INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

FOR A PROPOSED CREDIT

IN THE AMOUNT OF SDR32.5 MILLION
(US$50 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MOZAMBIQUE

FOR A

FIRST AGRICULTURE DEVELOPMENT POLICY OPERATION (AGDPO-1)

March 28, 2013

Sustainable Development Department
Agriculture, Rural Development and Irrigation Unit (AFTA2)
Country Department AFCS2
Africa Region

This document is being made publicly available prior to Board consideration. This does not imply a presumed outcome. This document may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank’s policy on Access to Information.
Republic of Mozambique - Government Fiscal Year
January 1 – December 31

Currency Equivalents
(Exchange Rate Effective as of March 19, 2013)

Currency Unit = Meticais (MZN)
MZN 29.7 = US$ 1.00

Weights and Measures
Metric System

Abbreviations and Acronyms

AgDPO Agriculture Development Policy Operation
ADVZ Agencia pelo Desenvolvimento do Vale de Zambezi
(Agency for the Development of the Zambezi Valley Corridor)
AgRED Agriculture and Rural Economic Development
APPSA Agricultural Productivity Program for Southern Africa
AU African Union
BdM Banco de Moçambique
CAADP Comprehensive Africa Agriculture Development Programme
CAS Country Assistance Strategy
CFAA Country Financial Accountability Assessment
CONFAM Comité Nacional para a Fortificação de Alimentos Moçambique
(National Food Fortification Committee)
CPS Country Partnership Strategy
DNTF Direcção Nacional de Terras e Florestas
(National Directorate for Land and Forests)
DPO Development Policy Operation
DSA Debt Sustainability Analysis
DUAT Direito de Uso e Aproveitamento da Terra (Land use right)
EITI Extractive Industries Transparency Initiative
EU European Union
FAO Food and Agriculture Organization of the United Nations
FDI Foreign Direct Investment
FY Fiscal year
GAC Governance and Anti-Corruption
GDP Gross Domestic Product
GoM Government of Mozambique
ha Hectare
IBRD International Bank for Reconstruction and Development
IDA International Development Association
IFAD International Fund for Agricultural Development
IFC International Finance Corporation
IFDC International Fertilizer Development Council
IFPRI International Food Policy Research Institute
IIAM Instituto de Investigação Agrária de Moçambique
(National Agricultural Research Institute)
IMF International Monetary Fund
INE Instituto Nacional de Estatística (National Statistics Institute)
INNOQ Instituto Nacional de Normalizacao e Qualidade (National Institute for Standards and Quality)
INIR Instituto Nacional de Irrigação (National Irrigation Institute)
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>LNG</td>
<td>Liquid Natural Gas</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>MCC</td>
<td>Millennium Challenge Corporation</td>
</tr>
<tr>
<td>MDGs</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>MFSDS</td>
<td>Mozambique Financial Sector Development Strategy</td>
</tr>
<tr>
<td>MIC</td>
<td>Ministério da Indústria e Comércio (Ministry of Industry and Commerce)</td>
</tr>
<tr>
<td>MINAG</td>
<td>Ministério da Agricultura (Ministry of Agriculture)</td>
</tr>
<tr>
<td>MISAU</td>
<td>Ministério da Saúde (Ministry of Health)</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministério das Finanças (Ministry of Finance)</td>
</tr>
<tr>
<td>MPD</td>
<td>Ministério de Planificação e Desenvolvimento (Ministry of Planning and Development)</td>
</tr>
<tr>
<td>MZN</td>
<td>New Mozambican Metical</td>
</tr>
<tr>
<td>NEPAD</td>
<td>New Partnership for Africa’s Development</td>
</tr>
<tr>
<td>NGO</td>
<td>Nongovernmental organization</td>
</tr>
<tr>
<td>OJ</td>
<td>Official Journal</td>
</tr>
<tr>
<td>OPCS</td>
<td>Operations Policy and Country Services</td>
</tr>
<tr>
<td>PAPA</td>
<td>Plano de Produção de Alimento (Food Production Action Plan)</td>
</tr>
<tr>
<td>PARP</td>
<td>Plano de Ação para a Redução da Pobreza (Mozambique’s Poverty Reduction Strategy)</td>
</tr>
<tr>
<td>PEDSA</td>
<td>Plano Estratégico de Desenvolvimento do Sector Agrário (National Agriculture Sector Strategy)</td>
</tr>
<tr>
<td>PER</td>
<td>Public Expenditure Review</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Financial Management</td>
</tr>
<tr>
<td>PNDA</td>
<td>Plano Nacional Diretor do Agronegócio (National Strategy for Agribusiness)</td>
</tr>
<tr>
<td>PNISA</td>
<td>Programa Nacional de Investimento do Sector Agrário (National Agricultural Sector Investment Plan)</td>
</tr>
<tr>
<td>PRAI</td>
<td>Principles of Responsible Agricultural Investment</td>
</tr>
<tr>
<td>PROAGRI</td>
<td>Programa Nacional de Desenvolvimento Agrário (National Agricultural Development Program)</td>
</tr>
<tr>
<td>PROIRRI</td>
<td>Projecto de Desenvolvimento de Irrigação Sustentável (Sustainable Irrigation Development Project)</td>
</tr>
<tr>
<td>PRSC</td>
<td>Poverty Reduction Support Credit</td>
</tr>
<tr>
<td>PSI</td>
<td>Policy Support Instrument</td>
</tr>
<tr>
<td>SADC</td>
<td>Southern African Development Community</td>
</tr>
<tr>
<td>SDR</td>
<td>Special Drawing Rights</td>
</tr>
<tr>
<td>SETSAN</td>
<td>Secretariado Técnico de Segurança Alimentar e Nutricional (Technical Secretariat for Food Security and Nutrition)</td>
</tr>
<tr>
<td>SISTAFE</td>
<td>Sistema de Administração Financeira do Estado (National Financial Management System)</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and medium enterprises</td>
</tr>
<tr>
<td>TIA</td>
<td>Trabalho do Inquérito Agrícola (annual agricultural survey)</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>UEM</td>
<td>Universidade Eduardo Mondlane</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
</tbody>
</table>

**Vice President:** Makhtar Diop  
**Country Director:** Laurence Clarke  
**Sector Manager:** Severin Kodderitzsch  
**Task Team Leader:** Patrick Verissimo
# CONTENTS

CREDIT AND PROGRAM SUMMARY ......................................................................................................................... VII

I. INTRODUCTION .................................................................................................................................................. 1

II. SECTOR AND COUNTRY CONTEXT .................................................................................................................. 3

   FEATURES OF THE AGRICULTURAL SECTOR ................................................................................................. 3
   MACROECONOMIC ENVIRONMENT .................................................................................................................. 5
   RECENT ECONOMIC DEVELOPMENTS ............................................................................................................. 10
   THE ECONOMIC OUTLOOK FOR 2013–15 ....................................................................................................... 14

III. THE GOVERNMENT’S PROGRAM AND PARTICIPATORY PROCESSES ...................................................... 16

   MACROECONOMIC PROGRAM ......................................................................................................................... 16
   AGRICULTURE PROGRAM ................................................................................................................................. 16

IV. BANK SUPPORT TO THE GOVERNMENT’S PROGRAM ............................................................................ 20

   LINK TO THE CPS ........................................................................................................................................... 20
   COLLABORATION WITH THE IMF AND OTHER DONORS ............................................................................ 21
   RELATIONSHIP TO OTHER BANK OPERATIONS ......................................................................................... 22
   LESSONS LEARNED .......................................................................................................................................... 24
   ANALYTICAL UNDERPINNINGS ......................................................................................................................... 26

V. THE PROPOSED MOZAMBIQUE PROGRAMMATIC DPO FOR AGRICULTURE ........................................ 30

   OPERATION DESCRIPTION ............................................................................................................................. 30
   POLICY AREAS FOR THE AGDPO SERIES .................................................................................................... 35

VI. OPERATION IMPLEMENTATION ................................................................................................................... 50

   POVERTY AND SOCIAL IMPACTS ..................................................................................................................... 50
   ENVIRONMENTAL ASPECTS ............................................................................................................................ 53
   IMPLEMENTATION, MONITORING, AND EVALUATION .................................................................................. 54
   FIDUCIARY ASPECTS ....................................................................................................................................... 54
   DISBURSEMENT AND AUDITING ...................................................................................................................... 56
   RISKS AND RISK MITIGATION ......................................................................................................................... 56

ANNEXES

   ANNEX 1: LETTER OF DEVELOPMENT POLICY .......................................................................................... 60
   ANNEX 2: RESULTS MATRIX FOR THE PROGRAMMATIC AGRICULTURE DEVELOPMENT POLICY OPERATIONS .............................................................................. 68
   ANNEX 3: FUND RELATIONS NOTE ............................................................................................................... 72
   ANNEX 4: COUNTRY AT A GLANCE ............................................................................................................. 73
BOXES

BOX 1: KEY FINDINGS OF THE 2010 AGRICULTURAL CENSUS ................................................................. 3
BOX 2: EXTRACTIVE INDUSTRIES IN MOZAMBIQUE .................................................................................. 8
BOX 3: DEBT SUSTAINABILITY IN MOZAMBIQUE .......................................................................................15
BOX 4: THE G8’S NEW ALLIANCE FOR FOOD SECURITY AND NUTRITION ........................................... 21
BOX 5: EVIDENCE-BASED ANALYTICAL WORK IN SUPPORT OF THE AGDPO SERIES ............................ 26
BOX 6: THE AGDPO SERIES: A PARTICIPATORY, MULTISECTORAL, INTERMINISTERIAL PROCESS .......... 30
BOX 7: PRIOR ACTIONS FOR THE AGRICULTURE DPO-1 ...................................................................... 32
BOX 8: THE AGDPO SERIES AND GOOD PRACTICE PRINCIPLES FOR CONDITIONALITY .................... 34

