

AFRICAN DEVELOPMENT BANK GROUP



PROJECT: CLIMATE INSURANCE, FINANCE AND RESILIENCE PROJECT (CLINFIREP)

COUNTRY: REPUBLIC OF MOZAMBIQUE

PROJECT APPRAISAL REPORT

Date: June 2021

| | | | | | |
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CURRENCY AND EQUIVALENTS

(April 2021)

1 UA = USD 1.41
1 UA = 95.57 MZN
1 USD = 60.44 MZN

FISCAL YEAR

1 January – 31 December

WEIGHTS AND MEASURES

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

ACRONYMS AND ABBREVIATIONS

| | |
|--------|--|
| ADF | African Development Fund |
| AfDB | African Development Bank Group |
| AWPB | Annual Workplan and Budget, |
| BDS | Business Development Services |
| CERUNS | Market Centres |
| CONDES | Technical Council of Environment |
| CPIA | Country Policy and Institutional Assessment |
| CSP | Country Strategy Paper |
| CTA | Confederation of Economic Associations of Mozambique |
| CTGC | Technical Council for Disaster Management, |
| DP | Development Partners |
| CG | Coordination Group |
| ESMP | Environmental Social Management Plan |
| FAO | Food for Agriculture Organization |
| FCDO | Foreign Commonwealth and Development Office |
| FE | Foreign Exchange |
| FRA | Fiduciary Risk Assessment |
| GDP | Gross Domestic Product |
| GCF | Green Climate Fund |
| GHG | Greenhouse Gas |
| GoM | Government of Mozambique |
| ICT | Information and Communication Technology |
| IFAD, | International Fund for Agriculture |
| INGD | National Institute of Disaster Management |
| JICA | Japanese International Cooperation Agency |
| MAE | Ministry of Public Administration |
| MADER | Ministry of Agriculture and Rural Development |
| MDB | Multilateral Development Banks |
| MIS | Management Information System |
| MTA | Ministry of Land and Environment |
| NAPA | National Adaptation Plan |
| NCCAMS | National Climate Change Adaptation and Mitigation Strategy |
| PCN | Project Concept Note |
| PCR | Project Completion Report |
| PEDSA | Development Strategy of the Agrarian Sector |
| PICA | Integrated Plan for Agriculture Commercialization |
| PIU | Project Implementation Unity |
| PMP | Bank Procurement Methods and Procedures |
| PNISA | Development Strategy of the Agrarian Sector |
| PPCR | Pilot Program for Climate Resilience |
| SETSAN | Food Security and Nutrition Secretariate |
| SEP | Socio-Economic Plan |
| UNFCCC | United Nation Framework for Combating Desertification |
| USAID | United State Aid Agency |
| UNDP | United Nation Development Program |

LOAN INFORMATION

CLIENT'S INFORMATION

RECIPIENT: Republic of Mozambique
EXECUTING AGENCY: National Institute for Disaster Management (INGD)

Financing plan

| Source | Amount (UA million) | Instrument |
|-------------------|------------------------|-------------------|
| TSF Pillar 1 | 30.00 | Grant |
| GoM | 3.90 | Counterpart funds |
| Beneficiaries | 0.04 | |
| TOTAL COST | 33.94 | |

Key financing information

| | |
|------------------------|---------------------------|
| | TSF Pillar 1 |
| Grant currency | UA33.94 million |
| Interest type* | NA |
| Interest rate spread* | NA |
| Commitment fee* | NA |
| Other fees* | NA |
| Tenor | NA |
| Service Charge | NA |
| Grace period | NA |
| FIRR, NPV (base case): | 18.25%, US\$11.86 million |
| EIRR (base case): | 21.70%, US\$16.7 million |

Timeframe - Main Milestones (expected)

| | |
|-----------------------|---------------|
| Concept Note approval | August 2017 |
| Project approval | July 2021 |
| Effectiveness | July 2021 |
| Completion | December 2026 |
| Last Disbursement | April 2027 |
| Closing Date | August 2027 |

PROJECT SUMMARY

1.1. The Climate Insurance, Finance and Resilience Project CLINFREDEP is an integrated project to strengthen the capacity of the rural communities to address the inter-linked challenges of climate change, rural poverty, food insecurity and land degradation through the provision of water harvesting infrastructure, and improving food production and marketing activities as well as capacity building for climate change adaptation, water harvesting techniques, and agricultural marketing for the affected communities. The total project cost is 33.94 million Units of Account (47.78 million dollars) and will be implemented over 5 years (2021-2026) in the 10 drought prone districts of the Maputo Province, Gaza and Inhambane Province. The project will benefit 500,000 people. This project employs three distinct approaches for building resilience of rural communities in the affected areas, namely (i) enhancing the country's resilience and response to climate shocks, by consolidating financial protection against climate-related disasters; (ii) improving climate-resilient infrastructure; and (iii) promoting climate-resilient income-generating activities and strengthening food security and nutrition. The project will also facilitate the participation of the country in the sovereign insurance pool of the African Risk Capacity (ARC) or other insurance mechanisms, which supports countries that experience climate shocks, including droughts and tropical cyclones.

1.2. The CLINFREDEP is an important intervention as the effects and impacts of climate change are already being felt in the form of erratic and inadequate rainfall patterns and declining on-farm productivity. The CLINFREDEP builds on past investments by the Bank on drought resilience and is well aligned with the Government of Mozambique (GoM's) priorities particularly the Disaster Risk Reduction, Emergency Fund, the National Adaptation Plans and the overall policy framework on climate change adaptation and mitigation. It is anticipated that the outcomes of the Project will increase GoM's institutional capacity to develop climate proof integrated development programs and devise adequate climate insurance products, in the targeted areas in Mozambique. Project implementation has therefore been designed to directly involve communities in small agriculture water infrastructure, including small scale irrigation; development and management of the community natural resources; capacity building, including on farm demonstration and beneficiary training programmes. The project will organise the stakeholders into various user groups to maximize benefits.

1.3 The Project is also in line with the *Bank's High 5 Action Plan on Climate Change* which prioritises "climate smart" agriculture production systems and promotes actions for the enhancement of production base of vulnerable population by restoring degraded ecosystems, improving living conditions, integrating climate information into agriculture activities. The Project addresses the findings of the recent fragility assessment, developed as part of the MTR, that identifies in climate vulnerability a key driver of fragility in the country. The project also includes a small emergency investment to help put livelihoods of people internally displaced by the conflict in Cabo Delgado. The CLINFREDEP will also contribute to the second pillar of the Mozambique's Country Strategy Paper 2018-2022, for which a mid-term review was carried out in August 2020, through the envisaged increased agriculture productivity, as a result of the improved water and land management activities. This Project is closely linked to the first objectives of the National Adaptation Plan for Action and National Climate Change Adaptation and Mitigation Strategy (NCCAMS) 2013-2025, the country's most comprehensive instrument to address climate change, and establishes clear actions and priorities across multiple sectors. The Bank has a significant experience in Mozambique in the agriculture sector, having implemented four resilience projects in the country, particularly in the Maputo and Gaza provinces. The lessons learnt have been incorporated into the design and development of this project.

RESULTS FRAMEWORK

A PROJECT INFORMATION

| | |
|--|----------------------------|
| PROJECT NAME AND SAP CODE: Climate Insurance Finance and Resilient Development Project (CLINFREDEP) | COUNTRY/REGION: Mozambique |
| PROJECT DEVELOPMENT OBJECTIVE: to reduce the impact of climate shocks and strengthen the resilience capacity of communities and production systems to better cope with the effects of drought, which are exacerbated by rural poverty, food insecurity, and land degradation | |
| ALIGNMENT INDICATOR (S): Number of people within the drought affected areas with improved livelihood | |

B RESULTS MATRIX

| RESULTS CHAIN AND INDICATOR DESCRIPTION | RMF/ ADOA INDICATOR | UNIT OF MEASURE MENT | BASELINE (2020) | TARGET AT COMPLETION (2026) | MEANS OF VERIFICATION |
|--|---------------------------|----------------------------|---------------------|-----------------------------------|---|
| OUTCOME STATEMENT 1: Improved resilient infrastructural to reduce climate shocks | | | | | |
| OUTCOME INDICATOR 1.1: N° People supported to cope with drought and/or the adverse effects of climate change (gender disaggregated per district) | □ | People | 150,000 | 500,000 (of which 270,000 women) | Project, M&E reports, MEF MADER, INGD |
| OUTCOME STATEMENT 2: Increased income generation of targeted population | | | | | |
| OUTCOME INDICATOR 2.1: Annual income of targeted households | □ | USD | 250.00 | 350.00 (30% WHH) | MEF, MADER, INGD |
| OUTCOME STATEMENT 3: Consolidated financial protection against climate disasters through sustained participation in the ARC risk pool | | | | | |
| OUTCOME INDICATOR 3.1: N° of people benefiting from Climate Insurance under ADriFi | □ | People | 0 | 1000 (60% women) | MEF, INGD, ARC, ADriFi |
| OUTPUT STATEMENT 1.1: Construct Solar Powered Water Harvesting Infrastructures | | | | | |
| OUTPUT INDICATOR 1.1: N° of solar powered excavated reservoir, multifunctional boreholes, water troughs, water collection infrastructures and desalinization systems | □ | Number | 75, 90, 90, 30 & 5 | 95, 110, 110 & 45, & 9 | Project M&E reports, INGD, ARA SUL |
| OUTPUT STATEMENT 1.2: Rehabilitate Degraded Infrastructures and landscapes | | | | | |
| OUTPUT INDICATOR 1.2: Km of degraded roads, dykes and Ha of landscape rehabilitated | □ | Km & Ha | 40, 0 km & 350 ha | 60, 8 km & 750 ha | Project, MTA & ANE reports, |
| OUTPUT STATEMENT 2.1: Improved Climate Smart Agriculture Production | | | | | |
| OUTPUT INDICATOR 2.1: Land area (ha) covered by community drip Irrigation systems and improved agroforestry practice | □ | Ha | 2500 & 2500 | 4500 & 5500 | DN Forestry Dept, MTA and Project Report, |
| OUTPUT STATEMENT 2.2: Improve nutrition diversification, land management and food security | | | | | |
| OUTPUT INDICATOR 2.2.1: N° of trainings conducted for trainers, women and communities on nutrition, food processing and conservation, business management and hygiene, SBCC and information system | □ | Number | 4, 20, 5, 10, 4 & 0 | 10, 60, 20, 20, 20 & 1 | SETSAN, WFP and Project Reports |
| OUTPUT INDICATOR 2.2.2: Training sessions of farmers on land management, develop local land use plans and facilitate the distribution of tenure security to small farmers in the project implementation areas. | □ | Number | 12, 5 & 20,000 | 30, 10 & 100,000 | DNTF, Project Reports |

| OUTPUT STATEMENT 2.3: Strengthen Value Chains, Market Linkages and Diversification: | | | | | |
|---|--------------------------|--------|--------------|--------------|--|
| OUTPUT INDICATOR 2.3.1: Supplying kits for artificial insemination of cattle and small ruminates that are tolerant to drought | <input type="checkbox"/> | Number | 10000 & 2000 | 50000 & 4000 | MADER (livestock Dept) & Project Reports |
| OUTPUT INDICATOR 2.3.2: Construct and rehabilitate markets, fish training center and youth incubation centers | <input type="checkbox"/> | Number | 0, 2, 0,& 4 | 2, 2, 1 & 4 | INGD, Districts, MIC reports |
| OUTPUT INDICATOR 2.3.3: Provision processing machines and engagement of marketing service provider | <input type="checkbox"/> | Number | 30 & 0 | 150 & 1 | INGD, Districts, MIC reports |
| OUTPUT STATEMENT 3: Improved capacity of the country to undertake risk assessment | | | | | |
| OUTPUT INDICATOR 3.1: N of climate risk profiles, contingency plans and vulnerabilities assessments | <input type="checkbox"/> | Number | 0, 0, & 0 | 10, 10 & 10 | ING, MTA, |
| OUTPUT INDICATOR 3.2: N° of TA on implementation the DRM law and strengthening the capacity of the disaster management fund, drought early warning systems and Training of Government officials on mainstreaming disaster risk financing into development planning and parametric insurance | <input type="checkbox"/> | Number | 0, 2, & 0 | 0, 6, & 15 | INGD, ARC, ADRiFi, MEF |
| OUTPUT INDICATOR 3.3: N° of strategy for Arid and Semi-Arid Zones, local adaptation plans and the strategic environmental assessments of the coastal zones | <input type="checkbox"/> | Number | 0, 10 & 2 | 1, 10 & 4 | MTA, INGD, MEF |
| OUTPUT INDICATOR 3.4: Support the vulnerability and resilience response in Cabo Delgado | <input type="checkbox"/> | Number | 0 | 700 000 | Humanitarian Reports, FAO, WFP |
| OUTPUT STATEMENT 4: Enhanced capacity of INGD in Project Management including M&E | | | | | |
| OUTPUT INDICATOR 4.1: N° of INGD staff trained and studies conducted for INGC (gender disaggregated) | <input type="checkbox"/> | | | | Project Reports, MTA |
| OUTPUT INDICATOR 4.2: N° of Knowledge Management, Monitoring and Evolutional products, beneficiary assessments | <input type="checkbox"/> | Number | 0, & 0 | 10 & 1 | INGD, Project Reports |
| OUTPUT INDICATOR 4.3: N° of baselines, quarter reports, MTR, AWPB | <input type="checkbox"/> | Number | 0, 0, 0 & 0 | 1, 20, 1 & 5 | Project Reports |

| Activity Description | 2021 | | | | 2022 | | | | 2023 | | | | 2024 | | | | 2025 | | | | 2026 | | | | 2027 | | | | | | | | | | | | | | | | | | | |
|---|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | | | | | | | | | | | | | | |
| 1. Appraisal Mission | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Loan Negotiation | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Board Approval | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. Signature | | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. Fulfillment of Conditions for Effectiveness | | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. Project Launch /Start Off | | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7. Procurement of Water and Market Infrastructures | | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8. Construction of Water and Market infrastructures | | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9. Rehabilitation of existing Irrigation and water Infrastructure | | | | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10. Improve food security and nutrition activities | | | | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11. Marketing and Agro-processing | | | | | | | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12. Rehabilitation of Training and youth incubation centers | | | | | | | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13. Climate Insurance | | | | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 14. Project implementation | | | | | | | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 15. Training on nutrition | | | | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 16. Supervision and Monitoring | | | | | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 17. Bank PCR | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 18. Audit | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE BANK GROUP TO THE BOARDS OF DIRECTORS ON A PROPOSED GRANT TO MOZAMBIQUE FOR THE DROUGHT RECOVERY AND AGRICULTURE RESILIENT PROJECT (CLINFREDEP)

Management submits the following Report and Recommendation on a proposed grant of UA 30.00 million from the TSF for the financing requirement of the Climate Insurance Finance and Resilience Project (CLINFIREP) in Mozambique.

I – STRATEGIC THRUST & RATIONALE

1.1 Mozambique is one of the world’s most vulnerable country to natural disasters and climate change and ranks second amongst the African countries cyclically threatened by extreme natural events like droughts, floods, tropical cyclones, and disease epidemics, according to the African Regional Strategy for Disaster Risk Reduction. In cycles of years including 2020 the Southern and Central part of Mozambique were affected by drought that significantly reduced the hydrometric levels of Limpopo, Incomati, Inhanombe and Save river basins in the Southern region, making intensive farming practices increasingly unsustainable because of declining soil fertility and land degradation and resulted in significantly below average crop harvests. According to the Technical Council of Disaster Management (CTGC), nearly 160,000 ha of crops were totally or partially lost in Maputo Gaza and Inhambane provinces. Abnormally high staple food prices in the affected regions lowered purchasing power among poor households, driving acute food insecurity and malnutrition in these areas. The fragility assessment for Mozambique, conducted as part of the MTR, identify climate vulnerability as a key driver of fragility and knock-on effects of displacement and social exclusion.

1.2 In a bid to build resilience to climate-related shocks, the Government of Mozambique (GoM) has adopted several institutional policies and action plans at national and local levels aiming to reducing disaster risk, loss of human lives, impact on livelihoods and critical infrastructure, as well as, to reduce disaster risks by increasing the resilience of people, institutions and infrastructure to climate shocks, through mainstreaming disaster and climate resilience in public investments, territorial planning, and public financial management, while building capacity at all levels. Some of these policies include the National Adaptation Programmes of Action (NAPA); National Climate Change Adaptation and Mitigation Strategy 2013–2025 (MITADER, 2012); Green Economy Action Plan (GoM, 2012); Climate Change and Gender Action Plan (MICOA, 2014); the National Climate Change Monitoring and Evaluation Framework (GoM, 2014); Intended National Determined Contribution (NDC) (MITADER, 2015); Master Plan for Risk and Disaster Reduction 2017–2030 (GoM, 2017); and its National Adaptation Plan Roadmap (GoM, 2017); the National Agriculture Development Program (SUSTENTA) and update as part of the GoM five-year development plan (PQG 2020-2025). The master plan for DRR is fully integrated in the country NAPs roadmap and PQG 2020-2025.

1.3 Despite the progress made by the GoM, resource mobilization and adoption of appropriate cost-effective climate resilience technologies, including insurance packages, remain key challenges to scaling up the long-term sustainability and poverty reduction goals especially in the arid and semi-arid regions. Addressing capacity and financial constraints to carry out adaptation related activities is imperative for a sustainable future in these regions.

1.4 The proposed Climate Insurance, Finance and Resilience Project (CLINFIREP) builds on past investments by the Bank and is well aligned with the Government priorities particularly with the Disaster Risk Reduction Management the Disaster Emergency Fund, the NAPAs and the overall

policy framework on climate change adaptation and mitigation. Compared to previous investments in climate resilience, this project expands the reach of activities including for the first time the province of Inhambane, and complements investment in resilient infrastructures and agricultural techniques with activities to build a comprehensive national financing architecture for climate resilience, by supporting capacity of the Disaster Management Fund and the development of climate insurance products. The proposed Project seeks to assist the GoM in strengthening the resilience of vulnerable populations and institutions particularly in the arid and semi-arid areas of the Southern regions of the country, by harnessing investments on hard and soft agriculture infrastructure and promoting climate risk insurance schemes to address the residual risks of climate hazards. Within the aim to build resilience, the project also includes a small emergency investment (\$2 million USD) to support productive activities (small trading and agriculture production) of people displaced in the Cabo Delgado conflict, as an initial element of the Bank's response to the conflict. It is anticipated that the outcomes of the Project will increase GoM's institutional capacity to develop climate proof integrated development programs and devise adequate climate insurance products, in the targeted areas in Mozambique.

1.2. Rationale for Bank's involvement

1.2.1. Historical records on natural disasters over the past 63 years (1956-2019), indicate that Mozambique has experienced 14 droughts, 28 floods, 20 tropical cyclones (of which the last two occurred in 2019 and one in 2020), 23 epidemics (with COVID-19 being the most recent and still on-going) and two earthquakes. At least 2.5 million people in Mozambique are presently in need of assistance due to the devastating effects of the ongoing drought, increasingly severe weather events and terrorist insurgence in the northern Mozambique. All these events have impacted the rural population, and women and children in particular, with some 230,000 children facing acute malnutrition—not only threatening their overall health, but also reducing their ability to grow into a productive workforce that the country needs to drive its socioeconomic development ambitions. In addition, there have been significant crop losses and abnormally high staple food prices with lower purchasing power among poor households. The management of natural hazards related to climate change and their impacts to vulnerable households is therefore a priority for Mozambique.

1.2.2 The severe food shortage is taking a heavy toll, especially on children under the age of five years. Crops are failing; communities do not have enough food to consume and cannot produce enough to sell. There is a high risk of negative coping mechanisms, such as household sale of productive assets, children dropping out from school, etc. The country is still reeling from the devastating effects of three major cyclones, Cyclones Idai and Eloise in the central-eastern parts, and Cyclone Kenneth in the northern parts (Cabo Delgado) of the country, which hit the country in 2019. More recently due to the terrorist activities in some parts of the northern districts of the Cabo Delgado Province, approximately 700,000 people have been displaced, significantly stretching the Government response capacity, and justifying channeling a small investment to support livelihoods in the North through this project. Overall the Bank's decision to finance the Project is timely considering that the drought situation and its experience addressing it: (i) is of a scale which is clearly beyond the capacity of the Government of Mozambique to handle alone in the long term; (ii) the need for a long term approach to sustain and make the local population more resilient to drought including climate insurance; (iii) provision of long-term water harvesting infrastructure and food security models to counter the effects of the recurring nature of the drought and (iv) need to manage the vulnerability of the displaced people in Cabo Delgado Province.

1.2.3 Mozambique has approved the National Disaster Risk Reduction Master Plan 2017-2030 (NDRRMP) and the new 5 year Socio-Economic Plan (SEP) (2020-2024) aiming to reduce the disaster risk and vulnerability of the local population and promote human well-being and economic development through rapid, inclusive and broad-based growth based on three objectives: (i)

increase agricultural and fisheries production and productivity, (ii) employment promotion, and (iii) social and human development. These objectives are supported by two overarching pillars: macroeconomic management and governance.

1.2.4. The CLINFREDEP seeks to promote the development of climate-resilient infrastructure and agricultural diversification using climate-smart agriculture practices to enhance Climate Resilience for sustained economic growth. The project will also support the Government national preparedness plan to reduce social vulnerability to drought through adoption of preventive insurance policies and programs and helping strengthen national capacity to respond to climate disasters. Based on a field assessment conducted by the Ministry of Land and Environment centered on the Local Adaptation Plans (LPA) identified under the NAPA, INGD, and a participatory process involving national, provincial and district authorities, as well as local communities, the Government selected the districts of Magude, Moamba, and Marracuene in Maputo Province, Mapai, Mabalane and Massingir in Gaza Province, and Govuro, Mabote and Funhalouro in Inhambane Province as the implementation sites for the Project. These three Provinces are considered as the most vulnerable areas at risk of climate variability in the form of projected frequent droughts and desertification. This is exacerbated by the fact that the South of Mozambique receives relatively little donor support even though being one of the most acutely food insecure – hence the decision to continue our engagement. The project will also respond to the vulnerability of the displaced people in the Cabo Delgado province that are affected by a terrorist war by providing them with basic equipment that can continue with their agriculture production and small-trading activities to improve their food security.

1.2.5 The CLINFREDEP is also in line with the Bank’s Ten Year Strategy (2013-2022), Agricultural Transformation in Africa Strategy (2016-2025) under the Bank’s *High 5, objectives of the Climate Change Action Plan (2015 – 2020)*, and the Bank’s *flagship programme on disaster risk management, the ADRiFi programme*. The country has also taken steps to participate in the sovereign insurance pool provided by African Risk Capacity (ARC), to countries that experience climate shocks, including droughts, floods and tropical cyclones. Although, the Government of Mozambique has recognized the magnitude of climate risks, and made disaster prevention and mitigation a policy priority, the adoption on climate risk insurance as a viable solution to address the residual risks of climate disaster is very low. In 2019, the GoM signed a Memorandum of Understanding with the African Risk Capacity (ARC) for the provision of capacity building programme that would lead to the country taking on a sovereign drought risk insurance in 2020, but the country did not undertake the insurance due to limited alignment of the contract with the country's drought situation. Participation in this insurance scheme endows Mozambique with an improved planning, preparation, and response capability for extreme climate events, given that parametric insurance provides funds in the event of climate shocks that facilitate timely response to avert disaster. At community level, the project will also introduce weather-indexed insurance schemes to improve the resilience of households to drought.

1.2.6 The project will bring “climate-smart” agricultural production systems and promote actions that are enhancing resilience of production systems of vulnerable population by restoring degraded ecosystems, improving living conditions, integrating climate information into agriculture activities and integrated management of natural resources. The CLINFREDEP will also contribute to the first pillar of the Country Strategy Paper (CSP) 2018-2022, through the envisaged increased agriculture productivity as a result of the *improved water and land management activities*. The CSP MTR conducted in 2020 was attended by the Bank, the Government, development partners and private institutions. Furthermore, the Bank’s analytical note for the new CSP 2018-2022, identifies key issues including (i) promoting growth in other sectors that have closer linkages with the rest of the economy and greater impact on creating employment, (ii) investing in human capital to increase the

productivity of the labor force, in particular the Agriculture Sector, and the economy's overall competitiveness, ensuring that the population can also participate in the growth process. The proposed project is aligned with the two strategic pillars of the CSP which aim to help close the skills and infrastructure gaps and, therefore, help create jobs and revenues streams through a focus on Agriculture.

1.2.7 AfDB has been providing over the years, investments and technical support in arid and semi-arid areas, including irrigation kits, multifunctional boreholes, tertiary roads, and capacity building through its flagship projects namely the Sustainable Land and Water Management Project, Drought Recovery and Agriculture Resilience Project, Mapai Dam, and Massinger Dam Rehabilitation Project, and the Baixo Limpopo, Irrigation and Climate Resilience Project in the southern regions of the country. The proposed CLINFREDEP is aligned with the country policy framework on Climate change, the Bank's Ten-Year Strategy (2013-2022), Agricultural Transformation in Africa Strategy (2016-2025) under the Bank's High 5, the objectives of the Banks Climate Change Action Plan (under review) and, the Bank's flagship programme on disaster risk financing, the ADRiFi programme.

1.3. Donors Coordination

| Sector | Size | | |
|--|---|-------------|--------|
| | GDP | Export | Labour |
| [Agriculture/CC] | 26% | 20% | 80% |
| Players - Public Annual Expenditure (average)** | | | |
| Organization | % contribution out of a total of Total 115.4 million UA/ Year | | |
| | 2019-2020 | 2017-2018 | |
| WB | 52% | 45% | |
| USAID | 9% | 9% | |
| EC | 14% | 13.% | |
| AfDB | 12% | 18% | |
| JICA | 6% | 7.% | |
| Others | 7% | 8% | |
| Existence of Thematic Working Groups | | | [Y] |
| Existence of SWAPs or Integrated Sector Approaches | | | [N] |
| ADB's Involvement in donors coordination*** | | | [L] |

* as most appropriate ** Years [yy1 to yy2] *** for this sector or sub-sector

**** L: leader, M: member but not leader, none: no involvement

1.3.1 Comments on Donor Coordination

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

by the UN and is also a member on the Climate Change Coalition for Climate Resilience. The CLINFREDEP leverages this collaboration to build targeted partnerships with WFP to deliver the nutrition inputs and with FAO to deliver the emergency assistance to Cabo Delgado.

Few donors are active in the targeted provinces, particularly in Inhambane province. Generally, the South of Mozambique receives relatively little international support even though the region is one of the most acutely food insecure. Bank engagement in these areas is thus urgently needed.

II – PROJECT DESCRIPTION

2.1. Project Components

2.1.1 The CLINFREDEP proposes to reduce the impact of climate events and strengthen the resilience capacity of communities and production systems to better cope with the effects of drought, which are exacerbated by rural poverty, food insecurity, and land degradation.

2.1.1 Specific Project objectives:

The specific objectives of the project are: (i) to improve climate-resilient infrastructure (ii) to promote climate-resilient income-generating activities and strengthen food security and nutrition and (iii) to enhance insurance mechanisms against climate-related disasters.

Table 2.1 : Project Components

| Item | Component | Costs (UA million and %) | Description |
|------|---|--------------------------|--|
| I | Agriculture Water Infrastructure Development | 14.45 (42.6%) | <p>Sub-component 1.1: Construct Climate Smart Agriculture Infrastructure</p> <ul style="list-style-type: none"> • Through the provision of 4 containerized desalination plant with accessories. • construction, installation of water harvesting structures such as 20 small earth dams, 20 watering points for livestock as well as construction of 20 and rehabilitation of 20 multifunctional solar-powered boreholes for irrigated agriculture, domestic water supply, livestock watering points and micro-industrial use. • Installation of 30 rainwater harvesting structures and 16 solar panels in the roof of the buildings. <p>Sub-component 1.2: Establishment of Climate-proof Infrastructure</p> <ul style="list-style-type: none"> • This will include rehabilitation of 30 km of climate proof rural roads in 2 districts • Construct protecting dikes along coastal areas • Provision of 300 irrigation kits; |
| II | Improved Food Security and Marketing to Increase Resilience to Climate Change | 9.99 (29,43%) | <p>Sub-component 2.1: Improved Climate Smart Agriculture Production</p> <ul style="list-style-type: none"> • Research and supply of climate proof and resilient seed and provision of 120 mini-silos. • Agro-forest techniques, promote conservation agriculture through promotion of mulching, composting for soil nutrient enrichment, minimum/zero tillage, appropriate crop sequencing and rotation mechanisms: reforestation and fire control. <p>Sub-Component 2.2: Improve food nutrition, gender and Land Management:</p> <ul style="list-style-type: none"> • 10 Training of trainers in nutrition, 60 sections of training women for food processing, business management and hygiene and Implement nutrition sensitive interventions in agriculture commodity value chain • Support 20 community nutrition education in agriculture production systems through social behavioral change communication (SBCC) • 30 Training sessions of farmers on land management • Develop local land use planning map in the district of the project and facilitate tenure security to small farmers in the project implementation areas. • Provision of high value and drought tolerant seeds and inputs • Provision of 300 thousand hermetic bags <p>Sub-Component 2.3: Strengthen Value Chains, Market Linkages and Diversification:</p> <ul style="list-style-type: none"> • Supplying 50 000 kits for artificial insemination of cattle to make it more drought resilient • Supplying 3000 small ruminates that are tolerant to drought |

| | | | |
|-----|---|--------------|--|
| | | | <ul style="list-style-type: none"> • Construct 2 large markets and rehabilitate 2 other markets and Rehabilitate 1 Fish Training Center in Marracuene • Provision of 140 mall agro-processing machines, 30 processing units for wild fruits • Engage 1 service marketing provider • Rehabilitation of 4 youth incubation centers (CERUM) and training of beneficiaries on the use and maintenance of equipment, and sustainability of the infrastructures. |
| III | Support the Adoption of Climate Insurance and Capacity building of the Disaster Management Fund | 3.90 (11,5%) | <p>Sub-Component 3.1: Developing Climate Risk Management Solutions:</p> <ul style="list-style-type: none"> • Elaborate climate risk profiles and contingency plans and vulnerability assessments • Provision of technical assistance on implementation the DRM law • Strengthening the capacity of the disaster management fund and drought early warning systems; • Design the Strategy for Arid and Semi-Arid Zones and update of the strategic environmental assessments of the coastal zones; • Complement implementation of local adaptation plans by: <ul style="list-style-type: none"> ○ Enhancing extension and training materials for climate resilient agronomic practices ○ And enhancing capacity of the key stakeholders to build a bankable pipeline of projects to access climate finance <p>Sub-Component 3.2: Supporting access to climate risk insurance</p> <ul style="list-style-type: none"> • Support to the payment of the insurance program • Training on mainstreaming risk financing into development planning and parametric insurance <p>Sub-Component 3.3: Support the vulnerability of Cabo-Delgado</p> <ul style="list-style-type: none"> • Provide the displaced people with productive tools and capacity to conduct the small trade |
| IV | Institutional Strengthening and Project Management | 5.59 (16.5%) | <p>D.1 Sub-component 4.1: Support the Project Management Unit (PMU):</p> <ul style="list-style-type: none"> • Support PCU and PSC • Facilitate Annual financial and Procurement Audits <p>D.2 Sub-component 4.2: Knowledge Management, Monitoring and Evaluation:</p> <ul style="list-style-type: none"> • Capacity building in climate change management, that include in-house and cross-cutting studies • Support the multi-stakeholder platforms • Promote knowledge management, programme visibility and IEC (information, education and communication) • Prepare and operationalize Project Implementation Manual • Facilitate supervision and monitoring visits to Project sites • Conduct 1 baseline survey • Conduct 1 Beneficiary Impact Assessment |
| | Total | 33.94 | |

2.2. Technical solution retained and other alternatives explored

Table 2.2: Project Alternatives Considered and Reasons for Rejection

| Alternative name | Brief description | Reasons for rejection |
|---------------------------|--|--|
| Large dams/ Reservoirs | Construction of large dams /reservoirs to store water | <ul style="list-style-type: none"> ▪ Cost considerations high ▪ Detailed and costly feasibility studies ▪ Requires complex management and continuous monitoring |
| Ground water exploitation | Solving the water management problems with the sole aim of tapping on the ground water aquifer | <ul style="list-style-type: none"> ▪ Salinity makes the water unsuitable for animal/agriculture and human use |

| | | |
|---|---|---|
| | | <ul style="list-style-type: none"> The water table at some locations is very deep and in some locations the yield is extremely low making costs highly prohibitive and thus economically not viable, |
| Large irrigation Schemes | Construction/rehabilitation of large irrigation schemes | <ul style="list-style-type: none"> Need detailed feasibility studies. Costs are too high |
| Agro-processing factories | Construction/rehabilitation of large agro-processing factories | <ul style="list-style-type: none"> Not enough production supply along the year to make the factories sustainable |
| Road rehabilitation | Rehabilitation of roads using normal designs and procedures | <ul style="list-style-type: none"> The area is also affected by floods that may cause damages in the road system. |
| Ad-hoc emergency response in the case of drought related disaster | Re-allocation of funding from other budget lines to address the disaster, or call of humanitarian support which may take long to be mobilized | <ul style="list-style-type: none"> Strengthen the understanding and uptake of climate risk management instruments as a viable solution to mobilize financing, to provide rapid assistance to the most vulnerable, in case of drought-related disaster. |

2.3. Project Type

2.3.1 The project is a stand-alone investment operation from the African Development Fund blended with Government financing. The Project is one of the two selected prioritised interventions under the CSP for Mozambique 2018-2022.

2.4. Project Cost and Financing Arrangements

2.4.1 Project Cost and Financing Arrangement

The Project cost, including physical and price contingencies, is UA 33.94 million which will be financed by (i) TSF grant of UA 30.00 million (88.4%) covering all major Project activities, (ii) Government's in-kind contribution of UA 3.90 million (11.5%) through salaries for existing Government staff and office space, and (iii) Beneficiaries contribution of UA 0.04 million (0.1%) through provision of community level structures and associated maintenance. Summary of Project costs by components, source of financing, category of expenditure and expenditure schedule by component, are presented in Tables 2.3 to 2.6, while the detailed cost tables are in the Volume II Technical Annex B2.

Table 2.3: Summary Project Cost Estimates by Component

| Component Name | Cost (MZN '000) | | | Cost (UA million) | | | % For'gn Exch |
|--|--------------------|--------------------|--------------------|-------------------|--------------|--------------|---------------|
| | Local | Foreign | Total | Local | Foreign | Total | |
| 1. Agriculture Water Infrastructure Development | 152,796.0 | 969,600.0 | 1,122,396.0 | 1.76 | 11.17 | 12.93 | 86 |
| 2. Improved Food Security and Marketing to Increase Resilience to Climate Change | 639,963.0 | 175,124.0 | 815,087.0 | 7.37 | 2.02 | 9.39 | 21 |
| 3. Support the Adoption of Climate Insurance and Establishment of Emergency Fund | 309,672.0 | 28,665.0 | 338,337.0 | 3.57 | 0.33 | 3.90 | 8 |
| 4. Institutional Support and Project Management | 412,950.0 | 71,890.0 | 484,840.0 | 4.76 | 0.83 | 5.59 | 15 |
| Total Baseline Costs | 1,515,381.0 | 1,245,279.0 | 2,760,660.0 | 17.46 | 14.35 | 31.81 | 45 |
| Physical Contingencies | 27,333.1 | 52,725.2 | 80,058.3 | 0.31 | 0.61 | 0.92 | 66 |
| Price Contingencies | 65,748.3 | 39,477.8 | 105,226.0 | 0.76 | 0.45 | 1.21 | 38 |
| Total Project Costs | 1,608,462.4 | 1,337,481.9 | 2,945,944.3 | 18.53 | 15.41 | 33.94 | 45 |

Table 2.4: Sources of Finance

| Source of Financing | Total Amount (UA million) | | | Percent % |
|---------------------|---------------------------|--------------|--------------|--------------|
| | Foreign | Local | Total | |
| TSF grant | 21.29 | 8.71 | 30.00 | 88.4 |
| The Government | - | 3.90 | 3.90 | 11.5 |
| Beneficiaries | - | 0.04 | 0.04 | 0.1 |
| Total | 21.29 | 12.65 | 33.94 | 100.0 |

Table 2.5: TSF Pillar 1 cost by category of expenditure [amounts in million UA equivalents]

| Expenditure Category | Cost (UA million) | | | % For'n Exch |
|--------------------------------------|-------------------|--------------|--------------|--------------|
| | Foreign | Local | Total | |
| A. Investment Costs | | | | |
| 1. GOODS | | | | |
| Vehicle | 0.42 | - | 0.42 | 100 |
| Equipment, Seed and Animals | 1.25 | 0.48 | 1.73 | 72 |
| Subtotal | 1.67 | 0.48 | 2.15 | 78 |
| 2. WORKS | | | | |
| Infrastructure Development | 11.84 | 1.38 | 13.22 | 90 |
| Subtotal | 11.84 | 1.38 | 13.22 | 90 |
| 3. SERVICES | | | | |
| Training, Technical Support, and M&E | 0.41 | 6.35 | 6.76 | 6 |
| Financial Audit | 0.05 | - | 0.05 | 100 |
| Procurement Audit | 0.05 | - | 0.05 | 100 |
| Climate Risk Management | 0.33 | 2.62 | 2.95 | 11 |
| Subtotal | 0.84 | 8.97 | 9.81 | 9 |
| Total Investment Costs | 14.35 | 10.83 | 25.18 | 57 |
| B. Recurrent Costs | | | | |
| 1. OPERATING COST | | | | |
| Personnel_Govt Staff/NBF | - | 3.84 | 3.84 | - |
| Personnel_PCU Staff | - | 1.81 | 1.81 | - |
| Operating Cost | - | 0.62 | 0.62 | - |
| DSA and Meal Allowances | - | 0.36 | 0.36 | - |
| Subtotal | - | 6.63 | 6.63 | - |
| Total Recurrent Costs | - | 6.63 | 6.63 | - |
| Total BASELINE COSTS | 14.35 | 17.46 | 31.81 | 45 |
| Physical Contingencies | 0.61 | 0.31 | 0.92 | 66 |
| Price Contingencies | 0.45 | 0.76 | 1.21 | 38 |
| Total PROJECT COSTS | 15.41 | 18.53 | 33.94 | 45 |

Expenditure will be carried out according to the schedule below during the implementation period for each component (see Table 2.6). The project will be implemented over five years geared mainly towards construction of infrastructure, support to agriculture and marketing activities and capacity building of the beneficiary smallholder farmers on conservation agriculture and nutrition, support to the Government participation in the sovereign insurance pool, and capacity building of project staff.

Table 2.6: Expenditure schedule by component [amounts in million UA equivalents]

| Component Description | Cost (UA million) | | | | | |
|--|-------------------|------|------|------|------|-------|
| | PY1 | PY2 | PY3 | PY4 | PY5 | Total |
| 1. Agriculture Water Infrastructure Development | 3.74 | 5.57 | 3.16 | 0.29 | 0.17 | 12.93 |
| 2. Improved Food Security and Marketing to Increase Resilience to Climate Change | 3.68 | 2.63 | 1.18 | 0.96 | 0.94 | 9.39 |

| | | | | | | |
|--|--------------|--------------|-------------|-------------|-------------|--------------|
| 3. Support the Adoption of Climate Insurance and Establishment of Emergency Fund | 1.03 | 0.87 | 0.73 | 0.63 | 0.63 | 3.89 |
| 4. Institutional Strengthening and Project Management | 1.53 | 0.97 | 1.03 | 0.97 | 1.10 | 5.60 |
| Total Baseline Costs | 9.98 | 10.04 | 6.10 | 2.85 | 2.84 | 31.81 |
| Physical Contingencies | 0.30 | 0.35 | 0.19 | 0.04 | 0.04 | 0.92 |
| Price Contingencies | 0.10 | 0.31 | 0.32 | 0.21 | 0.27 | 1.21 |
| Total Project Costs | 10.38 | 10.70 | 6.61 | 3.10 | 3.15 | 33.94 |

2.5. Project's Target area and Population

2.5.1 The Project will be implemented in three southern provinces of the country namely, Maputo, Gaza and Inhambane, which are prone to adverse climate variability with frequent droughts and floods recorded over the recent past. These districts are affected by low levels of rainfall (less than 600 mm annually), savanna landscape, sandy soils and salinity. These factors contribute to the high levels of deforestation exacerbating the vulnerability of the local populations to climate events.

Project Beneficiaries:

The Project will benefit the communities of the selected districts, displaced people in the Cabo Delgado Province, the Government at large, particularly the INGD, including the Disaster Management Fund (DMF), SETSAN, and Ministry of Public Works, Housing and Internal Waters (MOPH), Ministry of Economy and Finance (MEF), Ministry of Industry and Commerce (MIC), MTA and MADER and the respective agencies at provincial and district levels where the Project will be implemented, through additional capacity and, technical and financial resources, to address their development challenges. The direct beneficiaries of the Project interventions are anticipated at around 500,000 people affected by droughts in the Southern regions of the country, of which at least 54% are women and youth. While in the northern Mozambique, the project will support some of the displaced people that have been affected by the armed groups.

Other indirect beneficiaries include the private sector, the agricultural marketing enterprises, commercial and investment Banks, farmers' groups and their representatives at the farmers' associations.

2.6. Participatory Process for Project Identification, Design and Implementation

2.6.1 *Project Identification*

In the last two years Mozambique was affected by heavy drought, cyclones, and floods. In the drought areas the disaster led to the loss of livestock, i.e., 4,500 cows and 2000 goats, 550,116 ha of crops affecting 320,498 farms (representing 11% of the total cultivated area in Mozambique). Against this background, the Government of Mozambique (GoM) made an appeal to all cooperating partners, including the African Development Bank, for establishing long-term interventions to countervail the drought situation. The Bank is the leading institution in the country to address issues of drought and has provided different models to increase the adaptation capacity of the local communities that will scale them up throughout the implementation of this project. Furthermore, in 2018, the Bank launched the Africa Disaster Risk Financing (ADRFi) Project, as its flagship initiative for promoting climate risk management in its RMCs. Through ADRFi, the countries are supported to address the residual risk of climate-related hazards and provide adequate financial protection to Government and the most vulnerable communities against climate risks.

2.6.2 Project Design and Implementation

The project design was prepared following constant consultations with beneficiaries, government authorities, NGOs and development partners during the preparation phase. However, the appraisal was conducted virtually because of the COVID-19. Considering that this is the third consecutive project that focuses on drought, the existing models for the proposed infrastructure can be adapted for the project design. The Bank has deployed resources to fine-tune existing designs to the implementation sites, matching agricultural inputs to farmers' needs, while considering their financial limitations, to ensure sustainability of activities and outcomes. Consultations were also carried out with several Government authorities and other development partners that participate in different development donor programmes. The team relied on the numerous interactions/consultations made at the provincial and district levels during preparation in which site visits to the selected districts were made, mini workshops were held; and consultations with government, non-government and private organizations as well as community representatives near and within some of the targeted communities were carried out, to modify and fine-tune the project proposal.

2.7. Bank Group Experience, Lessons Reflected in Project Design

CLINFREDEP is part of a third generation of Bank-implemented projects supporting drought resilience in Southern Mozambique. It is designed built on key lessons learnt from those previous projects, including some derived from a collaboration with the Climate Investment Fund and the evaluation department of the World Bank. Some of these lessons learnt reflect the design of specific infrastructure; approached to distribution of community-managed assets and impact on nutrition outcomes. Broader lessons from the implementation of the Bank Projects in Mozambique, which have informed the design features of the CLINFREDEP include the need to: a) improve the project design process with consideration to existing capacity within the country so as to ensure timely implementation; b) Project readiness and quality at entry for both regional and national operations; c) Rationalize the number of conditions necessary to declare the loan effective, in order to reduce implementation delays; d) increase capacity of implementing agencies especially in the project management and e) enhance the supervision of projects particularly monitoring and evaluation to minimize delays in completion f) payment of 100% of the project costs to minimize delays in provision of counterpart funds.

2.8. Key Performance Indicators

The key performance indicators for the project have been outlined in the Result Based Logical Framework. Special emphasis will be placed on the targeting indicators that should be monitored and those related specifically to women, as they carry the majority of the agriculture activities in the project area, in order to assess the changes in the livelihood and nutrition levels within the household. Regular implementation progress will be measured through bi-annual Bank supervision missions led by Mozambique Country Office, Quarterly Progress Reports, and annual technical and financial audits. The M&E of the PIU will collect and analyze project data to monitor performance. The main performance indicators disaggregated by gender will be monitored from the baseline scenario of the log frame and include among others: (i) climate smart infrastructure provided by the project (ii) increased level of income of the beneficiary communities; (iii) increased level of climate resilience through agricultural and conservation agriculture practices; (iv). Reduction of degraded areas where intervention took place (v) number of women adopting new agriculture techniques, and (ix) number of women & men trained with basic nutrition skills and (x) number of Government officials trained on climate risk insurance. All indicators selected for the project will help to enhance the performance of the agriculture and water sectors in Maputo, Gaza and Inhambane Provinces in particular and

Mozambique in general. The Bank’s various supervision missions and periodic activity reports will reflect the level of achievement of the indicators.

III – PROJECT FEASIBILITY

3.1. Economic and financial performance

| <i>Table C.1: key economic and financial figures</i> | |
|--|---------------------------|
| FIRR, NPV (base case) | 18.25%, US\$11.86 million |
| EIRR (base case) | 21.70%, US\$16.7 million |

NB: detailed calculations are available in Annex B7

- The project through the construction and rehabilitation of small earth dams, borehole and water harvesting structures will enhance the collection and management of water resources to feed the agriculture production areas, especially by women.
- A simulation based on realistic assumptions “with” and “without” project was done to estimate the cost-effectiveness of the investments and the economic rate of return.
- The analysis is based on five crop enterprises (maize, beans, Irish potato, tomato and onion) as a basis for the assessment of probable returns to investments in the various farm production activities carried out under the Project as well as from investments in boreholes and small dams.
- Only direct costs and benefits were estimated and quantified. Social and indirect benefits arising from the Project have not been considered. The period of analysis is 20 years.
- A 10 percent drop in the output prices reduces the EIRR to 17.0% while delay in benefits for one year and two years reduces the rate of return to 17.7% and 15.4% respectively. With regards to the FIRR, a 10 percent drop in the output prices reduces the FIRR to 18.1% while the delay in benefits for one year and two years reduces the rate of return to 17% and 14% respectively.
- With an EIRR well above the opportunity cost of capital, the Project can be justified on economic grounds. It should be noted that the analysis underestimates the Project’s economic impact by far because not all economic benefits that can be expected have been quantified.
- The Project is expected to create substantial employment opportunities, for 1000 people (including youth and women) both among the direct beneficiaries as well as in the rural communities in general.
- NPV=USD 11.8 M (assuming an opportunity cost of capital of 12 percent) and EIRR= 18.25 percent.
- The results of the analysis of indicative farm budgets show the impact of the Project on financial profitability for all farm types to be high, with all enterprises financially viable. The financial efficiency of the enterprises was assessed using economic parameters including Gross Margin, Net Income, Returns to Labor, Incremental Income and Internal Rate of Return. These are summarized in Technical Annexes Document.

3.2. Environmental and Social Impacts

3.2.1. The project environmental and social category is confirmed as two for the following reasons: (i) the activities of the project are in consonance with the Bank’s Environmental and Social Assessment Procedures (ESAP); (ii) Activities under the project will involve civil works on construction/rehabilitation of small scale irrigation and water harvesting infrastructure and

rehabilitation of 20km of rural roads and are not expected to generate adverse environmental and social impacts and risks but rather site specific impacts/risks. An Environmental and Social Management Framework was prepared by the client, reviewed, and cleared by the Bank and was disclosed on 5th of May 2021. The ESMF will guide the development of Site Specific ESMPs which will be prepared and should be approved by MTA and disclosed nationally before construction works begin for irrigation and water harvesting infrastructures and rehabilitation of rural roads. Stakeholder consultation has been part of the ESMF development and that stakeholders were consulted in the targeted districts in the three provinces of Maputo, Inhambane and Gaza based on the COVID-19 regulations of maximum 20 people.

3.2.2. The main risks and negative impacts are: (i) land degradation and soil erosion and pollution impacts from construction works and spillage of oils and lubricants (ii) risks of pollutions from the use of fertilizers and agro-chemicals; (iii) disturbance of soil and vegetation during construction/rehabilitation works and increasing agricultural production that will lead to opening of new sites (iv) waste generation from construction works, operation of farm equipment and value chain activities (v) occupational health and safety during construction works related to the distribution and use of various agricultural inputs (vi) land and water resource use conflicts; (vii) public safety due to construction works, irrigation channels and use of chemicals; (viii) HIV/AIDs and COVID-19 spread; (ix) GBV, SEA and Child labour issues (x) Noise pollution and vibration pollution from construction works, and equipment (xi) air pollution and dust from construction works and (xii) increased water demand from irrigation activities.

3.2.3. These impacts and risks will be mitigated through the implementation of the site specific ESMPs at all construction/rehabilitation sites including: (i) use agro-chemical with low-toxicity to human health and environment (Agro-chemicals falling under extremely, highly or moderately hazardous will not be permitted under this project); (ii) procurement, distribution and use of fertilizers and agro-chemicals in line with good international industry practices; (iii) training of beneficiaries in good agricultural and conservation practices; (iv) carrying out land and water conservation measures and proper handling and disposal of wastes and packaging. Contractors in construction and rehabilitation works will be required to develop and implement a Construction ESMP and get all required permits and licenses. Institutional capacity Assessment within the INGD indicated that they do not have adequate capacity to develop site specific ESMPs and be able to monitor implementation and report according to national and Bank requirement standards. The project will recruit an Environmental and Social Safeguards Specialist who will also be responsible for implementation of land and gender issues to strengthen capacity. The MTA as the environmental regulatory authority has the capacity at provincial level to approve the Site Specific ESMPs and monitor and enforce compliance during implementation. The Bank's Environmental Specialist will also conduct capacity building activities for the PIU/INGD during project implementation on the Bank's ISS requirement standards and how to implement, monitor and report on environmental and social safeguards issues. The project will implement a Stakeholder Engagement Plan and Grievance Redressal Mechanisms as part of implementation of Site specific ESMPs.

3.3. Climate Change

3.3.1 *Climate risk vulnerability context:* The Project has been designed to address climate change related risks and vulnerabilities; the vulnerability context of the country and Project areas has been adequately described above. The project has been identified as climate risk category 2 using the Banks Climate Safeguards System, requiring the integration of practical climate risk management measures. In practice this will require adhering to the following principles: choice of interventions/technologies will be evidence based, i.e. will address specific climate related risks and will be appropriate to the local context (including gender context); the Project will have

synergies with the existing adaptation planning context (e.g implementation of local climate change adaptation plans); and, the project will scale up positive lessons learnt from the implementation of similar Bank interventions. Specifically, the project will enhance extension and training materials for climate resilient agronomic practices; enhance capacity of key stakeholders to build a bankable pipeline of agriculture projects to access climate finance; and update the strategic environmental assessment of the coastal zone. Climate risk mitigation measures are further elaborated in the technical annex.

3.3.2 Carbon Footprint: Key emission sources include microbial transformation of nitrogen fertilisers in soils, the digestion processes of ruminant animals, and the storage and spreading of manure. The conversion of forested land to agriculture also releases GHGs through decay and reduces natural carbon sequestration. The GHG emissions footprint of the Project is diffuse and will be managed through the promotion of sustainable agriculture/land-use management practices including agroforestry. Mitigation measures are further elaborated in the technical annex.

3.3.3 NDC Alignment: Mozambique has made significant progress in defining its climate change and disaster management framework (update of NDC; development of Long-term Strategy, development of NAP). The project contributes to the implementation of the existing NDC (2015) by promoting resilient infrastructure, resilient agriculture, enhanced adaptive capacity of vulnerable groups and climate insurance. The project is identified as an adaptation project contributing to the corporate adaptation finance target. Additional external climate finance of USD 0.9M has been secured (PPCR).

3.3.4 Climate Insurance: The GoM has also taken various steps to increase financial protection against disasters, but funding gaps remain significant. Recognizing this challenge, the GoM has approved the creation of the national Disaster Management Fund (Fundo de Gestão de Calamidades - DMF) in July 2017, which got operationalized in 2019 with an initial capitalization from the World Bank and a provision of 7% of National Budget. The DMF has been active in providing relief assistance to the people impacted, and the GoM has expressed interest in enhancing the Fund's financial capacity of intervention, including through the use of climate risk insurance.

During the appraisal mission, the team was informed that all funds allocated to the Disaster Management Fund will be audited by the Administrative Tribunal. This reduced the fiduciary risk of the Emergency Fund. Furthermore, it was agreed that further capacity building and training would be administered to the Fund and other relevant Government Institutions, to strengthen the country's uptake on climate risk insurance both at the sovereign and micro level. It was also agreed that after such training the country would be in a better position to undertake an insurance policy with ARC, and it would have gained a clearer understanding of the mechanism. The DMF is expected to play a key role as a blender of climate risk fund and an implementer of eventual pay-out from the insurance.

3.4. Gender

3.4.1 Gender assessment: Climate change hazards exacerbate the already existing severe gender inequalities in the Southern provinces of Mozambique. However, the Government of Mozambique is currently implementing a Land Law which provides women with equal legal rights to hold land. However, this process is slow and complex for women, who are largely illiterate and in patriarchal communities. The female literacy is 28% and lags far behind that of males - 60%. Rural women hardly participate in farmer field schools due to inability to meet eligibility requirements and lack of permission from their husbands to attend a 15-day training course in the city, thus limiting their adoption to modern farming practices. Women possess limited decision-making capacities to the

extent that men take up leadership of women farming associations. However, less governance issues are registered when women lead.

3.4.2 The Project will contribute to bridging the gender gap resulting from climate change through community-based landscape management approaches and promotion of resilient agricultural practices. This will enable resource poor communities to reverse their declining agricultural productivity compromised by recurring intensive drought, followed by floods and cyclones in southern parts of Mozambique thus redeeming food security and improving livelihoods for both men and women. Sustainable community-based water-harvesting program will bring water closer to communities for both home use and domestic farming. This will save women and girls, the hassles of water fetching and related ills. Crop productivity will be enhanced through introduction of drought tolerant varieties and early maturing species, as well as providing diverse livelihood through operationalization of different agricultural value chains. Conservation practices of degraded areas, agro-forestry and fire prevention will be enhanced. Over 70% of the targeted population are women who are involved in agriculture and are often the most vulnerable in cases of climate change. Through capacity building and use of new technology including irrigation methods, access to finance and marketing, will boost agricultural production for men and women while increasing their resilience to climate change. Men and women will benefit from employment opportunities during the construction and rehabilitation of climate resilient infrastructure thus contributing to improvement of their livelihoods.

3.4.3 The program is category II according to the Bank's Gender Marker system. A Gender Action Plan (GAP) with elaborated activities to ensure equal participation of men and women has been prepared in consultation with the implementing agency and beneficiary provinces. *Refer to the technical annex for the GAP.*

3.5. Land Tenure and Access to Land

3.5.1 Land is under increasing pressure due to climate change, ever-increasing demographics, and rising demand for food security. The increasing frequency and intensity of drought, cyclones, and floods by climate variability and change significantly impact Mozambique's ecology, economy, and food security. Drought has impacted small-scale farmers' production and productivity due to land degradation. Land has increasingly been brought under cultivation, without erosion and drought control, making intensive farming practices increasingly unsustainable, because of declining soil fertility and land degradation. Lack of tenure security is another major threat that affects the sustainable use and management of land by small-scale farmers. Inadequate institutional capacity for implementing the legal framework, lack of coordination for land administration bodies in performing their statutory functions, and inadequate integration of different government policies at the implementation stage are becoming obstacles to properly governing the land sector.

3.5.2 Integrating land resources protection and good land governance with agricultural growth is core to making growth and climate protection work together. Based on the existing policies, strategies and programmes, the Project will create a favourable environment for agricultural transformation: (i) At the District level: (1) Provide infrastructure to reinforce drought and erosion control using appropriate and affordable technology; (2) Community sensitization, awareness creation and capacity development on Sustainable land use and management, and land restoration (3) Develop a local digitized land use map for the 10 districts using participatory approaches involving local communities to establish the status of specific land uses and link the map with National land use maps (4) Facilitate tenure security through demarcation and provision of certificates to small-scale farmers and pastoralists (ii) At the National Level, capacitate the Ministry

to carry out its mission of monitoring and quality control, natural resource protection, governance and management.

3.6. Social

Positive social impacts are anticipated based on the establishing water harvesting infrastructures and restore the agriculture capacity of the communities that will enhance agricultural production and livelihood diversification. The project will provide water harvesting infrastructures that support small holder farming and small-scale irrigation thereby creating jobs and wealth. The project will also promote livestock through the provision of water troughs for animals. Potable water will be provided through boreholes, which will have positive health impacts. Natural habitats and forest restoration will mitigate the effects of climate change as well as provide sources of income. Agriculture diversification through agro-forestry and livestock will provide complementary sources of employment and income, especially for women. Consequently, the project as a whole will impact positively on the socioeconomics of the communities, on their health, on their resilience to climate change and thus encourage community cohesion.

3.7 Involuntary resettlement

No resettlements are expected to be originated by the project.

3.8 Fragility Assessment

3.9.1 Addressing the root causes of instability in the region remains critical to achieving lasting peace and prosperity. The country's growth trajectory has been affected by the escalating violent conflict in the northern province of Cabo Delgado, which has led to over a thousand deaths and a quarter of a million of internally displaced people, since 2017. Despite expectations surrounding the natural gas discoveries in the north, still to come to fruition, the Human Development Index (HDI) in this region remains low. However, vulnerabilities in Mozambique are not limited to ongoing conflict, with significant environmental and climatic pressures combining with geographic and economic inequalities creating significant pressures as it happens in the provinces of Maputo, Gaza and Inhambane.

IV – IMPLEMENTATION

4.1. Implementation arrangements

4.1.1 The Executing Agency shall be the National Institute for Disaster Management (INGD)

The INGD, established in 1999, coordinates disaster risk management activities in Mozambique with a mandate to coordinate emergencies, promote disaster prevention through population and government mobilization; protect human lives; ensure multi-sectoral coordination in disaster emergency; coordinate early warning systems; carry out public awareness; and implement projects to recover arid and semi-arid zones affected by drought. INGD is responsible for coordinating disaster risk management at the national, provincial and district levels in collaboration with the district directorate for agricultural activities. They have received and continue to receive technical and financial assistance towards improving their effectiveness. The existing Technical Council for Disaster Management (CTGC), which meets three times a year and brings together key line ministries and agencies at ministerial level, will serve as the Project Steering Committee (PSC). The technical council is chaired by the President of the INGD, who coordinates high level policy and planning on drought and emergency issues.

4.1.2 The PIU of the ongoing Drought Recovery and Agriculture Resilient Project comprising a Project Manager, M&E, Procurement and Financial officers will transit to this project because of good performance and knowledge of the AfDB policies, and procedures, subject to annual evaluation. The PIU of the executing agency will be reinforced with Infrastructure and Environmental and Social Safeguard Specialists, for appropriate design of climate resilient infrastructure models, while the later will help to screen sites and develop site specific ESMPs. The PIU will also be joined by a short-term gender consultant from Gender Link, an NGO that coordinates gender activities in the Country, who will be supporting the project to integrate gender activities over the life cycle of the project. The project will also be supported by a communication officer who will work on part-time basis with PIU. At the provincial level, the Project will have an M&E and an account officer who will oversee the activities of the project on a daily basis, while establishing linkages with the Provincial and District authorities. The Steering Committee will provide overall policy implementation directives and will seek to integrate drought and climate change issues into the distinct sectoral interventions made by the Project. The Project will implement all policy guidelines provided by the CTGC. Special attention and specific training on climate change implications will be provided to provincial core team and the rest of the implementation actors. In the agriculture components, the INGD will be working closely with the extension workers under SUSTENTA.

4.1.3 At the province and district levels, the line ministries, the Directorates of Agriculture and Food Security and the Directorate of Public Works will be responsible for overall activities. The project also involves capacity building by training community members through demonstrative processes. The community members will thus develop the capacity to maintain the community infrastructure to be installed with support from the Public Works and Agriculture Departments. Issues of nutrition and food security in Cabo Delgado will be outsourced to WFP and FAO respectively, including provision and training on Post-harvest reducing losses using hermetic bags.

Procurement arrangements

4.1.4 INGD as the executing agency, will coordinate the implementation of the project, as far as procurement is concerned, through its Procurement Unit (UGEA).

4.1.5 Procurement of goods (including non-consultancy services) works and the acquisition of consulting services, financed by the Bank for the project, will be carried out in accordance with the “Procurement Policy and Methodology for Bank Group Funded Operations” (BPM), dated October 2015 and following the provisions stated in the Financing Agreement. Specifically, Procurement would be carried out as follows:

- (i) **Bank Procurement Policy and Methodology (BPM):** Bank standard PMPs, using the relevant Bank Standard Solicitation Documents SSDs, for contracts that are either: above the thresholds indicated in Annex B5, Para. B.5.3;2, or (ii) in case BPS is not relied upon for a specific transaction or group of transactions; and (iii) in case BPM have been found to be the best fit for purpose for a specific transaction or group of transactions.
- (ii) Borrower Procurement System (BPS): Specific Procurement Methods and Procedures (PMPs) under BPS comprising its Laws and Regulations namely Decreto 5/2016 de 8 de Março – Regulamento de Contratação de Empreitadas de Obras Públicas, Fornecimento de Bens, e Prestação de Serviços ao Estado (Regulations for Contracting of Public Works, Supply of Goods and Consultancy & Non-Consultancy Services to the State), using the national Standard Solicitation Documents (SSDs) or other Solicitation Documents agreed

during project negotiations” for various group of transactions to be entailed under the project.

(iii) Third Party Procurement Methods and Procedures (PMPs): Third Party PMPs, using the relevant Third-Party Standard or Model Solicitation Documents. The third Party PMPs will be the World Food Programme (WFP) and the Food and Agriculture Organization (FAO) organizations’ procurement policies and procedures as established and governed by the Fiduciary Principles Agreements (FPA) dated 16 January 2018 and 8 March 2018 respectively, which provide assurances for sound fiduciary framework and accountability and oversight framework. Both WFP and FAO have sound procurement systems and appropriate procedures which are based on economy and efficiency, value for money, is transparent to the maximum extent possible and consistent with procurement best practices. Their systems provide appropriate processes and structures for monitoring and evaluation of procurement actions and performance and enable reporting of problems and complaints to officials with authority to address such problems based on appropriate mechanisms and in a timely manner and, where appropriate, provide for remedies. Furthermore, both FPAs provide for addressing fraud and corruption activities.

4.1.6 Procurement Risks and Capacity Assessment (PRCA): the assessment of procurement risks at the Country, Sector, and Project levels and of procurement capacity at the Executing Agency (EA), were undertaken for the project and the output have informed the decisions on the procurement regimes (BPS, Bank or Third party) being used for specific transactions or groups of similar transactions under the project. The appropriate risks mitigation measures have been included in the procurement PRCA action plan proposed in Annex B5, Para. 5.3.8.

4.1.7 Procurement Risks and Capacity Assessment (PRCA): the assessment of procurement risks at the Country, Sector, and Project levels and of procurement capacity at the Executing Agency (EA), were undertaken for the project and the output have informed the decisions on the procurement regimes (BPS, Bank or Third party) being used for specific transactions or groups of similar transactions under the project. The appropriate risks mitigation measures have been included in the procurement PRCA action plan proposed in Annex B5, Para. 5.3.8.

4.1.8 The Bank has cleared a request by the GOM to use Advance Contracting (AC) for consulting services for engineering design and supervision of infrastructures to be built or rehabilitated under the project. It is anticipated that INGD will conclude the procurement process for the engineering design and supervision in the third Quarter of 2021. Appendix VII below shows a summary of procurement arrangement for the project.

Financial Management, Disbursement and Auditing Arrangement

4.1.9 An assessment of the National Institute of Disaster Management (INGD) as Project Executing Agency (that included a review of the budgeting, accounting, treasury systems, internal controls, reporting and external audit arrangements) was done to ascertain effective financial management of the project. The department of finance and administration headed by the director of Finance and Administration within INGD is responsible for the function of planning and budgeting at the central and local levels including recording expenditures and maintaining assets through the Government wide e-Sistafe System. The system has however not been configured to enable project reporting, therefore excel or other existing system will be used for supplementing the recording and reporting of the project transactions.

4.1.10 INGD has been involved in implementing Bank funded project (Emergency Humanitarian Relief Assistance Drought Disaster Project and the Drought Recovery and Agriculture Resilience Project) and other donor-funded projects. INGD's FM performance in managing past projects has indicated some slight delays in planning implementation and reporting and incompleteness in reporting. Given the fiduciary requirements related to the Bank's financing, it will be essential to recruit a project accountant with appropriate qualifications and experience to handle the project financial management (FM) tasks within the Project Implementing Unit (PIU). The project will also recruit 3 accounts assistants who will be based in the 3 provinces involved in the implementation. Training in Bank requirements regarding financial management will be provided as part of project launching and during implementation.

4.1.11 The internal audit will cover the project, the reports resulting from the audits will be shared with the Bank during supervisions and including in the annual audit done by an independent institution. All deficiencies identified by internal audits will be communicated in a timely manner to the overall project management for action. The finance department follows INGD's financial and administrative procedures manual; however, the manuals do not fully include the project requirements, therefore project administrative and procedures manual need to be updated to provide adequate guidance to the operations of the project. The PIU will be responsible for ensuring compliance with the Bank's reporting requirements, regarding the submission of quarterly Interim Financial Reports (IFRs) of the Bank funding and Government contribution to the Bank not later than 45 days after the end of the respective quarter. The PIU will also be required to produce annual project financial statements.

4.1.12 The institution's financial statements are audited annually by the *Tribunal Administrativo* (TA). However, due to constraints at the TA, the project will be subjected to audit by a private auditor in accordance with Bank's approved Terms of Reference. The audit reports (including management letter) will be submitted to the Bank within six months after the end of the respective period covered by the audit with costs of the audit borne by the Grant. The overall conclusion of the assessment is that the INGD's current capacity to handle all the FM aspects of the project, currently does not fully satisfy Bank's minimum requirements as laid out in the Bank's FM guidelines. However, implementation of proposed FM arrangements and action plan will strengthen the financial management system. The mitigation measures include the recruitment of a project accountant and assistant accountant for the provinces, the recruitment of a private auditor, updating of Financial, updating of the Administrative procedures manual and supplementing project reporting system. The overall initial FM risk for the project is assessed as substantial but this could move to moderate with effective implementation of the mitigation measures indicated in the Action Plan. The detailed analysis and financial management arrangement are contained in PAR Volume II, Technical Annex B4.

4.1.13 Disbursement of funds under the project shall be primarily by the Direct Payment method for the activities under the project. The PIU will be responsible for certification of invoices submitted and preparation of disbursement application which will be reviewed and signed off by Government designated staff and submitted to the Bank for payment. The Special Account method to be managed by the PIU will be limited to financing the smaller and recurring operating expenses. The opening of the Special Account denominated in USD together with the associated local currency account denominated in MZN will be "other condition" precedent for first disbursement. Other methods of disbursement including the Reimbursement method, will also be available with the agreement of the Bank. All disbursements under the Grant would be made in accordance with the Bank's rules and procedures as laid out in the Disbursement handbook as applicable. In addition, the Bank will issue a Disbursement Letter of which the content will be discussed and agreed during negotiation.

4.1.14 Auditing arrangement: In accordance with the Bank’s audit requirements, the project’s annual financial statements will be subject to periodic (annual) audits conducted by an experienced and qualified external private audit firm. The external auditor will be recruited on a competitive basis, under Bank’s approved Terms of Reference and under terms and conditions acceptable to the Bank. This audit will be carried out in accordance with the International Standards on Auditing (ISA), and will include such tests and controls, as the auditor considers necessary under the circumstances. Besides expressing an opinion on the project’s financial statements in accordance with ISA, the auditors will be expected to prepare management letters giving observations and comments, and providing recommendations for improvements in accounting records, systems, controls and compliance with financial covenants of the Bank. The audit report and opinions on the financial statements including the management letter and management response shall be submitted to the Bank within six months from the end of the financial period. The cost of the audit will be financed from the Grant.

4.2. Governance

The GoM has been implementing a number of reforms to enhance governance, transparency and accountability. There have been major structural and functional reforms with emphasis on policy and institutional actions including public financial management system, decentralization, and capacity building all in an effort to ensure accountability and transparency in Government operations. The Project would be utilizing qualified staff to ensure economy and efficiency of project procurement and financial management process. Furthermore, the governance structure of the project provides for a statutory body like Technical Council for Disaster Management (CTGC), as the steering committee, which gives oversight policy direction for the implementation of the project. The CTGC assures that all stakeholders will have a voice in the review of project implementation. The Bank will follow up on governance through regular field supervision missions, audit reports, annual work plan and budget (AWPB), progress reports and procurement plans. The Bank is effectively on the ground with the Country Office (COMZ) in Maputo and thus close interaction and follow up will be undertaken at the Country level to ensure that implementation of the Project activities is on course. The COMZ Sector Experts will give a quarterly schedule of implementation progress to the Country Manger and Manager RDGS2.

4.3. Monitoring

4.3.1 The PIU will be staffed with qualified M&E Specialist at the central level and three junior experts at the provincial levels. The M&E team will benefit from tailored capacity building programs to acquaint themselves very well with the scope and nature of the project and the methodology to be followed. The project will support the deployment of an M&E and Management Information System (MIS) that will facilitate performance monitoring and impact evaluation against the specified indicators, including gender tracker and safeguards related indicators. While the performance monitoring process facilitates informed decision-making, the outcome assessment will provide information on whether the project has achieved its development objectives.

4.3.2 The PIU will work closely with relevant Ministries Departments and Agencies of government and research institutes for the purposes of data collection, and Monitoring and Evaluation of the project. A monitoring information System facility will be developed to maintain the database of project results, including performance against social and environmental indicators. With respect to reporting, a quarterly project progress report will be prepared by the project and submitted to the Bank and project Steering Committees as applicable. The project progress report will capture the use of funds as well as project disbursement, including progress made under each component of the project. Along with the progress report, the project result framework will be used to show progress

against project targets. The tracking of project results will be carried out through field visits to the project sites by the relevant staff as well as through regular surveys at the provincial or district level.

4.4. Sustainability

4.4.1 Technical sustainability of this project depends on the ongoing technical support and backstopping provided to the beneficiaries by the various National, Provincial and District Administration staff, and also on the beneficiaries adopting improved technologies on a permanent basis and making profit on their investments. Groups provide a viable framework within which sustainability can be nurtured and accelerated. The groups will be made capable of planning and implementing development initiatives with or without external assistance. Sustainability also depends on availability of national skills/resources and newly acquired skills. Adequate arrangements will be made for training of the beneficiaries and the supporting staff through capacity building of the staff and beneficiaries using workshops, trainings and demonstrations, leading to skill acquisition on improved technologies. This would require institutional linkages, particularly with the agricultural research institutes having mandates to promote technology dissemination through province and district extension services. The project would be implemented through participatory approach to ensure the involvement and commitment of all stakeholders, particularly farmers, province, and districts governments. Sustainability would similarly be ensured by linkages between farmers and the private sector in providing more services such as drilling of boreholes and small earth dams.

4.4.2 The beneficiaries will be encouraged to form functional and effective community management groups and be linked to market operators for off-taking their output (a) the districts, and local communities would manage their physical infrastructure investments in a sustainable way; (b) public and private sector operators would provide quality services that are demanded by smallholder producers and rural entrepreneurs; (c) The public institution responsible for overseeing water harvesting infrastructures in Inhambane, Gaza and Maputo provinces would be strengthened; and (d) sustainable water harvesting management farmers organizations would be formed.

4.4.3 The institutional and implementation arrangement that will mainstream project activities into government programs and institutions will secure ownership and commitment of the authorities towards achieving project development objectives.

4.5. Risk management

The main risks for CLINFREDEP will be related to the interest to adopt new practices by the communities. The implied change in behaviour and maintaining these practices can be mitigated by sensitization exercise and encouraging peer-to-peer knowledge transfer and show-casing visible gains to communities. The capacity building of the line Ministries in climate change adaptation measures will also enhance the knowledge transfer process and reduce the risk of insufficient capacity from the staff in the agencies that need to provide support to the farmers and community members. The risk of droughts and floods within the Maputo, Gaza and Inhambane Provinces cannot be eliminated, however through the project activities, the impacts of increased climate variability and change will be significantly reduced. The implementation of the project will result in increased adaptive capacity for the communities.

Table 4.2: Risk and Mitigation

| N° | Risk | Level of Occurrence | Mitigation |
|----|---|---------------------|--|
| 1 | Sparse nature of human settlement in the district | M | Best choice location and size leading to optimal use |
| 2 | Ability to maintaining the water harvesting infrastructures | L | Water users' associations established |
| 2 | Farmers with no interest to adopt new technologies | M | Promoting stakeholder's participation, engagement and integration |
| 3 | Adaptability of selected seeds | L | Research and demonstrative activities, extension and capacity building |
| 4 | Applicability of the climate insurance system | M | The Drought Insurance Policy is designed in a modular form |

4.6. Knowledge Building

The CLINFREDEP will allocate resources to systematically document and publicise new lessons and experience for future use. The project will upgrade the district's National Adaptation Plans (NAPAs), conduct assessments for climate shocks, integrate climate adaptation measures in terms of sustainable land and water management and promotion of tested drought tolerant seeds. The outcome of this would be carefully monitored and documented. Furthermore, the Project will be financing number of studies related to building knowledge on designing resilient infrastructures, contributing to incorporating drought related issues into the Emergency Law, and other adaptive measures contributing to resilient livelihoods. All project related studies and research would be made readily available on the AfDB websites for wider dissemination.

V – LEGAL INSTRUMENTS AND AUTHORITY

5.1. Legal instrument

The financing to be used for this project shall be a grant from the resources of TSF Supplemental Support Funding (Pillar I) window, which will be governed by a Protocol of Agreement to be executed between Republic of Mozambique (the "Recipient") and the African Development Bank (the "Bank"), and the African Development Fund (the "Fund") (the Bank and the Fund collectively referred to as the "Fund") as Administrators of the Transition Support Facility (the "TSF") on the other hand

5.2. Conditions associated with Bank's intervention

5.2.1 **Entry into Force of the Protocol of Agreement:** The Protocol of Agreement shall enter into force on the date of its signature by the Recipient and the Fund

5.2.2. **Conditions Precedent to First Disbursement:** The obligation of the Fund to make the first disbursement of the Grant shall be conditional upon the entry into force of the Protocol of Agreement as per Paragraph 5.2.1 above and the fulfillment by the Republic of Mozambique, in form and substance satisfactory to the Fund of the following conditions:

- (a) Submission of evidence of, at the Technical Assistance level: (i) the designation of: (a) a Project Manager; (b) a Procurement Specialist; (c) Monitoring and Evaluation (M&E) expert; and (d) a Financial Officer.

5.2.3 Conditions Precedent to Disbursements for Works: Subject to the provisions of Section 5.2.2 (*Condition Precedent to First Disbursement*), the obligation of the Bank to disburse the Grant for civil works in a given lot that involve the use of an Environmental Social Management Framework (ESMF), shall be subject to the satisfaction of the following additional condition(s) by the Recipient:

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

5.2.4. Other Conditions: The Recipient shall, in form and substance satisfactory to the Fund, fulfill the following conditions:

The Recipient shall and shall cause the Executing Agency to:

- (i) within six (6) months from Date of the Protocol of Agreement update the Project Administrative Procedures Manual, automate the Financial Management System, and take such measures as may be necessary to ensure that there are adequate internal controls in form and substance satisfactory to the Fund; and
- (ii) Within six (6) months from the date of first disbursement, appoint an external auditor recruited through a competitive selection process with qualifications and terms of reference acceptable to the Fund.
- (iii) Within six (6) months from the date of first disbursement recruitment of Safeguards and Natural Resources Specialist and an Assistant, (b) Infrastructure Specialist (c) a Communication Specialist and an assistant for the project management team with qualifications and terms of reference acceptable to the Fund.
- (iv) Within six (6) months from the date of first disbursement Submission of evidence of, at the provincial level: (i) the recruitment of: (a) a junior M&E officer, and (b) three (3) Accountants for the project management team with qualifications and terms of reference acceptable to the Fund.

5.2.5 Undertakings: The Recipient undertakes under the Protocol of Agreement to

(i) carry out the Project in accordance with the site-specific Environmental and Social Management Plan (“ESMP”) that are developed for the project sites and the Bank’s requirements and the applicable national legislation in a manner and substance satisfactory to the Bank;

(ii) prepare and submit to the Bank, as part of the Project Report in Section 7.01 (Project Report) of this Agreement, quarterly environmental and social reports on the implementation of the site-specific ESMPs including any deficiencies identified and the corrective measures thereto; and

(iii) refrain from taking any action which would prevent or interfere with the implementation of the site-specific ESMP, including any amendment, suspension, waiver, and/or avoidance of any provision thereof, whether in whole or in part, without the prior written concurrence of the Bank.

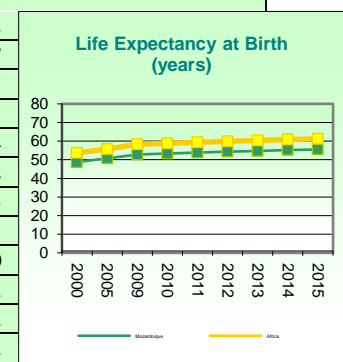
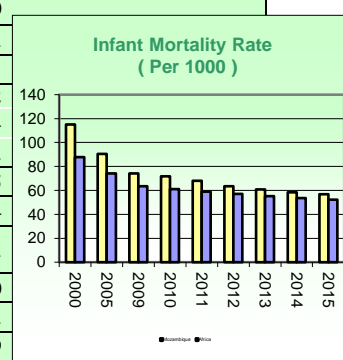
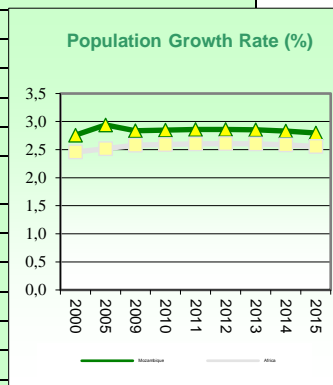
(X) This Project complies with all applicable Fund policies.

VI – RECOMMENDATION

Management recommends that the Boards of Directors approve a TSF Pillar 1 grant of (Thirty Million Units of Account) UA 30,000,000 M to the Republic of Mozambique to finance the Climate Insurance, Finance and Resilience Project (CLINFREDEP) under the conditions and modalities stipulated in this report.

APPENDIX I : COUNTRY'S COMPARATIVE SOCIO-ECONOMIC INDICATORS

| | Year | Mozambique | Africa | Developing Countries | Developed Countries |
|---|-----------|------------|---------|----------------------|---------------------|
| Basic Indicators | | | | | |
| Area ('000 Km ²) | 2016 | 799 | 30,067 | 97,418 | 36,907 |
| Total Population (millions) | 2016 | 28.8 | 1,214.4 | 6,159.6 | 1,187.1 |
| Urban Population (% of Total) | 2016 | 31.4 | 40.1 | 48.7 | 81.1 |
| Population Density (per Km ²) | 2016 | 36.6 | 41.3 | 65.1 | 33.8 |
| GNI per Capita (US \$) | 2015 | 580 | 2 153 | 4 509 | 41 932 |
| Labor Force Participation *- Total (%) | 2016 | 79.1 | 65.7 | 63.5 | 60.0 |
| Labor Force Participation **- Female (%) | 2016 | 82.3 | 55.7 | 48.9 | 52.1 |
| Sex Ratio (per 100 female) | 2016 | 95.7 | 100.1 | 106.0 | 105.0 |
| Human Develop. Index (Rank among 187 countries) | 2015 | 181 | ... | ... | ... |
| Popul. Living Below \$ 1.90 a Day (% of Population) | 2008 | 68.7 | ... | 21.1 | ... |
| Demographic Indicators | | | | | |
| Population Growth Rate - Total (%) | 2016 | 2.8 | 2.5 | 1.3 | 0.6 |
| Population Growth Rate - Urban (%) | 2016 | 3.4 | 3.6 | 2.4 | 0.8 |
| Population < 15 years (%) | 2016 | 45.1 | 40.9 | 27.9 | 16.8 |
| Population 15-24 years (%) | 2016 | 20.1 | 19.3 | 16.9 | 12.1 |
| Population >= 65 years (%) | 2016 | 3.4 | 3.5 | 6.6 | 17.2 |
| Dependency Ratio (%) | 2016 | 94.2 | 79.9 | 54.3 | 52.0 |
| Female Population 15-49 years (% of total population) | 2016 | 23.1 | 24.0 | 25.7 | 22.8 |
| Life Expectancy at Birth - Total (years) | 2016 | 55.8 | 61.5 | 69.9 | 80.8 |
| Life Expectancy at Birth - Female (years) | 2016 | 57.0 | 63.0 | 72.0 | 83.5 |
| Crude Birth Rate (per 1,000) | 2016 | 38.4 | 34.4 | 20.7 | 10.9 |
| Crude Death Rate (per 1,000) | 2016 | 11.0 | 9.1 | 7.6 | 8.6 |
| Infant Mortality Rate (per 1,000) | 2015 | 56.7 | 52.2 | 34.6 | 4.6 |
| Child Mortality Rate (per 1,000) | 2015 | 78.5 | 75.5 | 46.4 | 5.5 |
| Total Fertility Rate (per woman) | 2016 | 5.2 | 4.5 | 2.6 | 1.7 |
| Maternal Mortality Rate (per 100,000) | 2015 | 489.0 | 476.0 | 237.0 | 10.0 |
| Women Using Contraception (%) | 2016 | 18.7 | 31.0 | 62.2 | ... |
| Health & Nutrition Indicators | | | | | |
| Physicians (per 100,000 people) | 2005-2015 | 5.5 | 41.6 | 125.7 | 292.2 |
| Nurses and midwives (per 100,000 people) | 2005-2015 | 40.1 | 120.9 | 220.0 | 859.4 |
| Births attended by Trained Health Personnel (%) | 2010-2015 | 54.3 | 53.2 | 69.1 | ... |
| Access to Safe Water (% of Population) | 2015 | 51.1 | 71.6 | 89.4 | 99.5 |
| Access to Sanitation (% of Population) | 2015 | 20.5 | 39.4 | 61.5 | 99.4 |
| Percent. of Adults (aged 15-49) Living with HIV/AIDS | 2015 | 10.5 | 3.4 | ... | ... |
| Incidence of Tuberculosis (per 100,000) | 2015 | 551.0 | 240.6 | 166.0 | 12.0 |
| Child Immunization Against Tuberculosis (%) | 2015 | 95.0 | 81.8 | ... | ... |
| Child Immunization Against Measles (%) | 2015 | 85.0 | 75.7 | 83.9 | 93.9 |
| Underweight Children (% of children under 5 years) | 2010-2015 | 15.6 | 18.1 | 15.3 | 0.9 |
| Prevalence of stunting | 2010-2014 | 43.1 | 33.3 | 25.0 | 2.5 |
| Prevalence of undernourishment (% of pop.) | 2015-2016 | 25.3 | 16.2 | 12.7 | ... |
| Public Expenditure on Health (as % of GDP) | 2014 | 3.9 | 2.6 | 3.0 | 7.7 |
| Education Indicators | | | | | |
| Gross Enrolment Ratio (%) | | | | | |
| Primary School - Total | 2010-2016 | 105.8 | 101.2 | 104.9 | 102.4 |
| Primary School - Female | 2010-2016 | 101.2 | 98.4 | 104.4 | 102.2 |
| Secondary School - Total | 2010-2016 | 32.4 | 52.6 | 71.1 | 106.3 |
| Secondary School - Female | 2010-2016 | 31.1 | 50.2 | 70.5 | 106.1 |
| Primary School Female Teaching Staff (% of Total) | 2010-2016 | 43.1 | 47.1 | 59.8 | 81.0 |
| Adult literacy Rate - Total (%) | 2010-2015 | 58.8 | 66.8 | 82.3 | ... |
| Adult literacy Rate - Male (%) | 2010-2015 | 73.4 | 74.3 | 87.1 | ... |
| Adult literacy Rate - Female (%) | 2010-2015 | 45.5 | 59.4 | 77.6 | ... |
| Percentage of GDP Spent on Education | 2010-2015 | 6.5 | 5.0 | 4.0 | 5.0 |
| Environmental Indicators | | | | | |
| Land Use (Arable Land as % of Total Land Area) | 2014 | 7.2 | 8.7 | 11.2 | 10.3 |
| Agricultural Land (as % of land area) | 2014 | 63.5 | 41.7 | 37.9 | 36.4 |
| Forest (As % of Land Area) | 2014 | 48.5 | 23.2 | 31.4 | 28.8 |
| Per Capita CO2 Emissions (metric tons) | 2014 | 0.2 | 1.1 | 3.5 | 11.0 |



Sources : AfDB Statistics Department Databases; WB: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.; Last updated June 2017 ;
 Data Not Available. * Labor force participation rate, total (% of total population ages 15+) Note n.a.: Not Applicable, ** Labor force participation rate, female (% of female population ages 15+)

APPENDIX II: TABLE OF ADB'S PORTFOLIO IN THE COUNTRY

| # | Sector | Project code | Loan number | Project name | Sou | Fin. Inst. | Division | Sector | App. Date | Sig. Date | Entry Into Force Date | Eff. for 1st Disb. Date | Last Disb. Date | Final Disb. Date | Disb. (MU A) | Disb. Ratio | Com Ratio | Age (yrs) | Status |
|----|-----------------|--------------|---------------|--|------|------------|----------|-----------------|------------|------------|-----------------------|-------------------------|-----------------|------------------|--------------|-------------|-----------|-----------|--------|
| 1 | Agriculture | P-MZ-AA0-031 | 2100150039194 | Ppf-Value Chain And Market Development Program Along Pemba_L | ADF | Loan | RDGS2 | Agriculture | 06/12/2017 | 25/05/2018 | 25/05/2018 | 25/05/2018 | 21/10/2020 | 30/06/2021 | 1 | 71.3% | 87% | 3.4 | OnGo |
| 2 | Agriculture | P-MZ-AA0-033 | 2100155036468 | Drought Recovery And Agriculture Resilience Project | ADF | Grant | RDGS2 | Agriculture | 18/01/2018 | 21/02/2018 | 21/04/2018 | 05/06/2018 | 27/04/2021 | 30/06/2023 | 9 | 91.6% | 88% | 3.3 | OnGo |
| 3 | Agriculture | P-MZ-AA0-034 | 2100155037718 | Agricultural Value Chain And Youth Empowerment Project | ADF | Grant | RDGS2 | Agriculture | 20/07/2018 | 01/10/2018 | 01/10/2018 | 01/10/2018 | 19/04/2021 | 31/12/2023 | 2 | 19.6% | 51% | 2.8 | OnGo |
| 4 | Agriculture | P-MZ-AZ0-003 | 2100150027693 | Baixo Limpopo Irrigation & Climate Resilience Project | ADF | Loan | RDGS2 | Agriculture | 26/09/2012 | 08/11/2012 | 03/04/2013 | 20/06/2013 | 14/04/2021 | 30/06/2022 | 16 | 94.1% | 83% | 8.6 | OnGo |
| 5 | Agriculture | P-MZ-AZ0-003 | 5565155000051 | Baixo Limpopo Irrigation & Climate Resilience Project | SCF | Grant | RDGS2 | Agriculture | 26/09/2012 | 08/11/2012 | 08/12/2012 | 20/06/2013 | 26/04/2021 | 30/06/2022 | 1 | 75.6% | 98% | 8.6 | OnGo |
| 6 | Agriculture | P-MZ-AZ0-003 | 5565130000001 | Baixo Limpopo Irrigation & Climate Resilience Project | SCF | Loan | RDGS2 | Agriculture | 26/09/2012 | 08/11/2012 | 03/04/2013 | 20/06/2013 | 29/09/2020 | 30/06/2022 | 7 | 75.0% | 88% | 8.6 | OnGo |
| 7 | Transport | P-MZ-D00-007 | 2100155033673 | Mueda - Negomano Road Project Phase I | ADF | Grant | RDGS1 | Transport | 09/12/2016 | 02/02/2017 | 02/02/2017 | 11/11/2017 | 03/05/2019 | 31/12/2022 | 0 | 0.3% | 22% | 4.4 | OnGo |
| 8 | Transport | P-MZ-D00-007 | 2100150036499 | Mueda - Negomano Road Project Phase I | ADF | Loan | RDGS1 | Transport | 09/12/2016 | 02/02/2017 | 30/08/2017 | 11/11/2017 | 23/04/2021 | 31/12/2022 | 11 | 20.6% | 54% | 4.4 | OnGo |
| 9 | Transport | P-MZ-DB0-012 | 2100150028343 | Nacala Transport Corridor Phase-Iii | ADF | Loan | RDGS1 | Transport | 05/12/2012 | 15/03/2013 | 29/11/2013 | 10/04/2014 | 08/04/2021 | 31/12/2022 | 29 | 74.7% | 79% | 8.4 | OnGo |
| 10 | Transport | P-MZ-DB0-012 | 2100155024216 | Nacala Transport Corridor Phase-Iii | ADF | Grant | RDGS1 | Transport | 05/12/2012 | 15/03/2013 | 15/03/2013 | 10/04/2014 | 28/11/2016 | 31/12/2022 | 0 | 100.0% | 100% | 8.4 | OnGo |
| 11 | Water Sup/Sanit | P-MZ-EAZ-003 | 5600155004651 | Urban Sanitation, Drainage And Solid Waste Management In Chi | AW F | Grant | RDGS4 | Water Sup/Sanit | 14/07/2016 | 27/01/2017 | 27/01/2017 | 01/02/2018 | 13/01/2021 | 31/12/2021 | 1 | 61.9% | 73% | 4.8 | OnGo |
| 12 | Power | P-MZ-FD0-003 | 2000130021093 | Mozambique Lng Area 1 | ADB | Loan | PITD4 | Power | 21/11/2019 | 11/06/2020 | 11/06/2020 | 23/03/2021 | --- | 15/03/2025 | 0 | 0.0% | 0% | 1.4 | APVD |
| 13 | Finance | P-MZ-HAB-001 | 2000130013582 | Africa Sme Program Loc - Mozabanco S.A Mozambique | ADB | Loan | PIFD | Finance | 11/04/2014 | 14/11/2014 | 14/11/2014 | 10/04/2015 | 31/05/2016 | 30/05/2016 | 6 | 100.0% | 0% | 7 | OnGo |
| 14 | Finance | P-MZ-HAB-004 | 2000130020680 | Line Of Credit Banco Comercial E De Investimentos S.A. Mozam | ADB | Loan | PIFD1 | Finance | 15/07/2019 | --- | --- | --- | --- | --- | 0 | 0.0% | 0% | 1.8 | APVD |
| 15 | Finance | P-MZ-HAB-004 | 5060140000551 | Line Of Credit Banco Comercial E De Investimentos S.A. Mozam | PSF | Loan | PIFD1 | Finance | 13/11/2019 | --- | --- | --- | --- | --- | 0 | 0.0% | 0% | 1.4 | APVD |
| 16 | Social | P-MZ-I00-002 | 2100155036425 | Unilurio~Support To Skills Development For Agriculture And I | ADF | Grant | RDGS2 | Social | 16/01/2018 | 21/02/2018 | 21/02/2018 | 21/02/2018 | 26/04/2021 | 31/08/2023 | 2 | 17.9% | 36% | 3.3 | OnGo |

| | | | | | | | | | | | | | | | | | | | |
|----|--------------|--------------|---------------|--|-------|-------|-------|--------------|------------|------------|------------|------------|------------|------------|----|--------|------|------|------|
| 17 | Social | P-MZ-IZ0-002 | 2100150030643 | Consolidation Women's Entrepreneurship | ADF | Loan | RDGS2 | Social | 18/12/2013 | 25/03/2014 | 05/12/2014 | 30/09/2015 | 27/11/2018 | 30/12/2021 | 1 | 86.2% | 100% | 7.4 | OnGo |
| 18 | Social | P-MZ-IZ0-002 | 2100155026666 | Consolidation Women's Entrepreneurship | ADF | Grant | RDGS2 | Social | 18/12/2013 | 25/03/2014 | 22/04/2014 | 08/08/2014 | 30/03/2021 | 31/12/2021 | 2 | 80.6% | 70% | 7.4 | OnGo |
| 19 | Social | P-MZ-IZ0-003 | 2100155032268 | Job Creation And Livelihood Improvement Project | ADF | Grant | RDGS2 | Social | 18/05/2016 | 17/06/2016 | 17/06/2016 | 17/06/2016 | 12/04/2021 | 30/06/2023 | 2 | 32.7% | 44% | 4.9 | OnGo |
| 20 | Multi-Sector | P-MZ-K00-012 | 2100155040738 | Multi-Country Covid-19 Response Support Program For Mozambiq | ADF | Grant | ECGF | Multi-Sector | 22/07/2020 | 28/07/2020 | 28/07/2020 | 06/08/2020 | 21/08/2020 | 30/04/2021 | 15 | 100.0% | 0% | 0.8 | APVD |
| 21 | Multi-Sector | P-MZ-K00-012 | 5900155016266 | Multi-Country Covid-19 Response Support Program For Mozambiq | TSF | Grant | ECGF | Multi-Sector | 22/07/2020 | 28/07/2020 | 28/07/2020 | 06/08/2020 | 03/09/2020 | 30/06/2021 | 15 | 100.0% | 0% | 0.8 | APVD |
| 22 | Multi-Sector | P-MZ-KB0-001 | 5700155002751 | Nacala Corridor Business Linkages Ta Project | FAP A | Grant | RDGS2 | Multi-Sector | 14/06/2017 | 14/09/2017 | 27/11/2017 | 08/02/2018 | 23/02/2021 | 30/12/2021 | 1 | 73.3% | 67% | 3.9 | OnGo |
| 23 | Transport | P-Z1-DB0-039 | 2100150020398 | Multi-Nacala Corridor Project (Mozambique) | ADF | Loan | RDGS1 | Transport | 24/06/2009 | 23/10/2009 | 24/02/2010 | 20/07/2011 | 22/04/2021 | 30/10/2021 | 83 | 81.0% | 76% | 11.8 | OnGo |
| 24 | Power | P-Z1-FA0-073 | 2100150030595 | Enabling Large Scale Gas & Pwr Investmnt | ADF | Loan | RDGS1 | Power | 18/12/2013 | 25/03/2014 | 03/02/2015 | 03/02/2015 | 23/04/2021 | 30/06/2022 | 5 | 54.1% | 63% | 7.4 | OnGo |
| 25 | Agriculture | P-Z1-AZ0-014 | 5900155015802 | Post Cyclone Idai Emergency Recovery And Resilience Programm | TSF | Grant | RDGS4 | Agriculture | 05/06/2019 | 20/08/2019 | 20/08/2019 | 20/08/2019 | 25/03/2021 | 30/12/2023 | 1 | 10.4% | 21% | 1.9 | OnGo |
| 26 | Agriculture | P-Z1-AZ0-014 | 2100155040216 | Post Cyclone Idai Emergency Recovery And Resilience Programm | ADF | Grant | RDGS4 | Agriculture | 05/06/2019 | 20/08/2019 | 20/08/2019 | 20/08/2019 | 23/02/2021 | 31/12/2023 | 5 | 26.6% | 33% | 1.9 | OnGo |
| 27 | Agriculture | P-Z1-AZ0-014 | 5900155015801 | Post Cyclone Idai Emergency Recovery And Resilience Programm | TSF | Grant | RDGS4 | Agriculture | 05/06/2019 | 20/08/2019 | 20/08/2019 | 20/08/2019 | 26/11/2020 | 31/12/2023 | 0 | 0.9% | 21% | 1.9 | OnGo |
| 28 | Transport | P-Z1-DB0-039 | 5110155000758 | Multi-Nacala Corridor Project (Mozambique) | | Grant | RDGS1 | Transport | 28/11/2019 | --- | --- | --- | --- | --- | 0 | 0.0% | 0% | 1.4 | OnGo |
| 29 | Transport | P-Z1-DB0-039 | 6550655000451 | Multi-Nacala Corridor Project (Mozambique) | | Loan | RDGS1 | Transport | 10/03/2010 | 10/03/2010 | 06/07/2010 | 20/07/2011 | --- | 06/07/2016 | 0 | 0.0% | 100% | 11.1 | OnGo |
| 30 | Transport | P-Z1-DB0-222 | 5900155016172 | Mueda-Negomano Phase Ii (Lot A) | TSF | Grant | RDGS1 | Transport | 25/11/2019 | 24/02/2020 | 24/02/2020 | 30/10/2020 | --- | 31/12/2023 | 0 | 0.0% | 0% | 1.4 | OnGo |
| 31 | Transport | P-Z1-DB0-222 | 2100155040649 | Mueda-Negomano Phase Ii (Lot A) | ADF | Grant | RDGS1 | Transport | 25/11/2019 | 24/02/2020 | 24/02/2020 | 30/10/2020 | 27/04/2021 | 31/12/2023 | 0 | 0.4% | 0% | 1.4 | OnGo |
| 32 | Power | P-Z1-FA0-164 | 2100155040366 | Temane Transmission Project (Ttp) | ADF | Grant | RDGS1 | Power | 19/07/2019 | 29/08/2019 | 29/08/2019 | 17/08/2020 | 06/11/2020 | 31/12/2023 | 0 | 0.2% | 0% | 1.8 | APVD |

APPENDIX III: KEY RELATED PROJECTS FINANCED BY THE BANK AND OTHER DEVELOPMENT PARTNERS

| Donor | Name of the Project | Implementing Agency | Currency | Amount in Country Currency | Amount in US Dollars | Funding Modality | Duration | Local | Comments |
|--|--|--|----------|----------------------------|--|------------------|----------------------|---|---|
| | | | | | € 1 = \$1,308 | | | | |
| CLIMATE CHANGE ADAPTATION AND DISASTER RISK REDUCTION | | | | | | | | | |
| ON-GOING PROJECTS | | | | | | | | | |
| NATIONAL LEVEL | | | | | | | | | |
| World Bank | Sustenta | MITADER (DNGA), Nampula and Zambeze province | \$ USD | | 40,000,000.00 (26000000.00 grant /14000000 loan) | Loan/Grant | 20016-2021 | Nampula and Zambeze | |
| Danida/EU Commission (Irish Aid) | Support Program to the Environment Sector (PASA II) | MITADER | \$ | | 60,980,000.00 | Grant | 2011-2015 | National, provincial and local | |
| World Bank | PROIR | MASA | | | Loan | Grant | 2011 - 2018 | National, provincial and local | Gaza, Tete, Cabo Delgado |
| World Bank | APSA | MASA/IIAM | \$ | | 30000000.00 | Loan | 2015 - 2020 | National | Research |
| UNDP (LDCF/GEF) | Adaptation in the coastal zones of Mozambique | MITADER | \$ | Total | 9,667,000.00 | Grant | 1/10 2011 - 1/9 2015 | National, local (Pemba, Inharrime, Pebane) | Total (\$14,110,000) includes a GEF contribution of \$4.433.000; GoM contribution of US\$ 827,000 (in kind and money); UNDP funds; parallel funding |
| | | | | Grant | 4,433,000.00 | | | | |
| Joint Program "UN Delivery as One" | Support to Risk Reduction Against Disasters | UNDP/UN-HABITAT UNICEF/FAO/WFP IOM/WHO/UNFPA | \$ | | 10,000,000.00 | Grant | 2008-2010 | National, provincial and local | |
| Donor | Name of the Project | Implementing Agency | Currency | Amount in Country Currency | Amount in US Dollars | Funding Modality | Duration | Local | Comments |
| Joint Program from the Spanish Fund for ODM | Climate Change Adptation and Environmental Integration | FAO/UNEP/ UNDP | \$ | | 7,000,000.00 | Grant | 2008-2012 | Limpopo Basin and Chicualacuala district - Gaza | Mostly in the district of Chicualacuala. Financed by the Spanish Government through the MDG-F. Project will close in mid-2012 |

| | | | | | | | | | | | |
|---|---|---------------------------------|--|-----------------|-----------------------------------|--|-------------------------|-----------------|--|--|--|
| German Cooperation | Institutional Advisor for consolidation and increasing risk management for calamities in Mozambique | INGD | | \$ | | 7,600,000.00 | Grants | 2007- fim 2012 | National, Provincial, Local | Caia, Beira, Buzi, Save, Mabote, Funhalouro, Vilankulos, Maputo | |
| UNDP | Climate Change Project at INGD Fase II – Response às CC em Moç | INGD | | \$ | 3,600,000.00 | 3.600.000, Danida: 1057000, PNUD: 1250000, AfD: 243000 | Grant | 2009-2011 | National | Draft final reports made available mid-March 2012 | |
| França (AFD) | | | | Euro | 250,000.00 | 327,000.00 | | | 2011 - 2012 | Mabote | |
| Danida | | | | | | | | | | | |
| Irish Aid | | | | | | | | | | | |
| JICA | Climate Changes Water Supply Emergence Program | MITADER/INGD/DNA | | \$ | | 11,000,000.00 | Grant | 2009-2010 | Províncias de Maputo e Gaza | Previsto para envolver 75.000 pessoas, mas devido a limitação de recursos apenas 20.000 pessoas | |
| Holanda Canada CAD 5.000.000.00 USAID In-Country Missions (U.S.A.) | Promotion and Protection of Means of Subsistence (LPP) under emergency Situation | WFP em parceria com INGD e MASA | | \$ | | 40,000,000.00 | directo multilateral | 2008-2010 | 30 Distritos vulneráveis do Plano Director do INGD | | |
| AFD (GEF francês) | Adaptação às mudanças climáticas no Parque Nacional das Quirimbas | MITUR | | € | 1,000,000.00 | 1,308,000.00 | Grant | 2011-2014 | Cabo Delgado - PNQ | Parte dum projecte mais global de apoio do PNQ | |
| AFD (GEF francês) | REDD+ - Reserva Nacional do Gile e sua periferia | MITUR | | € | 2,000,000.00 | 2,616,000.00 | Grant | 2011-2014 | Zambezia | Statuto : início | |
| UNDP | Capacity Development for RRD and AMC | INGD/MITADER | | \$ | | 4,568,000 | | 2012-2015 | | Note that the total refers to UNDP core funding already allocated; the project plans to mobilize an additional \$10,771,000. | |
| Donor | Name of the Project | Implementing Agency | | Currency | Amount in Country Currency | Amount in US Dollars | Funding Modality | Duration | Local | Comments | |
| MITIGAÇÃO | | | | | | | | | | | |
| FINANCIAMENTO EM CURSO | | | | | | | | | | | |
| Noruega | Sul-Sul REDD | IIED with differet institutions | | NOK | 3.800.000 2,000,000 | + 645,934.00 | Grant | 2009-Marco 2012 | | | |
| Japan, Government of | Provision of survey equipment, satellite images, PC, and softwares for RS for monitoring REDD+ | MASA (DNTEF) | | Yen | 7,000,000.00 | 7,000,000.00 | Grant | 2010 | National | A part of the Japan Grant Aid for Forest Preservation Programme: | |

| | | | | | | | | | |
|---|--|-------------------------------|-----|--------------|------------|-----------------------|-----------|--|---|
| | | | | | | | | | US\$200million for 22 countries |
| Japan International Cooperation Agency (JICA) | Technical Cooperation Project (Establishment of Sustainable Forest Resource Information Platform for Monitoring REDD+) | MASA (DNTF) | \$ | 3,500,000 | | Technical Cooperation | 2012-2017 | National | |
| German and Dutch | Energizing Development: Access to modern Energy Services (AMES), grid densification and off grid solar and hydro | FUNAE | \$ | 3,800,000 | 5,244,000 | Grant | 2010-2012 | Maputo/Matola /National /Manica province | |
| UNDP | Green Human capacity Development (GHD project) | MITADER | \$ | | 1,253,000 | | 2012-2015 | National - Local | Note that the total refers to UNDP core funding already allocated; the project plans to mobilize an additional \$1.800.000. Also note that the project involves CCA and not only mitigation |
| Noruega | Capacity building for CDM projects in Mozambique | Pöyry AS/Dr. AJ Tsamba da UEM | NOK | 1,600,000.00 | 271,972.00 | ? | 2010-2011 | | |

APPENDIX IV: MANDATORY ANNEX ON M&E ARRANGEMENTS TO BE INCLUDED IN THE PAR/PCN

| A. Alignment indicators | | | | | | | |
|--|---|---|--|------------------------------|------------------|----------|-----------|
| Indicator name | Definition/ description | Source | Baseline and targets (where possible) | | | | |
| Number of people within the drought affected areas with improved livelihood | <i>Drought is reducing the ability of the affected population to cope with the vagaries of drought. With the project activities it is expected that changes in the livelihood system may occur.</i> | <i>Government Reports, SETSAN, Poverty Surveys, MADER reports</i> | Baseline (date): 150,000 Target (date): 300,000 | | | | |
| B. Outcome (performance indicators) | | | | | | | |
| Indicator name | Definition/ Description | Methodology for collection | Responsibility for collection | Frequency of reporting | Results planning | | |
| | | | | | DATE 1 | DATE 2 | DATE X |
| N° People supported to cope with drought and/or the adverse effects of climate change (Gender disaggregated by district) | Drought has been affecting the capacity of people to practice their normal activities. | Data collection from M&E and MTR review of project | INE, SETSAN, | 3 -Years | 06/2023 | -06/2026 | N/A |
| Annual income of targeted households | Change on income as result of project activities, i.e. Agriculture & marketing activities | Survey and Questionnaires | INE, SETSAN | Annually | 12/2022 | 12/2022 | 12/2022+1 |
| N° of people benefiting from Climate Insurance under ADriFi | People that will receive the premium from climate insurance | Survey | INGD | Annually | 12/2022 | 12/2022 | 12/2022+1 |
| Output Indicators (performance indicators) | | | | | | | |
| N° of solar powered excavated reservoir, multifunctional boreholes, water troughs, water collection infrastructures and desalinization systems | Water harvesting infrastructures that the project will allocate to increase the accessibility for drinking water for human, animal and plant consumption | Data collection from M&E, Quarter Reports and MTR review of project | Project Staff, Extension Workers at district level | Quarterly (4-times a Year) | 03/2022 | 06/2022 | 09/2022 |
| Km of degraded roads, dykes and Ha of landscape rehabilitated. | To improve accessibility, see protection and erosion control | Data collection from M&E, Quarter Reports and MTR review of project | Project Staff, Extension Workers at district level | Quarterly (4-times a Year) | 03/2022 | 06/2022 | 09/2022 |
| Land area (ha) covered by community drip Irrigation systems and improved agroforestry practice. | Area occupied with drip irrigation | Data collection from M&E, Quarter Reports and MTR review of project | Project Staff, Extension Workers at district level | Quarterly (4-times a Year) | 03/2022 | 06/2022 | 09/2022 |
| N° of trainings for trainers, women and communities on nutrition, food processing and conservation, business management and hygiene, SBCC and information system. | Transfer of knowledge to community members that will capacity other community members | Data collection from M&E, Quarter Reports and MTR review of project | Project Staff, Extension Workers at district level | Quarterly (4-times a Year) | 03/2022 | 06/2022 | 09/2022 |
| Training sessions of farmers on land management, develop local land use plans and facilitate the distribution of tenure security to small farmers in the project implementation areas. | Transfer of knowledge to community members that will capacity other community members | Data collection from M&E, Quarter Reports and MTR review of project | Project Staff, Extension Workers at district level | Quarterly (4-times a Year) | 03/2022 | 06/2022 | 09/2022 |
| Supplying kits for artificial insemination of cattle and small ruminates that are tolerant to drought | Increase the capacity of the livestock to resist to drought | Data collection from M&E, Quarter Reports and MTR review of project | Project Staff, Extension Workers at district level | Quarterly (4-times a Year) | 03/2022 | 06/2022 | 09/2022 |

| | | | | | | | |
|--|--|---|--|----------------------------|---------|---------|---------|
| Construct and rehabilitate markets, fish training center and youth incubation centers | Construction of training centres for youth related activities | Data collection from M&E, Quarter Reports and MTR review of project | Project Staff, Extension Workers at district level | Quarterly (4-times a Year) | 03/2022 | 06/2022 | 09/2022 |
| Provision processing machines and engagement of marketing service provider | This is equipment for processing wild fruits and contracting a consultant that will help farmers getting into the market | Data collection from M&E, Quarter Reports and MTR review of project | Project Staff, Extension Workers at district level | Quarterly (4-times a Year) | 03/2022 | 06/2022 | 09/2022 |
| N° of climate risk profiles, contingency plans and vulnerabilities assessments | Description of the risks and vulnerability faced by the population | Data collection from M&E, Quarter Reports and MTR review of project | Project Staff, Extension Workers at district level | Quarterly (4-times a Year) | 03/2022 | 06/2022 | 09/2022 |
| N° of TA on implementation the DRM law and strengthening the capacity of the disaster management fund | Technical Assistance to support the Disaster Management Fund | Data collection from M&E, Quarter Reports and MTR review of project | Project Staff, Extension Workers at district level | Quarterly (4-times a Year) | 03/2022 | 06/2022 | 09/2022 |
| N° of strategy for Arid and Semi-Arid Zones, local adaptation plans and the strategic environmental assessments of the coastal zones | Support policy and strategic environment | Data collection from M&E, Quarter Reports and MTR review of project | Project Staff, Extension Workers at district level | Quarterly (4-times a Year) | 03/2022 | 06/2022 | 09/2022 |
| N° of INGD staff trained and studies conducted for INGC | Capacity building to INGD | Data collection from M&E, Quarter Reports and MTR review of project | Project Staff, Extension Workers at district level | Quarterly (4-times a Year) | 03/2022 | 06/2022 | 09/2022 |
| N° of Knowledge Management, Monitoring and Evolutional products, beneficiary assessments | Studies and M&E system in place | Data collection from M&E, Quarter Reports and MTR review of project | Project Staff, Extension Workers at district level | Quarterly (4-times a Year) | 03/2022 | 06/2022 | 09/2022 |
| N° of baselines, quarter reports, MTR, AWPB | Reports and M&E systems | Data collection from M&E, Quarter Reports and MTR review of project | Project Staff, Extension Workers at district level | Quarterly (4-times a Year) | 03/2022 | 06/2022 | 09/2022 |

User note for table 1:

1. *Indicator name:* This refers to the exact same indicator name referred to in the results framework.
2. *Definition / Description:* This provides an easy-to-understand and detailed enough definition of each indicator.
3. *Methodology for data collection:* This refers to the specific computation used to provide updated data.
4. *Responsibility for data collection:* This indicates the unit or office responsible for collecting the data at regular intervals.
5. *Results planning.* This indicates the planned/expected targets for each indicator at different stages of the project (at minimum the target data at mid-term and at completion should be specified).
6. Note that baseline and targets for alignment indicators are not mandatory. If not available, operations staff should insert “not available” in the corresponding cell.
7. *Frequency of reporting* should document the periodicity at which data on the indicator is updated. It is recommended to avoid as much as possible to use “end of project” in this column as operations staff s should know in advance of the completion of the project if the project results are on track or if improvement actions are needed

APPENDIX V: MANDATORY ANNEX ON RISKS TO RESULTS TO BE INCLUDED IN THE PAR

| RISK CATEGORY | RISK DESCRIPTION | RATING | MITIGATION MEASURE | RISK OWNER |
|---|---|---------------|---|-------------------|
| COUNTRY'S POLITICAL AND GOVERNANCE CONTEXT | The current situation of insecurity in the central and northern Mozambique may pose a huge risk for the project since it will increase the number of displaced people to move to the project areas | Low | Land use planning will help settling the displaced people into productive land | Government |
| MACROECONOMIC | The increase level of disinvestment in the country, currency fluctuation, prices increase in the international market because of the COVID pandemic may undermine the capacity to implement all designed activities | High | Increase use of national procurement systems at NCB will help for materials and products to be acquired in the local market | Government, AfDB |
| TECHNICAL DESIGN OF THE OPERATION | Farmers with no interest to adopt new technologies as they are not part of their long-term practices | Medium | Promoting stakeholder's participation, engagement, and integration | Beneficiaries |
| ENVIRONMENTAL AND SOCIAL | Internal migration from one community to another due to drought. | Medium | Best choice location of the infrastructures to mitigate the effects of drought. | Beneficiaries |
| | | | | |

APPENDIX VI: JUSTIFICATION FOR 100% PROJECTS' COST FINANCING INCLUDING VAT

Context: The Government of Mozambique (GoM) has submitted a request to the Bank Group to finance 100% of the projects' costs, including VAT and duties, initially for new projects approved in 2017 and 2018. A second request was submitted in October 2020 to include 2021 and 2022 approved projects. This would bring the practice of the Bank in line with other development partners such as the World Bank and address some emerging project implementation issues. The Policy on expenditure eligible for Bank financing¹ (2008) allows the Bank Group to waive the principle that its projects are exempt from duties and taxes on a case-by-case basis, in cases where (para 4.2.1 of the mentioned policy):

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

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

The fiscal context: Mozambique has made progress in restoring macroeconomic stability, but challenges remain. Mozambique has grown on average 3.3% a year from 2016-2019, below the historic 7% average from 2004-2015. In 2020, economic performance was drastically impacted by the COVID-19 social, economic and health crisis, which led to a 1.3% GDP contraction in 2020. Before COVID-19, Mozambique was just recovering from the series of financial shocks it was submitted in 2015-16, which included the disclosure of "hidden debts" (that was followed by the suspension of the IMF's programme and donors' budget support operations²), and the impact of cyclones IDAI and Kenneth in 2019, which caused damages equal to around a fifth of GDP. Further pressures are expected to impact the economic and fiscal scenarios, such as the prolongation of the COVID-19 pandemic and the increasing nature of the conflicts in the North of the country that may not only increase budget military and humanitarian expenditure needs, but also postpone the start-up of the natural-resources based mega-projects and its revenues.

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

Fiscal reform effort has been significant. Fuel and wheat subsidies were eliminated, an automatic fuel price adjustment mechanism was adopted, and electricity and public transportation tariffs were increased in 2017-18. These efforts combined with cuts in public investment have reduced significantly the primary fiscal deficit to about 2 percent of GDP in

¹ BD/WP/2007/106/Rev.2

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

2018, compared to 4¾ per-cent of GDP in 2016. Budget has become more realistic than in the previous assessment. Macroeconomic reforms were coupled with Public Financial Management improvements, such as improved rules on public debt issuing and guarantees as well as SOE management law and regulation, new framework for public Funds and other public entities, the creation of a fiscal risk unit within the Ministry of Finance and Economy (MEF) with IMF’s assistance and the regular publication of fiscal risks. Investigation and implication of serving and former officials in the illegal contracted debt also followed suit. The GoM is committed to monitoring any new spending that would be financed by the debt service standstill and to fully disclose this information and their public sector financial commitments.

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

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

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

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

Source: IMF NO. 21/101 on Mozambique

Prior to this request_Bank-funded projects in Mozambique have experienced challenges relating to co-financing of VAT and other expenses as well as with VAT reimbursement to private operators. At least 14 active Bank projects had reported arrears in payment of VAT

from Government, causing significant delays in project implementation. The 100% financing has positively impacted on projects implementation and helped to restore the confidence of the private sector operators in particular of small local businesses in bidding to Bank’s financed activities.

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

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

Table 2: Comparative VAT rates

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

2. Taxes and duties are estimated at 8.87% (USD 4,211,200) of total project costs in the Climate Insurance, Finance and Resilience Project (CLINFREDEP), with the infrastructure component attracting most duties. According to the Government Decree 13/2016, art. 15 infrastructure and its operation and maintenance are cover by an especial exemption of 60% of the total cost. Charging of taxes and duties are not specifically directed at Bank projects; in fact the World Bank already covers these expenditures under its projects in Mozambique.
3. The project will benefit from the Government Decree 13/2016, art. 15 stabilizing that infrastructure and its operation and maintenance are cover by an especial exemption of 60% of the total cost.

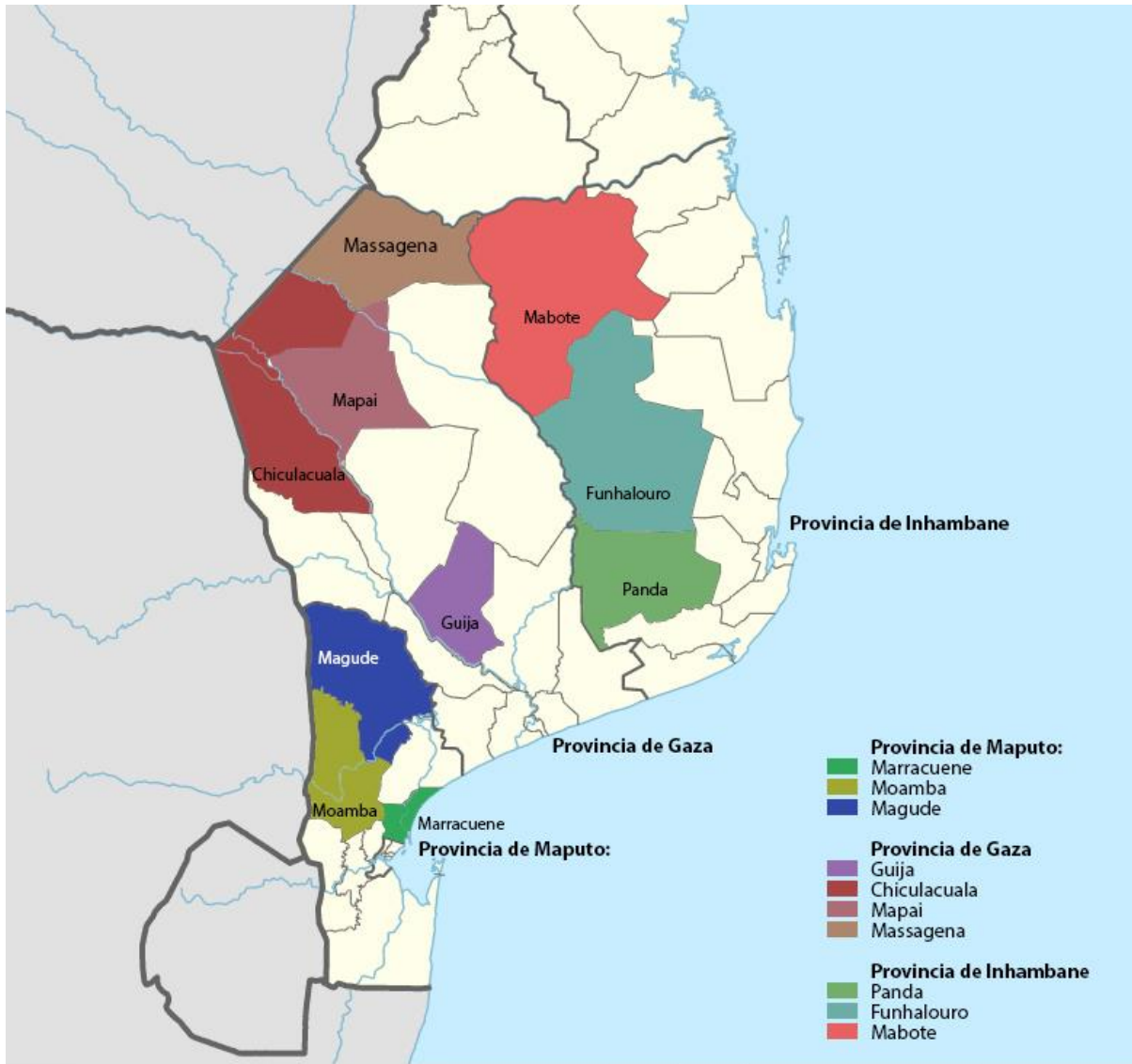
APPENDIX VII: SUMMARY OF PROCUREMENT ARRANGEMENT (UA'000)

| # | Project Components/Categories | *BPS | **Third Party Procurement Methods and Procedures | ***BPM (NCB) | ***BPM Individu Consulta (OCB – Shortlist) | ***BPM (Short List) | Total |
|----------|---|-------|--|--------------|--|---------------------|-----------------|
| 1 | Goods | | | | | | 3,192.8 |
| 1.1 | Supply and Facilitate Installation of 180 Irrigation Kits | | | 352.5 | | | 352.5 |
| 1.2 | 17 Motor vehicle 4x4 Double/Twin Cab (1 vehicle/District) | | | 827.2 | | | 827.2 |
| 1.3 | 27 Motorcycles off-road (3 per participating District) | | | 99.3 | | | 99.3 |
| 1.4 | Supply of Climate-proof and Resilient Seeds and High Value and Drought Tolerant Agricultural Inputs | | | 233.6 | | | 233.6 |
| 1.5 | Procure and Distribute Hermetic Bags, PPE and Extension Tools/Kits (based on demand) | 155.8 | | | | | 155.8 |
| 1.6 | Supply of 140 Small Agro-processing Machines/Equipment (Demand Driven), Community-Level/small Agro-processing Equipment and Processing Units for Wild Fruits (demand driven) | | | 290.2 | | | 290.2 |
| 1.8 | Procure/Supply 2000 Artificial Insemination Kits for Cattle | | | 498.5 | | | 498.5 |
| 1.9 | Supply 800 Drought Tolerant Small Ruminants (sheep, goats, etc) | 230.2 | | | | | 230.2 |
| 1.10 | Supply of IT Equipment (2 lots) and PCU Office Furniture | 75.5 | | | | | 75.5 |
| 1.11 | Supply and Install Containerized Desalination Plant with Accessories | | | 430 | | | 430 |
| 2 | Works | | | | | | 14,851.0 |
| 2.1 | Construction of Watering Points for Livestock, Construction/Rehabilitation of Multifunctional Solar-powered Boreholes, Fencing of Water Treatment Plant | | | 2,235.6 | | | 2,235.6 |
| 2.2 | Construction Water Harvesting Structures (Small Earth Dams) | | | 4,405.0 | | | 4,405.0 |
| 2.3 | Supply and Installation of Roof-top Rainwater Harvesting Structures including Solar Panels | | | 147.0 | | | 147.0 |
| 2.4 | Rehabilitation of small irrigation schemes | | | 1,278.8 | | | 1,278.8 |
| 2.5 | Rehabilitation of Training Centre in Massagena and Mabote (CERUM) and Fish Training Center in Marracuene District | | | 1,063.2 | | | 1,063.2 |
| 2.6 | Rehabilitation of Climate-proof Rural Access Roads (2 districts) | | | 2,221.2 | | | 2,221.2 |
| 2.7 | Construction of Protection Dykes along Coastal Areas | | | 3,139.0 | | | 3,139.0 |
| 2.8 | Construct/rehabilitate 2 Large Agricultural Markets and Construct Mini-Silos (Component II Activity) | | | 361.2 | | | 361.2 |
| 3 | Consultant Services (Firms) | | | | | | 3,407.00 |
| 3.1 | Design and Supervision of Construction of Water Harvesting and Rural Water Supply Infrastructures, Rehabilitation of Small Irrigation Schemes, Training Centes (Massangena, Mabote and Marracuene), Agricultural Markets, and Roof-top Rainwater Harvesting Structures including Solar Panels | | | | | 819 | 819 |
| 3.2 | Design and Supervision of Climate-proof Rural Access Roads (2 districts), and of Protection Dykes along Coastal Areas | | | | | 926 | 926 |
| 3.3 | Elaborate Climate Risk Shocks, Elaborate Contingency Plans and Vulnerability Assessments & Strengthening Capacity of Disaster Management Fund | | | | | 371.8 | 371.8 |

| | | | | | | | |
|----------|---|---------|---------|--|-------|-------|-----------------|
| 3.4 | Provision of Technical Assistance on Implementation of DRM Law | | | | | 134.3 | 134.3 |
| 3.5 | Design Strategy for Mozambique Arid and Semi-Arid zones, Update Strategic Environmental Assessments of Coastal Zones & Training on Mainstreaming Risk Financing into Development Plan and Parametric Insurances and Adaptation Plan - Enhance Extension and Training Materials for Climate Resilience Agronomic Practices & Adaptation Plan - Enhance Capacity of Key Stakeholders to Build Bankable Projects | | | | | 486.2 | 486.2 |
| 3.6 | Financial Audit | | | | | 55.6 | 55.6 |
| 3.7 | Procurement Audit | | | | | 55.6 | 55.6 |
| 3.8 | Conduct Baseline Survey Report | 67.7 | | | | | 67.7 |
| 3.9 | Support Multi-Stakeholders-Platforms | | | | | 107 | 107 |
| 3.10 | Conduct Beneficiary Impact Assessment | 70.4 | | | | | 70.4 |
| 3.11 | Promote Information Education and Communication (IEC) | 313.4 | | | | | 313.4 |
| 4 | Consultant Services (Individuals) | | | | | | 1,625.40 |
| 4.1 | PCU - Project Coordinator | | | | 311.3 | | 311.3 |
| 4.2 | PCU – Accountant | | | | 244.6 | | 244.6 |
| 4.3 | PCU - Monitoring and Evaluation (M&E) Expert | | | | 244.6 | | 244.6 |
| 4.4 | PCU - Procurement Specialist | | | | 244.6 | | 244.6 |
| 4.5 | PCU - Infrastructure Specialist | | | | 244.6 | | 244.6 |
| 4.6 | PCU – Communication Specialist | | | | 178.6 | | 178.6 |
| 4.7 | Marketing Specialist | | | | 52.4 | | 52.4 |
| 4.8 | Produce Project Implementation Manual (PIM) | | | | 34.9 | | 34.9 |
| 4.9 | Develop Participatory M&E System | | | | 69.8 | | 69.8 |
| 5 | Training | | | | | | 5,180.50 |
| 5.1 | Support Agro-forestry Techniques and Promote/Support Conservation Agriculture | | | | | 413.8 | 413.8 |
| 5.2 | Develop Training Materials, Conduct Training, Support/improve and Implement Nutrition -related activities (through FPA with WFP) | | 2,505.2 | | | | 2,505.2 |
| 5.3 | Cabo Delgado Province - Support/Enhance Food Security and Nutrition (LS - All Activities) (through FPA with FAO) | | 1,640.8 | | | | 1,640.8 |
| 5.4 | Conduct Training Sessions for Farmers on Land Management, Develop Local Land Use Plans/Maps in Mabote District and, Facilitate Tenure Security to Small Farmers in Project Areas | | | | | 620.7 | 620.7 |
| 6 | Operating costs | | | | | | 1,743.3 |
| 6.1 | Operating Costs | 1,743.3 | | | | | |

*BPS: Borrower Procurement System, ** Third Party Procurement Methods and Procedures, *** BPM Bank Procurement Methods

APPENDIX VIII: MAP OF THE PROJECT AREA



ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)



AFRICAN DEVELOPPEMENT BANK GROUP

Basic Information³

| | | | |
|---|--|--|--|
| Project Title: Climate Insurance Finance and Resilience Development Programme | | Project "SAP code": P-MZ-AAG-008 | |
| Country: MOZAMBIQUE | Funding Instrument ⁴ : DI <input checked="" type="checkbox"/> FI <input type="checkbox"/> CL <input type="checkbox"/> BS <input type="checkbox"/> GU <input type="checkbox"/> RPA <input type="checkbox"/> EF <input type="checkbox"/> RBF <input type="checkbox"/> | | |
| Project Sector: AGRICULTURE | Task Team Leader: CESAR TIQUE | | |
| Appraisal date: 02/03/2021 | Estimated Approval Date: 30/06/2021 | | |
| Environmental Safeguards Officer: Chimwenwe Roberta MHANGO | | | |
| Social Safeguards Officer: xxxx | | | |
| Environmental and Social Category: 2 | Date of appraisal: 25/11/2020 | Operation type: SO <input checked="" type="checkbox"/> NSO <input type="checkbox"/> PBO <input type="checkbox"/> | |
| this project processed under rapid responses to crises and emergencies? | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | |
| this project processed under a waiver to the Integrated Safeguards System? | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | |

B. Disclosure and Compliance Monitoring

B.1 Mandatory disclosure

| | |
|---|---|
| Environmental Assessment/Audit/System/Others (specify): ESMF | |
| Was/Were the document (s) disclosed <i>prior to appraisal</i> ? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> NA <input type="checkbox"/> |
| Date of "in-country" disclosure by the borrower/client | 03/06/2021 |
| Date of receipt, by the Bank, of the authorization to disclose | 05/05/2021 |
| Date of disclosure by the Bank | 05/05/2021 |
| Resettlement Action Plan/Framework/Others (specify): N/A | |
| Was/Were the document (s) disclosed <i>prior to appraisal</i> ? | Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/> |
| Date of "in-country" disclosure by the borrower/client | [Date] |
| Date of receipt, by the Bank, of the authorization to disclose | [Date] |
| Date of disclosure by the Bank | [Date] |
| Vulnerable Peoples Plan/Framework/Others (specify): N/A | |
| Was the document disclosed <i>prior to appraisal</i> ? | Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/> |
| Date of "in-country" disclosure by the borrower/client | [Date] |
| Date of receipt, by the Bank, of the authorization to disclose | [Date] |
| Date of disclosure by the Bank | [Date] |

If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why:

B.2. Compliance monitoring indicators

| | |
|---|---|
| Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/> |
| Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/> |
| Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, <i>effectively mobilized and secured</i> ? | Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/> |
| Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/> |
| Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/> |

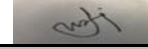

C. Clearance

Is the project compliant to the Bank's environmental and social safeguards requirements, and to be submitted to the Board?

Yes No

³ Note: This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.

⁴ DI=Direct Investment; FI=Financial Intermediary; CL=Corporate Loan; BS=Budget Support; GU=Guarantee; RPA=Risk Purchase Agreement; EF=Equity Financing; RBF=Results Based Financing.

| Prepared by: | Name | Signature | Date |
|-----------------------------------|--------------------------|--|-------------|
| Environmental Safeguards Officer: | Chimwemwe Roberta MHANGO | | 31/05/2021 |
| Social Safeguards Officer: | xxxx | | |
| Task Team Leader: | Cesar TIQUE | | 31/05/2021 |
| Submitted by: | | | |
| Sector Director: | Martin FREGENE |  | 4/6/2021 |
| Cleared by: | | | |
| Director SNSC: | Maman-Sani ISSA |  | 08/06/2021 |