2. Fisheries productivity and market access (US\$15 million equivalent)

64. The project will provide support for the improvement of value addition and for the enhancing of market access for fishery products, through (a) the strengthening of capacity of fishers to handle and process fish, (b) the scale-up of the existing *Mais Peixe Sustentável* MGS, and (c) the support of selected infrastructure linked to the marketing of fishery products.

65. **Improving value addition and enhancing market access for fishery products.** The project will strengthen the capacity of fishers to handle and process fish through training and other interventions to strengthen the knowledge base and climate advisory capacity of fisheries extension workers (for example, studies) to help fishing communities be better adapted and resilient to climate change and their impacts on marine ecosystems, with increased and more stable income sources. The project will enhance utilization and value addition that would improve benefits from fisheries without leading to increased fishing effort. Post-harvest practices will also be improved to ensure better fish storage, handling, processing, and packaging while adapting to climate risks and adopting energy-efficient solutions where feasible. Improved storage facilities promoted by this project will consider climate-friendly technologies

⁴⁶ The US\$100 million EL4D project aims to strengthen the performance of MSMEs in Mozambique through economic links, with investments in Cabo Delgado, Nampula, and Tete. Among other activities and sectors, the Program envisages financial support to (a) upstream link firms in the agribusiness sector through a classic matching grants scheme and (b) consumption link firms through business competitions. Within overlapping provinces, the SREP and EL4D operations will promote the following complementarities and operational coordination activities, among others: (a) holding regular exchange meetings between entities responsible for managing financial support components in both operations; (b) sharing information on target beneficiaries, including exploring the possibility of developing a shared database; (c) developing harmonized information products, made available to the public through both operations; (d) ensuring timely dissemination of opportunities enabled by one project through the other project (for example, capacity-building opportunities offered by EL4D to which SREP beneficiaries might be eligible); and (e) where relevant, exploring the possibility of linking up SREP beneficiaries to business linking platforms expected to be supported by EL4D aimed at connecting upstream link firms and large offtakers.

⁴⁷ The project will finance part of the establishment costs of the plantations (land preparation, access to planting material, transportation, and planting), part of the plantation maintenance costs, technical assistance, and monitoring and verification costs. The establishment and maintenance costs will be financed through performance-based grants, disbursed in regular installments during plantation establishment. Disbursements are made only if minimum performance standards (as defined in the PIM) are achieved. These standards include verified compliance with good silvicultural practices, respect to the agreed social and environmental rules, labor regulations, among others. Through project support, the scheme will cover performance-based grants and technical assistance to about 1,000 ha in new plantations, in addition to technical assistance to beneficiaries summing about 2,000 ha of plantations established under the Mozambique Forest Investment Project (P160033).



such as solar-powered cold storage. The fishers' capacities will be strengthened through the delivery of training on climate risk; impacts and adaptation in fisheries; and harvest and post-harvest practices such as reducing of fish waste, business planning and marketing, and alternative livelihood training. The project will also explore diversified markets, among other activities, geared at value addition and market access.

66. **Scaling-up of the Mais Peixe Sustentável MGS.** The project will help improve access to finance in fisheries by scaling up the *Mais Peixe Sustentável* MGS (*Mais Peixe*), already successfully implemented by ProAzul. *Mais Peixe* funds projects through two windows. Window 1 targets artisanal fishers, traders, fish processors and transporters, carpenters, and naval mechanics, as well as other value chain operators, providing matching grant funding of up to MZN 1.2 million for 80 percent investment in assets defined in a limited list of options (equipment for product handling and conservation, and replacement of vessels and gear, favoring climate-smart investment such as solar powered cold storage, fuel-efficient boats, and the use of static fishing gear instead of damaging towed gear). Matching grants are conditioned on participation in management training, sustainable use of natural resources, climate-resilient practices, approaches to reduce post-harvest loss, and signing of a commitment to sustainable management of natural resources. These training sessions will also be used to strengthen the knowledge base of participants on climate change and adaptation strategies. The scale-up of *Mais Peixe Sustentável* will also support fisheries management interventions included in component 2 of the project. Window 2 targets MSMEs that partner with small-scale fishers and aquaculture operators, providing matching grant funding of up to MZN 20 million for a 70 percent investment in goods, equipment, and services and subject to participation of the beneficiary in training on sustainable management of natural resources and signing of a commitment to sustainable management of natural resources, including adaptation measures to address climate risks. Window 1 under *Mais Peixe* has managed to get the participation of a reasonable number of women beneficiaries, and the proposed project will support ProAzul to continue such efforts and further increase the number of women beneficiaries. This scale-up will also strengthen women associations engaged in aquaculture, by providing them with tailored business development training.

67. **Marketing infrastructure.** The project will support the construction or rehabilitation of selected infrastructure related to the marketing of fishery products, by incorporating climate-resilient design standards. Infrastructure would include product handling and conservation infrastructure, climate-proofing of fishery infrastructure of fish landing sites, and the marketing of fishery products by incorporating climate-resilient design standards. This may cover product handling and conservation infrastructure including small markets, cold chambers, upgrading of fishing landing sites, beach stabilization works, construction of breakwaters, and so on. Green technologies such as solar power will be considered for electrification of marketing infrastructure as well as equipment (for example, solar powered cold storage).

Component 2. Enhancing natural resources management (US\$26 million equivalent)

Sub-component 2.1. Enhanced land, forests, and conservation area management (US\$18 million equivalent)

68. This sub-component will support the enhancement of land, forests, and conservation area management, through (a) the improvement of the surveillance of forests; (b) the consolidation of the Forest Information System at the national level and the testing of a Forest Management Unit in Zambezia; (c) support to biodiversity conservation management, with focus on the Magoé National Park (MNP), the



Tchuma Tchato Area; (d) improvement of the management and surveillance of conservation areas by the National Administration of Conservation Areas (ANAC) in the MNP, the Tchuma Tchato Area, and support to the strengthening of coordination with other institutions; and (e) support enhanced coordination within the scope of the Zimbabwe-Mozambique-Zambia (ZIMOZA) Trans-frontier conservation area between Mozambique, Zimbabwe, and Zambia.

69. Building on lessons learned from the implementation of the World-Bank-financed Mozambique Forest Investment (MOZFIP) and the Mozambique Conservation Areas for Biodiversity and Development (MOZBIO, P131965) Projects, the project will support land use planning to inform climate-smart and sustainable agricultural development and build on existing local climate adaptation plans in priority areas.

70. **Improving surveillance of forests.** The project will improve patrolling, inspection, prevention of infractions, and detection in select forest areas by supporting the national forest law enforcement institution (AQUA⁴⁸). Unsustainable timber harvest is a key driver of forest degradation in Mozambique. Weak forest governance in the forest sector furthers forest loss. The project will therefore finance training and technical assistance on planning and monitoring for AQUA in at least two provinces (Tete and Zambezia) and support the strengthening of coordination with other institutions involved in law enforcement (ANAC, National Directorate of Forests [DINAF], ports, justice, and customs in Zimbabwe and Zambia, and Malawi, and so on). The project will also provide training for AQUA forest rangers, as well as equipment, staff, training, and operational costs (utility costs, fuel, and communications) for the establishment and consolidation of AQUA's provincial delegations in Tete and Zambezia.⁴⁹ It is expected that improved forest governance in the project intervention areas will reduce deforestation and GHG emissions and increase resilience of livelihoods and rural landscapes.

71. **Strengthening sustainable forest management.** The project will support the consolidation of the Forest Information System at the national scale, the testing of the Forest Management Unit in Zambezia, and sustainable biomass activities. The Forest Information System will increase transparency and accountability in the sector by providing updated geo-referenced information on forest licensing, forest management plans implementation, inspection, and law enforcement. The system is already under development with technical support from the Food and Agriculture Organization (FAO) and is expected to be fully operational in mid-2021. The project will finance the recruitment of IT expertise, as well as the acquisition of appropriate software licenses and equipment. Improved forest information management and transparency on sectoral data will improve the management of native forests resources and reduce unsustainable use and harvesting, including of overharvested species. The Forest Management Unit⁵⁰ is an innovative approach to manage forest areas, which merges forest operators, simple licenses, and local

⁴⁸ National Agency for Environmental Quality and Control.

⁴⁹ Activities supported by the project do not involve training or activities supporting investigations, prosecutions, and judgments under criminal laws or the financing of weapons and other law enforcement equipment.

⁵⁰ The Forest Management Unit (UMF) includes a landscape with a forest area of about 100,000 ha. The management of the FMU will be based on a 50-year contract and a 10-year cycle management plan operated through annual plans for the use of resources in areas defined as compartments or exploration blocks. There are three management regimes to highlight: (a) sustainable wood production, NTFPs, and environmental services; (b) restoration; and (c) conservation of biodiversity and environmental services. To allow participatory and inclusive forest management to current and future operators and local communities, four management options are proposed: (a) individual operation in technically viable and sustainable areas, (b) partnership between commercial operation and research to reconcile production with the generation of knowledge, (c) commercial society to make operations that would not otherwise be feasible and to build a business organization system that better uses the capabilities of each operator in the development of the forestry business, and (d) community leadership.



communities under a unique contracting model. The project will support the implementation of this pilot in Zambezia, including the organization and training of local communities, the preparation and implementation of the contract models, and the establishment of a monitoring system for the unit. It is to be expected that a more inclusive forest management model will shift the notion of forests as timber to include the non-economic and non-market uses of the resource, to capture the full value of the forests, particularly for local communities, and therefore significantly reduce the pressure on forest resources.

72. Improving biodiversity conservation management and community involvement. The project will support biodiversity conservation management efforts, with focus on the MNP, the Tchuma Tchato Area, and the strengthening of the proposed ZIMOZA Transfrontier Conservation Area (TFCA) between Mozambique, Zimbabwe, and Zambia. The project will address the current constraints to effectively manage the areas, with a particular focus on improving the governance of the conservation areas—including improvement in its relationship with surrounding stakeholders; zoning to ensure adequate territorial planning, land rights, and development of the area; exploring of options for co-management and concessions management by private partners; infrastructure establishment and maintenance; human-wildlife coexistence; natural resources control and patrolling; and promoting of environmental awareness and strengthening of community-based organizations in the local communities inside and around the conservation areas. The project will develop tourism and business development plans for both Magoe and Tchuma Tchato areas to provide direction and priorities for key business opportunities. The expected result of these interventions includes an improved management effectiveness of the MNP, as assessed using the Management Effectiveness Tracking Tool (METT).

73. Under this sub-component, the project will finance (a) operational costs to strengthen MNP and Tchuma Tchato management, including for wildlife census, monitoring, and equipment; (b) wildlife and biodiversity protection, including patrol costs and equipment; (c) construction and maintenance of infrastructure, including staff housing, ranger posts, access roads, drifts, trails, and signage; (d) strengthening of CBOs among local communities through a dedicated Community-based Natural Resource Management (CBNRM) model to strengthen community rights, governance, and empowerment in management of conservation and their benefits from it, aiming to support the formal establishment of the Tchuma Tchato Program CCA and associated community preparation to participate in partnership with potential private sector operators; (e) assessment and proper organization of concessions in the area, including setting up of adequate control and supervision mechanisms;⁵¹ (f) development and implementation of strategies to promote human-wildlife coexistence; (g) training and promotion of alternative livelihoods generation such as conservation-based agriculture, eco-tourism, non-timber forest based livelihoods, alternative fuel options such as improved, more efficient cook-stoves and solar-powered electric stoves to protect forests, and efforts to promote human-wildlife coexistence thus encouraging communities to protect the surrounding landscapes, forest ecosystems and animals; (h) delivery of environmental awareness education campaigns in adjacent communities and schools; (i) elaboration of detailed land use plans (*Planos Distritais de Uso da Terra* [PDUT] and *Planos de Pormenor*) for districts adjacent to the conservation areas, including the management plans for the CCA; and (j) support to the formalization of the ZIMOZA TFCA and its activities to protect and preserve transboundary ecosystems, including joint enforcement and patrolling and shared biodiversity and wildlife monitoring.

⁵¹ The Business Development Unit at ANAC will play a leading role in managing the activities related to concessions development and identifying and managing PPPs.



Sub-component 2.2. Enhanced fisheries Monitoring, Control and Surveillance (US\$8 million equivalent)

74. Rapid growth in artisanal catch and recent provincial-level frame surveys indicate significant growth in the artisanal fleet and artisanal fishing effort in Mozambique. Despite this worrying trend, artisanal fishers' licensing rate remains low.⁵² Artisanal licensing activities in recent years have not been effectively organized, undertaken without communication and mobilization strategies. Moreover, most fishing communities do not have the capacity and adequate support from government administration to manage their collective resources in a sustainable way, despite the fact that the updated 2020 Marine Fisheries Regulations (REPMAR) promotes this role and establishes its legal foundation through the development of local fishery management plans and fisheries co-management agreements between Community Fishing Councils (CCPs) and government administration. These threats are compounded by climate change, which is significantly altering ocean conditions, particularly water temperature and various aspects of ocean biogeochemistry, associated with changes in patterns of species richness, changes in community structure and ecosystem functions, and consequential changes in marine goods and services.⁵³

75. The project will support sustainable fisheries practices to address overfishing and impacts of climate change, including (a) improvement in artisanal fisheries licensing and registration, including through more effective communication and community participation strategies⁵⁴ and the scale-up of an intelligent digital licensing and registration system enabling electronic payments for enhanced efficiency and transparency, and (b) local fisheries co-management, aiming to increase the ownership and capacity of communities to manage natural resources sustainably, through the establishment of local fishery management plans and co-management agreements. Management measures included in the local management plans will enhance the resilience of fishing communities and fish stocks to climate change (for example, establishment of seasonal or permanent no-take zones). They will also include measures to promote restoration of resources in overfished areas, such as establishment of catch limits and no-take zones for fish stock recovery. Through techniques and specific training in technical management, community protection and monitoring, local communities will enhance their knowledge base on climate change and climate impacts while gaining the capacity and the social and economic resilience required to adapt to circumstances brought about by climate change.

76. With support from the SWIOFish1-MZ project, the GoM carried out strategic assessments of the country's monitoring, control, and surveillance (MCS) system during 2018–2020, highlighting several key weaknesses, including (a) limited institutional organization, with overlap in roles and weak information and M&E systems; (b) inadequate operational funding and understaffing at decentralized levels; (c) poorly enforced regulations, associated with limited knowledge and capacity of surveillance officers, who are also underequipped; and (d) deficient surveillance at sea. Aiming to strengthen the MCS system at national and subnational levels, with focus on artisanal and semi-industrial fisheries, the project will support (a) capacity building of MCS officers; (b) technical assistance to the surveillance system, through consultants and facilitating cooperation with other countries; and (c) the acquisition of equipment. The increased effectiveness of the MCS system will help mitigate risks related to illegal, unreported, and

⁵² For instance, recorded rate in 2019 for districts covered by the SWIOFish1 project, some of the most important fishing areas in the country, was around 27 percent. This number is overestimated as it considers the 2012 census numbers in the denominator.

⁵³ Given their limited mobility, artisanal fishing fleets, and communities are particularly vulnerable to climate change.

⁵⁴ Communities sensitization within the context of licensing campaigns will also be used to disseminate information on climate change and adaptation strategies.



unregulated (IUU) fishing, which is compounded by climate change. Hence, MCS investments enable the climate co-benefits of other sector activities to be realized.

77. Interventions under sub-components 1.2 and 2.2. will prioritize the same locations. Improved fisheries productivity and market access may serve as an incentive for compliance and transition toward more sustainable behavior (for example, licensing being a condition to access matching grants). In addition, enhanced fisheries monitoring, control, and surveillance in the same location is critical to ensure mitigation of risks related to collective action (for example, free riders promoting overall noncompliance). This approach will allow leveraging of positive feedback loops between (a) value chain and (b) monitoring, control, and surveillance interventions, enhancing the sustainability of results.

Component 3: Strengthening institutions and policies (US\$15 million equivalent)

Sub-component 3.1. Policy and institutional support (US\$6 million equivalent)

78. Sub-component 3.1 will aim to strengthen institutions and policies for rural development and support cross-sectoral coordination and harmonization. Institutional strengthening activities and public policies during the initial years of the project will include themes such as (a) agriculture risk management strategy and contingency plans for response to climate shocks and other crisis; (b) agriculture input market development, with focus on resilience and mitigation; (c) private sector climate-smart development in rural areas; and (d) multiyear sector strategies/plans and programming, prioritizing CSA. These will potentially include supporting the development of a national agriculture law as well as updating the national environmental and fisheries policies and institutions for sustainable sea, inland waters and fisheries development. Climate resilience, as well as climate change adaptation and mitigation aspects, will be considered in all relevant policies supported by the project. In addition to policy development and reform in key project-related areas within MADER, MIMAIP and MTA, the sub-component will support the effective functioning of the CCSA. The support to policies and programs under this sub-component will be used as a basis for increasing private sector investments and help coordinate and design interventions by other development partners. Finally, an important activity linked to the implementation of component 4 will be to develop an agriculture risk management strategy and build the capacity of public, private, and civil society to better prepare and respond to agriculture sector emergencies.

Sub-component 3.2. Program management (US\$9 million equivalent)

79. Sub-component 3.2 will support the incremental costs associated with maintaining efficient Project Implementation Units (PIUs) at the FNDS, Foundation for the Conservation of Biodiversity (BIOFUND), and ProAzul, charged with project coordination and management, fiduciary and safeguards management, M&E, and communications. It will finance technical assistance, goods, services, and training for SREP implementation and the preparation of the next phases of the MPA. Activities for this sub-component will be implemented mainly at the central level, while provincial, district, and local levels are expected to be closely engaged in consultations and data collection.

80. Communications, citizen engagement, and stakeholder coordination activities during the project will also be financed under this sub-component. They will include (a) the development of a comprehensive communication strategy for the program as well as the preparation of all communication materials and, where appropriate, the organization of awareness-raising events; (b) the coordination of stakeholder involvement in program activities; and (c) the implementation of a citizen engagement plan and feedback



mechanism to inform program implementation. Among the citizen engagement mechanisms, and apart from the grievance redress mechanism (GRM), the project will include beneficiaries' satisfaction surveys; beneficiary collaboration to monitoring; and establishing of sustainable models of post-project assessments, where applicable, involving citizens in targeted locations⁵⁵.

81. Finally, the project will finance the collection of program data, gender analysis, and surveys to assess progress against project indicators and undertake impact evaluations, as needed. The component will finance impact evaluations of the interventions with PACE as well as other potential program activities. This will support building institutional knowledge in-country and inform future phases of the program. All activities and data collection will be gender disaggregated. Given the COVID-19 and conflict issues, the program will leverage alternative data collection techniques including phone-based surveys for the collection of feedback from local communities, as well as feedback loop mechanisms, and making use of the Geo-Enabling Initiative for Monitoring and Supervision and mobile/satellite data collection applications. A precise, well-budgeted M&E plan approved by the World Bank will be critical to leverage these and other tools.

Component 4. Contingent Emergency Response Component - CERC (US\$0)

82. This CERC is part of a broader risk financing strategy to enable a swift response in the event of an eligible crisis or emergency, defined as “an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact associated with natural or man-made crises or disasters.” This zero-dollar component would finance the immediate response to crises or emergencies in the sectors covered by this program, which could result from events such as climatic shocks, extreme-weather events, plant and animal pests/disease outbreaks, pandemics, and economic and social disruptions.

83. In case of an eligible event, the GoM may request the World Bank to channel resources from this component into an Immediate Response Mechanism (IRM). The IRM would enable the use of up to 5 percent of uncommitted funds from the overall IDA portfolio to respond to emergencies. The IRM has been activated thrice in Mozambique, in response to the El Niño drought in 2016, Cyclone Idai in 2019, and COVID-19 in 2020. An IRM Operations Manual (IRM-OM, also called CERC Manual) governs the activation and use of funds through the IRM. Applying to all CERCs in the IDA portfolio in Mozambique that fall under the Environmental and Social Framework (ESF), the IRM-OM enables consistency among the implementation arrangement of different CERCs. On April 11, 2016, the World Bank approved the IRM-OM, which was subsequently adopted by the GoM. The IRM-OM has been updated annually to reflect any amendments in the respective Financing Agreements between the GoM and IDA, relevant GoM and World Bank guidelines, and the updated list of active IRM-CERC projects. A new IRM-OM was developed and approved in April 2020 to incorporate the COVID-19 response. The IRM-OM will be attached to the general Operations Manual of the SREP.

84. Before engaging IRM funds, a Contingent Emergency Response Implementation Plan (CERIP) must be developed, which would govern the use of the funds for the specific emergency or crises following the IRM-OM. Disbursements would be made based on the approved CERIP following the provisions of the World Bank Investment Project Financing (IPF) policy, paragraph 12, regarding ‘Projects in Situations of

⁵⁵ The specific indicator included in the Results Framework is “Grievances submitted through the GRM effectively addressed (Percentage)”. The GRM will also capture suggestions and feedback. These will be analyzed and inform investments and adjustments to the Project.



Urgent Need of Assistance or Capacity Constraints’ and are subject to evaluation, examination, and approval by the World Bank. A risk matrix for the program was developed to identify the main risks to the various program components, along with existing risk assessments, disaster risk management mechanisms, and an action plan to strengthen resilience, including contingency plans and financial protection mechanisms. The matrix is in the project files and is available upon request. . The implementation of the action plan will enable the GoM to quickly prepare a CERIP in the case of an eligible crisis or emergency.

C. Project Beneficiaries

85. Program primary target beneficiaries are (a) smallholders; (b) AgriMSMEs, with special focus on women and youth; (c) small- and medium-scale investors of commercial multipurpose forest plantations (d) selected rural areas; and (e) government institutions at the central, provincial, and local levels. These beneficiaries are expected to be the same during the whole program. However, after Phase I, the program moves to a national scope, increasing the number of beneficiaries and target areas of implementation, and reaching a larger number of local government institutions.

86. Foreseen main program benefits are the (a) support to small agriculture producers’ business development through a matching grant financing mechanism with co-participation of beneficiaries (PACEs, PAs, artisanal fishers, and aquaculture farmers); (b) increase in private investments in rural markets; (c) improvement in natural resources management; and (d) increase in capacity of small agriculture producers and public sector institutions to manage systemic shocks (natural disasters, crisis, and so on). Table 1.3, annex 1, summarizes primary target beneficiaries and benefits by program phases and components. Table 6 summarizes primary target beneficiaries and benefits by program phases and components.

D. Rationale for Bank Involvement and Role of Partners

87. **The World Bank brings significant value added to rural economic sectors, based on a wealth of experience and expertise developed through support to Mozambique’s rural development and natural resources management efforts, which, over the past five years, consisted in expanded integrated landscape management (ILM) investments.** During the first Nyusi administration (2015–2019), concepts such as sustainable agriculture, integrated landscape management, nature-based solutions, green economy, and blue economy have gained significant traction, finding their way into policy and legislation that oriented public investments. These were supported by several IPF operations funded by the World Bank Group, which established a solid base for more ambitious programs (see table⁵⁶ 6).

Table 6. World Bank IPF 2015–2020 in Agriculture and Environment (US\$, millions)

Operation	Approval Date	Closing Date	Envelope (US\$, millions)
Mozambique Conservation Areas for Biodiversity and development Project (P131965)	November 2014	November 2019	46
South West Indian Ocean Fisheries	February 2015	September 2021	37

⁵⁶ The table only includes IDA-financed operations and their respective IDA envelopes.



Operation	Approval Date	Closing Date	Envelope (US\$, millions)
Governance and Shared Growth Project 1 (P132123)			
Moz Agriculture and Natural Resources Landscape Management Project (P149620)	June 2016	October 2023	100
Mozambique Forest Investment Project (P160033)	March 2017	June 2022	47
Smallholder Irrigated Agriculture and Market Access Project – IRRIGA 1 (P164431)	June 2018	December 2024	55
Mozambique Conservation Areas for Biodiversity and Development – Phase 2 (P166802)	September 2018	November 2023	45
Conservation Areas for Biodiversity and Development Additional Financing (P172777)	August 2020	November 2024	23
MZ Zambezia Emissions Reductions Payment (P164524)	December 2019	N/A	50
		TOTAL	403

88. **This IPF series has helped improve rural productive capacity** through support to 250 small emerging commercial farmers (SECF),⁵⁷ inclusion of 40,250 smallholders into agricultural value chains and 15,000 people into conservation compatible value chains in and around conservation areas, restoration of over 2,000 ha of key ecosystems within production landscapes, support to the improvement of livelihoods for over 39,000 people within fishing communities, and support to conclusion of 10 nature-based tourism concessions in conservation areas. These investments enhancing rural productivity were coupled with, and supported by, the improved management of natural resources, including efforts that led to reducing deforestation by 63 percent in 2018 in the Zambezia Province compared to 2006–2016, to improve the protection of biodiversity through more effective management of conservation areas and to modernize and improve fisheries licensing through a more transparent electronic system. The series of IPFs has created a basis of practices and experiences that now require scale-up to generate transformation impact.

89. **The first phase of the MPA provides an important opportunity to complement these IPF investments and strengthen the GoM's systems for sustainable rural economy development.** In so doing, it will allow for scale-up of rural interventions with proven impact and address the need for greater cross-sectoral coordination for integrated rural development. This requires enhanced institutional alignment and improved country systems for effective coordination and implementation. It is expected to particularly strengthen coordination among MADER, MTA, and MIMAIP and between them and the MEF. It will also enable strengthening of the country systems for improved and more efficient delivery of investments in the rural economy, thus improving sustainability of these investments. Finally, it will provide important leverage for key policy reforms for the sustainable development of the rural economy.

⁵⁷ The SECF model is fully described in the SUSTENTA IPF (P149620) and it entails a cascade approach supporting emerging farmers, who, in turn support smallholders.



E. Lessons Learned

90. The project design draws lessons from previous agriculture, forest, and fishery projects in Mozambique as well as from assessments of the first Mozambican National Agricultural Investment Plan (NAIP I). The key lessons are summarized in the following paragraphs and are reflected in the project design.

91. The establishment and support of a strong network of PACEs can contribute to overcoming obstacles related to the provision of inputs, technical assistance, and access to finance and markets.

Around 60 percent of rural populations and smallholder farmers in Mozambique operate at the subsistence level and are disconnected from input and output markets. They have limited access to key information, technologies, and basic services that are required to harness market opportunities. This presents both a gap and a market opportunity for growing PACEs to increase the availability and affordability of critical goods and services needed to increase productivity and revenues in rural areas, as well as to serve as links to large companies seeking to source local products at the right quality and quantity, and who are often unable to engage with many unorganized smallholder farmers. A Development Impact Evaluation (DIME) survey among PACEs supported by the SUSTENTA project suggests that PACEs financed by the matching grants scheme had larger sales of agricultural inputs to smallholders. About 97 percent of financed PACEs sold kits to smallholders while only 67 percent of them sold inputs before SUSTENTA at the time of the survey. SUSTENTA-supported PACEs also started to sell inputs privately outside the project. All of the PACEs sell the kits to smallholders on credit, with the value of the kit to be recovered after harvesting and commercialization. Allowing smallholders to pay at harvest overcomes their liquidity constraints and lowers the need to subsidize inputs at planting. Also, the DIME survey suggests that the percentage of PACEs active in aggregation and commercialization for smallholders increased from 71 percent to 82 percent following matching grant financing (more than half of PACEs buy directly from smallholders while one-third of them support links with buyers or provide transportation). Finally, the survey suggests that percentage of PACEs providing technical assistance strongly increased with the SUSTENTA MGS. A similar MGS will be used to enlarge the network of PACEs in Phase I of this MPA program.

92. Improvements in rural roads are key to enhance the impact of agricultural productivity.

Mozambique records low road density, with 4 km of road per 100 km² of land area, less than neighboring countries such as Tanzania (9.6) and Madagascar (6.4). Connectivity to markets and critical infrastructure such as roads, schools, and health care centers remains a challenge for most rural parts of the country, particularly in key production areas in the northern and central zones where only 14 percent of the population resides within 2 km of the nearest road in good condition. The biggest gaps in roads infrastructure are observed in secondary and feeder roads, which serve the rural population the most. Given budget constraints, public expenditures have prioritized primary roads over non-primary roads.⁵⁸ Major road infrastructure gaps result in high transport costs for accessing input and output markets (for both farm and non-farm goods and services) domestically and internationally. Most inputs, many of which are imported, are sold in market centers or towns, and poor rural roads increase the costs for farmers to reach these markets and acquire inputs. The FAO's market development gap (an indicator that captures the effect of excessive access costs on prices between the point of export and farmgate) shows that

⁵⁸ World Bank, 2020. *Cultivating Opportunities for Faster Rural Income Growth and Poverty Reduction: Mozambique Rural Income Diagnostic*. Overview Policy Report.



Mozambique has high marketing costs compared to the inefficiencies observed in other countries in the region. Selective priority improvements to rural roads and bridges will be undertaken by the project to ensure that the interventions at farm and AgriMSME level can find easy access to input and output markets.

93. **An expanded inclusive private sector role is essential.** The assessment of Mozambican NAIP shows that support for an expanded and inclusive private sector, in input and output markets is essential, especially to promote competitive value chain development. The project will promote the engagement of the private sector by supporting business development services and by participating in funding private investments to add value to agricultural and fishery products, for post-harvest handling and to facilitate access to inputs and output markets.

94. **Robust institutional and multi-stakeholder coordination needs to be promoted.** The 2017 assessment of the Mozambican NAIP clearly indicates that an adequate and strong intersectoral coordination should be promoted, which can also serve as a multi-stakeholder consultation mechanism on a continuous basis. Under component 3, the project will support the effective functioning of the CCSA. The component will also strengthen the institutional basis for Phase II, through a PforR.

95. **A proper policy and institutional environment should be developed at the outset of the program.** One key lesson from the 2017 assessment of the Mozambican NAIP is that relevant sector policies and regulations should be updated and socialized from the outset of the program along with relevant and institutional roles of the public and private sectors and their respective institutions. The project will support the development of crucial policies and regulations including the farm bill, an animal health law, and a plant health law. In addition, the project will support the update of the environmental policy.

96. **Conservation areas under co-management show high performance.** Experiences with the MOZBIO funded-project in Mozambique as well as a specific co-management study performed in Mozambique⁵⁹ clearly showed evidence that co-managed conservation areas performed better than regular conservation areas, which was demonstrated both when performance was measured using the General Factors of Implementation and Resilience, and when using the METT, which measures the level of management effectiveness at the end of the project.⁶⁰ Consequently, the project will seek to promote co-management for MNP and Tchuma Tchato.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

Institutional and Implementation Arrangements at the Central Level

97. **MADER will be responsible for the SREP's overall coordination and implementation.** MADER is tasked with promoting sustainable rural development, which includes proposing policies and strategies

⁵⁹ Supporting the Policy Environment for Economic Development (SPEED+). 2018. *Collaborative Management Models for Conservation Areas in Mozambique*.