FIGURES

FIGURE 1: GDP AND PER CAPITA GDP GROWTH RATES, 1996-2011 .......................................................... 6
FIGURE 2: COMPOSITION OF EXPORTS, MOZAMBIQUE, RECENT YEARS .................................................. 9
FIGURE 3: TRENDS IN NOMINAL EXCHANGE RATES AND CPI INFLATION, 2010-2012 ............................... 10
FIGURE 4: EVOLUTION OF MINAG AND WORLD BANK ACTIVITIES IN AGRICULTURE ......................... 19
FIGURE 5: THE AGDPO’S CONTRIBUTIONS TO MOZAMBIQUE’S POVERTY REDUCTION STRATEGY AND IMPLEMENTATION OF THE AGRICULTURAL SECTOR STRATEGY ....................................................... 31
FIGURE 6: COMMERCIAL BANK LENDING IN MOZAMBIQUE BY SECTOR (% OF TOTAL BANK LENDING) .... 44
FIGURE 7: POVERTY HEADCOUNT BY CONSOLIDATED REGIONS ............................................................ 50
FIGURE 8: SHARE OF ADDITIONAL GROWTH AND POVERTY REDUCTION OF VARIOUS PRODUCTS ......... 52

TABLES

TABLE 1: SELECTED SOCIAL INDICATORS, MOZAMBIQUE, 2000–10 ......................................................... 6
TABLE 2: BASIC MACROECONOMIC INDICATORS, 2009-2013 ................................................................. 11
TABLE 3: BALANCE OF PAYMENTS, 2010–15 (US$ MILLIONS) ............................................................... 12
TABLE 4: FISCAL FRAMEWORK, 2010–15 (% OF GDP) .............................................................................. 13
TABLE 5: AGDPO SUPPORT FOR COUNTRY PARTNERSHIP STRATEGY OBJECTIVES AND OUTCOMES ......................................................................................................................... 20
TABLE 6: POLICY AREAS, PROPOSED AGDPO REFORMS, AND ASSISTANCE FROM DEVELOPMENT PARTNERS ........................................................................................................... 23
TABLE 7: AGDPO LINKAGES WITH OTHER WORLD BANK OPERATIONS IN MOZAMBIQUE ................. 24

The First Agriculture Development Policy Credit was prepared by an IDA team consisting of: Patrick Verissimo (Senior Sector Economist, AFTA2, TTL), Pedro Arlindo (Agricultural Economist, AFTA2), Pauline McPherson (Operations Officer, AFTA2), Jan Joost Nijhoff (Senior Agriculture Economist, AFTA1), Guo Li (Senior Agriculture Economist, AFTA2), Jose Domingos Chembeze (Transport Specialist, AFTTR), Mazen Bouri (Senior Private Sector Development Specialist, AFTFE), Xavier F.P. Vincent (Senior Fisheries Specialist, AFTN1), Celia Dos Santos Faias (Team Assistant, AFCS2), Maika Watanuki (Junior Professional Officer, AFCS2), John Factora (Senior Operations Officer, AFCS2), Elvis Langa (Financial Management Specialist, AFTFM), Amos Malate (Procurement Specialist, AFTPC), Luz Meza-Bartrina (Senior Counsel, LEGAM), Jose C. Janeiro (Senior Finance Officer, CTRLA), Cheikh A. T. Sagna (Senior Social Development Specialist, AFTCS), Lungiswa Thandiwe Gxaba (Senior Environmental Specialist, AFTN2), Michael Morris (Lead Agricultural Economist, AFTA2), Samuel Munzele Maimbo (Lead Financial Sector Specialist, ECSF2), Klaus W. Deininger (Lead Economist, DECAR), Young Chul Kim (Senior Operations Officer, AFCS2), Ivo Imparato (Sector Leader, AFTSN), Chris Jackson (Senior Economist, AFTSN), John Nash (Lead Economist, AFTSN), Julio Revilla (Lead Economist, AFTP1), Meera Shetar (Lead Health Specialist, AFTHW), Juvenal Nzambimana (Operations Officer, AFTA1) and Enrique Armas (Senior Economist, AFTP1).
**CREDIT AND PROGRAM SUMMARY**

**REPUBLIC OF MOZAMBIQUE**

**FIRST AGRICULTURE DEVELOPMENT POLICY OPERATION**

<table>
<thead>
<tr>
<th>Borrower</th>
<th>Republic of Mozambique</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementing Agency</td>
<td>Ministry of Planning and Development (Agency for the Development of the Valley of Zambezi)</td>
</tr>
</tbody>
</table>
| Financing Data | SDR 32.5 million (US$ 50 million equivalent)  
ID terms: 40-year maturity with a 10-year grace period |
| Operation Type | Single tranche programmatic Development Policy Operation (DPO), the first in a series of three DPOs envisaged over consecutive years to support a medium-term reform program in the agriculture sector. The AgDPO series supports Objective #1 of the country’s poverty reduction strategy (PARP) and is aligned with the government’s medium-term agricultural sector investment plan (PNISA) recently developed under the country’s Comprehensive Africa Agriculture Development Programme (CAADP) agenda. |
| Main Policy Areas | #1: Improving Agricultural Technology for Enhanced Productivity and Nutrition.  
#2: Enhancing Access to Assets for Increased Production.  
#3: Monitoring Sector Performance. |
| Key Outcome Indicators | The key indicators for the Policy Areas listed above are:  
#1: a. Cumulative number of registered agricultural input dealers (and share of registered women input dealers).  
b. Additional number of irrigation schemes managed by Water User Associations/Local Irrigation Organizations (and share of those WUA/LIO with women in their management committee).  
c. Share of wheat flour fortified relative to total volume of wheat flour processed.  
#2: d. Cumulative number of land user rights issued to associations and certificates of delimitations issued to communities.  
e. Share of rural households with access to agriculture credit (and share of those households that are female-headed).  
#3: f. Official publication (no later than March of the following year) of the annual agricultural statistics report based on the new integrated survey framework. |
| Program Development Objective(s) and Contribution to CAS | The Development Objective of the AgDPO series is *to promote private sector-led agricultural growth in order to improve food and nutrition security*.  
The Development Objective of the AgDPO series is consistent with the objective of the Country Partnership Strategy (CPS, FY12–15) to promote inclusive and broad-based growth. By focusing on agricultural productivity, the AgDPO series directly supports the CPS’ cross-cutting Pillar I on Competitiveness and Employment. |
| Risks and Risk Mitigation | The main risks identified that could prevent the proposed operation from fully achieving the medium-term outcomes presented in the results matrix (Annex 2) are summarized as follows: (i) a decline in the interministerial coordination and policy dialogue with weakening convening power of the Ministry of Planning and Development’s (MPD’s) Agency for the Development of the Zambezi Valley Corridor (ADVZ); (ii) slow progress in implementing reforms due to the absence of direct incentives for the agencies implementing the AgDPO Prior Actions; and (iii) macro and political risks.

Mitigating measures include: (i) to ensure broad participation in the planning stages, the GoM set up an interministerial AgDPO Task Force (coordinated by ADVZ), in line with the multisectoral nature of the CAADP process and the PEDSA (national agricultural sector strategy) implementation; for the next stages of the AgDPO series, the World Bank and GoM will assess the efficiency of current institutional arrangements and explore the possibility of transferring to the Ministry of Agriculture (MINAG) the lead role for the AgDPO; (ii) to ensure the continuity of the support to MINAG agencies for the AgDPO reform agenda after the PNISA has become operational, the World Bank is developing a technical assistance program designed to focused on strengthening MINAG’s capacity to develop, design, and implement sector reforms; (iii) to pursue sound macroeconomic policies, as promoted under the GoM’s PARP, the World Bank is preparing a new series of IDA-funded Poverty Reduction Support Credit series. |
| Operation ID | P129489 |
I. INTRODUCTION

1. An extended period of political and economic stability—induced by prudent macroeconomic policies, effective structural reforms, and vigorous postwar reconstruction—has placed Mozambique on a path of steady upward growth. Substantial foreign direct investment (FDI) inflows support mining and infrastructure projects, and recently discovered natural gas reserves are likely to attract further investment to develop liquid natural gas as well as coal exports.

2. Mozambique’s expanding extractive industries will profoundly alter the structure of the economy. If managed poorly, rapid development of the mining and gas industries could expose the country to the hazards of “Dutch disease,” as foreign currency surges into Mozambique, the local currency appreciates, the competitiveness of nonresource products declines, and cheap imports flood local markets. Highly uneven development across sectors of the economy could have lasting consequences for the country’s hard-won stability.

3. Agriculture offers Mozambique an immediate and substantial opportunity to foster balanced economic and social development, but action must be taken now. Agriculture is the largest sector in the national economy, contributing 25 percent of GDP and employing 78 percent of the workforce. Agriculture offers considerable scope to narrow persistent income disparities between rural and urban areas and reduce poverty in regions that benefitted little from the economic gains of recent years. Mozambique’s growing ranks of emerging farmers and agribusiness entrepreneurs have the potential to participate in productive commodity value chains that will generate higher incomes for farming households while building an agricultural production base capable of competing in international markets. Stronger agricultural competitiveness, based on improved agricultural productivity and more effective markets, will spur growth in exports and reduce Mozambique’s import bill for agricultural commodities. Finally, a stronger agricultural sector will bolster Mozambique’s resilience if its accelerating structural transformation is accompanied by adverse effects, such as a loss of competitiveness caused by local currency appreciation.

4. The environment to sustain a strong, competitive agricultural sector is improving, and investment in agriculture is gaining momentum. The government’s ambitious agricultural sector investment plan (Programa Nacional de Investimento do Sector Agrário, PNISA) is guided by the framework established under the Comprehensive Africa Agriculture Development Programme (CAADP)—a program of the New Partnership for Africa’s Development (NEPAD), coordinated by the African Union (AU). The World Bank, other development partners, civil society, and the private sector are committed to that investment plan, which the Government of Mozambique supports through public investments backed by policy and regulatory reforms that facilitate private investment in agriculture.

5. The proposed AgDPO series described here focuses on a set of policy, regulatory, and institutional reforms that are selected for their capacity to galvanize Mozambique’s agricultural transformation. All are vital for leveraging private investment and enabling
small-scale, subsistence-oriented producers to move toward more entrepreneurial, market-led agricultural production, while addressing food and nutrition security.

6. **First, to increase agricultural production and productivity, the proposed AgDPO series will support policy and regulatory reforms related to the provision of critical agricultural inputs.** Farmers’ use of high-yielding seed, fertilizer, and irrigation has been curtailed by the lack of private investment to deliver these agricultural inputs and related services. The proposed AgDPO series will increase private investment in seed and fertilizer technologies, freeing the government to focus on regulatory functions related to input provision. The AgDPO series will also encourage small-scale irrigation through better institutional support and the development of public-private partnerships for improved management of public irrigation schemes.

7. **Second, to improve food security among the poorest segments of the population and address widespread malnutrition, the proposed AgDPO series will support a number of key regulatory reforms.** The primary focus of these reforms will be to promote better nutrition through food fortification, and enhance production and productivity through improved technology.

8. **Third, to promote the development of value chains and stimulate private investments in agriculture, the proposed AgDPO series will support reforms to improve access to land, expand rural financial services, and foster an environment in which agribusiness can flourish.** Institutional and regulatory reforms will facilitate transfers of smaller land parcels, particularly for smallholder farmers associations, and improve the overall efficiency of the land administration. Legal and institutional frameworks will be developed to increase the number of rural finance operators (such as rural savings and credit groups), promote innovative financing instruments (such as warehouse receipts systems), and create a foundation for rural financial services to develop. Improved access to productive assets for producers and entrepreneurs will spur the development of commodity value chains and stimulate private investment in agriculture.

9. **Fourth, to improve planning, targeting, monitoring, and accountability, related to agricultural investments, the proposed AgDPO series supports institutional reforms in the area of agricultural statistics, data management and reporting.** Effective policy design and sector investments require sound information. For example, the agricultural sector investment plan is designed to support among others smallholder farmers who have the potential to become commercially viable, yet these farmers must be identified if they are to benefit from such interventions. Similarly, vulnerable households that require social protection can be assisted only if information systems permit them to be identified.
II. SECTOR AND COUNTRY CONTEXT

FEATURES OF THE AGRICULTURAL SECTOR

10. As discussed, the performance of Mozambique’s agricultural sector—employing nearly 8 in 10 people and representing 25 percent of GDP—is critical to the future performance of the economy as a whole. Crop production is the dominant agricultural activity. Between 2001 and 2009, the share of crop production within agricultural GDP increased to 78 percent, while the shares of forestry, livestock, and fisheries declined to 9.1 percent, 7.1 percent, and 5.6 percent, respectively.

11. Agricultural growth, which has averaged about 7 percent per year since 2003, has been an important force in overall economic growth. Agriculture has grown mainly through an increase in labor and an expansion in cultivated area following refugees’ resettlement of rural areas after the civil war.

12. Agricultural trade is growing steadily, encouraged by a liberalized trade regime. Cash crops, including sugarcane, tobacco, cotton, and cashew, account for a small proportion of total area cultivated, but they represent the vast majority of agricultural exports. Recent private sector investments and technical assistance from development partners have fuelled the emergence of new, export-oriented value chains, particularly for horticultural crops such as bananas, mangos, sesame, baby corn, and green beans. Contract farming—especially outgrower schemes linking smallholders with processing entities or large commercial farmers—have allowed some smallholders to join the emerging value chains. Given that Mozambique’s trade regime is already more liberal than those of many other African countries, opportunities to stimulate agricultural trade through liberalization are limited, so trade policy reforms are not included in the AgDPO series.

13. Current programs and strategies have encouraged agricultural growth, but not to the desired level. PROAGRI (a multidonor program providing budget support to the agricultural sector) and the Food Production Action Plan (Plano de Acção para a Produção de Alimento, PAPA) have attempted to boost productivity and production, yet even as Mozambique develops export commodity value chains, it remains a net food importer. Growth

Box 1: Key Findings of the 2010 Agricultural Census

The 10-year agricultural census, conducted in 2009–10 by the National Statistics Institute (INE) in collaboration with the Ministry of Agriculture, yielded several key findings:

- Cultivated area increased by 24 percent over 1999–2009.
- The number of agricultural producers increased by 45 percent over that same period.
- The share of women-headed agricultural households increased from 23 percent to more than 27 percent over that same period.
- Roughly one-third of farms are smaller than 1 hectare, while two-thirds are between 1 and 10 hectares.
- Only 5 percent of producers use irrigation. Less than 3 percent use fertilizers.
- Sesame has become the most important cash crop, grown on 30 percent of the cash crop area.
- More than 40 percent of producers can neither read nor write.

The census collected production data to substitute for the annual agricultural survey (TIA); the government has committed to releasing that data separately under AgDPO-1.


---

1 The policy reform agenda under the Mozambique-G8 New Alliance, aimed at promoting private sector investment in agriculture, proposes changes to the tax regime for agriculture.
in the productivity of food staples has been modest, and yields of rice, maize, cassava, and sweet potato are among the lowest in the region. For example, total maize production grew by only 3.5 percent per year from 2005/06 to 2010/11, and cassava by only 2.5 percent—barely sufficient to keep pace with Mozambique’s 2.7 percent annual population growth. Only a small proportion of smallholder farmers have adopted improved inputs (Box 1), and the effectively irrigated area (estimated at about 50,000 hectares) is far below the potentially irrigable area (estimated at around 3 million hectares). At the same time, Mozambique’s large urban and rural food markets, which absorb large volumes of imported food, represent a major opportunity for farmers, traders, and processors, provided they can seize it successfully. The government recognizes that sweeping reforms are required to attract private investment, including in staple food crop production as well as technology development and service provision related to those crops. It also recognizes that investments to develop institutional capacity are an essential complement to those reforms.

14. **The share of the national agricultural investment budget coming from external sources declined dramatically in recent years.** Funds provided by development partners through PROAGRI (from 1998 to 2011) comprised between two-thirds and three-quarters of the Ministry of Agriculture’s (MINAG’s) capital budget. This share declined rapidly after PROAGRI closed, falling to 38 percent in 2012. PROAGRI sought to improve MINAG’s planning and management capacity, yet the outcomes were mixed, and MINAG still needs to strengthen its budgetary planning and its capacity to monitor spending and the flow of funds. For example, the Medium-Term Expenditure Framework submitted each year by MINAG under PROAGRI regularly failed to clearly link anticipated sector outcomes with corresponding budget requests. The “guaranteed” annual inflow of capital from PROAGRI development partners undermined MINAG’s need to make a strong case for a substantive allocation of public funds from the Ministry of Finance (MoF), despite the fact that agriculture is a priority sector in the government’s fight against poverty. More recently, with the closing of PROAGRI and the emergence of the CAADP agenda, sectoral funding questions have attracted renewed attention, and the government recently completed a comprehensive medium term investment plan to underpin the implementation of its agricultural sector strategy.

15. **Strategic policy, institutional, and regulatory reforms, combined with public investments, are needed to stimulate rapid agricultural transformation, especially among producers of staple food crops, who stand to benefit the most.** A number of constraints prevent subsistence-oriented smallholders from becoming market-led agricultural entrepreneurs, including the limited use of productivity-enhancing agricultural technologies, inadequate provision of agricultural services, limited access to rural financial services, and ineffective enforcement of the Land Law. The density of the road network is the lowest in Southern Africa, and other key infrastructure in the power, telecommunications, and irrigation subsectors is underdeveloped. The rural population suffers from high rates of malnutrition, HIV/AIDS, and malaria, all of which reduce productivity. Ongoing public investments in infrastructure and health will complement policy reforms and investments in agricultural productivity and production factors.

16. **The government has developed a medium-term investment plan for the agricultural sector (PNISA) to underpin implementation of its sector strategy** (*Plano Estratégico de Desenvolvimento do Sector Agrário, PEDSA*). The plan identifies the critical investments for achieving production and productivity objectives in the sector. To support the PNISA, the government has embarked on a broad agenda of agricultural reforms, major elements of which are supported by the AgDPO series. Consistent with the investment plan’s targets, the
government intends to increase its budget allocation to the sector (including commitments from
donors and the private sector) and to economic corridors with a strong potential for further
economic growth and poverty reduction, and reverse a trend that saw government annual
budget allocation to agriculture consistently remain well below the CAADP target of 10
percent.

17. **Mozambique’s decentralization agenda is well advanced but provincial and district
administrations often lack the human and financial resources to efficiently address local challenges.** Agricultural services delivery is under the responsibility of the district level
services for economic activities (SDAE, *Servicios Distritais das Atividades Economicas*). SDAE’s core services such as agricultural extension are often supported by projects from
development partners and implemented by NGOs. District authorities, under the coordination
of the Ministry of State Administration, are implementing the government’s high priority local
development program of small loans for economic activities (including in agriculture); the
development impact of this program has yet to be thoroughly assessed. Lack of clarity on the
accountability between district and provincial authorities for services delivered locally to
smallholder farmers might get further exacerbated by the forthcoming introduction of provincial representations for specialized MINAG agencies (e.g. in irrigation, agribusiness).

**MACROECONOMIC ENVIRONMENT**

18. **Mozambique’s economic growth record has been very strong since the end of the civil war in 1992.** Average annual growth in GDP surpassed 7.4 percent between 1996 and
2011 (Figure 1), making Mozambique the fastest-growing nonoil economy in sub-Saharan
Africa. Sound macroeconomic management, large-scale foreign investment projects
(“megaprojects”), and strong, consistent donor support contributed to robust (albeit highly
uneven) growth across most sectors of the economy, especially mining, electricity, and
services.

19. **Yet rapid economic growth increasingly failed to translate into significant poverty reduction over the past decade.** Household survey data indicate that the national poverty headcount fell substantially from 68 percent to 56 percent between 1997 and 2003, but that it
fell at a much lower rate between 2003 and 2009, reaching 52 percent by 2009.\(^2\)

20. **The geographical distribution of poverty remains largely unchanged; moderate and extreme poverty are both concentrated in rural areas and in central and northern Mozambique.** Indeed, regional differences appear to have become more extreme. The moderate reduction in poverty in the mid-to-late 2000s appears to have been driven by declining poverty in the already more affluent South and urban centers, especially around Maputo. Nationwide, rural poverty remains severe, pervasive, and entrenched, having fallen

\(^2\) Although Mozambique may soon cease to be a non-oil economy because of its burgeoning extractive industries, the rapid growth during the past decade occurred before those industries became a major element of the economy. Note that aluminum production is not part of a domestic extractive industry, as it relies on imported bauxite; the current natural gas sector adds much of its value by refining gas products rather than by extraction alone; and coal exports were a minor part of the trade balance until 2011.

\(^3\) The government’s official poverty statistics place the poverty rate in both 2003 and 2009 at about 54 percent, yet recent analysis suggests that in 2003 the poverty rate was in fact marginally higher (56 percent) and fell to 52 percent in 2009. See World Bank: “Poverty in Mozambique: New Evidence from Recent Household Surveys,” Washington, DC, 2012.
only in the southern provinces, probably as an effect of rapid urban growth. The poverty headcount in Central Mozambique actually increased between 2003 and 2009.4

Figure 1: GDP and Per Capita GDP Growth Rates, 1996–2011

Source: World Bank World Development Indicators and INE.

Table 1: Selected Social Indicators, Mozambique, 2000–10

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Latest single year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary school enrollment (net %)</td>
<td>58</td>
</tr>
<tr>
<td>Primary school enrollment (gross %)</td>
<td>80</td>
</tr>
<tr>
<td>Ratio of girls to boys in primary and secondary education (%)</td>
<td>76</td>
</tr>
<tr>
<td>Adult literacy rate, total (%)</td>
<td>48</td>
</tr>
<tr>
<td>Adult literacy rate, female (%)</td>
<td>33</td>
</tr>
<tr>
<td>Under-5 mortality rate (per 1,000 live births)</td>
<td>162</td>
</tr>
<tr>
<td>Infant mortality rate (per 1,000 live births)</td>
<td>110</td>
</tr>
<tr>
<td>Life expectancy at birth (years)</td>
<td>48</td>
</tr>
<tr>
<td>Physicians per 1,000 people</td>
<td>0.024</td>
</tr>
<tr>
<td>Immunization, DPT (% of children 12–23 months)</td>
<td>74</td>
</tr>
<tr>
<td>Immunization, measles (% of children 12–23 months)</td>
<td>75</td>
</tr>
<tr>
<td>Access to improved water sources (% of population)</td>
<td>43</td>
</tr>
<tr>
<td>Access to sanitation facilities (% of population)</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: World Bank World Development Indicators.

21. Nevertheless, some social indicators have improved significantly and steadily since the mid-1990s. Strong, consistent progress in public health (infant and maternal mortality) and education (school enrollment) persisted into the 2000s, far outpacing increases in access to improved water and sanitation and in the number of physicians per capita (Table 1). Immunization rates have marginally declined since 2000.

4 These figures are also based on the Bank’s revised estimates and differ from the official statistics.
22. **Mozambique has also made substantial albeit uneven progress toward the Millennium Development Goals (MDGs).** Results of the most recent household survey indicate that if Mozambique is to halve the population living in absolute poverty by 2015, it must reduce poverty at a significantly faster pace. Hunger and child malnutrition remain major challenges, particularly given the relative severity and intractability of rural poverty. The MDG for access to improved water sources is within reach, given recent improvements in the quality and extent of the urban water supply, although increasing access to improved water sources in rural areas remains another serious challenge. The greatest progress has been made on the MDG targets related to universal primary education, gender equality and women’s empowerment, child mortality, and maternal health, but progress must be sustained and in some cases accelerated to meet the targets. Combating the spread of HIV/AIDS, limiting the incidence and mortality rates for malaria and other diseases, and reducing malnutrition are among Mozambique’s most pressing social policy concerns, and progress on MDGs in these areas remains limited.

23. **Despite decades of robust growth and broad improvements in some social indicators, Mozambique still faces a complex set of development challenges.** In 2011, GDP per capita was US$ 535, well below the average for developing countries in sub-Saharan Africa (US$ 1,424) and significantly below the average for low-income countries worldwide (US$ 581). Human capital constraints remain severe. Mozambique ranked 184th out of 187 countries in the 2011 Human Development Index; the adult literacy rate is 55 percent, and average life expectancy at birth is just 50 years.

24. **Malnutrition worsened between the mid-1990s and 2003 and is only now returning to levels seen in the mid-1990s, whereas chronic undernutrition (stunting) remains serious, causing at least one-third of the deaths among children under five.** Chronic undernutrition affects approximately 44 percent of children under five, a rate that is considered “very high” by the World Health Organization (WHO) and that has been virtually unchanged since 2003. Fifteen percent of newborns have low birth weights, an important indicator of poor maternal and newborn nutrition.

25. **Vitamin and mineral deficiencies take a heavy toll in Mozambique, equivalent to an estimated annual loss of US$ 116 million.** Vitamin A deficiency, which increases the risks of child death by at least 23 percent and increases the risks of disabilities such as blindness, affects 14 percent of pregnant women and 69 percent of children 6–59 months of age. Anemia—which reduces a person’s cognitive function and physical capacity to work, thereby reducing productivity—debilitates more than half of all pregnant women and nearly 75 percent of children 6–24 months of age. Even children in the richest quintile are affected: 25 percent are stunted, and a large percentage is anemic. Iodine deficiency (associated with multiple morbidities, including an average IQ loss among children of about 13 points) affects an estimated 68 percent of the school-age population.

26. **Governance, although suffering from marked weaknesses, appears to be improving.** Limited administrative capacity, combined with inefficiencies in the design and enforcement of regulations and weaknesses in overall governance, represent major constraints on private sector development and international competitiveness. Mozambique’s ranking in the Trade Logistics Performance Index fell from 110th out of 150 countries (2007) to 136th of 155 countries (2010). Yet Mozambique significantly improved its rank in the Transparency International

---

5 Mozambique was one of nine countries excluded from the 2012 Trade Logistics Performance Index due to insufficient data.
Corruption Perceptions Index, rising to 120th of 183 countries in the 2011 report (versus 130th of 180 countries in 2009). Mozambique performed better than the averages for sub-Saharan African countries and low-income countries on all six dimensions of the 2010 Worldwide Governance Indicators (voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption). Although Mozambique remains highly dependent on external aid, the share of aid in the national budget is falling. External grants now account for approximately 23 percent of government spending.

Box 2: Extractive Industries in Mozambique

Given its rich variety of mineral resources, Mozambique is poised to become a major worldwide producer of mineral and hydrocarbon-fuel products. Since the discovery of large coal deposits in Tete Province in central-western Mozambique, the mining sector has attracted increasing attention both from international investors and domestic policy makers. Natural gas extraction and processing began in 2004 at the Sasol plant in Inhambane in the South, but the recent discovery of enormous gas fields in the Rovuma Basin, along the border with Tanzania, will radically alter the Mozambican economy for decades.

**Coal.** Mozambique has more than 32 billion tons of confirmed coal deposits; their full exploitation could make the country one of the world’s leading coal exporters. Global demand for coal is projected to increase over the next 15 years, fueled by rising demand among emerging economies such as India and China, and production in Mozambique is expected to increase substantially during the same period. Because port and railway infrastructure can support only a fraction of the potential production, significant investments in new ports and railway capacity will be necessary to realize the coal industry’s potential.

**Gas.** Confirmed gas reserves in the Rovuma Basin currently amount to 130 trillion cubic feet, and further discoveries of substantial commercial value are likely in the near future. Mozambique could become a major exporter of natural gas over the medium term. Export-centered investments in the production of liquid natural gas (LNG) are needed for the development of offshore gas fields. In addition, natural gas could be used to develop downstream industries domestically. Significant and complementary infrastructure investments are needed to permit LNG exports as well as the domestic use of natural gas.

**Projected foreign investment and fiscal revenues.** A few figures indicate the scale of prospective resource investments and the enormous value of those resources relative to the size of the Mozambican economy. Mozambique’s record to date for annual Foreign Direct Investment (FDI) is US$ 2 billion, and its GDP was less than US$ 13 billion in 2011. The Economist Intelligence Unit (EIU 2012) predicts that FDI will be US$ 90 billion over the next 10 years, an average of US$ 9 billion per year. The potential foreign exchange earnings represented by Mozambique’s extractable resources and their prospective impact on government revenues cannot be estimated precisely, given inherent uncertainties about production capacity, future prices, or the fiscal regime for the sector. Early projections suggest annual fiscal revenues of US$ 2–4 billion per year for coal and US$ 5–10 billion per year for gas. By comparison, current government revenues are just under US$ 3 billion per year.

**Policy challenges.** Managing large natural resource reserves—and the revenues they generate—presents a complex set of policy challenges. The government is stepping up efforts to build a strong institutional foundation for developing the sector, including revisions to the legislative framework, the formulation of comprehensive sectoral development plans, and efforts to improve public financial management and ensure that resource revenues are used effectively. Key investments in railways and port infrastructure are underway, and further projects are being evaluated.

27. **Strong economic growth continues but has been heavily concentrated in a limited number of sectors.** The extractive industries are by far the most dynamic, growing at more than 50 percent in the second quarter of 2012. Agriculture currently accounts for the largest share of GDP, at over 25 percent in 2012, followed by trade and retail services at 12 percent and transport and communications at 11 percent. Manufacturing accounted for just 10 percent
of GDP in 2012, compared to 17 percent 10 years ago. The extractive industries currently represent only about 1 percent of GDP, but if current expectations prove accurate (see Box 2), they will eventually dominate Mozambique’s economy.

28. **The limited range of exports reflects the narrow scope of the economy.** Only 13 products register annual exports in excess of US$ 1 million, although exports rose significantly (in real terms) over the past two decades, with average growth of 12 percent in 1991–99 and 18 percent in 2000–10. Much of this growth was driven by foreign-financed megaprojects in the aluminum, coal, and gas industries, particularly during the past decade. Mozambique continues to run an overall trade deficit, but megaprojects have contributed to a gradual narrowing of the trade balance, and this trend is expected to continue.

29. **Exports are heavily concentrated in a limited range of products.** Aluminum represents almost 50 percent of exports (Figure 2). The Moza aluminum smelter, the country’s premier megaproject, refines bauxite imported from Australia (Mozambique produces only a small amount of aluminum, so aluminum production is not classified as part of an extractive industry). Aluminum exports are likely to remain stable, as Moza has reached its facility’s maximum capacity. Coal production started only in mid-2011 but by the first quarter of 2012 had become Mozambique’s second-largest export. Coal production is likely to continue to grow over both the short and long term as coal producers expand capacity and infrastructure constraints are removed.

![Figure 2: Composition of Exports, Mozambique, recent years](source:INE)

30. **Recognizing the current and future importance of the extractive industries, the government is preparing to reform the management of extractable resources.** The reforms will strengthen the legal framework and fiscal regulatory regimes for the mining and natural gas sectors and ensure greater transparency in the financial flows related to extractive industries.

31. **In late 2012, Mozambique achieved compliance with the standards of the Extractive Industries Transparency Initiative (EITI).** After being accepted as an EITI candidate in May 2009, Mozambique steadily improved oversight of its emerging coal and natural gas sectors. It adopted more comprehensive reporting, publication, and external verification requirements for all private payments and public revenues related to the extractive industries, reforms that are at the core of the EITI standard. The highly participatory candidacy process involved
representatives from the government, the private sector, and civil society in accordance with EITI procedures.

32. **Mozambique’s compliance with EITI standards strongly indicates the government’s commitment to responsible management of the extractive industry sector.** For investors, EITI compliance signals the government’s political openness and reliability as a partner, while for civil society, it signals that natural resources are managed with transparency and accountability. To retain its certification, the government must continue to work with multiple stakeholders to ensure that public agencies and private firms maintain adherence to all EITI requirements.

**RECENT ECONOMIC DEVELOPMENTS**

33. **Mozambique’s overall macroeconomic framework remains fiscally, monetarily, and financially sound.** With the important contribution of donor support and private capital inflows, fiscal policy has supported a positive macroeconomic environment characterized by low inflation, prudent monetary policies, and a flexible exchange rate policy (Figure 3 depicts recent exchange rate and inflation trends). International Monetary Fund support through a Policy Support Instrument in collaboration with the World Bank provides an adequate foundation for World Bank budget support.

![Figure 3: Trends in Nominal Exchange Rates and CPI Inflation, 2010-2012](source: BoM and INE)

34. **Mozambique’s economic growth has been not only remarkably strong but highly resilient to external shocks.** GDP growth averaged almost 7 percent over the past five years despite the impact of the global financial and euro zone crises. The growth rate slipped only modestly during the global financial crisis, as the authorities were swift to adopt countercyclical fiscal and monetary policies that helped to mitigate its impact. Real GDP growth fell to 6.3 percent in 2009—well below the decade average, but extremely robust by almost any standard—and then rebounded, reaching 7.3 percent by 2011. Growth in 2012 is projected at 7.5 percent, notwithstanding the turbulence in international markets and slow
growth in global demand and prices for some of Mozambique’s main exports. Even so, current external conditions differ from those prevailing during the 2008 crisis and could adversely affect Mozambique through somewhat different channels. Weaker export demand, a wider trade deficit, and tighter global credit constraints could all potentially recur, while difficulties in the euro zone raise the additional specter of reduced aid disbursements by Mozambique’s development partners. Table 2 summarizes recent changes in macroeconomic indicators.

Table 2: Basic Macroeconomic Indicators, 2009-2013

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2009 actual</th>
<th>2010 actual</th>
<th>2011 estimated</th>
<th>2012 projected</th>
<th>2013 projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP growth rate (%)</td>
<td>6.3</td>
<td>7.1</td>
<td>7.3</td>
<td>7.5</td>
<td>8.4</td>
</tr>
<tr>
<td>CPI inflation (% annual average)</td>
<td>3.3</td>
<td>12.7</td>
<td>10.4</td>
<td>2.9</td>
<td>6.0</td>
</tr>
<tr>
<td>Credit to the economy (% change)</td>
<td>58.6</td>
<td>29.3</td>
<td>6.4</td>
<td>17.5</td>
<td>19.0</td>
</tr>
<tr>
<td>Policy lending rate (end of period)</td>
<td>11.5</td>
<td>15.5</td>
<td>15.0</td>
<td>10.5*</td>
<td>..</td>
</tr>
<tr>
<td>Gross domestic savings, excluding grants (% of GDP)</td>
<td>-2.6</td>
<td>2.1</td>
<td>5.5</td>
<td>7.0</td>
<td>8.8</td>
</tr>
<tr>
<td>Gross domestic investment (% of GDP)</td>
<td>16.5</td>
<td>26.4</td>
<td>37.6</td>
<td>37.2</td>
<td>39.0</td>
</tr>
<tr>
<td>Government</td>
<td>14.6</td>
<td>14.5</td>
<td>15.3</td>
<td>12.9</td>
<td>14.6</td>
</tr>
<tr>
<td>Other sectors</td>
<td>1.9</td>
<td>11.9</td>
<td>22.4</td>
<td>24.3</td>
<td>24.3</td>
</tr>
<tr>
<td>Terms of trade (% change)</td>
<td>-0.7</td>
<td>10.4</td>
<td>3.2</td>
<td>-8.1</td>
<td>-4.6</td>
</tr>
<tr>
<td>Current-account balance, including grants (% of GDP)</td>
<td>-12.2</td>
<td>-17.4</td>
<td>-25.8</td>
<td>-25.8</td>
<td>-26.5</td>
</tr>
<tr>
<td>Real exchange rate change (% change)</td>
<td>-6.6</td>
<td>-15.1</td>
<td>19.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: BdM, IMF, and World Bank estimates and projections.

*October 2012.

35. **Inflation has slowed significantly following adoption of tighter monetary and fiscal policies.** Inflation spiked in 2010 owing to higher international food and fuel prices, rising domestic demand for food and fuel, the gradual reduction in fuel subsidies beginning in 2009, and the sharp nominal devaluation of the New Mozambican Metical (MZN), especially against the US dollar and South African rand. Year-on-year inflation jumped from 4.2 percent in 2009 to a high of 16.6 percent in December 2010 and then fell to 2 percent by mid-2012 as the Central Bank (Banco de Moçambique, BdM) tightened its monetary stance.

36. **Tighter monetary policies reversed the depreciation of the metical, and rising currency values in the context of a more conservative fiscal stance rapidly curbed inflation, which dropped to just 1.2 percent by September 2012.** Over the preceding 12 months, the BdM had gradually lowered policy rates, but this action only marginally increased the availability of private sector credit. Growth in private sector credit now appears to be recovering gradually as a delayed effect of the BdM’s monetary easing policies, but credit growth remains both relatively slow and modest due to persistent uncertainty in global capital markets and ongoing liquidity constraints in the euro zone.

37. **Recently revised data on the external current account deficit, including grants, show that it exceeds 25 percent of GDP.** The large and growing current account deficit does not reflect a fundamental imbalance in the economy, but rather the rapid growth fueled by large FDI flows, which more than doubled between 2010 and 2011 (Table 3). The current account deficit has increased steadily since 2007. It is projected to remain stable at between 25 and 27 percent of GDP through 2013 before expanding to more than 40 percent in 2014–15. Despite the sustained growth of megaproject exports, especially coal, megaproject-related imports are also rising rapidly, resulting in persistent current account and trade deficits. These deficits are
unsurprising, given the size of FDI inflows (approximately US$ 3 billion) relative to Mozambique’s GDP (US$ 13 billion); they are also unlikely to be problematic over the long term due to the anticipated rise in megaproject exports. Grants are declining as a share of GDP and are projected to continue to do so over the medium term, but this trend has been partially offset by the sharp increase in FDI. High rates of FDI, primarily related to the extractive industries, financed around 90 percent of the current account deficit in 2011 and 2012.

Table 3: Balance of Payments, 2010–15 (US$ millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade balance (goods)</td>
<td>-1,729</td>
<td>-3,052</td>
<td>-2,986</td>
<td>-3,102</td>
<td>-5,842</td>
<td>-5,914</td>
</tr>
<tr>
<td>Exports, f.o.b.</td>
<td>2,333</td>
<td>3,118</td>
<td>3,679</td>
<td>4,229</td>
<td>4,539</td>
<td>4,811</td>
</tr>
<tr>
<td>Of which: megaproject exports</td>
<td>1,668</td>
<td>2,015</td>
<td>2,363</td>
<td>2,794</td>
<td>2,946</td>
<td>3,025</td>
</tr>
<tr>
<td>Imports, f.o.b.</td>
<td>-4,062</td>
<td>-6,170</td>
<td>-6,665</td>
<td>-7,331</td>
<td>-10,381</td>
<td>-10,725</td>
</tr>
<tr>
<td>Of which: megaproject imports</td>
<td>-1,450</td>
<td>-2,350</td>
<td>-2,969</td>
<td>-3,037</td>
<td>-5,671</td>
<td>-5,701</td>
</tr>
<tr>
<td>Trade balance (services)</td>
<td>-506</td>
<td>-794</td>
<td>-1,405</td>
<td>-1,456</td>
<td>-1,500</td>
<td>-1,584</td>
</tr>
<tr>
<td>Income balance</td>
<td>-85</td>
<td>-190</td>
<td>-108</td>
<td>-94</td>
<td>-289</td>
<td>-800</td>
</tr>
<tr>
<td>Of which: dividend payments by megaprojects</td>
<td>0</td>
<td>-157</td>
<td>-10</td>
<td>-21</td>
<td>-187</td>
<td>-254</td>
</tr>
<tr>
<td>Current account balance (before grants)</td>
<td>-1,663</td>
<td>-3,241</td>
<td>-3,770</td>
<td>-4,184</td>
<td>-7,226</td>
<td>-7,953</td>
</tr>
<tr>
<td>External grants</td>
<td>605</td>
<td>785</td>
<td>634</td>
<td>575</td>
<td>546</td>
<td>511</td>
</tr>
<tr>
<td>Current account balance (after grants)</td>
<td>-1,058</td>
<td>-2,456</td>
<td>-3,136</td>
<td>-3,609</td>
<td>-6,680</td>
<td>-7,442</td>
</tr>
<tr>
<td>Financial account balance</td>
<td>1,318</td>
<td>2,634</td>
<td>3,739</td>
<td>3,952</td>
<td>7,179</td>
<td>7,804</td>
</tr>
<tr>
<td>Net foreign borrowing (general government)</td>
<td>468</td>
<td>531</td>
<td>600</td>
<td>988</td>
<td>1,358</td>
<td>1,191</td>
</tr>
<tr>
<td>Net foreign borrowing (nonfinancial private sector)</td>
<td>-348</td>
<td>-590</td>
<td>-161</td>
<td>-401</td>
<td>3,881</td>
<td>4,606</td>
</tr>
<tr>
<td>Net FDI</td>
<td>1,340</td>
<td>2,892</td>
<td>3,090</td>
<td>3,261</td>
<td>1,840</td>
<td>1,912</td>
</tr>
<tr>
<td>Other investments</td>
<td>-142</td>
<td>-199</td>
<td>210</td>
<td>105</td>
<td>101</td>
<td>95</td>
</tr>
<tr>
<td>Memorandum items:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current account balance (% of GDP)</td>
<td>-17.4</td>
<td>-25.8</td>
<td>-25.8</td>
<td>-26.5</td>
<td>-42.1</td>
<td>-41.4</td>
</tr>
<tr>
<td>Excluding grants</td>
<td>-24.3</td>
<td>-32.1</td>
<td>-30.8</td>
<td>-30.2</td>
<td>-45.3</td>
<td>-44.1</td>
</tr>
<tr>
<td>Gross international reserves</td>
<td>2,099</td>
<td>2,428</td>
<td>2,886</td>
<td>3,084</td>
<td>3,466</td>
<td>3,715</td>
</tr>
<tr>
<td>In months of projected imports</td>
<td>3.3</td>
<td>3.3</td>
<td>3.6</td>
<td>2.9</td>
<td>3.1</td>
<td>3.2</td>
</tr>
<tr>
<td>In months of current imports</td>
<td>4.8</td>
<td>3.8</td>
<td>3.9</td>
<td>3.8</td>
<td>3.2</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Sources: BdM, IMF, and World Bank estimates and projections.

38. Despite successive external shocks, the government has successfully managed exchange rate volatility. It has done so primarily through fiscal policy actions and domestic interest rate adjustments, without compromising the integrity of the flexible exchange rate regime. Exchange rate stability has been supported by the progressive de-dollarization of the economy, with the share of foreign currency in broad money falling from 50 percent to 35 percent over the past decade. The authorities remain committed to bolstering macroeconomic stability in the context of a flexible exchange rate by encouraging the use of domestic currency in financial transactions and by deepening the financial sector. The relative exchange rate stability of recent years is also reflected in the real effective exchange rate, which is roughly the same as it was six or seven years ago, despite significant fluctuations in the interim.
Fiscal indicators improved in 2011 and 2012 as steady revenue growth outpaced a modest increase in expenditures, narrowing the overall deficit. Tax revenues in 2010 and 2011 reached 18 and 19.6 percent of GDP, respectively, and are expected to rise to 21.2 percent in 2012 (Table 4). This trend results partially from improvements in tax administration and rising import volumes in 2011, which boosted import tax revenues and domestic sales taxes. In 2012, windfall revenue from capital gains taxes more than compensated for lower-than-expected customs revenues. Total expenditures and net lending rose by 1.4 percent of GDP in 2011 but are expected to contract by 1.5 percent of GDP in 2012. On the strength of rising tax revenues and moderately declining capital expenditures, the overall fiscal deficit (after grants) is expected to decline in 2012 to 3.5 percent of GDP.

### Table 4: Fiscal Framework, 2010–15 (% of GDP)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>20.5</td>
<td>22.2</td>
<td>24.0</td>
<td>23.1</td>
<td>23.3</td>
<td>23.9</td>
</tr>
<tr>
<td>Tax revenue</td>
<td>18.0</td>
<td>19.6</td>
<td>21.2</td>
<td>20.2</td>
<td>20.3</td>
<td>20.9</td>
</tr>
<tr>
<td>Nontax revenue</td>
<td>2.5</td>
<td>2.6</td>
<td>2.8</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Grants received</td>
<td>9.0</td>
<td>7.8</td>
<td>5.8</td>
<td>5.4</td>
<td>4.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Total expenditures and net lending</td>
<td>33.4</td>
<td>34.8</td>
<td>33.3</td>
<td>34.9</td>
<td>36.0</td>
<td>34.5</td>
</tr>
<tr>
<td>Current expenditures</td>
<td>18.9</td>
<td>19.6</td>
<td>20.4</td>
<td>20.3</td>
<td>20.2</td>
<td>20.2</td>
</tr>
<tr>
<td>Compensation to employees</td>
<td>9.2</td>
<td>9.8</td>
<td>10.0</td>
<td>10.1</td>
<td>9.9</td>
<td>9.6</td>
</tr>
<tr>
<td>Interest payments</td>
<td>0.8</td>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
<td>1.1</td>
<td>1.3</td>
</tr>
<tr>
<td>Domestic primary balance (before grants)</td>
<td>-3.7</td>
<td>-2.2</td>
<td>-1.2</td>
<td>-2.3</td>
<td>-2.1</td>
<td>-1.6</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>13.9</td>
<td>13.9</td>
<td>11.3</td>
<td>12.0</td>
<td>12.4</td>
<td>12.0</td>
</tr>
<tr>
<td>Externally financed</td>
<td>7.5</td>
<td>8.3</td>
<td>5.5</td>
<td>5.8</td>
<td>6.1</td>
<td>5.5</td>
</tr>
<tr>
<td>Domestically financed</td>
<td>6.4</td>
<td>5.6</td>
<td>5.9</td>
<td>6.2</td>
<td>6.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Overall balance (before grants)</td>
<td>-12.8</td>
<td>-12.8</td>
<td>-9.2</td>
<td>-11.8</td>
<td>-12.7</td>
<td>-10.6</td>
</tr>
<tr>
<td>Overall balance (after grants)</td>
<td>-3.9</td>
<td>-5.0</td>
<td>-3.5</td>
<td>-6.4</td>
<td>-8.0</td>
<td>-6.6</td>
</tr>
<tr>
<td>Total financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External (net)</td>
<td>4.2</td>
<td>4.1</td>
<td>3.6</td>
<td>5.8</td>
<td>7.2</td>
<td>5.9</td>
</tr>
<tr>
<td>Domestic (net)</td>
<td>-0.4</td>
<td>0.9</td>
<td>-0.1</td>
<td>0.6</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Net privatization</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Memorandum items:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total public debt</td>
<td>49.3</td>
<td>45.3</td>
<td>48.1</td>
<td>51.3</td>
<td>54.9</td>
<td>55.7</td>
</tr>
<tr>
<td>External</td>
<td>43.5</td>
<td>36.2</td>
<td>39.1</td>
<td>42.9</td>
<td>46.8</td>
<td>47.8</td>
</tr>
<tr>
<td>Domestic</td>
<td>5.9</td>
<td>9.1</td>
<td>9.1</td>
<td>8.3</td>
<td>8.1</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Sources: GoM, IMF, and World Bank estimates and projections.

The public sector wage bill rose in recent years, but its growth is expected to slow over the medium term as hiring decelerates. The wage bill, which rose to 9.2 percent of GDP in 2010 and 9.8 percent in 2011, is projected to reach 10 percent in 2012. Most of this increase arose from additional hiring in PARP priority sectors (especially education and public health), as well as moderate real wage increases. Gradual decompression of the pay scale, limited increases in overall hiring, and implementation of a new salary policy supported by the rapidly expanding electronic payment system (e-FOLHA) should cause the wage bill to decline...
as a percentage of GDP, starting in 2013. It is projected to stabilize at around 9 percent of GDP over the medium term.

41. The fuel subsidy was gradually reduced in recent years despite volatile oil prices and has become less of a fiscal concern. Although cost recovery was achieved in early 2012, subsequent global oil price increases sustained the need for fuel subsidies, though at a lower level than previously. Overall cost of the fuel subsidy fell from 1.5 percent of GDP in 2010 to 1.1 percent in 2011; it is estimated at 0.6 percent for 2012. The government recently completed all payments to fuel product importers that were owed as of 2011. Increases in diesel prices paid by megaprojects and public works contractors since mid-2011 have reduced the need to compensate fuel importers.

THE ECONOMIC OUTLOOK FOR 2013–15

42. Mozambique’s medium-term macroeconomic outlook remains very positive. The authorities expect real GDP to grow by 7.9 percent during 2013–15, driven by the agricultural sector, extractive industries, electricity and water, construction, and transportation and communications. As detailed in the PARP, the government proposes reforms to support stronger growth in these sectors, although they will take time to implement and their impact will not register immediately. In the short run, megaproject production, particularly the growth of coal exports, megaproject-related FDI, and investments in infrastructure (public and private), should remain among the most important contributors to economic growth. As indicated, inflation has been reduced dramatically and should remain below 5 percent through 2015, consistent with the national commitment to maintaining macroeconomic stability.

43. Exports are expected to grow over the long term, but fast FDI growth and rising imports are expected to increase the trade and current account deficits over the next few years. Export receipts are anticipated to grow by over US$ 1 billion (about 30 percent) from 2012 to 2015, largely on the strength of expanding megaproject exports, especially coal. Non-megaproject exports are expected to increase even faster, by 36 percent over the next three years. FDI will remain strong at about US$ 3.1 billion in 2012 and US$ 3.3 billion in 2013, while foreign borrowing—by the government and especially the private sector—is expected to expand significantly beginning in 2014.

44. Total fiscal expenditures should remain stable through 2015 at between 33.3 and 36 percent of GDP, in line with their projected six-year average of 34.5 percent. Successful efforts to control the growth of the public sector wage bill are expected to hold personnel costs essentially constant as a share of GDP, at around 10 percent. The modest growth of current expenditures as a whole should be offset by a roughly equal decline in capital spending. Annual primary deficits are projected to remain low, at between 1.6 and 2.3 percent of GDP through 2015, while the overall deficit will rise to between 6.4 and 8 percent, partly owing to the expected decline in donor grants over the period. The G-19 nevertheless remains committed to supporting Mozambique, and continued donor support, bolstered by improvements in the government’s tax-administration capacity, will contribute to a stable fiscal position. This conclusion is also reflected in the relatively positive outlook for public-debt dynamics (Box 3).

45. The BdM continues to maintain a mildly expansionary monetary policy stance, as credit growth remains weak, but its position is consistent with holding inflation to single digits. The monetary policy framework of Mozambique is expected to be strengthened as the
BdM builds capacity to develop an inflation-targeting regime. In early 2012, the BdM started publishing a quarterly monetary policy report aimed at anchoring price expectations based on a more transparent and efficient communication of recent economic developments as well as its monetary policy decisions. Recent easing of monetary policy has had a moderate, but clearly positive, impact on the growth of credit to the private sector, which has entered double-digit growth, following a deceleration in 2011. Credit growth should continue to accelerate in 2013, and inflation should increase gradually from its current record low of 1 percent between September 2011 and September 2012 to around 5 percent over the medium term.

Box 3: Debt Sustainability in Mozambique

According to a Debt Sustainability Analysis (DSA) update carried out by the World Bank and International Monetary Fund (IMF) in May 2012, debt indicators are projected to increase in the coming years as the authorities temporarily step up borrowing to address priority infrastructure gaps. Stress tests reveal that Mozambique’s external debt is particularly vulnerable to a one-time depreciation of the exchange rate and to negative export shocks. Overall, Mozambique continues to face a low risk of debt distress, and its external and public debt levels are expected to remain well below their indicative thresholds. The government’s plans to temporarily finance increased public investment through greater external borrowing on nonconcessional terms will increase its debt vulnerability, however, as debt ratios under stress tests as well as high investment/low growth scenarios approach their relevant thresholds. This prospect highlights the importance of continuing to pursue prudent macroeconomic policies and structural reforms designed to enhance debt management and project-selection capacity, building on progress achieved under the current IMF- and World Bank–supported programs. The government recently completed an Integrated Investment Plan describing its investment priorities, selection procedures, and current assessment of top-priority projects. This rolling plan will be updated to reflect further analysis, focusing on projects’ expected economic and social returns and considering potentially lower-cost alternatives. This plan is expected to help maximize value-for-money in future public investments, which will be critical to debt dynamics, given the high cost of nonconcessional loans.

46. **Despite its generally positive economic outlook, the Mozambican economy faces substantial downside risks**, particularly in terms of a potential slowdown in international economic growth. Persistent uncertainty in external markets and the potential for adverse impacts on export revenues, FDI, strategic import prices, tax revenues, and overall economic activity present significant risks to Mozambique’s growth projections. The main transmission channels of a significant downturn in the global economy—and especially a renewed recession in Europe—would lower commodity prices and constrain FDI. In addition, adverse exchange rate effects between the metical and the rand could negatively affect Mozambique’s important trade links to South Africa, including those for aluminum exports and imports of consumer goods.

47. **Overall, Mozambique’s macroeconomic framework provides an adequate basis for the proposed series of budget support operations on agriculture.** The World Bank’s view is based on the country’s strong macroeconomic performance over the past decade and the expectation that robust growth will continue in a stable and supportive policy context. Growth projections assume the maintenance of prudent fiscal and monetary policies, supported by the International Monetary Fund Policy Support Instrument (PSI), and continued donor engagement, including ongoing policy dialogue on the implementation of reforms under the AgDPO series.
III. THE GOVERNMENT’S PROGRAM AND PARTICIPATORY PROCESSES

MACROECONOMIC PROGRAM

48. Mozambique’s poverty reduction strategy outlines the government’s program for 2011–14. It strives to foster more inclusive growth and includes proposals to address food security. This poverty strategy sharpens the government’s focus on boosting productivity in labor-intensive sectors and unleashing the structural transformation and diversification of the economy. The strategy’s three main pillars are: (i) to increase production and productivity for the agricultural and fisheries sectors; (ii) to promote employment; and (iii) to foster human and social development. As in the previous strategy, other major components are to foster good governance and preserve macroeconomic stability. World Bank and IMF staff prepared a Joint Staff Advisory Note on the new poverty reduction strategy that was discussed by the World Bank’s Board of Directors on January 10, 2012.

AGRICULTURE PROGRAM

49. The strategic objectives of the government’s five-year development plan for agriculture (2011–14) are fully consistent with the country’s poverty reduction strategy. They are to: (i) guarantee national increases in food production and food security; (ii) enhance productivity of farms and commodity value chains; (iii) stimulate increased market-led production; (iv) promote the sustainable use of land, forests, and fauna; and (v) develop the capital and capacity of institutions supporting the agricultural sector.

50. The annual joint review by the government and donors on overall progress with poverty reduction included an assessment of achievements under MINAG’s 2012 social and economic plan for agriculture. The assessment found that MINAG had distributed more than 8,000 tons of seed and 830 head of cattle (for animal traction) and revealed that the largest share of the rural land tax came from the provinces of Maputo (25 percent) and Nampula (19 percent). Another finding was that growth across the agricultural sector for the first half of 2012 (including the second crop) was 3.4 percent. This rate was lower than expected, following subpar performance in the cashew, tea, and copra subsectors.

51. MINAG’s proposed activities and actions for 2013 support the government’s priorities for agriculture as stated in the five-year plan described earlier. The sector is projected to grow by 4.8 percent in 2013, well below the 7 percent target of the national sector strategy and the 6 percent target to which African governments committed under CAADP. The socioeconomic plan for agriculture in 2013 includes the distribution of seed (estimated to decline to 5,200 tons) using mechanisms introduced under the Food Production Action Plan, such as supplying seed through agro-dealers at a subsidized price.

52. The government’s agricultural sector strategy for 2011–20 is characterized by a multisectoral, interministerial approach to improving agricultural performance. Its strategic objective is to “contribute to food security and producer income in a competitive and sustainable manner that guarantees social and gender equity.” Formulation of the strategy, developed with support from the Food and Agriculture Organization (FAO) and other development partners, started in 2007 and was marked by three core phases. The first, a series

---

of stocktaking diagnostics for all key subsectors, was followed by the definition of a vision for the sector and its strategic orientations. The third phase consisted of holding regional stakeholder consultations, defining institutional arrangements and coordination mechanisms, and consolidating and validating the strategy.

53. **The resulting national strategy for agriculture is built around four strategic pillars and their corresponding goals:**
   
   (i) **Agrarian Productivity:** Increase productivity, production, and competitiveness in agriculture.
   
   (ii) **Market Access:** Enhance services and infrastructure for better access to markets within a framework conducive to investment in the sector.
   
   (iii) **Natural Resources:** Promote sustainable use of land, water, forest, and fauna resources.
   
   (iv) **Institutions:** Strengthen institutional capacity for the sector.

54. **With the implementation of the sector strategy, the government seeks to achieve annual growth in agriculture of at least 7 percent** through a combination of increased farm productivity (that is, higher yields per hectare) and an expansion of cultivated area (specifically, an increase of 25 percent by 2020 of the area under food crops). The sector strategy promotes the creation of an enabling environment conducive to stronger private sector participation (including smallholders and other economic actors) in the various commodity value chains. The strategy also prioritizes public investments in areas of strong economic potential while supporting local initiatives and nonfarm activities elsewhere. Six development corridors are identified, including the Zambezi Valley and the Beira corridors in Central Mozambique, where agriculture-related investment operations financed by the World Bank are under implementation.

55. **Mozambique signed its National CAADP Compact in December 2011.** CAADP represents African leaders’ collective vision for agriculture-led development to help African countries attain higher economic growth. To achieve this goal by 2015, countries commit to reforms designed to bring about average annual growth of 6 percent in agriculture; they also commit to increasing public investment in agriculture to at least 10 percent of their national budgets. The four pillars for agricultural improvement and investment under CAADP are: (i) sustainable land and water management; (ii) market access; (iii) food security and hunger; and (iv) agricultural research. Mozambique’s CAADP Compact outlines a set of sector priorities aligned with the CAADP pillars, to which the government, donors, producers, other private sector agents, and civil society are committed.

56. **Under its CAADP agenda, the Government of Mozambique has prepared its first agricultural medium-term investment plan (the PNISA, discussed earlier).** Mobilizing resources through domestic and international alliances is a crucial element and output of the CAADP roundtable process, and PNISA was developed through broad, participatory consultation and validation initiated in January 2012 by a technical unit at MINAG, with support from FAO. The plan, which encompasses detailed costing, a monitoring and evaluation (M&E) framework, and arrangements for institutional coordination, is broken down into 21 programs. PNISA’s total indicative budget is about US$ 3.2 billion for 2013–17 (about US$ 640 million per year). Research and irrigation comprise 36 percent of the overall budget. The financing gap for the investment plan is estimated at US$ 2.3 billion (around 72 percent of the total budget). At the forthcoming multistakeholder business meeting under the country’s
CAADP agenda (first quarter 2013), the government will present the final version of the investment plan and seek funding from the private sector and development partners alike.

57. **Efforts to address malnutrition are central to the government’s poverty reduction and agricultural strategies.** The Ministry of Health (Ministério da Saúde, MISAU) has a multipronged strategy to combat deficiencies of critical micronutrients (vitamins and minerals) through a targeted supplementation program, and MINAG pursues a complementary dietary diversification strategy. An effort to add vitamins and minerals to processed foods via agricultural value chains is coordinated with the Ministry of Industry and MINAG’s Technical Secretariat for Food Security and Nutrition (Secretariado Técnico de Segurança Alimentar e Nutricional, SETSAN). The food fortification strategy\(^8\) involves mandatory iodization of all edible salt and fortification of selected staples with other essential vitamins and minerals. MISAU, with support from Helen Keller International and the National Food Fortification Committee (Comitê Nacional para a Fortificação de Alimentos Moçambique, CONFAM) is considering options for micronutrient fortification of centrally processed foods; MISAU has prioritized wheat flour, cooking oil, maize meal, and sugar for fortification. Food fortification and vitamin and mineral supplementation are relatively simple, cost-effective strategies to scale up the provision of micronutrients that would cost the country less than US$ 13 million per year. Legislation for salt iodization has been enacted (an estimated 60–70 percent of salt consumed in Mozambique is already iodized). Fortification of wheat flour and edible oil continues in partnership with the private sector and the Ministry of Industry.

58. **The proposed AgDPO series builds directly on lessons learned by the government and donors from a decade of operational and institutional engagement in agriculture.** A widening policy gap emerging amid the various sector strategies, institutional development programs, and operational projects has contributed to Mozambique’s mixed agricultural performance in recent years. To speed farmers’ transition from a subsistence to an entrepreneurial orientation, the government needs to complement its agricultural sector strategy and its medium-term sector investment plan with a medium-term program of policy and institutional reforms. The proposed AgDPO series represents an opportunity for the government to prioritize, select, implement, and report on several rigorously selected sector policy instruments.

59. **Figure 4 depicts the evolution of the World Bank’s support in agriculture over the past decade and the related milestones in the government’s program.** By and large, since the multidonor sector budget support (PROAGRI-I) initiated by the World Bank, few activities involving the World Bank have allowed for a comprehensive dialogue on policies and policy reforms with the government and other donors. Institutional issues have to some extent been covered by sector investment lending under the Market-led Smallholder Development Project, the Sustainable Irrigation Development Project (PROIRRI), and more recently the regional agricultural productivity program in Southern Africa (APPSA). Even so, only in the final years of PROAGRI-II (which the World Bank did not co-finance) did the Bank reengage in a comprehensive sector policy dialogue with the government and other development partners.

---

\(^8\) The National Fortification Strategy (2011–15) awaits approval. MISAU worked with World Vision, representing other EXCOM members involved in United States Agency for International Development (USAID) Title II monetization in Mozambique, as well as Helen Keller International, to develop and implement the micronutrient fortification strategy.
The AgDPO series presents a unique opportunity to consolidate and provide some depth to the various elements of the World Bank’s policy dialogue with the government. The Food Production Action Plan (2009–11), which encapsulates the government’s response to high international food and fuel prices, triggered a series of policy discussions with the World Bank on subsidies and input distribution programs. In early 2011, the Government of Mozambique and World Bank joint Policy Conference on Growth and Diversification included a focus on agricultural productivity. In response to the government’s request, the World Bank has since engaged in policy discussions and analytical work related to land issues. Given the government’s clear prioritization of agriculture in its current economic growth and poverty agenda, however, a more comprehensive framework for a tripartite dialogue on sector policy among the government, World Bank, and other development partners is now required. The AgDPO provides precisely this platform for a multistakeholder dialogue built around a medium-term sector policy and institutional reform agenda.

---

9 Examples include Strategic Objective 1 of the poverty reduction strategy, Mozambique’s CAADP agenda, corresponding agricultural sector strategy and medium-term sector investment plan, discussed previously.
IV. BANK SUPPORT TO THE GOVERNMENT’S PROGRAM

LINK TO THE CPS

61. Agricultural growth, as a driver for rural economic development and rural poverty reduction, is an important theme in Mozambique’s Country Partnership Strategy (CPS) for FY12–15. The starting point for the CPS is the government’s poverty reduction strategy, with its theme of inclusive, broad-based growth. The World Bank’s Africa Regional Strategy also provides an overall framework for setting priorities and managing the proposed program. Like the Africa Regional Strategy, the CPS has two pillars directly linked to agriculture—Pillar 1 (Competitiveness and Employment) and Pillar 2 (Vulnerability and Resilience)—and a cross-cutting foundation (Governance and Public Sector Capacity). The CPS also emphasizes mainstreaming gender, social accountability, and nutrition in the portfolio, because they are essential elements of rural development.

62. The proposed AgDPO series has been identified in the CPS and is designed to contribute directly to the objectives of Pillar 1. Pillar 1 is the principal support for the overarching goal in the CPS of broad-based, inclusive, pro-poor growth. Outcomes of the AgDPO series and a number of complementary investment operations are expected to contribute to the following objectives of Pillar 1: (i) an improved regulatory environment; (ii) improved management of the development process through spatial planning; and (iii) increased crop yields and overall productivity (Table 5).

Table 5: AgDPO Support for Country Partnership Strategy Objectives and Outcomes

<table>
<thead>
<tr>
<th>CPS pillar</th>
<th>CPS objective</th>
<th>CPS outcomes</th>
<th>AgDPO actions supporting the CPS outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pillar I: Competitiveness</td>
<td>Increase productivity in agriculture and other</td>
<td>Crop yields and overall productivity have</td>
<td>Support for priorities identified in the country’s sector strategy (e.g., increase the number of agro-input dealers, promote community land delimitation, and improve the management of irrigation schemes ).</td>
</tr>
<tr>
<td>and Employment</td>
<td>potential growth sectors</td>
<td>increased</td>
<td>AgDPO focus on addressing policy and institutional bottlenecks in core areas (seed and fertilizer, land, irrigation) and enabling environment (rural finances, agribusiness environment).</td>
</tr>
<tr>
<td>Reduce</td>
<td>The regulatory environment has improved</td>
<td></td>
<td>Series of measures to improve the regulatory framework in the AgDPO Policy Areas (seed and fertilizer industry, transferability of land use rights, and so on).</td>
</tr>
<tr>
<td>constraints to private and financial sector growth</td>
<td></td>
<td></td>
<td>Adoption of the Agribusiness Strategy, which focuses on introducing measures to enhance access to financial services and improve the business environment.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Close coordination with the implementation of the G8 New Alliance Collaboration Framework, which includes a range of actions supporting improved legislation for enhanced private sector investment.</td>
</tr>
</tbody>
</table>

63. The CPS specifically mentions the need to address policy and institutional bottlenecks affecting implementation of Mozambique’s strategy for agriculture and commitments to CAADP. The AgDPO series supports the sector strategy and its focus on increasing agricultural productivity and output. It also provides the necessary framework to

---

engage the government in a medium-term reform program with policy and institutional measures that increase the likelihood of achieving the goals of the sector strategy and the objectives of the investment operations by the World Bank and other development partners supporting the sector.

**COLLABORATION WITH THE IMF AND OTHER DONORS**

64. **A Memorandum of Understanding providing general budget support was signed in March 2009 between the Government of Mozambique and 19 donors (G19), including the World Bank.** The Memorandum of Understanding is based on four “fundamental principles”: (i) predictability and alignment with domestic systems; (ii) joint monitoring and use of the common Performance Assessment Framework for all policy actions or expected outcomes; (iii) elimination of the requirement for separate reporting to donors; and (iv) mutual accountability.

65. **Within their respective mandates, the World Bank and IMF cooperate very closely in assisting the Government of Mozambique.** Mozambique has a stable relationship with the IMF, anchored on a three-year PSI approved in 2010. The World Bank actively participates in PSI and Article IV missions. The IMF leads the dialogue on macroeconomic policy (including fiscal, monetary, and exchange rate policies), the electronic integrated financial management system (*Sistema de Administração Financeira do Estado*, e-SISTAFE), and tax and customs reforms. The World Bank leads the policy dialogue on public expenditure management, sector structural reforms, reforms of the civil service, and poverty and social impact analysis. Areas of close collaboration include banking supervision, the financial sector, trade, the poverty reduction strategy, external debt sustainability, and maximizing the benefits from megaprojects and the use of natural resources. Active World Bank participation in IMF missions has had synergistic benefits and reduced the burden on the government. Since 2009, the IMF has been an *ex officio* member of the G19, and intends to continue to synchronize its missions with the joint reviews of the G19.

### Box 4: The G8’s New Alliance for Food Security and Nutrition

Mozambique is among the first African countries to commit with the G8 to the New Alliance for Food Security and Nutrition (October 2012). Under this agreement, G8 members intend to focus key resources and other contributions on high-priority, high-impact investments featured in Mozambique’s agricultural sector investment plan (PNISA), especially in the Zambezi Valley, Beira, and Nacala agricultural growth corridors. As part of this effort to speed PNISA implementation, increase private investment, and scale up innovation, support from G8 members will include resources from the Grow Africa platform.

The Government of Mozambique intends to pursue the policy goals outlined in the document’s policy matrix to build domestic and international private sector confidence to significantly increase agricultural investment. The matrix was developed with the World Bank on the basis of reforms program discussed with the government under the AgDPO series. Through Letters of Intent, private sector representatives have communicated their intention to invest in agriculture in support of the national agricultural sector strategy (PEDSA) and PNISA—both developed within the framework of the country’s strategy under the Comprehensive Africa Agriculture Development Programme.

*Source: Cooperation Framework to Support the New Alliance for Food Security and Nutrition in Mozambique (October 2012).*

66. **Donor coordination in agriculture is implemented through the development partners group for Agriculture and Rural Economic Development (AgRED).** The group, created in mid-2011 and chaired by the World Bank, replaced the donor harmonization arrangements supporting the PROAGRI common fund and comprises some 30 agencies...
supporting agriculture in Mozambique. The group’s objective is to strengthen the overall effectiveness of development assistance provided to the agricultural sector by advancing harmonization and coherence among development partners and by promoting coordinated and efficient policy dialogue with the Government of Mozambique. Since its inception, AgRED’s thematic priorities have encompassed joint dialogue with the government on implementing the sector strategy, the country’s CAADP agenda, and medium-term sector investment plan, as well as on potential co-funding modalities and improving financial management at MINAG. More recently, consultations on the complementarity of the government’s policy measures under G8 New Alliance and the AgDPO-1 were held with USAID and the Government of Japan who are the lead agencies for the New Alliance (Box 4).

67. Development partners participated in the design of the AgDPO series and support programs (including technical assistance) in various AgDPO policy areas. During the preparation phase, the World Bank organized focus group discussions around the various AgDPO policy areas. Several development partners proposed and helped to define policy and institutional measures related to areas of policy in which they are actively involved. As a result, the government is receiving targeted technical assistance from several development partners so that the corresponding agencies can implement reforms in specific subsectors covered under the AgDPO-1 (Table 6). To sustain the engagement of agencies implementing the proposed policy actions beyond AgDPO-1, the World Bank is leading the preparations for a Technical Assistance program aimed at strengthening institutional capacity is being prepared to accompany the proposed AgDPO series.

RELATIONSHIP TO OTHER BANK OPERATIONS

68. The AgDPO-1 is one of three general budget support operations currently being prepared for fiscal year 2013. Under the CPS, in FY13 the World Bank is supporting the government’s preparation of a new Poverty Reduction Strategy Credit (PRSC-9: US$ 110 million) and a Climate Change DPO (US$ 50 million). The PRSC supports the broader poverty reduction and development agenda laid out in the government’s poverty strategy. It is designed as an umbrella operation with a broad reach and an emphasis on economic policies. The government has asked the World Bank to focus resources and attention on selected reforms for high-priority sectors beyond what can be done within the framework of the PRSC. Accordingly, the sector DPOs build on the PRSC framework and are fully consistent with it; at the same time, they aim to extend policy and institutional reforms in the specific sectors they target. Sector DPOs are prepared in close consultation with development partners and closely aligned with the policy dialogue between the partners and the government; support to achieve the policy actions is provided partially through other donor programs.

69. The proposed AgDPO series would complement the new PRSC series, which until now has been the primary means for the World Bank to support policy reform (though reforms did not address agriculture). Over the current CPS (FY12–15), the new PRSC series will assist the government to: (i) strengthen its auditing and procurement systems to promote greater efficiency and accountability in the use of public resources; (ii) improve the business climate by simplifying regulations and reducing the administrative costs of starting a business; (iii) ensure transparency in the management of extractive industries; and (iv) expand the scope of social protection programs while enhancing their targeting, programmatic design, and impact on beneficiaries. The policy areas supported under the proposed AgDPO will allow for
a more comprehensive policy dialogue at the sector level and lay the groundwork to design and implement far-reaching reforms for agriculture.

Table 6: Policy Areas, Proposed AgDPO Reforms, and Assistance from Development Partners

<table>
<thead>
<tr>
<th>Sector focus</th>
<th>Government reforms under AgDPO-1</th>
<th>Support program from development partners</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy Area #1: Improving Agricultural Technology for Enhanced Productivity and Nutrition</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seed industry</td>
<td>Harmonization of national seed regulations with Southern African Development Community (SADC) requirements</td>
<td>Swiss Development Cooperation regional program on SADC Harmonized Seed Policy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>United States Agency for International Development (USAID) