Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 01-Mar-2021 | Report No: PIDA30742

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Mozambique	P174002	Sustainable Rural Economy Program	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
AFRICA EAST	19-Mar-2021	08-Jun-2021	Agriculture and Food
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministry of Economy and Finance	National Sustainable Development Fund (FNDS), ProAzul Blue Economy Promotion Fund, Ministry of Agriculture and Rural Development	

Proposed 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

Increased productivity and market access
Enhancing natural resources management
Strengthening institutions and policies
Agriculture Emergency Response - CERC

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

DETAILS

World Bank Group Financing

International Development Association (IDA)	150.00
IDA Grant	150.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Mozambique is a low-income country of 29.6 million people located in Southeastern Africa.** Mozambique has a 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 48.4 percent in 2015, albeit lower than the 58.7 percent rate in 2009[1]. Most of the poor (84.9 percent) are in rural areas. The country's pace of GDP growth had a high average of 7.9 percent between 2001-2015 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 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.

2. **Furthermore, Mozambique has recently been classified as an FCV country under Medium-Intensity Conflict due to the security situation in several regions of the country**. A new peace accord was reached in August 2019, and has been violated several times by a Renamo breakaway military faction known as the Military Junta. Meanwhile, there is another so-called Islamic insurgency 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 successively the transport hub rural town of Mocimboa da Praia and the town of Quissinga. The number of internally displaced people stood at nearly 600,000 by December 2020, according to United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) and government estimates. The risk that violence can spread to other areas of the country should not be underestimated.

3. **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

[1] World Bank, 2017. *Poverty Assessment*.

households in the Northern and Central regions, where on average 2.1 more children are born per rural women (6.6) than urban women (4.5). Fast rural population growth jointly 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.

4. **Agriculture continues to represent the key economic activity in Mozambique and is essential to Mozambique's development**, and remains a sector with vast growth potential in virtue of the variety of agroecological zones and strategic geographical position 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 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[5]. Even though 45 percent of the country is suitable for agriculture, less than 16% percent is currently cultivated[6].

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.[2] 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.[3]

6. **Fisheries play a major role in supporting livelihoods in Mozambique.** At sea, the Exclusive Economic Zone (EEZ) covers 571,974 km2 along an extensive coastline of about 2,700 km, supporting significant fishery resources. Fishing grounds in Mozambique 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[4], with fish estimated for being responsible for 8 percent of total protein consumed at national level[5]. In 2018, artisanal fishing represented 89% of a total production of 397,262 tons.

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

[3] World Bank, 2019. Agrarian Sector Transformation: a Strategy for Expanding the Role of the Private Sector.

[4] National Statistics Institute, (INE), 2019.

[5] Nutrition Smart Agriculture in Mozambique (2020). Nutrition Smart Agriculture in Mozambique Washington, D.C.: World Bank

7. **The country is richly endowed with natural resources, but it hasn't been able to effectively translate these into sustained poverty reduction.** Mozambique has ample arable land, water, mineral and energy resources, including natural gas offshore. Mozambique's 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 linkages with broader areas of the economy. The country also faces challenges to the sustainability of its renewable natural resources – deforestation, 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[6].** Large areas of the country are exposed to tropical cyclones, droughts (every three to four years) and river/ coastal storm surge flooding. This vulnerability is heightened by the country's 2,470 km of coastline and socio-economic fragility. 60% of the population lives in low-lying coastal areas, where intense storms form from the Indian ocean and sea level rise put infrastructure, coastal agriculture, key ecosystems and fisheries at risk. As intensity of these storms increase, the impacts are starting to be felt also inland. Access to markets, already a challenge for many rural producers, is becoming increasingly difficult after disasters hit. As 70% of the population depend on climate-sensitive agricultural production for their food and livelihoods, increased frequency and intensity of storms, droughts and floods are likely to pose 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 is 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. 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.

9. **Mozambique has a network of conservation areas (CAs) that cover around 25 percent of the Mozambique's land surface**. It consists of ten national parks, seven national reserves, two environmental protection areas, 17 controlled hunting blocks (*coutadas*[16]), over 50 privately run game farms (*fazendas de bravio*), and two community conservation areas. These areas contribute greatly to provision of ecosystem services, estimated at over US$5 billion for 2009, half of the gross domestic product (GDP) for that year[7]. They are an important part of a strategy to enhance climate resilience and reduce impact of

Group.

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

[7] Niquice, S., Cabral, P. (2018). Assessment of changes in ecosystem service monetary values in Mozambique. Environmental Development, 25:12-22.

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 under-represented in local institutions and governance mechanisms and tend to have less decision-making power than men. Prevailing gender norms and discrimination also often lead to that women face an excessive work burden, and that 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 WB projects[8] in Mozambique implementing matching grant schemes (MGS) in the agriculture and fisheries sectors show that women benefit less from these schemes when compared to men[9]. 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, it would also help to reduce poverty and food insecurity in Mozambique.