⁶⁰ The superior performance of co-management agreements was clearly evident in Bazaruto Archipelago National Park, Maputo Special Reserve, and Banhine National Park.



for integrated and sustainable rural development, facilitating intersectoral coordination for sustainable utilization of existing resources in the rural space, and ensuring integrated planning and definition of priorities for the implementation of infrastructure for sustainable rural development in Mozambique. In the overall project coordination, MADER will work in a coordinated manner with other ministries and institutions, particularly MIMAIP and MTA.

98. **Project Steering Committee (PSC).** A PSC will be established, chaired by the Minister of Agriculture and Rural Development and composed of representatives of the FNDS, ProAzul, BIOFUND, key MADER, MIMAP, MTA, and MEF national directors and of program provinces. The PSC will meet at least twice a year and FNDS will be the PSC technical secretary and ProAzul will be co-secretary. Independent observers from the private sector and civil society will also be members of the PSC. The PSC will be responsible for (a) providing overall policy guidance and decision-making on all issues related to the project, (b) facilitating coordination among relevant sectors and agencies, (c) reviewing and approving annual work and expenditure plans submitted by the PIU coordinator, and (d) ensuring project alignment with other government programs and providing strategic direction.

99. **The project will be implemented by the FNDS, ProAzul, and BIOFUND** under oversight of MADER, MTA, and MIMAIP. The FNDS will be responsible for coordination, and all three entities will be responsible for operational management with fiduciary and safeguards responsibilities. More specifically, the FNDS will be responsible for implementing all project activities except for fisheries interventions, which will be implemented by ProAzul, and some activities inside the conservation areas, where BIOFUND will be responsible. The FNDS, in collaboration with ProAzul and BIOFUND, will lead on technical supervision and coordination, project planning, quality oversight, communication, safeguards management, reporting, procurement, financial management (FM), and activities' progress monitoring and reporting. The FNDS, ProAzul, and BIOFUND will be responsible for management of fiduciary matters in conformity with the standards and requirements contained in the Legal Agreement and agreed upon with the World Bank.

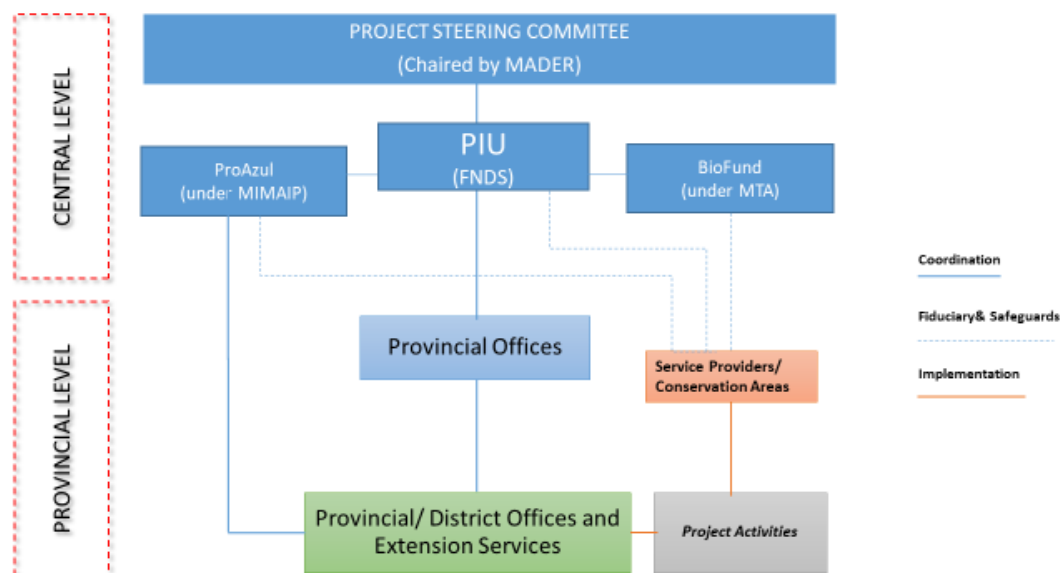
100. **A dedicated PIU will be established at the FNDS, PROAZUL, and BIOFUND.** The PIU will be responsible for day-to-day management of the project, including (a) managing the implementation of project activities; (b) managing the procurement, FM, disbursements, and safeguards aspects; (c) coordinating the preparation, adjustments, and use of the project management tools, including any updates to the Project Implementation Manual (PIM), annual work plan, Procurement Plan, and disbursement projections; (d) coordinating with key stakeholders on the technical aspects of all parts of the project; (e) monitoring the progress of the PDO and intermediate indicators of the Results Framework; and (f) preparing project reports. PIU key staff will include (a) a project coordinator, (b) a technical specialist, (c) a procurement specialist, (d) an FM specialist, (e) an accountant, (f) an M&E specialist, (g) a social development specialist, and (h) an environmental specialist.

101. **At the provincial level, the program will be coordinated through the FNDS provincial offices,** in close coordination with the Provincial Directorates of Agriculture and Fisheries (*Direção Provincial de Agricultura e Pescas*, DPAP), Territorial Development and Environment (*Direcção Provincial de Desenvolvimento Territorial e Ambiente*, DPDTA), and the Provincial Services of Economic Activities. These PIUs will report to the project coordinator in the central PIU. They will coordinate the work with the provincial services and provincial directorates and the implementation of activities at the district level with the District Services for Economic Activities (*Serviço Distrital de Actividades Económicas*, SDAE) and the District Service for Infrastructure and Planning (*Serviço Distrital de Planeamento e Infraestrutura*,



SDPI). Each PIU will have a provincial coordinator who will report to the central project coordinator and with the provincial and district authorities and services. At this level, activities will be implemented by PIU technicians, extension workers who will be trained by the project, and service providers.

Figure 5. Institutional Arrangements



102. **Inter-agency memorandums of understanding (MoUs) or Implementation Agreements.** For the effective implementation of specific activities, the FNDS will establish MoUs or Implementation Agreements with other Government entities, including with the ANE and with the National Directorate for Assistance to Smallholder Farmers (DINAAP), before specific activities begin, such as investments in rural roads and in PACEs. With ANE, the FNDS has already signed an MoU for activities related to the design, supervision, and verification of infrastructure quality (rural roads and bridges). Based on recent experience in the implementation of the MoU, it will be maintained and upgraded as necessary. With DINAAP, the FNDS will establish an Implementation Agreement before the support to PACEs begin under Component 1 given the importance of the extension services in the implementation of project activities in the districts. Given the important role of the extension network for the success of this project, and in its role as the directorate tasked with the provision of extension services and technical assistance to smallholder farmers, DINAAP will allocate extension agents to the project. The FNDS will in turn provide training and the necessary resources to the extension agents to pursue their activities for the project. Details on the responsibilities of the parties in each MoU or Implementation Agreement is set out in the respective agreements and reflected in the PIM.

103. **PIM.** The PIM sets out detailed guidelines, methods, and procedures for the implementation of the project: (a) the different roles and responsibilities in the implementation of the project, including the various mechanisms for ensuring close coordination and collaboration between various project stakeholders; (b) budget and budgetary control; (c) flow of funds, disbursement procedures, and banking arrangements; (d) financial, procurement, and accounting procedures; (e) internal control procedures; (f) accounting system and transaction records; (g) personal data collection and processing in accordance with applicable national law and good international practice; (h) M&E arrangements, including procedures



reporting requirements; (i) external audit; (j) the Annual Work Plans and Budget for the first year of project implementation; and (k) such other arrangements and procedures as shall be required for the effective implementation of the project.

104. **Grants Implementation Manual.** An Implementation Manual for the MGS, *Mais Peixe Sustentável*, and Performance-Based Grants is annexed to the PIM. The Grant Implementation Manual will describe the basic guiding principles and procedures for the matching grants mechanisms to be scaled up under sub-components 1.1 and 2.1, which will include (a) an elaboration of the selection, prioritization, and eligibility criteria and terms and conditions and procedures for preparation, approval, and M&E of matching grants; (b) procedures for the award of matching grants and selection of matching grants beneficiaries; and (c) amounts of matching grants to be paid on a non-reimbursable basis.

105. More information on the project implementation arrangements is provided in annex 1.

Table 7. Phase I Project Components and World Bank Financing

Components	Amount (US\$, millions)
Component 1. Increasing productivity and market access	109
Sub-component 1.1. Agriculture productivity and market access	94
Sub-component 1.2. Fisheries productivity and market access	15
Component 2. Enhancing natural resources management	26
Sub-component 2.1. Enhanced land, forests, and conservation area management	18
Sub-component 2.2. Enhanced fisheries Monitoring, Control and Surveillance	8
Component 3. Strengthening institutions and policies	15
Sub-component 3.1. Policy and institutional support	6
Sub-component 3.2. Program management	9
Component 4. Contingent Emergency Response Component - CERC	0
TOTAL	150

B. Results Monitoring and Evaluation Arrangements

106. The Program will have an M&E System that will prepare the progress reports and disseminate results and impacts in line with the PrDOs. The SREP M&E system will consist of the following three subsystems: (a) planning, (b) monitoring and reporting, and (c) evaluation.

107. The planning subsystem will incorporate the planning of the program's activities over its entire horizon as reflected in the cost tables and in the annual working plans. It will also incorporate annual planning into the M&E, as well as any specific plans that may emerge from implementation support mission recommendations and/or from the external audits. During the planning process, the Program Coordinator supported by the M&E sector will prepare and review the Annual Work Plan and Budget for the different components at all levels. The Program Coordinator will also coordinate the budgeting of all activities into the Annual Plan to ensure a rational allocation of resources as well as the implementation of the Annual Activities and Budget Plan. The Activities Plan will be reviewed and approved by the PSC and validated by the World Bank. In the event of an eligible crisis or eligible emergency, procedures established in the IRM Manual will be followed.

108. The monitoring and reporting subsystem will incorporate the preparation of (a) semestral and annual progress reports that will present progress in program implementation, update on the Results



Framework, and challenges faced;⁶¹ (b) the monitoring plan for project indicators; (c) a flowchart of data collection for each indicator; and (d) the implementation of the monitoring plan for relevant actions agreed upon during missions. The progress reports will be shared with all implementing units and institutions involved, as well as the World Bank.

109. The evaluation subsystem will consist of conducting annual evaluations that will be presented in the annual evaluation reports. Those evaluations will be divided into two. The first will be based on the work conducted by the project team (the 'in-house' evaluation), and the second will be based on the results of external evaluations carried out by external consultants. In addition, the program will use the assessments reported in the mission Aide Memoires as part of the evaluation process. Finally, the evaluation will incorporate the assessment that is made at mid and end of the project, reflected in the midterm and final internal report, prepared by the project team and the joint report prepared by the Government and the World Bank, reflected in the project implementation report. It should be noted that, periodically, partial results of the project indicators will be released, at which time partial assessments will also be made, depending on the results achieved. The learning created from rigorous impact assessments is a key aspect of the World Bank-funded MPA and PforR programs, and specific research areas for the impact assessment program and the phases to do so are being identified.

110. To access the degree of satisfaction of the project's beneficiaries, as well as the general public in relation to the different interventions within the project, a Dialogue and Complaints Mechanism (MDR) will be established that allows a period of about 15 working days for the resolution of any registered complaint, the complainant being able to appeal in case of dissatisfaction. To assess the efficiency of project responses in relation to questions and problems of management and activities, the MDR tool (software) is already created for this purpose for the different World Bank projects will be used.

111. The multiphase program foresees the transition from an investment project finance instrument (IPF) in its first phase to a PforR instrument in the second phase. Thus, it should be assessed whether the transition can occur without compromising the expected results, with the M&E team at the central level, monitoring the activities and assessing whether the requirements for the transition to the PforR modality are being achieved. This information should be reinforced by the impact assessment reports to be prepared through consultancy services.

C. Sustainability

112. The MPA is expected to build institutional capacity in Phase I and use an adaptive learning agenda to improve impact and sustainability. Also, the MPA approach will ensure a continued follow-up on strategic objectives of the country's rural development agenda and the full implementation of PEDSA II. Finally, the decision to seek the approval of the program's subsequent phases will depend on satisfactory implementation of the previous phase.

113. The Program will promote sustainability in diverse ways. First, the Program will promote financially viable agriculture and forest-based VC engagement, led by PACEs and AgriMSME. The Program will promote a strong base for inclusive and participatory engagement with rural households in value chain participation, which will generate incentives to ensure their activities and enterprises are viable and

⁶¹ While progress reports will be prepared on a semestral basis, interim financial reports (IFRs) should be prepared on a quarterly basis, as described in the section titled 'Fiduciary'.



sustainable and also sustainably manage natural resources under their control. The Program will provide careful screening of the proposed value chain investments and relevant technical and managerial capacity development to support the emerging commercial farmers. Methodologies and tools for identification, preparation, feasibility-sustainability analysis, and results monitoring of business plans will be promoted. To promote inclusive investment support, PACE will have to integrate and link smallholder farmers in their agricultural and marketing activities.

114. Second, the Program will mainstream environmental sustainability aspects in project interventions, including ecosystem and natural resources restoration in productive areas. The project will seek to promote land use practices oriented toward long-term environmental sustainability such as CSA practices and cross-sectoral multi-stakeholder landscape planning.

115. Third, the Program will strengthen the capacities of relevant government authorities to enhance NRM by providing equipment and training to staff of ANAC, AQUA, DINAF, National Directorate of Operations (*Direção Nacional de Operações*, DNOP), and National Fisheries Administration (*Administração Nacional das Pescas*, ADNAP) by supporting land use planning priority areas, promoting transparent and efficient forest management (through a new forest information system), and supporting fishery monitoring, control and surveillance. The planned update of the environmental policy will provide the necessary institutional support for an enhanced management of land, forests, conservation areas.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

116. **The development impact of the Program will be to improve the resilience of rural households by making them less sensitive to shocks such as extreme weather events, resource degradation, and local and global economic hardship.** Natural resource degradation affects soil, water, forests, and wildlife, which all provide ecosystem services needed for cropping, livestock, aquaculture, fishery, and tourism. Deteriorating ecosystem services affect rural and urban livelihoods.

117. **Rural livelihoods will be strengthened through increased productivity and improved resource management.** To incorporate rural households in stronger value chains, small agriculture producers (cropping, livestock, aquaculture and fisheries) are expected to increase their costs and change their management practices (for example, CSA and NSmartAg) to achieve higher yields, reduced resource degradation, and smaller post-harvest quantity and quality losses. The Program will support extension services and invest in transport infrastructure that strengthens the value chains by linking producers, enterprises, and domestic and export markets. This will enable rural enterprises to make their own post-harvest investments, including through matching grants that generate local employment and capitalize on both increased agricultural productivity and quality. By investing in control and governance of fisheries, forests, and protected areas, the Program will reduce resource degradation that threatens important ecosystem services and alternative rural livelihoods including tourism. The improved resource management is expected to provide a net reduction in GHG emissions.

118. **The Program promotes improved resource management not only for agricultural productivity and rural livelihoods but also for beneficiaries to become more resilient to shocks.** Net benefits captured through this type of intervention accrue over many years and Program benefits are also related to avoided



future losses. This creates a difficulty in attracting private sector investors who need a quicker return on investment. The lack of cash and credit for working capital as well as for investments in the agriculture sector prevents producers from adopting new practices with such long-term benefits. With Program interventions, value chains are strengthened, and private sector investments are increased by linking producers, enterprises, and markets. This will enable rural enterprises to make their own investments, including through the matching grants scheme—that generate local employment and capitalize on increased agricultural productivity, produce quality, and improved resource management. The investment targeting government-owned protected areas requires public funds to ensure that private sector enterprises are managed responsibly such that the areas continue to provide necessary ecosystem services.

119. A 30-year cost benefit model is used to assess the ex ante return on project investment. The economic and financial discount rates are set to 6 percent and 20 percent, respectively. All components and the total US\$150 million budget are included.

120. **The expected economic NPV at a 6 percent discount rate over 30 years is US\$1,376 million with a standard deviation of US\$31 million.** The economic internal rate of return (EIRR) is 39 percent, the economic benefit-cost ratio (EBCR) is 1.8, and the payback period is six years. Crop production generates 23 percent of project returns, 19 percent comes from livestock, 1 percent from fisheries, 0.2 percent from aquaculture, and 57 percent from GHG emissions. The project's impact on GHG emissions is estimated at 39.7 million tons CO₂eq over the 30-year period (1.3 million tons CO₂eq/year).

121. When the value of reduced GHG emissions is excluded, the economic net present value (ENPV) is US\$592 million with a standard deviation of US\$31 million. The EIRR is 28 percent, the EBCR is 1.3, and the payback period is 7 years. Crop production generates 54 percent of project returns, 44 percent comes from livestock, 2 percent from fisheries, and 1 percent from aquaculture.

122. **With the high 20 percent financial discount rate, the expected financial net present value (FNPV) is US\$51 million with standard deviation of US\$7 million.** The financial internal rate of return (FIRR) is 27 percent, the financial benefit-cost ratio (FBCR) is 1.1, and the payback period is 7 years. This is a conservative estimate of financial returns because, as discussed later, several expected net benefits have not been quantified in this analysis. The financial returns would also be higher if the value of reduced GHG emissions was included.

123. Sensitivity analysis shows that the results are robust with respect to most assumptions. The key risk factors to consider are ensuring that the targeted PACEs can connect with the planned number of smallholders. This requires that they agree to feasible contracts and repayment terms for short-term loans. Furthermore, the beneficiaries may not be able to achieve higher productivity and net income unless they are linked to functioning input and output markets, have access to short- and long-term financing and have access to transport infrastructure. These factors are also important to ensure that MSMEs can become financially viable, which strengthens the value chain and increases private sector investments. Finally, increased stocking rates may lead to pressure on communal grazing areas and subsequent soil erosion. However, with available land not currently in production, this may not be a general problem in the project area but limited to specific areas where the risk could be managed.

124. The main expected net benefits which could not be quantified are a wider range of alternative rural livelihoods and enterprises, rural transport infrastructure, improved nutrition, conservation area



management, forest restoration, soil erosion, capacity building and institutional development, and downstream effects.

B. Fiduciary

(i) Financial Management

125. **The overall FM was assessed to be adequate with substantial residual risk.** An FM assessment was conducted in February 2021 to evaluate whether the project meets the World Bank's minimum FM requirements in Directives and Policy for IPF. The assessment was conducted at the FNDS, ProAzul, and BIOFUND, the implementing agencies that shall be responsible for FM arrangements. The assessment complied with the World Bank Guidance on FM in World Bank IPF Operations issued on February 28, 2017. The assessment revealed that there are acceptable FM arrangements at the FNDS, ProAzul, and BIOFUND established over the time the three agencies implemented other World Bank-financed operations. The FNDS is currently implementing four ongoing World Bank-financed operations, while ProAzul is implementing one ongoing regional operation and the BIOFUND is implementing one ongoing operation. However, some FM weaknesses at the FNDS were identified: (a) there is significant delay in the implementation of an accounting software package and (b) there is a need to strengthen capacity of the FNDS Financial Department and Internal Audit Unit. In addition, there is the risk that FNDS and ProAzul will not be able to properly discharge their FM responsibilities due to increased number of World Bank-financed operations.

126. The following FM actions should be implemented to ensure existence of adequate FM arrangements: (a) develop and adopt the PIM, including a section on the FM procedures by effectiveness; (b) recruit three additional accountants for FNDS Financial Department, (c) complete the implementation of the accounting package at the FNDS, and (d) strengthen the internal audit at the FNDS by recruiting two additional auditors. The recent review of the FM arrangements of the ongoing projects implemented by all the agencies concluded that they continue to have acceptable FM arrangements.

127. **The following project FM arrangements have been agreed.** The project funds, expenditures, and resources will be accounted for using the existing accounting packages, and basis of accounting will be financial reporting under cash basis. IDA funds will be disbursed on transaction basis (statements of expenditures) using the following methods: (a) reimbursement, (b) advances, (c) direct payments, and (d) special commitments. Both implementing entities will prepare quarterly unaudited IFRs and provide such reports to the World Bank within 45 days of the end of each calendar quarter. The project financial statements of the components to be implemented by the FNDS and ProAzul will be audited annually by the Administrative Tribunal, while the project financial statement of the component to be implemented by the BIOFUND will be audited by a private audit firm acceptable to the World Bank as this is private entity. The audit reports together with separate Management Letters for each implementing entity will be submitted to the World Bank no later than six months after the end of each fiscal year.

(ii) Procurement

128. **Applicable procurement procedures.** Procurement activities under the proposed project will be carried out in accordance with the World Bank's 'Procurement Regulations for IPF Borrowers' (Procurement Regulations), dated November 2020; the 'Guidelines on Preventing and Combating Fraud



and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, and revised in January 2011 and as of July 1, 2016; and other provisions stipulated in the Financing Agreements.

129. **Procurement implementation arrangements.** Procurement planning, procurement processing, contract management, and the related decision-making authority under the proposed project will be carried out by FNDS, ProAzul, and BIOFUND. The FNDS, ProAzul, and BIOFUND procurement units are currently implementing projects financed by the World Bank and are therefore familiar with the World Bank procurement procedures, including of the World Bank's Procurement Regulations. The units are well equipped with office space and all the means to perform the work of the ongoing portfolio satisfactorily. During the appraisal, virtual procurement capacity assessment was carried out to determine whether the FNDS, ProAzul, and BIOFUND have acceptable procurement arrangements and capacity to implement the ongoing and planned World Bank-financed operations. The assessment found that the FNDS team is composed of four procurement specialists supporting all projects (active and under preparation), who were asked to focus on tasks depending on FNDS priorities and the perceived workload of each specialist at the moment. All procurement specialists are working with all the projects. Two more procurement specialists are being selected to enhance the capacity of the unit; the ProAzul team has one specialist and one procurement assistant. Considering the number of '*Mais Peixe*' operations and the daily procurement workload of ProAzul, one more procurement assistant will be hired using the project resources. The BIOFUND team currently has one procurement specialist and one additional procurement specialist will be hired using the project proceeds. The residual procurement risk is Substantial.

C. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

D. Environmental and Social

130. Seven relevant standards have been identified through the environmental and social risk screening: ESS1: Assessment and Management of Environmental and Social Risks and Impacts; ESS2: Labor and Working Conditions; ESS3: Resource Efficiency and Pollution Prevention and Management; ESS4: Community Health and Safety; ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement; ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources; and ESS10: Stakeholder Engagement and Information Disclosure.

131. The environmental risk rating is Substantial due to major potential adverse risks and impacts from civil works under component 1 (repairs of rural roads and bridges; construction of micro irrigation, greenhouses, and storage units; handling, processing, and conservation facilities including markets and fishing landing sites) and under component 2 (infrastructure construction and maintenance, including staff housing, ranger posts, access roads, drifts, trails, and signage). Key environmental risks and impacts expected during the construction phase are associated with occupational health and safety concerns, including physical (solar radiation and heat), biological (venomous wildlife and poison plants), and



flammable chemical (fuels, oils, lubricants, paints, and solvents) hazards, injuries, and accidents; air, soil and water pollution; noise and vibration; construction waste and wastewater management; community health and safety issues including road traffic and communicable diseases (for example, HIV, COVID-19); vegetation clearing and habitat loss, among others. Operation phase impacts of markets, warehouses, fishing landing sites, houses for staff, ranger posts, include generation and discharge of wastewater and generation and disposal of domestic solid waste.

132. Other significant risks and impacts stemming from component 1 are associated with financing producers and MSMEs to increase productivity in agricultural, livestock farming, and fishing which may lead to incremental use of pesticides and fertilizers, including risks and impacts such as transportation, storage and disposal of containers, pest resistance, ground water contamination, soil erosion and degradation, land clearing and biodiversity loss, and overharvesting. Component 2 may also unintentionally have negative impacts on rare, restricted, endemic, and/or endangered species as result of opening and maintaining access roads and walking trails, constructing drifts within MNP and the Tchuma Tchato CCA. The development and implementation of unproven strategies to promote human-wildlife coexistence can pose indirect negative risks and impacts on both local communities' health and safety as well as threats to wildlife. Component 3 consist mainly of technical advisory-related activities which are likely to have minimal or no adverse direct environment impacts. However, some risks could stem indirectly from the analytical works as outputs of the technical assistance (for example, development of a national agriculture law, update the national environmental and fisheries policies). Because site-specific locations of the interventions are not known now, an Environmental and Social Management Framework (ESMF) was one of the safeguards instruments prepared to properly manage environmental and social risks.

133. The proposed social risk rating of this Phase I of the Program is Substantial. Most of the social risks will be posed by activities under components 1 and 2 of Phase I, which among others, will finance provision of small-scale works. Social risks identified during preparation include the following: (a) potential ESS⁶² risks and impacts; (b) moderate GBV/sexual exploitation and abuse (SEA) risks, mostly associated with minor small-scale works and refurbishment activities linked to components 1 and 2 and, possibly, indirect risks when improved economic opportunities for women in the agriculture sector, as a result of the project activities, may exacerbate existing GBV risks due to shifting of traditional gender roles; (c) challenges in ensuring genuine stakeholder engagement and participation of vulnerable and disadvantaged groups in decision-making processes of the project; and (d) potential risk of inequitable distribution of project benefits among project beneficiaries, including in relation to matching grant activities. These social risks are further complicated given the program's nationwide approach, which has a challenging contextual environment and baseline conditions in the north of the country due to an evolving conflict situation, as well as associated security risks. The project will also face social (and environmental) risks related to transmission of communicable diseases, for example, COVID-19 that could arise from people gathering for capacity-building workshops and trainings, as well as implementation of works financed under the project. The conflict-affected region of Cabo Delgado is not included under Phase I of the program, and implementing entities confirmed that there will be no use of security personnel as defined under ESS4. Nonetheless, the ESMF contains information on security risks, and potential measures if the security situation changes, as well as conflict analysis. Should retaining of security personnel become necessary during implementation of Phase I, the implementing entities will prepare necessary mitigation measures as per ESS1 and ESS4, as well as in line with World Bank team's

⁶² ESS = Environmental and Social Standards.



advice provided on the basis of Good Practice Note on Assessing and Managing the Risks and Impacts of the Use of Security Personnel. The risk of GBV and sexual exploitation and abuse/sexual harassment (SEA/SH) during construction of small infrastructure in rural areas may cause potential GBV risks, especially for activities taking place in rural areas where supervision might be a challenge. Relatively limited experience of implementing entities in handling sensitivities around GBV and SEA/SH complaints may contribute to social risks. GBV/SEA/SH risk assessment (including using the World Bank's GBV Screening Tool) suggests GBV risks are low to moderate.

Safeguards Instruments

134. To comply with ESF requirements and to enhance the environmental and social outcomes of the project, the following instruments have been prepared: an Environmental and Social Commitment Plan (ESCP), a Stakeholder Engagement Plan (SEP), and an ESMF including a draft Pest Management Plan (PMP), Labor Management Procedures (LMP), GBV/SEA/SH action plan/assessment, Resettlement Policy Framework (RPF), and Process Framework. A grievance mechanism for workers is reflected in the LMP and a grievance mechanism for other affected parties in the SEP. All these ESF instruments were consulted and disclosed both in-country and on the website of the World Bank on March 29, 2021.

135. The ESMF provides the overarching environmental and social management guidelines. This will include the identification of potential risks and impacts of proposed activities in the identified components and addressing and identification of measures to avoid and minimize environmental and social impacts, as much as possible, and where they cannot be avoided, the impacts are adequately identified/assessed and necessary mitigation measures designed and implemented following relevant Mozambican legislation and World Bank safeguards policies. The ESMF also provides environmental and social tools and protocols to be adopted by the borrower and applied to each sub-project. The PMP ensures safe pest management procedures are applied by smallholder farmers and agricultural and fisheries MSMEs engaged in project activities. The project will not require the mobilization of large number of direct workers due to the small scale of the infrastructure to be constructed/rehabilitated; nevertheless, LMP are being developed to manage labor risks during implementation and ensure safety and health of the workforce while working in project activities. A GBV risk assessment was carried out to inform the project on the level of GBV risk and a GBV/SEA/SH action plan was developed with measures to prevent and address potential GBV/SEA/SH risks.

136. No or minimal resettlement is expected with respect to infrastructure rehabilitation or construction. Because the location of the infrastructures has not yet been identified, an RPF is being prepared to provide clear guidance on minimizing land acquisition and related physical or economic displacement, compensating PAPs, rehabilitating livelihoods, addressing grievances, and implementing the RPF through location-specific Resettlement Action Plans (RAPs) following the guidelines set out in the RPF. The RPF will ensure the resettlement process is inclusive, encompass vulnerable social groups, and guarantee that they receive equitable treatment.

137. Access restrictions to natural resources for local communities in MNP and Tchuma Tchato CCA may be caused by reinforced restrictions and implementation of strategies to regulate the use of natural resources within the protected area according to conservation area management plans and also to restrictions resulting from the implementation of tourism- or production-related activities. The livelihood restoration of people affected by the project will be addressed through a Process Framework which is



under preparation.

Grievance Redress Mechanism

138. The access restrictions to natural resources for local communities in MNP and Tchuma Tchato CCA may be caused by reinforced restrictions and implementation of strategies to regulate the use of natural resources within the protected area according to conservation area management plans and also to restrictions resulting from the implementation of tourism- or production-related activities. The livelihood restoration of people affected by the project will be addressed through a Process Framework which is under preparation and will be completed before activities begin. The project will establish a GRM to allow project-affected people and other stakeholders to seek satisfactory resolution to grievances they may have in relation to the project. The GRM will help ensure that rights and interests of affected people/beneficiaries are protected, and concerns are adequately addressed. The grievance process is based upon the premise that it imposes no cost to those raising the grievances (that is, complainants), that concerns arising from project implementation are adequately addressed on time, and that participation in the grievance process does not preclude pursuit of legal remedies under national law. The GRM will allow the potentially affected people to use different channels to report their grievances.

V. GRIEVANCE REDRESS SERVICES

139. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VI. KEY RISKS

140. **Overall, the residual risk of the proposed MPA is assessed to be Substantial.** The residual macroeconomic, political and governance, institutional capacity for implementation and sustainability, and environmental and social risks are assessed to be Substantial.

141. **The residual macroeconomic risk is Substantial due to economic downturn and the continued fiscal effects of the hidden debt crisis, coupled with challenges emerging from the COVID-19 pandemic.** After registering 7.9 percent of GDP growth on average between 2001 and 2015, Mozambique's economic performance experienced a sharp downturn, triggered by falling commodity prices, adverse climate conditions, a tense political environment, and the discovery of 1.4 billion in previously undisclosed public debt, which had dramatic consequences on the macroeconomic and fiscal environment. Moreover, the



evolving COVID-19 crisis is expected to be aggravated further in Mozambique. The February–September 2021 FEWS NET⁶³ projection for Mozambique is that there will be an increase of 14 percent of the population that will be living in areas under crisis or worse food security conditions, bringing the total number of people in this category of food insecurity to 7.8 million (or 24.6 percent of the total population of the country). This can significantly affect government spending and budgeting, including the willingness and ability to approve annual allocations required for the Program to achieve its intended results. The Program will continuously monitor the COVID-19 and the macroeconomic and fiscal environment to be able to communicate program achievements to policy makers, safeguarding any potential investment reallocation efforts.

142. Substantial residual political and governance risks could undermine the achievements of the anticipated results. Frelimo and Renamo remain the country's main political forces. The former rebel group Renamo has maintained periods of conflict since the peace accord of 1992. In the recent past, a 'definitive' peace agreement was signed in August 2019, but since then a militia of dissidents from Renamo have sparked sporadic armed conflicts killing 22 people. Implementation of activities at the province- and district-level regions can make collaboration across various political interests challenging and thus poses a substantial risk for the project. More than two years ago, insurgency started in the northern Cabo Delgado Province. By September 2020, an estimated 250,000 people have been displaced and over 1,000 people killed since the beginning of the insurgency, with attacks becoming more frequent and spreading southward. The Program will promote coordination mechanisms to articulate efforts across the various levels of the government to minimize such risks.

143. The residual risk on the institutional capacity for implementation and sustainability is substantial. The successful implementation of the Program requires effective coordination across several ministries and multiple agencies at national and subnational levels. Moreover, recent institutional changes regarding the creation of Secretaries of State at the provincial level within the process of decentralization have been creating confusion regarding the distribution of responsibilities and reporting lines. The risks around institutional capacity will be mitigated through substantial technical assistance. In particular, the Program will support the operationalization of key cross-sectoral coordination bodies such as the CCSA and the National Sea Council (*Conselho Nacional do Mar*).

144. The residual fiduciary risk is Substantial. Procurement risks include, among others, (a) turnover of procurement staff; (b) delays in procurement processing due to limited procurement capacity and staff workload; (c) limited capacity of the market and supply chain to meet the demand, due to the global nature of COVID-19 pandemic; and (d) challenges in bids submission due to COVID-19 movement restrictions imposed by many countries worldwide. To address these weaknesses, the implementing agencies will need to (a) retain qualified staff by offering a good work environment and incentives, (b) improve procurement capacity by hiring qualified procurement specialists familiar with the World Bank's procurement regulations to train existing specialists, and (c) apply COVID-19 flexibilities in the bidding process in accordance with emergency operations norms agreed by the World Bank to mitigate the impact of the COVID-19 pandemic. FM risks are related to country risk, the decentralized nature of the Program, and capacity limitations in FNDS given its rapidly growing portfolio. An action plan has been agreed to mitigate risks, which includes, among other actions, completing the implementation of the accounting

⁶³ The Famine Early Warning Systems Network is a leading provider of early warning and analysis on food insecurity. See: www.fews.net/mozambique.



software package at the FNDS, strengthening the internal audit and accounting sectors by recruiting additional staff, and developing a robust Project Implementation and Matching Grants Manuals.

145. The environmental and social risks associated with project interventions are substantial. Potential issues related to agriculture and fisheries investment, rural transport infrastructure rehabilitation, land, forests, fisheries, and conservation area management will attract the attention of civil society and NGOs. In addition, anticipated risks and impacts include land acquisition and impacts on: (i) livelihoods, (ii) loss of assets, (iii) potential gender discrimination, (iv) marginalization of some vulnerable groups in the region, (v) labor influx, (vi) SEA/SH risks, (vii) soil, vegetation, and fauna disturbance and degradation due to earth movements for preparation of construction sites, (viii) soil and water bodies' contamination through uncontrolled spillages, mainly during construction phases, (ix) waste generation and handling (both solid and sewage), (x) air, soil, and water bodies' contamination due to civil works, (xi) livelihoods activities and agro-processing industries, and (xii) nuisance and traffic safety issues to the community. There are also occupational health and safety concerns related to the use of construction equipment and industry machinery to direct and indirect contracted workers and could also lead to (a) soil erosion and degradation and increased use of agro-chemicals due to agricultural activities and disposal and management of waste during the construction phase, (b) occupational health and safety of workers, (c) nuisances related to air and noise emissions, and (d) community health and safety due to increased traffic. The environmental and social risks will be mitigated through close due diligence of project interventions through application of the World Bank ESF. As such, an ESMF and ESCP have been prepared and implemented, including procedures for screening and excluding any intervention that could cause unprecedented environmental and social impacts. While Cabo Delgado has been excluded as a region to be supported by this project and, while in general, anticipated risks and impacts are expected to be localized, minor, and of limited duration, the proposed environmental and social risk rating also considers the insecure situation in the north and the movement of IDP.

146. The project location is highly exposed to climate and disaster risks. Mozambique is highly vulnerable to the negative impact of climate change and the current and future exposure of the project location as well as the impacts of the geophysical hazards on the project's physical infrastructure and assets is very high. In terms of disaster risks, the project's locations are highly exposed to floods and cyclones and, to some extent, to droughts. Extreme floods, cyclones, and dry spells as well as increasingly irregular rainfall all affect crop production, crop storage and processing, transportation, irrigation and drainage, fisheries production, and livestock production, ranging from moderate to severe impacts. The activities under this project focusing on climate-resilient production and climate-resilient value chain development, and the institutional capacity development for improved monitoring, planning and response to climatic events will contribute to addressing the multitude of environmental challenges and mitigating the climate and disaster risks. The CERC will also serve as a mitigation tool to respond to possible disasters.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Mozambique

Sustainable Rural Economy Program

Project Development Objective(s)

To improve the performance of targeted small agriculture producers and AgriMSMEs and improve natural resources management practices in selected project areas.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Improve the performance of targeted small agriculture producers							
Basic crops with minimum productivity increase by target beneficiaries (Number)		0.00			2.00		3.00
Targeted small agriculture producers integrated into agriculture value chains (Percentage)		0.00			50.00		80.00
Female (Percentage)		0.00			40.00		40.00
Youth (Percentage)		0.00			30.00		30.00
Improve the performance of targeted AgriMSMEs							
Increase in gross sales of targeted AgriMSMEs (Percentage)		0.00			10.00		30.00
Targeted value chain actors		0.00	0.00	750.00	1,250.00	2,000.00	2,500.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
receiving support under ProAzul's Matching Grants Scheme (Number)							
Female-led individual family applicants (Number)		0.00	0.00	300.00	500.00	800.00	1,000.00
Youth-led individual family applicants (Number)		0.00	0.00	225.00	375.00	600.00	750.00
Commercial business applicants (Number)		0.00	0.00	4.00	6.00	8.00	10.00
Improve natural resources management practices in selected project areas							
Improved natural resource management effectiveness (METT) of selected conservation area (Number)		23.00	23.00	24.00	26.00	29.00	32.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Increasing productivity and market access							
Roads rehabilitated (CRI, Kilometers)		0.00	0.00	100.00	800.00	1,300.00	1,600.00
Roads rehabilitated - rural (CRI, Kilometers)		0.00	0.00	100.00	800.00	1,300.00	1,600.00
Roads rehabilitated - non-rural (CRI, Kilometers)		0.00					0.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Farmers adopting improved agricultural technology (CRI, Number)		0.00			44,000.00		91,000.00
Farmers adopting improved agricultural technology - Female (CRI, Number)		0.00			17,600.00		36,400.00
Farmers adopting improved agricultural technology - male (CRI, Number)		0.00			26,400.00		54,600.00
Farmers adopting improved agriculture technology - youth (Number)		0.00			13,200.00		27,300.00
Beneficiary farmers integrated into value chains (Number)		0.00	80,000.00	90,000.00	110,000.00	120,000.00	130,000.00
Beneficiary farmers integrated into value chains - female (Number)		0.00	32,000.00	36,000.00	44,000.00	48,000.00	52,000.00
Beneficiary farmers integrated into value chains - youth (Number)		0.00	24,000.00	27,000.00	33,000.00	36,000.00	39,000.00
Rural extension agents that have undergone gender training (Percentage)		0.00	30.00	40.00	50.00	60.00	70.00
Rural households applying the Gender Action Learning for Sustainability (GALS) methodology (Number)		0.00	50.00	1,350.00	2,100.00	3,000.00	3,600.00
Farmers reached with climate resilient agricultural assets or services (Number (Thousand))		0.00	80.00	90.00	110.00	120.00	130.00
Farmers reached with		0.00	32.00	36.00	44.00	48.00	52.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
climate resilient agricultural assets or services - Female (Number (Thousand))							
Farmers reached with climate resilient agriculture assets or services - youth (Number (Thousand))		0.00	24.00	27.00	33.00	36.00	39.00
Enhancing natural resources management							
Infrastructure for sustainable natural resources management built and in operation (Number)		0.00	0.00	0.00	5.00	10.00	14.00
Artisanal fishing licenses issued in targeted areas (Number)		6,418.00	7,300.00	8,300.00	9,300.00	10,200.00	11,250.00
Forest concessions inspected in targeted provinces (Percentage)		0.00	30.00	45.00	50.00	70.00	80.00
Community Management Partnership established (Number)		0.00	0.00	0.00	1.00	1.00	1.00
Provinces with a forestry information system operational (Number)		0.00	1.00	2.00	3.00	4.00	6.00
Strengthening institutions and policies							
Rural economy public policies and strategies (Number)		0.00	0.00	1.00	2.00	3.00	4.00
Grievances submitted through the GRM effectively addressed (Percentage)		0.00	90.00	90.00	90.00	90.00	90.00
Agriculture sector contingency plans (Number)		0.00	1.00	2.00	3.00	4.00	5.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Agriculture Sector Coordination Committee operational (Yes/No)		No	No	Yes	Yes	Yes	Yes
Conditions for preparing Phase 2 (P4R) met (Yes/No)		No	Yes	Yes			Yes

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Basic crops with minimum productivity increase by target beneficiaries	Non-cumulative targets. Minimum increase of 50% in productivity (volume harvested per hectare) by target beneficiaries (PAs and PACEs) of indicative crops: soy, sesame, beans, and corn. This is the minimum expected productivity increase, but the maximum is much higher, depending on the crop, could be up to 90%. The main crops to be considered are soy, ginger, beans and maize.	Mid-Term/Final	Survey	Beneficiary farmer survey	FNDS



	<p>Productivity baseline (2020)</p> <p>i) Soy-1.2 ton/ha ii) Sesame-0.4 ton/ha iii) Beans-0.4 ton/ha iv) Corn-1.1 ton/ha</p> <p>Target of 50% productivity increase:</p> <p>i) Soy-1.8 ton/ha ii) Sesame-0.6 ton/ha iii) Beans-0.6 ton/ha iv) Corn-1.65 ton/ha</p>				
Targeted small agriculture producers integrated into agriculture value chains	<p>Percentage of beneficiary small agriculture producers (farmers/fishermen) selling their product to the market. The threshold to consider a producer selling to the markets is when he/she sells more than 10% of their production to the market. Beneficiary producers include PACEs and PAs. Non-cumulative targets.</p>	Annual	Survey	Beneficiary farmer surveys	FNDS/ProAzul
Female	Same as main indicator	Same as main indicator	Same as main indicator	Same as main indicator	Same as main indicator
Youth	See parent indicator	See parent indicator	See parent indicator	See parent indicator	See parent indicator



Increase in gross sales of targeted AgriMSMEs	Increase in sales of AgriMSMEs benefiting from matching grants from the program. AgriMSMEs are defined as companies in the agriculture and food sector (crops, livestock, fisheries) with overall revenue of less than US\$500'000/year and a maximum of 99 workers. measured by reporting from matching grants provided to AgriMSMEs. Non-cumulative targets.	Annual	Official records/Official database	Official data systematization, summarization, and compilation.	FNDS/ProAzul
Targeted value chain actors receiving support under ProAzul's Matching Grants Scheme	Cumulative targets. ProAzul's Matching Grants finances the businesses of participants while sensitizing and providing training for them to be good stewards of the environment. The Scheme is divided into two windows: (i) window 1 targets artisanal fisheries value chain operators; and (ii) window 2 targets commercial fisheries, aquaculture and other blue	Annual	Official database	Official data systematization, summarization, and compilation.	ProAzul



	economy value chains. Individual family applicants are operationally defined as window 1 applicants. Commercial business applicants are operationally defined as window 2 applicants. Each application (be it from an individual or commercial entity) counts as 1 unit of output for the indicator, regardless of whether there are joint business plans from several producers.				
Female-led individual family applicants	Female-led individual family applicants are operationally defined as window 1 female applicants.	Same as main indicator.	Same as main indicator.	Same as main indicator.	Same as main indicator.
Youth-led individual family applicants	Youth-led individual family applicants are operationally defined as window 1 youth applicants (people under 40 years old).	Same as main indicator.	Same as main indicator.	Same as main indicator.	Same as main indicator.
Commercial business applicants	Commercial business applicants are operationally defined as window 2 applicants.	Same as main indicator	Same as main indicator	Same as main indicator	Same as main indicator



Improved natural resource management effectiveness (METT) of selected conservation area	Non-cumulative targets. Score following the Management Effectiveness Tracking Tool (METT) applied to the Mago National Park targeted by the program.	Annual	Survey/Field work	Data gathered from Mago National Park following the METT score methodology on an annual basis	FNDS/BIOFUND
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Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Roads rehabilitated		Annual	Official records/Field work	Official data systematization, summarization, and compilation	FNDS
Roads rehabilitated - rural		Annual	Project documents	Data collected from road investments	FNDS
Roads rehabilitated - non-rural		n/a	n/a	n/a	n/a
Farmers adopting improved agricultural technology	This indicator measures the number of farmers (of agricultural products) who have adopted an improved agricultural technology promoted by operations supported by the World Bank.	Annual	Survey/Field work	Official data systematization, summarization, and compilation.	FNDS



	<p>NB: "Agriculture" or "Agricultural" includes: crops, livestock, capture fisheries, aquaculture, agroforestry, timber and non-timber forest products.</p> <p>Adoption refers to a change of practice or change in use of a technology that was introduced or promoted by the project.</p> <p>Technology includes a change in practices compared to currently used practices or technologies (seed preparation, planting time, feeding schedule, feeding ingredients, postharvest storage/ processing, etc.). If the project introduces or promotes a technology package in which the benefit depends on the application of the entire package (e.g., a combination of inputs such as a new variety and advice on agronomic practices such as soil preparation,</p>				
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	changes in seeding time, fertilizer schedule, plant protection, etc.), this counts as one technology. Farmers are people engaged in farming of agricultural products or members of an agriculture related business (disaggregated by men and women) targeted by the project.				
Farmers adopting improved agricultural technology - Female		Same as main indicator.	Same as main indicator.	Same as main indicator.	Same as main indicator.
Farmers adopting improved agricultural technology - male		Same as main indicator.	Same as main indicator.	Same as main indicator.	Same as main indicator.
Farmers adopting improved agriculture technology - youth	Same as main indicator. Young farmers considered those under 40 years of age.	Same as main indicator	Same as main indicator	Same as main indicator	Same as main indicator
Beneficiary farmers integrated into value chains	Cumulative targets. Number of farmers that are part of the investment plans of lead farmers or AgriMSMEs receiving matching grants by the program.	Annual	FNDS	Official data systematization, summarization, and compilation.	FNDS



Beneficiary farmers integrated into value chains - female	Same as main indicator.	Same as main indicator.	Same as main indicator.	Same as main indicator.	Same as main indicator.
Beneficiary farmers integrated into value chains - youth	Same as main indicator. Youth considered as less than 40 years old.	Same as main indicator.	Same as main indicator.	Same as main indicator.	Same as main indicator.
Rural extension agents that have undergone gender training	Cumulative targets. Number of extension agents from the private and public systems that have undergone gender sensitive training, in alignment with the World Bank's and Government of Mozambique's gender policies.	Annual	Official records/List of participants	List of extension agents participating in referred trainings.	FNDS
Rural households applying the Gender Action Learning for Sustainability (GALS) methodology	Cumulative targets. Number of targeted small rural producers that area applying the methodology GALS learned at trainings supported by the program. The data will be gather through field verification and a survey.	Annual	Survey	Data collected through survey to beneficiaries that have benefited from GALS training.	FNDS/ProAzul
Farmers reached with climate resilient agricultural assets or services	This indicator measures the number of farmers who were provided with climate resilient agricultural assets or services as a result of	Annual	Official records	Official data systematization, summarization, and compilation.	FNDS



	<p>World Bank project support. "Agriculture" or "Agricultural" includes: crops, livestock, capture fisheries, aquaculture, agroforestry, timber, and non-timber forest products. Assets include property, biological assets, and farm and processing equipment. Biological assets may include animal agriculture breeds (e.g., livestock, fisheries) and genetic material of livestock, crops, trees, and shrubs (including fiber and fuel crops). Services include research, extension, training, education, ICTs, inputs (e.g., fertilizers, pesticides, labor), production-related services (e.g., soil testing, animal health/veterinary services), phyto-sanitary and food safety services, agricultural marketing support services (e.g., price monitoring, export promotion), access to farm and post-harvest machinery and storage</p>				
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	facilities, employment, irrigation and drainage, and finance. Farmers are people engaged in agricultural activities or members of an agriculture-related business (disaggregated by men and women) targeted by the project.				
Farmers reached with climate resilient agricultural assets or services - Female	Same as core, but only for female farmers	Annual	Official data sources	Official data systematization, summarization, and compilation	FNDS
Farmers reached with climate resilient agriculture assets or services - youth	Same as main, but counting youth (younger than 40 years).	Annual	Official sources	Official data systematization, summarization, and compilation.	FNDS
Infrastructure for sustainable natural resources management built and in operation	Number of infrastructures built and operational for the improved management of natural resources in conservation areas. Operational will mean once the construction is finished and its quality approved by the works supervisor.	Annual	Official records	Official reports presented by the supervisor of the works	FNDS/ProAzul
Artisanal fishing licenses issued in targeted areas	Number of fishing licenses issued annually in targeted areas. Non-cumulative	Annual	Official administrative database on	The National Fisheries Administration (ADNAP) is responsible for	ProAzul



	targets.		artisanal fisheries licenses	consolidating official annual records. Quality checks will be carried out by ProAzul as required. Established targets consider baseline year licenses, the most recent official Fisheries Census (2012) and other location-specific updated information (e.g. provincial-level frame surveys), broken down by district.	
Forest concessions inspected in targeted provinces	Percentage of forest concession inspected any given year in Tete and Zambezia (selected areas) to strengthen AQUA. This measures the capacity of administration of forestry concessions and of local authorities to apply the law. Non-cumulative targets.	Annual	Survey 123 applied annually by AQUA	ArcGIS information from the Survey 123.	FNDS
Community Management Partnership established	Number of Community Management Partnership (CMP) established between a community and a public/private entity to	Annual	Field work	Evidence of formal CMP document	BIOFUND/FNDS



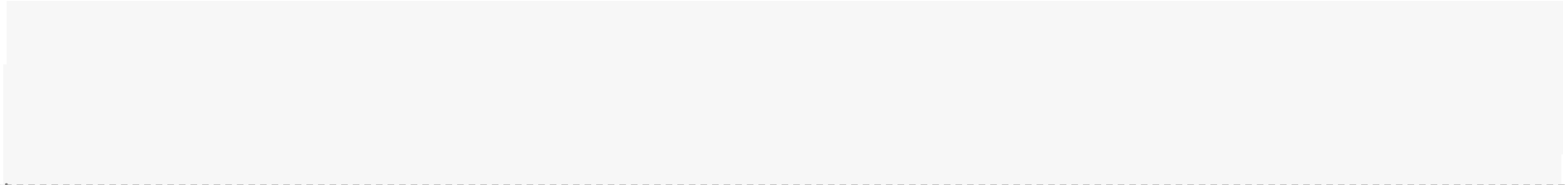
	improve NRM and rural incomes. It is expected that this CMP be established in the community of Tchuma Tchato.				
Provinces with a forestry information system operational	This indicator measures the number of provinces where the forest information system is operational. The digital Forest Information System (SIF) is currently being developed, involving 5 related modules (licensing, sustainability, monitoring, planning and management). To be considered operational, the (SIF) must (i) be used in the respective province for licensing operations and (ii) have related relevant information publicly available.	Annual	Official records	Data on the progress of the development of the SIF is collected through monthly monitoring meetings and reports under the responsibility of the National Forest Directorate (DINAF). When operational, required information for indicator measurement is expected to be available online.	FNDS
Rural economy public policies and strategies	Number of public policies, institutional reform proposals, and sector strategies related to the rural economy (agriculture, fisheries, natural resources management) approved by the relevant Ministries.	Annual	Official records	Information provided by each ministry on policies/strategies developed and approved	FNDS/ProAzul



	Cumulative targets.				
Grievances submitted through the GRM effectively addressed	Percentage of total grievances submitted through the project's GRM that have been effectively addressed by the project. Effectively addressed are those grievances that are addressed timely and adequately, in accordance with guidelines included in the the Project Implementation Manual. Non-cumulative targets.	Annual	Official GRM database	Data managed through the GRM system.	FNDS/ProAzul/BIOFUND
Agriculture sector contingency plans	Contingency plans developed/approved for managing agriculture sector emergencies (weather, pandemic, animal/plant health, price volatility, etc.). Cumulative targets.	Annual	Official records	Annual reports submitted by MADER on contingency plans developed and approved.	FNDS
Agriculture Sector Coordination Committee operational	CCSA meeting at least once per year. CCSA is a multi-stakeholder committee that represent the various stakeholders of the agriculture sector.	Annual	CCSA meeting minutes.	Minutes of meeting as evidence of CCSA being operational	FNDS
Conditions for preparing Phase 2 (P4R) met	Conditions met for preparing a P4R operation as part of phase 2. These	Annual	FNDS reports	Checklist of readiness used by FNDS to present the report to the World	FNDS



	conditions include: (i) Phase 1 performance ratings for IP and DO at least MS; (ii) IDA funding available to fund phase 2; (iii) approval of PEDSA II and PNIA II (end of Year 1); (iv) submission of proposal to the Bank of RAs and DLIs for Phase II (end of Year 1); (v) identification of institutions to implement Phase II (end of Year 1); (vi) action plan for institutional strengthening (technical, fiduciary and safeguards) of identified institutions to implement Phase II (end of Year 1); (vii) full implementation of the institutional strengthening action plan (end of Year 2); and (viii) positive evaluations undertaken by the Bank of the institutions identified for implementing Phase II, including the technical, fiduciary, safeguards and integrated risk assessments (end of Year 2).			Bank.	
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ANNEX 1: Project Description, Implementation Arrangements and Support Plan

COUNTRY: Mozambique Sustainable Rural Economy Program

A. Detailed Project Description

PDO Statement (for Phase 1)

1. To improve the performance of targeted small agriculture producers and AgriMSMEs and improve natural resources management practices in selected project areas.
2. The performance of small agriculture producers will be assessed by the increase in productivity and market access of their crop, livestock and fish products, while the performance of AgriMSMEs will be measured by their increase in sales. Targeted agriculture producers and AgriMSMEs refer to the actors within the broader 'agrarian sector', including inputs, production, and processing of crops, livestock, and fish. For project definition purposes, there are two kinds of smallholder farmers: (a) commercial smallholder farmer (*Pequeno Agricultor*, PA) and (b) small emerging commercial farmer (*Pequeno Agricultor Comercial Emergente*, PACE). A map of selected project areas is found in annex 3.

Table 1.1. PDO-level Indicators

Indicator	Baseline (Year 0)	End Target (Year 5)
a. Basic crops with minimum productivity increase (50%) by target beneficiaries (number of crops)	0	3
b. Targeted small agriculture producers integrated into agriculture value chains disaggregated by women and youth (Percentage)	0	80 (women: 40%, youth: 30%)
c. Increase in gross sales of targeted AgriMSMEs (Percentage)	0	30
d. Targeted value chain actors receiving support under ProAzul's Matching Grants Scheme (Number) broken down by (i) Window 1 ⁶⁴ - (disaggregated by women and youth) (ii) Window 2 ⁶⁵	(i) 0 (0, 0) (ii) 0	(i) 2,500 (women: 1,000, youth: 750) (ii) 10
e. Improved natural resource management effectiveness (METT) of selected conservation area (Number)	23	32

3. **The improvement of the performance of small agriculture producers and AgriMSMEs is based on the first critical assumption that production surpluses from producers and AgriMSMEs can be marketed.** To achieve these results in a sustainable way, the second part of the PDO, to improve NRM practices in selected areas, is supported by the second critical assumption on the use of environmentally friendly technologies to increase productivity while preserving natural resources with the adoption of better natural resources management practices. This improved performance of rural actors, coupled with the adoption of climate-resilient practices and investments would then be a first step toward achieving

⁶⁴ Window 1 targets artisanal fishers, traders, fish processors and transporters, carpenters, and naval mechanics, as well as other value chain operators, providing matching grant funding of up to MZN 1.2 million for 80 percent investment in assets.

⁶⁵ Window 2 targets MSMEs that partner with small-scale fishers and aquaculture operators, providing matching grant funding of up to MZN 20 million for a 70 percent investment.



the PrDO to increase the resilience of these small agriculture producers and the selected rural areas. Therefore, the PDO is connected to the PrDO and its central critical assumption for poverty reduction, food, and nutritional insecurity mitigation in the medium term (Phase I period) is the need to enhance agricultural productivity integrated with sustainable NRM with a special focus on women and youth engagement. The final critical assumption is that to be effective, the Program's first phase needs to improve the institutional capacity of the public and private sectors that operate in the rural economy, adopt, and prioritize the sector's policies and strategies.

4. **Bridging the gender gap in agriculture and fisheries.** The Gender Gap index, which measures gender inequalities in three important aspects of human development—reproductive health, empowerment, and economic status—is high in Mozambique, with the country ranking 142 out of 180⁶⁶. Women are particularly disadvantaged in rural communities. While rural women play a crucial role in growing food crops and generating income for their families, they usually have little access to productive resources or control over them. A high number of women also tend to remain in the informal agricultural and fisheries sectors and in low-paid occupations, while men pursue higher paid jobs in other sectors. Despite the fact that some areas of the project are considered matrilineal, the role of women in society remains marginal and patriarchal thought tends to dominate.⁶⁷ Gender roles ascribed to men and women, coupled with unequal gender power relations, result in women having unequal access and control over productive and natural resources, lower access to skills development opportunities and employment than men. The two gender gaps that this project aims to address, described in paragraph 50 of the main document, have been identified using the overall framework of the WBG's Gender Strategy 2016–2023; the comprehensive Gender Gap Analysis and Action Plan developed for the Integrated Landscape Management portfolio in Mozambique;⁶⁸ the GBV Risk Assessment carried out for the Agriculture and Natural Resource Management Project (SUSTENTA); and MIMAIP's Gender Strategy and initial feedback from consultations done during the preparation of MADER's Gender Strategy, which is expected to be finalized by effectiveness. A visual description of the Results Chain for these two main gender gaps is found in Figure 1.1 and is also described in the following paragraphs.

5. In terms of the WBG strategic area of removing constraints for more and better jobs, the project will address underlying causes that affect women's agricultural productivity as well as their ability to successfully engage in and build their own businesses around agriculture and fisheries value chains. Although women are the backbone of the agricultural workforce, there are few successful formal female-led agribusinesses in Mozambique. Within the context of the Agriculture and Natural Resources Landscape Management (SUSTENTA) project, only 13.7 percent of the commercial smallholder farmers (PACE) and 13.4 percent of smallholder farmers (PA) benefitting from the MGS are women. In the fisheries sector, only 28.6 percent of the beneficiaries of the *Mais Peixe* MGS are women and received smaller grants, totalling 22 percent of the total budget. To address this gap and to increase the number of women participating in value chains, the project will focus on two sets of underlying causes: (a) women's limited

⁶⁶ UNDP 2019. *Human development report. 2019: beyond income, beyond averages, beyond today: inequalities in human development in the 21st century*. 352 p.

⁶⁷ Arora, D. April 2014. *Gender Division of Labour and Farm Production in Subsistence Households*. Accessed June 27, 2019. https://editorialexpress.com/cgi-bin/conference/download.cgi?db_name=IAFFE23AC&paper_id=138.

⁶⁸ <http://documents1.worldbank.org/curated/en/481751590469652942/pdf/Gender-Responsive-Natural-Resource-and-Landscape-Management-A-Mozambique-Pilot-Program.pdf>.



access to targeted extension services and (b) women's limited access to financing and specialized business support.

6. **Women have limited access to extension services.** Information provided by extension services reaches about 32 percent of agricultural producers in Mozambique, with clear asymmetries by gender, where men are the largest recipients—only 21 percent of women producers receive advice from agricultural extension agents. This implies that they have less access to improved seeds, fertilizers, pest control inputs, improved storages, and limited access to information on sustainable technologies and practices. Two of the underlying reasons for this are that extension workers are not properly trained to identify needs, priorities, constraints, and opportunities among rural women and that there is a limited number of women extension agents. Although the number of female extension agents in Mozambique has risen from 15 percent in 2014 to 25 percent in 2020, an improved gender balance could enhance coverage and support to female producers. This is because women are more likely to take advantage, and benefit, of extension services when provided by someone who they identify and feel safer with (that is, a woman) or when it is someone who is adequately trained to adapt to their specific availability and needs. The project will address these issues by (a) providing practical gender awareness training to the entire extension network that will assist field extension workers in working more effectively with women farmers and fisherwomen and (b) promoting an increased number of women extension agents through provision of scholarships and trainings. To measure progress on this, the project has an intermediate results indicator to ensure that at least 70 percent of the extension network is trained in gender responsiveness.

7. **Rural women have limited access to financing and specialized business development support adapted to their needs.** In addition to the limited access to extension support, rural women in Mozambique lack opportunities to access financing and to obtain specialized business development training that can help boost their profits. The project will address these issues by (a) strengthening rural women farmer and fisherwomen associations and providing them with a comprehensive business development support package and (b) establishing a target of supporting 40 percent women through the MGSs and conducting the dedicated and targeted outreach needed to really inform and engage women in the grant schemes. The premise behind these interventions is that dedicated outreach to women to engage them in the MGS is insufficient; the project will also address underlying causes and social norms that limit women's participation in business development opportunities. By working through women farmer and fisher women associations, the project will be able to provide customized support to a larger group of women in a space where they are more able to absorb and make use of the training. The specialized training will include programs suited to women's financial capacity and time availability, going beyond the traditional extension support, including, for example, entrepreneurship training and mentoring, which has proven effective in building the leadership and confidence skills needed to make women-led businesses thrive. The training package will also include support to establishing women-led credit and savings groups and will be provided to women associations on a continuous basis throughout the project, to ensure the long-term sustainability of results.

8. **The expected result of the combined activities that aim to increase extension support, matching financing opportunities, and specialized business support is that more women successfully participate and increase their profits from agricultural and fisheries value chains.** To measure progress on this, the project has an outcome-based intermediate results indicator to ensure that 40 percent of beneficiaries under Proazul's matching grants are women.



9. In terms of the WBG strategic area of enhancing women's voice and agency and the engagement of men and boys and to reduce GBV risks, the project will address women's limited decision-making power at the household level and mitigate the risk that improved economic empowerment of women in agriculture and fisheries value chains lead to increased GBV, as was found in the GBV risk assessment performed under the SUSTENTA Project in 2019. Women are already the prime victims of GBV in Mozambique, as an estimated 37 percent of women are survivors of domestic violence (Demographic Health Survey of 2011). To address this, the project will (a) develop awareness-raising campaigns for project beneficiaries and extension workers on women's rights and GBV (including through specific practical modules on GBV in the aforementioned training to the extension network), GBV prevention framework that is under development by FNDS and MADER and (b) implement the GALS⁶⁹ methodology in selected communities of smallholder farmers and beneficiaries of the SUSTENTA and *Mais Peixe* MGS. GALS is a facilitative household methodology aiming to empower households to identify and address intra-household gender power relations that limit socioeconomic progression. The GALS methodology is being implemented in other projects under the World Bank Portfolio, with proven results in reducing gender inequality at the household level, including contributing to reducing GBV, and is a key tool under the GoM's approach⁷⁰ to reduce GBV risks.

10. **To measure progress on this, the project has an intermediate results indicator** to ensure that 3,600 producer households receive and actively apply GALS. GALS has an internal monitoring mechanism, which means that GALS facilitators who train and coach households on the use of GALS will work closely with the beneficiaries to track impacts, including changed behaviours among men and women, improved and more equal division of household chores, the joint planning of household resources and women's perception regarding GBV. Households targeted with GALS graduate from the methodology once important visible behavioural changes have been attained over a period of 8–10 months of facilitation support.

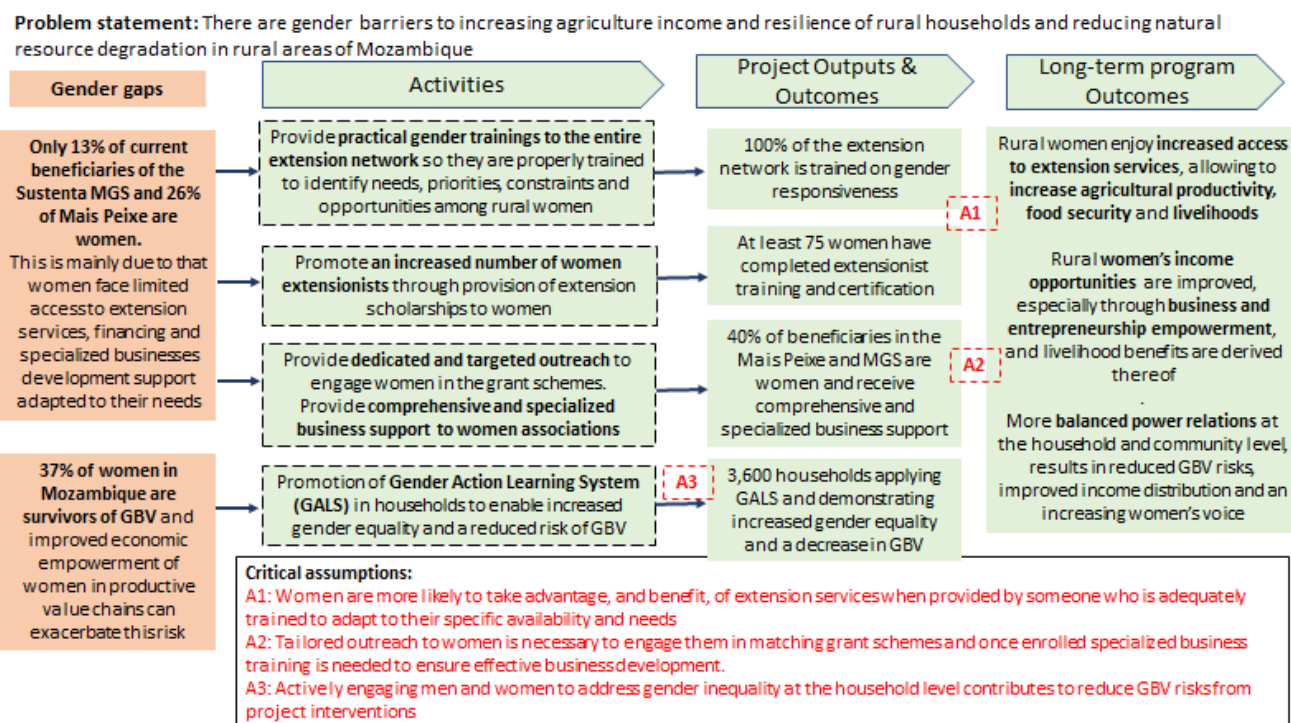
11. **Gender responsiveness strengthening of FNDS and ProAzul.** Dedicated gender specialists will be hired at the FNDS and ProAzul to ensure sound implementation of these activities, and the teams will consist of both central-level specialists and provincial gender assistants, which will allow to tailor the approaches and activities so they are the most relevant to the reality and needs of the different districts and provinces covered by the project.

⁶⁹ GALS is a household planning methodology that enables households to start delineating realistic joint plans based on resources available to the household. In the process, barriers limiting household progression—including common areas of gender inequality manifested at household level—and corresponding corrective measures are identified and integrated by the household in their daily lives. GALS allows for the integration of other social risks such as HIV prevention and treatment, GBV (including information of clinical and psychosocial services available), and nutrition.

⁷⁰ The MADER and FNDS Gender Strategies are currently under revision and awaiting approval.



Figure 1.1. Gender Results Chain



Project Components

12. **The project has four components.** The proposed project will link the support for productivity and value addition in the agriculture sector to the adoption of sound NRM practices on which rural production depends, with the overarching objective to increase rural resilience and sustainability of agricultural production. Component 1 will focus on increasing agricultural productivity, market access, and integration of smallholders in formal value chains while promoting climate-smart and sustainable practices as part of the productive systems. Enhancing the productivity of agriculture and integrating smallholders into formal value chains while promoting more sustainable practices will reduce the pressure of agricultural activity on natural habitats including forests and reduce GHG emissions. Component 2 will focus on the improved management of natural resources rural productivity depends on, including fisheries, forests, biodiversity, and soils. Component 3 will focus on strengthening institutions and policies for rural development, supporting cross-sectoral coordination and harmonization. Finally, Component 4 is a CERC as part of a broader support to resilience building and disaster preparedness in the rural sector.

Table 1.2. Phase 1 Project Components and World Bank Financing

Components	Amount (US\$, millions)
Component 1. Increasing productivity and market access	109
Sub-component 1.1. Agriculture productivity and market access	94
Sub-component 1.2. Fisheries productivity and market access	15
Component 2. Enhancing natural resources management	26
Sub-component 2.1 Enhanced land, forests, and conservation area management	18
Sub-component 2.2. Enhanced fisheries Monitoring, Control and Surveillance	8



Components	Amount (US\$, millions)
Component 3. Strengthening institutions and policies	15
Sub-component 3.1. Policy and institutional support	6
Sub-component 3.2. Program Management	9
Component 4. Contingent Emergency Response Component - CERC	0
TOTAL	150

Table 1.3. Key Beneficiaries

Components		Phase 1 (IPF)	Phase 2 (PforR)	Phase 3 (PforR)
Component 1. Increasing productivity and market access	Key Beneficiaries	<ul style="list-style-type: none"> Small agriculture producers AgriMSMEs 	<ul style="list-style-type: none"> Small rural producers Rural MSMEs 	<ul style="list-style-type: none"> Small rural producers Rural MSMEs
	Key Benefits	<ul style="list-style-type: none"> Key agriculture services Financial support Market access 	<ul style="list-style-type: none"> Add rural tourism services financial support market access 	<ul style="list-style-type: none"> All rural services Countercyclical financial support
Component 2. Enhancing natural resources management	Key Beneficiaries	<ul style="list-style-type: none"> Targeted rural areas (6 provinces) Local communities 	<ul style="list-style-type: none"> Targeted rural areas (9 provinces) Local communities 	<ul style="list-style-type: none"> Nation-wide targeted rural areas Local communities
	Key Benefits	<ul style="list-style-type: none"> Improved forest and fisheries licencing, control, and surveillance Improved conservation area management 	<ul style="list-style-type: none"> Communities with stronger rights and capacity for NRM Targeted priority areas and ecosystem services restored 	<ul style="list-style-type: none"> Enhanced NRM Strategies' resilience Enhanced sector investments' resilience
Component 3. Strengthening institutions and policies	Key Beneficiaries	<ul style="list-style-type: none"> Central Government Selected provincial and local governments 	<ul style="list-style-type: none"> Central Government Selected provincial and local governments 	<ul style="list-style-type: none"> Central Government Selected provincial and local governments
	Key Benefits	<ul style="list-style-type: none"> Capacity building Review and approve key sectoral policies and strategies, including contingency plans 	<ul style="list-style-type: none"> Capacity building Integration of risk management strategies in sector policies 	<ul style="list-style-type: none"> Scale up the improved risk management strategies
Component 4. Contingency Emergency Response - CERC	n.a	n.a	n.a	n.a



Component 1. Increasing productivity and market access (US\$109 million equivalent)

13. The component will focus on supporting small agriculture producers and AgriMSMEs improve their performance, in particular for small producers to increase productivity and their access to input and output markets, and for AgriMSMEs to increase their sales. The component will provide direct support to small producers as well as strengthen public goods related to extension services and transport infrastructure. Under this component, the project will finance civil works, goods, services, consulting services, training, and grants to finance subprojects. The component is divided into two sub-components, one in support of farmers (crops and livestock) and the other in support of fisheries. Throughout this component, women and youth empowerment will be explicitly sought within the implementation of extension strategies and community-level engagement. A social assessment (as part of the ESMF) was carried out to explore specific aspects of vulnerability, gender, inclusion, and poverty that need to be considered in the selection process of beneficiaries. These activities will also be aligned with and promote the operationalization of MADER's gender strategy under preparation and which outlines the specific needs and approaches of women in the agrarian sector. Activities for increasing the engagement of women and youth include innovative and inclusive community awareness efforts, promoting active participation by women and youth in consultations and decision mechanisms at community level, support the training of female agriculture and fisheries extensionists, and development of dissemination and engagement strategies focusing on women and youth for both the SUSTENTA and the *Mais Peixe Sustentável* MGSs.

14. This first component will enhance the participation of the private sector in the project in different ways. Business development services will be provided to PACE and AgriMSMEs to develop business plans, which are needed to provide matching grants. Business links for agricultural inputs and outputs will be developed between small producers and PACEs. Supported AgriMSMEs are also expected to provide private technical assistance services. This support to different categories of farmers and companies will lay the foundation for a successful development of the private sector, along with an improvement of transport infrastructure and public extension services.

15. In addition, the project will roll out the GALS methodology in selected communities of smallholder farmers and beneficiaries of the SUSTENTA and *Mais Peixe* MGS, which will enable households to better work together to reach better livelihood outcomes, including, greater joint income, joint management of resources available to the household, increase in the ownership of assets by women, increase in women's participation in decision-making at household and community level, and a decrease in GBV.

Sub-component 1.1. Agriculture productivity and market access (US\$94 million equivalent)

16. **Adoption of climate- and nutrition-smart agriculture technologies.** The project will follow the approach developed for the National Rural Extension and Assistance to Family Farming Policy, which aims to enhance the integration of family farming into productive and sustainable value chains. This component will finance agriculture extension services and training for the adoption of climate and nutrition-smart



agriculture (CSA and NSmartAg) technologies and practices,⁷¹ such as use of pest, disease, and drought resistant crop varieties, early maturity crop varieties (to escape late droughts) biofortified crop varieties, crop association, crop rotation, crop residue management, agroforestry systems, climate-smart livelihood diversification, restoration of priority ecosystems within agricultural areas, among others, aiming to build resilience to climate change, bridge the micronutrient deficiency gap of the local population, and to reduce natural resources degradation and deforestation from agriculture while improving productivity and nutrition. The project will also provide practical gender training to the extension network so extensionists are properly trained to identify needs, priorities, constraints, and opportunities among rural women, with a focus on understanding climate risks and available CSA options. In addition, scholarships for women to enter and complete medium-level agricultural extension technical training studies will be supported, to increase the number of female extension agents, which is proved to increase women farmers' access and absorption of extension services. The component will also provide incentives to the development and use of digital technologies to enhance services to small producers and to leverage private sector investments into small emerging commercial farmers (PACE) by co-financing inputs, services, and materials for the adoption of the improved CSA and NSmartAg technologies and practices. Specifically, matching grant calls will indicate that the selection criteria for proposals will include innovative use of digital tools within their agribusiness plans and extension services and for remote monitoring of project implementation activities. Examples of innovations that the project may support are linked to improvements in digital access as well as their adoption by national and local agencies to perform activities in support of rural producers as well as for the management of natural resources.

17. Special efforts will be made to effectively target and ensure participation of female PACEs, including through dedicated and targeted outreach to inform and engage women in the grant scheme opportunities offered by the project. The Project will allocate resources to allow close collaboration between the extension services, agriculture research system, and small producers as part of adoption of climate- and nutrition-smart agriculture technologies. Finally, this component will allocate resources toward financing a contingency mechanism to safeguard the counterpart contributions by small agriculture producers supported by the program in the case of sector emergencies such as related to climate shocks and extreme weather events. The allocation of funding to disaster risk management and inclusion of a contingency financing mechanisms for emergency response under component 1 aims to reduce adverse impacts faced by small agriculture producers in the case of a disaster. In case of a severe disaster or crisis, additional resources can be mobilized for emergency response interventions in the selected areas by reallocating project resources to the CERC.

18. **Restoration of natural ecosystems and conservation areas.** To revert ecosystem and land degradation processes caused by agricultural activities or by extreme climatic events, such as extreme weather events (storms, cyclones, heavy rains, and flooding) or droughts, PACEs will be required to develop and implement restoration plans along with business plans (which are needed to access matching grants). The restoration initiatives so supported will increase the availability of ecosystem goods and services, including water, firewood, construction materials, and medicinal plants, among others. Based on the restoration initiatives supported by the SUSTENTA project, restoration plans supported by the project

⁷¹ Climate Smart Agriculture Country Profile for Mozambique:

<https://climateknowledgeportal.worldbank.org/sites/default/files/2019-06/CSA-in-Mozambique.pdf>; the Nutrition Smart Agriculture Country Profile for Mozambique: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/392721597038541068/nutrition-smart-agriculture-in-mozambique>. They highlight some of the available technologies and practices at farm and post-harvest, some of which will be the focus of the project as well.



aim at controlling erosion, protecting water resources, improving soil fertility, establishing biodiversity corridors, and protecting critical habitats for fauna and flora with high ecological value.⁷² Moreover, in areas where PACEs are close to conservation areas, they will be required to sign Conservation Agreements.⁷³

19. **Rural transport infrastructure.** Based on the areas of intervention, selective priority improvements to rural roads and bridges will be undertaken to ensure that the interventions at farm and AgriMSME level can find easy access to input and output markets. Building on successful experiences from rural roads investments (IEG reports 151099, 149697), this would be focused on spot climate-resilient repairs of rural roads and bridges, ensuring all-weather connectivity between production and input/output market areas.⁷⁴ Prioritization of investments is done based on a Climate Resilience Planning Tool (CRPT).⁷⁵ Additionally, climate-resilient infrastructure standards will be integrated.⁷⁶ On activities related to rural transport infrastructure, the project will also coordinate with the ongoing Integrated Feeder Road Development Project (P158231) and its Additional Financing, particularly in relation to risks associated with GBV.

20. **AgriMSME support.** The project will support the scale-up of the SUSTENTA MGS, implemented originally through the World Bank-financed Agriculture and Natural Resources Landscape Management Project (SUSTENTA). The SUSTENTA MGS supports individual farmers and MSMEs in rural value chains.

⁷² This mechanism is already under implementation, with about 2,000 ha under restoration within the Agriculture and Natural Resources Landscape Management Project (P149620). Restoration plans are developed as land use plans for PACE, which are requirements for accessing matching grants. These are developed by extension agents and PACE themselves with support from natural resources management specialists and geographic information system specialists within FNDS. The plan combines typical restoration models, remote sensing information, field-based observations, and the PACEs preference in terms of species. Seedling costs are absorbed by grants delivered together with the business plan, whereas the PACE is responsible for restoration labor and monitoring costs. The FNDS follows a restoration implementation and monitoring model previously developed in the context of the Agriculture and Natural Resources Landscape Management Project.

⁷³ Conservation Agreements are already being implemented within the context of the Mozambique Conservation Areas for Biodiversity and Development Project - Phase 2 (MOZBIO II, P166802). The agreement contains a pledge from beneficiaries to protect their soils, forests, and wildlife.

⁷⁴ This follows successful experiences under the Moz Agriculture and Natural Resources Landscape Management Project (P149620). The FNDS has some in-house capacity on transportation infrastructure but relies on technical advice from the Mozambique ANE. ANE identifies areas to be rehabilitate, draws specifications, participates in technical committees for the evaluation of bidders, and monitors works. The FNDS handles fiduciary aspects, and supports incremental costs borne by ANE. ANE and the FNDS have agreed to update their MoU to cover aspects related to this Program.

⁷⁵ The CRPT tool was developed and piloted, and is currently being expanded under the context of the World Bank's Integrated Feeder Road Development Project (P158231). The objective of the CRPT is to identify vulnerable areas and protect road assets by designing resilient interventions to manage the resources in a more predictable and systematic way. The tool allows consideration of economic losses from extreme flooding and rainfall and the benefits of climate resilience in the assessment and prioritization. Recurrent cyclones and the devastation they bring emphasize the urgent need to adapt Road Assets Management System (RAMS) to changing climatic conditions and make it an integral part of preventing the loss of assets and planning the limited resources.

⁷⁶ Road designs under the project will follow climate-resilient design standards developed under a previous World Bank operation (Mozambique - Roads and Bridges Management and Maintenance Program - Phase II, P083325). Nine comprehensive climate-resilient manuals were developed: Geometric Design Manual, Site Investigations Manual, Pavement Design Manual, Rehabilitation Design Manual, Hydrology and Drainage Design Manual, Specification for bridge loads, Standard Specifications for Roads and Bridge Works, Standard Details for Roads and Bridges, and Guidelines for Performance Specifications. These design standards are sensitive to the topography, climate change risks, primarily flooding, and recurrent climatic events, and drought, among other considerations of resilience. Resilient building practices ensure that the replacement hydraulic structures account for frequent and much severe flood events, through wider openings, better rip-rap, higher bridge profile, higher vertical profile of the road, and more effective cross and side drainage structures, among others.



Matching grants⁷⁷ will partly finance investments by AgriMSMEs with focus on long-term sustainability. These assets will enable AgriMSMEs to strengthen the links with a significant number of smallholder farmers in their value chains and locations, enhancing their resilience, productivity, and marketing capacity.⁷⁸ According to the SUSTENTA MGS, farmers financed would be required to promote the functional restoration, including assisted natural regeneration, of priority areas within their plots as well as engage a significant number of smallholders in their business asset acquisition, such as equipment, tractors, micro irrigation, greenhouses, and storage units. The project will support expanding the existing matching proposal evaluation criteria under SUSTENTA's MGS by prioritizing and ensuring the adoption of comprehensive CSA approaches/practices in all the investments. Preference will be given to investment proposals using green technology and renewable energy (for example, solar power). The MGS will finance sustainable value chains, promoting sustainable agriculture and livestock management that aim to reduce and reverse the degradation of farm and pasture lands, and help intensify and stabilize production thereby deterring changes in land use and deforestation. Specific MGS criteria to promote and prioritize business plans that mainstream CSA practices will be considered. While prioritized value chains will be those indicated as strategic value chains for the family agriculture sector in MADER's Programa⁷⁹ (horticulture, maize, sesame, and soy), the Program will remain open to capture opportunities in other value chains, including non-timber forest products, especially around conservation areas supported by the program under sub-component 2.1. Synergies with other relevant AgriMSME support programs in the country, including those funded through the World Bank such as the Economic Linkages for Diversification Project (EL4D; P171664),⁸⁰ will be sought during implementation, such as regular information sharing and coordination meetings and workshops, in particular at the Provincial level.

21. The project will also scale up the PFGS, successfully piloted under the Mozambique Forest Investment Project (P160033). The PFGS provides technical assistance and performance-based grants to small- and medium-scale investors to establish commercial multipurpose forest plantations and to perform forest restoration in priority areas within their properties in selected districts. It works with investors ranging from smallholder associations and other legally organized groups, local NGOs, church

⁷⁷ The MGS will be the backbone of the program, providing crucial financial resource for farmers and AgriMSMEs. IFC provides support to the private sector through financial products tailored to local conditions. While there is a perceived conflict between the matching grant support to private sector and IFC's core business, the typical size of IFC credit support exceeds the maximum allocation for AgriMSMEs currently set at US\$500,000.

⁷⁸ There is negligible risk of competition with IFC and, in fact, potential for significant synergies. The typical size of the funding, as well as the type of beneficiaries that the SREP targets (PACs, AgriMSMEs) are not targeted by IFC. However, beneficiaries are expected to become more bankable following Program support. Moreover, interactions during Program implementation will be done regularly, to ensure knowledge exchange and pipeline referrals.

⁷⁹ Approved by the Council of Ministers in the first semester of 2020, Programa 2020–2024 guides MADER's investments in the agriculture sector.

⁸⁰ The US\$100 million EL4D project aims to strengthen the performance of MSMEs in Mozambique through economic links, with investments in Cabo Delgado, Nampula, and Tete. Among other activities and sectors, the Program envisages financial support to (a) upstream link firms in the agribusiness sector through a classic matching grants scheme and to (b) consumption link firms through business competitions. Within overlapping provinces, the SREP and EL4D operations will promote the following complementarities and operational coordination activities, among others: (a) holding regular exchange meetings between entities responsible for managing financial support components in both operations; (b) sharing information on target beneficiaries, including exploring the possibility of developing a shared database; (c) developing harmonized information products, made available to the public through both operations; (d) ensuring timely dissemination of opportunities enabled by one project through the other project (for example, capacity-building opportunities offered by EL4D to which SREP beneficiaries might be eligible); and (e) where relevant, exploring the possibility of linking up SREP beneficiaries to business linking platforms expected to be supported by EL4D aimed at connecting upstream link firms and large offtakers.



groups, emerging commercial farmers, private sector investors, aiming to stimulate creation of a commercial forestry industry, diversifying rural income sources and assets while generating climate adaptation and mitigation co-benefits.⁸¹

Sub-component 1.2. Fisheries productivity and market access (US\$15 million equivalent)

22. **Improving value addition and enhancing market access for fishery products.** Efforts to improve utilization and value addition would improve benefits from fisheries without leading to increased fishing effort, which could harm the health of fish stocks. Post-harvest practices will also be improved to ensure better fish storage, handling, processing, and packaging to maximize catch value and fish reach market in good condition and generate higher margins while adapting to climate risks and adopting energy efficient solutions where feasible. Improved storage facilities promoted by this project will consider climate friendly technologies such as solar-powered cold storage. The project would support efforts to strengthen the capacity of fishers to better handle and process fish, by (a) delivering trainings that include basic concepts of climate risk, impacts and adaptation in fisheries, harvest and post-harvest practices such as methods of reducing fish waste, business planning and marketing, alternative livelihood training and it will also explore diversified markets, among other activities geared at value addition and market access, and (b) strengthening the knowledge base and climate advisory capacity of fisheries extension workers. By doing so, fishing communities will be better adapted and resilient to climate change and their impacts on marine ecosystems, with increased and more stable income sources. These objectives will be promoted in conjunction with the financing and infrastructure interventions.

23. **Access to finance in fisheries.** The project would support the scale-up of ProAzul's successful *Mais Peixe Sustentável* MGS (*Mais Peixe*). *Mais Peixe* funds projects through two windows. Window 1 targets artisanal fishers, traders, fish processors and transporters, carpenters, and naval mechanics, as well as other value chain operators, providing matching grant funding of up to MZN 1.2 million for 80 percent investment in assets defined in a limited list of options (equipment for product handling and conservation, and replacement of vessels and gear, favoring climate-smart investment such as solar powered cold storage, fuel efficient boats and the use of static fishing gear instead of damaging towed gear). Matching grants are conditioned on participation in management training, sustainable use of natural resources, climate-resilient practices, approaches to reduce post-harvest loss, as well as signing a commitment to sustainable management of natural resources. These trainings will also be used to strengthen the knowledge base of participants on climate change and adaptation strategies. The scale-up of *Mais Peixe Sustentável* will also support fisheries management interventions, for instance by being carried out together with electronic fishers and licensing support undertaken under component 2. Window 2 targets MSMEs that partner with small-scale fishers and aquaculture operators, providing matching grant funding of up to MZN 20 million for a 70 percent investment in goods, equipment, and services and subject to participation of the beneficiary in training on sustainable management of natural resources and signing

⁸¹ The project will finance part of the establishment costs of the plantations (land preparation, access to planting material, transportation, and planting), part of the plantation maintenance costs, technical assistance, monitoring and verification costs. The establishment and maintenance costs will be financed through performance-based grants, disbursed in regular installments during the initial years of plantation establishment. Disbursements are made only if minimum performance standards (as defined in the PIM) are achieved. These standards include verified compliance with good silvicultural practices, respect to the agreed social and environmental rules, labor regulations, among others. Through project support, the scheme will cover performance-based grants and technical assistance to about 1,000 ha in new plantations, in addition to technical assistance to beneficiaries summing about 2,000 ha of plantations established under the Mozambique Forest Investment Project.



of a commitment to sustainable management of natural resources, including adaptation measures to address climate risks. Window 1 under *Mais Peixe* has managed to obtain a reasonable number of women beneficiaries, and the proposed project will support ProAzul to continue such efforts and further increase the number of women beneficiaries. This scale-up will also strengthen women associations engaged in aquaculture, by providing them with tailored business development training.

24. **Marketing infrastructure.** The project will support selected climate-proofing of fishery infrastructure focused on improving fish landing sites and the marketing of fishery products by incorporating climate-resilient design standards. This may cover product handling and conservation infrastructure including small markets, cold chambers, upgrading of fishing landing sites, beach stabilization works, construction of haul-out ramps for small boats, construction of breakwaters, and rebuilding of existing fisheries facilities. Climate-resilient infrastructure standards will be adopted. Green technologies such as solar power will be considered for electrification of marketing infrastructure as well as equipment (for example, solar powered cold storage).

25. Interventions under sub-components 1.2 and 2.2. will prioritize the same locations. On the one hand, fisheries productivity and market access may serve as an incentive for compliance and transition toward more sustainable behavior (for example, licensing being a condition to access matching grants), while enhanced fisheries monitoring, control, and surveillance in the same location is critical to ensure mitigation of risks related to collective action (for example, free riders promoting overall noncompliance).

Component 2. Enhancing natural resources management (US\$26 million equivalent)

Sub-component 2.1. Enhanced land, forests, and conservation area management (US\$18 million equivalent)

26. This sub-component will be dedicated to (a) improving surveillance of forests and conservation areas through providing equipment and training to staff from AQUA, (b) ensuring the rollout of the new Forest Information System for more transparent and efficient forest management, and (c) supporting land use planning to inform climate-smart and sustainable agricultural development and building on existing local climate adaptation plans in priority areas. This will build on the experience and incorporate lessons learned from the implementation of the World-Bank financed MOZFIP and the MOZBIO projects.

27. **Forest sector patrolling and inspection, prevention, and detection.** This activity will improve patrolling, inspection, prevention of infractions, and detection in select forest areas through support to the national forest law enforcement institution (AQUA). Unsustainable timber harvest is a key driver of forest degradation in Mozambique. Weak forest governance in the forest sector furthers forest loss. The project will therefore finance training and technical assistance on planning and monitoring for AQUA in at least two provinces (Tete and Zambezia) and support the strengthening of coordination with other institutions involved in law enforcement (among others, ANAC, DINAF, ports, justice, and customs in Zimbabwe and Zambia, and Malawi); capacity strengthening of forest rangers at AQUA; and equipment, staff, training, and operational costs (utility costs, fuel, communications) for the establishment and consolidation of AQUA's provincial delegations in Tete and Zambezia.⁸² It is expected that improved forest

⁸² Activities supported by the project do not involve training or activities supporting investigations, prosecutions, and judgments under criminal laws or the financing of weapons and other law enforcement equipment.



governance in the project intervention areas will reduce deforestation and GHG emissions and increase resilience of livelihoods and rural landscapes.

28. **Strengthening sustainable forest management.** This activity will support the consolidation of the Forest Information System at the national scale, the testing of the Forest Management Unit in Zambezia, and sustainable biomass activities. The Forest Information System will increase transparency and accountability in the sector by providing updated geo-referenced information on forest licensing, forest management plans implementation, inspection, and law enforcement. The system is already under development with technical support from the FAO and is expected to be fully operational in mid-2021. The project will finance the recruitment of IT expertise, as well as acquisition of appropriate software licenses and equipment. Improved forest information management and transparency on sectoral data will improve management of native forests resources and reduce unsustainable use and harvesting, including of overharvested species. The Forest Management Unit⁸³ is an innovative approach to manage forest areas, which merges forest operators, simple licenses, and local communities under a unique contracting model. The project will support the implementation of this pilot in Zambezia, including the organization and training of local communities, the preparation and implementation of the contract models, and the establishment of a monitoring system for the unit. It is to be expected that a more inclusive forest management model will shift the notion of forests as timber to include the non-economic and non-market uses of the resource so as to capture the full value of the forests, particularly for local communities, and therefore significantly reduce the pressure on forest resources.

29. **Improving biodiversity conservation management and community involvement.** The project will support biodiversity conservation management efforts, with focus on the MNP, the Tchuma Tchato Area, and the strengthening of the proposed ZIMOZA TFCA between Mozambique, Zimbabwe, and Zambia. The project will address the current constraints to effectively manage the areas, with a particular focus on improving the governance of the conservation areas—including improvement in its relationship with surrounding stakeholders; zoning to ensure adequate territorial planning, land rights, and development of the area; exploring of options for co-management and concessions management by private partners; infrastructure establishment and maintenance; human-wildlife coexistence; natural resources control and patrolling; and promoting of environmental awareness and strengthening of community-based organizations in the local communities inside and around the conservation area. The project will develop tourism and business development plans for both Magoe and Tchuma Tchato areas to provide direction and priorities for key business opportunities. The expected result of these interventions includes an improved management effectiveness of the MNP, as assessed using the METT.

30. The project will finance (a) operational costs to strengthen MNP and Tchuma Tchato management, including for wildlife census, monitoring, and equipment; (b) wildlife and biodiversity protection including patrol costs and equipment; (c) infrastructure construction and maintenance,

⁸³ The Forest Management Unit (UMF) includes a landscape with a forest area of about 100,000 ha. The management of the Forest Management Unit will be based on a 50-year contract and a 10-year cycle management plan operated through annual plans for the use of resources in areas defined as compartments or exploration blocks. There are three management regimes to highlight: (a) sustainable wood production, NTFPs, and environmental services; (b) restoration; and (c) conservation of biodiversity and environmental services. To allow participatory and inclusive forest management to current and future operators and local communities, four management options are proposed: (a) individual operation in technically viable and sustainable areas, (b) partnership between commercial operation and research to reconcile production with the generation of knowledge, (c) commercial society to make operations that would not otherwise be feasible and to build a business organization system that better uses the capabilities of each operator in the development of the forestry business, and (d) community leadership.



including staff housing, ranger posts, access roads, drifts, trails, and signage; (d) strengthening of CBOs among local communities through a dedicated CBNRM model to strengthen community rights, governance and empowerment in management of conservation and their benefits from it, aiming to support the formal establishment of the Tchuma Tchato Program Community Conservation Area (CCA) and associated community preparation to participate in partnership with potential private sector operators; (e) assessment and proper organization of concessions in the area, including setting up adequate control and supervision mechanisms;⁸⁴ (e) developing and implementing of strategies to promote human-wildlife coexistence; (f) training and promotion of alternative livelihoods generation such as conservation-based agriculture, eco-tourism, non-timber forest based livelihoods, alternative fuel options such as improved, more efficient cook-stoves and solar-powered electric stoves to protect forests, and efforts to promote human-wildlife coexistence thus encouraging communities to protect the surrounding landscapes, forest ecosystems, and animals; (g) delivery of environmental awareness education campaigns in adjacent communities and schools; (h) elaboration of detailed land use plans (*Planos Distritais de Uso da Terra* and *Planos de Pormenor*) for districts adjacent to the conservation areas, including the management plans for the CCA; and (i) support for the formalization of the ZIMOZA TFCA and its activities to protect and preserve transboundary ecosystems, including joint enforcement and patrolling and shared biodiversity and wildlife monitoring.

Sub-component 2.2. Enhanced fisheries Monitoring, Control and Surveillance (US\$8 million equivalent)

31. Rapid growth in artisanal catch and recent provincial-level frame surveys indicate significant growth in the artisanal fleet and artisanal fishing effort in Mozambique. Despite this worrying trend, artisanal fishers licensing rate remains low.⁸⁵ Artisanal licensing activities in recent years have not been effectively organized, undertaken without communication and mobilization strategies. Additionally, informants complain of underreporting by district-level governments, which would enable avoiding transferring licensing revenue from lower to higher levels of Government. Artisanal licensing has been undertaken up to 2019 without the support of a digital system and/or an administrative record of fishers. Altogether, this undermines licensing both as a source of information for understanding fishing activity and supporting decision-making, as well as an instrument to manage fishing effort. Moreover, most fishing communities do not have the capacity and adequate support from Government administration to manage their collective resources in a sustainable way, despite the fact that the updated 2020 Marine Fisheries Regulations (REPMAR) promotes this role and establishes its legal foundation through the development of local fishery management plans and fisheries co-management agreements between CCPs and Government administration. These threats are compounded by climate change, which is significantly altering ocean conditions—particularly water temperature and various aspects of ocean biogeochemistry—associated with changes in patterns of species richness, changes in community structure and ecosystem functions, and consequential changes in marine goods and services.⁸⁶

32. The project will support sustainable fisheries practices to address overfishing and impacts of climate change: (a) improvement in artisanal fisheries licensing and registration, including through more

⁸⁴ The Business Development Unit at ANAC will play a leading role in managing the activities related to concessions development and identifying and managing PPPs.

⁸⁵ For instance, recorded rate in 2019 for districts covered by the SWIOFish1 project, some of the most important fishing areas in the country, were around 27 percent. This number is overestimated as it considers the 2012 census numbers in the denominator.

⁸⁶ Given their limited mobility, artisanal fishing fleets and communities are particularly vulnerable to climate change.



effective communication and community participation strategies⁸⁷ and the scale-up of an intelligent digital licensing and registration system enabling electronic payments for enhanced efficiency and transparency; and (b) local fisheries co-management, aiming to increase the ownership and capacity of communities to manage natural resources sustainably, through the establishment of local fishery management plans and co-management agreements. Management measures included in the local management plans will enhance the resilience of fishing communities and fish stocks to climate change (for example, establishment of seasonal or permanent no-take zones). They will also include measures to promote restoration of resources in overfished areas, such as establishment of catch limits and no-take zones for fish stock recovery. Through techniques and specific training in technical management, community protection and monitoring, local communities will enhance their knowledge base on climate change and climate impacts, while gaining the capacity and the social and economic resilience required to adapt to circumstances brought about by climate change.

33. With support from the SWIOFish1-MZ project, the GoM carried out strategic assessments of the country's MCS system during 2018–2020, highlighting several key weaknesses: (a) limited institutional organization, with overlap in roles and weak information and M&E systems; (b) inadequate operational funding and understaffing at decentralized levels; (c) poorly enforced regulations, associated with limited knowledge and capacity of surveillance officers, who are also underequipped; and (d) deficient surveillance at sea. Aiming to strengthen the MCS system at national and subnational levels, with focus on artisanal and semi-industrial fisheries, the project will support (a) capacity building of MCS officers; (b) substantial technical assistance to the surveillance system, through consultants and facilitating cooperation with other countries; and (c) the acquisition of equipment. The increased effectiveness of the MCS system will help mitigate risks related to IUU fishing, which is compounded by climate change. Hence, MCS investments enable the climate co-benefits of other sector activities to be realized.

34. As previously referred, activities under sub-components 1.2 and 2.2 will prioritize the same areas to leverage positive feedback loops and enhance the sustainability of results.

Component 3: Strengthening institutions and policies (US\$15 million equivalent)

Sub-component 3.1. Policy and institutional support (US\$6 million equivalent)

35. This sub-component will be aimed at strengthening institutions and policies for rural development, supporting cross-sectoral coordination and harmonization. Institutional strengthening activities and public policies during the initial years of the project will include themes such as (a) agriculture risk management strategy and contingency plans for response in the agriculture sectors to climate shocks and other crisis; (b) agriculture input market development, with focus on resilience and mitigation; (c) private sector climate-smart development in rural areas; and (d) multiyear sector strategies/plans and programming, prioritizing CSA. These will potentially include supporting the development of a national agriculture law as well as updating the national environmental and fisheries policies. Climate resilience, as well as climate change adaptation and mitigation aspects, will be considered in all relevant policies supported by the project. In addition to policy development and reform in key project-related areas within MADER and MTA, the sub-component will support the effective functioning of the CCSA. The support to policies and programs under this sub-component will be used as

⁸⁷ Communities sensitization within the context of licensing campaigns will also be used to disseminate information on climate change and adaptation strategies.



a basis to increase private sector investments and help coordinate and design interventions by other development partners. Finally, an important activity linked to the implementation of component 4 will be to develop an agriculture risk management strategy and build capacity of public, private, and civil society to better prepare and respond to agriculture sector emergencies.

Sub-component 3.2. Program management (US\$9 million equivalent)

36. This sub-component will also support the incremental costs associated with maintaining efficient PIUs at the FNDS, BIOFUND, and ProAzul, charged with project coordination and management, fiduciary and safeguards management, M&E, and communications. It will finance the preparation activities of the second phase of the MPA. This sub-component will finance project preparation activities and technical assistance for institutional support for the design and implementation of Phase II and III through a PforR. Activities for this sub-component will be implemented mainly at the central level, while provincial, district, and local levels are expected to be closely engaged in consultations and data collection.

37. **Communications, citizen engagement, and stakeholder coordination activities during the project will also be financed by this sub-component.** These will include (a) the development of a comprehensive communication strategy for the program as well as the preparation of all communication materials and, where appropriate, the organization of awareness raising events; (b) the coordination of stakeholder involvement in program activities; and (c) the implementation of a citizen engagement plan and feedback mechanism to inform program implementation. Among the citizen engagement mechanisms, and apart from the GRM, the project will include beneficiaries' satisfaction surveys, beneficiary collaboration to monitoring, and establishing of sustainable models of post-project assessments, where applicable, involving citizens in targeted locations.

38. **This sub-component will fund the collection of program data, gender analysis, and surveys to assess progress against project indicators and undertake impact evaluations, as needed.** The component will finance impact evaluations of the interventions with PACEs as well as other potential program activities. This will support building institutional knowledge in-country and inform future phases of the program. All activities and data collection will be gender disaggregated. Given the COVID-19 and conflict issues, the program will leverage alternative data collection techniques including phone-based surveys for the collection of feedback from local communities, as well as feedback loop mechanisms, and making use of the Geo-Enabling Initiative for Monitoring and Supervision and mobile/satellite data collection applications. A precise, well-budgeted M&E plan approved by the World Bank will be critical to leverage these and other tools.

Component 4. Contingent Emergency Response Component - CERC (US\$0)

39. This CERC is part of a broader risk financing strategy to enable a swift response in the event of an eligible crisis or emergency, defined as "an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact associated with natural or man-made crises or disasters." This zero-dollar component would finance the immediate response to crises or emergencies in the sectors covered by this program, which could result from events such as climatic shocks, extreme-weather events, plant and animal pests/disease outbreaks, pandemics, and economic and social disruptions.

40. In case of an eligible event, the GoM may request the World Bank to channel resources from this component into an IRM. The IRM would enable the use of up to 5 percent of uncommitted funds from the



overall IDA portfolio to respond to emergencies. The IRM has been activated thrice in Mozambique, in response to the El Niño drought in 2016, Cyclone Idai in 2019, and COVID-19 in 2020. An IRM Operations Manual (IRM-OM, also called CERC Manual) governs the activation and use of funds through the IRM. Applying to all CERCs in the IDA portfolio in Mozambique that fall under the ESF, the IRM-OM enables consistency among the implementation arrangement of different CERCs. On April 11, 2016, the World Bank approved the IRM-OM, which was subsequently adopted by the GoM. The IRM-OM has been updated annually to reflect any amendments in the respective Financing Agreements between the GoM and IDA, relevant GoM and World Bank guidelines, and the updated list of active IRM-CERC projects. A new IRM-OM was developed and approved in April 2020 to incorporate the COVID-19 response. The IRM-OM will be attached to the general Operations Manual of the SREP.

41. Before engaging IRM funds, a CERIP must be developed, which would govern the use of the funds for the specific emergency or crises following the IRM-OM. Disbursements would be made based on the approved CERIP following the provisions of the World Bank Investment Project Financing (IPF) policy, paragraph 12, regarding 'Projects in Situations of Urgent Need of Assistance or Capacity Constraints' and are subject to evaluation, examination, and approval by the World Bank. A risk matrix for the Program was developed and is in the Project files and available upon request. The matrix identifies the main risks to the various program components, along with existing risk assessments, disaster risk management mechanisms, and an action plan to strengthen resilience, including contingency plans and financial protection mechanisms. The implementation of the action plan will enable the GoM to quickly prepare a CERIP in the case of an eligible crisis or emergency.

B. Institutional and Implementation Arrangements

42. **The project will be implemented by the FNDS, ProAzul, and BIOFUND** under oversight of MADER, MTA, and MIMAIP. The FNDS will be responsible for coordination, and all three entities will be responsible for operational management with fiduciary and safeguards responsibilities. More specifically, the FNDS will be responsible for implementing all project activities except for fisheries interventions, which will be implemented by ProAzul, and some activities inside the conservation areas, where BIOFUND will be responsible. The FNDS, in collaboration with ProAzul and BIOFUND, will lead on technical supervision and coordination, project planning, quality oversight, communication, safeguards management, reporting, procurement, FM, and activities' progress monitoring and reporting. The FNDS, ProAzul, and BIOFUND will be responsible for management of fiduciary matters in conformity with the standards and requirements contained in the Legal Agreement and agreed upon with the World Bank. Technical oversight will be provided by MADER's, MIMAIP's, and MTA's Directorates. The roles and responsibilities of the FNDS, ProAzul, and BIOFUND and ministerial directorates are established in the PIM that will be prepared jointly by the FNDS, ProAzul, and BIOFUND.

43. **A dedicated PIU will be established at the FNDS, PROAZUL, and BIOFUND.** The PIU will be led by a project coordinator and will maintain at least a procurement specialist, an FM specialist, a safeguards team (including gender and GBV specialist), a communication specialist, and an M&E specialist. The project coordinator will have overall responsibility to supervise the PIU staff in their planning, organizing, and executing of administrative, technical, and legal activities of the project. S/he will coordinate and supervise the teams implementing the program at the central, provincial, and district levels and will oversee the implementation of agriculture activities. The coordinator at the FNDS will ensure coordination with BIOFUND and ProAzul, who will carry out technical coordination, monitoring, procurement, and

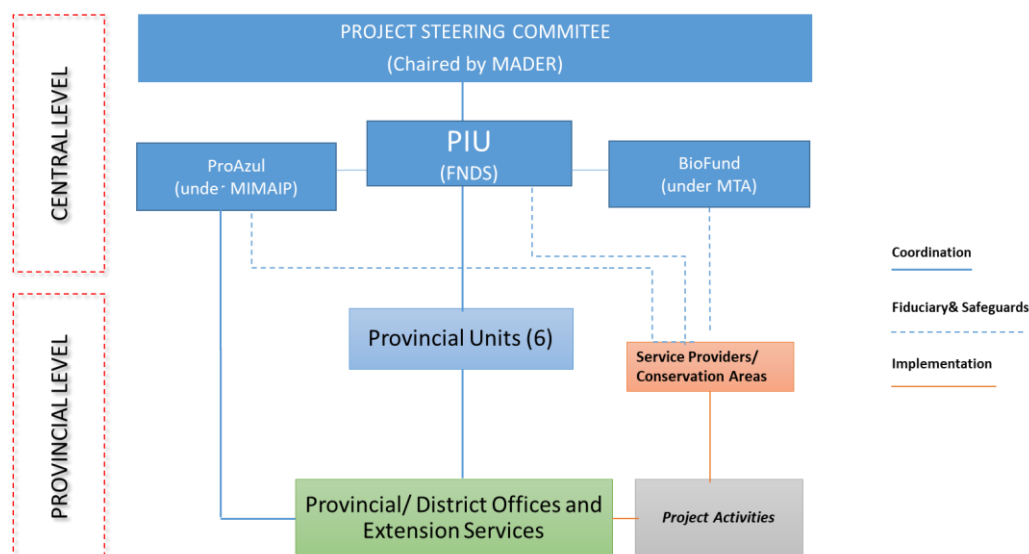


safeguards functions for activities under their leadership. The coordinator will be supported by two operations coordinators, focusing on implementation of activities under MTA and ProAzul, respectively. As the main fiduciary agency for ANAC's activities, BIOFUND will coordinate closely with ANAC's central level teams as well as the project teams in the MNP and Tchuma Tchato, which will be strengthened with both support for existing staff as well as the hiring of dedicated project staff. The PIM describes the roles and responsibilities of PIU coordinator, PIU staff, and fiduciary and safeguard coordination between FNDS, ProAzul, and BIOFUND.

44. **A PSC** will be responsible for (a) providing overall policy guidance and decision making on all issues related to the project, (b) facilitating coordination among relevant sectors and agencies, (c) reviewing and approving annual work and expenditure plans submitted by the PIU coordinator, and (d) ensuring project alignment with other Government Programs and providing strategic direction. The PSC will be chaired by the Minister of Agriculture and Rural Development. The technical secretariat will be at the FNDS and ProAzul will be co-secretary. The PSC will be composed of representatives of the FNDS, ProAzul, BIOFUND, key MADER, MIMAP, and MTA national directorates, and program provinces. Independent observers from the private sector and civil society will also be members of the PSC. The PSC will meet twice a year and have extra sessions whenever necessary.

45. **At the provincial level, the program will be coordinated through the FNDS provincial offices**, in close coordination with the DPAP, DPDTA, and the Provincial Services of Economic Activities. These PIUs will report to the project coordinator in the central PIU. They will coordinate the work with the provincial services and provincial directorates and the implementation of activities at the district level with the SDAE and the SDPI. Each PIU will have a provincial coordinator who will report to the central project coordinator, and with the provincial and district authorities and services. At this level, activities will be implemented by PIU technicians, by extension workers who will be trained by the project, and by service providers.

Figure 1.2. Institutional Arrangements





46. **ProAzul and BIOFUND will share progress information with the FNDS to ensure overall project implementation progress is communicated in an integrated way (for example, Results Framework updates, quarterly and annual reports), while fiduciary reports (for example, IFRs and audits) will be reported directly to the World Bank.** The FNDS will aggregate the overall program performance under MADER, MIMAIP, and MTA and will report to the World Bank. This exercise, in addition to harmonizing the accountability process, has the potential to empower institutions from the IPF operation of the multiphase program to the PforR phase.

47. **The FNDS, ProAzul, and BIOFUND have demonstrated high performance in coordinating and implementing WB IPF operations,** including management of fiduciary and safeguards risks. Table 1.4 shows the amounts that will be allocated to each agency under the program.

Table 1.4. Funds Allocated by Component with Columns Assigning the Funds to each Implementing Agency (US\$, millions).

Component	Implementing Agency			Total
	FNDS	ProAzul	BIOFUND	
1. Increasing productivity and market	94.00	15.00	—	109.00
2. Enhancing natural resources management	11.00	8.00	7.00	26.00
3. Strengthening institutions and policies	9.50	4.50	1.00	15.00
Total	114.50	27.50	8.00	150.00

Implementation Support Plan

At the Central Level

48. **The FNDS, ProAzul, and BIOFUND will maintain, and recruit as needed, staff with strong capacity in key areas.** To adequately perform their activities under the program and respond in a timely and appropriate manner to the growing demand for work that results from the increase in the number of operations that are managed by the institutions, the FNDS, ProAzul, and BIOFUND will maintain, and recruit as needed, staff with acceptable capacity in procurement, FM, M&E, and communication, in addition to technical expertise in areas such as (a) agriculture productivity and market access; (b) rural transport and marketing infrastructure; (c) agribusiness enterprises support; (d) fisheries productivity, market access and fisheries monitoring, control, and surveillance; and (e) land, forest, and conservation areas management.

49. **The FNDS will be strengthened with additional human resources.** Based on the experience of the management unit of cross-cutting activities to support projects and considering that these teams will take care of the financing windows in SREP, FNDS teams will be empowered with additional human resources and technical training and ensure that they are provided with the necessary computer systems for managing the funds. The FNDS central coordination team will be strengthened by hiring the following specialists by program effectiveness: two internal auditors, one accountant, one financial manager, two procurement specialists, and one M&E specialist. For the Matching Grants Unit, the FNDS will recruit additional staff to respond to increasing demand that results from the foreseen growing number of program beneficiaries. Staff to be recruited will include four financial analysts, four financial assistants for the management of the beneficiary portfolio and two administrative assistants, one safeguards specialists, and two rural business development specialists. Within MTA, ANAC will be strengthened both



at central level and in MNP/Tchuma Tchato to facilitate regular articulation with the FNDS and BIOFUND. BIOFUND will also recruit one accountant, one procurement officer, and one safeguards specialist to fulfill the function for which it is called in this project.

50. **ProAzul will also be reinforced in the central coordination of the program** by hiring at least one internal auditor, one accountant, one financial manager, one procurement specialist, one M&E specialist, and one safeguard specialist.

At the Provincial Level

51. **The FNDS PIUs will be strengthened** with the following staff: one provincial coordinator, one safeguards assistant, one value chain assistant, one technology transfer assistant, one infrastructure assistant, one market linkages assistant, one NRM assistant, one gender assistant, and one administration and finance officer.

52. **The ProAzul PIUs will be strengthened** by hiring one provincial coordinator, one fisheries technician, one safeguards assistant, one gender assistant, and one administration and finance officer.

53. **Specific to conservation areas, the FNDS will recruit key specialists** including one administration and finance officer, one operations officer, one community development officer for the Tchuma Tchato area, and one community development officer to the MNP which should be based on the defined landscapes as discussed with the District Government of Magoe and the Provincial Government of Tete. To make AQUA's activities feasible, a Forest Inspection Unit will be established and maintained in Tete and the Zambezia.

Program Implementation Manual

54. The PIM covers the following areas: general purpose of the PIM, project history, objectives and components, implementation time line, institutional arrangements, beneficiaries and location, budget, accounting policies, system of accounting and financial reporting, administrative procedures (operating procedures, administrative/financial, procurement, M&E, management fixed assets), and safeguards. A manual for the CERC will be included as an annex. The PIM includes a section specifying the procedures to be used by BIOFUND.

55. **A Matching Grant Implementation Manual has been prepared by the FNDS and ProAzul** that describes the basic guiding principles and procedures for the matching grants mechanisms to be scaled up under sub-components 1.1 and 2.1, which includes (a) an elaboration of the selection, prioritization, and eligibility criteria and terms and conditions and procedures for preparation, approval, and M&E of matching grants; (b) procedures for the award of matching grants and selection of matching grants beneficiaries; and (c) amounts of matching grants to be paid on a non-reimbursable basis.

B. Financial Management

56. An FM assessment was undertaken on February 2021 to evaluate the adequacy of the proposed project FM arrangements. The assessment was conducted at the FNDS, ProAzul, and BIOFUND, the agencies that will be responsible for FM arrangements of this proposed project. The assessment was



carried out in accordance with the Directives and Policy for Investment Project Financing (IPF) and the World Bank Guidance on FM in World Bank IPF Operations issued on February 28, 2017.

57. The overall FM was assessed to be adequate with a risk rating of Substantial due to country fiduciary risk, capacity issues in the country, and the increased number of World Bank-financed operations being implemented by the three agencies. The agreed FM arrangements are adequate to provide, with reasonable assurance, accurate and timely information on the status of the proposed project. However, to further strengthen the FM arrangements, the following FM actions require to be implemented: (a) recruit three additional accountants for the FNDS Financial Department; (d) complete the implementation of accounting software package at the FNDS; and (b) strengthen the internal audit at the FNDS by recruiting two additional auditors. The World Bank shall closely monitor the implementation of the action plan.

Table 1.5. FM Risk Assessment and Mitigation Measures

Risk Factors/Description of Risk	Risk Rating	Risk Mitigating Measures Incorporated into the Project Design	Conditions of Negotiations, Board or Effectiveness (Yes or No)	Residual Risk Rating
Inherent Risk:				
Country level: Shortage of human resources, limited capacities for key FM functions, and overall weak public finance management control environment may affect negatively the implementation of the proposed project expenditures.	H	The Government is committed to implementing further reforms of the country's PFMs with support from the World Bank and other development partners. The World Bank has a number of initiatives and projects under preparation that will strengthen the FM systems.	No	S
Entity level: The three agencies have experience in handling FM matters of World Bank-financed projects. However, the fact that the FNDS is managing several projects and ProAzul will have an additional operation poses a risk as this could jeopardize its ability to satisfactorily implement all the projects.	S	The financial staff of the three agencies have experience in handling World Bank-financed operations. The FNDS FM capacity will be strengthened by recruitment of three additional accountants and the FNDS internal audit unit will be also strengthened by recruitment of two additional auditors.	No	S
Project level: The project will finance some activities through matching grants and there is risk that funds may not reach the right beneficiaries and will not be properly accounted for. Diluted community ownership may affect the sustainability of investments.	H	The FNDS and ProAzul have experience in handling similar activities.	No	S



Risk Factors/Description of Risk	Risk Rating	Risk Mitigating Measures Incorporated into the Project Design	Conditions of Negotiations, Board or Effectiveness (Yes or No)	Residual Risk Rating
Control Risk:				
Budgeting: The FNDS, BIOFUND, and ProAzul may not be able to produce realistic and comprehensive budget due to capacity constraint and the nature of the project.	S	. Core staff involved in the budget preparation will be trained. Participatory governance should be applied. The World Bank will review the draft budget as well as the IFR and provide comments.	No	S
Accounting: Project funds, expenditures, and resources are not properly recorded because FNDS, BIOFUND, and ProAzul are accounting for other projects and may be confused in handling record of the project transactions. Capacity constraints in writing books of accounts by the smallholders and AgriMSMEs. Difficulties in compiling accounts from large numbers of beneficiaries.	S	The FNDS, ProAzul, and BIOFUND will make use of the automated accounting package to account for project funds, expenditures, and resources, which is currently in use by the ongoing operations. In so doing, the accounting packages will be customized for separate recording of project transactions and production of financial reports. FNDS capacity will be strengthened by the appointment of additional project accountants. Simplified accounting records and financial reports should be prepared by the beneficiaries. Clear identification of the reporting chain and definition of the oversight roles and responsibilities at multiple levels should be put in place and documented in the matching grant manual.	No	S
Internal control: Noncompliance with key project internal control procedures due to weak internal control environment and oversight mechanisms in the country. The project will finance activities to be implemented through matching grants and there is risk of the beneficiaries not meeting the minimum criteria. Large number of parties and transactions involved. Numerous small-value contracts.	S	The project will follow the procedures documented in the Financial Administration Manual (<i>Manual de Administração Financeira</i> , MAF), which has been designed to mitigate internal control risk, and documented in the PIM. The PIM includes the process of approval of progress certificates and processing of payments. A matching grants manual guides its implementation. Regular supervision will be carried out by	No	S



Risk Factors/Description of Risk	Risk Rating	Risk Mitigating Measures Incorporated into the Project Design	Conditions of Negotiations, Board or Effectiveness (Yes or No)	Residual Risk Rating
		the World Bank. The internal audit departments of the FNDS, BIOFUND, and ProAzul will conduct internal audit. The internal audit unit of the FNDS will be strengthened by recruitment of two additional auditors.		
Funds flow: Delays may occur in the flow of funds and affect the implementation of the project as the project will finance activities to be implemented at provincial level and may delay submission of vouchers for payments of providers of goods and services. Communities in dispersed and remote locations.	S	The disbursement arrangements are documented in the PIM. The small grants manual documents all relevant procedures for funds flow to the beneficiary communities. Appropriate channeling of funds to beneficiary smallholders and AgriMSMEs is identified and documented in the matching grants manual.	No	S
Financial reporting: The three agencies may fail to produce the project financial reports in a timely manner due to the nature and coverage of the project. Large number of parties and transactions involved; numerous small-value contracts.	H	The three agencies will use automated accounting software to account for project funds, expenditures, and resources. The FNDS, ProAzul, and BIOFUND have experience in producing reports for projects implemented at the local level. The FNDS and ProAzul will play the role of management oversight bodies.	No	M
Auditing: Delays in submission of audit reports and delays in implementing the recommendations of the Management Letter.	S	The three agencies have been submitting audit reports of the ongoing projects on time. The World Bank will monitor audit submission compliance and ensure implementation of Management Letter recommendations. Draft audit terms of reference, including auditing matching grants activities at the two implementing agencies will be reviewed by the World Bank FM specialist and discussed with the Administrative Tribunal. For BIOFUND, the audit terms of	No	S



Risk Factors/Description of Risk	Risk Rating	Risk Mitigating Measures Incorporated into the Project Design	Conditions of Negotiations, Board or Effectiveness (Yes or No)	Residual Risk Rating
		reference will be agreed with this agency. The terms of reference will emphasize the need for physical verification. Beneficiaries will apply their own procedures including audits.		
Governance and Accountability: Possibility of corrupt practices including bribes, abuse of administrative and political positions, misprocurement, misuse of funds, and so on are a critical issues.	H	Robust FM arrangements (including a comprehensive internal and external audit of the project operations, World Bank FM supervision including review of transactions and asset verification) designed to mitigate the fiduciary risks in addition to agencies overall internal control systems. Citizen engagements, including beneficiary feedback, to be developed in the PIM. Clear protocol for sanctions or remedies for misuse of project funds should be determined and well publicized.	No	S
OVERALL FM RISK	S			S

Note: H = High, S = Substantial; M: Moderate.

58. **FM action plan.** To mitigate FM risks, the following measures should be taken.

Table 1.6. FM Action Plan

No.	Action	Responsibility	Completion Date
1	Preparation of Audit terms of reference	FNDS, ProAzul, and BIOFUND	Within one month after effectiveness
2	Customize the accounting packages to maintain separate records and ledger accounts for the proposed project.	FNDS, ProAzul, and BIOFUND	Within two months after effectiveness
3	Recruitment of three additional accountants for FNDS	FNDS	Within three months after effectiveness
4	Recruitment of two additional auditors	FNDS	Within three months after effectiveness

Financial Management Arrangements

59. **Budgeting.** Budget preparation and monitoring of budget execution will follow national procedures and those are documented in the PIM and in the matching grants manual. The FNDS, ProAzul,



and BIOFUND will prepare annual budgets based on the annual work plans and the approved Procurement Plans. It is expected that these agencies will prepare annual budgets that cover activities proposed to be carried out in each fiscal year, applying participatory budgeting approach for activities to be financed through matching grants. Each entity will be responsible for producing variance analysis reports comparing planned with actual expenditures on a quarterly basis. These quarterly variance analysis reports will be part of the IFRs that will be submitted to the World Bank on quarterly basis.

60. **Staffing.** The FNDS, ProAzul, and BIOFUND will be responsible for fiduciary aspects of the project. These agencies have finance staff with acceptable skills and experiences to handle FM and disbursement matters of the World Bank-financed operations. However, the FNDS FM capacity needs to be strengthened by recruitment of three additional accountants to ensure adequate FM staffing in the increased number of World Bank-financed operations. BIOFUND FM will also be strengthened by hiring two additional accountants and a procurement officer.

61. **Internal control.** Internal controls system and procedures of the project are based on national procedures, defined in the MAF and the PIM. In addition, a specific manual for matching grants was developed covering selection criteria, funds flow for the beneficiaries, maintenance of simplified accounting records and reporting, governance, and monitoring mechanism. The FNDS, BIOFUND, and ProAzul have internal audit units and these should include audit of the project operations in their annual plans. The internal audit reports should be submitted twice a year. However, the FNDS internal audit unit capacity needs to be strengthened by recruitment of two additional auditors. The project may also be subject to the review of the General Inspectorate of Finance (*Inspeção Geral das Finanças* [IGF]) based at the MEF. The World Bank FM team will also conduct regular supervision through desk review and field visits (that include expenditures and asset reviews) to ensure that the implementing agencies are maintaining adequate systems of internal controls and key procedures are complied with. However, the COVID-19 crisis may negatively affect the implementation support of the project. Under these circumstances, the World Bank team will provide remote support to the project through internet solutions and phone calls. The project will use the World Bank New Procurement Framework. The PPSD and Procurement Plan were prepared in collaboration with the World Bank Procurement team.

62. **Accounting.** The three implementing agencies will account for all project funds, expenditures, and resources using the existing accounting packages, which are adequate as it can produce reliable financial reports required to effectively monitor and manage the progress of the project and being used by other World Bank-financed operations. The accounting packages will be customized to maintain separate records and ledger accounts for the proposed project and allow for preparation of project specific financial reports. FNDS has completed the implementation of the accounting packages and it has been operational since March 2021.

63. **Financial reporting.** The three agencies are producing acceptable quarterly IFRs for the ongoing operations. Each implementing agency will prepare separate quarterly IFRs for the project in form and content satisfactory to the World Bank, which will be submitted to the World Bank within 45 days after the end of the quarter to which they relate. These reports will cover all activities of the project including the matching grants. The formats will be similar to those in use for ongoing projects. The preparation and submission of IFR may be delayed due to the COVID-19 crisis as some activities will be implemented at provincial level. However, the three implementing agencies will make use of internet solutions to mitigate this challenge. At the end of each fiscal year, the agencies will also produce separate annual project

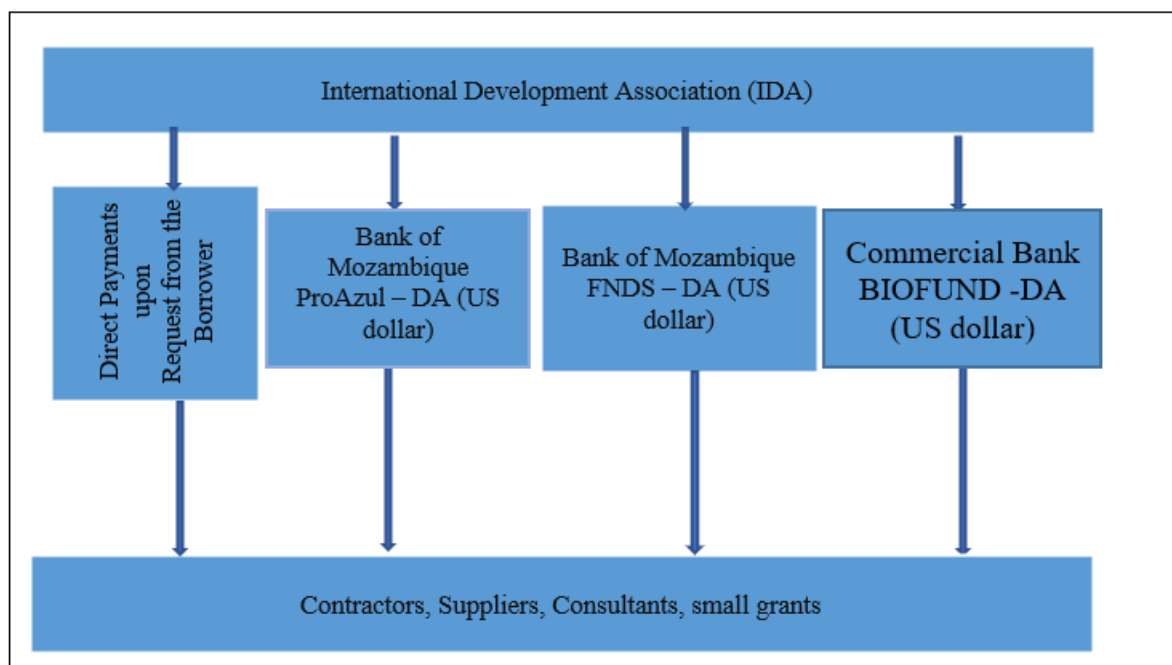


financial statements (PFS) in accordance Financial Reporting under Cash Basis of Accounting. In addition, the PFS' components will be outlined in the terms of reference for audit of this proposed project.

Disbursement

64. **Funds flow.** Two Designated Accounts in US dollars to be managed by the FNDS and ProAzul will be opened at the Bank of Mozambique (Central Bank) to receive funds from IDA. The Designated Account to be managed by BIOFUND will be opened at a commercial bank acceptable to the World Bank. Payments of eligible project expenditures will be made from the Designated Accounts to contractors, suppliers, consultants, and small grants. All payments to local suppliers and consultants will be made strictly in local currency in compliance with Mozambique exchange control rules and regulations. Figure 1.3 shows funds flow mechanism for the project activities.

Figure 1.3. Funds Flow



65. **Disbursement arrangements.** Disbursements of IDA funds will be done on a transaction basis. An initial advance will be made into each Designated Account upon the effectiveness of the Financing Agreement.

66. The option of disbursing the IDA funds through direct payment, reimbursement, and special commitment will also be available. To facilitate the payments of contractors, suppliers, and consultants, a lower minimum threshold for the use of direct payment and reimbursement methods of disbursement will be applied for this operation. The World Bank will issue the Disbursement and Financial Information Letter which will specify the additional instructions for withdrawal of the proceeds of the IPF.

67. **Auditing.** The Administrative Tribunal (the country's supreme audit institution) is mandated to audit all Government funds, including donor-financed projects. As such, the project financial statements



of the components to be implemented by the FNDS and ProAzul will be audited by the Tribunal in accordance with International Standards of Supreme Audit Institutions issued by the International Organization of Supreme Audit Institutions. While the project financial statement of the component to be implemented by BIOFUND will be audited by a private audit firm in accordance with International Standards on Auditing as issued by the International Auditing and Assurance Standards Board within the International Federation of Accountants. The terms of reference for audit will explicitly require the auditors to conduct physical verification and auditing matching grants activities at the two implementing agencies. These terms of reference will be reviewed by the World Bank FM specialist and discussed with the Administrative Tribunal within one month after the project effectiveness. Beneficiaries will apply their own procedures including audits. The audit report together with the Management Letter will be submitted to the World Bank within six months after the financial year-end.

68. **Implementation support plan.** Based on the current overall FM risk of this operation, the project will be supervised twice a year. In addition to desk-based reviews, the FM will perform field visit to ensure that the project's FM arrangements operate as intended. The World Bank FM team will provide remote support to the project through internet solutions and phone calls during this time of the COVID-19 pandemic.

C. Procurement

69. **Procurement Procedures.** Procurement activities under the proposed project will be carried out in accordance with the World Bank's 'Procurement Regulations for IPF Borrowers' (Procurement Regulations) dated November 2020; the 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, and revised in January 2011 and as of July 1, 2016; and other provisions stipulated in the Financing Agreements.

70. **Procurement implementation arrangements.** Procurement planning, procurement processing, contract management, and the related decision-making authority under the proposed project will be carried out by the FNDS, ProAzul, and BIOFUND.

71. **National procurement procedures.** National open competitive procurement procedures may be used while approaching the national market. National open competitive procurement will observe the requirements stipulated in the Procurement Regulations on National Procurement Procedures. Other national procurement arrangements (other than national open competitive procurement), which may be applied by the borrower (such as limited/restricted competitive bidding, request for quotations/shopping, and direct selection), shall be consistent with the World Bank's Core Procurement Principles and ensure that the World Bank's Anti-Corruption Guidelines and Sanctions Framework and contractual remedies set out in its Legal Agreement apply.

72. However, the request for bids/request for proposals document shall require that bidders/proposers submitting bids/proposals present a signed acceptance at the time of bidding, to be incorporated in any resulting contracts, confirming application of, and compliance with, the World Bank's Anti-Corruption Guidelines, including without limitation to the World Bank's right to sanction and the World Bank's inspection and audit rights, and that the procurement documents include provisions, as agreed with the World Bank, intended to adequately mitigate against environmental, social (including SEA and GBV), and health and safety risks and impacts.



73. **Procurement templates.** The World Bank's Standard Procurement Documents (SPDs) shall be used for procurement of goods, works, and non-consulting services under International Competitive Procurement. National bidding documents may be used under National Procurement Procedures subject to the exceptions stipulated in the textual part of the Procurement Plan. Similarly, selection of consultant firms shall use the World Bank's SPDs, in line with procedures described in the Procurement Regulations.

74. **Procurement oversight by the World Bank.** The World Bank shall prior review contracts as provided for in the Procurement Plan. Contracts below the prior-review thresholds shall be subject to post review according to procedures outlined in World Bank Procurement Regulations on an annual basis by the World Bank team or by consultants hired by the World Bank. Also, the World Bank procurement specialist will regularly participate in implementation support missions to assist in monitoring procurement procedures and plans.

75. **Frequency of procurement supervision.** In addition to the prior review supervision to be carried out from World Bank offices, the capacity assessment of the implementing agencies recommends one supervision mission every 12 months to visit the field to carry out post review of procurement actions.

76. **Operating costs.** These items will be procured using the borrower's national procurement and administrative procedures acceptable to the World Bank, including selection of project implementation support personnel.

77. **PPSD.** The borrower prepared the PPSP, which sets out market approaches and selection methods to be followed during project implementation. The PPSP identifies optimum procurement strategies on how fit-for-purpose procurement of activities will support project operations for the achievement of Project Development Objectives and deliver value for money. Based on the PPSP findings, the Procurement Plan for the first 18 months was prepared, setting the selection methods to be used by the borrower in the procurement of goods, works, non-consulting services, and consulting services under the project. The Procurement Plan will be updated at least every 12 months, or as required, to reflect the actual project implementation needs. Each update shall require the World Bank's approval and will be publicly disclosed in accordance with the World Bank disclosure policy.

78. Goods, services, and works were packaged economically to attract local and foreign bidders who are qualified and can offer good prices and complete contracts within the stipulated time frame, resulting in value for money. Packaging for procurement was decided in such a way that encourages adequate participation and is based on two principal forms of procurement packaging: (a) the grouping (or bulking) of procurement requirements within a procurement category for the purpose of acquiring them under a single contract and (b) the division of one requirement into multiple lots, where bidders can submit bids for one, several, or all lots (as would be stipulated in the procurement documents) and where a contract could be awarded for each lot.

79. The following aspects were considered in relation to procurement packaging: (a) the likelihood of local suppliers being able to fulfill the requirements, and if the packaging would limit their participation; (b) if the group of requirements are needed (or can be received) simultaneously or are there different delivery dates between requirements unless the selected supplier can deliver at different intervals, receiving all the goods at one time could result in a potential logistical problem; therefore, under these circumstances it may be preferable not to package the various requirements; (c) the availability of several



suppliers that can provide a combination of procurement categories as may be required; and (d) the implementing agency capacity to coordinate several suppliers. If the implementing agency's capacity is limited, this may create a preference for packaging to reduce the number of suppliers that the PIU would have to coordinate.

80. **Procurement approaches for the required goods, works, and services under the proposed Project.** Based on the project requirements, technical solutions, and supply base, the procurement strategy for the proposed project is as in the following paragraphs.

81. **Works.** Most envisaged works are not complex and there are several local contractors that can adequately execute the contracts and found to be sufficiently responsive according to the market analysis. As such, the national market approach, request for bids, and single stage bidding will be used. Such small works include the construction of warehouses, spot repairs or rural roads and bridges, and construction of fish markets and CCP headquarters.

82. **Goods and non-consulting services.** Only two activities, agricultural equipment (tractors and agricultural implements) and acquisition of agricultural inputs (seeds and fertilizers) will require international market approach, request for bids, and advanced procurement. Most of the goods have been packaged into the national market approach, request for bids, single stage bidding, including, acquisition of four patrol vessels, supply of vehicles, supply and assembly of refrigeration systems in airports and ports, and performance of aerial fauna counts, helicopter patrol, and aerial monitoring. Other items such as office equipment and furniture for the PIU, if needed, will be packaged into limited market approach and request for quotations.

83. **Consulting services.** The consulting assignments are of relatively low complexity and only one estimated to cost above the prior review threshold for firms which is permanent technical assistance to the DNOP. Other consulting services are below the prior review threshold, including technical assistance in forest plantation, elaboration of Fisheries Policy, and implementation of co-management initiatives at the local level (Moma and Pebane).

84. **The procurement capacity assessment.** The FNDS, ProAzul, and BIOFUND procurement units are currently implementing projects financed by the World Bank and are therefore familiar with the World Bank procurement procedures including of the World Bank's Procurement Regulation. The units are well equipped with office space and all the means to perform the work of the ongoing portfolio satisfactorily. During the appraisal, virtual procurement capacity assessment was carried out to determine whether the FNDS, ProAzul, and BIOFUND have acceptable procurement arrangements and capacity to implement the ongoing and planned World Bank-financed operations. The assessment found that the FNDS team is composed of four procurement specialists supporting all projects (active and under preparation), who are asked to focus on tasks depending on FNDS priorities and the perceived workload of each specialist at the moment. All procurement specialists are working with all the projects. Two more procurement specialists are being selected to enhance the capacity of the unit; the ProAzul team has one specialist and one procurement assistant. Considering the number of '*Mais Peixe*' operations and the daily procurement workload of ProAzul, one more procurement assistant will be hired using the project resources. The BIOFUND team currently has one procurement specialist and one additional procurement specialist will be hired using the project proceeds.



Table 8. Procurement Risk Assessment and Mitigation Action Plan

No.	Risk	Risk Type	Mitigation Measure	Time Frame	Responsible Agency
1	Poor use of STEP. Many activities flagged as delayed or pending implementation.	Substantial	Ensure that STEP is properly handled, uploading the required documentation once the stages of the processes are completed.	During project implementation	FNDS, BIOFUND and ProAzul
2	Poor record management.	Substantial	FNDS, BIOFUND, and ProAzul will put in place an effective and secure record management system.	During project implementation	FNDS, BIOFUND, and ProAzul
3	Limited capacity of the market and supply chain to meet the demand, due to the global nature of COVID-19 pandemic.	Substantial	FNDS, BIOFUND, and ProAzul will apply COVID-19 flexibilities in the bidding process in accordance with emergency operations norms to mitigate the impact of the COVID 19 pandemic including the use of direct contracting where appropriate.	Throughout project implementation	FNDS, BIOFUND, and ProAzul
4	Challenges of bids submission due to COVID-19 movement restrictions imposed by many countries worldwide.	Substantial	FNDS, BIOFUND, and ProAzul project implementation teams will closely monitor country restrictions and promptly propose more efficient procurement approaches and methods based on flexibilities provided for in the Procurement Regulations and flexibilities to mitigate the impact of the COVID 19 pandemic.	Throughout project implementation	FNDS, BIOFUND, and ProAzul

85. **The risk rating for procurement in view of the above for the FNDS, BIOFUND, and ProAzul is Substantial.**

86. **Filing and record keeping.** The Procurement Manuals (part of the PIM) will set out the detailed processes for maintaining and providing readily available access to project procurement records, in compliance with the Financing Agreement.

87. **Approach to market.** Based on the size of the contracts under this project, open international bidding will be followed; however, generally, the thresholds shown in table 1.7 will be used for open national/international and Request for Quotation bidding under this project.



Table 1.7. Thresholds for Procurement Approaches and Methods (US\$, millions)

Category	Works			Goods, Information Technology, and Non-Consulting Services			Shortlist of National Consultants	
	Open International ≥	Open National <	Request for Quotation ≤	Open International ≥	Open National <	Request for Quotation ≤	Consulting Services ≤	Engineering and Construction Supervision ≤
Mozambique	15	15	0.2	3	3	0.1	0.3	0.3

88. **Procurement Plan.** The borrowers prepared Procurement Plans for the first 18 months, based on the findings and recommendations of the PPSD. The Procurement Plan is subject to the World Bank's no-objection and public disclosure and will be updated on an annual basis or as needed. The updates or modifications of the Procurement Plans shall be subject to the World Bank's prior review and 'no objection'. The World Bank shall arrange for the publication of the Procurement Plan and any updates on the World Bank's external website directly from STEP.

89. **Review by the World Bank of procurement decisions.** Table 1.8 indicates the contract thresholds that require prior review by the World Bank. All activities estimated to cost below these amounts shall be treated as post review and will be reviewed by the World Bank during the Implementation Support Missions under a Post Procurement Review exercise. Direct Contracting/Single Source will be subject to prior review only above the amounts given in the table. The World Bank may, from time to time, review the amounts based on the performance of the implementing agencies.

Table 1.8. Thresholds for Procurement prior review (US\$)

Procurement Type	Prior Review (US\$)
Works	10,000,000
Goods and non-consulting services	2,000,000
Consultants (Firms)	1,000,000
Individual consultants	300,000

90. **Monitoring by STEP.** STEP will be used to prepare, clear, and update Procurement Plans and conduct all procurement transactions for the project. Through the mandatory use of STEP by the FNDS, BIOFUND, and ProAzul, the World Bank will be able to consolidate procurement/contract data for monitoring and tracking of all procurement transactions. Using STEP, comprehensive information of all prior and post review contracts for goods, works, technical services, and consultants' services awarded under the whole project will be available automatically and systematically on a real-time basis whenever required, including, but not limited to (a) the reference number as indicated in the Procurement Plan and a brief description of the contract; (b) the estimated cost; (c) the procurement method; (d) time lines of the bidding process; (e) the number of participated bidders; (f) names of rejected bidders and reasons for rejection; (g) the date of contract award; (h) the name of the awarded supplier, contractor, or consultant; (i) the final contract value; (j) procurement complaints; and (h) the contractual implementation period.



91. **Publication of procurement information.** The project will follow the World Bank's policies on publication of procurement information that are outlined in the World Bank's Procurement Regulations.

92. **Training, workshops, study tours, and conferences.** Training activities would comprise workshops and training, based on individual needs, as well as group requirements, on-the-job training, and hiring consultants for developing training materials and conducting training. All training and workshop activities (other than consulting services) would be carried out based on approved annual work plans/training plans that would identify the general framework of training activities for the year, including (a) the type of training or workshop; (b) the personnel to be trained; (c) the institutions which would conduct the training and reason for selection of this particular institution; (d) the justification for the training, focusing on how it would lead to effective performance and implementation of the project; (e) the duration of the proposed training; and (f) the cost estimate of the training. Report by the trainee(s), including completion certificate/diploma upon completion of training, shall be provided to the project coordinator and will be kept as parts of the records, and will be shared with the World Bank if required.

93. **Training plan.** A detailed plan of the training/workshop describing the nature of the training/workshop, number of trainees/participants, duration, staff months, timing, and estimated cost will be submitted to IDA for review and approval before initiating the process. The selection methods will be derived from the activity requirement, schedule, and circumstance. After the training, the beneficiaries will be requested to submit a brief report indicating what skill has been acquired and how these skills will contribute to enhance their performance and to attain the project objective.

94. **Operational costs.** Operational costs financed by the project would be incremental expenses, including office supplies, operation and maintenance of vehicles, maintenance of equipment, communication, rental expenses, utilities, consumables, transport and accommodation, per diem, supervision, and salaries of locally contracted support staff. Such services' needs will be procured using the procurement procedures specified in the PIM accepted and approved by the World Bank.

95. **Procurement manual.** Procurement arrangements, roles and responsibilities, methods, and requirements for carrying out procurement under the proposed project shall be elaborated in detail in the Procurement Manual, which is a section of the PIM.



ANNEX 2: Program-level Results Framework

COUNTRY: Mozambique Sustainable Rural Economy Program

Program Development Objective (PrDO):															
To improve the incomes and resilience of beneficiaries and selected rural areas															
Program Development Objective Indicators	Unit	Baseline	Targets										Frequency	Responsibility	Description
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10			
Program Result Indicator (PRI1) Percentage increase in agricultural income of small producers in selected areas. (disaggregated by women and youth).	% (%, %)	0 (0, 0)	0 (0,0)	0 (0,0)	6 (6,6)	6 (6,6)	15 (15,15)	15 (15,15)	15 (15,15)	24 (24,24)	24 (24,24)	30 (30,30)	Biannual	FNDS	See description table below.
Program Results Indicator (PRI2) Avoided deforestation area (Ha) as a result of the Program.	Ha	0	25,000	50,000	100,000	125,000	175,000	225,000	300,000	375,000	450,000	500,000	Annual	FNDS/MRV	See description table below.
Program Result Indicator (PRI3) Area (Ha) under the adoption of climate-resilient assets and services as a result of the Program.	Ha	0	583,200	736,900	926,300	1,171,000	1,415,700	1,660,400	1,915,600	2,170,800	2,426,000	2,894,400	Annual	FNDS/ PROAZUL	See description table below.
Program Result Indicator (PRI4) Percentage of target beneficiaries adopting diversified livelihood activities supported by the Program (disaggregated by women and youth)	%	0	0 (0, 0)	0 (0, 0)	15 (40, 30)	15 (40, 30)	30 (40, 30)	30 (40, 30)	30 (40, 30)	50 (40, 30)	50 (40, 30)	60 (40,30)	Biannual	FNDS / PROAZUL	See description table below.



Program Development Indicators Description Table

Program Result Indicators	Definitions/Description	Importance	Data Source	Methodology
PRI1 Percentage increase in agricultural income of small producers in selected areas. (disaggregated by women and youth).	<p>Cumulative target. The indicator measures agricultural income based on the value obtained from the sale of surplus production from PAs and PACEs that benefit from the matching grants systems, disaggregated by women and young people.</p> <p>For the entire program, small producers refer to actors within the broad "agrarian sector", including inputs, production and processing of crops, livestock and fish. For the purposes of defining the project, there are two types of smallholder farmers:</p> <p>(i) Small Farmer (PAs) Integrated by PACE.</p> <p>(ii) Small Emerging Commercial Farmer (PACES): responsible for integrating and technically assisting other producers (PAs) and must have at least 5 ha of cultivated area.</p>	<p>The indicator is justified by measuring the direct benefits in relation to the program's objective of increasing beneficiaries' income. It is also in line with the objectives of poverty reduction, food security improvement, and resilience in Mozambique.</p>	Field work	<p>The measurement focus is on small producers (PACEs and PAs in agribusiness and fisheries) with business plans approved in the matching grants systems. The baseline will be calculated from the first round of surveys that will be the basis of the program impact evaluation, scheduled to take place before the start of activities. Necessary data will be collected to calculate the baseline of agricultural income, understood as the income obtained from the sale of surplus production. Producers will be disaggregated into women and youth people.</p> <p>Biannually, small producers will have their income monitored by the Project Implementation Units (PIUs) at the provincial level and with support from the central Monitoring and Evaluation team of the project. The result of the indicator will be the average variation in the agricultural income of the sampled beneficiaries in relation to their respective baselines, disaggregated by women and youth.</p>
PRI2 Avoided deforestation area (Ha) as a result of the program.	<p>Cumulative target. The indicator measures the size of the forest in hectares that is not deforested as a proxy for estimating the effectiveness of the improved agronomic and NRM practices implemented by the program.</p>	<p>The indicator measures efforts to improve resilience by improving the management of natural resources in the forestry sector. The indicator will also help to analyze human impacts on species habitats,</p>	Earth Observation Data	<p>The MRV Unit will be responsible for generating the activity data through the satellite and monitoring system, which is a subsystem of the NFMS that produces the activity data. Specifically, information will be generated on the number of hectares of deforestation in each geographic area. Spatially explicit statistics</p>



Program Result Indicators	Definitions/Description	Importance	Data Source	Methodology
		especially within conservation areas.		and data on deforestation will be produced each year using the same improved methods applied to generate information at the national level. Annual deforestation will be compared with the average deforestation of the last 10 years before the program beginning. This comparison will be used to estimate the number of hectares that have not been deforested as a result of the implementation of the program activities.
PRI3 Area (Ha) under the adoption of climate-resilient assets and services as a result of the program.	Cumulative target. The indicator measures in hectares (ha) the total area under the adoption of climate-resilient assets and services as a result of program activities.	The indicator is justified for portraying the territorial scope that started to count on the adoption of climate-resilient assets and services as a direct result of the program. It will be possible to assess the extent to which the territorial expansion of the program is accompanied by improvements in the management of natural resources, improving the resilience of the territories impacted by investments.	Official records.	The total area will be the extent that climate-resilient assets and services are implemented by the target beneficiaries based on program incentives. For the total area calculation, the following are considered: (i) In the agricultural sector, production areas of the target beneficiaries who started to adopt climate-resilient assets and services as a result of the program. (ii) In the case of the fisheries sector, the area presented in the community fisheries co-management plans that incorporate the adoption of climate-resilient assets and services is considered. (iii) At the landscape level, the conservation areas territory that received support from the program and started to adopt climate-resilient assets and services is considered. Improved technologies that increase productivity and mitigate environmental impacts are



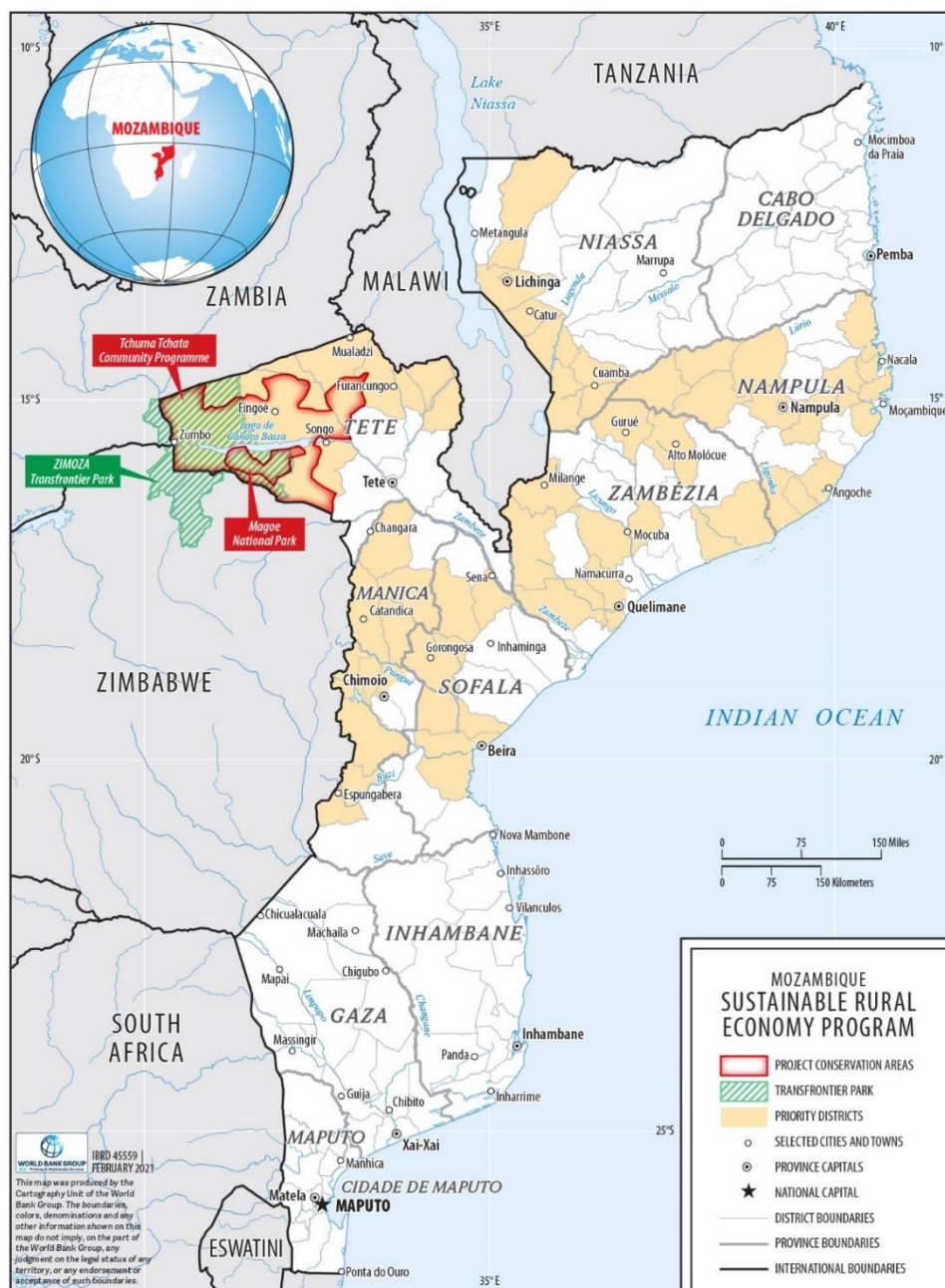
Program Result Indicators	Definitions/Description	Importance	Data Source	Methodology
				considered climate-resilient assets and services: agroforestry systems; conservation agriculture, syntropic agriculture and sustainable NTFP production systems.
PRI4 Percentage of target beneficiaries adopting diversified livelihood activities supported by the program (disaggregated by women and youth)	Non-cumulative target. The indicator measures the percentage of target beneficiaries who started to adopt diversified subsistence activities as a result of the program's investments. Subsistence activities are all activities that indicate how the beneficiaries acquire income, food and goods.	To improve the resilience of the target beneficiaries, the program will carry out activities aimed at diversifying the means of subsistence. Therefore, the indicator aims to measure whether the program is successfully guaranteeing the objective of improving resilience.	Field work.	<p>The measurement focus is on small producers (PACEs and PAs in agribusiness and fisheries) with business plans approved in the matching grants systems.</p> <p>The baseline will be calculated with the first round of surveys that will be the basis for the program's impact evaluation, scheduled to take place before the start of activities. Data related to the subsistence activities developed will be collected, such as agricultural production, small animal breeding, fishing and collection of forest products to support the family.</p> <p>Biannually, small producers will have their subsistence activities monitored with support from the PIU at the provincial level and from the central Monitoring and Evaluation team of the project. The result of the indicator will be the accounting of the small producer that has an increase in the number of subsistence activities in comparison to its respective baseline, disaggregated by women and youth.</p>
<p><i>Acronyms:</i> FNDS = National Sustainable Development Fund; ProAzul = Blue Economy Development Fund; MRV = Measurement, Reporting and Evaluation Unit.</p>				



ANNEX 3: Maps

COUNTRY: Mozambique Sustainable Rural Economy Program

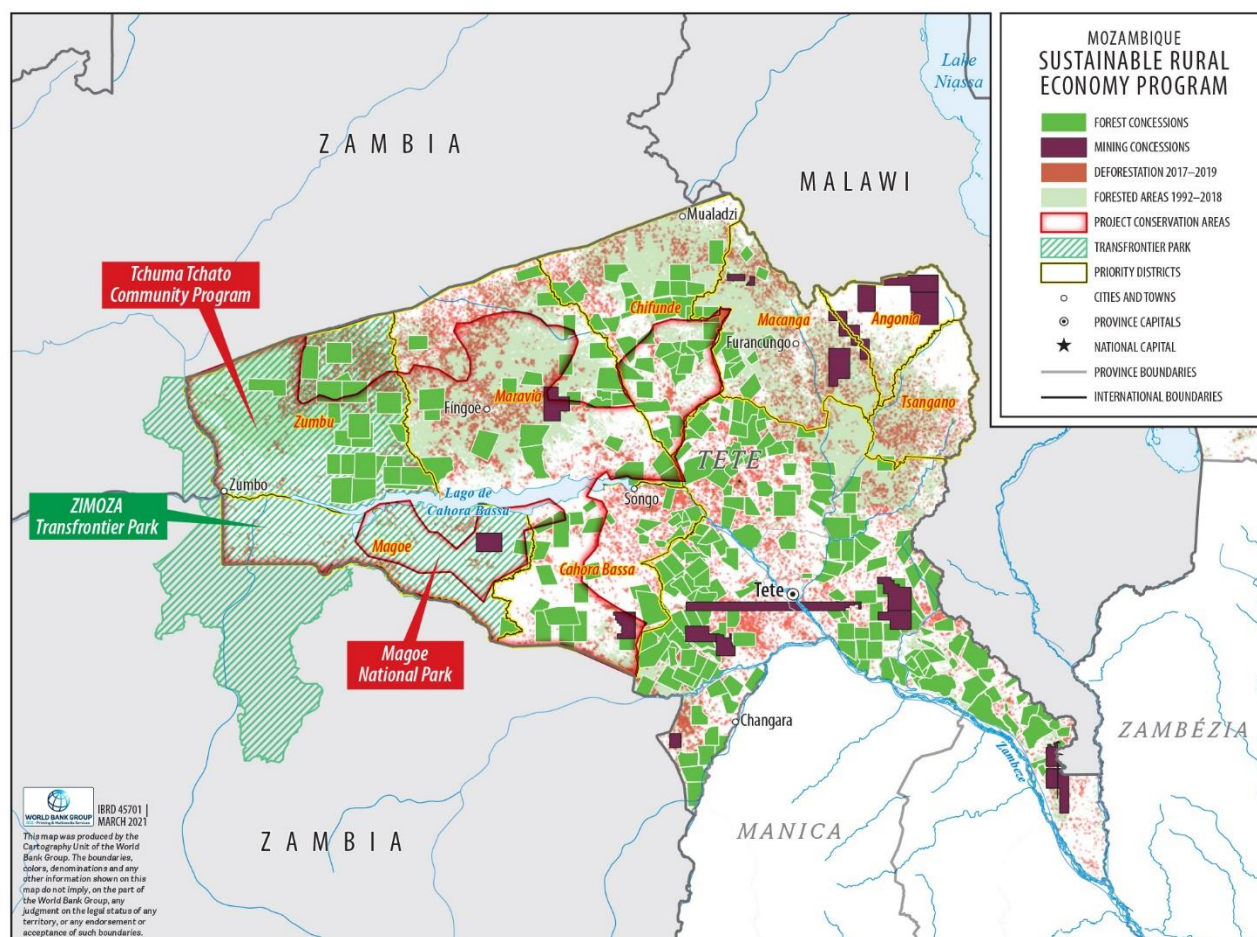
Map of Mozambique, including priority intervention areas of Phase 1





Selected Province	Targeted Districts	Ongoing Projects (complementary)
NIASSA	Chimbonila, Cuamba, Mandimba, Mecanhecas, Ngauma, Sanga, Lichinga	PROCAVA, PRODAPE, PROMER, JICA, MozNorth
NAMPULA	Angoche, Larde, Lalaua, Nampula Cidade, Malema, Meconta, Mecuburi, Memba, Moma, Monapo, Nacal-a velha, Ribaua, Rapale	PROCAVA, JICA, SUSTENTA, DINAF/MTA, Pescas/MIMAIP, PRODAPE, IRRIGA, EL4D, MozNorth
ZAMBÉZIA	Alto Mulocue, Mocuba, Murrumbala, Nicoadala, Pebane, Gurua, Milange, Maganja da Costa, Namacurra, Quelimane, Inhassunge	PROCAVA, Mais Peixe, SUSTENTA, PRODAPE, IRRIGA
TETE	Angonia, Cahora-bassa, Chifunde, Macanga, Mogoe, Maravia, Tsangano, Zumbo	PROCAVA, Mais Peixe, ANAC, PRODAPE, EL4D
MANICA	Barue, Guro,, Macossa, Manica, Mossurize, Sussundenga, Vanduzi, Chimoio	Mais Peixe, PROCAVA, PRODAPE, IRRIGA
SOFALA	Beira, Buzi, Caia, Gorongosa, Marringue, Nhamatanda, Dondo	PROCAVA, Mais Peixe, PRODAPE, IRRIGA

Map of the Tete Province Showing Multiple Land Uses





ANNEX 4: GHG Accounting Analysis

COUNTRY: Mozambique Sustainable Rural Economy Program

1. This annex presents an ex ante assessment of the net emissions reduction calculations of the project 'Sustainable Rural Economy' using the EX-ACT tool. In summary, the project activities which will mainly provide emissions reductions are related with the increasing productivity and value added by smallholders and AgriMSMEs and improved NRM practice. In total, the project will help reduce emissions, generating a total net emissions reduction of -39,775,019 tCO₂e over 30 years (5 years of implementation and 25 years of capitalization).

World Bank Mandate and Accounting Methodology

2. In its 2012 Environment Strategy, the World Bank adopted a corporate mandate to conduct GHG emissions accounting for investment lending. The quantification of GHG emission is an important step in managing and ultimately reducing emission and is becoming a common practice for many international financial institutions. The World Bank uses the EX-ACT, developed by the FAO in 2010,⁸⁸ to assess a project's net carbon-balance. This is the net balance of tons of CO₂eq (tCO₂e) GHGs that were emitted, or carbon sequestered as a result of project implementation compared to a 'without-project' scenario compared to the 'initial' scenario. EX-ACT categorizes activities in five modules: land use change, crop production, livestock and grassland, land degradation, inputs, and investment. EX-ACT thus estimates the carbon stock changes as well as GHG emissions per unit of land, expressed in tCO₂e per hectare and year. EX-ACT has been developed using mostly the IPCC 2006 Guidelines for National Greenhouse Gas Inventories (IPCC 2006), completed with the 2013 supplement document for wetlands (IPCC 2014) that furnishes EX-ACT with recognized default values for emission factors and carbon values, the so called Tier 1 level of precision.

Project Description and Objectives

3. The project's main objective is to improve the performance of targeted small agriculture producers and AgriMSMEs and improve natural resources management practices in selected project areas.

4. The project has two main components (a) increasing productivity and market access and (b) enhancing NRM. The other component is related to institutional strengthening and policy development.

5. Component 1 will focus on supporting smallholder farmers and AgriMSMEs to increase productivity and their access to input and output markets. The component will provide a series of direct support to farmers as well as strengthen public goods related to extension services and transport infrastructure. The component is divided into two sub-components, one in support of agriculture (crops and livestock) and another in support of fisheries.

⁸⁸ <http://www.fao.org/tc/exact/carbon-balance-tool-ex-act/en/>.



6. Component 2 will be dedicated to (a) improving surveillance of forests and conservation areas through providing equipment and training to staff from the ANAC and the Environmental Control Quality Agency (AQUA), (b) ensuring the rollout of the new Forest Information System for more transparent and efficient forest management, (c) promoting wildlife translocation in Conservation Areas, and (d) supporting land use planning in priority areas. This will build on the experience and incorporate lessons learned from the implementation of the World Bank-financed Mozambique Forest Investment and the Mozambique Conservation Areas for Biodiversity and Development projects.

Background and Policy Context of Climate Change Mitigation

7. **Mozambique's forests store around 4 billion tons of CO₂ equivalent.** The Miombo dry forests are the main forest types found in the country. These are classified as tropical and subtropical grasslands, savannas, and shrub lands biomes. In the established conservation areas, covering 23 percent of the country, local people are allowed to live inside these, provided that the practices are in line with the national management plans. Due to lack of resources and employment opportunities and for survival purposes, the communities will be involved in unsustainable practices, namely conversion and degradation of natural habitats (including fire for agriculture and pasture expansion) and overexploitation of natural resources (plants, wildlife, including fish).

8. **Climate change has acquired prominence in Mozambique's political agenda.** In 2012, National Climate Change Strategy (ENMC) 2013–2025 was adopted which is structured around three core themes: (a) adaptation and climate risk management, (b) mitigation and low carbon development, and (c) cross-cutting issues. These include institutional and legal reform for climate change, research on climate change, and training and technology transfer. The implementation of the ENMC is planned in three phases, where the first phase (2013–2015) focuses on adaptation measures and poverty reduction and identifying opportunities for the development of low-carbon economy in local communities.

9. **The ENMC was preceded by a range of other policies which acknowledged the close connection between climate change, poverty, and economic development.** In 2003, Mozambique submitted a national communication to the UNFCCC—the second communication is in draft—identifying seven sectors that are particularly vulnerable to climate change. In 2007, the National Adaptation Program of Action (NAPA) proposed immediate adaptation strategies⁸⁹ and soon after the National Poverty Plan 2011–2014 proposed measures to reduce disaster risk and climate change adaptation, including among others, the promotion of conservation agriculture or a program for reforestation and reducing emissions from deforestation and forest degradation and establishing carbon stocks (REDD+). The country is currently finalizing its national REDD+ Strategy.

10. **Mozambique is implementing a REDD+ Program.** The National REDD+ Strategy development is informing the Government's approaches to target interventions to key drivers of deforestation and address institutional and capacity gaps. The strategy is orienting interventions, targeting Mozambique's key drivers of deforestation in partnership with all relevant stakeholders, as well as highlight important institutional and capacity gaps that need to be filled. The World Bank supports REDD+ readiness through

⁸⁹ These focus on strengthening an early warning system; developing capacities of agricultural producers to cope with climate change impacts; reducing climate change impacts in coastal zones via dune erosion control and mangrove restoration; and improved management of water resources through updated water infrastructure and establishment of water sharing agreements.



two grants from the Forest Carbon Partnership Facility (FCPF) Readiness Fund (US\$3.6 million from 2103 to 2017 and an additional US\$5 million from 2016 to 2018). Mozambique recently submitted the first Emission Reduction Monitoring Report and is expected to be the first country receiving payments based on results under the FCPF standard.

11. **Mozambique has recently approved its NDC.** This strategic document lays out the country's effort to reduce emissions and adapt to the impacts of climate change. Among many sectors in which emissions will be reduced, forestry, fisheries, and agriculture appear to be more prominent as emissions from the sector are the highest. Between 2020 and 2025, Mozambique is committed to reduce 31.19 MtCO₂e.

Base Scenarios and Data Used for EX-ACT analysis (70 percent adoption rate)

Table 5.1. Inputs to EX-ACT

	EX-ACT Module Project Activity	Initial Situation	Without Project	With Project
	Avoided Deforestation (ha)	34,000,000	32,665,000	32,731,750
POSITIVE (CARBON SINK)	Improved agronomic practices ^(a) - Maize (ha)	17,928	17,928	48,636
	Improved agronomic practices ^(a) - Sesame (ha)	8,244	8,244	19,026
	Improved agronomic practices ^(a) - Soybean Potatoes	8,244	8,244	22,806
	Improved agronomic practices ^(a) - Beans (ha)	16,362	16,362	37,884
	Improved agronomic practices ^(a) - Cassava (ha)	8,226	8,226	18,942
	Improved agronomic practices ^(a) - Onion (ha)	684	684	3,024
	Improved agronomic practices ^(a) - Potatoes (ha)	594	594	2,940
	Improved agronomic practices ^(a) - Rice (ha) 150 days of cultivation period, irrigated (continuously flooded) - Conventional (rainfed and deep water)	540	540	1,260
	Unproductive (owned by farmer) (ha)	7,623	7,623	5,187
	Total (ha)	68,455	68,455	159,705
	Afforestation (PACES) (ha)	0	0	350
	Livestock Chicken Producer (head number)	132,660	132,660	928,620
	Livestock Goat Producer (head number)	26,130	26,130	91,455
	Livestock Bovine Producer (head number)	4,824	4,824	11,256
	Increased Productivity through breeding (%)	0	0	100
	Improved livestock management (feeding practices % of heads)	0	0	50
	Production (tons of production per year) Chicken (100% of production - meat) Goat (50% of production - meat) Bovine (25% of production - meat)	506	506	2185
NEGATIVE (CARBON SOURCE)	Excavation for pond construction (ha)	0	0	235
	Annual production aquaculture	12	12	707
	Annual quantity of feed (Tilapia) - Tons per year	16	16	919
	Total catch per year (fishery)	55,895	55,895	57,500
	Quantity of ice for catch conservation (tons) - assumed 2.8 tons per ton of catch (ashore only) ice on boats not accounted	0	0	161,000



	EX-ACT Module Project Activity	Initial Situation	Without Project	With Project
	Electricity used to produce the ICE (kW)	0	0	60
	Application of Urea (tons/year)	294	294	1,005
	Application of fertilizers - Other Chemical N (tons/year)	75	75	264
	Application of fertilizers - Compost (tons N/year)	5,342	5,342	5,329
	Application of pesticides (tons/year)	0	0	1,002
	Electricity consumption (MWh/year)	97	97	491
	Houses and offices construction	0	0	33,800
	Fuel consumption - Diesel (m ³ /year)	52	52	386
	Fuel consumption - Gasoline (m ³ /year)	10	10	35
	Road rehabilitation (m ²) - 50 km length and 5 m width	0	0	250,000

Note: (a) Improved agronomic practices include improved agronomic practices, improved nutrient management, no tillage/residue management, water management, and manure application

Results - Net Carbon Balance

12. **The SREP will have a positive impact in terms of climate mitigation.** Results show a scenario with project compared to without project result in a net carbon sink of 39,775,019 tCO₂e over a period of 30 years, resulting in a net balance of 1,325,834 tCO₂e per year. Figure 5.2 and table 5.2 show the impact of each activity over 30 years. Avoided deforestation constitutes the largest share on the mitigated tCO₂e, followed by improved agronomic practices. The adoption of improved land and integrated nutrient management practices will contribute to soil C sequestration so that the net project effect will be the creation of a C sink, with positive effects in terms of mitigation. Livestock constitutes the largest share in the total tCO₂e emitted as a result of project implementation.

Table 5.2. Results Per Activity; all GHG in tCO₂e

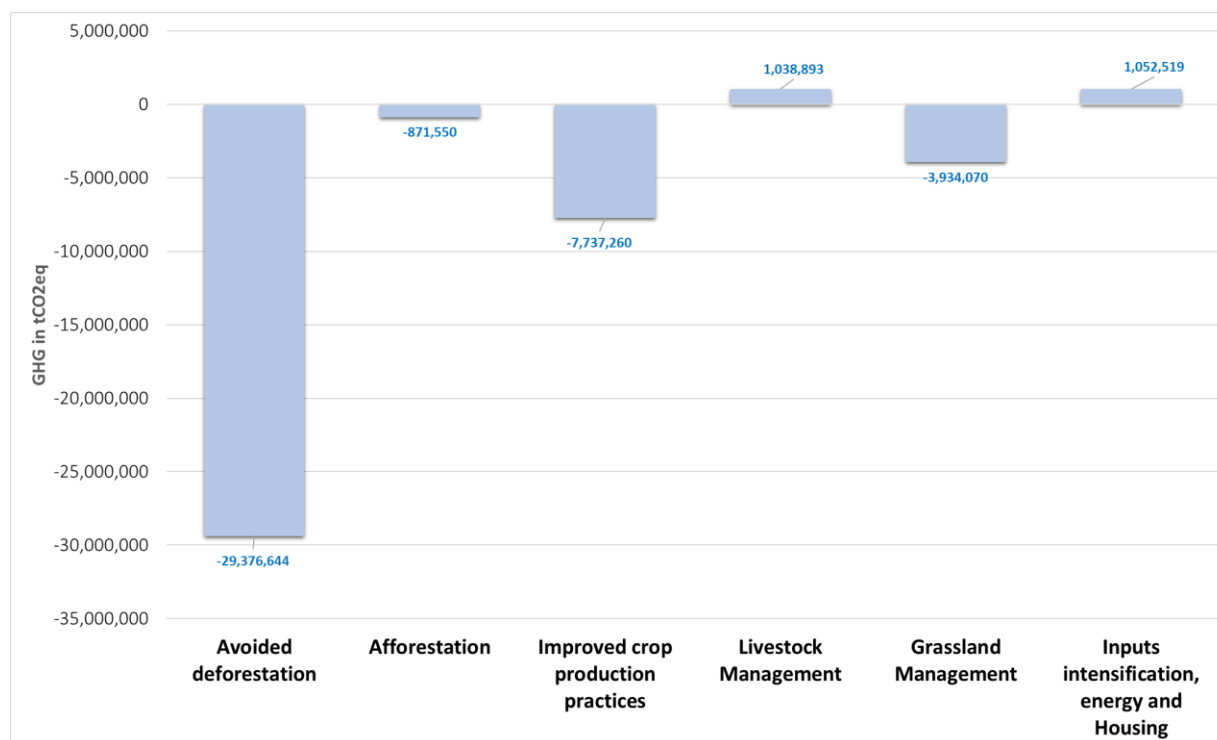
Activities	Gross Fluxes (30 years)		Net Carbon Balance	Result Per Year		
	GHG Emission of 'Without Project'	GHG Emission of 'With Project'		GHG Emission of 'Without Project'	GHG Emission of 'With Project'	Net Carbon Balance
Avoided Deforestation						
Total	587,532,875	558,156,231	-29,376,644	19,584,429	18,605,208	-979,221
Afforestation						
Total	0	-871,550	-871,550	0	-29,052	-29,052
Other LU Changes						
Total	0	87,918	87,918	0	2,931	2,931
Improved Crop Production Practices						
Total (Annual)	-406,900	-8,144,160	-7,737,260	-13,563	-271,472	-257,909
Total (Perennial)	0	-7,112	-7,112	0	-237	-237
Total (Rice)	34,778	523,384	488,607	1,159	17,446	16,287
Livestock and Grassland						
Total (Grassland)	2,008,545	-1,925,525	-3,934,070	66,952	-64,184	-131,136



Activities	Gross Fluxes (30 years)		Net Carbon Balance	Result Per Year		
	GHG Emission of 'Without Project'	GHG Emission of 'With Project'		GHG Emission of 'Without Project'	GHG Emission of 'With Project'	Net Carbon Balance
Total (Livestock)	558,308	1,597,201	1,038,893	18,610	53,240	34,630
Ponds Construction (Excavation)						
Total	0	53,875	53,875	0	1,796	1,796
Fishery and Aquaculture						
Total	1,549,633	979,437	-570,195	51,654	32,648	-19,007
Fishery	1,549,348	964,027	-585,321	51,645	32,134	-19,511
Aquaculture	285	15,411	15,126	10	514	504
Inputs Intensification and Investments						
Total	853,951	1,906,470	1,052,519	28,465	63,549	35,084
Urea	78,937	314,579	235,642	2,631	10,486	7,855
Other Chemical N	21,817	70,038	48,221	727	2,335	1,607
Manure (tons of N per year)	751,007	749,860	-1,147	25,034	24,995	-38
Pesticides	0	636,521	636,521	0	21,217	21,217
Energy consumption	2,190	10,327	8,137	73	344	271
Diesel	0	27,850	27,850	0	928	928
Gasoline	0	2,808	2,808	0	94	94
Housing (including <i>mercados</i>)	0	14,737	14,737	0	491	491
Road construction	0	79,750	79,750	0	2,658	2,658
Grand Total	592,131,190	552,356,169	-39,775,019	19,737,706	18,411,872	-1,325,834
Per hectare	17.4	16.2	-1.2			
Per hectare per year	0.6	0.5	0.0	0.6	0.5	0



Figure 5.1. Net Carbon Balance Per Project Activity



13. **Sensitivity analysis.** The sensitivity analysis assesses the impact of a change in adoption rates of improved crop management practices to 100 percent and 50 percent (from current 70 percent). Also, change in moisture regime due to climate change from moist to wet or dry is assessed. The results are shown in table 5.3 and demonstrate that the project remains a net carbon sink for most of the changes.

Table 5.3. Results of Sensitivity Analysis

	Results	
	Final Balance, tCO ₂ e	
Initial results	-39,775,019	Initial results
Improved crop management practices		
50%	-38,064,671	-4%
100%	-41,716,839	+3%
Change in moisture regime		
Dry moisture regime	-32,712,463	-17%
Wet moisture regime	-43,850,802	+10%
Change in deforestation rates		
From 5% to 2.5%	- 25,086,697	-37%



100% Adoption Rate

Scenarios and Data Used for EX-ACT Analysis

Table 5.3. Inputs to EX-ACT

	EX-ACT module Project activity	Initial Situation	Without Project	With Project
	Avoided Deforestation (ha)	34,000,000	32,665,000	32,731,750
POSITIVE (CARBON SINK)	Improved agronomic practices ^(a) - Maize (ha)	59,760	59,760	69,480
	Improved agronomic practices ^(a) - Sesame (ha)	27,480	27,480	27,180
	Improved agronomic practices ^(a) - Soybean Potatoes	27,480	27,480	35,580
	Improved agronomic practices ^(a) - Beans (ha)	54,540	54,540	54,120
	Improved agronomic practices ^(a) - Cassava (ha)	27,420	27,420	27,060
	Improved agronomic practices ^(a) - Onion (ha)	2,280	2,280	4,320
	Improved agronomic practices ^(a) - Potatoes (ha)	1,980	1,980	4,200
	Improved agronomic practices ^(a) - Rice (ha) 150 days of cultivation period, irrigated (continuously flooded) - Conventional (rainfed and deep water)	1,800	1,800	1,800
	Unproductive (owned by farmer) (ha)	25,410	25,410	7,410
	Total (ha)	228,150	228,150	228,150
	Afforestation (PACEs) (ha)	0	0	3000
	Livestock Chicken Producer (head number)	132,660	132,660	1,326,600
	Livestock Goat Producer (head number)	26,130	26,130	130,650
	Livestock Bovine Producer (head number)	4,824	4,824	16,080
	Increased Productivity through breeding (%)	0	0	100
	Improved livestock management (feeding practices % of heads)	0	0	50
	Production (tons of production per year) Chicken (100% of production - meat) Goat (50% of production - meat) Bovine (25% of production - meat)	506	506	3124
NEGATIVE (CARBON SOURCE)	Excavation for pond construction (ha)	0	0	285
	Annual production aquaculture	12	12	735
	Annual quantity of feed (Tilapia) - tons per year	16	16	956
	Total catch per year (fishery)	55,895	55,895	58,935
	Quantity of ice for catch conservation (tons) - assumed 2.8 tons per ton of catch (Ashore only) ice on boats not accounted	0	0	165,018
	Electricity used to produce the ice (kW)	0	0	60
	Application of Urea (Tons/year)	294	294	1309
	Application of fertilizers - Other Chemical N (tons/year)	75	75	340
	Application of fertilizers - Compost (tons N/year)	5,342	5,342	5,323
	Application of pesticides (tons/year)	0	0	1,432
	Electricity consumption (MWh/year)	97	97	491
	Houses and offices construction	0	0	33,800
	Fuel consumption - Diesel (m ³ /year)	52	52	386
	Fuel consumption - Gasoline (m ³ /year)	10	10	35



	Road rehabilitation (m ²) - 50 km length and 5 m width	0	0	250,000
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Note: (a) Improved agronomic practices include: improved agronomic practices, improved nutrient management, no tillage/residue management, water management, and manure application.

Results - Net Carbon Balance

14. **The SREP project will have a positive impact in terms of climate mitigation.** Results show a scenario with project compared to without project result in a net carbon sink of -41,716,839 tCO₂e over a period of 30 years, resulting in a net balance of -1,390,561 tCO₂e per year.

Table 5.4. Results Per Activity; all GHG in tCO₂e

Activities	Gross Fluxes (30 years)		Net Carbon Balance	Result Per Year		
	GHG Emission of Without Project	GHG Emission of With Project		GHG Emission of 'Without Project'	GHG Emission of 'With Project'	Net Carbon Balance
Avoided Deforestation						
Total	587,532,875	558,156,231	-29,376,644	19,584,429	18,605,208	-979,221
Afforestation						
Total	0	-871,550	-871,550	0	-29,052	-29,052
Other LU Changes						
Total	0	87,918	87,918	0	2,931	2,931
Improved crop production practices						
Total (Annual)	-1,356,333	-11,616,206	-10,259,873	-45,211	-387,207	-341,996
Total (Perennial)	0	-7,112	-7,112	0	-237	-237
Total (Rice)	115,925	785,076	669,151	3,864	26,169	22,305
Livestock & Grassland						
Total (Grassland)	2,008,545	-1,925,525	-3,934,070	66,952	-64,184	-131,136
Total (Livestock)	558,308	2,261,776	1,703,468	18,610	75,393	56,782
Ponds Construction (Excavation)						
Total	0	58,475	58,475			
Fishery and Aquaculture						
Total	1,549,633	1,004,106	-545,527	51,654	33,470	-18,184
Fishery	1,549,348	988,086	-561,262	51,645	32,936	-18,709
Aquaculture	285	16,020	15,735	10	534	525
Inputs intensification and Investments						
Total	873,951	2,294,915	1,420,964	29,132	76,497	47,365
Urea	78,937	409,213	330,276	2,631	13,640	11,009
Other Chemical N	21,817	91,202	69,385	727	3,040	2,313
Manure (tons of N per year)	751,007	749,350	-1,657	25,034	24,978	-55
Pesticides	0	909,678	909,678	0	30,323	30,323



Activities	Gross Fluxes (30 years)		Net Carbon Balance	Result Per Year		
	GHG Emission of Without Project	GHG Emission of With Project		GHG Emission of 'Without Project'	GHG Emission of 'With Project'	Net Carbon Balance
Energy Consumption	2,190	10,327	8,137	73	344	271
Diesel	0	27,850	27,850	0	928	928
Gasoline	0	2,808	2,808	0	94	94
Housing (including mercados)	0	14,737	14,737	0	491	491
Road Construction	0	79,750	79,750	0	2,658	2,658
Grand Total	591,166,979	549,450,140	-41,716,839	19,705,566	18,315,005	-1,390,561
Per hectare	17.3	16.1	-1.2			
Per hectare per year	0.6	0.5	0.0	0.6	0.5	0

50% Adoption Rate

Scenarios and Data Used for EX-ACT Analysis

Table 5.5. Inputs to EX-ACT

	EX-ACT Module Project Activity	Initial Situation	Without Project	With Project
	Avoided Deforestation (ha)	34,000,000	32,665,000	32,731,750
POSITIVE (CARBON SINK)	Improved agronomic practices ^(a) - Maize (ha)	29,880	29,880	34,740
	Improved agronomic practices ^(a) - Sesame (ha)	13,740	13,740	13,590
	Improved agronomic practices ^(a) - Soybean Potatoes	13,740	13,740	16,290
	Improved agronomic practices ^(a) - Beans (ha)	27,270	27,270	27,060
	Improved agronomic practices ^(a) - Cassava (ha)	13,710	13,710	13,530
	Improved agronomic practices ^(a) - Onion (ha)	1,140	1,140	2,160
	Improved agronomic practices ^(a) - Potatoes (ha)	990	990	2,100
	Improved agronomic practices ^(a) - Rice (ha)			
	150 days of cultivation period, irrigated (continuously flooded) – Conventional (rainfed and deep water)	900	900	900
	Unproductive (owned by farmer) (ha)	12,705	12,705	3,705
	Total (ha)	114,075	114,075	114,075
	Afforestation (PACES) (ha)	0	0	350
	Livestock Chicken Producer (head number)	132,660	132,660	1,326,600
	Livestock Goat Producer (head number)	26,130	26,130	130,650
	Livestock Bovine Producer (head number)	4,824	4,824	16,080
	Increased Productivity through breeding (%)	0	0	100
	Improved livestock management (feeding practices % of heads)	0	0	50
	Production (Tons of production per year) Chicken (100% of production - meat)	506	506	1560



	EX-ACT Module Project Activity	Initial Situation	Without Project	With Project
	Goat (50% of production - meat) Bovine (25% of production - meat)			
NEGATIVE (CARBON SOURCE)	Excavation for Pond construction (ha)	0	0	185
	Annual production aquaculture	12	12	588
	Annual quantity of feed (Tilapia) - Tons per year	16	16	765
	Total catch per year (fishery)	55,895	55,895	56000
	Quantity of ice for catch conservation (tons) - assumed 2.8 tons per ton of catch (ashore only) ice on boats not accounted	0	0	156,800
	Electricity used to produce the ice (kW)	0	0	60
	Application of Urea (tons/year)	294	294	801
	Application of fertilizers - Other Chemical N (tons/year)	75	75	208
	Application of fertilizers - Compost (tons N/year)	5,342	5,342	5,332
	Application of pesticides (tons/year)	0	0	716
	Electricity consumption (MWh/year)	97	97	491
	Houses and offices construction	0	0	33,800
	Fuel consumption - Diesel (m ³ /year)	52	52	386
	Fuel consumption - Gasoline (m ³ /year)	10	10	35
	Road rehabilitation (m ²) - 50 km length and 5 m width	0	0	250,000

Note: (a) Improved agronomic practices include improved nutrient management, no tillage/residue management, water management, and manure application.

Results - Net Carbon Balance

15. **The SREP will have a positive impact in terms of climate mitigation.** Results show a scenario with project compared to without project result in a net carbon sink of –38,064,671 tCO₂e over a period of 30 years, resulting in a net balance of –1,268,822 tCO₂e per year.

Table 5.6. Results Per Activity; all GHG in tCO₂e

Activities	Gross Fluxes (30 years)		Net Carbon Balance	Result per year		
	GHG Emission of 'Without Project'	GHG Emission of 'With Project'		GHG Emission of 'Without Project'	GHG Emission of 'With Project'	Net Carbon Balance
Avoided Deforestation						
Total	587,532,875	558,156,231	-29,376,644	19,584,429	18,605,208	-979,221
Afforestation						
Total	0	-871,550	-871,550	0	-29,052	-29,052
Other LU Changes						
Total	0	87,918	87,918	0	2,931	2,931
Improved crop production practices						
Total (Annual)	-678,167	-5,808,103	-5,129,936	-22,606	-193,603	-170,998



Activities	Gross Fluxes (30 years)		Net Carbon Balance	Result per year		
	GHG Emission of 'Without Project'	GHG Emission of 'With Project'		GHG Emission of 'Without Project'	GHG Emission of 'With Project'	Net Carbon Balance
Total (Perennial)	0	-7,112	-7,112	0	-237	-237
Total (Rice)	57,963	392,538	334,576	1,932	13,085	11,153
Livestock & Grassland						
Total (Grassland)	2,008,545	-1,925,525	-3,934,070	66,952	-64,184	-131,136
Total (Livestock)	558,308	1,154,151	595,842	18,610	38,472	19,861
Ponds Construction (Excavation)						
Total	0	37,600	37,600	0	1,253	1,253
Fishery and Aquaculture						
Total	1,549,633	951,699	-597,934	51,654	31,723	-19,931
Fishery	1,549,348	938,878	-610,470			
Aquaculture	285	12,821	12,536			
Inputs intensification and Investments						
Total	853,951	1,650,590	796,639	28,465	55,020	26,555
Urea	78,937	254,148	175,211	2,631	8,472	5,840
Other Chemical N	21,817	56,008	34,191	727	1,867	1,140
Manure (tons of N per year)	751,007	750,123	-884	25,034	25,004	-29
Pesticides	0	454,839	454,839	0	15,161	15,161
Energy Consumption	2,190	10,327	8,137	73	344	271
Diesel	0	27,850	27,850	0	928	928
Gasoline	0	2,808	2,808	0	94	94
Housing (including mercados)	0	14,737	14,737	0	491	491
Road Construction	0	79,750	79,750	0	2,658	2,658
Grand Total	591,883,108	553,818,437	-38,064,671	19,729,437	18,460,615	-1,268,822
Per hectare	17.4	16.3	-1.1			
Per hectare per year	0.6	0.5	0.0	0.6	0.5	0

16. The project will contribute to -39,775,019 tCO₂e of total net emissions reductions over a period of 30 years (5 years of implementation and 25 years of capitalization) will be achieved.

Figure 5.2. Project Carbon Balance

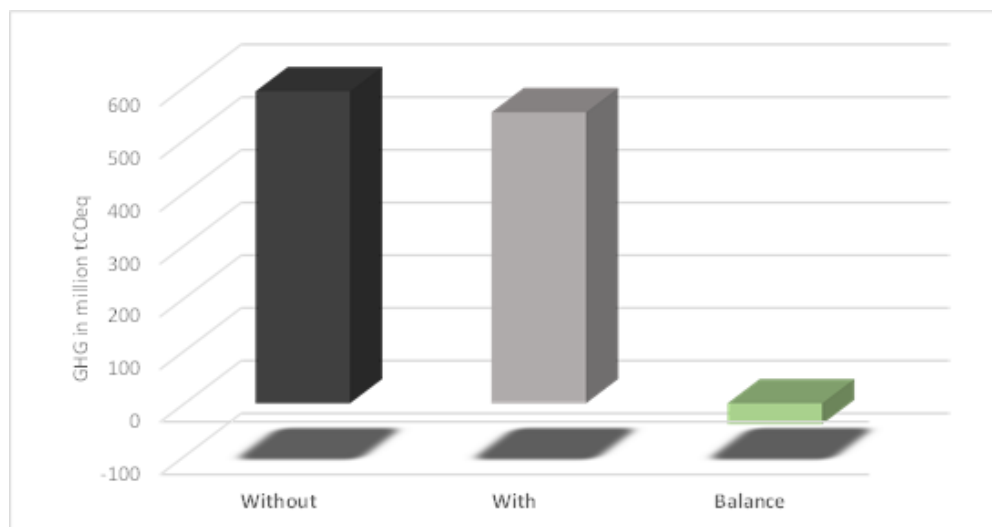
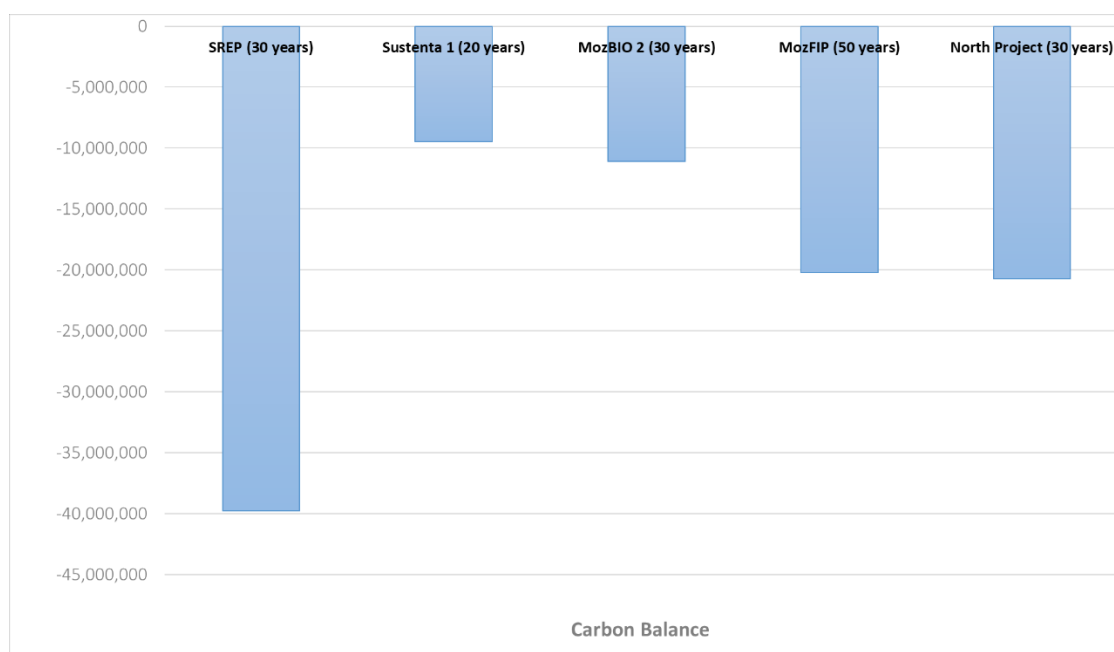


Figure 5.3. Carbon Balance of the ILM Portfolio in Mozambique



Conclusion

17. As expected, the most significant source of mitigation comes from avoided deforestation. Results presented here are conservative as some of the activities with mitigation potential were not accessed and most of the activities that indirectly contribute to the reduction of CO₂ footprint of the project cannot be included in the calculation.



ANNEX 5: Adjustments to the Country Program in Response to COVID-19 - Mozambique

COUNTRY: Mozambique Sustainable Rural Economy Program

(A) Impact of the COVID-19 Pandemic on the Country and Government Response

1. **The trajectory of COVID-19 in Mozambique.** Mozambique registered its first case on March 22, 2020. As of April 8, 2021, the number of people tested stands at 493,153, of which 68,506 (13.8 percent) have tested positive. The high increase in the rate of new positive tests, which reached above 30 percent over January 7 to April 8, 2021, has been a cause of grave concern. Over this three-month period, 48,505 people tested positive—a fivefold increase over the previous peak since the first case was diagnosed. This has been linked to the relaxation of the COVID-19 preventive measures over the festive season, when people disrespected the rules on social distancing, avoiding crowds, and wearing masks.

2. **All 10 provinces in Mozambique have seen cases with most cases centered around Maputo City (41.3 percent of the total) and major cities.** Although hospitalizations (3,218) and mortality (789) (as of April 8, 2021) remain low, the rates for both have recently been increasing. After an initial and relatively flat peak in September 2020, Mozambique is, as of February 2021, amid a second and much sharper peak with more than 1,100 cases being registered in one day (February 3, 2021).

3. **Transmission channels.** The Mozambican economy faces significant repercussions of the COVID-19 pandemic, eliminating hopes of a growth recovery following Tropical Cyclones Idai and Kenneth in 2019. Spillovers from the global economic downturn and restrictions to domestic movement affected economic activity most notably through the following transmission channels:

- **Trade.** Reduced global demand and lower commodity prices resulted in a decline in goods exports of 26 percent in the first ten months of 2020 (year-on-year). This mainly reflects (a) the concentration of Mozambique's export markets (together, the European Union (EU), South Africa, and India accounted for almost two-thirds of exports in 2019) and (b) the country's reliance on commodities (coal and aluminum account for 60 percent of overall exports). Coal exports are particularly vulnerable as steel producers across the world cut production due to lower demand and stock piling becomes unsustainable. Supply chains for Mozambique's imports are also expected to be affected, particularly as mobility restrictions remain in place in neighboring South Africa and other key import markets such as China.
- **Investments in the extractives industry.** Lower oil prices are affecting investments in the liquefied natural gas (LNG) industry. Two out of three LNG projects that were in development are proceeding, but the third, which was still at the pre-final investment decision stage has been postponed. Expected investments in the coal industry have also been delayed due to lower prices and global demand, and LNG project financing flows are set to narrow. Overall, the extractives industry is expected to have contracted by 12 percent in 2020, having already seen a negative growth of 1 percent in 2019.
- **Social distancing and travel restrictions.** Accounting together for almost a quarter of Mozambique's economic output, the hospitality, transport, retail, and real estate sectors have felt the brunt of lower domestic and external demand. Reduced movement, especially



in urban areas, and the drop in international travel is already evident in short-term private sector activity indicators such as Purchasing Manager's Index, which fell to a historic low in July 2020. Some improvement has been recorded in business sentiment during the last months of 2020 with the Purchasing Manager's Index recovering steadily, reflecting the partial relaxation of COVID-19 containment measures. Private services output contracted by 3 percent and 5 percent in the second and third quarters of 2020, respectively, owing to lockdown measures and supply disruptions.

4. **The impact of the pandemic has been broader than indicated by the growth outlook, which relies, to a large extent, on the contributions of LNG investments to the economy.** The expected poverty impact of COVID-19 is significant as jobs and income opportunities, especially for urban and peri-urban population and for women, decline. The impact on jobs has been significant. Preliminary results from a rapid phone survey among the urban population suggest that, by June 2020, roughly 24 percent of interviewed individuals working before the outbreak were no longer employed. Many cited the closure of business in response to the pandemic as the cause. Moreover, over 60 percent of interviewed households indicated that revenues from family-owned business have declined when compared to same period of 2019. However, by December 2020, there was a slight recovery in employment, reflecting the relaxation of confinement measures. The percentage of interviewed individuals reported working before the outbreak and who were no longer employed had declined to 11 percent.

5. **Reduced short-term growth prospects of Mozambique.** In 2020, Mozambique experienced its first economic contraction in nearly three decades as external demand fell, domestic lockdown measures disrupted supply chains and depressed domestic demand, and LNG investments were delayed. Real GDP declined by 1.3 percent in 2020 from 2.3 percent growth in 2019. Recovery is anticipated to be slower than expected. Growth is projected at 1.7 percent in 2021, down from the pre-COVID-19 estimate of 5 percent, given the slow rollout of the COVID-19 vaccine, rising virus cases and deaths, and tightened containment measures. Nevertheless, recovery is anticipated to begin in 2022 albeit from a low base, with growth expected to reach 4.2 percent in 2022. However, much depends on the path of the pandemic and the outlook is subject to significant downside risks. Downside risks include rising COVID-19 cases and escalation of insurgency in the north, which could pose additional challenges for the development of LNG facilities. Mozambique is also expected to experience large external and fiscal financing gaps in 2020 and 2021 in a context characterized by exposure to external shocks and limited fiscal space.

6. **Primary deficit widening.** The primary deficit is expected to widen to 4.9 percent of GDP in 2020, up from a pre-COVID-19 forecast of 1.1 percent, reflecting lower revenue collection and an increase in COVID-19-related spending in the second half of the year. Revenue collection declined as demand declined and COVID-19 tax relief measures for firms took effect. On the expenditure side, implementation of COVID-19 response measures, estimated at 2.2 percent of GDP, pushed the total spending to 33 percent of GDP, from 30 percent in 2019. Overall, the COVID-19 shock is expected to contribute to a fiscal gap of 3.6 percent and 2.5 percent of GDP in 2020 and 2021. The risks to this outlook are on the downside because a more prolonged crisis could add further fiscal pressures. This occurs in an already constrained fiscal context characterized by low revenue collection, high public debt burden, and growing wage bill, affording little fiscal space for Mozambique to confront these costs. To help close the fiscal gap, Mozambique is relying on the bilateral debt relief initiative, donor budget support, and drawdown of savings from past capital gains receipts. The GoM continued to protect priority social expenditures despite the significant budgetary pressures from the global pandemic.



7. **Falling back into poverty.** Given the depth of the COVID-19 crisis, Mozambique's already difficult poverty situation is expected to be aggravated further. The negative impacts on income are expected to be felt relatively more in urban and peri-urban areas where social distancing measures and business closures are having most effect. As such, the pandemic is expected to predominantly affect poor populations in these areas, affecting their sources of income from informal work and self-employment. Mozambique's urban poverty rate is estimated to increase from 29 percent to at least 31 percent in 2020, on account of employment and income losses and price increases and a deterioration of public services.

8. **Simulations of the potential short-term effects of the ongoing COVID-19 outbreak on employment and income hint at potentially high increases in poverty.** As of 2020 (pre-COVID-19), the projected poverty rate was estimated to be 43.8 percent of the population (50.7 percent in rural areas and 29 percent in urban centers) who were expected to be the hardest hit by the outbreak through a drop in income, price effects, and disruptions to service delivery. The negative impacts on income are expected to be felt relatively more in the urban economy where social distancing measures and business closures are most evident. Urban low-income households are particularly vulnerable because most earn their income through self-employment in the informal economy. A scenario that assumes a cumulative drop in consumption of 25 percent among households with at least one worker in the 'at-most-risk' sectors would increase urban poverty by 6.7 percentage points (from 29 percent to 35.7 percent), corresponding to nearly 700,000 extra poor in addition to the 3.2 million urban individuals who already are in a condition of poverty. In rural areas, the same scenario would push up the rural poverty rate from 50.7 percent to 52.9 percent (2.2 percentage points), equivalent to nearly 450,000 extra poor individuals.⁹⁰

9. **Exacerbating preexisting factors of fragility and widen inequalities and imbalances across the country.** The spatial distribution of poverty is skewed—with poverty almost twice as high in rural as in urban centers—and growing inequality between rural and urban areas. The Northern and Central regions continue to lag the Southern regions, with many more people being poor in Niassa (67 percent), Nampula (65 percent), and Zambezia (62 percent) than in Maputo Province (12 percent) and Maputo City (4 percent), the two areas that have seen the largest decline in poverty rates in the past decade. The pandemic could widen these divides, heighten socioeconomic grievances, and sharpen the inequalities and sense of marginalization that have helped underpin the escalating insurgency in the northern province of Cabo Delgado.

Impact on Human Capital (Health and Education)

10. The COVID-19 pandemic created major challenges. Nearly 15,000 schools, 178,00 teachers, and over 8.5 million students at all levels of education were affected by school closures since March 2020. This is projected to result in significant losses in enrollment and learning, including the loss of 0.7 years of schooling adjusted for learning, bringing down the effective years of basic education that students achieve during their lifetime to 3.7 years and 20 percent of the Mozambican children never returning to formal education. Exclusion and inequality will likely be exacerbated as already marginalized vulnerable groups—girls, the poor, and persons with disabilities—are more adversely affected by the school closures. Even with schools reopening in 2021 as currently planned by the Government, Mozambique will need support to attract learners (especially adolescent girls) back to school, ensure a safe and sanitary environment in all schools, come up with remediation measures to catch up with a loss of learning, and continue

⁹⁰ Source: World Bank staff estimates. Simulated poverty rates under different scenarios, 2020 (urban areas) (rural areas).



strengthening distance learning to offer a more flexible modality for students not returning to schools that can be scalable and implemented quickly in cases of emergency.

11. An important impact of COVID-19 on the health sector has been the high rate of infection among health staff. To date, 1,759 or 3 percent of the total workforce in the country has been affected with 32 percent of those infected being from Maputo City. The Government has restricted attendance to clinical care for aged doctors and nurses to reduce the risk of infection. Overall, this translates to reduced availability of staff to deliver care, particularly in areas most hit by the pandemic, putting additional burden on the health workforce, who are already overworked, due to the general scarcity of health professionals, and whose levels of anxiety and fear are significant and require adequate measures to ensure their mental health and well-being. Another important impact is reduction in the provision of other essential services, on account of resources being shifted to control the pandemic and manage cases, and on limited use of service by patients who fear being infected in health facilities. Between March and April 2020, the vaccination coverage may have reduced by 30 percent. Similarly, during the same period, a reduction in notification of TB cases was reported by the National TB Control Program. It is believed that patients with chronic conditions and those on anti-retroviral treatment may have not presented themselves for follow-up regularly due to fear of SARS-cov2 infection or misunderstanding of messages on social distancing and avoidance of crowded spaces.

Debt Service Suspension Initiative

12. **Mozambique's debt is assessed to remain in distress but sustainable in a forward-looking sense.**

This assessment is unchanged relative to the last Debt Service Agreement. External and total public debts are projected at around 103 and 120 percent of GDP in 2020, respectively. While the distress rating is due to the unresolved arrears to Brazil, debt is deemed sustainable in a forward-looking sense considering that, to a large extent, future borrowing and government guarantees reflect state participation in the sizable LNG developments. Participation in the Debt Service Suspension Initiative (DSSI) and its extension provided debt service relief in 2020 and the first half of 2021, thus flattening the projected sharp deterioration in debt liquidity indicators due to the COVID-19 pandemic. Participation in the DSSI between October and December 2020 was estimated to have provided a relief amounting to 0.6 percent of GDP (or 2 percent of fiscal revenue). Debt service levels remain substantially high. External and public debt service-to-revenue ratios were projected at 13 and 48 percent, respectively, by the end of 2020. The authorities' strong commitment to implement fiscal consolidation and a prudent borrowing strategy and the coming onstream of the LNG projects are expected to put public debt indicators on a downward trajectory over the medium term.

Financing Needs

13. To respond to the potential effect of the pandemic, the Mozambique Government elaborated a US\$700 million plan to be funded by development partners and composed of health (prevention and treatment - US\$100 million), budget support (US\$200 million), social protection (US\$240 million), and small businesses support (US\$160 million) measures. As of December 2020, donor disbursements to Mozambique for COVID-19 totaled US\$594.2 million (about 4 percent of GDP). Of this amount, US\$309 million was from the IMF, US\$40 million from the African Development Bank, US\$142 million from the World Bank, and the rest (US\$103.2 million) from other donors.



14. The financing needs in the social sectors are expected to be as follows: the first phase of the COVID-19 cash transfer scheme, costing US\$79 million, has been 50 percent disbursed as of January 27, 2020. The cost of Phase 2 cash transfers to finish payments to urban and peri-urban beneficiaries is approximately US\$140 million. Health financing needs, to cover gaps in the COVID-19 Preparedness and Response Plan and its forward-look adjustment in the context of the second peak, including the recently elaborated greater Maputo Response Plan, are estimated at US\$120 million.

15. An external financing gap of 6 percent of GDP is anticipated in 2020, which should be financed by donor budget support, DSSI, and savings from past capital gains receipts and reserve drawdowns.

Government Response

16. Since the global outbreak, the Government has taken important steps to prevent and respond to a COVID-19 outbreak in Mozambique, including a declaration of a state of emergency by the President first in April 1, 2020, that has been extended thrice up to September 6, 2020. As of September 7, 2020, Mozambique has been in a state of public health calamity (SPHC), with a red alert (which is used in cases where there is an elevated threat that could turn into a public disaster). The key features of the state of emergency and SPHC are described in the following paragraphs.

17. The GoM initiated its response program at an early stage of the global pandemic in recognition of the severe impact that the COVID-19 crisis could have on lives and livelihoods. The GoM's response to date has sought to save lives through measures to limit the spread of the virus among the population, through a public health response program to test and treat patients, and by ensuring continued access to water to promote sanitization. The authorities are also protecting livelihoods by widening access to social safety nets and providing support to firms and the banking sector.

18. Mozambique initiated a state of emergency and commenced implementing measures to limit the spread of the virus when the number of confirmed cases was still below 10. The authorities started taking steps to limit contagion in March 2020, declaring an emergency on April 1 and including measures such as a ban on all public gatherings, the closure of all schools and universities, passenger limits on public transport, and the requirement to wear masks in public places. Entertainment venues have been closed while shops, markets, and restaurants are required to comply with social distancing rules. Several borders with neighboring Eswatini and South Africa are closed, although the main trade route, Ressano Garcia, remains open for goods, supplies, and cargo. All international passenger flights, to and from Mozambique, were suspended in May 2020. As of September 15, 2020, Mozambique's air space has reopened on a reciprocal basis with six countries offering flights to the country (Portugal, Turkey, Qatar, Ethiopia, Kenya, and South Africa). Mozambique has also restarted the issuance of entry visas and has set up an online platform for requests, with the aim of facilitating processing. The increase in cases in South Africa, Malawi, and Zimbabwe in January 2021 are further affecting the subregion, with additional controls being put in place at the borders as of early January 21, 2021.

19. The health sector is implementing a COVID-19 response program that has quickly raised the testing capacity and is increasing access to medicines and equipment, while improving treatment capacity. The health authorities established multiple testing centers in the capital (where the first cases were detected) and is creating testing facilities in other parts of the country. Efforts are being made to trace and test contacts of confirmed cases to limit the spread of the virus. Treatment facilities have also been improved and a public communication campaign has been launched to provide health advice and regular



updates on testing levels/confirmed cases. To complement the health sector response, the authorities introduced measures to ensure continued access to water, irrespective of bill payment status, and reduced water cost for low income groups to promote good hygiene practices. The purchase of soap has been exempted from value added tax payment until the end of the year.

20. An expansion of social protection programs is under way to support the livelihoods of the most vulnerable among the population. This includes a significant expansion in urban areas where social distancing measures are having the largest impact on incomes. Overall, the number of beneficiaries is set to increase from 700,000 to 1,690,000 households. Innovations in the targeting program are being introduced to rapidly identify beneficiaries through spatial poverty mapping and expedite access to transfers by using mobile money transfers.

21. The Government's response also seeks to safeguard livelihoods by providing support to SMEs and ensure that the banking sector has sufficient liquidity to support the private sector. A set of fiscal measures are being implemented to support the private sector, especially small firms. Tax burden relief is being provided by postponing income and corporate tax payments due from small firms to 2021. A 10 percent reduction of the electricity tariff for commercial customers in the agriculture, hotel, and restaurant services provides additional cash flow relief to sectors that are particularly severely hit. A temporary suspension of commissions on mobile money transfers and increased transaction limits will also benefit small and informal firms, 70 percent of whom use mobile money. This package is supplemented by a credit line for micro firms currently under preparation by the authorities.

22. The Central Bank eased lending reference rates and facilitated access of importers to forex loans. It has also taken steps to increase liquidity by lowering reserve requirements for forex and local currency loans by providing a US\$500 million credit line to the banking sector. Furthermore, the Central Bank has relaxed prudential requirements for loan restructuring for firms affected by COVID-19, before they become due, by waiving additional provisioning requirements.

23. The Government's measures to support households and firms during the COVID-19 crisis (as of mid-June 2020) are described in the following paragraphs.

Health and Sanitation Measures

- Simplification of import procedures for medicines and medical equipment.
- Increased surveillance, testing, and case management capacity, including infection prevention and control measures in health facilities and laboratories.
- Initiation of protocol development for continuity of essential services.
- Public communication campaigns for prevention and test/detection updates.
- Continued supply of water to households irrespective of payment status, delayed payment of water bills, and exemption of payment for low consumption users.

Social Protection Measures

- Expansion of the number of beneficiaries of social protection programs from 700,000 to 1,690,000 households.



- Simplification of ID requirements for mobile money transfers to social protection beneficiaries.
- Establishment of a fuel price stabilization fund and allocation of savings to the COVID-19 response.
- Suspension of value added tax on soap, oil, and sugar until the end of 2020.
- Monitoring of market prices to curb opportunistic pricing.
- Reduction of 10 percent in electricity tariffs for businesses and 50 percent for low-income households during the state of emergency.

Measures to Support Firms

- Postponement of income and corporate tax payments for small firms (turnover less than MZN 2.5 million) until 2021.
- Reduction of 10 percent of electricity tariff for agricultural businesses, restaurants, and hotels.
- US\$160 million credit line for micro businesses (in preparation).
- Suspension of mobile money commission fees and increase in mobile money transaction limits for three months.

Measures to Support the Financial Sector

- Cut in the policy interest rate from 12.75 percent to 10.25 percent.
- Reduction of the reserve requirement for local currency from 13.0 percent to 11.5 percent and for foreign currency loans from 36.0 percent to 34.5 percent.
- US\$500 million forex credit line to commercial banks.
- Removal of specific provisioning requirements for forex lending to importers.
- Facilitating the restructuring of credits for COVID-19-affected firms, if needed, before payments become due.
- Temporary requirement to convert 30 percent of export proceeds to local currency.

(B) WBG Support for Responding to the Crisis

24. **This operation is part of an adjusted CPF program to help Mozambique manage and respond to the COVID-19 crisis.**⁹¹ The COVID-19 response is articulated as follows:

- **The health response under Pillar 1 (Saving Lives)** draws on US\$40 million mobilized through CERC activations and US\$4.5 million drawn from other health sector operations and US\$2 million from the new Pandemic Emergency Facility (PEF) funding to be disbursed through United Nations partners (United Nations Population Fund, World Food Programme [WFP], United Nations Children's Fund [UNICEF], and World Health Organization [WHO])(table 7.1). Additionally, a US\$100 million vaccine project, the Mozambique COVID-19 Strategic

⁹¹ Mozambique - Performance and Learning Review of the Country Partnership Strategy IDA/R2020-0117, April 3, 2020.



Preparedness and Response Project (P175884) (under preparation), will provide support for COVID-19 vaccines procurements and delivery.

- **Under Pillar 2 (Protecting Poor and Vulnerable People)**, the World Bank response includes US\$53.5 million to support Phase 1 of cash transfers to the poorest and most affected households, US\$3.6 million to support the water utility (FIPAG⁹²) to operationalize relief measures for the water sector, and US\$15 million to support water supply and sanitation improvements for safe return to schools.
- **Under Pillar 3 (Ensuring Sustainable Business Growth and Job Creation)**, US\$8.9 million under the Integrated Landscape Management Portfolio is supporting agribusiness, conservation areas, and smallholder farmers. The Power Efficiency and Reliability Improvement Project (P158249) is being restructured with savings achieved from the project to allocate US\$30.6 million for the Government's electricity support program to support most vulnerable customers and also ensure that hospitals and educational centers continue operating without further hurting revenues of the national electricity utility.
- **Under Pillar 4 (Strengthening Policies, Institutions and Investments for Rebuilding Better)**, the Mozambique Urban Development and Decentralization Project (P163989) and the Maputo Urban Transformation Project (P171449), which were approved in June and December 2020, respectively, are supporting municipalities in preparing and implementing their respective municipal action plans for COVID-19 response to enhance municipal capacity to identify, monitor, and track infections and expand municipal services to assist the most vulnerable populations. In Maputo, which is at the epicenter of the COVID-19 crisis, the Urban Transformation Project will focus on the rapid deployment of small-scale, low-cost, and scalable urban solutions to reduce COVID-19 community transmission in hotspot areas of the city. This will be combined with simple urban infrastructure investments that are labor intensive to help mitigate the economic impacts of COVID-19 in Maputo City, such as rehabilitation of open spaces, local roads, and alleys. Project resources diverted from ongoing projects to COVID-19 response will be replenished through additional financing operations that will be presented for Board approval in FY21.

Table 7.1. World Bank COVID-19 Support

Areas of Intervention	Cost (US\$, millions)
Pillar 1: Saving Lives	
Health (including the COVID-19 Strategic Preparedness and Response Project under preparation)	144.5
<i>of which from PEF</i>	2.0
Pillar 2: Protecting Poor and Vulnerable People	
Social protection	53.5
Water and sanitation	18.6
Education support	1.3
Pillar 3: Ensuring Sustainable Business Growth and Job Creation	
SME support	12.8

⁹² Water Supply Asset Holding and Investment Fund (*Fundo de Investimento e Património do Abastecimento de Água*).



Areas of Intervention	Cost (US\$, millions)
Electricity payment relief for social tariff and hospitals health and education public centers	20.0
Pillar 4: Strengthening Policies, Institutions and Investments for Rebuilding Better	
Policy reforms to mitigate impact and build resilience	100.0
Support to cities and municipalities	20.0
Total	366.8

(C) Selectivity, Complementarity, and Partnerships

25. The World Bank is coordinating closely with development partners on the overall COVID-19 response. The World Bank leads (along with WHO, UNICEF, USAID⁹³) the health COVID-19 core group overseeing the overall coordination from the partner side. The World Bank is also a member of the Social Protection COVID-19 Technical Assistance Group (along with Sweden, UNICEF, ILO,⁹⁴ WFP, and FCDO⁹⁵). Finally, the World Bank leads the Education COVID-19 Response Group (along with UNICEF and MEPT).

26. The World Bank's support is also closely coordinated with development partners with regard to budget support: the IMF, which approved an emergency support to Mozambique through a Rapid Credit Facility (RCF) operation on April 24, 2020. The RCF disbursement of US\$309 million helps bolster foreign exchange reserves and, together with the World Bank's funds, close the fiscal financing gap. The World Bank's budget support (Mozambique Covid-19 response - P174152) also reinforces the IMF's agreement with the Government on strict transparency and accountability measures regarding expenditures related to the COVID-19 response. The AfDB and EU are also preparing budget support operations. The AfDB's operation of US\$40 million intends to support actions and reforms related to the health response, businesses and employment with a focus on agriculture, and social protection.

27. Finally, cooperation and articulation of donor response is being carried through a high-level crisis response group comprising key donors (including AfDB, IMF, World Bank, Canada, the United Kingdom, Ireland, United States, EU, and the Netherlands) that meet on a monthly basis with top government officials (at the level of the Minister of Finance and other ministers or equivalent for sectoral issues) to take stock of development, highlight key priority issues for support by the donor community, and plan follow-up activities/coordination.

⁹³ USAID = United States Agency for International Development.

⁹⁴ ILO = International Labour Organization.

⁹⁵ FCDO = Foreign, Commonwealth and Development Office of the Government of the United Kingdom.