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INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

AND MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY PARTNERSHIP FRAMEWORK

FOR

THE REPUBLIC OF MOZAMBIQUE

FOR THE PERIOD FY17–FY21

March 30, 2017

Southern Africa Department 2
Africa Region
The International Finance Corporation
Multilateral Investment Guarantee Agency

The date of the last Country Partnership Strategy was April 3, 2012

CURRENCY EQUIVALENTS

US$1 = 69 New Mozambique Metical (MZN)

(as of February 28, 2017)

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ACBP	Africa Climate Business Plan	LNG	Liquefied Natural Gas
AF	Additional Financing	M&E	Monitoring and Evaluation
AfDB	African Development Bank	MAGTAP	Mining and Gas Technical Assistance Project
A-JIP	Agriculture and Agribusiness Joint Implementation Plan	MAM	Mozambique Asset Management
APEI	Accelerated Program for Economic Integration	MDM	The Mozambique Democratic Movement
ASA	Advisory Services and Analytics	MIGA	Multilateral Investment Guarantee Agency
CAT-DDO	Catastrophe Deferred Drawdown Option	MoF	Ministry of Finance
CERC	Contingent Emergency Response Component	MOPA	*Monitoria Participativa Maputo* (Maputo Participatory Monitoring)
CLR	Completion and Learning Review	MoU	Memorandum of Understanding
CPF	Country Partnership Framework	MozBio	Mozambique Conservation Areas for Development and Biodiversity Project
CPIA	Country Policy and Institutional Assessment	MozFIP	Mozambique Forest Investment Project
CPPR	Country Portfolio Performance Review	MPD	Ministry of Planning and Development
CPS	Country Partnership Strategy	MSME	Micro, Small, and Medium Enterprise
CRW	Crisis Response Window	MTEF	Medium-Term Expenditure Framework
CSE	Crisis Simulation Exercise	NGO	Non-governmental Organization
DPO	Development Policy Operation	RAI	Rural Access Index
ECD	Early Childhood Development	PAF	Performance Assessment Framework
EDAP	Energy Development and Access Program	PAP	Program Aid Partner
EITI	Extractive Industries Transparency Initiative	PASP	Productive Social Action Program

EMATUM	*Empresa Moçambicana de Atum* (Mozambique Tuna Company)
FDI	Foreign Direct Investment
FIP	Forest Investment Program
FISF	Financial Inclusion Framework Support
FCPF	Forest Carbon Partnership Facility
FCV	Fragility, Conflict, and Violence
FIPAG	*Fundo de Investimento e Património do Abastecimento de Água* (Water Supply Investment and Assets Fund)
Frelimo	The Front for the Liberation of Mozambique
GBS	General Budget Support
GCF	Green Climate Fund
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFF	Global Financing Facility
GoM	Government of Mozambique
HIV	Human Immunodeficiency Virus
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communications Technology
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
INE	*Instituto Nacional de Estatística* (National Institute of Statistics)
IRM	Immediate Response Mechanism
JIP	Joint Implementation Plan
PEFA	Public Expenditure and Financial Accountability
PERIP	Power Efficiency and Reliability Improvement Project
PESS	*Plano Estratégico do Sector Saúde* (Health Sector Strategic Plan)
PforR	Program-for-Results
PFM	Public Financial Management
PPCR	Pilot Program for Climate Resilience
PPP	Public-Private Partnership
PQG	*Programa Quinquenal do Governo* (Five-Year Plan of the Government)
PSI	Policy Support Instrument
PSW	Private Sector Window
REDD	Reducing Emissions from Deforestation Degradation
Renamo	The Mozambican National Resistance
RSR	Rapid Social Response
RTI	Right-to-Information
SADC	Southern Africa Development Community
SCD	Systematic Country Diagnostic
SMEs	Small and Medium Enterprises
SOE	State-owned Enterprise
TA	Technical Assistance
UHC	Universal Health Coverage
TF	Trust Fund
US$	United States Dollar
WASH	Water, Sanitation, and Hygiene
WBG	World Bank Group
WEF	World Economic Forum

	IDA	IFC	MIGA
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I. INTRODUCTION

1. **This Country Partnership Framework (CPF) sets out the World Bank Group's (WBG) proposed strategy in Mozambique for the period FY17–FY21.** The CPF supports the objectives of the Government of Mozambique (GoM) for growth and poverty reduction, which are outlined in the Five-Year Plan of the Government for 2015–2019 (*Programa Quinquenal do Governo 2015–2019,* PQG). The PQG was approved by Parliament in April 2015.

2. **Mozambique, a southeast African country of 28 million people, occupies an area of 800,000 square kilometers and stretches almost 2,000 kilometers from North to South.** About 70 percent of the population live and work in rural areas. The country has more than 2,500 kilometers of coastline along the southwestern rim of the Indian Ocean. It is endowed with ample arable land, water, energy, and gas and mineral resources; three deep seaports; and a relatively large potential labor pool. It is also strategically located, bordering six countries—four of them landlocked and hence dependent on Mozambique as a conduit to global markets. In addition, the country's strong ties to the regional economic engine of South Africa underscore the importance of Mozambique's economic, political, and social development to the stability and growth of the region.

3. **This CPF comes at a crucial juncture in Mozambique's development.** While Mozambique has sustained impressive economic growth and macroeconomic stability over the last two decades, rapid economic growth rates have not translated into poverty reduction. Looking ahead, planned investments in natural resource extraction are expected to cause public revenues to rise dramatically in the coming years, to as high as 7 percent of gross domestic product (GDP). However, these capital-intensive megaprojects could also further accentuate Mozambique's current development pattern in which rapid growth is not generating significant poverty reduction or expanded employment opportunities. They also risk undermining competitiveness and exacerbating existing factors of fragility, particularly around land contestations, community displacement, and weak governance. Mozambique is therefore in a transitional period and needs to use the next five to seven years to prepare for its new resource-rich environment and develop a more diversified and productive economy.

4. **Against the backdrop of this longer-term challenge of stimulating more inclusive growth, political and economic developments in 2016 drastically worsened Mozambique's near-term prospects.** On the economic front, as this strategy was nearing completion in 2016, large previously unreported external borrowing came to light (see Box 1). As explained more fully below, the consequences of this borrowing led to a rapid and dramatic deterioration in the macroeconomic framework. Thus despite favorable longer term growth prospects, the economic picture for the next several years will be considerably more challenging than previously thought and Mozambique will be challenged to restore the confidence of investors and donor partners. Politically, tensions between the governing party, the Front for the Liberation of Mozambique (Frelimo) and its civil war opponent-turned-opposition party the Mozambican National Resistance (Renamo) escalated with Renamo taking up arms and retreating to its rural heartland. Clashes between the parties intensified and parts of the center of the country have been plagued by violence, further compounding the destabilizing effects of poverty and corruption. A recently announced cease-fire backed up by international mediation offers hope for a more lasting settlement; however, there are concerns that unless mediation addresses the underlying drivers of fragility, a peace agreement would be only temporary. Together these developments necessitated

important adjustments in the content of the World Bank Group program in order to ensure help Mozambique address these near-term challenges while maintaining the strategy's alignment with Mozambique's longer term development priorities.

5. **The proposed CPF will succeed the Mozambique Country Partnership Strategy (CPS) FY12-FY15 (Report number 66813).** The CPS was discussed by the Board on April 3, 2012. The CPF addresses development challenges identified in the Systematic Country Diagnostic (SCD) that was completed in April 2016. The overarching challenges and key policy objectives of the SCD are summarized in Annex 4. The CPF also considers the lessons learned and key suggestion presented in the CPS Completion and Learning Review (CLR) as well as the findings of the World Bank Country Survey 2014 and consultations with the Mozambican Government and local stakeholders.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

2.1 Political Context

6. **Mozambique's political landscape bears the scars from the 15-year civil war that followed independence from Portugal, leaving the country and its economy in ruins.** The Front for the Liberation of Mozambique (Frelimo) and the Mozambican National Resistance (Renamo) are still the main political forces in the country, followed by the Mozambique Democratic Movement (MDM). Frelimo has won five successive presidential and parliamentary elections since the first elections after the formal peace agreement in October 1992, and as such has dominated political power and socio-economic policy formation in the post-conflict period. While Frelimo won the most recent presidential elections in 2014 and retains a comfortable majority in parliament, the two main opposition parties, Renamo and MDM, both gained ground.

7. **Politics between the main parties has become increasingly confrontational amidst heightened stakes for control of power and resources.** Skirmishes in the central region in 2013 that marked the first break in the formal peace agreement were smoothed over with a peace agreement in September 2014 which paved the way for relatively calm elections in October of that year. However, Renamo continues to dispute the results of those elections and has attempted to leverage its better-than-expected performance in the polls to extract further concessions from the ruling party. The situation deteriorated during 2016, with political confrontation between Frelimo and Renamo deepening, leaving peace negotiations at an impasse and leading to considerably heightened political tensions. Renamo has maintained armed militias and parts of the center of the country have been embroiled in active conflict between its residual militia and the armed forces. While prospects for outright civil war are judged to be low in the eyes of most observers, the conflict casts a shadow on Mozambique's development prospects, not least because of its impact on local economic activities and investor sentiment.

8. **An incomplete post-conflict political settlement is at the heart of the violence and tensions between the former warring parties.** The centralization of both political and economic power in the hands of Frelimo elites and supporters has contributed to feelings of marginalization and grievance felt by Renamo elites and its supporters. Linkages between politicians in the ruling party and private companies has created a sense that political connections confer positions of privilege in the private sector which are not available to the opposition. Meanwhile regional disparities in public expenditure and development outcomes reinforce a sense of marginalization by the central government of Renamo-dominated areas. This lack of inclusiveness and unequal

access to economic opportunity has bolstered Renamo's calls for decentralization of political and economic authority. Greater decentralization is seen by many as a path to political inclusivity and a means by which to redistribute resources and political influence, thus creating the conditions for a more inclusive society. These tensions have been compounded by the country's changing political economy with the discovery of significant gas reserves which has raised expectations of a windfall, and amplified competition between the rival factions.[1]

9. **The recent debt crisis has highlighted the depth and criticality of the governance challenges facing Mozambique.** Governance indicators for Mozambique, including the World Bank Country Policy and Institutional Assessments (CPIA), reflect a gradual decline of government effectiveness, control of corruption, the rule of law and voice and accountability over the past several years. The debt crisis has surfaced a number of very concrete governance challenges, namely around public investment management, debt management and insufficient oversight mechanisms for state-owned enterprises (SOEs). This has also generated a more general crisis of confidence in the government's fiduciary capacity and its ability to responsibly manage natural resource revenues. Perceptions of corruption within the public service are given credence by civil society organizations, which have voiced concerns with regards to the absence of sufficient public accountability in the use of state revenues.

2.2 Economic Context

10. **Mozambique's economy grew rapidly since the end of the civil war in 1992.** Real GDP growth averaged around 8 percent over the past two decades. Robust growth was made possible by sound macroeconomic management, a number of large-scale foreign-investment projects in the extractives sector, political stability and significant donor support. The revelation of US$1.4 billion in previously undisclosed debt dented confidence in the country and derailed its track record for high growth. The debt revelations emerged as the economy was already navigating an economic downturn brought about by low commodity prices and a regional drought. Growth declined to 3.3 percent in 2016, down from 6.6 percent in 2015.

11. **Lower investment, falling exports and decreasing confidence are key drivers of the slowdown in growth.** The country faced successive downgrades by credit ratings agencies as debt levels increased, which have weakened investor confidence[2]. Foreign direct investment recorded a 20 percent annual decline by end 2016. This decrease comes as a result of a slowdown in investment in real estate, construction, and financial services. Lower exports, public sector consolidation, and monetary tightening are also contributing to the slowdown in growth. These factors contributed to the sharp pace of currency depreciation. The Mozambican metical depreciated by 36 percent against the U.S. dollar in 2016. The weaker metical accelerated the pace of inflation, making high prices the most acutely felt symptom of the ongoing economic downturn by Mozambicans, with a disproportionate impact on the poor. Inflation averaged 20 percent in 2016, with food price inflation reaching 32 percent.

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[1] Institute for Strategic Studies. 2016. *Planning for Peace: Lessons from Mozambique's Peacebuilding Process*.

[2] Mozambique's rating has been downgraded several times by Fitch, Moody's, and S&P to CC, Caa3, and CC, respectively, during the course of 2016. The outlook on ratings by Moody's and S&P remains negative.

Box 1: Mozambique's Hidden Debt

The hidden loans crisis emerged on the heels of a restructuring deal for the already highly controversial *Empresa Moçambicana de Atum* (Mozambique Tuna Company, EMATUM) loan, in April 2016. Mozambique contracted a previously undisclosed sum of US$1.4 billion in non-concessional debt between 2009 and 2014 by issuing guarantees to state-controlled companies and through direct borrowing from bilateral lenders. This debt includes two guarantees for loans contracted by commercial companies formed with state equity participation, amounting to US$1.16 billion. In addition to these guarantees, the recently disclosed debt includes four direct loans from bilateral lenders contracted between 2009 and 2014. This debt, equivalent in total to approximately 10 percent of GDP, had not been previously disclosed to the World Bank and International Monetary Fund (IMF). The debt is additional to the EMATUM company bond, which was originally issued in September 2013, backed by a state guarantee, then restructured as a sovereign bond in March 2016.

The borrowing was intended to tap into the gas industry through two large projects. The first, Proindicus, intended to use a US$622 million loan from Credit Suisse to provide integrated security services (aerial, maritime, and terrestrial) to gas companies, marine vessels, and other sea traffic as well as search and rescue services. The second, Mozambique Asset Management (MAM), was created to build or install shipyards in the ports of Pemba and Maputo financed by a US$535 million loan from Vnesh Torg Bank (VTB). Maintenance and logistical services would be provided to Proindicus and other large operators.

A final set of loans, totaling about US$220 million, were contracted during 2011 to 2014. Funds were made available by a bilateral lender; however, the originating country and terms of the loans remain undisclosed.

12. **Services, where momentum had been building during the boom years, are struggling to weather the downturn.** Recent figures show a substantial slowdown in growth for most sectors[3], including negative growth in hotel and restaurant services and utilities. Consumer demand has declined as Mozambicans adjust to higher prices and uncertain prospects. External demand for professional services is also shrinking as Foreign Direct Investment (FDI) stalls. Adding significant contraction in the public administration sector, services' average contribution to GDP in 2016 was 50 percent lower than in 2015.

13. **Lower FDI in the extractive and manufacturing sectors is also contributing to the slower growth.** The extractive sector marked a 48 percent decrease in its contribution to growth in 2016 as it climbs down from its peak at the height of gas exploration and as final investment decisions for the Rovuma basin gas megaprojects remain pending. The manufacturing sector's average contribution to growth also declined, driven by decelerating utility and construction sectors. The agricultural sector continues to be an important contributor to growth, but it continues to be vulnerable to climatic shocks.

14. **The failure of two banks in 2016 underscores how quickly vulnerabilities in the financial sector can emerge.**[4] The combination of slower growth, currency depreciation, and tighter monetary policy has heightened the exposure of Mozambique's banks to risks. Increased lending rates are raising the cost of financing, leaving borrowers and adjustable rate loan holders more exposed. Moreover, currency depreciation has increased debt-servicing costs for foreign loans. As a result, non-performing loans in the banking sector (which averaged 4.3 percent in 2015) increased to 5.2 percent by November 2016. Updated figures will likely reveal a higher degree of asset impairment, requiring additional provisioning which reduces bank profitability and could

[3] All sectors decelerated with the exception of financial services, which grew by 25 percent. The national statistics institute uses bank deposits as the basis. The increase reflects the exchange rate effect on deposits.
[4] The Central Bank intervened in Moza Banco, Mozambique's fourth largest bank, and revoked the license of the smaller Nosso Banco.

undermine capital adequacy. Balance sheet mismatches may also be on the rise as foreign currency denominated deposits have grown while lending has remained limited due to regulatory restrictions.

15. **Mozambique's gas production prospects shape expectations for a recovery in growth to over 7 percent by 2020.** Recent developments indicate progress with the Rovuma basin gas megaprojects,[5] which bring the final investment decisions for these multibillion projects closer. In the meantime, ongoing projects are showing resilience and may benefit from a boost in the near term from an improving outlook for key commodity prices as coal, aluminum, and gas, three of Mozambique's largest exports, are expected to begin recovering in 2017. This supports the prospects for a recovery in growth, but the challenge remains for Mozambique to ensure that future wealth from these sectors is deployed transparently to spur growth in the non-resource economy and lift the poor to prosperity.

Table 1: Key Macroeconomic Indicators, 2014–2020

	2014 Act.	2015 Act.	2016 Act.	2017 Proj.	2018 Proj.	2019 Proj.	2020 Proj.
GDP (nominal - MZN, billions)	532	592	658	739	846	982	1,107
Agriculture (% of GDP)	23	23	23	22	22	21	21
Industry (% of GDP)	17	18	19	19	20	20	21
Services (% of GDP)	51	52	51	51	51	51	51
Real GDP growth rate (%)	7.4	6.6	3.3	4.8	6.1	6.7	7.0
CPI inflation (%, annual average)	2.3	3.6	19.9	14	10	8	5.6
CPI inflation (end of period)	1.1	11.1	25.3	12.2	5.6	5.6	5.6
Base money (% change)	20.5	29.0	39.7	12.7	13.7	14.2	14.3
Credit to the economy (% change)	28.4	19.3	12.6	14.9	14.9	15.2	15.2
Total government revenues (% of GDP)	27.5	25.2	25.2	25.2	25.3	23.7	24.0
Total government expenditure including net lending (% of GDP)	42.1	34.7	32.4	32.3	32.4	30.5	29.7
Total government expenditure (% of GDP)	39.1	34.3	31.5	30.6	30.6	28.9	27.5
Budget support (% of GDP)	1.5	1.3	0.2	0.2	0.6	0.6	1.0
Overall balance (after grants) (% of GDP)	−10.3	−6.4	−4.7	−5.3	−4.7	−4.3	−3.8
Current account balance (% of GDP)	−34.2	−39.9	−39.9	−34.3	−51.1	−67.2	−96.4
Total nominal public debt (% of GDP)	62.4	88.1	126.9	120.6	122.5	117.3	108.1
External	55.8	76.4	111.9	100.9	101.1	96.9	95.2
Domestic	6.5	11.7	15.0	19.7	21.4	20.4	12.9
Gross international reserves (US$, millions, end of period)	3,074	2,474	2,025	2,092	2,570	3,209	4,053
Month of projected imports	3.2	2.8	3.0	3.0	2.6	2.4	1.8
Month of projected imports (excluding megaprojects)	4.7	3.6	3.7	4.6	5.1	5.5	4.9

Source: GoM, Banco de Moçambique (BdM), IMF, and World Bank estimates and projections.

[5] Such as the approval of the investment plan for the Coral South offshore facility in 2016 and ExxonMobil's US$2.8 billion purchase of a 25 percent stake in ENI's Area 4.

16. **Despite positive growth prospects, the debt crisis is placing the fiscal outlook under immense pressure.** The previously undisclosed loans have changed Mozambique's fiscal landscape as higher debt service, lower donor support, and a lack of room for borrowing shrink fiscal space. The revelations triggered a suspension of the IMF program[6] and donor support to the budget, as well as a review and response under the IDA Non-Concessional Borrowing Policy (NCBP). These sources financed 6 percent of the budget on average over the last three years (2 percent of GDP). The additional debt and ensuing currency depreciation also implied a sharp increase in debt service obligations, potentially adding a further 2 percent of GDP in debt service per year. Further pressures were felt in revenue collection as the slowing economy led to a 7 percent shortfall in revenues in the first half of 2016. Taken together, budget support cuts, higher debt service, and lower revenues are estimated to have reduced fiscal space by at least 5 percent of GDP in 2016. The heightened debt levels place the fiscal outlook under strain, making fiscal adjustment a priority, particularly given that Mozambique's gas investments are not expected to yield significant fiscal revenues before the 2020s.

17. **Mozambique is currently in debt distress.** Almost two decades ago, Mozambique was among the first round of countries which proved itself as an economic reformer in return for debt relief. Under the Heavily Indebted Poor Countries (HIPC) initiative, the external debt stock reduced from 160 percent of gross national income in 1998 to a far more manageable 33 percent ten years later. Soon after the HIPC initiative, the stock of debt began rising again, coinciding with the Government's plans to pursue an ambitions public investment program, and by 2016, revelation of hidden debt reversed Mozambique's post-HIPC gains. The debt revelations pushed public debt to 127 percent of GDP in 2016 (of which 112 percent is external) and shifted the country to an unsustainable position. Public debt levels are now expected to exceed 100 percent of GDP until 2020. Total public debt service, which stood at 7.3 percent of revenue in 2012, is now estimated at 46 percent of revenue, of which 25 percent is external, and is projected to consume over 40 percent of revenue until 2020.

18. **Mozambique defaulted on its sovereign bond and is likely to remain in debt distress in the medium term unless the authorities are able to agree with creditors on a restructuring of a portion of its debt.** Mozambique failed to pay a US$60 million coupon of its sovereign bond that was due on January 18, 2017, due to the lack of capacity to pay. The GoM appointed external advisers[7] and initiated debt restructuring talks with private creditors in October 2016. The authorities have adopted the principle of equal treatment among loan and bondholders. There has been limited progress with debt restructuring to date. In the meantime, the authorities continue to accumulate arrears on the Proindicus, MAM and EMATUM loans[8].

19. **The economic policy response to the economic downturn and debt acceleration picked up pace in the second half of 2016.** A revised budget for 2016 was a first step in adjusting the fiscal framework to the new realities. This budget revised revenue projections downwards and restructured the spending program. The initiation of debt restructuring talks by the GoM is also a significant move and signifies efforts to tackle the debt burden. The *Banco de Moçambique* stepped up its monetary tightening regime as reference lending rates were raised by 1,550 basis points since October 2015, and minimum reserve requirements were raised by 6.5 percentage points,

[6] The IMF's program with Mozambique, which is currently suspended, consists of a Policy Support Instrument (PSI) and Standby Credit Facility (SCF) of about US$283 million.
[7] Lazard Ltd. and White & Case LLP.
[8] It is unclear whether obligations falling due on the Proindicus loan in March 2017 will be paid by the authorities.

among other measures. There are signs that pressures on the external position are easing. Policy rate increases have kept commercial bank rates above inflation, and credit levels show signs of adjustment. Goods imports declined by 36 percent in 2016, signaling an adjustment driven by a weaker metical and reduced foreign currency liquidity. The rate of currency depreciation has also slowed as the metical began to gain value from October 2016.

20. **The GoM initiated an independent audit of the hidden debt in November 2016, covering the EMATUM, MAM, and Proindicus loans.** The audit is precondition for the resumption of an IMF program and for restoring confidence among other development partners. It is being carried out by an external audit firm[9] under the oversight of the Attorney General's Office and is due to be completed at the end of April 2017. In parallel, a parliamentary inquiry into the hidden loans highlighted the extent to which state secret services played a role in motivating the creation and financing of the companies behind the hidden loans.

21. **Looking ahead, restoring confidence and macroeconomic stability will be key priorities for economic management.** In the short term, much rests on the outcome of the debt negotiations initiated by the GoM and the transparent handling of the independent audit. Beyond this, the agenda includes setting a medium-term framework for restoring fiscal sustainability, anchored in a target for reducing debt and a credible fiscal adjustment program. Enhanced financial sector surveillance and the strengthening of crisis management instruments are also a priority, particularly if further monetary tightening is in the pipeline in the near term. Moreover, the current economic circumstances highlight the need to strengthen debt management and manage fiscal risks better. In this regard, reforms to develop effective oversight over SOEs and other public entities are urgent, along with reforms to overhaul the framework for managing guarantees.

22. **The long-term challenges of ensuring that resource wealth translates to shared prosperity also remain.** Future natural resource wealth poses macroeconomic management, transparency, and governance challenges, and the country's medium-term reform agenda needs to focus on strengthening government capacity to manage these transitions. Reliance on extractive sector exports exposes Mozambique to commodity price variations. Should efforts to diversify the export basket continue to lag, growth will be less geared toward creating jobs and reducing poverty across Mozambique.

2.3 Poverty Profile

23. **Over the past decade, rapid growth has not translated into significant poverty reduction.** While strong economic growth led to a 16 percentage point decline in the national poverty headcount between 1997 and 2003, the pace has slowed considerably since then, with poverty falling by only a further 4 percentage points between 2003 and 2009. The decline between 1997 and 2003 implied a growth elasticity of poverty reduction of −0.3, while in the latter period this fell to −0.14. The weakened relationship between growth and poverty reduction is due to the changing pattern of growth, which in the past decade was driven by capital-intensive, import-dependent sectors. This pattern of growth is also reflected in labor markets, which continue to be dominated by low-skilled labor in the agriculture sector. Meanwhile, the rest of the economy is unable to offer better-remunerated jobs for the 300,000 new workers entering the labor force every year.

[9] Kroll Associates are conducting the audit, financed by the Government of Sweden.

24. **More than half of the Mozambican population still lived in poverty in 2009.**[10] As Mozambique's population grew faster than the rate of poverty reduction, there were 400,000 more people living in extreme poverty in Mozambique in 2009 than in 1997, bringing the total extremely poor population to 11.2 million. Using the US$1.90 per day Purchasing Power Parity poverty line, 69.1 percent of the population lived in extreme poverty in 2009.[11]

25. **Poverty is concentrated in the rural areas and in the central and northern regions, and these regional disparities explain the varying responsiveness of poverty reduction to growth.** Between 2003 and 2008, poverty rates dropped in the less poor southern region and in urban centers. However, they increased in Zambezia, Sofala, Manica, and Gaza. In Nampula, a province with more than 22 percent of the country's poor, poverty remained practically unchanged during this period. In 2008, Zambezia and Nampula alone accounted for almost half of the poor (48 percent), up from 42 percent in 2003. Together, these two provinces saw their poverty rates increase by more than 5 percent between 2003 and 2009, while the rest of the country experienced a 17.3 percent reduction in poverty rates. The decline in the responsiveness of poverty reduction to growth at the national level seems to be driven to a large extent by poverty trends in these two provinces. If the growth elasticity of poverty reduction were calculated without Zambezia and Nampula, poverty reduction would be much more responsive to economic growth at the national level: −1.18, which is much higher than the Sub-Saharan Africa average of −0.7.

26. **The weak responsiveness of poverty reduction to growth is also explained by rising inequality.** Between 1997 and 2009, average consumption of the bottom 40 percent of the population grew by 4.0 percent per year while that of the total population grew by 4.7 per year. High and rising inequality between 1997 and 2009, especially between Nampula and Zambezia and the rest of the country, partly explains why poverty fell less than would have been expected given the strong pace of growth of GDP per capita and mean per capita consumption. If inequality had not increased, the observed growth in the country would have led to a decline in poverty of almost 27 percentage points, pushing the poverty rate down to 42 percent instead of the estimated 52 percent. The depth of poverty, as measured by the poverty gap, remained practically unchanged between 1997 and 2009, ranging from 57 to 59 percent of the poverty line. The depth of poverty increased in both Zambezia, between 1997 and 2009, and Nampula, between 2003 and 2009.

27. **Progress on other dimensions of well-being has also been slow and uneven across regions.** Data on non-monetary indicators of household welfare from the most recent survey (*Inquerito dos Agregados Familiares* 2014/15) show that the living conditions of the population are slowly improving but key challenges remain. The total fertility rate remains high at 5.3 and the country has the fifth highest adolescent fertility rate in the world. This means that fewer adults are sustaining an increasing number of dependents. Literacy rates have improved from 45.6 to 63.2 between 1996/97 and 2014/15 but still half of the youngsters in Niassa, Tete, Cabo Delgado, Nampula, and Zambezia do not know how to read or write. Accessibility to basic services has increased but overall coverage is low: one in three households has access to safe water, one in ten to sanitation, and one in four to electricity. The share of informal jobs is increasing over time,

[10] The poverty figures discussed in this note are based on Mozambique's national poverty line, which in 2009 was approximately MZM 16 per capita per day, or approximately US$0.90 per day in 2005 Purchasing Power Parity terms. This is 28 percent lower than the international extreme poverty line of US$1.25 per day used by the World Bank.
[11] The monetary data on food and non-food expenditures from the most recent household survey (*Inquerito dos Agregados Familiares* 2014/15) that is used for the calculation of the monetary-based poverty headcount had not been made available by the Ministry of Economy and Finance of Mozambique at the time of drafting this document.

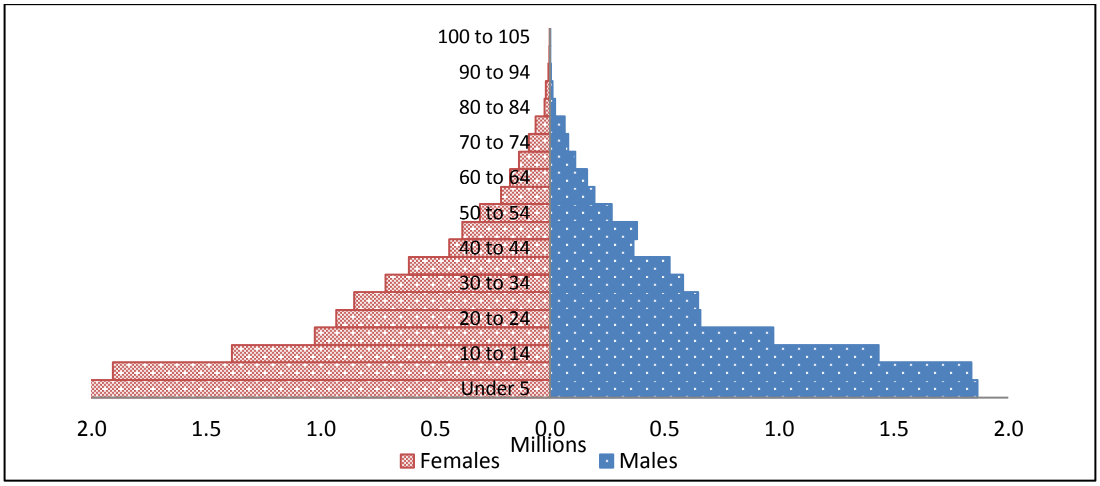
which signals low quality of employment and labor productivity. Labor market opportunities are more limited for women. Mozambican women are less likely than men to work in the small formal sector and are paid less: only 12 percent of all workers receive a wage and 80 percent of these are men, while the female-to-male wage ratio is just 64 percent. Women are more prevalent in the informal sector, making up 59 percent of informal workers.

2.4 Development Challenges and Drivers of Poverty Reduction

28. **Mozambique's overarching development challenge is to translate its impressive growth performance into poverty reduction and improved development outcomes.** While rapid growth and poverty reduction went largely hand in hand immediately after the civil war, the pace of poverty reduction slowed significantly after 2003. As the SCD makes clear, the explanation for this decline lies in the pattern of growth, which has been increasingly driven by large capital-intensive public and private investment projects with limited linkages with the rest of the economy. This growth has largely benefited few, largely urban-based elites (often politically connected) and has been accompanied by little sustained formal employment creation. The result has been increasing inequality and a markedly uneven distribution of poverty concentrated in rural areas and among illiterate female-headed households. The challenge then is to diversify the economy away from its current focus on capital-intensive large projects and low-productivity subsistence agriculture toward a more diverse and competitive economy while strengthening key drivers of inclusion such as improved quality education and health service delivery.

29. **A rapidly growing population and high dependency ratio increase the challenge of improving development outcomes.** With almost two-thirds of the population under the age of 25, Mozambique is in the early stages of a demographic transition with a rapidly growing population of young people and high age-dependency ratios (see Figure 1). This demographic transition represents a potential source of dynamism and economic growth but only if the country can provide access to productive employment for the rising number of young workers entering the labor force. The formal economy remains largely urban and accounts for only 32 percent of total employment. High levels of rural-to-urban migration leave a large concentration of poor, unemployed young people struggling to survive. The combination of a burgeoning yet unproductive youth population, denied opportunities in the formal sector and crippled by poverty and an inadequate educational and technical training system, creates a constituency of young people that could contribute to fragility. This demographic has previously presented itself as a security challenge, for instance, during the food riots of 2008 and 2010.

Figure 1: The Gender-Age Pyramid for Mozambique



Source: Inquerito dos Agregados Familiares 2008–2009.

30. **The country is endowed with substantial natural resources, including minerals, agricultural land, forests, fisheries, and unique biodiversity.** The country has great agricultural potential with considerable amounts of undeveloped water resources that could be used for irrigation. Mozambique also boasts unique and rich biodiversity that could be used to develop tourism and is rich in natural forests, producing high-value hardwood timber and non-timber products, and has significant potential for planted forests. Approximately 850,000 households, or 20 percent of the population, rely on fisheries for some part of their income and employment in the sector has increased by 260 percent since 2002, due in part to the development of processing and commercialization. Known gas reserves in the Rovuma basin are estimated at over 130 trillion cubic feet, providing Mozambique with the third largest gas reserves in Africa. Unfortunately, overexploitation of fisheries, forestry, and wildlife resources, in addition to the growing climate constraints, is intensifying environmental vulnerabilities, undermining the sustainability of resource management, and preventing local communities from fully realizing the economic value of their natural capital. Management of natural resources is undermined by weak governance, widespread illegality, and low value addition.

31. **Whether Mozambique is able to maximize the opportunities from its considerable resource wealth to reduce poverty and promote inclusiveness will depend on a number of interrelated factors as pointed out in the SCD.** At full-scale development, planned liquefied natural gas (LNG) investment could reach upward of US$40 billion, generating annual resource revenues of as much as US$15 billion by 2032, representing a full 20 percent of GDP and make a major contribution to addressing the country's debt situation. However, even with favorable global market conditions, achieving this level of investment while generating strong returns for the nation will require successful negotiations with international investors and appropriate decisions concerning domestic pricing and use of gas. Moreover, as these capital-intensive investments will make a greater contribution to growth while contributing much less proportionately in direct and indirect employment growth, there is a risk of accentuating Mozambique's current development pattern, in which rapid growth is not generating significant poverty reduction. There is the additional risk that both poor management of resource revenues and lack of transparency in revenue management, as well as the failure to deliver on expectations among the population for a

greater share of the windfall from gas discoveries, may contribute to political instability and political conflict.

32. **To reduce poverty and promote inclusion Mozambique must develop a more diversified and productive economy, which will depend on how effectively natural wealth is translated into human, physical, and institutional capital.** Two key challenges stand out. First, there is a need to diversify the economy to help create jobs and economic opportunities, supporting long-term growth. Second, resource revenues should be invested in human, physical, and institutional capital. These recommendations are complementary and mutually reinforcing; developing human, physical, and institutional capital will enable the country to be more productive, thereby contributing to a more diversified economy.

33. **The business environment remains costly, time-consuming, and restrictive.** Globally, Mozambique ranks 137/190 in the WBG's Doing Business indicators (Doing Business 2017) and 133/138 in the World Economic Forum's (WEF) Global Competitiveness Index (GCI 2016–2017). Surveys identify Mozambique's top constraints as inefficient government bureaucracy and lack of administrative transparency, corruption, access to financing, and inadequate supply of infrastructure. While Mozambique is among the best in Sub-Saharan Africa on dealing with construction permits or resolving insolvency, it is among the worst both in the region and globally on enforcing contracts and getting electricity. Over the past decade, the amount of time required to enforce contracts in Mozambique has remained largely unchanged at about 950 days (compared to an average of about 650 days for Sub-Saharan Africa). Improved productivity and growth-oriented entrepreneurship is also limited by the lack of skills and the absorption of innovation and technology. Out of 128 economies, Mozambique ranks 84 in the 2016 Global Innovation Index and 100 in the subset related to Use of Information and Communications Technology (ICT) and Business Model Creation. Policies to create and strengthen some of the crucial elements of a productive entrepreneurial ecosystem that encourages the innovation and application of new ideas and tools are absent.

34. **Mozambique needs to take advantage of its favorable geography in trade, which could allow it to serve as a regional transit hub and to expand exports.** The country's geographic position between Southeastern Africa and the large economies of South and Southeast Asia offers great opportunity to develop logistical corridors and foster growth; however, high trade costs limit potential trade growth. Recent investment on the expansion of the Nacala port in the northern part of the country, to channel the growing coal exports and others, are a positive development. Logistics constraints limit the export potential of domestic companies; Mozambique is ranked 147 out of 160 countries in the most recent Logistics Performance Index. Nontariff barriers such as scanning fees, import and export licenses, extensive documentary requirements, and cumbersome procedures and customs checks along key corridors increase costs and generate delays. The recent Survey on Mozambican Manufacturing Firms (2012) indicated that only 3 percent of firms are exporters.

35. **Mozambique could benefit by taking advantage of opportunities for greater regional integration and cooperative approaches to addressing shared challenges**. Large parts of the country are economically closer to neighboring countries than to Maputo. Sourcing inputs from Malawi and Zambia could represent a more efficient way to provision operations in the Central and Northern parts of the country. Moreover, significant trade from these countries passes through Mozambique to reach global markets, increasing mutual economic dependencies and linkages. While regional power integration in Southern Africa is relatively well advanced, investment in

transmission is needed to facilitate expanded power trade. Regional collaboration in management of transboundary river basins can improving the efficiency in the management and use of water resources for multiple purposes.

36. **Mozambique needs to address the weakness of public sector institutions, which represents a cross-cutting challenge.** Governance challenges exist across sectors, from health and education to agriculture, water, land, and sanitation. Lack of clarity on decentralized mandates, cumbersome budgetary processes, and a politicized civil service are some of the common governance challenges across all sectors. Particular sector governance challenges include such issues as teachers' and doctors' absenteeism, which jeopardizes Mozambique's human development goals. Ineffective and controversial land titling has led to conflict over land rights, tenure, and use and creates major challenges for private investment. Weak enforcement of environmental regulations compromises climatic resilience and the economic potential of agriculture, tourism, and fisheries.

37. **The widespread perception of institutional corruption has undermined the credibility of government efforts to strengthen justice mechanisms while also stoking conflict dynamics.** The absence of a formal system of reconciliation or restorative justice for the population and the absence of coordination and coherence between justice institutions risks inflaming tensions. Perceptions that a politically connected elite has benefited from access to power and resources to the detriment of the population as a whole feeds a sense of grievance around rising inequalities and widening regional imbalances across the country. The existing weakness of effective justice mechanisms also represents a threat to stability in terms of conflicts around extractives projects. There is a significant risk that large-scale projects will disrupt local communities and, as such, the provision of adequate justice mechanisms to affected communities and areas is critical for stability and to bolster investor sentiment. Effective justice mechanisms are also central to peace and stability as they tie back to the legacy of conflict and violence, whereby such systems help foster a society-wide mentality that seeks conflict resolution by institutional means rather than through recourse to violence.

38. **Responsibilities for basic service delivery rest with local governments, but decentralization suffers from structural weaknesses.** From its inception, decentralization was an important element of peace processes that sometimes paid inadequate attention to considerations of technical efficiency. There is a need to clarify the form and extent of decentralization, including functional responsibilities among levels of government with mechanisms to ensure sectoral alignment. Revenue assignments and intergovernmental fiscal transfers are not need based and lack equity and transparency; as a result, there are significant disparities in the transfer of resources at the deconcentrated level, with Zambezia and Nampula having the lowest levels of per capita spending. While municipalities have already been given the authority to raise their own revenues, provinces and districts are not able to raise revenues despite having been delegated significant financial and management responsibilities. To inform current discussions on decentralization linked to the peace process, there is a need for considerable technical support and advice to ensure that decentralized institutions are enabled to provide effective delivery of essential public services.

39. **As the SCD makes clear, increasing the productivity of smallholder agriculture (including forestry) has enormous potential to contribute to large-scale poverty alleviation but is constrained by a number of factors.** An estimated three-quarters of Mozambicans are engaged in agriculture, but most are subsistence farmers, limiting the sector's impact on poverty

reduction. Constraints to commercial agriculture include low adoption of productivity-enhancing inputs and technologies, lack of modern farming practices such as irrigation, limited access to rural extension services, restricted access to financial services, degradation of natural resources (particularly soil and water sources), and poor infrastructure. Forest plantations are further constrained by lack of access to high-quality planting material and complex procedures for accessing land. Climate-related impacts such as droughts, floods, and cyclones present a substantial risk to agriculture and sustainable livelihoods, contributing to food insecurity among the poor. In addition, an inadequate land rights system reduces the efficiency of land use. In 2012, only 1.3 percent of smallholder farmers had formal land titles. With 70 percent of Mozambicans relying on farming, the absence of protection in the law of usage rights leaves communities vulnerable to the risk of losing rights to the land they farm, particularly when faced with large-scale investors in search of opportunity. On many occasions, individuals or communities have sold their land assets under poor terms, leading to tensions and confrontations.

40. **Poor access to infrastructure, particularly transport, is also a binding constraint on the agriculture sector, limiting opportunities for poverty reduction.** Only 1.3 percent of rural households use electricity for lighting and for many areas it will be decades before grid access will be established. Rural transport accessibility is lagging even by African standards. The Rural Access Index (RAI),[12] is estimated at 20.4 percent, meaning that about 15 million or 85 percent of rural dwellers are unconnected to an all-weather road network. The existing road network is prone to major disruptions caused by river floods and cyclones, with high socioeconomic consequences, partially due to very low redundancy in the road network. Poor and unreliable access limits the ability of farmers to connect to markets, making it more likely that they will receive lower prices for crops and pay higher prices for inputs. In Nampula and Zambezia, where households are more isolated, income from farm activities was three times lower compared with the rest of country. Irrigation coverage is low; nationwide there are about 180,000 hectares equipped with irrigation infrastructure, only half of which are actually used. Current irrigation coverage does not coincide with the highest potential areas that have the most irrigation infrastructure located in the southern region, in Maputo and Gaza Provinces, where agricultural productivity and irrigation potential are lowest. The majority of smallholder farmers rely on rain-fed agriculture.

41. **Improved transport access will support increased economic and social activities, particularly in rural areas where the poverty rate is high.** As noted, most rural farmers are isolated and poorly connected to the road network or markets. There is clear negative correlation between agricultural productivity and market access, measured by transport costs to the nearest city with a population of 50,000. For example, average productivity of maize is estimated at about 1.2 tons per hectare in the districts that have close access to markets, that is, a transport cost of less than US$2 per ton. But where transport costs exceed US$20 per ton, maize productivity is nearly 20 percent lower. A 10 percent reduction in transport costs can increase agriculture production value by 2.7 percent.

42. **Improving linkages between large investments in the extractive industries and local companies will support diversification and job creation and help ensure that the benefits of resource revenues are felt more broadly.** There are a number of potential opportunities to support economic diversification. First, the establishment of linkages between megaprojects and the domestic private sector could provide direct and indirect nonfarm jobs and training to a large

[12] The Rural Access Index (RAI) is defined as the share of the rural population who live within 2 km of the nearest road that is in good condition.

number of people. Second, domestic and foreign investment could stimulate the development and competitiveness of sectors such as agribusiness, manufacturing, infrastructure, tourism, and services. Third, over the medium to long term there could be the possibility of using natural resources to begin developing a domestic manufacturing base through processing and exporting higher value added goods with natural resources as inputs. The country has the potential to develop light manufacturing, such as apparel, wood products, and metal products.

43. **To capitalize on opportunities for growth and private sector development, Mozambique will need to overcome a number of significant obstacles, including addressing financial sector vulnerabilities.** While progress to date has been significant, more must be done to encourage private investment and entrepreneurship. A sound financial sector, particularly well-capitalized and liquid banks, is a critical precondition for greater private sector activity as many firms, particularly small and medium enterprises (SMEs), lack sufficient funding to invest in growth-inducing activities. Higher interest rates and a deterioration in banks' asset quality can constrict the amount of credit going to the private sector, as has been happening in Mozambique since the end of 2015. The hidden debt revelation triggered sizeable financial risks manifested through slower credit growth as the authorities intervened to preserve financial sector stability. Given that there is limited information on the extent to which emerging vulnerabilities will affect banks in Mozambique it is necessary to focus on diagnosis in the short term (for example, strengthen banking sector surveillance, stress-test banks, initiate asset quality reviews, improve bank resolution and crisis management arrangements). More medium-term measures could also be warranted in time (for example, strengthen bank supervision, improve the emergency liquidity assistance framework) The Central Bank has been working on some aspects of improving banking supervision and crisis preparedness, but these reforms now have to be pursued with greater depth, urgency, and focus.

44. **Lack of access to finance is a serious constraint for the private sector.** According to the latest Enterprise Survey, for more than 50 percent of firms in Mozambique, access to finance is a 'major' to 'very severe' obstacle. The main challenge appears to be cost; firms are almost always required to provide collateral for a loan, interest rates are close to 20 percent, and loan tenors tend to be less than 12 months. The cost challenge will now be exacerbated given the much tighter monetary policy measures now in effect, resulting in even higher interest rates for both business and households. Additionally, the recent foreign exchange restrictions enacted by banks are limiting the ability of existing businesses to import needed equipment and inputs for their operations. The outreach of formal financial institutions, especially to rural areas, is also a major challenge for the development of the sector. Barriers include lack of affordability, long distances to reach financial institutions, a lack of awareness and trust, and legal and regulatory constraints, particularly around land tenure. Mobile financial services are still at an incipient stage, limiting the role they can play to facilitate access without costly expansion of branches. Lack of capital for promising sectors ultimately hinders competitiveness and economic diversification. That is particularly challenging for agriculture and industrial financing. While credit has more than doubled over the past five years, an increase of 125 percent from December 2009 to April 2014, the increase has been the highest not in productive sectors such as industry, tourism, agriculture, or even commerce but rather in other sectors (mainly consumer credit) and construction.

45. **The energy sector in Mozambique is underdeveloped with major inefficiencies in generation and transmission.** The Mozambican power grid was developed as three separate systems covering the northern, central, and southern regions, and while there are some connections

between the northern and central grids, they largely remain separate. For example, energy produced at the Cahora Bassa facility in the central region must first be exported to South Africa before it is reimported and supplied to Maputo. Only 25.2 percent of the population had access to the grid as of October 2016, and less than 2 percent of all rural households are able to use electricity for lighting, often relying on more expensive kerosene or wood. Electricity access is also problematic for the private sector in Mozambique, as highlighted by the low country score in the 2016 Doing Business index. Electricity demand has steadily increased over the past several years and will overtake supply unless additional generating capacity is developed. The lack of financial resources to sustain operational activities has led to the poor physical condition of the system, with frequent breakdowns and high rates of electricity losses.

46. **Low levels of human capital are also a critical constraint to poverty reduction.** Despite increasing resources to the sector and rising enrollment rates, the overall quality of education is a concern, and progress is far below that of peer countries. The 2013 national assessment revealed that only 6.3 percent of Grade 3 students show required reading skills. Low education outcomes are closely linked to weak teaching practices, with most teachers lacking sufficient training, and severe service delivery deficiencies, including a dramatically high absenteeism rate among teachers.[13] In health, access to services is inadequate, with the most common problems including distance to a health facility and the cost of treatment. Access to care varies considerably by region and by income, and the poorest are less likely to seek medical attention when sick. Quality is also an issue; the 2016 Service Delivery Indicators survey indicates that only 43 percent of health facilities were found to have all priority drugs in-stock and only a third were found to meet minimum infrastructure requirements. The country also performed poorly with regard to its health service provider absence rates of 23.9 percent.

47. **Investing in the early years will be essential for Mozambique's human capital.** Women and children face disproportionate health risks. Maternal mortality is still high and constant at the rate of 408 deaths per 100,000 live births, and although improving, neonatal mortality is decreasing at a slower pace than infant and under-five mortality. In 2015, urban women were 1.4 times likely to deliver their babies in health facilities relative to their rural peers (90.7 percent versus 63.1 percent). The proportion of 12–23-month-old fully immunized children was also higher in urban than in rural areas (77.9 percent versus 61.7 percent). Mozambique ranks 11 of 15 countries in the Southern Africa Development Community (SADC) in infant and child mortality, with 64 deaths per 1,000 live births and 97 deaths per 1,000 live births, respectively.

48. **Special attention needs to be given to women and children.** Mozambique has the fourth highest stunting prevalence (43.1 percent in 2011) of all Sub-Saharan Africa countries, a rate that has remained virtually unchanged since 2003. Stunting is over twice as high among children in the poorest households (51.1 percent) when compared with those in the wealthiest households (24.1 percent). The provinces of Cabo Delgado, Nampula, and Zambezia have the highest rates of stunting in the country. An estimated 14 percent of newborns begin life with low birth weight, increasing their risk of infant mortality, delayed cognitive and motor development, and stunting. Vitamin A deficiency affects 69 percent of children 6–59 months of age and 14 percent of pregnant women. Anemia affects nearly 75 percent of children 6–24 months of age and over half of pregnant

[13] The 2014 Service Delivery Indicators showed that on any given day, about 56 percent teachers are either absent from schools or from the classroom.

women. Further, few Mozambican children have access to early stimulation which is essential for cognitive development and learning outcomes.[14]

49. **Improving access to quality water, sanitation, and hygiene (WASH) services is critical to fostering growth and tackling chronic poverty and stunting.** Poor sanitation costs Mozambique an estimated US$124 million per year while fecal contamination of the environment is the root cause of an annual average of 8,000–10,000 cases of cholera. Further, Mozambican households that access unimproved water sources have almost a 50 percent greater likelihood of having stunted children in their first two years of life. Similar probabilities exist when households have access to unimproved sanitation or practice open defecation. Improved sanitation reduces by almost one-third the probability of having stunted children in the household, although the levels remain relatively high. Similarly, adequate water treatment practices also reduce by close to one-third the probability of having stunted children in the household. This issue is compounded by poor drainage in many low-lying informal settlements and these areas are particularly susceptible to flooding and future impacts from climate change. Improving WASH is an important precondition to alleviating other constraints. However, the institutional environment in the sector needs to be strengthened.

50. **Scaling up social protection programs could rapidly reduce poverty and this strategy could become more feasible as resource revenues increases available fiscal space.** While Mozambique's social protection program is currently limited in scope, resource revenues could enable the authorities to expand its coverage. For example, with a budget of 1 percent of GDP, cash transfers could rapidly reduce poverty by 4 percentage points by covering the majority of the population under the food poverty line. Increasing the budget to 2 percent of GDP could further reduce poverty by 7 percentage points. Cash transfers could offer a cost-effective strategy for reducing poverty over the short term while also providing a means to spread Mozambique's resource wealth more broadly among its population. Finally, safety nets delivery mechanism can be an important element in improving resilience to shocks, including those of a climatic nature.

51. **Strengthening capacity of local communities to negotiate for and effectively manage natural resources can help ensure that they share in the benefits of natural resource-based industries.** A significant portion of Mozambique's natural resources, particularly forests and fisheries, are managed by local communities, which generally have low levels of management capacity or formal rights to these resources (including to land). This prevents them from making the most of their natural resources, including adding value to the products they harvest (such as timber or non-timber forest products or nature-based tourism products); accessing markets for these products; or entering into mutually beneficial partnerships with third parties, including with the private sector. Strategies to promote the participation of community-based organizations could include strengthening rights to land and natural resources management through systematic community land delimitation and brokering partnerships with third parties to generate income to rural communities through local business.

52. **Climate change and extreme weather-related shocks pose a significant risk to growth, poverty reduction, and shared prosperity.** The country's economic gains continue to be significantly undermined because of recurrent climate-related disasters. It is estimated that climate

[14] Mozambique has 4.5 million children under the age of 5, but only an estimated 4 percent of them are enrolled in Early Childhood Development (ECD) programs. The vast majority of programs are concentrated in urban areas and offered through the private sector, making access to preschool education easier for wealthier children.

change could cost Mozambique between US$2.3 billion and US$7.4 billion from 2003 to 2050. Climate change is also increasing rainfall variability and threatens the major coastal cities through flooding, coastal erosion, and sea level rise. Nearly 58 percent of Mozambicans are at risk of at least one water-related hazard, and more than 37 percent are at risk from two or more. Mozambique will need to take long-term actions to reduce its vulnerability to long-term climate change, for example, by promoting climate smart agriculture, ensuring infrastructure is developed to climate resilient standards, strengthening hydrometeorological services, and building measures to address climate risks into health and social protection systems. These efforts need to be complemented by measures to address shorter-term weather variability by ensuring that robust systems are in place for disaster preparedness and management.

53. **Addressing gender inequality will increase the impact of other poverty reduction efforts.** For example, around 85 percent of the poor in Mozambique work in agriculture, yet women farmers' lower access to productive assets hinders their ability to lift themselves and their families out of poverty. Despite some progressive land laws, women in Mozambique appear to have lower access to land compared to men due to discriminatory customary practices, inadequate implementation of statutory law, and women's lower literacy and more limited knowledge of their rights. Women's lower education and skills make it more difficult for them to find work in the formal sector and harm their potential as entrepreneurs. Mozambican women are less likely than men to work in the small formal sector and are paid less: only 12 percent of all workers receive a wage and 80 percent of these are men, while the female to male wage ratio is just 63 percent[15]. There are still gender gaps in access to education, with gender parity ratios of 0.91 at primary and secondary level and 0.69 at the tertiary level. These gaps are not only bad for girls and women; they are bad for economic growth. Further, rates of early childbearing (that is, bearing a child between ages 15 and 19) are extremely high in Mozambique, which has the fifth highest rate of births to adolescents in the world (42 percent of women ages 15–19 have had at least one birth). Higher education of mothers is correlated with lower under-five child mortality rates; however, many female adolescents in Mozambique drop out of school by age 10–12, often due to early marriage and/or pregnancy, soon after initiation rituals. This limits their economic empowerment and feeds the intergenerational cycle of poverty.

III. WORLD BANK GROUP COUNTRY PARTNERSHIP FRAMEWORK

3.1 Government Program and Medium-term Strategy

54. **The Government program and medium-term strategy is articulated in its five-year development plan, the PQG, which was approved by Parliament in April 2015.** The PQG's overarching theme is to achieve more inclusive growth through employment promotion and improving productivity and competitiveness. The PQG has five priorities: (a) consolidate national unity, peace, and sovereignty; (b) human and social capital development; (c) promote employment and improve productivity and competitiveness; (d) economic and social infrastructure development; and (e) ensure sustainable and transparent management of natural and environmental resources. It also has three supporting pillars: (a) consolidate the democratic rule of law, good governance, and decentralization; (b) promote a balanced and sustainable macroeconomic

[15] World Economic Forum, Global Gender Gap Report 2016.

environment; and (c) reinforce international cooperation. The PQG represents significant continuity in the focus of the Government program but also some innovations. The plan avoids a sectoral approach to the country's development challenges using a more integrated approach. The Government is also seeking greater integration of the cross-cutting issues within the identified priority areas. Finally, the Government has elevated the sustainable and transparent management of its natural resources to one of the top priorities. Some of the priorities and objectives identified in the PQG are aligned with the IDA18 special themes of jobs and economic transformation; gender; climate change; fragility, conflict, and violence (FCV); and governance and institution building. The renewed focus of the administration on traditional sectors to promote employment generation makes the PQG closely aligned to the World Bank's twin goals.

3.2 Proposed WBG Country Partnership Framework

3.2.1 Lessons from the CPS Completion and Learning Review, IEG Evaluations, and Stakeholder Consultation

55. **The proposed CPF is informed by lessons learned from the CPS Completion and Learning Review (Annex 2).** The CLR found that a majority of CPS outcomes were either achieved or mostly achieved and the overall rating for the FY12–FY15 Mozambique CPS Program was moderately satisfactory. The CLR rated World Bank performance during the FY12–FY15 Mozambique CPS as fair, noting that the design and implementation of the program successfully contributed to the pursuit of the key CPS objectives and timely adaptation to changing circumstance and priorities. At the same time, the completion report highlighted several areas that could be strengthened. The CPS would have benefited from a stronger results matrix with a smaller number of more carefully selected outcomes (nine of the CPS 31 indicators were found to be inadequate). In particular, the scope and ambition of objectives and indicators for the agriculture sector did not reflect the critical importance of the sector as a means for tackling poverty and improving women's livelihoods. In addition, insufficient progress was made in reducing fragmentation in the portfolio and there is a need for greater integration, for example, of the agricultural agenda with roads and value chain development. Finally, the CLR also highlighted the need for realism in project design. In some cases, projects were weakened by over-ambitious design relative to government capacity, while others suffered delays because of political or institutional obstacles that should have been foreseen.

56. **The proposed CPF was developed in dialogue with the Mozambican authorities and validated through a series of stakeholder consultations.** Consultations on the CPF were conducted from January through April 2016 (before the undisclosed debt came to light) and endorsed the development priorities defined in the SCD, the selectivity filters, and the overall approach and objectives of the CPF. The consultations were conducted in Maputo and in four of Mozambique's 12 provinces,[16] supplemented with online consultations. The consultations engaged a broad range of stakeholders, including the GoM (at the central and provincial levels), private sector representatives, development partners, and civil society comprising a variety of national and international non-governmental organizations (NGO), academia, and media. Private sector consultations engaged stakeholders from international and domestic private sector companies of various sizes (small, medium, large, and multinational conglomerates) active in a variety of sectors, including agriculture/agribusiness; banking; consulting; infrastructure; natural

[16] Tete, Nampula, Quelimane, Sofala, Maputo.

resources (oil, gas, and mining); manufacturing (for example, cement, food processing, furniture); transport, logistics, and freight; and services (such as hospitality, recruitment services). The results of the consultations are summarized in Annex 3.

3.2.2 Overview of the WBG Strategy

57. **The proposed FY17–FY21 CPF aims to support Mozambique in achieving its objective of creating more inclusive growth through employment promotion and improving productivity and competitiveness in a sustainable manner.** The CPF program focuses on a well-defined set of objectives reflecting the Government's program, development priorities identified in the SCD, and the World Bank's comparative advantage relative to other development partners. The SCD identified a total of 13 key policy objectives organized around the themes of (a) Growth: Promoting Diversification and Boosting Productivity; (b) Inclusiveness: Generating Employment, Facilitating Urbanization, and Expanding Access to Quality Services; and (c) Sustainability: Addressing Risks to Growth and Poverty Reduction. In arriving at the CPF priorities, the following selectivity filters were applied: (a) alignment with the Government's own development program and requests for WBG support to date (including the portfolio of ongoing projects); (b) focus on priority areas identified by the SCD; and (c) comparative advantage and experience of the WBG globally and in Mozambique as well as in relation to other development partners.

Table 2: Mapping the CPF Objectives to SCD Priorities

SCD Priorities (13)	CPF Focus Areas (3)	CPF Objectives (11)
Bolster economy-wide competitiveness by reducing the cost of doing business and promoting private sector development	Promoting Diversified Growth and Enhanced Productivity	Improving Economic Management
Increase access to finance and reduce barriers to the growth of household enterprises and formal sector employment		Increasing Agriculture Growth
Sustainably increase productivity in the agricultural and forestry sectors		Improving the Business Environment for Job Creation
Develop enabling infrastructure		
Expand access to reliable electricity		Expanding Access and Improved Reliability of Electricity
Improve the quality of public education	Investing in Human Capital	Enhancing the Skills Base
Strengthen public health institutions and improve WASH services		Improving Health Service Delivery
		Improving Access to Water and Sanitation
Strengthen the institutional framework for managing public resources	Enhancing Sustainability and Resilience	Increasing Accountability and Transparency of Government Institutions
Address governance concerns that pose risks to private sector development, public investment quality, and land-tenure security		
Empower local communities to manage natural resources effectively and sustainably		Extending Coverage of Social Protection and Labor Programs
Address constraints to urbanization		
Expand the coverage of social assistance programs		Promoting Inclusive Urbanization and Decentralization
Improve disaster risk management and reinforce social and economic resilience		Improving Management of Climate Risk and Natural Resources

58. **In line with these principles, the SCD priority interventions were narrowed down to a set of 11 CPF objectives.** The CPF objectives are organized into three focus areas: (a) Promoting Diversified Growth and Enhanced Productivity; (b) Investing in Human Capital; and (c)

Enhancing Sustainability and Resilience. The CPF focus areas and objectives are broadly aligned with the PQG and the WBG's twin goals of poverty reduction and shared prosperity. Table 2 maps the CPF strategic focus areas and objectives to the SCD priority areas.

59. **The recent revelations regarding unreported debt and its consequences have added an important dimension to the strategy.** In the near term, a major focus will be on helping the country address the macroeconomic consequences of the hidden debt and to restore the confidence of donor partners so that full external financial support can resume. With gas revenues unlikely to materialize until early in the next decade, the authorities face hard choices in pursuing a recovery and reestablishing confidence. To help the authorities manage this challenge, in close coordination with the IMF, the CPF program will feature advisory support and possible policy-based lending focused on fiscal sustainability and debt management. The World Bank will join with the group of General Budget Support (GBS) donors to support concrete steps toward transparency and accountability for the hidden loans, including through the ongoing international audit and the follow up thereto. As needed, the World Bank will also provide IDA financing to address financing gaps in key programs, such as education, that have been affected by slowing growth, falling revenues, and the need for rapid fiscal consolidation.

60. **Moving beyond the economic stability agenda, the proposed strategy seeks to help Mozambique translate the full potential of its resource wealth into inclusive growth and reduced poverty.** The main channel for this translation will be through the increased investment in human, physical, and institutional capital made possible by resource revenues. The WBG support will help build the systems and institutions needed to manage the projected dramatic increase in public revenues and to channel these resources to reduce poverty. The strategy has been updated in light of the unreported debt scandal which has heavily mortgaged these potential revenues and highlighted the risk that weak governance could undermine the potential benefits of gas revenues. Accordingly, in addition to ongoing support for increasing transparency and accountability in the use of public resources, the CPF will step up technical assistance (TA) related to the institutional weaknesses highlighted by the crisis, including fiscal risk management (primarily related to public corporations) and public investment, with a view to increasing macroeconomic sustainability and resilience. The program will also support strengthening and expanding safety net programs and decentralized governance mechanisms for sharing resources with local communities. As large capital-intensive projects are expected to make a greater contribution to growth, the program will also seek to improve backward and forward linkages between these large investments and local companies to support diversification and ensure that the benefits of resource revenues are shared more broadly.

61. **International Finance Corporation (IFC) program can play a critical role in helping ease some of the current macroeconomic pressures Mozambique faces.** By leveraging on Mozambique's agribusiness and energy potential, as well as existing resource corridors, IFC intends to focus on regional projects which will boost the country's export potential, thus creating a sound base for foreign exchange earnings and job creation. In particular, IFC is developing export-focused energy projects that would connect Mozambique with the Southern Africa sub-region and would significantly increase Mozambique foreign exchange earnings. Multilateral Investment Guarantee Agency (MIGA) guarantees can also play a role in this context. In addition, IFC's future and ongoing engagement in transport and logistics will facilitate trade between Mozambique and the sub-region, thus boosting exports and job creation along the value chains.

Lastly, IFC interventions to improve the business environment and strengthen agribusiness value chains will foster economic diversification and will bolster sustainable private sector-led growth.

62. **CPF priorities and interventions will also seek to address some of the underlying drivers of conflict and fragility.** For example, planned and ongoing interventions such as the Forest Investment Program (FIP) and the Agriculture and Natural Resources Landscape Management projects will address management and ownership of land, and land titling which is an important driver of conflict. These will aim to strengthen the enabling environment for investment in agriculture and forestry while ensuring the protection of community land rights and associated benefits for local communities. The program also seeks to reduce regional disparities and associated grievances, which are among the major elements fueling conflict and instability. To complement regional targeting there will also be systematic beneficiary targeting mechanisms within the programs to ensure fair allocation of resources and inclusion of groups that may be of special relevance in terms of reducing conflict or with relation to the impact of conflict, such as youth and women. The CPF program will similarly put strong emphasis on developing solid and transparent Grievance Redress Mechanisms that will allow identification of conflicts, which could be caused by the CPF program, to address them early on. The Grievance Redress Mechanisms will go hand in hand with the social accountability tools included in the CPF objective on transparency and accountability.

63. **The program will increase alignment with the twin goals through an enhanced focus on regions and sectors where the poor are concentrated.** New operations (lending and Advisory Services and Analytics [ASA]), in particular in agriculture, natural resources management, roads, and social sectors will focus more on contributing to reducing regional disparities. Reflecting the priorities identified in the SCD, the World Bank will strengthen the engagement in agriculture and natural resource management by scaling up operations to account for as much as 15–20 percent of the portfolio (from 5 percent to 6 percent in the previous CPS period). The program will also focus more (across multiple Global Practices) on areas in the poorest provinces of Zambezia and Nampula but also Manica and Tete and in areas with the greatest agriculture potential. As the agriculture sector is constrained by both low productivity and poor connectivity to markets, the planned engagement will take a multisector approach. Agriculture and natural resources management operations will be supported by transport investments with a greater focus on secondary and tertiary roads as well as support for reducing barriers to trade and access to finance with a view to increasing agriculture exports to neighboring countries such as Malawi and Zambia. New planned investments in the health sector will focus on geographic zones with weak indicators in the areas of reproductive, maternal, newborn, child, and youth health, areas most often located in the central and northern regions.

64. **The three focus areas are linked and mutually reinforcing and together represent a multifaceted approach to help Mozambique realize its considerable potential.** Focus Area 1 aims to promote economic diversification and private sector growth by addressing constraints in the enabling environment including access to credit, streamlining bureaucratic procedures, increasing access to power, and promoting regional approaches to facilitate trade. Because of its strong potential to contribute to poverty reduction, agriculture represents a major focus to include expanded connectivity in remote and marginalized regions. Efforts to promote diversification and accelerate private sector-led growth require a healthy, educated, and productive workforce, and Focus Area 2 therefore targets improvements in public services in health, education, social protection, and water and sanitation. Focus Area 3 aims in part to address the fiscal, institutional,

social, and environmental risks to the sustainability of growth and poverty reduction, notably those related to the challenge of managing the country's natural resources.

65. **Based on the analysis in the SCD, the Government's priorities and the recommendations from stakeholder consultations, the CPF program will integrate governance across the CPF program.** Governance and transparency is a cross-cutting challenge in Mozambique and will be mainstreamed in the program using both projects and sector- and country-level approaches as detailed in Box 2. In parallel to this mainstreaming of governance, the IDA18 special themes—jobs and economic transformation; gender; climate change; fragility, conflict, and violence (FCV); and governance and institution building—play an important role in the CPF.[17]

Box 2: Mainstreaming Governance in the WBG Program in Mozambique

The focus on governance across all focus areas of the CPF program will entail a combination of projects and sector- and country-level approaches.

- During project preparation and implementation, the WBG will work with country counterparts and partners to consider how a project might help advance governance (institutional capacity, transparency, accountability, participation, and anticorruption) in Mozambique and how governance risks may affect the achievement of project development objectives and how to mitigate them. There is no presumption that a project should address a particular governance issue, rather the key is systematic consideration of governance issues during preparation and later monitoring during implementation.
- At the sector level, the WBG will integrate governance considerations in its strategic engagement. This will include the identification of key governance issues affecting sectors or sub-sectors, as is the case with the WBG's support to the Extractive Industries Transparency Initiative (EITI) in the area of extractives or land administration in agriculture.
- At the country level, the WBG will regularly review experiences, including successes and constraints in governance mainstreaming, and adjust course as necessary in its knowledge and financing work, including through the CPF's Performance and Learning Review.

3.2.3 The WBG Program: Objectives and Planned Knowledge and Financing Support

Focus Area 1: Promoting Diversified Growth and Enhanced Productivity

66. **To reduce poverty and promote inclusion Mozambique aims to develop a more diversified and productive economy.** The Government's strategy focuses on increased productivity and diversification of growth into labor-intensive sectors such as agriculture and micro, small, and medium enterprises (MSMEs). The CPF strategy aims to support this diversification objective through (a) strengthened economic management to restore macroeconomic stability while building the capacity to manage the challenges associated with expected large flows of natural resource revenues; (b) an integrated approach to increasing productivity in agriculture and forestry with a focus on smallholders and emerging commercial farmers; (c) improving the overall business environment; and (d) expanding access to power. In addition to accelerating growth in high-potential sectors, the strategy aims to create an environment that is conducive to developing backward and forward linkages between large investments in extractive industries and local companies to support diversification and ensure that the benefits of Mozambique's natural resource wealth are more broadly distributed.

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[17] See more detail on mainstreaming of IDA18 special themes in Annex 6.

Objective 1. Improved Economic Management

67. **The CPF program will focus on helping Mozambique address the challenges caused by the debt crisis while building capacity to manage the complex macroeconomic and fiscal policy challenges.** The program features stepped up TA and analysis to strengthen economic management. Working with the IMF, the CPF will aim to assist the Government to develop and adopt a framework for restoring fiscal sustainability, anchored in a credible fiscal adjustment program. The program will also include a focus on strengthening debt management (including the management of guarantees) and setting a medium-term fiscal framework. A debt management performance assessment and a debt management reform plan will be developed to support the strengthening of debt management, oversight, and reporting. Improving the management of the public investment program and fiscal risks from SOEs are also core areas of focus under the CPF. An analytical work program with a focus on expenditure policy, the drivers of growth, and the fiscal risk management will complement the planned TA and build the agenda of key reforms for strengthening economic management. Planned Development Policy Operations (DPOs) would further support the reform agenda under the scenario of resuming policy-based lending during the CPF period.

68. **The CPF will seek to help Mozambique manage the challenges associated with expected large flows of natural resource revenues.** Under current projections, by the mid-2020s, half of all output will be generated by natural gas and average GDP growth rates could reach 24 percent between 2021 and 2025.[18] Such growth in output, and the associated revenue flows, provides Mozambique with an opportunity to pursue policies and investments to promote diversification and jobs. But effectively utilizing resource wealth poses a number of complex challenges: rising public revenues can outstrip the absorptive capacity of government agencies, commodity price volatility can pass through to the budget, excessive public expenditure growth can undermine short-term macroeconomic stability, and Dutch Disease effects can erode competitiveness and promote unsustainable growth patterns. Policy-based lending could support adoption of a fiscal framework appropriate for a resource-rich environment to help maintain macroeconomic stability, guiding levels of spending and savings, as well as insulating the budget from commodity price volatility. Through the ongoing Mining and Gas Technical Assistance Project (MAGTAP), the CPF program will aim to strengthen institutions that are responsible for management of natural resources. MAGTAP (with planned additional financing (AF) during the CPF period) supports negotiations of sustainable agreements for LNG development, including planning for the use of the domestic gas to be produced in Mozambique. The project is also helping the Government address the social issues in the extractive industries in an integrated manner. For example, MAGTAP will support community-level activities in extractives areas such as setting up grievance redressal systems; training to civil society organizations, communities, law enforcement officers, and judges on mining law; and Corporate Social Responsibility mechanisms and monitoring. The project will also pilot specific programs jointly with the Ministries of Gender and Youth (MGCAS) and the Ministry of Environment (MITADER) targeting support to women and vulnerable groups.

69. **In light of the hidden debt, strengthening fiscal risk management, particularly in relation to public corporations, will be a critical priority.** Mozambique's public corporation sector has been growing in size and complexity and is characterized by a weak financial position.

[18] IMF Fiscal Analysis Resource Industries (FARI) model estimates, 2016.

These entities are increasingly financed through more complex mechanisms, such as commercial loans backed by state guarantees, while oversight procedures are relatively weak. The authorities recognize the urgency of addressing the issue and have begun to rationalize the sector by announcing the sale or closure of 40 companies with state participation. To support these efforts, the CPF program will include TA and development policy lending aimed at strengthening the legal framework for the sector. Priority reforms to be supported include more rigorous conditions for approval of external borrowing and guarantees and a strengthened legal framework for managing guarantees. The program also aims to build stronger capacity for oversight and increase transparency in the sector through more rigorous disclosure requirements for public corporations.

Objective 2. Increasing Agricultural Growth

70. **The WBG program aims at increased agriculture and forestry productivity by providing farmers, natural forest operators, and plantation growers with access to productivity-enhancing inputs, technologies, rural credit, expanded irrigation, access to markets, and training.** To achieve this, the World Bank will support a national program that includes capacity development at both the national and local levels, research and improved technology dissemination, irrigation infrastructure and service development, value-chain upgrades to increase crop yields, and improved access to markets. Irrigation schemes and broader water resources management concerns will need to become increasingly more climate resilient given the increased vulnerability of Mozambique to extreme weather events. Through the ongoing and planned Agriculture and Natural Resources Landscape Management Project and the Mozambique Forest Investment Project (MozFIP), the program will support reforms and investments aimed at accelerating adoption of improved agricultural inputs (quality seeds and fertilizers), increased and more efficient use of water for agriculture, and enhancing the nutritional value of food through fortification. Through MozFIP, the program will support reforms aimed at promoting a more enabling environment for forestry; increasing yields in natural and plantation forestry through higher adoption of improved practices (for example, low-impact logging, adequate spacing, and thinning) and inputs (for example, certified seedlings); and enhancing the participation of small and medium landholders in sustainable forest-based value chains.

71. **The program will promote agribusiness development of large-, medium-, and small-scale commercial agriculture, agro-processing, and forestry value chains.** The strategy builds on the previous CPS by devoting additional resources and greater attention toward Mozambique's enormous untapped potential for agribusiness investment. Recent growth in commercial agriculture (7.2 percent per year on average since 2010, compared to 4 percent for medium- and small-scale agriculture) underscores the country's unexploited potential in this regard. Geospatial analysis conducted as part of the SCD reveals that Mozambique's northern and central regions, where the poor are concentrated, have especially strong potential. Opportunities in the agribusiness sector include both expansion of small- and medium-size out-grower partnerships with anchor investments as well as development of large-scale farming and the commercialization of smallholder operations. To help realize this potential, the CPF program will focus on expanding the network of private sector-led small emerging commercial farmers in high priority areas of the country and supporting key agribusiness and forestry investments along the value chains.

72. **IFC will continue its support to the agribusiness sector through the current IFC-World Bank Agriculture and Agribusiness Joint Implementation Plan (A-JIP) and continued investments and advisory services in the sector.** The JIP outlines an integrated and

complementary landscape approach in agriculture and forestry. In particular, the IFC sees significant scope for developing large-scale commercial agriculture, agro-processing, and forestry projects for crops such as rice, maize, cassava, beans, sesame, and horticulture as well as fruits such as mangoes, litchis, banana, and avocado. The A-JIP also includes the Mozambique Conservation Areas for Development and Biodiversity Project (MozBio) focusing on agriculture and forestry value chains in buffer zones around protected areas and the FIP (financed by the Climate Investment Funds) which is implemented through the World Bank's MozFIP and the IFC-managed 'Emissions Reductions in the Forest Sector through Planted Forests with Major Investors'. IFC will contribute to smallholder farmers' resilience through its Index Insurance Advisory Program. The IFC Financial Institutions Group (FIG) Advisory Services will provide TA to local banks to be equipped with appropriate systems and suitable skills to extend financial services on a sustainable basis to more agri-SMEs, as well as support farmers through the non-financial services program. Furthermore, IFC investment and advisory projects in agribusiness and rural development will contribute to economic diversification and sustainable job creation. IFC is seeking to stimulate export oriented agribusiness markets that would help bridge Mozambique's large external financing gap. Looking ahead, IFC could use the Blended Finance and Local Currency IDA18 Private Sector Window (PSW) facilities to develop complex high-impact projects in agribusiness and agri-finance.

73. **The CPF program will also support better road infrastructure improving linkages between smallholders and agribusiness companies and general access to both national and regional markets for agriculture and forestry products.** Building on ongoing transport operations that focus primarily on the main national transport corridors, the proposed CPF program will adopt an integrated approach to feeder roads. The aim will be to enhance mobility in selected rural areas in support of inclusive agriculture and other livelihoods of local communities (including management of natural resources) while ensuring efficient mobility of people and freight along the connected main national corridors. To mitigate the risk of climate-change-linked disruptions to the movement of goods and people, particular focus will be put on building resilience in the road network.

74. **The program will support enhanced land tenure security by easing land access and tenure restrictions as well as resolving land tenure security.** The CPF program will address land tenure issues in agriculture as part of an integrated landscape approach that couples support for smallholder participation in agriculture and forest-based value chains with a comprehensive land-use planning process to ensure the sustainable use of soil and water and strengthened tenure security for communities and individuals. The program will mainstream gender-responsive practices, such as ensuring that both husbands' and wives' names are listed on land documents and ensuring women's involvement in decision making along the entire chain of productive activities. Geographic prioritization for support to land tenure regularization and land-use planning at individual and community levels under the CPF program will consider pressure on land and other natural resources, as well as opportunities for sustainable value chain development. While the formal recording and registration of land tenure rights is not a precondition for support to smallholder investments, prior regularization tends to improve the positive impact of support and helps to mitigate its risks. The program will thus sequence, whenever possible, land tenure support activities and others that might benefit from or affect the land tenure security of beneficiaries (such as support to agribusiness development, agricultural and forestry productivity enhancement, and rural infrastructure development—particularly rural roads). This comprehensive approach is at the core of projects with land tenure components under the CPF program, such as the Agriculture and

Natural Resources Landscape Management Project and MozFIP. Land tenure aspects will also be considered in the design and implementation of every relevant operation to ensure that vulnerable groups are not displaced or negatively affected.

Objective 3. Improving the Business Environment for Job Creation

75. **The WBG will support Mozambique to develop a stronger business environment through a geographically focused, integrated strategy which addresses the business environment, trade facilitation, and finance.** Policy-based lending and the Financial Inclusion Framework Support (FISF) TA project will support the adoption and implementation of national-level reforms to increase access to financial services, including the introduction of private credit bureaus, expanding the universe of collateral that businesses may pledge, and enhancing the implementation of the business insolvency regime. It would help improve access to other financial services (payments, insurance) that can support the private sector more broadly. A financial stability strengthening TA project will provide support to enhance the bank resolution framework and strengthen deposit insurance. This will be complemented by IFC activities to strengthen local capital markets through the expansion of instruments for local currency financing mobilization of institutional investors through the creation of valid bond platforms (agricultural infrastructure and green growth financing). Through the Let's Work Initiative, analytical work will inform the design of a multisector jobs strategy that includes both 'top-down', economy-wide policies, mainly focusing on the macro-economy and business environment, as well as 'bottom-up' interventions to drive private sector investments and job creation to particular regions and sectors in Mozambique. This strategy will be based on intensive consultations with Government, private sector, civil society, and other international financial institutions. Within this initiative, IFC will focus on forestry, construction, tourism, and agribusiness value chains to identify activities where IFC can develop SMEs and promote employment. Such activities should strengthen the linkages between large investment projects and the local private sector as well as boost exports. Finally, the ongoing Growth Poles project is supporting upgrading of priority feeder roads and privately executed public investments primarily oriented toward increasing smallholder production, linking smallholders and MSMEs to emerging supply chains, and increasing agro-processing activities in the Zambezi Valley.

76. **IFC is engaging in several projects across various sectors to strengthen the local private sector.** In particular, IFC is supporting private sector access to finance, especially for MSMEs, through SME finance, advisory services, trade lines, and local currency financing. Ongoing investments in the banking sector are providing long-term funding to the underserved sectors of Mozambique, including micro and women-owned enterprises (household enterprises). IFC could further support SME distributor and supplier development programs, including in the natural resources value chains, to increase SME productivity, reliability, and access to finance for SMEs. Besides credit lines, components to strengthen SME development could include management skills development, venture capital funds to support SME growth, business coaching/mentorship/Business-to-Business matching, and information sharing. IFC is also exploring opportunities to develop climate finance facilities with partner banks to provide financing support to local corporates and SMEs for climate-related adaptation and/or mitigation investments.

77. **IFC is also engaged in improving the investment climate through advisory services.** IFC is currently designing the second phase of its Investment Climate Project which seeks to (a) improve the legal and regulatory environment and increase transparency for doing business in

Mozambique (with a focus on Doing Business measured regulations and business inspections) and (b) help increase Mozambique's ability to generate investments through supporting a demand-focused regulatory/institutional approach for Special Economic Zones (SEZs) development. Additionally, the IFC could provide transaction support on public-private partnership (PPP) structuring and financing in power and transport (Ressano Garcia Power Plant, Nacala Corridor Rail), in addition to the ongoing PPP advisory mandate in water. Finally, IFC's Portucel investment and advisory programs will strengthen the local private sector as the scope of the project includes sub-contractors for land clearing, tree harvesting, and transport and ancillary sectors. Through these interventions, IFC will strengthen the regulatory environment for key sectors and facilitate trade and investment. This will deepen private sector development, thus creating inclusive business opportunities and raising Mozambique's growth potential in spite of the current macroeconomic vulnerabilities.

78. **The CPF program will aim to increase regional integration and FDI by supporting reforms in the area of trade.** The CPF program will support the Accelerated Program for Economic Integration (APEI), a multilateral initiative designed to (a) remove barriers to trade in goods; (b) promote trade in services; (c) enhance measures to facilitate trade; and (d) improve the business environment.[19] Supported by an IBRD/IDA regional DPO, the program will support coordinated reforms in all five countries that will benefit from either (a) multilateral coordination; (b) bilateral coordination; and (c) country-specific reforms that are necessary to allow firms to benefit from new market opportunities that economic integration will bring. The reforms supported under the operation are expected to significantly improve the trading environment in all five countries. Reducing nontariff barriers that stifle regional markets in food products will increase incentives for production and increase food security in the region. Opening up to regional trade in services such as transport services is expected to increase competition and drive down transport prices. Increased risk management at borders and stronger coordination among border agencies will reduce dwell time, and hence costs, at borders. Improved access to trade information through trade portals will reduce the scope for rent seeking and corruption related to trade which impinge particularly heavily on small traders, many of whom are women.

Objective 4. Expanding Access and Improved Reliability of Electricity

79. **Through implementation of the WBG Energy JIP for Mozambique, the CPF will contribute to expand access and improve provision of reliable and efficient electricity supply.** By leveraging WBG synergies, the JIP aims to have a transformational impact to strengthen Mozambique's energy supply. IDA financing will focus primarily on improving electricity service through grid rehabilitation and reinforcement as well as strengthening of the financial and operational functioning of the utility (through the Power Efficiency and Reliability Improvement Project [PERIP]) along with public sector investment in the transmission system (the Regional Transmission Development Project). These projects will build on the recently completed Transmission Upgrade Project and the Energy Development and Access Program (EDAP). IDA is currently supporting the development of a national electrification strategy, which will provide the foundations for expanded electricity access. Based on lessons learned from electrification programs in Mozambique and international best practices, new approaches such as off-grid electrification (mini grids, individual home systems, and lighting) will be incorporated into a new Energy Access Project to optimize resources and increase access to electricity services on- and

[19] The APEI initiative was launched during a ministerial meeting in Seychelles in September 2012 between Malawi, Mauritius, Mozambique, Seychelles, and Zambia.

off-grid. The private sector could play a substantial role in developing the potentially large energy sector projects, and the proceeds from regional energy trade could be used to supplement finance for access and system expansion at the national level. Not only will these projects support the development of the entire energy sector but they will also boost Mozambique's export revenues and foreign exchange revenues. This will help Mozambique narrow its large current account deficit and replenish its thin reserves, therefore easing some of its current economic pressures. Through the JIP, IDA and IFC will also work to improve the enabling environment for private sector investments in the sector to enable Mozambique to attract the necessary private sector financing in the sector. IFC investments and MIGA guarantees will support private sector-driven generation and supply investments (grid and off-grid). Looking ahead, IFC could also use the Risk Mitigation IDA18 PSW facility to develop complex high-impact projects in energy generation (thermal and hydro). Such projects would benefit from World Bank-supported policy reforms aimed at improving the primary and secondary legislations affecting the investment environment in the energy sector. Successful World Bank interventions, enabling private sector investment, supporting project financing, and fostering energy trade would help open the market for IFC.

80. **Developing institutional arrangements for improving performance of the utility and ensuring the sector is financially viable will be an important part of the CPF and may be supported through DPOs.** Improving the operational and commercial performance of the electricity sector will increase opportunities for productive activity across the country, thereby increasing sustainability. This in turn also helps promote the SCD thematic area of growth, especially by boosting productivity. Investment in the transmission system will not only enable expansion in access but will actually allow transmission of power around the country. Developing new transmission will also enable private sector investment in large generation projects that are dependent on transmission for evacuation of power. IFC will explore opportunities to scale up its investments in the energy sector, emphasizing innovative infrastructure financing solutions. IFC will also seek to invest in power generation and the expansion of supply infrastructure, through hydro, solar, and gas-to-power projects. In particular, the WBG energy engagement in Mozambique will seek to strengthen domestic gas utilization for power and other downstream usage in agribusiness and industry.

Focus Area 2: Investing in Human Capital

81. **A more diversified, productive, and inclusive economy will require greater investment in human capital.** Lack of skills resulting from a poorly performing education sector represents a severe challenge for both the private sector and government while poor health outcomes lead to shortened lifespans and reduce physical productivity. Safe water and sanitation are among the critical determinants of human development, with impacts on nutrition, health, education, wages, and poverty levels. This focus area aims to address the weaknesses in service delivery that lead to poor outcomes in education, health, and water and sanitation, paying attention specially to vulnerable groups such as women and children. Investments in the early years will be a strong focus, as these are the ones with the highest returns.

Objective 5. Enhancing the Skills Base

82. **The Government has prioritized activities aimed at increasing access to preprimary education, reducing disparities in access to basic education, improving learning outcomes, and strengthening the provision of relevant, quality training at the post-basic level.** This shift from quantity to quality is directly supported by the World Bank, and at the basic education level,

the key interventions in the CPF program will aim at strengthening the ability of the system to deliver better results as measured by learning achievements. The World Bank will continue to support the delivery of early childhood development, allowing children to be better prepared for primary education. In basic education, the focus will be on the first cycle of primary education where dropout rates remain high, especially in the poorest and most rural communities, including many in the central and northern regions of the country. Strategies to improve retention and learning outcomes during the early years of primary education are expected to have stronger impacts in the poorer and more rural areas and thus disproportionate effects on poverty reduction. The program will include the provision of additional and improved inputs targeting areas and individuals lagging behind and addressing key weaknesses in service delivery through strengthened governance and accountability at the school level. In addition, World Bank support will focus on increasing the number and raising the quality of graduates at post-basic and higher education level especially in the areas of science, technology, and agriculture, as well as strengthening the research capacities to produce research outputs of relevance to the strategic economic sectors such as oil and gas. Through these interventions, World Bank support is expected to contribute to improving the skills profile of the Mozambican population; providing better opportunities to acquire basic literacy and numeracy skills; and substantially increasing the supply of technical, market-relevant skills to enhance competitiveness and accelerate economic growth.

Objective 6. Improving Health Service Delivery

83. **The challenge for Mozambique is to increase the coverage and improve the quality of services, especially for women and children, in a resource-constrained environment while addressing systemic inefficiencies hampering the performance of the health system.** While per capita spending on health is low compared to other SADC and Sub-Saharan Africa countries, there is room to improve allocative and technical efficiency in the use of resources. A recent health sector public expenditure review suggests that while spending at primary levels has been increasing, the current resource allocation formula may be further improved by incorporating demographic, poverty, and under-five mortality rate parameters to improve allocation efficiency and targeting. Mozambique faces a chronic shortage of human resources for health featuring the lowest density of health workers per population in the SADC (10.02 health workers per 10,000 inhabitants in 2015), a problem exacerbated by an unbalanced staff mix and their allocation across regions, provinces, and rural-urban areas. Critical inputs such as medicines and health commodities are not always available at service delivery points due to weaknesses in planning, forecasting, supply chain, and storage. The overall management of the sector and of service delivery, particularly the public sector, is constrained by a lack of reliable data, underdeveloped health information, and disease surveillance systems.

84. **The WBG supports the GoM's Universal Health Coverage (UHC) approach to progressively expand priority health and nutrition programs to vulnerable populations while ensuring sustainable financial coverage and protection.** WBG support will contribute to improved reproductive, maternal, newborn, child, and adolescent health and nutrition services, thus focusing on strong investments in the early years. This will be translated, for example, into increased rates of contraception coverage from 25.3 percent in 2015 to 35 percent in 2020 and institutional deliveries from 70.3 percent in 2015 to 78 percent in 2020. The Global Financing Facility (GFF), together with IDA funds, will help prioritize interventions and mobilize innovative sources of finance, including from the Government and other sources of funding, with a focus on results. The GFF work will build on and further develop the ongoing health financing strategy to

sustainably reduce the financing gap over time and increase value for money. Finally, the ongoing Public Financial Management (PFM) for Results Program and the Southern Africa Regional Tuberculosis (TB) and Health Service Delivery Project will help strengthen the health system and facilitate community as well as facility-based service delivery and reduce the burden of major diseases such as TB, malaria, HIV/AIDS and malnutrition, especially among hard-to-reach vulnerable groups and the poor.

Objective 7. Improving Access to Water and Sanitation

85. **The aim of WBG support is to reduce the incidence of water and sanitation-related diseases by providing improved access to water and sanitation services to an additional 1.1 million people living in peri-urban areas and small towns.** To achieve this, the WBG will support an integrated program of institutional development, capacity building, infrastructure, and service development aimed at ensuring the capacity to serve the peri-urban areas and small towns, where the majority of the urban poor live. The program will improve service provision by (a) increasing of capacity for water resources monitoring and water allocation; (b) urban water supply infrastructure and service development; and (c) institutional capacity strengthening and infrastructure and service development for urban sanitation. The program will be complemented by analytical and advisory work aimed at building national capacity and supporting policy development to improve service provision to the poor.

Focus Area 3: Enhancing Sustainability and Resilience

86. **The program under Focus Area 3 will aim to help Mozambique address the fiscal, institutional, social, and environmental risks to the sustainability of growth and poverty reduction.** Mozambique has strengthened its public administrative framework over the past decade, but the hidden debt scandal has highlighted the need to further strengthen the transparency and accountability of government institutions. Meanwhile the low coverage of social protection programs increases individuals' vulnerability and undermines the achievement of health and education outcomes while hindering employment. The main priority will be to improve management of public resources while strengthening citizen engagement. In light of the possibility of a political settlement of the conflict that involves increased decentralization, the program will explore strengthening the framework for decentralization along with increasing the capacity of provincial and municipal governments. Effective management of the urbanization process is needed to enable policy makers to leverage its impact on economic growth, poverty reduction. Mitigating the impact of climate change and eliminating unsustainable agricultural, fishing and forestry practices will require a strong policy framework and the active involvement of local communities. Furthermore, the potential impacts of climate-related disasters will need to be addressed, particularly given the risk to agricultural productivity which has direct impacts on the livelihoods of the poor.

Objective 8. Increasing Accountability and Transparency of Government Institutions

87. **Enhancing the institutional framework for resource-revenue management will require significant PFM reforms.** Mozambique's substantial progress in PFM reform is evident from its relatively high scores on World Bank Public Expenditure and Financial Accountability (PEFA) assessments, though there are significant gaps between policy design and implementation and progress has stalled. Certain aspects of PFM are especially critical to effectively managing resource revenues, including the presentation of resource revenues in budget documentation, medium-term forecasting capabilities, and comprehensive fiscal reporting. Mozambique has made

progress in improving the resource sector's governing legislation. Through the MAGTAP the WBG program will continue to support Mozambique's membership and adherence to the EITI, under which it has published five reports and committed to publishing all pre-2011 contracts and reporting on project payments.

88. **The CPF program will build on ongoing work to strengthen public sector management.** The PFM for Results Program (Program-for-Results [PforR]) operation will be scaled up to support results-based implementation of PFM reforms at the level of ministries, provinces, and districts while strengthening the accountability of institutions. The World Bank will also continue and expand support for improvements in the public administration, in particular, through the strengthening of systems for merit-based recruitment, performance-based management, training and career progression, supervision, and other key areas of human resource management. The World Bank will also continue to lead and contribute to structured dialogue with development partners to harmonize and strengthen PFM system support and to improve financing mechanisms. This will include expanding on analytical work for integrating systems to capture off-budget aid flows data and feed them into the Medium-Term Expenditure Framework (MTEF) and budgeting processes.

89. **Enhanced citizen engagement and better-quality data are important underpinnings of transparency and accountability.** With respect to data, Mozambique lacks some of the basic data and statistics required to inform economic policy, monitor progress, and adapt strategies as needed. Data challenges, such as the low frequency of poverty data, which is collected on average every six years must be addressed to track and analyze progress on poverty reduction. A planned statistical capacity project will support the 2017 census, a comprehensive program of household surveys, a geo-referenced administrative data system, and TA on data collection and analysis. In addition, the CPF program will assist the Government to operationalize the Right-to-Information (RTI) bill, while supporting demand-side stakeholders on the use of available information to enhance accountability. The program will also explore and scale up where possible the use of digital tools focused on transparency, citizen engagement, and accountability, building on the ongoing World Bank-supported participatory service monitoring platform named MOPA (Monitoria Participativa) which has been recently launched across Maputo to monitor the quality of municipal solid waste management services. Expanding this approach to other sectors (that is, sanitation and drainage services) and to additional regions and cities in Mozambique will help streamline service improvements through enhanced data-driven governance and simultaneously catalyze innovative entrepreneurship. These techniques could also prove relevant in infrastructure and the social sectors where accountability of service providers is a challenge. Finally, the program will support the use of citizen participation and social accountability mechanisms in sectors, coupled with TA to line ministries and service delivery units around channeling and responding to these inputs, to create feedback loops for measuring performance and improving quality of public services.

Objective 9. Extending Coverage of Social Protection and Labor Programs

90. **Despite improved policies and increased budget allocations in recent years, coverage levels of social protection interventions in Mozambique remain low compared to needs.** The high levels of poverty, climate vulnerability and food insecurity underline the need for expanded safety nets programs. Special attention needs to be provided to urban areas due to the steady urbanization process that Mozambique has experienced over the last few years and that has resulted in a worrisome 39 percent of youth unemployment in urban settings. The important progress that

has been made recently in developing the overall social protection system, including the development of delivery systems (targeting of beneficiaries, registry of beneficiaries, management information, and payment systems) and the design and revision of core safety net programs, represents a great opportunity to expand the social protection system, building on these achievements.

91. **The CPF program aims to support sustainable poverty reduction by combining cash transfers with productive inclusion (activation programs, skills transfers, financial literacy, access to finance, and so on) interventions in urban and rural settings.** Recent simulations made by the World Bank show that implementing a scaled-up productive safety net could be a relatively quick and cost-effective way of reducing poverty in Mozambique. The World Bank is currently supporting the Government in scaling up the Productive Social Action Program (PASP) that aims to support 120,000 households living in poverty (more than 500,000 people), through public works schemes and productive inclusion activities. Implementation of a three-step targeting system—geographical targeting using poverty maps, community based pre-selection, and a proxy means test for poverty verification—has been successful in identifying poor households living in the poorest geographical areas of the country, such as Nampula and Zambezia. The Government will apply the targeting system to other core social assistance programs to ensure that the programs reach the most vulnerable households in the most critical areas. Additionally, the World Bank is supporting the development of payments systems that allow for transparent, automated cash transfers of social protection payments. In coordination with the Agriculture Global Practice, an expansion of productive inclusion activities in rural areas will be implemented to raise productivity of smallholder farmers (through skills, livelihood enhancement activities, and creation of small rural infrastructure), which in turn is likely to incentivize households' investments in their human capital. Given the importance of the early years—particularly for children from poor families—the safety net programs will also seek to work with families on parenting skills, early stimulation, and prevention of violence toward children and women. Finally, the Ministry of Gender, Children and Social Action, with support from the US$10 million AF to the Social Protection Project, is developing an 'emergency response window' of cash transfers that support drought-affected households during their early recovery phase.

92. **In the context of current macroeconomic and fiscal challenges and the potential impact of a possible fuel subsidy reform on the poor, the World Bank will carry out analytical work to identify the effects of such reforms on the population and develop mitigation strategies.** These will support the expansion of urban safety nets and promote youth employment through specific activation, labor market, and skills transfer interventions tailored to the urban setting and aiming at increasing the employability of the vulnerable youth. AF for the ongoing social protection project, funded from the Crisis Response Window (CRW), is also helping address the impact of El Niño drought conditions. The social protection sector will lead the agenda on productive inclusion and urban safety nets in Mozambique as requested by the Government, by combining analytical and operational support and by ensuring strategic partnership with the IMF for the fuel subsidy reform.

Objective 10. Promoting Inclusive Urbanization and Decentralization

93. **The CPF program will contribute to inclusive urbanization, decentralization, and enhance accountability of local governments through policy reforms, institutional development, and pro-poor investments.** Internationally supported peace talks between Renamo and Frelimo will likely open new opportunities for advancing the country's decentralization

framework as part of a more lasting peace agreement. As such, it is expected that provincial and district governments will gradually acquire greater functional and political responsibilities while increasing their share of national revenue. However, there is a need for considerable technical support to ensure that decentralized institutions have the capacity to deliver essential public services. Decentralization also has potential to enhance the engagement of local communities in decision making and the management of public resources. With support from the World Bank and development partners, the Government is currently preparing a national policy and strategy to strengthen local government functions and support pro-poor development at the local level. An early priority will be analytical and technical support to help define a reformed intergovernmental system including the subnational government structure and functional segregation, revenue assignment and intergovernmental fiscal transfers, and human resources management. Planned lending will strengthen transparency and accountability of local government public expenditure management and increase investments in provision of basic services and rural-urban infrastructure at the district level particularly in lagging regions. Building on previous projects, the CPF program will continue to support districts to manage public financial resources for local development in a participatory and transparent manner. At the municipal level, the new lending will focus on increasing own-source revenue, improving infrastructure and urban services to the urban poor, and improving urban planning and land management.

Objective 11. Improving Management of Climate Risk and Natural Resources

94. **The WBG program aims to increase resilience to high levels of short-term weather variability and longer-term climate change by strengthening planning and disaster-risk management capacity.** This will be achieved through a combination of programmatic analytical work, policy-based lending, and investments aimed at building the national capacity for climate change adaptation and resilience. The integrated program will focus on (a) strengthening institutional and policy responses to address climate change and disaster risk reduction; (b) improving water resources management and planning; (c) investing in climate-resilient measures at the local level, for example, in climate-smart agriculture and natural resources management practices of rangelands, forests, and fisheries resources; (d) improving the management and protection of coastal zones; and (e) integrating climate risk assessments into planning and infrastructure development. Through IFC's involvement in the A-JIP, it will ensure the development of sustainable value chains while promoting IFC's Social and Environmental Performance Standards. IFC's Advisory engagement in the Index Based Weather Insurance program will improve the resilience of smallholder commercial farmers. These priorities are consistent with the targets established in the Africa Climate Business Plan (ACBP), most notably through support for climate-smart agriculture, strengthening of hydro-meteorological systems, and climate-resilient cities and promoting landscape-level approaches to natural resources management.

95. **The CPF program will support a variety of strategies to promote the participation of local communities in the management of renewable natural resources and expand opportunities for local employment and income generation.** The program promotes sustainable use of wildlife, forests, and fisheries to generate income streams through nature-based tourism, conservation agriculture, and non-timber forest products value chains, among others. In fisheries, the program promotes food security and nutrition, job creation for rural coastal populations, and increased income to fishing communities. In forestry, the CPF program will promote reduction of forest cover loss through traditional grant financing and innovative performance-based payments

(emissions reductions payments, currently committed through the Forest Carbon Partnership Facility [FCPF]). In addition, planned lending in the agriculture and natural resources sectors will aim to increase participation of rural households in key agriculture and forest-based value chains such as honey, natural oils, and planted forest products such as timber, charcoal, and pulp. Strategies to promote the participation of community-based organizations could include strengthening rights to land and natural resources management through systematic community land delimitation and brokering win-win partnerships with third parties to generate income to rural communities, through local businesses.

3.3 Implementing the Country Partnership Framework

3.3.1 Financing Envelope and Instruments

96. **The indicative IDA financing envelope of US$1.7 billion will draw from three IDA periods: IDA17 (FY17), IDA18 (FY18–FY20), and IDA19 (FY21).** IDA17 resources available in FY17 total approximately US$95 million, including US$30 million from the IDA CRW. For FY18–FY21, the indicative national IDA allocation is expected to be in the range of SDR 715 million to SDR 870 million (equivalent to US$1.0 billion to US$1.2 billion), subject to the annual IDA performance-based allocation and overall resource availability in IDA18.[20] This core IDA allocation is expected to be supplemented by resources from Regional IDA; the IDA18 PSW; and recipient-executed trust funds, including the Global Partnership for Education, the GFF, Reducing Emissions from Deforestation Degradation (REDD+), and the FIP. Mozambique is expected to remain at high risk of debt distress throughout the CPF period. Table 3 shows the indicative CPF lending program.

97. **As a result of the debt crisis, the CPF lending program is subject to a greater than normal degree of uncertainty**. In light of this uncertainty, the CPF envisions two general scenarios for lending. The base case scenario envisions restoration of a sound macroeconomic framework during 2018 and resumption of an IMF program. Under this scenario policy-based lending could resume during the second half of FY18 and would focus on supporting reforms related to fiscal consolidation, economic governance and increased resilience. An alternative scenario envisions a more protracted process leading to resumption of an IMF program and budget support financing. Under this alternative scenario resources planned for policy-based lending would be redirected toward ensuring delivery of social services in a significantly more constrained fiscal environment. Consequently, the country team would also explore expanded use of PforR or investment operations featuring disbursement-linked indicators to ensure that the economic management agenda can continue to be strongly supported. While development policy financing accounted for over 35 percent of total financing during the FY12-FY16 period, this is expected to decline to at most about 20 percent during FY17-FY21 under the base case scenario. Under either scenario the program would aim to make full use of available IDA financing.

[20] These amounts are indicative. The actual allocations will depend on (a) the total IDA resources available; (b) the country's performance rating, per capita gross national income, and population; (c) the terms of IDA assistance (grants/credits); (d) the performance and other allocation parameters; and (e) the number of IDA eligible countries. IDA financing terms are reassessed through regular updates of a country's Debt Sustainability Analysis.

Table 3: FY17-FY21 Indicative IDA Lending

Project Name	IDA (US$ m)
FY17	
Focus Area 2: Investing in Human Capital	
Education Sector Support Project (AF)	50
Focus Area 3: Enhancing Sustainability and Resilience	
Social Protection Project - AF (El Nino CRW)	10
Emergency Resilient Recovery Project AF (El Nino CRW)	20
Mozambique Forest Investment Project	15
FY17 Total	95
FY18-21	
Focus Area 1: Promoting Diversified Growth	
Power Efficiency and Reliability Improvement	150
Integrated Feeder Roads Development Project	150
Energy Access Project	80
Regional Power Transmission Development[a]	300
Mining and Gas TA Project - AF	25
Accelerated Program of Economic Integration DPO II[a]	
Smallholder Agriculture Productivity Improvement (PROIRRI 2)	80
Agriculture and Natural Resources Landscape Management II	40
Financial Sector DPO III[b]	
Focus Area 2: Investing in Human Capital	
Primary Healthcare Strengthening PforR	80
Education Sector Support Program II	80
Water Service and Institutional Support II (AF)	60
Enhancing the Skills Base	50
Strengthening Safety Nets	60
Focus Area 3: Enhancing Sustainability and Resilience	
Conservation Areas for Biodiversity and Development -- Phase 2	40
Municipal and District Government PforR	100
Mozambique Statistical Capacity Building	50
Secondary Cities Sanitation and Drainage	80
National Urban Development PforR	80
Fiscal Sustainability and Resilience DPO series[b]	

Note: [a] Regional project
[b] Subject to resumption of policy-based lending

98. **In light of Mozambique's high vulnerability to climate change, the IDA program will make use of instruments to improve readiness and response to natural disasters.** The planned Fiscal Sustainability and Resilience DPO series may make use of the newly introduced IDA Catastrophe Deferred Drawdown Option (CAT-DDO) to be activated upon occurrence of a natural disaster or emergency. In addition, Mozambique participates in the IDA Immediate Response Mechanism (IRM) which allows IDA countries to rapidly access up to 5 percent of their undisbursed IDA investment project balances following a natural disaster or eligible emergency. The IRM was established in FY16–FY17 through the inclusion of Contingent Emergency Response Components (CERCs) in selected IDA projects and the adoption by Mozambique of an IRM Operations Manual. The IRM, which was accessed in FY17 to mitigate the impact of the El Niño drought, will remain active throughout the CPF period. Access to the IDA18 CRW would be considered as appropriate to supplement core IDA financing in addressing the impact of disasters that may occur during the CPF period.

99. **The World Bank will continue to support Mozambique to take advantage of the emerging climate finance architecture**, including various environment and climate-related trust funds such as the Global Environment Facility (GEF), the Green Climate Fund (GCF), the FIP, the Pilot Program for Climate Resilience (PPCR), and the FCPF. For example, Mozambique is in the process of developing and implementing a program for Reducing Emissions from Deforestation and Forest Degradation (REDD+). In support of the REDD+ program, the CPF program will integrate financing from multiple sources, including the FCPF Readiness Fund, IDA/GEF resources under the MozBio and Agriculture and Natural Resources Landscape Management Project, and the FIP and Trust Fund resources under the MozFIP. Mozambique is also preparing an Emissions Reduction Program for the Zambezia Forest Landscapes Project, which has been accepted into the pipeline potentially to receive payments from the FCPF Carbon Fund.

100. **IFC intends—though it does not have an indicative envelope—to attain a program of at least US$40 million in long-term finance commitments per year in the CPF period.** Based on the current pipeline and given appropriate market conditions, IFC stands ready to commit more resources, especially in the agriculture, infrastructure and natural resources, financial markets, construction, manufacturing, and real estate sectors. IFC's net committed investment portfolio totals approximately US$156 million and US$8 million in active advisory mandates as of February 29, 2016. In addition to these engagements, IFC intends to use all the three facilities of the IDA18 PSW to de-risk and make viable complex but high-impact projects in critical sectors. Indeed, if the opportunities materialize, IFC could use the Risk Mitigation Facility for projects in energy generation (hydro and thermal) as well as the Local Currency and Blended Finance facilities for projects in agribusiness and agri-finance. Enabling projects in such high development impact sectors will bolster Mozambique's inclusive growth and help ease some of the current macroeconomic economic challenges while fostering private sector development through market creation. Moving forward, to ensure optimal implementation, IFC will pursue synergetic approaches—leveraging on the World Bank operations and MIGA collaboration—and will seek to develop new solutions—financing instruments or operating models. Besides, IFC Advisory Services will be critical to strengthen markets and clear bottlenecks for private sector investment. Finally, IFC expects to leverage on strategic clients and platform companies to develop high-impact projects.

101. **MIGA is currently open in Mozambique across all of its risk categories for its Political Risk Insurance product, supporting investors looking for covers against Transfer Restriction, Expropriation, Breach of Contract and War and Civil Disturbance risks**. As an IDA country Mozambique has been a strategic priority country for MIGA. With a current gross exposure of US$111.6m, MIGA is currently supporting three investment projects and in the country in the energy/infrastructure and manufacturing sectors. Looking forward, the MIGA product will be particularly strong as the country looks to assure investors and build critical infrastructure. There is also scope for use of the MIGA Guarantee Facility under the IDA18 PSW to develop projects in infrastructure and energy.

102. **ASA is an integral part of the CPF program.** A combination of hands-on TA, results evaluations, policy notes, and broader reports will support the ongoing program and dialogue and inform preparation of future operations where knowledge gaps exist. In light of the debt crisis, high priority will be assigned to using ASA to strengthen transparency and accountability, particularly related to SOEs, and debt management. Knowledge work will also be embedded in

and reinforce lending operations. For example, updates of service delivery indicators will be financed through lending operations and the planned Statistics Capacity Building Project will finance household surveys to enhance the availability of data. Finally, the World Bank is scaling up knowledge partnerships with local institutions. In December 2016, the World Bank signed a Memorandum of Understanding (MoU) with the University Apolitecnica, one of the oldest and largest universities in the country, to collaborate through the preparation of joint ASA; build capacity in academia through training programs, internships, and exchange programs; and increase dialogue around the World Bank's analytical work.

Table 4. Selected Advisory Services and Analytics

Promoting Diversified Growth and Enhanced Productivity	Investing in Human Capital	Enhancing Sustainability and Resilience
• Country Economic Memorandum • Public Expenditure Review • Debt Management, Fiscal Sustainability, Fiscal Risk Management, and Public Investment Management TA • Enhancing Agricultural Resilience and Natural Resource Management • Mozambique Investment Climate Program (IFC)) • Financial Inclusion Support Framework - TA • Long-term Finance TA • Financial Stability Strengthening	• Investing in the Early Years Program • Service Delivery Indicators - Update • Enhancing the Skills Base • Value for Money in Health • Policy Notes in Education • Impact Evaluation on Early Childhood Development (ECD) and Nutrition • Equity analysis of piped water delivery in urban Mozambique • Poverty Diagnostic for Water Supply, Sanitation, and Hygiene (WASH)	• Political Economy Assessment • Media and Service Delivery • Support to Decentralization • Mozambique Poverty Assessment • Digital Platforms for Public Services • Extractives Revenue Sharing • Urbanization Review • Greater Maputo Urban Poverty Reduction and Inclusive Growth • Strengthening Disaster Risk Management Framework • Land Use for Resilient Landscapes (LAUREL) • Safe School Program • IFC Advisory Services: Sub-Saharan Africa Index Insurance • Fuel Subsidy Reform • Urban Safety Nets and Activation Programs

3.3.2 Portfolio Management

103. **The World Bank has a large, diverse portfolio of investments in Mozambique.** As of June 30, 2016, it had 22 active projects with an overall net commitment of approximately US$1.7 billion, as well as 26 recipient-executed trust-funded operations with a total allocation of US$190 million. During the CPS period, the World Bank made some progress in improving performance of the portfolio: average project size increased during the period from US$71 million in FY12 to US$111 million in FY15, reflecting efforts to reduce fragmentation. However, the number of projects under supervision remained relatively high, increasing from 21 at the end of FY12 to 24 at the end of FY15. Despite a major push to address portfolio-wide issues related to procurement delays, the disbursement ratio fell below 20 percent in FY13–FY14 and recovered to 24 percent in FY16 (from 21 percent in FY12). During the CPF period, the World Bank will hold regular Country Portfolio Performance Review (CPPR) meetings to address the key challenges affecting project implementation and establish with the Government a more coordinated and systematic follow-up arrangement on portfolio issues.

104. **Strengthening monitoring and evaluation (M&E) systems will be vital to the success of the Government strategy and the CPF.** The considerable difficulty of precisely monitoring key indicators is a major cross-cutting challenge. The Directorate of M&E at the Ministry of Economy and Finance continues to build its capacity, but it is currently unable to meet the considerable M&E demands imposed by the numerous interventions and policies included in the Government's program. Although the National Institute of Statistics (INE) is also increasing its data-collection and analytical capacities, this will not necessarily translate into better-quality M&E in the short run. The World Bank has provided TA to the M&E directorate and is an active member of the joint GoM-donors working group on monitoring and evaluation. The planned statistical capacity-building project will provide TA to INE in the design and implementation of the new household survey to improve the Government's ability to monitor the impact of policies on poverty.

3.3.3 Collaboration with Partners

105. **Mozambique remains aid-dependent, making effective donor coordination an important priority.** While foreign aid has been declining, it still accounted for approximately 18 percent of central government expenses in 2014. Donor coordination among traditional donors is relatively developed in Mozambique and geared toward adhering to the principles of effective aid and good development established in Busan in 2011 (an overview of the coordination architecture can be found in Annex 5). Among the most active working groups are Education and Conservation, where the WBG is playing a lead role in setting up and implementing joint programs. Mozambique has made significant progress in its aid coordination agenda, with many development partners adopting the use of country systems and aligning their fiduciary mechanisms with the state budget. Donors have been working to fulfill aid effectiveness principles through the donor group of Program Aid Partners (PAPs) that provide on-budget support to the Government's five-year development plan (PQG).[21]

106. **Despite this progress, aid coordination could be strengthened, in particular by improving systems for sharing information about donor activities.** In the last review of PAPs' targets for 2014, only 34 percent of aid provided to Mozambique was channeled through the national budget, meaning that the PAP only captures a small subset of overall donor engagement. Although there are numerous thematic and sector-specific working groups to support coordination, these groups often lack the administrative capacity to maintain records of sector-specific projects and funding. In addition, The Official Development Assistance to Mozambique database (ODAMoz), the MEF's online platform of externally financed projects, has little utility due to low buy-in and the fact that it does not use national budget classification categories; furthermore, efforts to promote a unified and coordinated approach to donor funding have been hindered by overlapping mandates from government ministries. During the CPF period, the WBG will aim to play a leading role in filling this gap in information by creating a baseline of knowledge that can be used for substantive engagement on strategic priorities with the Government and other development partners. This would include a renewed push to ensure that off-budget aid data is captured by PFM systems and used in the national planning and budgeting processes for greater

[21] The PAP system developed out of an MoU committing donors to direct budget support that was signed in 2004. In 2009, this MoU was updated to include sector performance support to the assessment framework. Targets are set annually and then jointly assessed through the Performance Assessment Framework (PAF), which monitors both government and donor commitments on poverty reduction outcomes and the predictability of aid funding disbursement.

efficiencies in domestic and foreign development resource spending. As the largest donor in Mozambique, the World Bank is well-positioned to lead this engagement. The World Bank also has a historical mandate as a multilateral organization to coordinate development assistance. In addition, the World Bank has strong engagement with many of the technical working groups that are engaging in sector-specific development, which can serve as an entry point to collect information.

IV. ASSESSING, MANAGING, AND MITIGATING RISKS TO THE CPF PROGRAM

107. Risks to the CPF have been assessed using the Standardized Operations Risk-Rating Tool (SORT), as summarized in Table 5. The main risks to strategy and program implementation and the proposed mitigating measures are explained here.

108. **Political and governance (Substantial).** The country remains susceptible to further outbreaks of political and social conflict, though a return to full-scale civil war is seen as unlikely. While the risk of conflict persists as long as Renamo remains armed, the more likely risks are (a) that the dialogue will continue to absorb government attention at the expense of policy making, unless Frelimo and Renamo reach a lasting agreement and (b) that continual and perhaps more frequent episodes of localized unrest and violence—as well as unofficial labor protests—could cut production, deter foreign investment, and slow development of supporting infrastructure, as well as exact a significant human toll. Governance and effective public sector management are also concerns as demonstrated by the country's declining scores on the World Bank's Worldwide Governance Indicators. These developments could undermine the achievement of the CPF objectives by impeding implementation of WBG-financed projects (particularly in areas affected by conflict) and delaying the adoption of policy reforms. Inability to adequately address governance issues related to the debt crisis would delay budget support by the World Bank and other partners. To mitigate potential political and governance risks to the CPF, the WBG will put emphasis on designing projects that take into account or address governance constraints and political economy dynamics which may affect the effective and timely achievement of the project development objectives. Project supervision strategies will reflect the need to ensure the security of staff.

109. **Macroeconomic (High).** The slowdown triggered by the debt crisis is contributing to macroeconomic risk as monetary and fiscal tightening continue and as the business environment becomes increasingly restrictive and private sector expectations weaken. Vulnerabilities in the financial sector have also grown with a notable deterioration in asset quality and failure of the fourth largest bank. Debt restructuring is urgently needed to avoid both a severe fiscal crunch and exhaustion of the Central Bank's foreign currency reserves. A delay in restoring a sustainable macro framework would preclude planned budget support and could disrupt other CPF interventions by limiting counterpart funding. Under these circumstances, the CPF program would focus on protecting service delivery and mitigating the impact of the crisis on the poorest through increased investment lending in health, education, and social protection. The World Bank program will seek to mitigate these risks in coordination with the IMF through policy dialogue, TA, and potentially policy-based financing to support the resumption of an IMF program and to strengthen economic management. Analysis and policy dialogue will focus on supporting the focus on service delivery and investment for growth through an efficiency-based fiscal adjustment program. TA in financial sector stability strengthening will also be provided.

110. **Fiduciary (Substantial).** Based on the assessed weaknesses in Mozambique's financial management and procurement systems as documented in PEFA and other assessments, fiduciary risks are substantial. These weaknesses could result in diversion of project resources or poor value for money in project procurement. The CPF will continue to target improvements in PFM and procurement systems to address these weaknesses and projects will be designed to ensure their fiduciary integrity.

111. **Environment and social (Substantial).** Given Mozambique's high exposure and vulnerability to climate hazards, there is a substantial likelihood that exogenous environmental risks could adversely affect the achievement of CPF objectives. During the CPS cycle (FY12–15), major disaster events in 2013 and 2015 caused more than US$500 million of loss and damage and required the restructuring of several IDA operations. In addition to affecting project implementation, financing needs for recovery and reconstruction could reduce financing for other priorities programmed in the CPF. To mitigate this risk, CERCs have been and will be included in new lending operations and an IRM has been developed to rapidly reallocate funds from investment projects with the 'Contingency Component' to support recovery measures and reconstruction. Access to the CRW and possible use of an IDA CAT-DDO would also partially mitigate this risk by providing access to incremental IDA resources for disaster response.

112. **Institutional capacity for implementation and sustainability (Substantial).** Despite ongoing improvements in the capacity of the public administration, a lack of institutional resources could limit the pace and scope of the reforms supported by the CPF. Institutional changes in the new government (the merger of the Ministry of Planning and Development [MPD] and the Ministry of Finance [MoF] into a single ministry) may also delay the pace of important reforms as key counterparts move to different agencies. To mitigate this risk, the World Bank is providing TA in all areas supported by this operation, seeking to fill the lack of institutional resources. The World Bank is also strengthening support for management of environment and social safeguards compliance through the recruitment of additional safeguards staff in Maputo. Despite this support, institutional capacity risks are regarded as substantial. As suggested in the CLR, the WBG will also conduct more thorough institutional assessments during the preparation stage to identify capacity gaps and introduce mitigating measures, such as TA or simplified project designs.

Table 5: Systematic Operations Risk-Rating for Mozambique

Risk Categories	Rating (H, S, M, L)
1. Political and governance	S
2. Macroeconomic	H
3. Sector strategies and policies	M
4. Technical design of project or program	M
5. Institutional capacity for implementation and sustainability	S
6. Fiduciary	S
7. Environment and social	S
8. Stakeholders	L
Overall	**S**

ANNEX 1: MOZAMBIQUE CPF RESULTS MATRIX

Focus Area 1: Promoting Diversified Growth and Enhanced Productivity		
Since the late 1990s, Mozambique's growth has been dominated by megaprojects focused on the country's national natural resources with limited impact in terms of employment and poverty reduction. To reduce poverty and promote inclusion, Mozambique must develop a more diversified and productive economy. A first priority will be to strengthen macroeconomic management and restore debt sustainability. The Government's strategy focuses on increased productivity and diversification of growth into labor-intensive sectors such as agriculture and MSMEs. The CPF strategy aims to support this diversification and productivity objective through (a) an integrated approach to increasing productivity in agriculture with a focus on linking smallholders to commercial farmers; (b) improving the overall business environment; and (c) expanding access to reliable power. In addition to accelerating growth in additional high-potential sectors, the strategy aims to create an environment conducive to developing backward and forward linkages between large investments in extractive industries and local companies to support diversification and ensure that the benefits of Mozambique's natural resource wealth are more broadly distributed.		
Objective 1: Improving Economic Management		
In the near term, Mozambique must manage a macroeconomic crisis brought about by the discovery of undisclosed debt. Until revenues from gas production are realized, the fiscal position will be under stress and a thorough reassessment and tighter management of government expenditures will be needed. Thereafter, realization of natural resource revenues will place significant strain on the government's capacity for macro-fiscal management. The SCD highlights the complex macroeconomic and fiscal policy challenges of effectively utilizing resource wealth. At the same time, as illustrated in the hidden debt crisis, Mozambique is exposed to fiscal risks related to its SOEs, increasing use of non-concessional financing, and more sophisticated financing instruments (for example, sovereign guarantees, international bond issuance, and PPPs). Ensuring that Mozambique is well poised to manage these complex challenges will involve adopting a sound fiscal framework to reestablish fiscal sustainability. The Government has improved its debt and fiscal risk management capacity over the past several years, but challenges remain. The World Bank and IMF are providing TA to the Government to improve its debt management capacity and support debt market development which are also supported through policy reforms. Finally, strengthening oversight over SOEs and public investment management should be prioritized to ensure that the country's investment portfolio generates social and economic returns that enhance social and economic well-being. The CPF program will use ASA and budget support financing to support the reforms needed to meet these challenges. Budget support will be backed up by TA and ASA.		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
1. Investment transparency improved, as measured through percentage of projects above US$50 million evaluated by the Projection Selection Committee Baseline 2015: 0% Target 2020: 75% 2. Strengthened fiscal risk management, as measured through annual Fiscal Risk Statement produced by Fiscal Risk Unit Baseline 2015: 0 Target 2020: 4 statements	Projection Selection Committee established, trained, and operational Baseline 2015: No Target 2016: Yes Fiscal Risk Unit established and operational Baseline 2015: No Target 2016: Yes	Ongoing • PFM PforR (124615) • MAGTAP (P129847) New • Financial Sector DPO III (FY18) • Fiscal Sustainability DPO series ASA • Debt Management, Fiscal Sustainability, Fiscal Risk Management, and Public Investment Management TA • Mozambique Economic Update

3. Mining and gas operations subject to fiscal controls in line with the established fiscal regime in Mozambique Baseline: 0 (2015) Target: 5 (2020)		• Public Expenditure Review • Country Economic Memorandum • Institutional capacity and environmental and social aspects of mining and gas in Mozambique TA • FIRST Trust Fund (TF) (FY15–FY16) ongoing: Crisis Simulation Exercise (CSE) and follow-up FIRST project for the CSE Action Plan Implementation • FIRST TF (FY15–FY16): ongoing Debt Market Development TA and FIRST Programmatic TF: Insurance, Pensions, and Capital Markets (FY16–FY19)
Objective 2: Increasing Agriculture Growth		
The agricultural sector (including livestock, fisheries, and forestry) engages three-quarters of the population and rural poverty is closely related to low agricultural productivity. Agriculture offers scope to narrow persistent income disparities between rural and urban areas and to reduce poverty in regions that benefitted little from the economic gains of recent years. The high potential areas for agriculture stretch across most of the northern and central regions, with good potential for high-performing crop combinations. Mozambique has gradually developed a substantial policy and strategic framework for increasing agriculture productivity but growth remains slow due to a number of constraining factors. The CPF program will contribute to unlocking the agriculture sector's potential by (a) increasing agriculture and forestry productivity by providing farmers, natural forest operators, and planation growers with access to productivity-enhancing inputs, technologies, rural credit, expanded irrigation, and access to markets and training; (b) promoting agribusiness development of large-, medium-, and small-scale commercial agriculture, agro-processing, and forestry value chains; (c) supporting better road infrastructure improving linkages between smallholders and agribusiness companies and general access to both national and regional markets for agriculture and forestry products; and (d) enhancing land tenure security. The interventions will also strengthen institutions to improve the delivery of services.		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
4. Increase in number of households marketing part of their production in Zambezia and Nampula Baseline 2014: 1,021,788 households Target 2020: 15,000 additional households Of which women: 9,000 households 5. Number of farmers reached through agribusiness and forestry investments Baseline 2014: 1,700 IFC: 1,300 World Bank: 400 Target 2020: 41,505 IFC: 23,505	Share of rural population having all season access - Rural Accessibility Index (RAI): Baseline 2014: 17 Target 2020: 22 Improved sector coordination through operational government expenditure and M&E systems tracking implementation of the agriculture investment program Baseline 2015: Not in place Target 2020: Systems aligned and program tracking in place	**Ongoing** • PROIRRI (P107598) • Agricultural Productivity Program for Southern Africa (APPSA) (P094183) • Emergency Recovery Project (P156559) • RBMMP2 (P083352) • Agriculture and Natural Resource Landscapes Management (P149620) • IFC Portucel Investment and Advisory projects • IFC Westfalia Mozambique Investment • IFC SEF Ausmoz Investment • IFC BGM (Bakhresa Grain Milling) 2 Investment

World Bank: 18,000 Of which, women, 9,000 6. Number of households covered by formalized land user rights Baseline 2012: 4.1% Target 2020: 8.2%		• IFC Merec Investment • MozBio Program Phase I (P131965) • SWIOFish1 (P132123) **New Lending** • Agriculture and Natural Resource Landscapes Management II • Integrated Feeder Roads Development Project • Smallholder Agriculture Productivity Improvement (PROIRRI II) **ASA** • Agriculture and Rural Development NLTA • Tracking Agriculture Program NLTA • Institutional Mapping ESW • Enhancing Agricultural Resilience and Natural Resource Management • Investment Models and Policies for Scaling-up the Inclusion of Smallholders in High-Value Agricultural Supply Chains • Land Use for Resilient Landscape (LAUREL) •
Objective 3: Improving the Business Environment for Job Creation		
Mozambique's private sector is diverse and remains largely underdeveloped. The pace and depth of reforms remains uneven and the business environment remains costly, time-consuming, and restrictive. Access to finance is a particular concern, with majority of MSME owners financially excluded. Ensuring continued financial system stability is vital for continuing to promote access to financial services as well as minimizing possible contingent fiscal liabilities stemming from potential vulnerabilities in the financial sector. The country's geographic position between Southeastern Africa and the large economies of South and Southeast Asia offers a great opportunity to develop logistical corridors and foster growth; however, high trade costs limit potential trade growth. To realize the national priority of promoting jobs and improving Mozambique's overall productivity and competitiveness, the Government is committed to strengthening private sector development as the main engine for propelling inclusive growth of incomes and employment in a sustainable way across a more diversified economic base. Success is predicated on accelerated improvement in investment climate and quality of business regulations, management and entrepreneurship capacity building, commercial connectivity of value-adding supply chains across most growth-promising sectors, and through agglomeration of economies generated through integrated interventions supported by increased trade openness and investor-friendly trade policies and administrative regimes which would facilitate transformation to a more adaptive, diversified, and resilient economy. The CPF will seek to contribute to strengthening the private sector through an integrated strategy which addresses the business environment, trade facilitation, access to infrastructure (energy and transport/logistics), and finance. In the financial sector, the program will support the adoption and implementation of reforms that can improve the enabling environment in this space. In addition, the APEI Regional DPO will support a multilateral approach of coordinated implementation of reforms.		
CPF Objective Indicator	**Supplementary Progress Indicators**	**WBG Program**

7. Number of MSME loans supported by private sector clients Baseline 2014: 1,206[22] Target 2020: 4,918 8. Volume of MSME loans supported by private sector clients Baseline 2014: US$169,900,000[23] Target 2020: US$371,700,000 9. Number of jobs supported by IFC clients Baseline 2014: 1350 Target 2020: 6000	Improving the business climate through effective regulatory reform (measured through the number of recommended laws/regulations/amendments/codes/administrative/ICT reforms enacted Baseline 2016: 0 Target 2020: 5 National jobs strategy including strengthened linkages from large projects (including mines and gas production) adopted by Government Baseline 2015: No Target 2020: Yes Participants in Fisheries Sector's Rotating Saving and Credit Scheme (PCR) cycles Baseline 2015: 0 Target 2020: 1,800	**Ongoing** • Integrated Growth Pole and Corridor project (with Catalytic Funds) (P127303) • MAGTAP TA (P129847) • IFC Investment: BCI Fomento II • Financial Sector DPO series (P151861) **New** • Accelerated Program of Economic Integration (APEI) DPO series • MAGTAP TA AF • T&C IFC Investment Climate Projects (Advisory) • IFC Pipeline (potential Investment and Advisory) in the financial sector **ASA** • Let's Work Program. • Mozambique Investment Climate Program (IFC) • Financial Inclusion Support Framework-TA (FY15–18) • Long-Term Finance TA (FY16–19) • Financial Crisis Simulation Exercise (CSE) (FY15–16) • Financial Stability Strengthening - FIRST TF (FY17–20) • Financial Safety Nets Policy Note to follow up on the CSE Action Plan
Objective 4: Expand Access and Improved Reliability of Electricity		
Increased economic diversification requires addressing weaknesses in the electricity sector which affect the overall development of both rural and urban households and firms. Only 25.5 percent of the population has access to the electric power grid, with much lower coverage in rural areas. The physical condition of the electricity system is poor, with frequent breakdowns, high rates of electricity losses, and little redundancy. The utility company is ill-prepared to respond to the country's ambitious goals for electricity development and needs to become more efficient. To improve its resilience and coverage and/or to be able to export more power, the transmission system needs to be extensively refurbished and expanded. The private sector could play a substantial role in developing the potentially large energy sector projects, and the proceeds from regional energy trade could be used to finance access and system expansion at the national level. The legal and enabling environments for attracting the private sector need to be strengthened so that Mozambique can attract additional private sector financing for the power sector. Through implementation of the World Bank Group Energy Joint Implementation Plan for		

[22] The baseline only includes data from one partner out of two, whereas the target includes data from the two partners.
[23] Idem.

Mozambique, the CPF will contribute to the provision of more reliable and efficient electricity supply, as well as to the development of additional generation capacity and developing opportunities for regional trade through the strengthening of transmission networks. IDA financing will focus primarily on grid rehabilitation and improvement of utility performance and on the expansion of the transmission system. IDA will, in parallel, support the development of an electrification strategy for the country, which would be supported in the earlier years of the CPF. IDA and IFC will work to improve the enabling environment to attract the necessary private sector financing to develop the sector. IFC investment and MIGA guarantees will support private sector-driven generation investment (grid and off-grid), contingent on implementation of legal and regulatory reforms to address issues that impede private investment in the sector. Developing institutional arrangements for improving performance of the utility and ensuring the sector is financially viable will be an important part of the program and may also be supported through DPOs.		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
10. Average interruption frequency per year (System Average Interruption Frequency Index) Baseline 2014: 52 interruptions per delivery point per year Target 2020: 30 interruptions per delivery point per year 11. Percentage of households with access to electricity Baseline 2014: 25.2% Target 2020: 33%	Capacity of generation available to Mozambique Baseline 2014: 679 MW Target 2020: 1,254 MW Rate of electricity losses Baseline 2014: 23.2% Target 2020: 18% Electricity of Mozambique (EDM) cash recovery index Baseline 2015: 69% Target 2020: 79%	**New** • Power Efficiency and Reliability Improvement Project (PERIP) • Energy Access Project • Regional Power Transmission Development • CTRG (# 33020 - IFC) • Gigawatt (# 35359 – IFC, MIGA) • Mocuba Solar (# 36787 - IFC) **ASA** • TA (SE4ALL TF) Development of National Electrification Plan • TA (SE4ALL TF) Development of Options for Regional Power Trade • IFC Advisory Services
Focus Area 2: Investing in Human Capital		
A more diversified, productive, and inclusive economy will require greater investment in human capital. Lack of skills resulting from a poorly performing education sector severely limits the potential for people to move into more productive and higher paying work. Poor health outcomes lead to shortened life spans and reduce physical productivity. Safe water and sanitation are among the critical determinants of human development, with impacts on health, education, wages, and poverty levels. Demographic transition is at a very early stage and Mozambique has a rapidly growing population of young people and high age-dependency ratios. Further, stunting rates are very high. This entails particular challenges to the delivery of quality social services and a strong focus on ECD, including early stimulation, nutrition, maternal and child health, and reproductive health. To realize its potential demographic dividend, Mozambique needs to continue to invest in its human capital, starting from a strong investment in the early years, ensuring a healthy and skilled workforce. Particular attention is needed for vulnerable groups such as women and children. The CPF strategy under this area aims to address the weaknesses in service delivery that lead to poor outcomes in education, health, water, and sanitation while at the same time building capacity for future enhanced investments in building human capital.		
Objective 5: Enhancing the Skills Base		
Access to preprimary education and early childhood stimulation is still very low. Despite substantial improvement in primary enrollment rates over the last decade, primary completion rates remain low. Children tend to drop out early, especially those from the most vulnerable areas, and learning achievements are considerably lower than in comparable countries. The quality of services provided is weak, due in part to substantial weaknesses in teachers'		

performance, including low competencies and high rates of absenteeism. There are also severe institutional constraints which hinder the capacity of the system to deliver results. The supply of post-basic education remains limited, especially in key areas such as science and technology. The low quality of most post-basic trainings, including their lack of relevance to the labor market, is a key constraint to improving students' employability and supporting economic growth. Increased education outcomes have the potential to play a critical role to ensuring inclusive growth. The Government has prioritized activities aimed at reducing disparities in access to basic education; improving learning outcomes; and strengthening the provision of relevant, quality training at post-basic level. The World Bank will continue to support the delivery of early childhood education, allowing children to be better prepared for primary education. At the basic education level, World Bank support will focus on key interventions to strengthen the ability of the system to deliver better results in terms of learning achievements. This will include the provision of additional and improved inputs targeting areas and individuals lagging behind and addressing key weaknesses in service delivery through strengthened governance and accountability at the school level. In addition, World Bank support will focus on increasing the number and raising the quality of graduates at post-basic level as well as strengthening the research capacities. Through these interventions, World Bank support is expected to contribute to improving the skills profile of the Mozambican population; providing better opportunities to acquire basic literacy and numeracy skills; and substantially increasing the supply of technical, market-relevant skills to enhance competitiveness and accelerate economic growth.		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
12. Primary Completion Rate Baseline 2015: 43.7% (MINEHD) For girls only: 41.3% Target 2020: 46% For girls only: 45% 13. Parity Index of the Retention Rate until Grade 3 between highest and lowest provinces Baseline 2014: 0.61 Target 2020: 0.64	Retention rate at Grade 3 Baseline 2015: 64% (MINEDH) For girls only: 62.8% Target 2020: 70% For girls only: 68% Number of additional qualified primary teachers Baseline 2014: 14,722 Target 2020: 40,700 Effective supervision framework established for complete primary schools, as measured through the percentage of schools visited by district officers and percentage of these schools revisited to monitor implementation of recommendations Baseline 2015: Supervision not effective Target 2020: 80% of complete primary schools (or approximately 3,520) visited and 60% of these schools (approximately 2,110) revisited Proportion of complete primary schools that comply with established standards for transparency and accountability with participation of parents and communities Baseline 2015: 0 Target 2020: 80% of complete primary schools	**Ongoing** • Higher Education Science and Technology. (P111592) • Education Sector Support Program (P125127) • PFM PforR (124615) **New** • Enhancing the Skills Base • Education Sector Support Project II **ASA** • Policy Notes in Education • Impact Evaluation on ECD and Nutrition • Service Delivery Indicators Survey • Enhancing the Skills Base

	New qualifications for technical education linked to higher education developed in collaboration with private sector Baseline 2014: 0 Target 2020: 20	
Objective 6: Improving Health Service Delivery		
Despite improvements in health services coverage in the last decade, disparities across regions and between rural-urban areas remain significantly high and women and children are disproportionately at risk. A number of health indicators still lag behind neighboring countries in the Sub-Saharan Africa region. For example, Mozambique ranks 11 of 15 countries in the SADC in infant and child mortality. The rate of stunting at 43 percent is among the highest in the Sub-Saharan Africa region. The GoM embraced the UHC approach to progressively expand priority health and nutrition programs to vulnerable populations while ensuring sustainable financial coverage and protection, a process embodied in its ten-year Health Sector Strategic Plan (PESS) which aims to strengthen the health system to improve service delivery and the quality of care by addressing human resources for health, decentralization, governance of the sector, health technology, supply chain of medicines and other health goods while focusing particular attention on women and children. The CPF program will have a strong focus on investing in the early years and will seek to contribute to improving service delivery in the areas of reproductive, maternal, newborn, and child health while strengthening the health systems performance in particular supply chains with the overall aim of contributing to ensuring UHC in Mozambique.		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
14. Coverage of institutional deliveries Baseline 2015: 70.3% Target 2020: 78% 15. Modern contraceptive prevalence rate Baseline 2015: 25.3% Target 2020: 35% 16. Rate of stunting among children under five years Baseline 2015: 43% Target 2020: 35%	Average availability of a tracer set of essential maternal and reproductive health medicines at health facility level Baseline 2015: 47% Target 2020: 80% Percentage of new users of modern contraception methods Baseline 2015: 27% Target 2020: 32% Percentage of adolescents who became mothers or pregnant for first time Baseline 2015: 46.4% Target 2020: 37% TB treatment success rate in targeted geographic areas Baseline 2015: 87% Target 2020: 89%	**Ongoing** • Health Service Delivery Project (P099930) • PFM PforR (P124615) • Regional TB in Mines project (P155658) **New** • Primary Healthcare Strengthening PforR **ASA** • Service Delivery Indicators Update • Value for Money in Health • Investing in the Early Years • Impact Evaluation on ECD and Nutrition
Objective 7: Improving Access to Water and Sanitation		

There is compelling empirical evidence that safe water and sanitation are among the critical determinants of human development, with impacts on health, education, wages, and poverty levels. Half of the Mozambican population has no access to improved water supply, and the majority of people (79%) still rely on unimproved sanitation or practice open defecation (39%), resulting in diarrheal diseases, cholera epidemics, and high rates of stunting. Reducing the disease burden on the economic and social development of Mozambique requires integrated water and sanitation improvements to reduce the transmission of waterborne diseases. The CPF program features an integrated program of institutional strengthening and infrastructure development for water resources monitoring and allocation and urban water supply and sanitation. Ongoing and planned investment finance will expand the supply of water to the Greater Maputo area as well as a set of secondary and tertiary cities along strategic economic growth corridors that have experienced rapid growth due to investment in natural-resource exploitation and agricultural production. By focusing on low-income peri-urban areas and subsidizing connections to the water system for low-income households, the program targets poorer and more vulnerable populations. The program will also support the implementation of a strengthened management framework in the sector to improve the performance of the utilities.		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
17. Percentage of urban population with access to improved water supply services Baseline 2015: 81% Target 2020: 85% 18. Percentage of urban population with improved access to sanitation services Baseline 2015: 42% Target 2020: 50%	Per capita water production in major cities (treated water) Baseline 2015: 10.4 liters/day Target 2020: 12 liters/day Number of major cities with functioning sewage/septage treatment facilities Baseline 2015: 1 Target 2020: 3 Number of small towns with functioning water system Baseline 2015: 17/135 Target 2020: 50/135 Number of small towns with functioning sanitation services Baseline 2015: 0/135 Target 2020: 17/135	**Ongoing** • Water Services and Institutional Support (P149377) • Water Resources Dev I SIL (P107350) • Greater Maputo Water Supply Expansion (P125120) **New** • Water Services and Institutional Support II • Secondary Cities Sanitation and Drainage **ASA** • Mozambique Basic Sanitation and Water Service Mechanisms and Monitoring • Equity Analysis of Piped Water Delivery in Mozambique • Poverty Diagnostic for Water Supply, Sanitation, and Hygiene (WASH)
Focus Area 3: Enhancing Sustainability and Resilience		
A broad range of risks may affect inclusive growth and poverty reduction in Mozambique over the short, medium, and long term. Regarding climate change, mitigating the impact and enhancing resilience, especially in agriculture, fishery, and forestry, will also be an important priority. Furthermore, the CPF program will contribute to promote inclusive urbanization, decentralization, and enhance accountability of local governments.		
Objective 8: Increased Accountability and Transparency of Government Institutions		
The recent debt crisis and deteriorating governance indicators have highlighted the ongoing need to further strengthen mechanisms of accountability and transparency. The CPF program will build on and continue ongoing work in PFM and accountability. The ongoing P FM for Results PforR operation (with an AF) will support results-based implementation of PFM reforms at the level of ministries, provinces, and districts and strengthen the accountability institutions. In addition, despite improvements, Mozambique still lacks some of the basic data and statistics required to inform economic policy, monitor		

progress, and adapt strategies as needed. To address issues related to data and statistics, the CPF will support the 2017 census, a comprehensive program of household surveys, a geo-referenced administrative data system, and TA on data collection and analysis. The CPF will also support greater accountability by fostering the use of citizen participation and social accountability mechanisms in sectors and strengthening the transparency on use of public and development aid resources through open government initiatives.		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
19. Enhanced accountability for results in sector ministries and provinces through adoption of results agreements between the MoF and line ministries/provincial directorates Baseline 2015: Agreements in place with 2 ministries Target 2020: Agreements sustained and extended to 2 more ministries and selected provincial directorates. 20. Mozambican score on the Statistical Capacity Indicator for source data has increased Baseline 2015: 60 Target 2020: 75	Tribunal Administrativo conducting an audit of performance against established indicators Baseline 2015: Commenced with 2 ministries Target 2020: Sustained and extended to 2 more ministries and selected provincial directorates National accounts rebased Baseline 2015: Base year 2007 Target 2018: Base year 2015 Census 2017 successfully completed Baseline: Census pending Target 2018: Results of the Census 2017 fully digitized and publically available Improved access to information through effective implementation of the RTI legislation *Indicators* Percentage of access to information requests granted Baseline 2015: Nil; Target 2010: 30% Dashboards with data and performance information Baseline 2015: Nil; Target 2020: 2	**Ongoing** • PFM PforR (P124615) • **New** • Fiscal Sustainability and Resilience DPO series • Mozambique Statistical Capacity Building **ASA** • Political Economy Assessment • Media and Service Delivery • Right to Information • Support to Decentralization • TA Support to the Tribunal Administrativo • Mozambique Poverty Assessment • MOPA - Digital Platforms for Public Services • Extractives Revenue Sharing
Objective 9: Extending Coverage of Social Protection and Labor Programs		
Despite rapid economic growth in the past two decades, over half of Mozambique's population today is still poor and highly vulnerable. Although poverty is predominantly rural, an additional 3.2 million poor people live in urban areas with an accelerated urbanization process. Moreover, a large share of the population is close to the poverty line, making these groups vulnerable to small variations in income and transient poverty. Overall, the coverage of social protection programs in Mozambique is low, with an estimated 14 percent of poor benefiting from safety nets interventions. The CPF will contribute to the expansion of safety nets to significantly reduce poverty over a relatively short period. To achieve a sustainable reduction in poverty, productive inclusion activities (activation programs, skills transfers, savings, financial literacy, micro-credits, and so on) and human development interventions (nutrition) will complement cash transfer schemes under the productive safety nets. Due to the specific challenges in urban settings, the rapid urbanization process and the potential impact of a possible fuel subsidy reform, the World Bank will support the design and implementation of specific safety nets and productive inclusion interventions in urban settings. A major focus will be to strengthen administrative and payment systems allowing automated, predictable, transparent, and effective delivery of cash transfers.		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**

21. Percentage of poor households covered by safety nets programs (including productive inclusion interventions) Baseline 2015: 14% Target 2020: 26%, and at least 55% of beneficiaries are women	Management information system and formal payment system rolled out Baseline 2015: No Target 2018: Yes Strategic approach for activation/productive inclusion developed Baseline 2015: No Target 2018: Yes	**Ongoing** • Social Protection Project (P129524) • Rapid Social Response (RSR) - Project (implementation of gender sensitive public works) (P149536) • Social Protection AF (CRW) (P161351) **New** • Strengthening Safety Nets **ASA** • Urban Safety Nets and Activation Programs • Youth Employment • TA for fuel subsidy reform • TA: Financial Inclusion Support Framework-FISF (FY15-FY18)
Objective 10: Promoting Inclusive Urbanization and Decentralization		
Public spending in Mozambique is marked by significant regional disparities, with the poorest and most populous provinces typically receiving the lowest per capita expenditures. This is related to Mozambique's decentralization process to date, which remains incomplete and has suffered reversals. At the same time, the urban population has been growing at a faster rate than the rest of the country. Although poverty has declined faster in urban areas, urbanization has not yet yielded its full potential. For the country's level of urbanization, Mozambique should have a higher GDP per capita and lower poverty. In parallel, there is a growing need to decentralize economic investment decisions to ensure improvements in governance, notably as Mozambique prepares for planned extractive investments. The CPF program will contribute to promote inclusive urbanization and decentralization and enhance accountably of local governments through policy reforms, institution development, and pro-poor investments. Special attention will be given to reinforcement of both rural and urban local governments and strengthening participation.		

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
22. Accumulated increase in municipal and district own revenue Baseline 2015: 0% Target 2020: 60% 23. Accumulated increase in decentralized sector expenditures in provision of basic services Baseline 2015: 0% Target 2020: 60% 24. Government use of formula-based distribution for allocation of its health sector investment resources among provinces Baseline 2015: 0 Target 2020: 50%	Number of municipalities with land and property tax cadaster covering at least 50% of land/properties Baseline 2015: 1 Target 2020: 20 Number of municipalities with urban plans formulated and monitored through participatory mechanisms Baseline 2015: 0 Target 2020: 20 Number of districts with ratio of district expenditure to provincial expenditure in provision of basic services increased with 25% Baseline 2015: 0 Target 2020: 75 Availability of information on resources received by service delivery units (PEFA Indicator 23) Baseline 2015: D (PEFA 2015) Target 2020: B	**Ongoing** • Cities and Climate Change (P123201) • Maputo Municipal Development Program II (P115217) • PFM PforR (P124615) • **New** • National Urban Development PforR • Municipal and District Government PforR **ASA** • Urbanization Review • Greater Maputo Urban Poverty Reduction and Inclusive Growth • Intergovernmental Finances
Objective 11: Improving Management of Climate Risk and Natural Resources		
Mozambique's economy is highly vulnerable to climate-related shocks. The sensitivity of the Mozambique economy to these shocks is reflected in significant fiscal and economic impacts of the recurrent droughts and floods. The WBG contribution to this area aims at increasing resilience to high levels of short-term weather variability and longer-term climate change and by strengthening planning and disaster-risk management capacity. The WBG support will focus on building the national capacity for climate change adaptation and resilience, through institutional and policy development to address climate change and disaster risk reduction, enhancing adoption of climate-smart resources management practices, and integrating climate risk assessments into planning and infrastructure development. Mozambique is well endowed with renewable natural resources, particularly forests and fisheries, which can generate a steady flow of benefits to poor rural communities if well managed. These benefits include rural income, improved nutrition, more resilient ecosystems, and hence decreased natural catastrophes and more productive agriculture. Renewable natural resources tend to be closest to the poorest population, particularly those in remote areas; hence, their sustainable management directly contributes not only to reduce poverty but also to shared prosperity. In forestry, the CPF program will promote reduction of forest cover loss through traditional grant financing and innovative performance-based payments (emissions reductions payments). In wildlife conservation, the program will promote sustainable use of protected areas to generate income streams through nature-based tourism, conservation agriculture, and non-timber forest products value chains, among others. In fisheries, the program promotes food security and nutrition, job creation for rural coastal populations, and increased income to fishing communities		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
25. Early Warning Systems operational for the Limpopo and Zambezi River Basin Baseline 2014: No	National Disaster Fund established and operational Baseline: No (2014) Target: Yes (2020)	**Ongoing** • Emergency Recovery Project (P156559) • Water Resources Dev I SIL (P107350)

Target 2020: Yes 26. Average increase in economic benefits of communities targeted by natural resources management interventions (forestry, fisheries, conservation in MozBio intervention areas) Baseline 2015: 0% Target 2020: 20%	Number of sector plans integrating climate adaptation and resilience Baseline 2015: 0 Target 2020: 6 Integrated Flood Management Decision Support System operating Limpopo and Zambezi River basins Baseline: No (2014) Target: Yes (2020) Number of households engaged in conservation agriculture in all ten provinces (as measured through quarterly reporting to Ministry of Agriculture from agricultural extension workers) Baseline (2012): 15,000 Target 2017: 32,000 Percentage of classified road projects screened for climate risk Baseline 2015: 0% Target 2020: 80% Areas brought under enhanced biodiversity protection Baseline 2014: 0 Target 2020: 1 million hectares Number of national priority fishery management plans (FMPs) with measures to control fishing activity implemented Baseline 2014: 0 Target 2020: 2	• Strengthening Hydro-Met Services Project (P131049) • RBMMP2 (P083352) • MozBio Program Phase I (P131965) • Mozambique Forest Investment Project (P160033) **New** • Agriculture and Natural Resource Landscape Management II • Integrated Feeder Road Project • MozBio Program - Phase 2 • Fiscal Sustainability and Resilience DPO series • Mozambique Dedicated Grant Mechanism for Local Communities **ASA** • Strengthening DRM Framework • Safe Schools Program • Climate Change Technical Assistance Project • Africa Disaster Risk Financing Initiative (GFDRR) • IFC Advisory Services (Finance and Markets Global Practice): Sub-Saharan Africa Index Insurance • Land Use for Resilient Landscapes

ANNEX 2: COMPLETION AND LEARNING REVIEW (CLR)

COUNTRY: The Republic of Mozambique
COVERAGE: Country Partnership Strategy (CPS) FY12–FY15
DATE OF PROGRESS REPORT: None

I. Introduction

1. Since the end of the civil war in 1992, GDP growth in Mozambique has been strong, averaging 8.3 percent per year between 1992 and 2014 with a tripling of per capita income over the period. Sound macroeconomic management, a number of large-scale foreign-investment projects, political stability and significant donor support have facilitated this robust growth. Large decreases in poverty accompanied strong growth until the early 2000s, but less so subsequently: the national poverty headcount fell by 14 percentage points between 1997 and 2003 to 56 percent, but only by a further 4 percentage points between 2003 and 2009, to 52 percent.

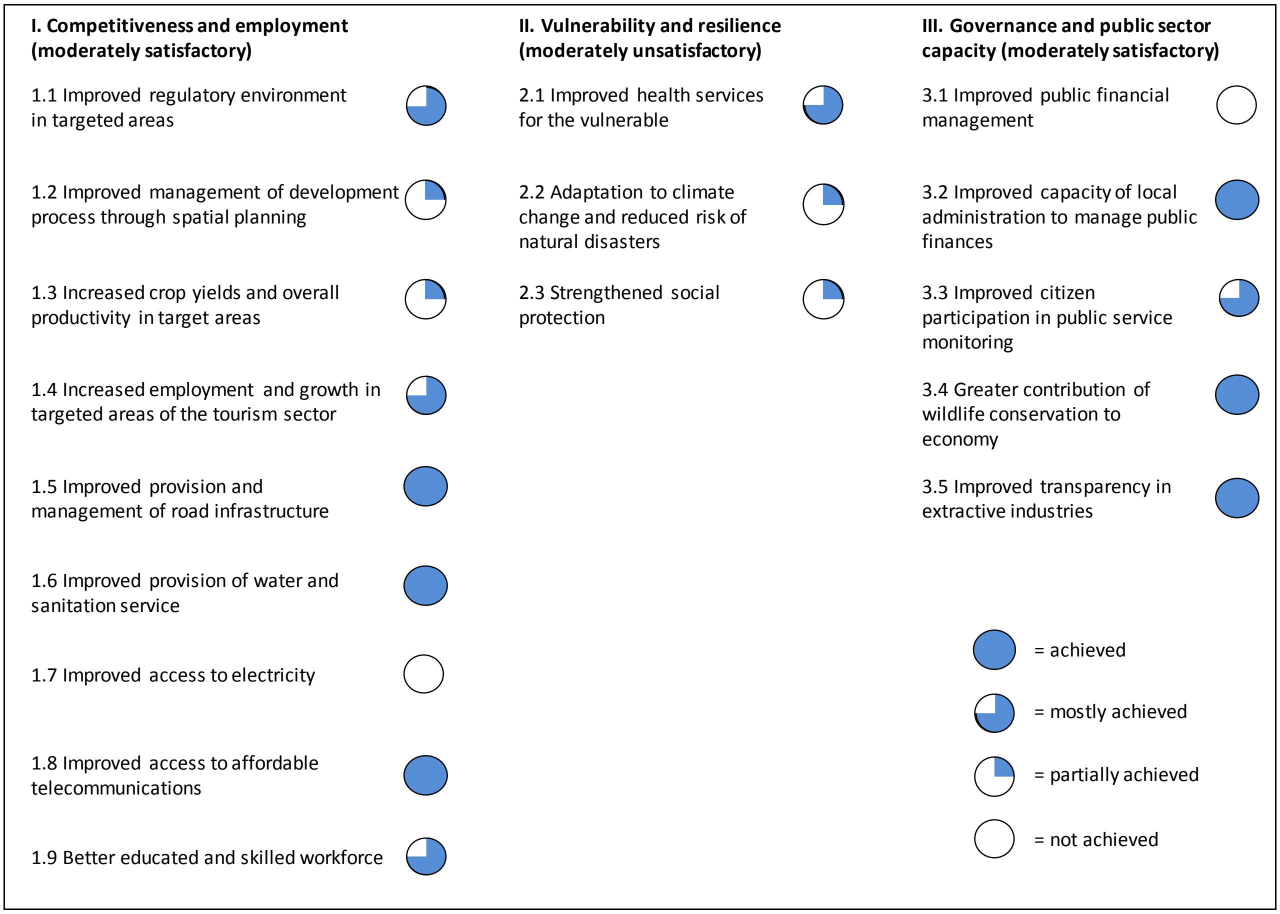
2. In May 2011 the Government published the Third Poverty Reduction Strategy Paper (PRSP), covering the period 2011–2014. The PRSP operationalized the Government's Five Year Program for combating poverty and promoting a culture of work, with a view to achieving inclusive economic growth and reducing poverty and vulnerability. The Bank's Country Partnership Strategy in Mozambique, published in February 2012 and covering the period FY12–FY15, was therefore well-timed to support the Government's PRSP.

3. This Completion Report reviews the World Bank Group's program in Mozambique during FY12–FY15 (see Table 1 for Summary of CPS Program Self-Evaluation). The Report covers both program implementation and Bank performance. It has drawn on discussions with Bank Group staff members involved in the delivery of projects and investments, AAA and advisory work; a range of World Bank documents as well as other reports and discussions with Government counterparts.

4. The FY12–FY15 CPS comprised a planned program of US$1.04 billion which, by the end of the period, had resulted in actual commitments of US$1.58 billion (see Table 2). The program was divided into three pillars. The first of these, 'competitiveness and employment', was moderately satisfactory. Three outcomes were fully achieved namely 'improved provision and management of road infrastructure'; "improved provision of water and sanitation service" and 'improved access to affordable telecommunications'. Three outcomes were mostly achieved namely: 'improved regulatory environment in targeted areas', 'increased employment and growth in targeted areas of the tourism sector', and 'better educated and skilled workforce'. Two outcomes were partially achieved, namely: 'improved management of development process through spatial planning' and 'increased crop yields and overall productivity in target areas'. One outcome was not achieved, namely "improved access to electricity". The second pillar, 'vulnerability and resilience', was moderately unsatisfactory: while the health outcome, 'improved health services for the vulnerable', was mostly achieved, two other outcomes were only partially achieved: 'adaptation to climate change and reduced risk of natural disasters' and 'strengthened social protection' were only partially achieved. The third pillar, 'governance and public sector capacity', was moderately satisfactory. Three outcomes were achieved: 'improved capacity of local administration to manage public finances', 'greater contribution of wildlife conservation to

economy' and 'improved transparency in extractive industries'. One outcome was mostly achieved, namely 'improved citizen participation in public service monitoring'. One outcome was not achieved: 'improved public financial management'.

Box 1: Summary of Program Implementation



5. Overall a majority of CPS outcomes, 11 out of 17, were either achieved or mostly achieved (as shown in Box 1). Hence the overall rating for the FY12–FY15 Mozambique CPS Program is moderately satisfactory. Regarding World Bank Group performance, the design and implementation of the Program clearly contributed to the pursuit and achievement of CPS outcomes. There were a number of shortfalls, however, including some that repeated issues highlighted in the previous CPSCR. Overall the rating for Bank performance is fair.

6. The Review includes a discussion of the Bank's program of ASA (Table 3). It discusses the alignment of the CPS with the Bank's twin corporate goals of increasing shared prosperity and reducing extreme poverty. It also points to a number of ways in which the Bank could have greater impact going forward. These include: (i) more strategic management of the portfolio; ii) seizing opportunities to connect, integrate and scale up aspects of the Bank's portfolio; and iii) ensuring that the next Country Partnership Framework is rooted in a solid understanding of the political economy and institutional context and that projects are similarly grounded.

II. REVIEW OF MOZAMBIQUE'S PROGRESS TOWARDS COUNTRY LEVEL GOALS

7. During 2011–2014, the period of the current PRSP, annual GDP growth averaged 7.3 percent (per capita growth 4.7 percent), only slightly lower than the country's long term average. No further measure of poverty is available since 2009. The PRSP aimed to support economic and social development by: (i) increasing production and productivity for the agricultural and fisheries sectors; (ii) promoting employment; and (iii) fostering human and social development. These strategic pillars are underpinned by two supporting pillars: preserving macroeconomic stability and fostering good governance. A PRSP Progress Report was completed in April 2014 that provided an assessment of progress during 2011–2013. The following assessment draws on that Progress Report as well as other more recent reporting where available.

Increasing production and productivity for the agricultural and fisheries sector

8. Agriculture is the first pillar under the country's PRSP. Within the agricultural sector, crop production predominates, with a 78 percent share of total agricultural GDP, while the respective shares of livestock, forestry and fisheries are 7.1 percent, 9.1 percent, and 5.6 percent. Agricultural GDP growth has averaged about 7 percent per year since 2003 and, despite low productivity levels, has been an important contributor to overall economic growth. It contributes 25 percent of GDP (2001–2009) and employs just under 80 percent of the workforce.

9. PRSP priorities were to: (1) improve and increase access to factors of production; (2) facilitate market access; and (3) improve the sustainable management of natural resources. Attainment of the objective was measured by seventeen indicators. By May 2014 just under 94 percent of indicators had either been attained or showed progress. Key achievements included: increased vaccinations against diseases among animals, particularly bovine livestock; improved producer support; rehabilitation of irrigation systems covering extensive areas; the demarcation and certification of community land plots; and an increase in the number of environmental educators with management training.

Promotion of employment

10. The second strategic PRSP pillar was the promotion of employment and comprised three priorities: encouraging the creation of employment; improving people's employability; and facilitating linkages between employment supply and demand. Only 56 percent of nine indicators monitored had attained the planned targets or made significant progress by May 2014, while 44 percent of the indicators had underperformed to a significant degree. Key achievements under this pillar included measures to improve the business environment: a tripling of the number of firms licensed under the country's new, simplified license regime from under 5000 in 2011 to about 15,400 in 2013; and an improvement in the country's ranking in the 2015 Doing Business Survey to 127 (up from 145 in 2014) reflecting a streamlining of land registration procedures (further discussed below under Section 3) and simplification of insolvency procedures. Measures to improve employability included: an increase in the number of professional training centres from four to nine between 2011 and 2013; and an increase in the number of people receiving training from about 91,400 in 2011 to 113,300 in 2013.

Human and social development

11. The PRSP's third pillar had three main priority areas: (1) the availability and quality of social services; (2) basic social security; and (3) social infrastructures. The pillar included eight indicators of which all had either been achieved or were showing good progress by May 2014. Key achievements between 2011 and 2013 included an increase in the share of institutionally attended childbirths from 62.8 percent to 66 percent (already meeting the PSRP target); an increase in the share of fully vaccinated children under 1 year old from 73.2 percent to 78 percent; an increase in the number of new graduates in specified health streams from 1650 to 2129; an increase in the primary school enrolment rate from 70 percent to 79.4 percent (already meeting the PSRP target); an increase in family beneficiaries of social action programs from 267,000 in 2011 to 360,000 in 2013 (well on track to meet the 2014 target); and an increase in the number of dispersed water sources from 17,000 to 23,000 (again, exceeding the target for 2014).

Macroeconomic objectives

12. The PRSP included 23 indicators under the macroeconomic measures pillar grouped under six objectives: (1) consolidating macroeconomic stability; (2) increasing revenue collection in a sustainable and fair manner; (3) earmarking public resources to priority areas for poverty reduction; (4) promoting investment financing in a sustainable manner; (5) promoting greater comprehensiveness, transparency, effectiveness and efficiency in the management of public funds; and (6) improving the management of natural resources so as to enhance their contribution to the national economy and to local communities.

13. In June 2013 the Government agreed a three-year Policy Support Instrument (PSI) with the IMF. The PSI helps countries design effective economic programs that, once approved by the IMF's Executive Board, signal to donors, multilateral development banks, and markets the Fund's endorsement of a member's policies. By May 2014, 87 percent of the PSRP's macroeconomic indicators had been fully or mostly achieved. Notable achievements during the period included: an increase in the volume of productive lending to the economy from about 28.2 percent of GDP in 2011 to 31 percent in 2013; and an increase in the number of bank branches from 58 to 63 between 2011 and 2013. The fourth and final review of the PSI, in July 2015, concluded that 'Mozambique's economic performance remained robust and stronger than most other Sub-Saharan African countries'.

Governance

14. There were 31 indicators under the second supporting pillar of PSRP, good governance, covering ten pillars clustered into four priorities: (1) improving the accessibility and quality of public services delivered to citizens throughout the country; (2) combating corruption in public institutions; (3) pursuing decentralization and local governance; and (4) consolidating the democratic rule of law. Of these 69 percent had either been achieved or were showing good progress by May 2014. Notable achievements included: starting effective implementation of an anti-corruption legislative package; preparation of a resolution approving adoption of the Optional Protocol to the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment, and a Decree Law governing insolvency and recovery of commercial enterprises; increased and increasingly effective access to justice through cost-free assistance to economically deprived citizens; and a gradual but significant reduction in waiting time for accessing public services.

III. HIGHLIGHTS OF PROGRAM PERFORMANCE

15. **During FY12–FY15, total disbursements by IDA amounted to US$1.52 billion over 23 projects.** During this period, net commitments grew from just over US$1 billion at the end of FY11 to US$1.7 billion currently. FY16 disbursements amounted to US$270 million.

16. IFC contributed to the CPS outcomes by supporting private sector development through its investment and advisory projects. IFC's average annual investments in Mozambique roughly doubled during the past four years, with an average of US$40 million committed in three investments per year. IFC's committed investment portfolio in Mozambique grew from US$100 million at the beginning of FY12 to US$173 million with ten active clients at the end of FY15, of which about two thirds are disbursed. During the CPS period IFC invested US$132 million in nine projects spanning mining, agribusiness, and manufacturing sectors, it also supported BancABC Mozambique with a trade finance line (Table 4).

17. **The majority of outcomes under the first pillar of the FY12–FY15 CPS Program, Competitiveness and Employment, were either achieved or mostly achieved**. Consequently, the rating for the first pillar is moderately satisfactory. Under the second pillar, Vulnerability and Resilience, a majority of outcomes were mostly or partially achieved and the pillar rating is thus moderately unsatisfactory. Under the third pillar, Governance and Public Sector Capacity, a majority of outcomes were achieved. Overall this pillar is therefore rated as satisfactory. Details of the evaluation are contained in the results matrix and highlights are summarized below.

Pillar 1: Competitiveness and employment - moderately satisfactory

18. **Overall the results achieved under this pillar were moderately satisfactory**. There were nine targeted outcomes. Three outcomes were achieved: improved provision of water and sanitation service; improved provision and management of road infrastructure; and improved access to affordable telecommunications. Three outcomes were mostly achieved: an improved regulatory environment in targeted areas; increased employment and growth in targeted areas of the tourism sector; and a better educated and skilled workforce. Two outcomes were partially achieved: improved management of the development process through spatial planning; and increased crop yields and overall productivity in targeted areas. One outcome was not achieved: improved access to electricity.

CPS outcome 1.1: Improved regulatory environment in targeted areas - mostly achieved

19. This objective was mostly achieved as a result of substantial reductions in the number of days required to obtain commercial and industrial licenses as well as partial achievement of the target to reduce days required to export and import.

20. There were two notable areas of progress that were supported by the World Bank Group. First, as mentioned above, property registration procedures have been streamlined both within the land registry and at municipal levels. This built on improvements in previous years in simplifying procedures for obtaining construction licenses and trading across borders towards which the project also contributed and was duly recognized in Mozambique's movement up the Doing Business 2015 rankings by 15 places. This initiative was complemented by IFC's investment in construction materials sector, notably the establishment of a greenfield plant to manufacture

roofing sheets. Second, despite early delays, the Nampula Center has trained approximately 600 people, of which nearly 400 are from the private sector; in Inhambane the number of link-ups between SMEs and tourism organizations reached 75 (against a target of 50); and the number of trainees using their skills in tourism related work reached almost 1,000 trainees, of which nearly 600 are in the private sector.

21. Broader support for SMEs was facilitated through IFC's engagement with Bank ABC Mozambique which helped the institution develop new financial products, align its policies and processes, and strengthen staff capacity to expand its SME lending. The Bank's SME portfolio stood at US$19 million from a baseline of US$3 million with about 256 loans outstanding from a baseline of 13. Over 3,000 SME deposits for a total of US$33 million were opened during the project period. In addition, Mozambique was part of IFC's regional Business Edge and SME Toolkit Programs which aimed to leverage IFC's client so as to sustain robust SME growth. For these two programs, Mozambique has been one of the best regional performers, underscoring strong SME support.

CPS outcome 1.2: Improved management of the development process through spatial planning - partially achieved

22. This outcome was partially achieved. There are six spatial development initiatives or corridors under development. Delays in the Spatial Development Planning TA Project meant that only one SDI had been completed and approved by June 2015: Maputo. Delays in the project reflected: a) an extremely tight preparation time scale resulting in a number of design weaknesses; b) delays in the establishment of a project implementation unit.

23. Although there was only limited progress towards achievement of the results matrix indicators, however, there were other Bank-supported achievements that contributed to the outcome. In addition to Maputo, for example, draft final reports for the Zambezia, Nacala and Beira corridors had also been completed and shared with relevant ministries. Sector scans for Lubombo, Lichinga-Pemba and North-South Corridors are still ongoing, but on track to reach their end of project targets. Within the Maputo, Zambezia and Nacala corridors 43 anchor projects per corridor have been identified. In addition, a total of 53 initiatives for SMEs in the corridors of Beira and Maputo have been identified.

24. Achievements during FY12–FY15 also include: a) development of a national spatial planning platform that provides inter-agency and cross-sectoral coverage; v) capacity building in the form of training across national agencies as across national agencies such as the members of the Coordination Commission for Studies and Projects (COCEP) and the Ministry of Transport in spatial planning and related tools; c) analytical work including, in addition to the SDIs: Social and Environmental Sector Assessments (SESAs); a study on the Management of Commercial Cargo; elaboration of a Master Plan on Maritime Sabotage.

CPS Outcome 1.3: Increased crop yields and overall productivity in targeted areas - partially achieved

25. This objective was partially achieved as targets for increased production of key vegetables and access to grant financing were partially met, with the shortfall attributable largely to delays in

implementation of the Sustainable Irrigation Development Project PROIRRI. The original quantitative targets for 2015 assumed no slippage.

26. Overall the Bank's combination of DPOs, investment projects and research has an effective package of instruments for addressing constraints in the agriculture sector. In 2010 the country faced a problem of low agricultural productivity which was a function of weak policy and poor technology (seeds and irrigation). The DPO helped develop a National Irrigation Plan as part of the policy input. It also addressed land policy issues. The Bank's Sustainable Irrigation Development project has addressed issues related to inputs and irrigation. Unfortunately delays in contracting key service providers in the Bank's Sustainable Irrigation Development project mean that results by December 2014 were less than would have been the case if the project had started on time.

27. IFC contributed to strengthening the agriculture and agribusiness sectors through a number of its operations. IFC's investment and advisory support to Portucel, a leading pulp and paper producer, to establish eucalyptus plantations in Zambezia and Manica provinces, is intended to set a US$3 billion investment program on a sustainable course. The investment is aiming to reach 130,000 rural poor and improve food security for 24,000 households, while developing 270,000 ha of sustainable eucalyptus plantations and sequestering 7.5 million tons of CO_2 per year. Working in partnership with the World Bank, IFC is supporting the company in engaging with the surrounding communities to improve smallholder livelihoods and put into place appropriate land access procedures. IFC has also financed (i) a leading milling (wheat and maize) and related goods manufacturer and consumer distribution group in Mozambique to expand its production capacities, including in the northern regions of the country; and (ii) the establishment of an avocado farm and packhouse, which also handles the fruit from smallholders and emergent farmers in the surrounding areas, enabling their access to markets.

28. On the advisory side, IFC's work with a leading reinsurance intermediary helped develop and implement an index-based weather and catastrophe program for flood and drought. Under the auspices of the project, index-based weather insurance which covered the cost of inputs for cotton and maize was provided to 43,500 smallholders in 2013, the program resumed in July 2016.

29. IFC also contributed to the CPS objective of supporting potential growth sectors by making two investments in manufacturing. One of these, with Midal Cables, builds on the existing raw material base (aliminium) to establish a greenfield plant to manufacture conductors which are key to the electricity transmission and distribution sectors. Another investment, in the construction materials sector, entailed the establishment of a greenfield plant to manufacture roofing sheets. Both projects strengthen the local manufacturing base and promote local value addition as well as facilitate diversification of the economy.

CPS outcome 1.4: Increased employment and growth in targeted areas of the tourism sector - mostly achieved

30. This objective was mostly achieved as a result of an increase in employment in targeted areas that exceeded the (revised) target and an increase in bed nights that mostly achieved the (revised) target.

31. Despite the post-war context, the poor condition of Protected Areas (PAs) and the limited initial basis for business development, World Bank Group support helped put in place much needed infrastructure and equipment in the targeted PAs, established management processes at both national and PA levels and promoted innovative partnerships with private sector, other development agencies, NGOs and communities, hence significantly contributing to the conservation and tourism agendas in Mozambique.

32. For example, a total of 10,811 bed-nights in 2013 was achieved, representing a growth of 32 percent compared to 2008; and over 2,000 people were employed through activities financed by the Community Equity Facility (CEF), including community lodges (this figure does not include tourism-related employment by private sector/community business due to the lack of available data).

CPS Outcome 1.5: Improved provision and management of road infrastructure - achieved

33. This objective was achieved. The first two CPS targets of improved access to all-season roads for the rural population as well as residents of Maputo were met. In addition, the Bank supported the Government’s Integrated Road Sector Program (PRISE 2011–15), which focused on maintaining and improving the core road network. This Program has been repeatedly disrupted by severe weather events, which have necessitated downward adjustments in the third CPS target of improved road conditions. Nevertheless, these adjusted targets have been achieved. In 2014, for example, the target of improved road conditions, to be achieved through Phase 2 of the Roads and Bridges Maintenance Management Project (RBMMP2), had to be revised down to 73 percent by 2015 (from 77 percent). This was because of damage caused by a series of cyclones in 2012 and flooding of the Limpopo basin in 2013. By the end of 2014, 74 percent of the classified road network had already been restored to good or fair condition thus exceeding the revised target. Unfortunately, in early 2015 further flooding again reduced the share of roads in good or fair condition to 65 percent and in March 2015 a new target was set to restore 71 percent of the network to good or fair condition by 2017. Progress is underway toward meeting this new target but further information will not be available till December 2015.

34. The Bank Group also supported the Government to address the increased risk of climate change to the road infrastructure in Mozambique. A new Government Decree was issued in December 2014 which requires all road investments in the country to be screened for the climate change risks and to undertake adaptive measures. As a result, a revision of national road design standards and specifications has been initiated, which will help build more climate resilient roads in the future.

CPS outcome 1.6: Improved provision of water and sanitation service - achieved

35. This objective was achieved. In particular, the number of people in urban areas provided with access to improved water sources, 795,508, far outstripped the targeted number of 292,118 people. The target for the number of people in urban areas provided with access to regular solid waste collection was also met.

36. Outcomes of Bank Group support during this period included: (i) increasing water service coverage in: Beira, Dondo, Nampula, Quelimane, Ilha de Mocambique, Mocimboa da Praia,

Pemba, Tete, Chimoio, Gondola, Angoche, Moatize, and Nacala under a delegated management framework; and (ii) establishing an institutional and regulatory framework for water supply in smaller cities and towns of the Recipient's territory. By March 2015 138,589 new water connections had been installed. New water supply systems constructed in Ilha da Mozambique and Mocimboa da Praia are now operational. The Bank also supported the Office of Infrastructure for Water and Sanitation which implemented a model developed and tested with Bank support to expand delegated operations in small towns through signing service operating contracts for 17 systems. A Provincial Water and Sanitation Council has also been established in Cabo Delgado. The Bank Group also supported the Water Regulatory Council to oversee second tier systems.

37. Bank support also aimed to improve the delivery and sustainability of priority municipal services in Maputo Municipality including improved access to solid waste collection in order to reduce, among others, the prevalence of disease transmitting vectors. As a result of this support the number of people with access to solid waste management services in Maputo increased by 55 percent.

38. IFC has been undertaking an advisory project to help the Government evaluate options for attracting private sector participation in Maputo and the regional centers. To date, feasibility studies have been carried out and specific transaction structures proposed to the Government.

CPS outcome 1.7: Improved access to electricity - not achieved

39. This objective was not achieved: the target for increasing connections in peri-urban and rural areas was not met due to delays in the Energy Development and Access Project. The number of rural clinics and schools with electricity connections increased only slightly.

40. Mozambique is experiencing significant growth in electricity demand combined with a lack of commensurate investment in the grid network. While some activities require more financing than initially expected (e.g., solar PV installation components under FUNAE), others require less (e.g., contracts for reinforcement of primary network with EDM).

41. The Energy Development & Access Project (EDAP), the second phase of a US$120 million APL, focuses on increasing energy access, both via grid extension and supply of off-grid solar systems to rural clinics and schools, as well as providing support for policy and regulatory functions. The Bank is also supporting urgent transmission substation upgrades in Tete province, including a mobile substation to be used in emergency situations, worth about US$15 million. In addition, IFC has invested in Midal Cables, which builds on the existing raw material base (aluminium) to establish a greenfield plant to manufacture conductors, which are key to the electricity transmission and distribution sectors.

CPS outcome 1.8: Improved access to affordable telecommunications - achieved

42. This objective was achieved as a result of a significant reduction in the average price of a monthly 3Mbps 3G mobile data subscription that followed an increase in the number of mobile telecoms operators from two to three through Bank Group support. The three operators are now: Vodacom; MCell; and Movitel. Since the official commercial launch of Movitel on May 12, 2012 the operator has rolled out very extensive fixed and mobile network facilities that currently cover all 138 districts of Mozambique, with 1,600 base stations and 20,000 kilometers of fiber optic

cable, overshooting its minimum build-out requirement of 1,200 km. Movitel has also connected approximately 3,900 schools to the internet free of charge to the government.

43. The Bank is now virtually the only donor active in the telecoms sector in Mozambique (alongside UNICEF which retains a small role). The Bank's contribution has been two fold. On the supply side it provided technical assistance to the Government to issue a third mobile licence thus creating an enabling environment for more private sector operators and hence more competition. The Bank also encouraged initiatives such as inter-connections between operators; portability; and the sharing of infrastructure. Through its operation, the Regional e-Government and Communications Infrastructure Project, the Bank also provided help with a new Telecommunications Act (now at Parliamentary Committee stage). On the demand side it stimulated demand by enabling bulk or capacity purchase of bandwidth at low prices by universities, government network and community media centres.

CPS outcome 1.9: Better educated and skilled workforce - mostly achieved

44. This objective was mostly achieved with two indicators achieved and a third mostly achieved. The Bank's education sector portfolio is one of the most comprehensive in the Africa region as it currently spans the whole sector from Early Childhood Development to higher education, sciences and technology, through three major ongoing projects and a new PFM for Results Program. Key features of the Bank's approach, such as a focus on quality and improved governance, are reflected in the Government's revised Education Sector Strategy.

45. Between 2003 and 2010, Mozambique experienced an enormous expansion of the system at all levels; the number of students in primary and secondary education almost doubled with simultaneous decreases in gender as well as geographic and economic disparities. However, this period was also marked by increased concerns with retention, quality and student learning and dropout and repetition rates increased. Because of increased dropout rates during these years (which led to less children reaching 7th grade over the last three years) the Primary Completion Rate is now stagnating and not expected to improve until 2017 onwards.

46. In the area of access, quality and equity of education there have been significant gains with Bank support. Net enrolment of 6 year olds in Grade 1 has increased from 70 percent in 2011 to 81 percent in 2014; parity in net intake of 6-years-old in Grade 1 between the best and least performing provinces improved from 0.5 in 2011 to 0.57 in 2014; the transition rate EP2/next level post primary improved from 79 percent in 2011 to 92 percent in 2014; the Gender Parity Index edged up from 0.94 in 2011 to 0.95 in 2014. One specific area, the Primary Completion Rate, remains a key challenge for the overall education sector.

47. With respect to the Bank's work in the area of TVET, most target indicators in this area were achieved or surpassed. The indicator "Graduates of targeted programs that find a job or creates a job that is directly related to the field of study within 6 months from graduation" is currently 52 percent. However, if compared with the baseline of 27 percent, progress has been noteworthy and is likely to improve to come close to the end of project target set at 60 percent. To consolidate current achievements efforts will focus on the recruitment of qualified teachers and instructors, the establishment of stronger management boards in TVET institutions, and in strengthening partnerships with the private sector. In addition, a new governance framework and

financing mechanisms for TVET has been approved. These efforts will be supported under the Higher Education Skills and Training project which consolidates financing in these areas.

Pillar II: Vulnerability and resilience - moderately unsatisfactory

48. Overall the results achieved under this pillar were moderately unsatisfactory. There were three targeted outcomes. One outcome was mostly achieved: improved health services for the vulnerable. Two outcomes were partially achieved namely adaptation to climate change and reduced the risk of natural disaster; and strengthened social protection.

CPS outcome 2.1: Improved health services for the vulnerable - mostly achieved

49. This objective was mostly achieved: two targets were easily met well before 2015 – share of institutional deliveries in northern provinces and HIV sufferers receiving ARVs – while a third indicator related to improved nutrition was not met because the relevant project (Nutrition AF) was delayed.

50. The Bank's support for improved health services benefited from the analytical work undertaken prior to the project's preparation. The analysis showed the merit of starting in three provinces to demonstrate feasibility and then scaling up. As a result, institutional deliveries increased from just over 60 percent in 2010 to over 80 percent in 2014. Nevertheless, persuading Government of the merits of a relatively small, demonstration project was politically challenging: there was a desire in Government to move to 11 provinces right away. Starting with a smaller scale pilot, while justified on the basis of prior analysis, may have reduced Ministry of Health (MOH) support for the project and resulted in delays.

51. During this period, Government funding for health, as a percentage of the total budget, had declined from 15.0 percent (2003) to 12.8 percent (2007) and reached a low of 7.8 percent in 2011. The Global Fund was also experiencing financial difficulties as well as allegations of corruption in a number of countries. Bank support was therefore critical in safeguarding commodity supplies. Bank support financed diagnostic test kits for 3.3 million tests (in 2011) and ARV packs for 87.5 million treatment doses (over the period 2011-13). Fill rates were not calculated for the diagnostic kits, but data from UNAIDS shows that the annual number of persons tested, after slowing in 2011, increased considerably during 2012-2013. The Bank also helped prevent critical shortfalls in reproductive health and malaria commodities, vaccines, and tuberculosis testing kits.

52. Delays in the Bank's support for nutrition improvements were a result of errors in the selection of Third Party Providers (TPP) to implement Community based Nutrition Interventions, which required several revisions. A second plausible cause was a change of heart in the Ministry of Health (MOH) regarding the use of NGOs as TPP: the role of NGOs in the sector has not always been viewed favourably by the Ministry of Health.

CPS outcome 2.2: Adaptation to climate change and reduced risk of natural disasters - partially achieved

53. This objective was partially achieved: although the main indicator in the FY12–FY15 CPS results matrix was not achieved (due to delays in the Bank-financed project Climate Resilience:

Transforming Hydro-Meteorological Services) there was much other activity that significantly strengthened Mozambique's resilience to climate change and natural disasters.

54. Mozambique is the only country in Africa considered to be at 'high risk' from all three major weather-related shocks namely floods, drought and coastal cyclones. However, Mozambique is now more resilient than it was 10 or 15 years ago as a result of Bank and other donor support. For example, following the 2000 floods an estimated 700 people died compared with 113 people following similar floods in the Limpopo River basin in 2013[24]. However, costs were higher because more infrastructure was in place: for example, the share of roads in good and fair condition fell by 6 percent. As a result of the floods, the Bank provided financing for immediate and medium-term reconstruction of roads through a Second AF of the Roads and Bridges Management and Maintenance Program. Immediate emergency reconstruction works were completed in calendar year 2014 and medium-term reconstruction works are to be funded by a planned Third AF.

55. Bank support during the FY12–FY15 period was shaped by the 2010 study 'the Economics of Adaptation to Climate Change'. This concluded that there could be US$400 million of damage on an annualised basis as a result of climate change in Mozambique under a business-as-usual scenario. The study (financed by the World Bank) showed that climate change proofing roads and agriculture was the best value for money investment. As a result, the Bank financed a US$118 million series of three climate change DPOs. This was the first climate change DPO in the region – and the first two operations, each one US$50 million, have been delivered. Under the auspices of its umbrella program Building Africa's Resilience to Climate Change (BAREC), IFC explored opportunities to facilitate lending to private sector companies to build climate resilience. In parallel, the Bank supported the Government to develop a US$91 million program of investments, together with AfDB and IFC.

CPS outcome 2.3: Strengthened social protection - partially achieved

56. This objective was partially achieved: although the main indicator in the FY12–FY15 CPS results matrix was not achieved (due to delays in the Bank-financed project Social Protection Project) there was other activity that significantly strengthened Mozambique's system of social protection.

57. The CPS aimed to support the Government in consolidating existing fragmented safety net programs and making operational a social safety net system, including a labor-intensive public works program. As noted in the results matrix, however, the CPS targets in this area have not been met. The CPS target itself related to the Government's overall objective for increased coverage, and not just the Bank's contribution. The revised target relating to the Bank's contribution only has also not been met due to delays in implementation

58. Despite this there has been significant progress in other areas towards strengthening social protection as a result of Bank support. For example, the Government of Mozambique has

[24] Venton C., L. Coulter and H. Schmuck (2013). The Economics of Early Response and Resilience: Lessons from Mozambique. Report commissioned by UK Government.

implemented several arrangements for social protection in the last years, including a Social Protection Law (2007) and a National Social Protection Strategy 2010-2014.

59. Despite this there has been significant progress in other areas towards strengthening social protection as a result of Bank support. For example, the Government of Mozambique has implemented several arrangements for social protection in the last years, including the last two National Social Protection Strategies, 2010–2014 and 2015–2014.

60. The Bank has helped operationalize the strategy through the Productive Social Action Program (PSAP). Achievements to date include:

- Design and launching of the Productive Social Action Program
- A common targeting system to identify potential beneficiaries for the Recipient's three core programs of its social safety based on a three-step process has been developed and is under implementation
- A single registry of Beneficiaries to support the National Institute for Social Action in implementing the National Strategy for Basic Social Protection has been developed and hosts data from SP beneficiaries.
- A formal payment system for safety net programs has been developed and approved internally by the Government

Pillar III: Governance and public sector capacity - satisfactory

61. Overall the results achieved under this pillar were satisfactory. There were five targeted outcomes. Three outcomes, i.e. a majority, were achieved: improved capacity of local administration to manage public finances; greater contribution of wildlife conservation to economy; and improved transparency in extractive industries. One outcome was mostly achieved: improved citizen participation in public service monitoring. One outcome was not achieved: improved public financial management.

CPS outcome 3.1: Improved public financial management - not achieved

62. This objective was not achieved. The first indicator targeted an improvement in the Public Expenditure and Financial Accountability (PEFA) indicators PI.12 and PI.26 from C+ to B between 2010 and 2015. In fact, there was no change in the PEFA assessment for these indicators in 2015 which remained at C. The second indicator relates to improvements in PI.1 and PI.2. In this case there was either no improvement (PI.1) or the two surveys are not comparable (PI.2).

63. Looking more broadly at the results of PEFA as a whole in 2015 as compared with 2010 eight indicators have deteriorated, five have improved and 15 have remained unchanged. Two indicators are not comparable across the surveys. On this broader basis, therefore, it can be confirmed that the outcome has not been achieved.

CPS outcome 3.2: Improved capacity of local administration to manage public finances - achieved

64. This objective was achieved: the targeted increase in the number of districts with high levels (over 90 percent) of budget execution was achieved. More broadly the Bank and other development partners worked to strengthen district capacity by (a) supporting technical assistants at the central and provincial levels to provide training and advice to district governments; (b)

offering training in the core areas of district administration (strategic and operation planning; community participation; internal and external control; district finance; procurement and management of public works); (c) supporting the recruitment of school graduates for integration into the districts' civil service, (d) promoting community participation in planning and budgeting, and oversight, (e) support to strengthen internal and external audit functions, and (f) supporting the establishment and operationalization of the district performance monitoring system.

65. With Bank support the following results have been achieved: 110 districts executed more than 90 percent of the budget presented in their Social Plan and District Budgets (PESODs), up from 85 at the baseline in 2009 and 105 in 2013; 116 districts prepared an annual PESOD execution report, compared with zero at the baseline, made it available to the public, and presented the report to the district councils in accordance with the guidelines; all 128 districts reported on district performance in decentralized planning and finance through the district performance monitoring system (previously known as SMED, now called SMoDD).

CPS outcome 3.3: Improved citizen participation in public service monitoring – mostly achieved

66. This objective was mostly achieved. The Citizen Report Card, conducted on an annual basis, provides a feedback for the municipality on citizens' perceptions of the solid waste collection and road maintenance and discusses the findings with community members and representatives.

67. There was a deterioration in the results of the citizen score card with respect to this indicator. However, the results matrix indicator itself does not capture the essence of the outcome adequately: it is the extent of citizen participation and provision of user feedback that is intended under this outcome rather than the positive or negative views of citizens regarding the quality of services. On this basis, the consistent completion of surveys by citizens since 2007 is indeed evidence of consistent and, because of the passage of time, arguably improving citizen participation let's add a figure or other evidence of this.

68. A number of other initiatives are now also operational as a result of Bank support for citizen participation in public service monitoring for example:

- Neighborhood monitoring committees, now in their 4th cycle, have been created that identify and select neighbourhood improvement projects. 16 neighborhood projects under now under implementation as a result of this initiative.
- Active citizen participation in urban planning has also been promoted through direct citizen consultation as well as public hearings in local urban plans (Planos Parciais de Urbanização) as well as development and piloting of a methodology for community-based participation in neighborhood improvement projects ("slum upgrading"/"planos de desenvolvimento local").

CPS outcome 3.4: Greater contribution of wildlife conservation to economy - achieved

69. This objective was achieved. In particular, the targeted increase in species in protected areas was achieved, although there is more to be done before in-land eco-tourism can achieve its potential in Mozambique. This objective is closely related to the outcome in Pillar 1: increased employment and growth in tourism areas. In addition to the economic benefits cited under that outcome, Bank support also enabled the preparation and approval of a new Conservation Policy

and Conservation Areas Law and establishment of the *Administração Nacional das Areas de Conservação* (ANAC) as an autonomous public agency tasked with the management of all Conservation Areas. New Protected Areas, such as the Ponta do Ouro Marine Reserve and the Futi Corridor (part of the Maputo Special Reserve) were also established by the Government with Bank support.

CPS outcome 3.5: Improved transparency in extractive industries - achieved

70. This objective was achieved: with Bank support, Mozambique became EITI (Extractive Industries Transparency Initiative) compliant in 2012. The 5th EITI report (covering government's fiscal year 2012) was released in December 2014 and follows the new EITI Standard as was adopted by EITI Board in 2013. Extractives are the fastest growing sector in Mozambique and are responsible for 30% of exports.

IV. REVIEW OF WORLD BANK GROUP PERFORMANCE

71. Overall, Bank performance during the FY12–15 Mozambique CPS was fair. That is: "the design and implementation of the program successfully contributed to the pursuit of the key CPS Outcomes and timely adaptation to changing circumstance and priorities. A sound program of ongoing activities is in place for the next strategy period."

72. The FY12–FY15 CPS included lessons from the last Completion Report that reviewed performance under the FY08-FY11 CAS. Based on these lessons the FY12–FY15 CPS concluded that:

- the failure to monitor CPS outcomes and to prepare a mid-term CPS progress report to assess the need for strategic and operational changes in keeping with changing country conditions was 'one of the most significant shortcomings of the past four years'.
- 'The CPS should take a pro-active approach and have an annual stocktaking exercise on CPS milestones and implement the necessary adaptations at mid-term together with a CPS progress report'.
- CPS monitoring should be based on a more selective results matrix with a smaller number of outcomes to avoid fragmentation of results
- the results framework should carefully take into account the level of results it can realistically achieve over the CPS period, given the timeframe, risks, and resources available to support operations

73. The FY12–FY15 CPS also sought to build on lessons and feedback from a number of quarters including the Government of Mozambique, other donors, IEG and others. Factors that were highlighted and endorsed in the FY12–FY15 CPS by way of context and key influences included the following:

- a call by the Government for the Bank to show robust support and leadership
- the need to embed and mainstream gender, social accountability, and nutrition throughout the portfolio and a recognition that agriculture is a critical locus where women lack options

- a recommendation by IEG to make credit more accessible to small and medium-size enterprises, assist with the improvement of business procedures and regulations, and ensure a firm basis for increased agricultural productivity
- focusing analytical work on infrastructure strategy, agricultural productivity, education quality, and HIV/AIDS
- supporting more efficient public expenditures with an emphasis on high-quality social services.

Design of the CPS

74. The outcomes of the FY12–FY15 CPS were broadly relevant to the context in Mozambique in 2011/2012. The pillars of the CPS, while somewhat different from the key pillars in the Government's Poverty Reduction Strategy Paper, nevertheless were consistent with Government objectives. IEG ICRs for projects exiting during FY12–FY15 generally rated the relevance of outcomes as high or substantial. In addition, the CPS did reflect some of the guidance that was sought as part of the preparation of the FY12–FY15 CPS. For example, there was a strong emphasis on improving the regulatory framework for businesses which has resulted, among other things, in a significant improvement in Mozambique's ranking in the Doing Business Survey. There were examples of innovative design such as the PforR operation, Economic Governance. This was a pioneer in the PFM sector across the Region. Operating in the health, education and (initially) justice sectors, reasons for its success include its alignment with both Government and donor interests. Although still a recent initiative, the P4R operation has already contributed positively to the Bank's engagement in the education sector in Mozambique. Average project size increased during the period from US$71 million in FY12 to US$111 million in FY15 which can be seen as a positive step to reduce fragmentation.

75. There have also been some good examples of AAA notably in the area of economic analysis and policy notes, particularly in the run-up to the October 2014 Presidential elections. Some of this work has also involved effective collaboration with IFC, for example, in the work on business regulations and also climate change and extractive sector transparency. Trust Funds also constituted a significant element in the Mozambique portfolio during FY12–FY15 with disbursements of US$181 million during the period FY13-FY15 of which half was financed by a single program, the Education for All Fast Track Initiative, which financed a wide range of reforms in the education sector and attracted co-funding from a number of bilateral donors. Eight other programs represent two thirds of the balance of total trust fund disbursements during this period.

76. On the other hand the design of the FY12–FY15 CPS failed to follow the guidance it highlighted in a number of respects. These include the following:

- although gender was highlighted as an element to be mainstreamed throughout the FY12–FY15 the words 'women', 'female' or 'girl' appears in just 4 outcomes. The collection of data on female beneficiaries has not been mainstreamed through the monitoring of FY12–FY15 outcomes.
- the scope and ambition of outcomes and indicators for the agriculture sector failed to reflect the critical importance of the sector, as highlighted in the CPF itself, as a means for improving women's livelihoods and tackling poverty

- IEG recommended a more selective results matrix with a smaller number of outcomes; however while the FY12–FY15 results matrix has one less outcome (17) than the FY07-FY11 CAS (18), it has 31 indicators compared with 27 in the FY07-FY11 CAS.
- in addition the quality of indicators was generally poor. At least nine of the 31 indicators were either: a) too narrow or poor proxies for the outcome targeted; b) no longer relevant (e.g. because projects had been restructured); or c) erroneous or muddled.

Implementation of the CPS

77. The Bank's implementation of the FY12–FY15 CPS had a number of strong features. For example, the combination of DPOs and investment projects in climate change, and effective Bank/ IFC collaboration, resulted in a powerful offering that helped build genuine resilience in the country.

78. The Bank's support for the water sector was also particularly effective, partly because of strong project management on the Bank side. Education was also a coherent program and benefited from being based on a pooled fund with a strong and well-coordinated team on the ground and effective donor cooperation. The Bank's technical assistance in support of the mining sector was also strong and also benefited from a strong Minister on the Government side. Bank TA in support of the telecoms sector was well designed and effective. Some AAA such as the Bank's economic work, including Public Expenditure Reviews and policy notes, has been well executed and communicated.

79. During the FY12–FY15 CPS the Bank deepened its reliance on country financial management systems. This trend built on extensive work undertaken by the Bank with the Government and other Development Partners from 2008. In 2011 the Bank led a three day orientation workshop with the Tribunal Administrativo (TA) which audited its first Bank project in that year. Today, almost all Bank funding is included within state or municipality budgets, 70 percent of projects implemented by ministries are using the government IFMIS and the Single Treasury Account, and a majority of these are audited by the TA.

80. With respect to procurement, Bank operations provide for the Government of Mozambique to use national procurement procedures provided: a) these are applied in the context of 'open competition' and b) they comply with a number of requirements specified by the Bank to ensure that national regulations are in line with Bank standards. These provisions apply to the procurement of goods and services estimated to cost up to US$3,000,000 and for works up to US$10,000,000. This effectively means that the large majority of all Government procurement under Bank projects is undertaken under the country's own systems (as modified in the manner noted above).

81. The Bank's response to risks as they materialized was also generally effective. Risks identified in the CPS that materialized included: reduced donor assistance, external shocks, slowing pace of reform, capacity constraints, extractive industry management and increased social tensions. An example of the bank's effective mitigation of risks that materialized was its response to the impact of floods in early 2014 with emergency financing from the crisis response window.

82. IFC's portfolio is in good standing with no non-performing loans. Those investments which have reached operational maturity are performing well and have been rated "Mostly Successful".

83. However, there were also a number of weaknesses in the implementation of the Strategy:

- At times there was a need for senior management in the country office of the Bank to engage more actively at a senior level on substantive issues. Externally both the Government and donors perceived a lost opportunity for the Bank to galvanise partners.
- Despite the experience of FY08–FY11, during which no completion report was produced, and the lessons of the previous Completion Report, no mid-term Progress Report was undertaken during the FY12–FY15 CPS either. The consequence of this, as was the case during the FY08–FY11 CAS in Mozambique, was that indicators that required redesigning (as noted above) were left uncorrected thus increasing the difficulty of assessment at the end of the program.
- On occasions the Bank suffered from insufficient insight and knowledge into institutional context and political economy. For example, the impact of the Administrative Tribunal appears to have taken a number of projects by surprise resulting in unscheduled delays; the lack of a coherent Government view on collaborating with civil society organisations appears to have resulted in unexpected delays in the health sector and work on extractives transparency; and the Spatial Development Planning TA was placed with the wrong ministry resulting in delays.
- There was not always sufficient follow up to ensure delivery and reduce problems: the Bank could have done more at an earlier stage to tackle the problem of weak contractors in the road sector; stronger performance management might have reduced delays in the agriculture sector; there was also excessive retrospective changing of results in the results matrix.
- Certain projects encountered major difficulties in delivery notably the Health Commodities Security Project; and the Programmatic support to Disaster Risk Management (DRM) Phase 1. In the case of Health Commodities this raises questions about the Bank's suitability for leading such emergency initiatives. The outcomes of the Bank's support for agriculture were only partially achieved which was disappointing given that the FY12–FY15 CPS highlighted this sector as "arguably the most critical sector relative to a more inclusive growth strategy in Mozambique".
- There was a large outflow of international staff which weakened capacity in the office.

V. ALIGNMENT WITH WORLD BANK GROUP CORPORATE GOALS

84. The FY12–FY16 CPS was produced before the introduction of The Systematic Country Diagnostic tool and the Bank's current twin corporate goals of shared prosperity and reduced poverty. Nevertheless, the analysis summarized in the CPS and the outcomes and indicators contained in the Results Matrix did effectively demonstrate an alignment with these goals.

85. The FY12–FY16 CPS recognized that the drivers of growth in the recent past—the post-conflict catch-up effect and overseas development assistance—were bound to fade over time; and that long-run productivity growth would be needed to replace them. It correctly identified that

growth during the previous decade had been concentrated at one end of the productive spectrum: foreign-owned, capital-intensive, and export-oriented mega-projects. Although these mega-projects contributed significantly to Mozambique's economic growth and helped put the country on the map as an attractive destination for international investors, they had limited impact on employment creation and productivity spill-overs.

86. The CPS also correctly identified that beyond mining and energy, there was significant untapped potential in agribusiness, fisheries, forestry, tourism, trade and logistics, light manufacturing and services not just for growth but also job creation and livelihoods. The CPS also highlighted the importance of strengthening spatial development planning in developing or underdeveloped regions and corridors that demonstrate potential for growth. It correctly identified that limited capacity to undertake such level of development was a concern, but noted that better planned, integrated, and managed development that spurs inclusive growth had promise.

87. The CPS translated this analysis into a number of outcomes that sought to achieve a greater sharing of prosperity. For example, Outcome 1.2 ('Improved management of development process through spatial planning') included an indicator that focused on projects with employment potential being included in spatial development plans. Outcome 1.3 (Increased crop yields and overall productivity in target areas') included an indicator that focused on the number of smallholders with access to finance to develop value chains. Under Outcome 1.4 (Increased employment and growth in targeted areas of the tourism sector') there was an indicator relating to increasing the number of local residents employed in targeted districts. Outcome 1.5 (Improved provision and management of road infrastructure') included an indicator on improved access of the rural population to all season roads.

88. The CPS also included a number of indicators that focused on the reduction of extreme poverty. There was an entire pillar that focused on Vulnerability and Resilience. Within this pillar, Outcome 2.1 ('Improved health services for the vulnerable') explicitly targeted the number of people on Anti-Retroviral drugs. Outcome 2.2 ('Adaptation to climate change and reduced risk of natural disasters') aimed to provide better and earlier warning of natural disasters to people vulnerable to such events – typically the poor and extremely poor. Outcome 2.3 ('Strengthened social protection') aimed to increase the number of people benefiting from the protection of an effective social safety net.

89. The FY12–FY16 CPS was thus well-aligned with the twin goals of increasing shared prosperity and reducing extreme poverty. Implementation of the CPS with respect to the twin goals was more mixed. For example, of the indicators noted above that specifically aimed at promoting shared prosperity, two were achieved, one was partially achieved and one was not achieved. Of the indicators that aimed at reducing extreme poverty cited above, one was achieved (relating to people on ARV medication) while a key indicator relating to the number of people to be protected by social safety nets was not achieved. Achievement of these important indicators was in part undermined by a failure to update the results matrix through a Performance and Learning Review.

90. Overall, the FY12–FY16 CPS was clearly motivated by the desire to achieve a greater degree of shared prosperity and to reduce extreme poverty as shown by the analysis provided in the document and the structure of the results matrix. As noted above, the Program was stretched

too thinly with too many outcomes and indicators. This problem had already been noted in the previous Completion and Learning Report, but was not acted upon in the current CPS.

VI. LESSONS LEARNED

- **The continued demand for leadership and strategic management.** External stakeholders appreciate that the Bank is just one of many development partners and must act as a collaborative member of a team. At the same time there is an appetite, both on the side of the Government and among some development partners, for the Bank to make more use of its catalytic powers and ability to play a leadership role on more occasions but also to actively engage in collaboration with other donor partners in key areas. The need for such leadership is particularly acute in Mozambique given the large number of development partners and the extent to which government capacity is already stretched thin. At times during the first half of the last CPS, there was a need for senior management to step up and engage with Government and other counterparts on substantive issues in a more proactive manner. A failure to exercise strategic management of the portfolio was also apparent in the lack of a mid-term Progress Report. This resulted in a much weakened CPS with an unacceptably large number of either redundant, mis-specified or otherwise inappropriate targets and indicators. This in turn weakened the CPS as a tool of strategic management. While - or perhaps because - a similar point was made in the previous CPSCR, the need for the Bank to significantly step up the strategic management of its portfolio during the new Country Partnership Framework is now pressing.

- **There is an opportunity to better connect, integrate and scale up activities**. The last CPSCR noted the fragmentation of the Bank's Mozambique portfolio. Yet the portfolio currently appears no less fragmented than it did when the last CPSCR was completed in FY 12 both in terms of the number of outcomes and indicators. Both internal and external stakeholders commented that the portfolio is stretched thin and can appear incoherent. There were opportunities for better integrating, the agricultural agenda with roads, private sector and value chain development, and tourism in ways that create more and better jobs in rural as well as urban areas.

- **The benefits of a deeper understanding of political economy and institutional context**. Several projects benefited from a strong grasp of the political and institutional context in which they were operating. For example, the Water and Sanitation project benefited from its engagement with institutions at an appropriate level namely specialised agencies (operating at a more operational level than departments/ministries) that were able to deliver: FIPAG in large city areas (21 cities); AIAS in small rural towns (130 of these); plus the Water Regulatory Council (CRA). In other cases projects suffered delays because of political or institutional obstacles that could perhaps have been foreseen. These included the time required for the Administrative Tribunal to check procurement processes; the Government's approach to working with CSOs; an over-reliance on individual Ministers without sufficient regard for the consequences when that Minister changes. Some external stakeholders interviewed for this CPSCR also noted a high turn-over of international staff which does not help build deep relationships or foster understanding of the context. Others felt that the Bank needed a deeper appreciation of the political economy of Mozambique in order to ensure that its investments reached the beneficiaries intended. The alignment of Bank projects with Government priorities was generally rated as high for those projects for which IEG ICRs exist for the period FY12–FY15. Design relevance was generally rated as substantial. However, in two cases, notably health commodities and market-led smallholder development in the Zambezi, this rating fell to modest partly as a result of over-ambitious design relative to government capacity. Putting in place mechanisms to strengthen the Bank's political economy and institutional assessments at the outset of projects, while an additional hurdle in the short run, could pay dividends in the long run.

Table 1: Summary of CAS Program Self-evaluation			
Cluster of outcomes and outcome indicators	**Status and evaluation summary**	**Lending and non-lending activities that contributed to the outcome**	**Lessons and suggestions for the new CPS**
PILLAR 1: COMPETITIVENESS AND EMPLOYMENT MODERATELY SATISFACTORY			
Related Poverty Reduction Strategy priorities: • Improving and increasing access to inputs • Facilitating access to markets • Improving sustainable management of natural resources • Stimulating employment creation • Social Infrastructure • Availability and quality of access to social services			
CPS Outcome 1.1: Improved regulatory environment in targeted areas MOSTLY ACHIEVED			
• Number of days to issue industrial and commercial licenses reduced by 30 percent from 2010 to 2013, 50% to 2015. Source: Mozambique One Stop Shop • Number of days to clear imports & exports reduced from 32 and 26 in 2009 to 16 and 13 respectively in 2015. Source: Customs Records/Firm Survey	• **Achieved.** Commercial license: baseline in 2010 was 22 days; actual as of May 2015 is 7 days, equivalent of a 68% reduction. Industrial license: baseline in 2010 was 32 days; actual as of November 2014 is 13 days, equivalent of a 59% reduction by November 2014. • **Partially achieved.** Number of days to import reduced from 32 to 25 (reduction of 22% - achieving approx. 44% of target of 16 days). Number of days to export reduced from 26 to 21 (reduction of approx. 20%achieving 38% of target).	**Ongoing:** Competitiveness & Private Sector Development Project (FY09); Financial Sector TA Project (FY06); PRSC 8-11 (FY12–15); IFC Investment Climate Program; IFC SME capacity building (Business Edge and SME toolkit) and access to finance programs and investments. **AAA:** Financial Sector Strategy (FY12); PPP/SOEs (FY13); Consumer Protection and Financial Literacy (FY13); Political Economy of Investment Climate (FY13).	Political leadership is crucial to create the stimulus necessary for leading complex business environment reform agendas across ministries and sectors. In order to strengthen political engagement, IFC collaborated with the WB PREM team to set regulatory reforms as pre-conditions for release of budgetary support (PRSC 8 and beyond).
CPS Outcome 1.2: Improved management of development process through spatial planning PARTIALLY ACHIEVED			
• Number of spatial development projects adopted for feasibility by government, private sector, and/or PPPs increases from 0 in 2010 to	• **Not achieved.** Indicator cancelled.	**Ongoing:** Spatial Development Planning TA Project (FY11). **Pipeline:** Integrated Growth Poles Project (FY13); Mining and Gas TA	Note: Delays in the project have resulted in non-achievement of the indicators in the original results matrix. Delays reflected: a) an extremely tight

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20 in 2015. Source: Ministry of Transport and Communications. • Number of projects identified with high employment generation for youth and women per each spatial development initiative increases from 0 in 2010 to 20 in 2015. Source: Ministry of Transport and Communications. ***Alternative indicators proposed:*** • Establishment of a national spatial planning platform providing inter-agency and cross-sectoral coverage.	• **Not achieved.** Indicator cancelled. • **Achieved.**	Project (FY13); Fisheries and Coastal Development Project (FY14). **AAA:** Growth Identification and Facilitation Note (FY13). Infrastructure Through Spatial Lens (FY13).	preparation time scale with the result that there were a number of weaknesses in project design; b) a long delay in the establishment of a project implementation unit. There has also been uncertainty regarding the correct locus for the project which currently sits with the Ministry of Transport, but could also sit (given its cross-agency mandate) in the newly formed Ministry of Economy and Finance. This also hindered implementation. Nevertheless there has been substantial progress towards achievement of this objective (see main text). This includes establishment of the strategically important spatial planning platform. Taking all the above into account the assessment is partially achieved.
CPS Outcome 1.3: Increased crop yields and overall productivity in target areas		**PARTIALLY ACHIEVED**	
• Increased production of potatoes/tomatoes from 15 and 10 tons/ha in 2010 to 18 And 23 in 2015, respectively. Source: Project Service Providers Error in target. ***New target:*** • Increased production of potatoes/tomatoes from 10 and 15 tons/ha in 2010 to 18 and 29 in	• **Indicator revised.** • **Partially achieved.** Crop yields. June 2015 tons/ha: Tomato 16 and potato 18.	**Ongoing:** Market-Led Smallholder Development in the Zambezi Valley Project (FY06); PROIRRI - Sustainable Irrigation Development Project (FY11). IFC Portucel investment and advisory. IFC SEF Merec investment. **Pipeline:** Agriculture Sector DPO (FY13-FY15); Regional Agriculture	• Agriculture offers economic opportunity for many, but not all, rural households: - those households that are geographically able to connect to markets, and that have the attributes to make their farm a business, are at the upper end of the spectrum. - in the middle are households that have the potential to make agriculture a business and that

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2015, respectively. Source: Project Service Providers • Number of additional smallholders with access to finance to help develop value chains from 0 in 2011 to 8,000 in 2015, of which 33% are women. Source: Project Service Providers	• **Partially achieved.** Target is in fact beneficiary sub-projects approved for grant. 1626 achieved by December 2014.	Productivity Project for Southern Africa (FY13). **AAA:** Agriculture Strategy and Policy Notes (FY12).	would benefit from training, technology and infrastructure to make that happen. - at the bottom of the scale are the households that are disadvantaged, geographically and otherwise, and cannot make money out of agriculture. These households still need help to grow food and improve their livelihoods. • The first two groups are the farmers that can be targeted in market-oriented agriculture projects. The last group would need a different approach with more of a social protection focus. It is important to be clear about the target audience when designing a project, and this has not always been the case.
CPS Outcome 1.4: Increased employment and growth in targeted areas of the tourism sector MOSTLY ACHIEVED			
• Increase in the number of local residents employed, formally and informally, in conservation and tourism in targeted districts from 1,300 in 2010 to 2,800 by 2015. ***New target (from MTR in June 2012):*** • Increase in the number of local residents employed, formally and informally, in conservation and tourism in targeted districts from 1,300 in 2010 to 2,000 by 2015. Source: National Directorate for Conservation Areas and Operators records.	• **Indicator revised.** • **Achieved.** Local residents employed, formally and informally, in conservation and tourism in targeted areas reached 2027 in June 2014.	**Ongoing:** Transfrontier Conservation Areas & Tourism Development Project (FY06); Competitiveness and Private Sector Development (FY09); IFC Tourism Development Programs. . **Pipeline:** Transfrontier Conservation Areas & Tourism Development Project II (FY14). **AAA:** Reforming the Fisheries Sector (FY14).	• There was a need for a more integrated approach on tourism including improvements to the business environment such as facilitating visa policy for foreign nationals who can't get a visa at the border; police behaviour; as well as infrastructure. The new project integrates agriculture, NRM and tourism. • Tourism-related community development options need to be focused on the areas with real short-term tourism potential, while other income-generating activities should be promoted in other areas.

Table 1: Summary of CAS Program Self-evaluation			
Cluster of outcomes and outcome indicators	**Status and evaluation summary**	**Lending and non-lending activities that contributed to the outcome**	**Lessons and suggestions for the new CPS**
• Number of bed-nights in tourism facilities in the target districts increase from 164,000 in 2010 and 240,000 by 2015. Source: National Directorate for Conservation Areas and Operators records.	• **Mostly achieved** Bed-night baseline 15.000 in 2006 to 164.000 in 2010. Project restructured in March 2012. At this occasion target was revised from 100,000 to 220,000 bed-nights. At project completion in June 2014 196,000 bed-nights.		• Agencies in charge of managing conservation areas should consider engaging specialized support to facilitate private sector investments, while also increasing in-house capacity to do so. • NGOs can play a fundamental role in managing protected area PAs). There is a need to clarify the potential role, rights and responsibilities of NGOs Mozambique to facilitate partnerships with NGOs in managing the PAs. • Increasing the sustainable economic benefits in the fisheries sector faces several key tasks: rebuilding the shrimp fishery; establishing an effective co-management regime for the small-scale fisheries; improving the economic benefits captured locally from the national fisheries and the region's tuna resources; and building sustainable and profitable aquaculture. Investments targeting profitability based on sustainable resource exploitation, rather than short term fiscal and financial returns, would generate continuous socio-economic contribution, thanks to the renewable nature of fish resources.
CPS Outcome 1.5. Improved provision and management of road infrastructure			**ACHIEVED**
• Share of total classified roads in good and fair condition increases from 75% in 2010 to 78% in 2012.	• **Indicator revised.**	**Ongoing:** Roads & Bridges Management & Maintenance Project II (FY07); Maputo	• Phase 2 of the Roads and Bridges Program started out with the ambitious goal of pooled funding

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Source: National Road Administration. Revised target: • Share of total classified roads in good and fair condition increases from 69.3% in 2012 to 72% (73% in 2016). Source: National Road Administration. • Share of rural population with access (within 2km) to an all-season road increases from 31.8% in 2010 to 32.3% in 2012. Source: National Road Administration. • Number of people in Maputo municipality with access (within 500 meters) to all-season roads from 60,000 in 2011 to 300,000 in 2015. Source: Maputo Municipal Council yearly records.	• **Achieved.** The share of total classified roads in good and fair condition increased from 69.3% in 2012 to 74% in 2014. • **Achieved.** The share of rural population with access to all season roads increased to 32.7%. • **Achieved**. By December 2014, a total number of 416,250 people in Maputo benefitted from all-season roads.	Municipal Development Program II (FY11)**;** Spatial Development Planning TA Project (FY11). **Pipeline:** Integrated Growth Poles Project (FY13)**;** Roads & Bridges Management & Maintenance Project III (FY14)**.** **AAA:** Infrastructure Through Spatial Lens (FY13).	mechanism. But differing donor requirements in the end prevented this. This remains a desirable goal. But it would take significant prior work to align donor procedures first. • A second issue is that a whole range of design specifications in the road sector require careful re-examination to align with the country's geography, geology and threat of climate change. This appears to have been due to a lack of sound professional advice. In turn it includes contracts that placed too much risk on the public sector; and poor materials specifications in both roads and bridges. It will take substantial time (5 years) to fix this. The Bank could have done more to identify this at an earlier stage.
• **CPS Outcome 1.6 Improved provision of water and sanitation service**			**ACHIEVED**
• Number of people in urban areas provided with access to improved Water Source under the project reaches 292,118 people (including 146,059 women) in 2015 from 192,443 in 2011. Source: Joint mid-year and annual reviews. • Number of people in Maputo municipality with access to regular solid waste collection services increases from 729,264 in 2010 to	• **Achieved.** Number of people in urban areas provided with access to Improved Water Sources: 795,508 by March 2015 (o/w 50 percent women) • **Achieved**. During Maputo's Municipal Development Program, the number of people in urban areas provided with access to	**Ongoing:** Water Services and Institutional Support Project (FY08)**;** Maputo Municipal Development Program II (FY11). **Pipeline:** National Water Resources development Project (FY12); Greater Maputo Water Supply (FY13)**.**	• In water: delivery through specialised, operational agencies (at lower level than departments/ministries) resulted in excellent performance: FIPAG in large city areas (21 cities); AEAS in small rural towns (130 of these); plus Conselho de Regulacao de Agua (CRA). Cf the DNA where decisions have to be delegated to junior levels.

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Cluster of outcomes and outcome indicators	**Status and evaluation summary**	**Lending and non-lending activities that contributed to the outcome**	**Lessons and suggestions for the new CPS**
1,041,545 in 2015. Source: Municipal Directorate of Cleansing and Cemeteries	regular solid waste collection increased from 729,264 in 2010 to 1,130,109 by June 2015. Source: Maputo Municipal Development Program I		• The nature of contracts changed from: a) separate design and build plus b) joint production and distribution to the opposite i.e. a) joint design and build and b) separate production and distribution. • The Bank also insisted on better household connection quality. • The project was kept simple and hence effective.
CPS Outcome 1.7 Improved access to electricity			**NOT ACHIEVED**
• Number of people in peri-urban and rural areas with access to electricity from 42,500 in 2010 to 67,500 in 2015 by household connections. Source: Ministry of Energy. • Number of rural health clinics and schools with access to electricity from 150 in 2010 to 400 in 2015, respectably for health clinic and schools. Source: Energy Fund.	• **Not achieved.** No increase to date. Project delayed. • **Partially achieved**. Rural health clinics and schools with access to electricity rose to 177 and 174 respectively in June 2014 (note: refers to connections financed through the project.	**Ongoing:** Energy Development and Access Project (FY10)**.** **Pipeline:** CESUL Regional Transmission Project (FY13)**.**	• No lessons as yet: project was restructured in February 2015.
CPS Outcome 1.8 Improved access to affordable telecommunications			**ACHIEVED**
• Price of broadband Internet Access [1Mbps] from US$90 in 2010 to US$30 in 2015. Source: Telecom operators and Bank calculations. ***New indicator:***	• **Indicator revised.**	**Ongoing:** Regional e-Government and Communications Infrastructure Project (FY09)**.**	• Design, expectations and objectives of project were appropriate • But the administrative process has been challenging since start of the Administrative Tribunal: Bank procurement could perhaps have

Table 1: Summary of CAS Program Self-evaluation			
Cluster of outcomes and outcome indicators	**Status and evaluation summary**	**Lending and non-lending activities that contributed to the outcome**	**Lessons and suggestions for the new CPS**
• Average Price for a monthly 3Mbps 3G mobile data subscription to fall from US$33 in 2010 to US$15 by June 2016 (i.e. US$18.6 in 2015 on basis of interpolation). Source: Telecom operators and Bank calculations.	• **Achieved.** The baseline in December 2010 (when 3G was first introduced) was US$33.00. It has fallen to US$17.00 as of December 2014.		done more to anticipate and help avoid the major bottleneck that this became • ITC has huge potential for connecting remote areas: perhaps more could have been done to prepare the applications (e.g. tax payment, driver licence applications, remote education) that could take advantage of the new capacity
CPS Outcome 1.9 Better educated and skilled Workforce			**MOSTLY ACHIEVED**
• Share of graduates of targeted TVET programs that find /create jobs in related fields within 6 months of graduation increases from 27.2% in 2007 to 60% in 2015. Source: P087347 • Transition rate EP2 / next level post primary increases from 79% in 2010 to 90% in 2015. Source: Ministry of Education and Culture. • Number of students graduating from higher education institutions increased by 30% (from 7,000 in 2010 to 9,100 in 2015). Source: Ministry of Education and Culture.	• **Mostly achieved.** 57% of the graduates trained in the new methodology find a job/creates a job that is directly related to their field of study within 6 months from graduation against a baseline of 27% in 2007. • **Achieved.** The transition rate EP2 / next level post primary increased from 79% in 2010 to 92% in 2014. • **Achieved.** The number of graduates from higher education increased from 7000 in 2008 to 10,929 in 2014.	**Ongoing:** Technical & Vocational Education & Training Project (FY06)**;** Education Sector Support Project (FY11)**;** Higher Education Science & Technology (FY10). **Pipeline:** Technical & Vocational Education & Training AF (FY12); Early Childhood Education AF (FY12)**.** **AAA:** Healthcare Financing Analysis (FY13).	• Three factors have been mutually reinforcing to produce weak learning outcomes: • Additional effort is needed to train and recruit qualified teachers with practical TVET skills and to reduce the pupil/teacher ratio in higher education. • Private sector involvement in the definition of standards and units of competencies is critical for the design of more responsive qualifications. But this takes time in a country with an emerging private sector. • Regarding basic education, a high priority has earlier been given to investment in quantity of education by both government and partners has not always been accompanied by similar investment in improving the quality of education. • These lessons have been appreciated by the Government which has prioritized improved

Table 1: Summary of CAS Program Self-evaluation			
Cluster of outcomes and outcome indicators	**Status and evaluation summary**	**Lending and non-lending activities that contributed to the outcome**	**Lessons and suggestions for the new CPS**
			quality and governance when updating its Education Sector Strategy in 2015.
PILLAR 2: VULNERABILITY AND RESILIENCES MODERATELY UNSATISFACTORY			
Related Poverty Reduction Strategy priorities: • Improving sustainable management of natural resources • Availability and quality of access to social services • Basic Social Security			
CPS outcome: 2.1. Improved health services for the vulnerable MOSTLY ACHIEVED			
• Share of institutional deliveries in 3 northern provinces increases from 62% in 2010 to 72% in 2015. Source: Routine Information System M&E unit. • Number of adults and children with HIV receiving ARVs reaches from 257,410 in 2011 to 409,537 (68% female) in 2015 at the national level. Source: Central Medical Stores and National Directorate of Medical Assistance. • Children aged 6-23 months who received a minimum acceptable diet increase from 37% in 2010 to 60% in 2015 at the national level. Source: P099930	• **Achieved.** By December 2014 the proportion of institutional deliveries in the three Northern provinces reached 81.2%, already a figure higher than the target set for 2015 • **Achieved.** By December 2014, 585,544 persons were on Anti-Retroviral treatment (ART). The target set for 2015 has been surpassed • **Not achieved.** The roll out of the Nutrition AF is starting now because of delays.	**Ongoing:** Health Commodity Security Project (FY11); Health Service Delivery Project (FY09). **Pipeline:** Community Nutrition Enhancement AF (FY13). **AAA**: Impact evaluation of community-based ECD intervention (FY12); Health Care Financing Strategy (FY13).	• The Government's health strategy could be better linked to other sectors and more closely linked to annual operational plans. This would help development partners including the Bank to engage more effectively in the sector. • There is a need to deepen the Bank's understanding of political economy in Mozambique. Personnel changes at a senior level are very frequent and understanding the drivers of this instability is important. • The Commodities project did not get the attention of ministers. In hindsight perhaps a DPL might have helped ensure buy in and ownership at senior levels in Government and enable systemic change. • There is a question whether the Bank is the right agency to coordinate delivery of commodities in a crisis situation. The Bank does not have direct links to suppliers to

Table 1: Summary of CAS Program Self-evaluation			
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			the same degree as some other development partners and was not able to deliver commodities on the ground fast enough.
CPS outcome: 2.2: Adaptation to climate change and reduced the risk of natural disasters		**PARTIALLY ACHIEVED**	
• Accurate weather information system available to stakeholders in 70% of Central and Southern regions on at least a 12 hour basis from 0% in 2010 to 70% in 2015. Source: P149629	• **Not achieved** Weather radars covering part of the south and central region calibrated, allowing for more precise and immediate warnings of extreme events to be issued by end 2013. The radars have been acquired but are not fully functional. The technical assistance support and purchase of additional meteorological equipment is underway and outcomes should be achieved by December 2016	**Ongoing:** Programmatic support to Disaster Risk Management (DRM) Phase 1 (FY11); PPCR Hydromet Project; National Water Resources Development Project (FY12); IFC Climate Resilience program IFC Mozambique Forestry Program. **Pipeline:** Coastal Cities and Climate Change (FY12); Climate Change; Reduction of Emissions from Deforestation and Forest Degradation (REDD) (FY12). **AAA**: GFDRR Mainstreaming Disaster (FY12).	Note: • Delays in the Hydromet project mean that the indicator in the results matrix has not been achieved. Nevertheless there has been very substantial progress towards achievement of this objective (see main text). As a consequence casualties after the 2013 Limpopo floods were considerably less than after the similar floods in 2000. • Taking all the above into account the assessment is considered partially achieved.
CPS outcome 2.3: Strengthened social protection		**PARTIALLY ACHIEVED**	
• Vulnerable people benefiting from effective social safety net program increase from 80,000 in 2011 to 815,000 in 2015 at the national level. Source: National Institute of Social Action Management Information System.	• **Not achieved.** The target in the FY12–FY15 CPS results matrix relates to the national program of 815,000 households (about 4 million people or 15% of the population). It is therefore well beyond what can be attributed to the Bank. The Bank's social protection program (including the results of a previous pilot) will contribute grants for 100,000 households by 2017 (o/w 28,000 by end 2015). None provided so	**Completed or ongoing:** Pilot Public Works Program (FY11). **Pipeline:** Social Protection Project (FY13). **AAA:** Targeting Systems and Administrative Improvements Report (FY12).	Note: • Delays in the Social Protection project mean that the indicator in the results matrix has not been achieved. Nevertheless there has been very substantial progress towards achievement of this objective (see main text). • Taking all the above into account the assessment is partially achieved. Lessons: • When systems are not in place, it is important to dedicate at least 1-2 years for the preparation of the

Table 1: Summary of CAS Program Self-evaluation			
Cluster of outcomes and outcome indicators	**Status and evaluation summary**	**Lending and non-lending activities that contributed to the outcome**	**Lessons and suggestions for the new CPS**
	far in accordance with Bank standards.		project (recruit staff, developing M&E systems, developing payment systems, etc).
Alternative indicator: • Unify targeting approaches across GoM's core social safety programs • Establish single registry of social security beneficiaries.	• Achieved • Achieved		• With low capacity Ministries or Ministries implementing a WB project for the first time, it is important to have (i) a PIU in place or (ii) key staff to support the Government recruited at the end of the project. Investing in procurement capacity since the beginning is key.
PILLAR 3: GOVERNANCE AND PUBLIC SECTOR CAPACITY			**SATISFACTORY**
Related Poverty Reduction Strategy priorities: • Delivery of public services • Combating corruption • Decentralization of local governance • Consolidation of the Democratic Constitutional State • Management of public finances			
CPS Outcome 3.1. Improved public financial management			**NOT ACHIEVED**
• Improved PEFA (PI.12) ranking from C+ in 2009 to B in 2013 in the composition of spending results compared to approved budget and Improve PEFA (PI.26) from C+ in 2009 to B in 2013 ranking the scope, nature and follow-up of external audit. Source: Mozambique PEFA Report 2015 • Improved PEFA (PI.1 and PI.2) ranking from C in 2009 to B in 2013 in the area of multiannual	• **Not achieved.** PEFA ratings for PI.12 (composition of spending) and PI.26 (external audit) have remained constant at C+. • **Not achieved.**	**Completed or ongoing:** PRSC series National Decentralized Planning and Finance Project (FY10). **Pipeline:** Economic Governance Project P4R (FY13). **AAA:** Public Expenditure Review (FY12); Country Procurement Systems (FY13).	• There was a project on M&E funded by a TF from the center that was not integrated/known about in the Maputo office till Government counterparts mentioned it. • The PRSC can be a powerful tool if Government counterparts are sufficiently focused and driven • It needs to be coupled with TA which it was: IFC, MAGTAF, DFID (PFM) and social protection investment project. This builds

Table 1: Summary of CAS Program Self-evaluation			
Cluster of outcomes and outcome indicators	**Status and evaluation summary**	**Lending and non-lending activities that contributed to the outcome**	**Lessons and suggestions for the new CPS**
fiscal planning for spending and budget policies. Source: Mozambique PEFA Report 2015 • At least 65% of State Investment Expenditure is being processed through open competitive bidding in 2015 from 15% in 2011. Source: GoM Social and Economic Strategy	• **Not verified** and no longer part of Bank program.		capacity and gives insight into developments on the ground. • The Bank is stretched too thinly in PFM and has had difficulty being selective in its responses to requests for assistance.
CPS outcome 3.2. Improved capacity of local administration to manage public finances			**ACHIEVED**
• Number of districts with more than 90% budget execution of their district operational plan and budget increases from 85 in 2009 to 105 in 2013, and 110 in 2015. Source: Decentralized Planning and Finance Project; National Directorate of Planning, Ministry of Planning and Development.	• **Achieved** The number of districts with more than 90% budget execution of their district operational plan and budget was 110 in June 2015.	**Ongoing:** National Decentralized Planning and Finance Program. **Pipeline:** Public Financial Management for Results Program. Enhanced Financial Management Practices in Mozambican Municipalities (FY14).	• Because the project did not fund investment, the Bank and other DPs did not review how District investment funds were spent nor assess District fiduciary performance. • The implementing agency further developed a district performance monitoring system initiated under a previous project. As a result, an effective system of tracking and reporting on district performance is in use by all 128 districts and of great value for managing resources. • Teams should consider undertaking citizen satisfaction surveys periodically to assess how effective the measures promoting participation have been. This information could then be used to design better approaches.
CPS outcome 3.3. Improved citizen participation in public service monitoring			**MOSTLY ACHIEVED**
• Mean user perception of quality of public services in Maputo municipality, as reported in the	• **Not achieved**. The mean user perception of quality of public services in Maputo municipality is	**Ongoing:** Maputo Municipal Development Program II (FY11).	• Improved public perception scores is not itself a good measure of participation. Rather it is the

Table 1: Summary of CAS Program Self-evaluation			
Cluster of outcomes and outcome indicators	**Status and evaluation summary**	**Lending and non-lending activities that contributed to the outcome**	**Lessons and suggestions for the new CPS**
citizen Municipal Report Card, remains at 2.8 (0-5 scale) from 2011 to 2013, and reaches 3.0 in 2015. Source: Annual Municipal Report Card. ***Alternative indicator:*** • Citizen report card completed each year throughout CPS.	based on the Results from the Citizen Report Card which is annually conducted in June. The latest value from November 2014 is 2.7. The next Municipal Citizens Report Card exercise is scheduled for September 2015.	**Pipeline:** Economic Governance Project (FY13). **AAA**: Community Scorecard TA (FY12).	consistent involvement of citizens over time that indicates improved participation. Since Citizen Report Cards have been completed since 2007 and in each year subsequently, the cumulative result can be seen as a deepening of citizen participation.
CPS outcome 3.4 Greater contribution of wildlife conservation to economy			**ACHIEVED**
• Bio-indicator species (2 species area) in Maputo Special Reserve, Zinave National Park, Banhine National Park and Chimanimani Reserve continues to increase about 1% per year from 2011 to 2015. Source: Protected Area Survey Manager's Report.	• **Achieved.** Increase between 2006 (base) and 2012 as follows: - Maputo Special Reserve elephant and zebra by 197% and 93% respectively. - In Zinave NP: impala and nyala by 204% and 81% respectively - In Banhine NP: oribi and ostrich by 682% and 150% respectively - In Chimanimani dulker and sable by 186% and 250% respectively.	**Ongoing:** Trans-Frontier Conservation Area and Tourism Project I (FY06); South West Indian Ocean Fisheries Project (FY08); SWIOFish. **Pipeline:** Trans-Frontier Conservation Area and Tourism Project II (FY14); Fisheries / Coastal Livelihoods Project (FY14). **AAA**: Reduced Emissions from Degradation and Deforestation (REDD) Initiative (FY12); Reforming the Fisheries Sector (FY13).	• The quality of experience (the 'tourism asset') is the key limiting factor regarding eco-tourism in Mozambique rather than the supply of accommodation or even accessibility. • While coastal destinations carry a marketable brand, this is generally not so for bush destinations in Mozambique, as wildlife has been significantly reduced during the civil war and PA infrastructures are poor. • Lessons from fisheries activities: - Linking alternative livelihoods with fisheries management is difficult but important. - Access to finance is highly demanded - Co-management takes time. - Implementing a World Bank project requires adequate arrangements.

Table 1: Summary of CAS Program Self-evaluation			
Cluster of outcomes and outcome indicators	**Status and evaluation summary**	**Lending and non-lending activities that contributed to the outcome**	**Lessons and suggestions for the new CPS**
CPS outcome 3.5. Improved transparency in extractive industries			**ACHIEVED**
• Mozambique is an EITI candidate country in 2011 and by 2015, it will achieve and maintain EITI compliant status from the International EITI Board. Source: Extractive Industries Technical Advisory Facility.	• **Achieved.** Mozambique was EITI compliant since 2013 and issues reports annually. The 5th report was issued under EITI Standard. 1st Annual Implementation Report for Mozambique EITI was published in early 2015 (covering calendar year 2014).	**Ongoing:** Extractive Industries Technical Advisory Facility (FY11); Spatial Development Planning TA (FY11); Country Based Coastal Resource Management and Sustainable Livelihoods (FY09). **Pipeline:** Gas and Mining TA Project (FY13); Integrated Growth Poles (FY13). **AAA**: EI Value Chain TA; Mining Sector Governance	• A key enabler of this initiative was work with CSOs which are less developed than eg in Nigeria and needed more training e.g. to understand what constitutes royalty payments. • Establishing an informal grouping of CSOs that then selected local CSOs to do the training of others was effective. • Another key enabler was the G19 forum plus Australia which allowed for effective communication and a coherent approach among donors.

Table 2: Mozambique Planned and Delivered Operations FY12–FY15 CPF (US$, millions)

CPF PLANS (03/23/2010)			DELIVERY	
FY	**Project**	**US$, millions**	**Status**	**US$, millions**
2012	Water Resource Development		Actual	70.0
	Technical and Vocational AF		Actual	37.0
	Cities and Climate Change		Actual	120.0
	PRSC 8		Actual	110.0
			Additional actuals:	
			MZ - AF to Education Sector Support Project	40.0
	Subtotal:			*377.0*
2013	Integrated Growth Poles Project		Actual	100.0
	Road and Bridges Management and Maintenance III		Rescheduled to 2014	
	Mining and Gas TA		Actual	50.0
	Agricultural Productivity DPO		Actual	50.0
	Early Childhood Development		Dropped as not a good fit at that time	
	CESUL Regional Transmission		Rescheduled to 2016 (as STE Transmission).	
	Social Protection Program		Actual	50.0
	Climate Change DPO		Actual	50.0
	Nutrition program AF		Actual	37.0
	P4R in Economic Governance		Rescheduled to 2014	
	PRSC 9		Rescheduled to 2014	
			Additional actuals:	
			[Regional] Agricultural Productivity Program for Southern Africa (delivered earlier than planned - FY14)	29.8
	Subtotal:			*366.8*
2014	Greater Maputo Water Supply		Actual	178.0
	Transfrontier Conservation Area II		Rescheduled to 2015	
	Fisheries and Coastal Livelihoods		Rescheduled to 2015 (SWIOFish1)	
	Peri-urban Water Supply		Dropped as not a good fit at that time	
	Regional Agricultural Productivity		Brought forward to 2013	
	Agricultural Productivity DPO		Rescheduled to 2015	
	PRSC 10		Rescheduled to 2015	
			Additional actuals:	
			PRSC 9	110.0
			Water Resources Development Flood Response AF	32.0
			Road and Bridges Management and Maintenance III	39.4
			Public Financial Management for Results	50.0
	Subtotal:			*409.4*
2015	Agricultural Productivity DPO		Actual	50.0
	PRSC 11		Dropped and PRSC 10 increased	
	Climate Change DPO			50.0
			Additional actuals:	
			Transfrontier Conservation Area II	40.0
			Financial Sector DPO	25.0
			PRSC 10	110.0
			Higher Education Science AF	45.0
			Roads and Bridges Management AF	73.6
			SWIOFish1	37.0
	Subtotal			*430.6*
	Subtotal FY12–15	**1,040.0**		**1,583.8**

Table 3: Summary of Planned and Delivery Non-lending Services FY12–15

<table>
<tr><th>CAS PLANS (02/08/2012)</th><th colspan="2">STATUS</th></tr>
<tr><td rowspan="4">Pillar 1:
Agriculture Strategy and Policy Notes (ESW)
Gender Survey (ESW)
Growth Identification and Facilitation Note (ESW)
Political Economy of Investment Climate (ESW)
Infrastructure Through Spatial Lens (ESW)
Financial Sector Strategy (ESW)
Reforming the Fisheries Sector (TA)
PPP / SOEs (TA
Consumer Protection and Financial Literacy (TA)

Pillar 2:
Health Care Financing Strategy (ESW)
Pension Reform Note (ESW)
Targeting and Review of Social Protection (ESW)

Pillar 3:
Public Expenditure Review (ESW)
Country Procurement Systems (AAA)
Community Scorecard (AAA)
Maputo-Paraná South-South Exchange (AAA)</td><td>2012</td><td><u>Additional Products</u>
ESW:
Growth and Fiscal Space
TA:
Global Facility for Disaster Reduction and Recovery: Track II
Introduction of risk-based internal audit
EI Value Chain TA</td></tr>
<tr><td>2013</td><td><u>Additional Products</u>
TA:
Gas Master Plan and Policies</td></tr>
<tr><td>2014</td><td><u>Additional Products</u>
ESW:
Cultural Heritage Sustainable Tourism
TA:
Community Scorecard Pilot in Health</td></tr>
<tr><td>2015</td><td><u>Additional Products</u>
ESW:
Governance
Education Sector-Wide Analysis
Policy Notes for New Government 2015
TA:
Reforming the fisheries sector
Peri-urban sanitation and water
Sector Information System
Civil Society Organizations Capacity Building for EITI
Ag. Sector Risk Assessment-Country
Social and Environmental Safeguards and Gender Policy
Growth Triangle Capacity Building</td></tr>
</table>

Table 4A: IFC Committed and Outstanding Portfolio

In US$ millions

As of June 20, 2015

			Committed			Outstanding		
APPROVAL FY	**INSTITUTION**	**SECTOR**	**LN**	**ET**	**TOTAL**	**LN**	**ET**	**TOTAL**
2009/2010	BCI	Financial Markets	18.23	—	18.23	7.23	—	7.23
2009/2010	Bakhresa Moz	Agribusiness	4.76	—	4.76	4.76	—	4.76
2009/2014	Baobab Resources	Oil, gas, and mining	—	0.12	0.12	—	—	—
2012/2014	Baobab UJV	Oil, gas, and mining	—	6.00	6.00	—	4.06	4.06
2004/2006	ENH	Oil, gas, and mining	—	18.50	18.50	—	—	—
2013	ETC Group	Agribusiness	17.78	—	17.78	17.78	—	17.78
2015	MMI Mozambique	Manufacturing	13.50	—	13.50	13.50	—	13.50
2014	Midal Moz	Manufacturing	35.00	—	35.00	35.00	—	35.00
2015	Portucel Mozamb	Agribusiness	—	30.40	30.40	—	—	—
2001/2002	SEF Ausmoz	Agribusiness	0.00	—	0.00	0.00	—	0.00
2001/2004/ 2009/2012	SEF Merec	Agribusiness	25.00	—	25.00	25.00	—	25.00
2015	Westfalia FM	Agribusiness	3.36	—	3.36	—	—	—
Total			**117.63**	**55.01**	**172.64**	**103.27**	**4.06**	**107.33**

Table 4B: IFC Active Advisory Portfolio, FY12–15

AMSMETA ABCH MZ
BAREC
Guy Carpenter & Company, LLC
Mozambique Investment Climate Program
Mozambique Water PPP 2
Portucel Mozambique

ANNEX 3: SUMMARY OF STAKEHOLDER CONSULTATIONS

1. **Involving a broad range of stakeholders, the WBG organized a series of stakeholder consultations between January and April 2016, to seek input on Mozambique's development challenges and the WBG's strategy.** The consultations were conducted in Maputo and in four of Mozambique's 12 provinces, namely Tete, Nampula, Quelimane, and Sofala. The CPF consultations included 18 meetings in five locations bringing together over 400 people from some 150 organizations from Government, civil society, media, researchers, private sector, and development partners. The considerable interest for the CPF and the general quality of the feedback was much appreciated.

2. **Key recommendations, concerns and ideas discussed during the consultations were largely aligned with the priority areas of the proposed WBG program.** The main issues raised in consultations were: the importance of agriculture; the challenge of infrastructure; employment, education and skills; and good governance and transparency. Private sector participants also emphasized the importance of political stability and security.

3. **Agriculture was defined a key vehicle for poverty reduction and growth in all consultations.** It was discussed in the three spheres of subsistence, small-farmer and commercial. Several challenges were presented as reasons why agriculture had not developed to its full potential: land tenure, low agricultural skills and use of agricultural technology, quality and use of inputs, absence of adequate irrigation techniques, insufficient transport infrastructure, weak post-harvest practices, and limited access to agri-finance.

4. **Many participants also highlighted the importance of infrastructure, and in particular roads and energy.** Transport was seen as a key challenge in the provinces where the road network was perceived as designed to satisfy needs of neighboring countries (Malawi, Zambia, and Zimbabwe) rather than for boosting local development. Improved connectivity between areas of production and markets based on areas with highest potential was stressed. Private sector participants also mentioned transport and access as a specific burden on sales, exports and value chains in general. They further mentioned rail as a solution to the roads constraints as rail, if done properly, would have relatively low maintenance costs.

5. **Electricity was put forward as a huge constraint to business.** In the provinces of Nampula and Sofala, participants pointed to regular power outages when transmission lines go down in storms and in the rainy season and also emphasized the need for urgent financing of transmission lines. Alternative energy and off-grid solutions were proposed as a way to improve access to energy.

6. **Addressing the human capital challenge was defined as a priority for promoting employment.** Education and skills was still challenged by large distances in general and in particular regarding post-primary education due to lack of infrastructure. Private sector identified human capital as a constraint across industries. The need for key skills such as writing, calculus and excel was expressed by some, while others brought up more basic skills such as work ethics everywhere, including in agriculture. Quality basic education at the primary school level, starting in kindergarten, was proposed as a potential solution. Participants from civil society highlighted employment in traditional sectors (agriculture, forestry, fisheries) as a priority as megaprojects and

industry based on non-renewable resources were not perceived as having generated local employment so far.

7. **Access to finance was brought up broadly as a constraint to the growth of the private sector.** Within access to finance, specific issues such as high interest rates, complex and unclear procedures for obtaining loans and delays to disbursement were mentioned, which are particularly harmful for SMEs to expand their operations. Banks were also criticized for being slow to disburse funds. Corruption was mentioned as being one of the reasons for slowness observed in the banking sector. Private sector actors also discussed that low access to information and financial institutions' bureaucratic practices was a challenge.

8. **Participants stressed the key importance of good governance and transparency for growth in general and for inclusive growth in particular. In Tete province, participants expressed this as "create wealth, not rich people"** (*"criar riquezas, nao ricas"*). The WBG continued support for improved public expenditure and fiscal risk management was appreciated, especially in the perspective of incoming natural resource wealth (LNG). It was suggested to consider more community based approaches and to seek ways to bring decisions on economic investments closer to citizens as means to promote more inclusive growth and improved governance.

ANNEX 4: SCD PRIORITY AREAS AND ACTIONS

1. The WBG's SCD for Mozambique was published on April 30, 2016. The SCD provides the analytical foundation for the CPF identifies key challenges and opportunities for the country for accelerating progress towards the WBG twin goals of ending poverty and boosting shared prosperity. It is not limited to areas where the WBG is currently active or expects government demand. The table below from the SCD summarizes these challenges, grouping them under the three thematic areas of growth, inclusiveness and sustainability, and presenting a list of key policy objectives for each area.

Thematic Area	Key Policy Objectives
Growth: *Promoting Diversification and Boosting Productivity*	1. **Bolster economy-wide competitiveness by reducing the cost of doing business and promoting private sector development.** Alleviating policy constraints on the business environment, especially the key obstacles faced by MSMEs, building workforce skills, implementing supportive legislation, increasing productivity and promoting diversification in the non-resource tradable sectors would encourage investment and promote the growth of non-resource exports. 2. **Sustainably increase productivity in the agricultural and forestry sectors.** Developing agricultural value chains, strengthening land tenure security, and integrating smallholder farmers into commercial agriculture could boost productivity in the non-resource primary sector. 3. **Develop enabling infrastructure.** Improving transportation networks and logistical capacity with an emphasis on linking rural and urban areas could improve market access for agriculture and forestry products and promote international trade. 4. **Expand access to reliable electricity.** Increasing connections, broadening the distribution grid and boosting power generation from both renewable and non-renewable sources could accelerate growth and diversification in both the urban and rural economies.
Inclusiveness: *Generating Employment, Facilitating Urbanization, and Expanding Access to Quality Services*	5. **Increase access to finance and reduce barriers to the growth of household enterprises and formal sector employment.** Reducing borrowing costs, supporting the development of a rural banking network, fostering financial linkages between rural and urban areas, and promoting lending to MSMEs could expand employment opportunities and increase competition in domestic markets. 6. **Address constraints to urbanization.** Promoting investment in urban infrastructure, supporting the development of the non-resource tradable sector, and strengthening the institutional and financial capital of municipalities and district centers would help maximize the social and economic benefits of the urbanization process. 7. **Improve the quality of public education.** Addressing the decline in primary completion rates, low levels of secondary completion, particularly for girls, and school governance issues would leverage the impact of increased education spending. 8. **Strengthen public health institutions and improve WASH services.** Reducing disparities in access to healthcare and WASH services based on income, location and gender would mitigate differential health outcomes—especially stunting—and boost lifetime earnings capacity among the poor. 9. **Expand the coverage of social assistance programs.** Improving program design and targeting would help to ensure that the poorest receive support, and using the expected increase in natural resource revenues to scale-up cash transfers would promote a more equitable distribution of the returns to resource-driven growth.

Thematic Area	Key Policy Objectives
Sustainability: *Addressing Risks to Growth and Poverty Reduction*	10. **Strengthen the institutional framework for managing public resources.** Ensuring the long-term sustainability of the public finances will require continued fiscal consolidation, responsible wage bill management, prudent public investment policies, adequate containment of contingent liabilities and other fiscal risks, and the maintenance of resource-revenue spending in line with the absorptive capacity of the economy. 11. **Address governance concerns that pose risks to private sector development, public investment quality and land-tenure security.** Improving transparency in the use of public resources, including public contract awards, strengthening accountability mechanisms and encouraging civil society oversight will reduce policy uncertainty and promote public sector efficiency. 12. **Empower local communities to manage natural resources effectively and sustainably.** Mitigating the impact of climate change and eliminating unsustainable agricultural, fishing and forestry practices will require a strong policy framework and the active involvement of local communities. 13. **Improve disaster risk management and reinforce social and economic resilience.** Integrated water management could help alleviate the risk of both floods and droughts while also boosting agricultural production and reinforcing food security; strengthening local social and economic support systems could help attenuate the impact of unpredictable natural disasters.

Annex 5: Donor Partners in Mozambique by Sector Working Groups

Sector Working Groups	Donor Partners
Agriculture	EU, Belgium, Austria, Finland, USAID WB, IFC
Private Sector[25]	Netherlands, Germany, UK, Ireland, Finland, Norway, Denmark, Sweden, Austria, France, Italy, Portugal, EU, Switzerland, USAID, Canada, Japan WB, IFC, AFDB, ILO, UNIDO
Energy	Belgium, France, Sweden, Finland, Norway, Germany, EU, Japan, USAID WB, IFC, AFDB, UNIDO
Education incl. TVET	UK, Finland, Norway, Sweden, Germany, Netherlands, Italy, Ireland, Portugal, Canada, Japan, Korea, USAID WB, UNICEF, GPE, ILO, UNESCO, UNFPA
Health	Canada, USAID, EU, UK, Netherlands, Denmark, Germany, Belgium, Ireland, France, Spain, Italy, Switzerland WB, Global Fund, WHO, UNFPA, UNICEF, GFF
Social Protection	EU, UK, Sweden, Netherlands, Ireland, Italy, USAID WB, UNICEF, ILO, WFP, ICDP
Water and Sanitation including Water Resources	Netherlands, Belgium, Germany, Austria, UK, Sweden, France, Portugal, Spain, EU, Switzerland, Japan, Canada, India, Korea WB, AFDB, UNICEF
Macro Stability & PFM[26]	EU, UK, Sweden, Norway, Finland, Denmark, Netherlands, Germany, Belgium, Ireland, Austria, France, Spain, Italy, Portugal, Switzerland, Canada, USAID, Japan, Korea WB, IMF, AFDB, UNDP, UNICEF, UNFPA
Extractives incl. EITI	UK, Norway, Finland, Denmark, Germany, France, EU, Switzerland, Canada, Australia, USAID WB, IFC, IMF, AFDB, UNDP
Governance	UK, Finland, Sweden, Denmark, Germany, Italy, EU WB, UNDP
Conservation	EU, France, Germany, Denmark, USAID WB, WCS, WWF
Climate Change & Environment	UK, Ireland, Germany, Netherlands, Norway, Finland, Sweden, Denmark, France, EU, USAID, Japan WB, AFDB, UNDP, UN-HABITAT, IFAD, WWF
Urbanization & Decentralization	Canada, USAID, UK, Netherlands, Norway, Denmark, Sweden, Germany, Ireland, Austria, Portugal, Spain, Italy, EU, Switzerland WB, IMF, AFDB, UNDP, UN-HABITAT, UNICEF, UCLG

[25] Includes Financial Sector
[26] Includes various sub-groups such as Poverty Analysis and Statistics

ANNEX 6: IDA18 SPECIAL THEMES

1. **Special themes serve to focus IDA's work on frontier issues of strategic importance for IDA countries.** During the IDA18 replenishment process, participants agreed on five special themes for IDA18: Climate Change; Gender and Development; Fragility, Conflict and Violence (FCV); Jobs and Economic Transformation; and Governance and Institution Building. These five themes play an important role in the CPF, but because they are primarily mainstreamed across objectives and interventions, this section summarizes how each theme is treated in the program.

2. **<u>Jobs and Economic Transformation</u>: The overarching objective of the CPF – to help Mozambique to translate the full potential of its resource wealth into inclusive growth and poverty reduction – is well aligned with this theme.** Across the three Focus Areas of the CPF, the WBG program aims to extend growth to the poor through transformation to a more diversified and productive economy and by enabling the poor to take active part in economic activity. Through the Let's Work Initiative, analysis will serve to inform the design of a multi-sector jobs strategy that includes both "top-down," economy wide policies, mainly focusing on the macro-economy and business environment, as well as "bottom-up" interventions to drive private sector investments and job creation to particular regions and sectors in Mozambique. Raising productivity in agriculture and strengthening agricultural value chains is a critical element of the strategy involving increasing market access for small-holder farmers, better integration of small-holders with larger scale commercial farms, use of climate-smart practices, and improved access to finance for both agriculture and micro, small and medium enterprises. In the medium and longer term, the WBG will focus on creating better employment opportunities by educating and providing better skills and health to the workforce and by improving the business environment. The CPF program's support for more inclusive decentralization and urbanization. In addition, the program aims to create an environment conducive to developing backward and forward linkages between large investments in extractive industries and local companies to support diversification and ensure the benefits of Mozambique's natural resource wealth are more broadly distributed.

3. **<u>Gender</u>: The CPF is informed by the SCD and background analysis identifying the most critical gender issues in Mozambique.** These issues are i) women farmer's lower access to productive assets hinders their ability to lift themselves and their families out of poverty (78 percent of the Mozambican workforce are active in the agriculture sector); ii) women's lower education and skills negatively impact their ability to find work in the formal sector and their potential as entrepreneurs; iii) several health issues disproportionately or exclusively impact women, including low access to maternal health services and high fertility especially adolescent.

4. **The design of the CPF program is focused on issues that highly affect women and girls.** With the availability of more recent household survey data, an early priority for the CPF program will be completion of a Poverty and Gender Assessment. In the planned growing agriculture sector engagement there is a focus on smallholders including activities aimed at improving access to extension services, credit, land and markets. These activities are expected to have a disproportionate effect on women, who are often more excluded and form the majority of agricultural laborers. The same goes for water and sanitation as women and girls still carry the main responsibility for these tasks in Mozambican households. The education program pays particular attention to strengthening the quality and improving the completion and retention rates in primary education holding the highest share of girls, more likely to drop out than boys. In health,

the program will focus on maternal and reproductive health aiming particularly at improving health services and opportunities for women and adolescent girls. In addition to that, the program will continue to consider gender dimensions of development in analytical work and support the Government in implementing gender-informed operations.

5. **Climate change: Mozambique is the only country in Africa considered to be at high risk from three major natural hazards: recurrent floods, cyclones and drought.** The ongoing process of climate change is expected to increase the frequency and severity of weather-related shocks, imposing a significant economic cost. Climate change could cost Mozambique an estimated US$2.3 billion to US$7.4 billion over 2003–2050. This could aggravate existing vulnerabilities. Addressing these challenges is paramount to the economy and for poor households, which rely heavily on the availability of renewable natural resources.

6. **The CPF program aims at increasing resilience to high levels of short-term weather variability and longer-term climate change by strengthening planning and disaster-risk management capacity**. The integrated program will focus on i) strengthening institutional and policy responses to address climate change and disaster risk reduction, (ii) improving water resources management and planning, iii) investing in climate-resilient measures at local level, for example, in climate-smart agriculture and natural resources management practices, for example of rangelands, forests and fisheries resources, iii) improving the management and protection of coastal zones, and iv) integrating climate risk assessments into planning and infrastructure development. The planned Resilience DPO series will support strategic, cross-cutting and sector reforms to promote resilience to disasters and climate change. In light of Mozambique's successive use of CRW resources during IDA17, the addition of the CAT-DDO instrument in IDA18 is highly relevant and welcome for Mozambique and will help to scale up the CPF program's focus on ex-ante disaster preparedness.

7. Fragile and conflict affected states: Mozambique is not a fragile state but has a long history of conflict since the long armed struggle for liberation followed by civil war. Peace negotiations between the two main political forces, the ruling FRELIMO and the opposition RENAMO, are ongoing, although with varying intensity and progress and with regular returns to armed confrontations and violence. The as yet unresolved conflict together with issues related to land, high youth unemployment and poor governance are potential drivers of fragility and conflict. The CPF program aims to address these issues. With respect to the political conflict, the program's focus on addressing regional disparities, which often coincide with political divisions, may help diminish a source of grievance that can fuel conflict while planned work on decentralization could contribute to implementation of an eventual political settlement. The CPF program will also address issues related to access to land through ongoing and planned agriculture and agribusiness operations to reduce the risk of conflict related to land. Improved management of renewable natural resources, particularly forests and fisheries, will aim to increase incomes for some of the poorest and most marginalized populations.

8. **Governance and Institution Building:** World Bank programs in Mozambique have had a longstanding focus on governance, including public financial management, extractive industry transparency, and management of natural resources. In light of the debt scandal, this CPF, while maintaining these elements will also increase its focus on managing fiscal risks and governance of

SOEs, issues that are particularly salient in light of recent events. The program will also increase activities related to social accountability leveraging successful pilots using digital technologies.

ANNEX 7: COMMITTED AND DISBURSED OUTSTANDING INVESTMENT PORTFOLIO

As of 12/31/2016
(In US$ Millions)

		Committed					Disbursed Outstanding				
FY Approval	**Company**	**Loan**	**Equity**	****Quasi Equity**	***GT/RM**	**Participant**	**Loan**	**Equity**	****Quasi Equity**	***GT/RM**	**Participant**
FY09	BAOBAB RESOURCES	0.00	0.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY14	BAOBAB UJV	0.00	1.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY10	BCI	1.80	0.00	0.00	0.00	0.00	1.80	0.00	0.00	0.00	0.00
FY04	ENH	0.00	18.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY13	MIDAL MOZ	28.64	0.00	0.00	0.00	0.00	28.64	0.00	0.00	0.00	0.00
FY15	MMI MOZAMBIQUE	13.50	0.00	0.00	0.00	0.00	13.50	0.00	0.00	0.00	0.00
FY15	PORTUCEL MOZAMB	0.00	29.70	0.00	0.00	0.00	0.00	4.22	0.00	0.00	0.00
FY12	SEF MEREC	25.00	0.00	0.00	0.00	0.00	25.00	0.00	0.00	0.00	0.00
FY14	WESTFALIA FM	3.17	0.00	0.00	0.00	0.00	1.80	0.00	0.00	0.00	0.00
Total Portfolio:		**72.11**	**49.91**	**0.00**	**0.00**	**0.00**	**70.74**	**4.22**	**0.00**	**0.00**	**0.00**

ANNEX 8: SELECTED INDICATORS* OF BANK PORTFOLIO PERFORMANCE AND MANAGEMENT

As of Date 01/12/2017

Indicator	FY14	FY15	FY16	FY17
Portfolio Assessment				
Number of Projects Under Implementation [a]	20.0	21.0	20.0	18.0
Average Implementation Period (years) [b]	3.8	4.4	4.1	4.6
Percent of Problem Projects by Number [a, c]	25.0	9.5	20.0	11.1
Percent of Problem Projects by Amount [a, c]	20.2	11.1	12.2	9.2
Percent of Projects at Risk by Number [a, d]	30.0	14.3	30.0	38.9
Percent of Projects at Risk by Amount [a, d]	23.6	17.2	20.4	31.9
Disbursement Ratio (%) [e]	20.8	21.7	24.8	11.2

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by OED by Number	68	8
Proj Eval by OED by Amt (US$ millions)	3,817.2	252.1
% of OED Projects Rated U or HU by Number	22.1	12.5
% of OED Projects Rated U or HU by Amt	15.6	8.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).
b. Average age of projects in the World Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the World Bank's portfolio at the beginning of the year: Investment projects only.
* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

ANNEX 9: OPERATIONS PORTFOLIO (IBRD/IDA AND GRANTS)

As of 12/31/2016

Active Projects

	Last ISR Supervision Rating			Original Amount in US$ Millions			
Project Name	**Development Objectives**	**Implementation Progress**	**Fiscal Year**	**IDA**	**Grants**	**Cancel.**	**Undisb.**
Mozambique Mining and Gas TA Project	S	S	2013	50.0		0.0	17.8
MozBio Program - Phase 1	MS	MS	2015	40.0		0.0	21.0
MZ-Agriculture NRM Project	S	S	2016	40.0		0.0	36.2
MZ-APL2 Roads & Bridges	S	MS	2007	254.0		0.4	91.9
MZ CA Development Project (TFCA III) GEF	MS	MS	2015	0.0	6.3	0.0	2.3
MZ- Cities & Climate Change	MS	MS	2012	120.0		0.0	40.0
MZ-Education Sector Support Program	MS	MS	2011	161.0		0.0	32.6
MZ - Emergency Recovery Project	MS	MS	2016	40.0		0.0	30.7
MZ-Energy Dev. & Access Project (APL-2)	MS	MS	2010	80.0		0.0	4.4
MZ:Greater Maputo Water Supply Expansion	S	MS	2014	178.0		0.0	117.4
MZ-Health Service Delivery SIL (FY09)	S	MS	2009	81.6		0.0	11.5
MZ Higher Educ Science & Techn. (FY10)	S	S	2010	85.0		2.7	25.3
MZ:Integrated Growth Poles Project	MU	MU	2013	100.0		0.0	73.5
MZ-Maputo Municipal Development Prog II	MS	MU	2011	50.0		0.0	0.0
MZ- PFM for Results Program	S	S	2014	50.0		0.0	23.4
MZ-PROIRRI Sustainable Irrigation Devt	MS	MS	2011	70.0		10.0	0.4
MZ-Social Safety Net project	MS	MS	2013	50.0		0.0	35.4
MZ-Water Resources Dev I SIL	S	MS	2012	102.0		0.0	56.8
Water Service & Institutional Support II	S	S	2016	90.0		0.0	87.8
				1,641.6	**6.3**	**13.1**	**708.4**

* Disbursement data is updated at the end of the first week of the month.
a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

ANNEX 10: MAP OF MOZAMBIQUE