11. **The Covid-19 outbreak reached Mozambique at a weak moment in its economic history as the country attempted to recover from two major shocks: the hidden debt crisis and the devastating effects of cyclones Idai and Kenneth in 2019.** In 2016, Mozambique's track record for high growth was disrupted when large previously undisclosed external borrowing, amounting to US$1.3 billion, came to light. The hidden debt crisis dented confidence in the country, increased debt levels, and more than halved the average rate of growth.[1] In 2019, Cyclones Idai and Kenneth caused massive damage to infrastructure and livelihoods[2], further lowering growth and wellbeing of the population. Covid-19 now presents a massive setback that could erase past gains.

12. **Covid-19 dims the short-term growth prospects of Mozambique.** Economic activity is declining as social distancing measures and travel restrictions disrupt supply chains and reduce demand for goods and services. At the same time, lower demand and prices of commodities are slowing the pace of investment in gas and coal, two key industries for Mozambique. As a result, the economy is expected to contract by 0.4 percent in 2020, down from a pre-Covid forecast of 4.3 percent, with significant downside risks. When the contribution of sizable Liquified Natural Gas (LNG) investments is excluded, the contraction in 2020 is estimated at 1.9 percent. Mozambique is also expected to experience large external and fiscal[3] financing gaps in 2020 and 2021 in a context characterized by exposure to external shocks and limited fiscal space. Nonetheless, a growth recovery is expected to begin in 2021, with growth reaching 4.4 percent by 2022, owing to a rebound in global demand and additional stimulus to the business environment from LNG projects.

13. **Moreover, a sizeable number of Mozambicans will fall back into poverty as a result of the pandemic.** Given the depth of the Covid-19 crisis, Mozambique's already difficult poverty situation is expected to be aggravated further. It is likely that livelihoods, food security and nutrition will worsen as

[8] Agriculture and Natural Resources Landscape Management (SUSTENTA) and South-west Indian Ocean Fisheries Governance and Shared Growth Project (SWIOFish).

[9] Within the context of the Agriculture and Natural Resources Landscape Management (Sustenta) project, only 14 percent of the commercial smallholder farmers (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% of the total budget. Data collected refer to the beginning of this projects up to November 2020.

incomes are affected by the slowdown in economy activity. 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, impacting their sources of income from informal work and self-employment. Mozambique's urban poverty rate is estimated to increase from 29 to at least 31 percent in 2020, pushing an additional 250,000-300,000 urban people into poverty on account of employment and income losses, price increases and a deterioration of public services.[4]

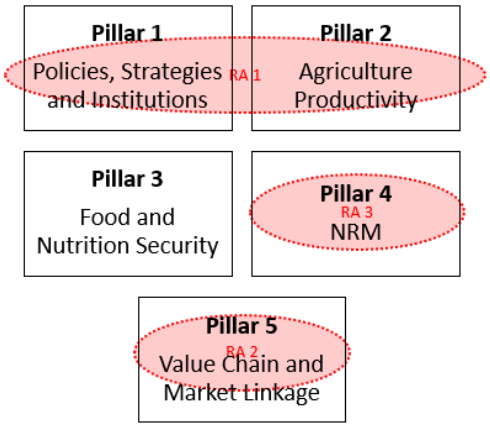
14. **The pandemic is also likely to exacerbate pre-existing factors of fragility and widen inequalities and imbalances across the country**. The spatial distribution of poverty is skewed – with poverty almost twice as high in rural as in urban centers - and growing inequality between rural and urban 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 to underpin the escalating insurgency in the northern province of Cabo Delgado.

Sectoral and Institutional Context

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

16. **With the aim of promoting integrated rural development, the Government is developing the Agrarian Sector Strategic Plan 2020-2030 (*PEDSA II, Plano Estratégico do Sector Agrário II 2020-2030*).** The main objective of the 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: i) to increase the sector's contribution to the national GDP, ii) substantially increase the productivity of key agricultural crops and improve their competitiveness, iii) increase rural household incomes, iv) create jobs in agriculture, agro-processing, forestry, fisheries, aquaculture, nature-based tourism, and wildlife economy, iv) reduce chronic malnutrition, v) increase private investment into the rural economy, vi) improve effectiveness of the management of natural resources on which the rural economy depends. To achieve this objective, PEDSA II is based on 5 strategic pillars. Figure 1 presents PEDSA II's 5 strategic pillars and the overlap with the Results Areas targeted by the proposed MPA (SREP).

Figure 1. PEDSA II and SREP Results Areas (RAs circles with dotted lines)



17. **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 preparation process so far has involved 11 different Government agencies across 8 different Ministries. The Ministry of Agriculture and Rural Development (MADER) is developing PEDSA II with the Ministries of Land and Environment (MTA), Sea, Inland Waters and Fisheries (MIMAIP), Industry and Commerce (MIC), Minerals and Energy (MIREME), Tourism and Culture (MTC), Public Works, Habitation and Water Resources (MOPHRH), and Economy and Finance (MEF)[10].

18. **PEDSA II is under preparation and is expected to be approved by June 2021**. As per the most recent draft shared with the World Bank, the Government Program is adopting an approach supported by a multiyear effort led by the World Bank for the Land Used Planning for Enhanced Resilience of Landscapes in Mozambique (LAUREL – P160760). This analysis identified the areas of the country where investments in agriculture productivity and market access could reap the most benefit in terms of poverty reduction, food security and economic development, and where no severe development constraints existed. The World Bank expects that PEDSA II include detailed investment programs (under a National Investment Plan, NAIP II) and that it 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 sectors.

Box 1 – Key lessons learned from the Mozambique's 2013-2107 NAIP I

In 2017, the GoM assessed its 2013-2017 National Agricultural Investment Plan I (NAIP I), conceived to operationalize the Strategic Plan for Agricultural Development (or PEDSA from its Portuguese acronym). Seven key lessons emerged from this assessment, as summarized below:

[10] Government agencies involved within these line ministries include: (i) National Sustainable Development Fund (FNDS); (ii) National Directorate for Commercial Agriculture (DNAC); (iii) National Directorate for Family Agricultura (DNDAF); (iv) National Forest Directorate (DINAF); (v) Protected Areas Administration (ANAC); (vi) Blue Economy Development Fund (PROAZUL); (vii) Institute of Cereals of Mozambique (ICM); (viii) Energy Fund (FUNAE); (iv) National Tourism Directorate (DNT); (x) National Planning and Budget Directorate (DNPO); and (xi) National Roads Administration (ANE).

1. Sound Design and Scenario Planning: The development of adequate and updated analytical work should be ensured to underpin the design and implementation strategy of the NAIP I, preferably using relevant sector planning tools (e.g., an agricultural sector-wide model, disaggregated by major type of farmer households) and consider different scenarios (high, medium, and low), to take into account uncertain funding availabilities. Also, consistency between proposed targets and actual funding should be ensured. This should be guided by a sound theory of change, and supporting results chain and results framework.

2. Consistent/coherent Targets, Actual Funding and Budgetary Cycle: Evidenced-based SMART[11] targets should be used. These should be consistent with likely funding availabilities specified in medium and annual budgetary allocations and work plans (at central government and provincial/district government levels). Relevant program targets and annual work plans of relevant entities (central and provincial levels) should be adjusted downwards to the extent funding does not materialize, while ensuring the application of sound prioritization criteria for determining the most appropriate composition of investments to be funded, as part of the annual budgetary cycle.

3. Sound Policy and Institutional Environment and Roles: Sound, updated and socialized sector policies/regulations (e.g., seeds, fertilizer, finance, farm-level services) and institutional roles should be in place from the outset of the program. This clarity upfront helps minimize overlaps, and misallocation of public funds for functions to be carried out by an expanded and inclusive private sector.

4. Expanded Inclusive Private Sector Role: New NAIP Is should be based on an explicit role and support for an expanded and inclusive private sector role (including women and youth) in input and output markets, especially to promote competitive value chain development. Private sector dialogue should be engaged in an early phase and on continuous basis, at various levels (national and provincial). This should include strengthening farmer organizations and effective models for enabling efficient and effective access to inputs, and outputs.

5. Foster Effective Institutional and Multi-stakeholder Coordination: From the outset of the program, strong sectoral coordination arrangements and mechanisms should be developed to serve as a multi-stakeholder consultation mechanism and should be conducted on a continuous basis. This multi-stakeholder coordination mechanism needs to have a clear mandate(s) and should be supported by a technical secretariat (or equivalent). This will help to ensure that the required systematic and technical follow-up is in place with a strong results orientation, is reinforced by appropriate mutual accountability mechanisms and "culture", supported by a solid M&E system.

6. Operational and Effective M&E System: An improved and operational Monitoring and Evaluation (M&E) system should be developed, from the outset of the program. It should: (a) be based on a sound results framework; (b) focus on the most strategic "core" indicators, covering a mix of relevant impact, outcome and output indicators; (c) supported by high quality annual reviews (e.g., Joint Sector Reviews); and (d) be utilized effectively by decision-makers, relevant coordination mechanisms and multi-stakeholder fora/platforms to help reinforce follow-up and mutual accountability.

7. Strengthened Institutional Capacities: Strengthened institutional capacities and sustainable and non-distortionary incentives (financial and non-financial) are needed to attract and retain qualified technical officers, at central and Provincial levels.

19. **Whereas the full implementation of the PEDSA II will deliver significant improvements in rural productivity, job creation, and sustainability, it faces key challenges**. Based on recent studies and analysis focused on the agrarian sector[12], PEDSA II identifies the following key issues and constraints to be tackled by the Sustainable Rural Economy Program (SREP):

[11] Specific, measurable, achievable, relevant and time-bound.
[12] Cultivating Opportunities for Faster Rural Income Growth and Poverty Reduction (World Bank, 2020); Republic of Mozambique

- Weak interinstitutional coordination mechanisms to align rural sector policy priorities, investments, synergies and complementarities;
- Key rural infrastructure gaps;
- Underdeveloped agricultural input markets;
- Poor organization and functioning of output markets and value addition;
- Poorly developed technological know-how for more climate resilient and sustainable agricultural and fisheries production;
- 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;
- Loss of key ecosystem services sustaining production from agriculture, fisheries and forestry, due to poor control and governance over the use of these resources.

20. **PEDSA II is accompanied by an investment plan (PNIA II), and the SREP contributes to bridge an important portion of its financing gap.** In its current form[13], PNIA II identifies a series of investment pillars that are fully aligned with the SREP. The overall SREP financing (US$500 million) covers approximately 20% of PEDSA II's financing plan, and the overall budgetary distribution across pillars and results areas are presented in the Table 1 below. An Agriculture Public Expenditure Review (AgPER) conducted by the Bank for the years 2013-2017 show that public budgetary allocation to the agriculture sector has been erratic and averages 6.4% of total budget, well below the 10% target set out by the country in the MAPUTO/MALABO commitment. Furthermore, the public budget has not been evenly allocated across the 8 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%), for both internal and external funds.

Table 1. SREP and PEDSA II expenditures 2021-2031

PEDSA II Strategic Pillars	MZN Billion	USD Million	
	PEDSA II		SREP (IDA%)
Pilar 1: Efficiency and Coherence of Policies, Strategies and Institutions	1.4	20	20 (100%)
Pillar 2 – Sustainable Increase of Agrarian Productivity	87	1,220	260 (21%)
Pilar 3 – Strengthening Food Security & Nutrition	1.4	20	-
Pillar 4 – Sustainable Use of Natural Resources	8.5	120	120 (100%)
Pillar 5 – Market Access and Competitive Value Chain Devpmt	71	1,000	150 (15%)
TOTAL	**171**	**2,400**	**500 (20%)**

Note: Exchange rate used: 1MZN = 0.014USD

21. **The Government of Mozambique has recognized the need to devote significant attention to Northern provinces, having established a dedicated agency with a specific development strategy under preparation**. The Northern Integrated Development Agency (ADIN) is a public institution established in

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).

[13] PNIA II is under preparation along with the PEDSA II. However, the Government did prepare an investment plan in 2020 (called PODERS) that was never approved, but which is serving as input to PNIA II.

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 concentrate on boosting economic development in Cabo Delgado, Niassa, and Nampula, based on four main pillars: (i) humanitarian assistance, (ii) economic development, (iii) community resilience, and (iv) communication. ADIN is currently leading the development of a more detailed engagement strategy for these three provinces, expected to be finalized by mid-2021. Alignment between PEDSA II and the Northern Resilience and Development Strategy will be critical to ensure coordinated investments in the three provinces.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

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

Key Results

Indicator	Baseline (Year 0)	End Target (Year 5)
a. Percentage minimum productivity increase among selected priority crops	0	5%
b. Percentage increase in AgriMSMEs revenue	0	30%
c. Number of target beneficiaries integrated into agricultural value chains. (disaggregated by women and youth)	0 (women: 0%, youth: 0%)	140,000 (women: 40%, youth: 30%)
d. Number of Fisheries operators benefiting from the Mais Peixe Matching Grants Scheme, broken down by i) Window 1 - (disaggregated by women and youth) ii) Window 2	i) 0 (0, 0) ii) 0	i) 2,500 (women: 40%, youth: 30%) ii) 10
e. Improved natural resource management effectiveness (METT) of selected conservation area	23	40
f. Provinces where the Forest Information System (FIS) is available	2	6

D. Project Description

Component 1. Increasing productivity and market access (US$ 106 million)

22. 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. The component is divided into two subcomponents, 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 (SA) 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 that 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.

23. In addition, the project will roll-out the Gender Action Learning System (GALS) methodology[14]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 socio-economic progression. Implementation of GALS within the World Bank-financed Mozambique Forest Investment Project (MOZFIP) has shown promising results of reducing gender inequality at the household and community level. Operational and conceptual synergies between GALS and other project components will be identified and detailed during project implementation.

1.1 Agriculture productivity and market access

24. *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 (SUSTENTA Nacional) 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[15], 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, climate smart livelihood diversification, restoration of priority ecosystems within agricultural areas, among others, aiming to 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. In addition, scholarships for women to enter and complete medium level agricultural extension technical training studies will be supported, so as 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 enhances services to small producers and to leverage

[14] GALS is a household planning methodology that enables households to start delineating concrete 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, gender-based violence (including information of clinical and psychosocial services available) and nutrition.

[15] The Climate Smart Agriculture Country Profile for Mozambique can be found here: https://climateknowledgeportal.worldbank.org/sites/default/files/2019-06/CSA-in-Mozambique.pdf; and the Nutrition Smart Agriculture Country Profile for Mozambique https://documents.worldbank.org/en/publication/documents-reports/documentdetail/392721597038541068/nutrition-smart-agriculture-in-mozambique. They highlighting some of the available technologies and practices at farm and post-harvest.

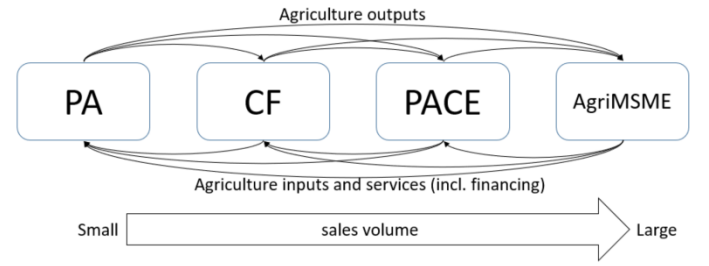
private sector investments into small emerging commercial farmers (PACE) by co-financing inputs, services, and materials for the adoption of the improved CSA and NSmartAg technologies and practices. Special efforts will be made to effectively target and ensure participation of female PACEs, including 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 nutrition smart agriculture technologies.Finally, this component will allocate resources towards financing a contingency mechanism to safeguard the counterpart contributions by small agriculture producers supported by the program in the case of sector emergencies. This contingency financing mechanism will leverage disaster risk finance capacity (including, but not limited to, risk transfer solutions) for the main agriculture risks faced by small agriculture producers in the selected areas and will be linked to the contingency component (Comp 4, CERC).

Box 2. The Small Emerging Commercial Farmer (PACE) model

The overwhelming majority of the population of Mozambique living in rural areas practices subsistence farming, estimated to contribute to about 82 percent of the rural economy. The SREP will continue the implementation of a farmer support model whereby small farmers (PAs) with less than seven hectares (has) of land who use traditional varieties and low level of inputs and technical assistance) are integrated into input and output markets through a PACE – an innovative farmer with some integration to the market.

PACEs have seven to 50 ha of land and are the entry point of technical and financial assistance to the small farmer community. The support to PACEs is provided based on business plans prepared by the PACE, which are approved after a robust screening process. Each PACE business plan brings together between 100 to 200 PAs (either directly or through contact farmers, CFs, who in turn work with PAs). The PACE model also includes direct supports to larger business plans for AgriMSMEs along the value chain for value addition, marketing, or both. AgriMSMEs can be linked to PACEs or directly to PAs depending the input/output trade and financing dynamics. PACEs have more assets and access to markets, but most are still not integrated into the formal financial market.

The approach for supporting PACEs include increasing their relations with formal financial institutions in order to allow them to exit from the dependency of public sector support. This exist strategy includes (among other activities) ensuring that the PACE's business plan and trade financing arrangements are undertaken through the banking sector (opening of bank accounts, recording purchase orders, and providing technical assistance for maintaining accounting records) in order to build a track record and credit risk history.



25. *Restoration of natural ecosystems and conservation areas*. In order 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 successful restoration initiatives supported by the Sustenta project, restoration plans supported by the project 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. Moreover, in areas where PACES are close to Conservation Areas, they will be required to sign Conservation Agreements[16].

26. *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 the agriculture and rural development sector, this would be focused on spot repairs of rural roads and bridges, ensuring all-weather connectivity between production and input/output market areas. Prioritization of investments is done based on a Climate Resilience Planning Tool (CRPT)[17]. Additionally, climate-resilient infrastructure standards will be integrated[18].

27. *AgriMSME support.* The project will support the scale-up of the Sustenta Matching Grants Scheme, implemented originally through the World Bank-financed Agriculture and Natural Resources Landscape Management Project (Sustenta). The Sustenta Matching Grants Scheme supports individual farmers and Micro, Small and Medium Enterprises in rural value chains. Matching grants will partly finance investments by AgriMSMEs with focus on longer term These assets will enable AgriMSMEs to strengthen the linkages with a significant number of smallholder farmers in their value chains and locations, enhancing their productivity and marketing capacity. As per the Sustenta Matching Grants Scheme, farmers financed would be required to promote the functional restoration 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. s. While prioritized value chains will be those indicated as strategic value chains for the family agriculture sector in MADER's Programa[19] (horticulture, maize, sesame, soy), the Program will remain open to capture opportunities in other value chains. Synergies with other relevant AgriMSME support programs in the country, including those funded

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

[17] The CRPT tool was developed, 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. The analysis assessed flood risks based on (a) flood likelihood maps under various climate change scenarios and (b) vulnerability functions for bridges, culverts, and road surface. 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.

[18] Road designs under the Project will follow climate-resilient design standards developed under a previous World Bank operation (Roads and Bridges Management and Maintenance Program Project, 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 ensures 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.

[19] Approved by the Council of Ministers in the first semester of 2020, Programa 2020-2024 guides MADER's investments in the agriculture sector.

through the World Bank such as the Economic Linkages for Diversification Project (EL4D; P171664)[20], will be sought during implementation.

1.2. Fisheries productivity and market access

28. *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 could also be improved to ensure better handling and processing. The project would support efforts to (i) strengthen the capacity of fishers to better handle and process fish and (ii) explore market, among other activities geared at value addition and market access. These objectives will be promoted in conjunction with the financing and infrastructure interventions.

29. *Access to finance in fisheries*. The project would support the scale-up of ProAzul's successful *Mais Peixe Sustentável* Matching Grants Scheme (*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 MT 1.2 million for 80% investment in assets defined in a limited list of options (equipment for product handling and conservation, and replacement of vessels and gear), subject to participation in management training sustainable use of natural resources and practices to reduce post-harvest loss, as well as signing a commitment to sustainable management of natural resources. Window 2 targets MSMEs that partner small-scale fishers and aquaculture operators, providing matching grant funding of up to MT 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, signing a commitment to sustainable management of natural resources. Window 1 under Mais Peixe has managed to obtain a reasonable number of women beneficiaries, and the Project will support ProAzul to continue such efforts and further increase the number of women beneficiaries. ProAzul will also strengthen women associations engaged in aquaculture, by providing them with tailored business development training.

30. *Marketing Infrastructure*. The project would support select infrastructure linked to the marketing of fishery products. This may include rural roads and bridges to ensure all-weather connectivity, as well as product handling and conservation infrastructure (e.g. small markets and fishing landing sites). Climate-resilient infrastructure standards will be considered.

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

2.1 Enhanced land, forests and conservation area management

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

31. This sub-component would be dedicated to (i) improving surveillance of forests and conservation areas through providing equipment and training to staff from the National Administration of Conservation Areas (ANAC) and the Environmental Control Quality Agency (AQUA), (ii) ensuring the roll-out of the new Forest Information System for more transparent and efficient forest management, and (iii) 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 Mozambique Forest Investment and the Mozambique Conservation Areas for Biodiversity and Development projects.

32. Forest sector patrolling and inspection, prevention and detection. This activity will improve patrolling, inspection, infractions prevention and detection in select forest areas through support to the national forest law enforcement institution (AQUA[21]). The project would 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, DINAF, ports, justice, and customs in Zimbabwe and Zambia, and Malawi, etc.); capacity strengthening of forest rangers at AQUA; equipment, staff, training and operational costs (utility costs, fuel, communications) for the establishment and consolidation of AQUA's provincial delegations in Tete and Zambezia respectively.

33. Strengthening Forest Governance. This activity will support the consolidation of the Forest Information System at the national scale and the testing of the Forest Management Unit in Zambezia. 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 FAO and is expected to be fully operational in mid-2021. The Project would finance the recruitment of IT expertise, as well as required acquisition of software licenses and equipment. The Forest Management Unit[22] 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, as well as the establishment of a monitoring system for the unit.

34. *Improving biodiversity conservation management and community involvement.* The Project will support biodiversity conservation management efforts, with focus in the Magoe National Park (MNP), the Tchuma Tchato Area (TT) 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 CAs – including its relationship with surrounding stakeholders, exploring options for Co-Management, infrastructure

[21] National Agency for Environmental Quality and Control.

22 The Forest Management Unit (UMF) is an area that includes a landscape whose forest area is 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: (i) sustainable wood production, NTFPs and environmental services, (ii) restoration and (iii) conservation of biodiversity and environmental services. In order to allow participatory and inclusive forest management to current and future operators, and local communities, four management options are proposed: (i) individual operation in technically viable and sustainable areas; (ii) partnership between commercial operation and research to reconcile production with the generation of knowledge; (iii) 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; (iv) community leadership.

establishment and maintenance, human-wildlife coexistence, natural resources control and patrolling, and promoting of environmental awareness and strengthening of community-based organizations (CBOs) in the local communities inside and around the CAs. The project will develop business plans for both Magoe and TT 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).

35. The project will finance: i) operational costs to strengthen MNP and TT management, including for wildlife census, monitoring and equipment; ii) wildlife and biodiversity protection including patrol costs and equipment; iii) infrastructure construction and maintenance, including staff housing, ranger posts, access roads, drifts, trails, and signage; iii) strengthening CBOs among local communities through a dedicated CBNRM model to strengthen community governance and empowerment in management of conservation and their benefits from it, aiming to support to 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 iv); develop and implement strategies to promote human-wildlife coexistence; vi) delivery of environmental awareness education campaigns in adjacent communities and schools; vii) elaboration of detailed land use plans (PDUTs – *Planos Distritais de Uso da Terra*) for districts adjacent to the CAs, including the management plans for the CCA; and viii) support 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.

Box 3 Mágoe National Park and Tchuma Tchato: key areas for biodiversity in Tete Province

The landscape comprising the Magoe National Park and the Tchuma Tchato area in Tete Province represent a rich ecosystem centered around the Zambeze river. This key natural feature and its landscape present significant opportunities for strengthening conservation through the development of the transfrontier conservation area (TFCA) shared between Mozambique, Zambia and Zimbabwe, where several important community-based managed and protected areas exist. Most locals depend on agriculture and fisheries for their livelihoods, with Cahora Bassa lake arguably representing the most important inland fishery spot in the country. This offers a unique opportunity for integrated development bringing together MTA, MIMAIP, and MADER, along with other Ministries. There are 3.736 people living within the Magoe National Park. They are restricted to some social investments, that are not compatible with the National Park's category

Created in 2013, the Magoe National Park lies in the southern shore of Zambeze river in Cahora Bassa dam. It supports various animals of large mammals including the endangered roan antelope (*Hippottragus equinus).* Apart of the protection of wildlife, the Park protects forest resources that are destroyed for agriculture, firewood, and charcoal, causing erosion on the steepest slopes of the Cahora Bassa Lake. The capacity for managing the biodiversity and supporting local communities in the Parks is limited, characterized by a significant gap in critical infrastructures, human resources and equipment. Although the natural potential is present, the area needs investments and marketing to unlock the park's tourism potential.

The Park is surrounded by the Tchuma Tchato Program area, one of Mozambique's key CBNRM pilot programs. It was created in 1995 through a site-specific Diploma that stipulated that 33% of the taxes collected by Government on wildlife utilization should go directly to local communities. Later in 2002, regulations determined that 20% of government revenues accruing from forest or wildlife countrywide were to be shared with local communities, but the government decided to maintain Tchuma Tchato as an exception. There are a number of private operators in the area who have made considerable investments under the program that determined the biodiversity

conservation, created jobs and generated income for the community. In 2019, the local communities received US$ 30,000 USD, a significant raise from the first transfer they received back in 1996 of US$ 11. Zumbo and Magoe Districts, where the Tchuma Tchato area is located, have together 77.000 people. The Government is preparing to establish community conservation areas within this Tchuma Tchato,aiming to further devolve resources, rights and responsibilities to the communities in the area. The CCA would empower the local communities for planning, zonation, management, and monitoring of the resources, expecting to reduce the illegal exploitation and resource degradation. In addition, the communities would benefit from capacity building, enabling them to partner with private operators, and allowing them to receive 100% of the accruing revenue.

2.2. Enhanced fisheries Monitoring, Control and Surveillance

36. 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[23]. 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 Community Fishing Councils (CCPs) and Government administration. The Project will support sustainable fisheries practices to address overfishing and impacts of climate change : (i) improvement in artisanal fisheries licensing and registration, including through more effective communication and community participation strategies and the scale-up an intelligent digital licensing and registration system enabling electronic payments for enhanced efficiency and transparency; and (ii) 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.

37. With support from the SWIOFish1-MZ project, the Government of Mozambique carried out strategic assessments of the country's Monitoring, Control and Surveillance (MCS) system during 2018-2020, highlighting several key weaknesses, including, among others: (i) limited institutional organization, including overlap in roles and weak information and monitoring and evaluation systems, (ii) inadequate operational funding and understaffing at decentralized levels; (iii) poorly enforced regulations, associated with limited knowledge and capacity of surveillance officers, who are also underequipped; (iv) and 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: (i) capacity building of MCS officers; (ii) make available substantial technical assistance to the surveillance system, though consultants and supporting cooperation with other countries; and (iii) supporting the acquisition of equipment.

[23] 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.

Component 3: Strengthening institutions and policies (US$ 18 million)

38. This 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: (i) agriculture risk management strategy and contingency plans for response in the agriculture sectors to shocks and crisis; (ii) agriculture input market development; (iii) private sector development in rural areas; and (iv) multi-year sector strategies/plans and programming. These will potentially include supporting the development of a national agriculture law, as well as to update the national environmental and fisheries policies. In addition to policy development and reform in key project-related areas within MADER, MIMAIP and MITA, it will support the effective functioning of the Agrarian Sector Coordination Committee *(Comité de Coordenação do Sector Agrário - CCSA)*[24]. This component will finance project preparation activities and technical assistance for institutional support for the design and implementation of Phase II and III through a Program for Results (P4R). Activities for this component will be implemented mainly at central level, while provincial, district and local levels are expected to be closely engaged in consultations and data collection. The support to policies and programs under this component will be used as 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 below 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.

39. Communications, citizen engagement, and stakeholder coordination activities during the project will also be financed by this component. These will include (i) 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; (ii) the coordination of stakeholder involvement in program activities; and (iii) 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 where applicable of sustainable models of post-project assessments involving citizens in targeted locations.

40. **This 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 (GEMS) and mobile/satellite data collection applications. A very precise well-budgeted M&E plan approved by the World Bank will be critical to leverage on these and other tools.

41. This component will also support the incremental costs associated with maintaining efficient Project Implementation Units at FNDS, Biofund, and ProAzul, charged with project coordination and

[24] The CCSA is an inter-ministerial and inter-agency body presided by MADER to coordinate rural development.

management, fiduciary and safeguards management, monitoring and evaluation (M&E), and communications. It will finance the preparation activities of the second phase of the MPA.

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

42. This component is a Contingent Emergency Response Component (CERC) that is part of a broader risk financing strategy to enable the swift response in the event of an eligible agriculture sector 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." Such emergencies may include climatic shocks (floods and droughts), plant and animal pests/disease outbreaks, economic disruptions due to human health pandemics (COVID-19), or social disruptions (potentially leading to displacement) that can result in loss of agricultural production. A risk matrix for the program was developed (see Annex 5) to identify the main potentially disruptive risks to the various program components, along with existing mechanisms, risk assessments, and areas for capacity building. The provisions of the IPF Policy, paragraphs 12-14, regarding "Projects in Situations of Urgent Need of Assistance or Capacity Constraints" apply to this component. A specific manual for this component has been developed and is part of the overall Operations Manual. Disbursements towards vulnerable farmers will be done following the principles set out in the Operations Manual.

Legal Operational Policies

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

Summary of Assessment of Environmental and Social Risks and Impacts

43. 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 construction phase are associated with occupational health and safety concerns, including physical (solar radiation and heat), biological (venomous wildlife and and poison plants), and flammable chemical (fuels, oils, lubricants, paints, 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 (e.g., HIV, COVID-19); vegetation clearing and habitat loss, etc. Operation phase impacts of markets, warehouses, fishing landing sites, houses for staff, ranger posts, etc., include generation and discharge of wastewater and generation and disposal of domestic solid waste.

44. 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, overharvesting, etc. Component 2 may also unintendedly have negative impacts on rare, restricted, endemic and/or endangered species as result of the opening and maintaining access roads and walking trails, constructing drifts within Magoe National Park and the Tchuma Tchato Community Conservation Area. The development and implementation of unproven strategies to promote human-wildlife coexistence can pose indirect negative risks and impacts 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 TA (e.g., development of a national agriculture law, update the national environmental and fisheries policies). 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: (i) potential ESS5 risks and impacts (as described in ESS5 section below); (ii) moderate GBV/SEA risks, mostly associated with minor small-scale works and refurbishment activities linked to Component 1 and 2, and possibly, indirect risks when improved economic opportunities for women in agriculture sector, as a result of the project activities, may exacerbate existing GBV risks due to shifting of traditional gender roles; (iii) challenges in ensuring genuine stakeholder engagement and participation of vulnerable and disadvantaged groups in decision-making processes of the project; and (iv) 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, e.g., COVID-19 that could arise from people gathering for capacity building workshops and trainings, as well as implementation of works financed under the project. 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 WB?s 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 SEA/SH during construction of small infrastructure in rural areas is an issue, 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.

E. Implementation

Institutional and Implementation Arrangements

Institutional and Implementation Arrangements at the Central Level

45. **MADER will be responsible for SREP's overall coordination and implementation**. MADER is tasked with promoting sustainable rural development, which includes proposing policies and strategies for integrated and sustainable rural development, inter-sectorial 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.

46. **The project will be implemented by the National Sustainable Development Fund (FNDS), the Blue Economy Development Fund (ProAzul) and BIOFUND[23]**, under oversight of MADER, MTA and MIMAIP. FNDS will be responsible for coordination, and all three entities will be responsible for operational management with fiduciary and safeguards responsibilities. More specifically, 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. 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, and activities' progress monitoring and reporting. As for fiduciary matters, FNDS, ProAzul and BioFund will be responsible for management in conformity with the standards and requirements contained in the legal agreement and agreed upon with the WB. Technical oversight will be provided by MADER's, MIMAIP's and MTA's Directorates. The roles and responsibilities of FNDS, ProAzul and BioFund and ministerial directorates will be established in the Project Implementation Manual (PIM) that will be prepared jointly by FNDS, ProAzul and BioFund.

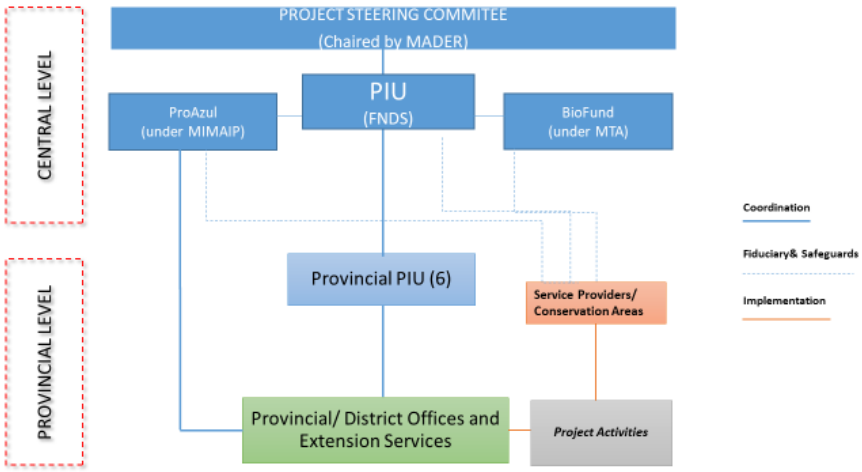
47. **A dedicated Project Implementation Unit (PIU) will be established at FNDS.** The PIU will be led by a project coordinator, and will include a procurement specialist, financial management specialist, safeguards team (including gender and gender-based violence specialist), communication specialist and 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 central, provincial and district levels, and will oversee the implementation of agriculture activities. The coordinator will ensure coordination with BioFund and ProAzul, who will carry out 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 MIMAIP respectively. The PIM will describe the roles and responsibilities of PIU coordinator, PIU staff, and fiduciary and safeguard coordination between FNDS, ProAzul and BioFund.

48. **A Project Steering Committee (PSC)** will be responsible for i) providing overall policy guidance and decision making on all issues related to the project, ii) facilitate coordination among relevant sectors and agencies, iii) reviewing and approving annual work and expenditure plans submitted by PIU coordinator, iv) ensure project alignment with other Government Programs and provide strategic direction. The PSC will be chaired by the Minister of Agriculture and Rural Development. The technical secretariat will be at FNDS and ProAzul will be co-secretary. The PSC will be composed of representatives of 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 Steering Committee will meet twice a year and have extraordinary sessions whenever necessary.

49. **At the provincial level, the program will be coordinated through FNDS provincial offices,** in close coordination with the Provincial Directorates of Agriculture and Fisheries (DPAP). 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 will coordinate the implementation of activities at the district level with the District Services for Economic Activities (Serviço Distrital de Actividades Economicas, SDAE) and the

District Service for Infrastructure and Planning (Serviço Distrital de Planeamento e Infraestructura, 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 4: Institutional Arrangements



Program Implementation Manual

50. **A Program Implementation Manual (PIM) has been jointly prepared by the FNDS and ProAzul, and submitted by the FNDS to, and receive no objection by, the Bank prior to Project effectiveness**. The PIM will cover the following areas: general purpose of the PIM, project history, objectives and components, implementation timeline, 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. The PIM will also include chapters on the Matching Grants Schemes to be implemented by the FNDS and ProAzul, and will have annexes that will guide implementation of activities in specific areas of intervention as needed, in particular a manual for the CERC component.

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