Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 22-Jun-2020 | Report No: PIDC227419

BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Parent Project ID (if any)	Program Name
Mozambique	P174002		Sustainable Rural Economy Program
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Does this operation have an IPF component?**
AFRICA	04-Nov-2020	15-Dec-2020	Yes
Financing Instrument	**Borrower(s)**	**Implementing Agency**	**Practice Area (Lead)**
Program-for-Results Financing	Ministry of Economy and Finance	National Sustainable Development Fund (FNDS), ProAzul Blue Economy Promotion Fund, Ministry of Agriculture and Rural Development	Agriculture and Food

Proposed Program Development Objective(s)

To increase sustainable productivity and value added by smallholders, fishermen/ women, and agriMSMEs while preserving key ecosystem services in selected regions.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	450.00
Total Operation Cost	450.00
Total Program Cost	420.00
IPF Component	30.00
Total Financing	450.00
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	250.00

World Bank Lending	250.00
Total Government Contribution	200.00

Concept Review Decision
The review did authorize the preparation to continue

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. 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. **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 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.

3. **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 about 4.0 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 englobing 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]. 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. 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. Rather than maximizing profit, the production choices of most smallholders is focused on food security, yet many households in the bottom 40 percent of

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

income produce below subsistence level.

4. **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 2,700 km 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.

5. **Mozambique has a network of conservation areas (CAs) that cover around 23 percent of the Mozambique's land surface**. It consists of seven national parks, 10 national reserves, one environmental protection area, 17 controlled hunting blocks (*coutadas*[16]), over 50 privately run game farms (*fazendas de bravio*), and two community reserves. 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[17]. They are also an important driver of Mozambique's tourism potential, and rural income diversification strategy.

6. **Current and future impacts of climate change pose a threat to the nation's economic development and livelihoods.** Mozambique is ranked the third most vulnerable country to climate change in Africa. Extreme weather-related shocks pose a significant risk to growth and poverty reduction. In 2019, two devastating cyclones hit the country, destroying physical infrastructure, economic activities and taking a toll on human lives. Around 1.7 million people were affected by the cyclone Idai in Sofala, Manica and Zambezia, while cyclone Kenneth affected around 250,000 people in Cabo Delgado. Both events destroyed and damaged houses, businesses, and core infrastructure with losses amounting to about US$ 3 billion.

7. **The evolving COVID-19 crisis in 2020 already has a significant impact on the economy**. Mozambique – as the rest of the world – is now facing another emergency with the coronavirus outbreak. Immediate impacts include, among others, cancelation of tourism bookings, closing of restaurants, shortages in the supply of food items for informal markets with the closing of borders, and a number of disruptions in export-oriented sectors like agribusiness, fisheries, and coal with lower demand and declining commodity prices.

8. **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.

Sectoral (or multi-sectoral) and Institutional Context of the Program

9. **With the aim of promoting integrated rural development, the Government is developing the ambitious Program for Sustainable Transformation of the Rural Economy 2020-2024 (*PODERS, Programa Operativo para Dinamização da Economia Rural Sustentável* 2020-2024).** The main objective of the PODERS 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. Key objectives until 2024 include, i) to increase the sector's contribution to the national GDP by 9.7 - 13.7 percent, ii) double the productivity of key agricultural crops and improve their competitiveness, iii) increase rural household income by 30%, iv) create 3.5 M jobs in agriculture, agro-processing, forestry, fisheries, aquaculture, nature-based tourism, and wildlife economy, iv) reduce cronic malnutrition from 43% to 35%, v) leverage private investment into the rural economy by 30%, vi) improve effectiveness of the management of natural resources the rural economy depends on.

10. **PODERS 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. It directly involves 11 different Government agencies across 8 different Ministries. The Ministry of Agriculture and Rural Development (MADER) is developing the PODERS with the Ministries of Land and Environment (MITA), 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). The Government agencies directly involved in the development of PODERS are presented in the table 1 below.

Table 1 – Government agencies directly involved in the development of the PODERS

Ministry	**Agencies**
Ministry of Agriculture and Rural Development (MADER)	National Sustainable Development Fund (FNDS)
	National Directorate for Commercial Agriculture (DNAC)
	National Directorate for Family Agricultura (DNDAF)
Ministry of Land and Environment (MITA)	National Forest Directorate (DINAF)
	Protected Areas Administration (ANAC)
Ministry of Sea, Inland Waters and Fisheries (MIMAIP)	Blue Economy Development Fund (PROAZUL)
Ministry of Industry and Commerce (MIC)	Institute of Cereals of Mozambique (ICM)
Ministry of Energy and Minerals (MIREME)	Energy Fund (FUNAE)
Ministry of Tourism and Culture (MTC)	National Tourism Directorate (DNT)
Ministry of Economy and Finance (MEF)	National Planning and Budget Directorate (DNPO)
Ministry of Public Works, Habitation and Water Resources (MOPHRH)	National Roads Administration (ANE)

11. **The Government's PODERS program is structured around 5 strategic pillars**:

i. **Strengthening the effectiveness of policies, strategies and institutions.** PODERS recognizes that policies, strategies and institutions are the foundation for sustainable rural economy development. Moreover, it highlights the need for improved cross-sectoral coordination through multi-stakeholder and cross-sectoral coordination mechanisms, with emphasis on operationalizing the Agrarian Sector Coordination Committee (CCSA)[2]. Key initiatives identified within pillar 1 include, among others: elaboration of an agriculture law; elaboration of the national forest law; development of a new rural extension policy, development of the national marine spatial plan; and the development of national policy for biofuels.

ii. **Increasing Sustainable Agricultural Productivity.** PODERS recognizes that enhancing the productivity of agriculture and fisheries in a sustainable way would significantly contribute to improving rural livelihoods in

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

Mozambique while preserving the country's rich natural resource endowment. Priorities identified in PODERS within this pillar include, among others: (i) expanding agrarian research, with focus on developing sustainable, climate resilient technological packages adapted to agroecological zones and producer profiles; ii) providing assistance to family farming, with focus on crop diversification and capacity building targeted the entrepreneurial youth through an incubation approach; (iii) promoting aquaculture as an emerging industry, with the view of increasing the consumption of fish protein; (iv) reducing post-harvest loss in fisheries and increasing value addition.

iii. **Strengthening Food and Nutrition Security.** While food and nutrition security are emphasized in several parts of the PODERS draft, this pillar is yet to be fleshed out. Priorities already identified include establishing an information system geared at monitoring food and nutrition security and developing strategic interventions in nutrition education at national and sub-national levels.

iv. **Improving the Management and Sustainable Use of Natural Resources.** Pillar 4 integrates initiatives aimed at improving the governance of natural resources in forests, conservation and fisheries, in addition to on-the-ground interventions aimed at ensuring landscapes continue to provide ecosystem services required for productive activities. Priorities identified include, among others: the implementation of the national reforestation and mangrove strategies; improving forests and fisheries monitoring, control and surveillance (MCS); increasing area under formal protection status through expanding the protected area network; strengthening Conservation Area Management effectiveness; promoting nature-based tourism as a community development strategy in high potential areas.

v. **Developing Competitive Value Chains (VC) and Market Linkages.** Pillar 5 targets enablers of value chain development beyond productivity, including infrastructure, financing and other interventions aimed at increasing private sector investment and exports. Priorities identified include, among others: (i) developing priority rural infrastructure, including feeder roads, rural electrification and information and communication technologies; (ii) expanding subsidized credit lines and risk-sharing facilities to promote private sector investment in agriculture and fisheries; iii) improving access to markets and market linkages; and (iv) developing a national trade policy and strategy.

12. **The PODERS is expected to be approved by the CCSA in September 2020**. As per the most recent draft shared with the World Bank, the Government Program is still missing key sections such as institutional coordination and monitoring, costing and expenditure analysis, and risk identification and mitigation strategies. Furthermore, pillar content needs to be further developed. The Government plans on presenting a first version of the plan to the CCSA in July, with the aim of receiving and incorporating feedback towards the approval of final version in August. The fact that PODERS is in draft form presents an opportunity for the World Bank to influence further design.

13. **Whereas the full implementation of the ambitious PODERS 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[3], the PODERS identifies the following key issues and constraints for full implementation of the program, to be tackled by the Sustainable Rural Economy Program (SREP) PforR operation:

- Weak interinstitutional coordination mechanisms to align rural sector policy priorities, investments, synergies and

[3] 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: Asssessment and Emerging Strategies and Priorities (MADER, 2020); Mozambique National Agricultural Investmetn Plan (PNISA): Assessment (MASA, 2019).

complementarities;

- Key infrastructure gaps – in storage, icing, landing sites, electricity, irrigation and ICT, truncating rural markets, and inhibiting farmers and fishers from making informed productive investments, benefiting from higher farm gate prices, reducing post-harvest losses, reaching larger markets and participating in value chains;
- Underdeveloped agricultural input markets – resulting in traditional methods of crops production with virtually no use of modern inputs or mechanization and consequently low productivity;
- Poor organization and functioning of output markets and value addition, underpinning weak incentives for productive investments, diversification, dispersion of prices and outputs, and reliance on imports;
- Poorly developed technological know-how for more climate resilient and sustainable agricultural and fisheries production, reducing post-harvest losses, and allowing access to new markets and possibility of new public-private partnerships increasingly demanding certification standards;
- 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;
- The need to provide improved services and technical advisory to farmers across the country;
- Low levels of public and private investments into the rural economy;
- Loss of key ecosystem services sustaining production from agriculture, fisheries and forestry, due to poor control and governance over the use of these resources

Relationship to CAS/CPF

14. **The proposed PforR is closely aligned with Mozambique's 2017–2021 CPF (Report number: 104733-MZ)**, which 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 PforR 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 project contributes mainly to Objective 11 on *Improving Management of Climate Risk and Natural Resources*. The proposed PforR will support investments in climate-resilient measures at the local level, including in climate-smart agriculture and natural resources management practices of forests and fisheries. Investments will target both key production landscapes and biodiversity areas, such as within and around Conservation Areas (CAs) that serve as effective natural buffers to climate change. The PforR will also support the consolidation and development of governance (e.g. Agrarian Sector Coordination Committee) and information systems (e.g. Forest Management Information System; Integrated Fisheries Information System) that are expected to lead improved decision-making on natural resources and climate risks.

Rationale for Bank Engagement and Choice of Financing Instrument

15. **The World Bank brings significant value added to the PODERS activities, based on a wealth of experience and expertise developed through support to Mozambique's rural economy development and natural resources**

management efforts, which particularly 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, among others, have gained significant traction, finding its way into policy and legislation that oriented public investments. These were supported by several Investment Project Financing (IPF) operations led by the Agriculture and Environment, Natural Resources Management and the Blue Economy Global Practices, which established a solid base for more ambitious results-based programs (see table[4] below).

Table 2 – World Bank IPF 2015-2020 in agriculture and environment (US$ Millions)

Operation	Approval Date	Envelope (US$ M)	Global Pratice
MOZBIO I (P131965)	Nov 2014	46	ENB
SWIOFish1-Mozambique (P132123)	Feb 2015	37	ENB
Landscape Project (P149620)	Jun 2016	100	Ag; ENB
MOZFIP (P160033)	Mar 2017	47	ENB
IRRIGA (P164431)	Jun 2018	55	Ag
MOZBIO II (P166802)	Sep 18	45	ENB
Zambezia ER Payment (P164524)	Dec 18	50	ENB
	TOTAL	**380**	

16. **This IDA Investment Project Financing support has helped improve rural productive capacity** through support to 250 Small Emerging Commercial Farmers (SECF)[5], inclusion of 40,250 smallholders into agricultural value chains and 15,000 people into conservation compatible value chains in and around conservation areas (CA), 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 improving rural productivity were coupled with, and supported by the improved management of natural resources, including a efforts that led to reducing deforestation by 63% in 2018 in the Zambezia province compared to the period of 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 have created a basis of practices and experiences that now require scale up to generate transformation impact.

17. **The PforR instrument provides an important opportunity to complement these IPF investments with performance -based support to strengthen the GoM's systems for sustainable rural economy development. I**n so doing, the proposed PforR will allow for scale-up of rural interventions with proven impact, and address one of the key short-coming identified in the PODERS, namely 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, MITA and MIMAIP, and between them and the Ministry of Economy and Finance (MEF). It will also allow to strengthen country systems for

[4] The table only includes IDA financed operations and their respective IDA envelopes.
[5] 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

improved and more efficient delivery of investments in the rural economy, thus improving sustainability of these investments. Finally, the PforR also provides important leverage for key policy reforms for the sustainable development of the rural economy.

18. **This PforR will be complemented by an IPF component focusing on technical assistance (TA) and capacity building needed to achieve the desired outcomes.** This would be the fourth PforR in Mozambique[6], but the first in rural economy sectors. Due to the novelty it presents, and the number of Ministries directly engaged, there is the need for targeted TA and capacity building of government institutions involved in the implementation of the Program.

C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

Program Development Objective(s)

19. To increase climate resilient productivity and value added by smallholders, fishers, and agriMSMEs while preserving key ecosystem services in selected regions.

PDO Level Results Indicators

20. The key anticipated PDO-level results indicators for the PforR operation are:

- Yields increase of selected crops
- Number of partnerships between agri-fisheries MSMEs (including farmer associations/coops) and smallholder producers
- Sales volume (US$) of marketable agriculture and fish products
- Number of forestry and fisheries licenses formally approved

D. Program Description

PforR Program Boundary

21. **The proposed Sustainable Rural Economy PforR Program, or SREP (the "Program") will support Mozambique's PODERS (the "program").** It will focus on the Government's ambition and need to increase significantly public investments in the agrarian sector, while leveraging additional sources of funding to support this ambition. It will therefore focus on promoting the productivity and intensification of agriculture through climate resilient and sustainable practices that reduce the impact of agriculture on natural forests and ecosystems, while enhancing ecosystem services (soil, water, forests) that rural production depend on, and diversifying the rural economy to new sustainable productive activities (forestry, fisheries, nature based tourism) that reduce the dependence and associated land-use change from agriculture in rural areas of Mozambique.

22. **To this end, the SREP boundaries are defined in terms of Program duration and time frame and the Program**

[6] The other P4Rs in Mozambique include: (i) Public Financial Management for Results Program (P124615; closed), (ii) Primary Health Care Strengthening Program (P163541; ongoing); and Mozambique Disaster Risk Management and Resilience Program (P166437; ongoing).

results areas and activities supported. In terms of timeframe, the Program will support the same phase (5 years) as the overall government program (PODERS). It will help to strengthen the government systems, institutions and processes for more effective delivery of investments into the rural economy, as well as critical policy reforms. In terms of results areas and activities, the SREP will support three strategic results areas: (i) Promoting the sustainable productivity of the agrarian sector, (ii) Developing sustainable and competitive agrarian value chains, and (iii) Preserving the provision of key ecosystem services and production landscapes. Proposed DLI are still indicative and will be adjusted, in close coordination with the GoM and based on final PODERS and its M&E system.

23. **SREP's main group of beneficiaries in the agriculture sector will be the smallholders targeted by the *Sustenta Extensionista* plan.** *Sustenta Extensionista* is draft plan aimed at bringing a significant additional number of extension agents temporarily into the extension network, later supporting them to become PACES. In the first phase of *Sustenta Extensionista*, FNDS would bring an additional 2,000 extension agents into the public network, expecting to cover about 150,000 smallholders (i.e. 75 smallholders per extension agent). These extension agents would be allocated model plots in select productive areas. They would be intensely trained to implement developed technological packages and support adjacent smallholders. After graduating, these extension agents would be supported to become PACEs through Matching Grants on the condition that their busines plans continue to include smallholders, leaving the public extension network[7]. The plan is reportedly under implementation, with part of the required plots already identified and recruitment processes under way. However, there are still key details to be determined. The World Bank will engage with the GoM during the preparation of the PforR to strengthen the *Sustenta Extensionista* plan.

24. **Farmer and fisher typology and target group.** In regard to the agriculture real, the program will refer to the farmer typology adopted under SUSTENTA, with smallholders farmers grouped into three categories depending on their level of productivity and market orientation. Hence, farmers are grouped and differentiated between farmers engaged in subsistence agriculture ("subsistence") from those who can produce a surplus and market it ("commercial"), and those in between these two categories, namely those who are transitioning from subsistence farming to commercial agriculture ("emerging"). The criteria to cluster farmers in these groups include: 1) total farmed area, 2) whether a household hired full time labor, and 3) the share of production (in value) marketed. Most smallholders are classified as subsistence farmers (61.6 percent), followed by emerging farmers (38 percent). Only a small fraction (0.4 percent) of smallholder farmers have strong market orientation. During preparation the team will attempt to assess the impact DLIs will have on the different types.

25. The fisheries sector in Mozambique may be divided into four sub-sectors: artisanal[8], semi-industrial[9], industrial[10], and aquaculture. About 850,000 households rely on subsistence fisheries for food security and source of income as part of a livelihood strategy. While aquaculture is still in very early stages of development[11], its development is a priority for the GoM as reflected in the Aquaculture Development Strategy and Action Plan (2020-2029) expected to be approved in the coming months. While PODERS targets all sub-sectors at national level, investments by SREP will mainly target the artisanal, semi-industrial and aquaculture sub-sectors within Nampula, Sofala and Zambezia provinces, which encompass

[7] Based on the experience of the Agriculture and Natural Resources Landscape Management Project, this average ratio of 75 smallholders to 1 PACE is considered feasible, while the number of smallholders supported by PACE may vary significantly depending on variables, including surrounding density, access conditions, business plan structure (e.g. focus on service delivery vs focus on output aggregation), and the PACE's profile.
[8] This subsector includes (i) fishers without a vessel; (ii) fishers with vessels of up to 13 m LOA, and propulsion capacity inferior to 140 HP or 105 KW.
[9] This subsector is dominated by national capitals. Vessels length (LOA) are between 10 and 20 meters and target species are shallow water shrimp (trawlers) and demersal (hand line).
[10] This subsector is dominated by joint venture companies, employing advanced fishing technology, with boats over 20 meters in length (LOA) and on-board processing systems. Target species are shallow water shrimp, deep water crustaceans, tuna and tuna-like species. The production is almost entirely destined to the export market. However, part of the by-catch is supplying local markets.
[11] In 2018, the global aquaculture production was about 3,245 tons, about 1 percent of total fisheries production.

the Sofala Bank, the most productive area for marine fisheries in Mozambique. According to the 2012 census, these three provinces comprised about 173 thousand fishers (out of which about 100 thousand working in vessels, and 73,000 without vessels), distributed across 513 fishing centers[12]. However, these numbers are considered significantly underestimated[13]. Interventions will privilege increasing aquaculture production, enhancing output value of marine fisheries without promoting increased fishing effort, and strengthening fisheries monitoring, control and surveillance. During preparation the team will further engage with the Government in strengthening approaches targeting these sub-sectors included in the PODERS.

26. **SREP is expected to contribute significantly to COVID-19 recovery.** The rural economy is already suffering significant economic impacts from the COVID-19 pandemic. For instance, there has been a major drop in tourism revenue, forcing tourism operators around CAs to lay-off workers[14], while disruption in global supply chains, weaker demand and plummeting of international prices of cash crops have meant significant reduction in expected income to smallholders. The World Bank has supported the GoM with the development of emergency response mechanisms and investments, chiefly through matching grant windows enabling rural MSMEs to have the cashflow to sustain jobs and demand. While the pandemic is expected to transition from emergency response to recovery and resilience by SREP's approval, such mechanisms are expected to continue play an important role, while adjustments will be made[15] and complementary mechanisms will be implemented[16].

27. Subsequent paragraphs discuss the SREP and its relation to the POERS across the following 3 results areas: (i) Promote sustainable productivity of the agrarian sector; (ii) development of competitive and sustainable value chains; and (iii) preserving the provision of key ecosystem services and production landscapes.

28. **Results Area 1 – Promote sustainable productivity of the agrarian sector (Indicative envelope - US$100 million IDA, US$X million counterpart funding):** This results area, ***aligned mainly with PODERS strategic pillars 2, and also 1, 3 and 5***, encompasses support to delivering a broader range of services to rural and coastal communities, including (i) promotion of improved input markets to support increased crop yield, (ii) an increased outreach of advisory services on field, coupled with an improved knowledge and capacity of extension agents – with focus on sustainable practices, innovative extension tools (including ICT), and (iii) improved rural infrastructure to boost productivity and reduce post-harvest loss and targeting of vulnerable groups. The agrarian sector support will also entail attention to innovative green solutions to infrastructure. It will be ensured that all productive activities are backed by the necessary associated infrastructure, one that is sustainable and built not only to bear the impacts of sudden climatic shocks, but also provides access to greener innovative solutions to connectivity and services.

[12] These numbers do not account for other professionals in fisheries-related value chains. The 2012 Census identified about 41 thousand people directly engaged in fish processing and trading, naval carpentry, naval mechanics and gear manufacturing (e.g. production of artisanal fishing nets) in Nampula, Zambezia and Sofala.

[13] Other indicators such as total catch reflect rapid growth of artisanal fishers in recent years, providing indication of a significant increase in the number of artisanal fishers. The SWIOFish1 project is supporting frame surveys in these three provinces, with results being expected to be released by end of July. These surveys are expected to provide a more accurate picture of the artisanal fisheries segment, and will be considered during preparation.

[14] The most significant impact on nature-based tourism is occurring in and around the Maputo Special Reserve (MSR) and Ponta De Ouro Partial Marine Reserve, and the Bazaruto archipelago (BNP). An assessment at the end of March showed that of eight lodges on the Bazaruto islands and mainland, a total of 309 workers were let go. The Government estimates a loss of 22,000 tourism jobs by end of May 2020.

[15] For instance, as the emergency passes, windows are expected to prioritize building assets and collateral, rather than cashflow relief. This is expected also enable better leveraging of private financing institutions in supporting economic recovery.

[16] For instance, while the Government has suspended cash-for-work programs in favor of non-conditional cash transfers, the former is expected to resume when social distancing requirements are relaxed. Through facilitation of World Bank staff, MIMAIP and the National Institute of Social Action (INAS) have had preliminary discussions regarding leveraging social protection schemes to deliver mangrove restoration in priority areas, which would support fisheries productivity, as well as climate mitigation and resilience, while protecting the most vulnerable livelihoods.

DLI 1 – Increases in average yields for selected crops p.ha

29. This DLI is proposed to measure yield increase in targeted 'cash' and 'food' crops, considering key staples that are important for food security (e.g. maize, cassava, etc.), and crops that have high potential for value addition (e.g. cashew, sesame, soy, etc.). It is important to note that the circa 3.2 million smallholder farmers[17] active in Mozambique continue to mainly practice their agricultural activities under rain-fed agriculture, with little uptake of improved technologies and low access to land with irrigation infrastructure. This DLI will therefore seek to support GoM Interventions that focus on providing the toolkit to unlock this potential, achieving the aspired yield increases across an array of crops.

30. This will be achieved by enhancing agricultural input markets by: *(i)* improving the availability and access to improved seeds (e.g. by enabling the environment to crowd in private sector led seed production: market incentives, technical training, access to credit, etc.); *(ii)* improving availability and access to high-quality inputs (e.g. simplifying licensing of producers for fertilizer imports, attracting investments in local agro-dealers, investing in rural infrastructure, etc.); *(iii)* encouraging the adoption and sustainable use of inputs by smallholder farmers (e.g. designing smart and targeted electronic voucher programs, increasing the use of ICT for spatially targeted knowledge dissemination, etc.). Pursuing this objective, the provision of a set of financial services and credit will be critical for the achievement of these objectives. The GoM's program will therefore focus on strengthening the financing support to enterprises, agri-fisheries MSMEs and producer groups through a set of tools ranging from credit lines to matching grants, ensuring the required foundation for activities to occur. These should allow the targeted stakeholders to operate fluidly, delivering on the activities that translate into on-field yield increase, and further into sectoral growth and competitiveness, together with a more structured integration of rural producers along the various value and supply chains.

DLI 2 – Number of farmers and fishermen/ women adopting innovative technologies in accordance with national extension policy

31. Under this DLI, the GoM will seek to respond to the longstanding issue of providing improved advisory services and technical assistance to farmers and fishers across the country, including the coastal areas. Under the PODERS, the Government foresees the significant increase of extension services across the country, in order to reduce the extensionist-farmer ratio, and improve technology introduction and knowledge transfer and dissemination in an integrated and coordinated manner. This activity foresees a twofold approach that includes both (i) physical staffing and contracting of new agents, and (ii) a strengthening of the capacity and knowledge of all extensionist to transfer knowledge of innovative agriculture and fisheries technologies sensitive to agro-ecological potential, climate smart practices, adjustment of crop rotations and cropping patterns in favor of more profitable and climate resilient crops, nutrition-sensitive agriculture, farmers' needs and market prospects.

32. The extension services will focus on assistance to all the sectors envisioned in the PODERS, with improved extension delivery being foreseen both inland (agriculture, aquaculture, forestry, etc.) and along the vast coastal area (2,300 km) of the country where rural communities engage in both agricultural and small-scale fisheries. This entails ensuring capacity (both human and infrastructure) be guaranteed at: *(a)* Provincial level - through the DP-MADER and relevant Provincial line ministries' offices; and *(b)* District level – supporting the work of the District Services for Economic Activities (SDAEs) and District Services for Planning & Infrastructure (SDPIs). It furthermore implies an improved generation of extension training, focused on local or global innovation, climate vulnerability and market demands. It is therefore proposed that disbursements against this DLI will relate to the adoption of innovative practices by farmers and fishermen.

[17] FAO, 2020.

DLI 3 – Reducing post-harvest losses in agriculture and fisheries

33. Post-harvest loss in agriculture and fisheries is high in Mozambique, estimated to be over 30 percent[18]. Reducing these losses is of high importance to raise income, improve food security and support rural livelihoods. Efforts to improve utilization and value addition would increase harvest and fishing efforts and avoid the need for agricultural expansion and collapse of coastal fishery stocks. Post-harvest losses are driven by inadequate practices in harvesting, handling and processing, limited storage capacity, lack of energy for cooling, and lack of feeder roads, and adequate infrastructure on landing sites (for fisheries). The activity focuses on i) strengthen data collection to more robustly capture post-harvest loss in targeted areas and more robust progress monitoring, ii) training farmers and fishers in improved handling and processing techniques, and iii) supporting key infrastructure for all subsectors, ranging from the construction of key storage and processing facilities, rural and feeder roads, and small-scale renewable energy solutions for agriculture including forestry and fisheries. Considering the climatic impacts Mozambique has suffered over the past decade, this means climate proofing all key infrastructure for possible future climate disasters and planned in a way that reduces impact on sensitive ecosystems.

34. **Results Areas 2 – Development of competitive and sustainable value chains (Indicative envelope US$60 million IDA, US$X million counterpart funding):** This results area, **mainly supporting PODERS strategic pillar 5**, aims to address the constraints that currently prevent Value Chains (VC) from further developing and expanding. In addition to the needs for improved technical capacity and skills among farmers and adoption of new technologies (also supported through results area 1, DLI 2), this includes to strengthen important VC functions such as financial services, smallholder integration, and strengthened market linkages. The development of business model and plans will be at the core of this activity. The VCs that will be targeted include those to ensure food security in rural areas, and those with export potential, including poultry, rice, maize, soya, cashew nuts, soya, horticulture, planted timber, artisanal fisheries, aquaculture and non-timber forest products.

DLI 4 – Sustainable investment plans implemented for Agriculture-Fisheries MSMEs and Community/Producer Organizations

35. Under this DLI, the GoM will scale up the approach promoted under its SUSTENTA program, currently covering 10 districts to country-wide coverage. This activity will include (i) targeted training to Small Emerging Commercial Farmers (SECF), MSME agribusinesses and community/ producer associations with linkages to smallholder farmers on good agronomic practices, business and marketing skills adopting a “training of trainer” (ToT) approach, (ii) support to develop business plans allowing them to access necessary funds to grow in relation to their competitiveness and their capacity to integrate farmers, fishermen and producers along targeted value chains, and (iii) the expansion of the FNDS SUSTENTA and ProAzul *Mais Peixe Sustentavel* Matching Grant Schemes for longer term asset acquisition, such as equipment, storage units, micro-irrigation, etc.. The key objective will be to grow the network of SECF and MSME that are functioning, to provide services, inputs and financing to smallholder farmers, both in coastal areas and along the several major rivers (Limpopo, Save, Púngoè, Zambezi and Rovuma) and the two most important freshwater bodies (the lakes of Cahora Bassa and Niassa). A specific effort will be made to support the private sector and market actors comply with sustainability criteria that key export markets and agri-businesses sourcing from Mozambique require. In addition to support through extension service for sustainable practices, this includes support to branding/ certification of sustainable supply chains, participation in trade fares, international conferences, and other efforts to promote export, branding and positioning of Mozambican export crops.

36. **Results Area 3 – Preserving the provision of key ecosystem services and production landscapes (Indicative envelope US$90 million IDA, US$X million counterpart funding).** High value ecosystems are key to support the

[18] Plano de Produção Agrícola 2020-24 (MADER, 2020).

functioning of production landscapes. Ensuring strong governance of forestry, fisheries and biodiversity resources will avoid depletion of these resources that are crucial to ensure continued productivity of rural economic activities such as agriculture, forestry, fisheries and tourism. This results area, **linked to PODER strategic pillar 4,** will support i) strengthening the governance, including forest and fisheries patrolling, licensing, and monitoring, and ii) conservation area management.

DLI 5– Number of forest licenses in target areas processed through the Forest Information System

37. Despite improvements in recent years, the natural forest sector in Mozambique still suffers from substantial governance challenges, among which the lack of transparency. The lack of a functioning Forest Information System (FIS) has been a critical bottleneck: the existing information system based on paper records is slow, segmented into provinces, easily subjected to forgeries, and missing strategic and fundamental variables. As a result, decisions are based on unreliable data. With support from FAO, an upgraded system is currently being developed, with the licensing module already piloted in Zambezia province with promising results. The nation-wide role out of the FIS us planned for 2020-21. A DLI is therefore proposed to incentivize the roll-out of this system, focused on its use to licensing forest concessions in the area of coverage of the Program, with important information made publicly available online.

DLI 6 – Rate of artisanal fishermen/women licensed in target provinces

38. 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 very low[19]. 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. Furthermore, 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. MIMAIP has recently developed a new digital licensing system that it plans to roll-out throughout the country, expected to increase transparency and make underreporting more difficult, as well as facilitate license payments and revenue management by integrating the possibility of carrying out electronic payments. The Program would incentivize improved licensing efforts, including supporting more effective communication and mobilization strategies, as well as the roll out of the new intelligent licensing system. It will also support expenditures related to the improvement of the MCS system, such as training of fishing inspectors and acquisition of equipment.

DLI 7 – Increased protected area management effectiveness (METT) in target conservation areas

39. Mozambique's conservation areas provide key ecosystem services as well as habitat to key species and intact vegetation cover. They conserve natural processes (such as species migration, pollination) and biodiversity connectivity at the landscape level, and act as buffers for human-wildlife proximity. As such, they act as essential backbones of an integrated land-use approach. Often, these areas are threatened by encroachment of human activity, such as large development projects and agricultural expansion. Mozambique's CAs also hold untapped potential for the development of tourism, as well as conservation friendly value chains in and around protected areas, that can directly generate revenue for the rural economy. This DLI will therefore focus on the increasing the effectiveness of management of conservation areas in provinces targeted by the SREP. This will include support to (i) operational costs linked to the governance of the CA, including the establishment of their management council; ii) updating of management plans; (iii) enhancing

[19] 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.

environmental awareness, promotion of girls' clubs, provision of scholarships, community trainings, and campaigns including on family planning; iv) training and hiring of rangers; v) ranger equipment; vi) key infrastructures such as access roads, small bridges, staff housing, tourism infrastructure. It will be measured through the CA Management Effectiveness Tracking Tool (METT), developed to help track and monitor progress globally in the achievement of protected area management effectiveness targets. Mozambique reports on CA METT scores annually.

E. Initial Environmental and Social Screening

[Potential environmental and social effects; knowledge and general understanding of the Program system to manage environmental and social risks and impacts; and timeframe for launching the E&S systems assessment including consultation on and disclosure of the draft systems assessment]

Note to Task Teams: Potential environmental and social effects; knowledge and general understanding of the Program system to manage environmental and social risks and impacts; and timeframe for launching the E&S systems assessment including consultation on and disclosure of the draft systems assessment.
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Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	TBD
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts of the IPF Component

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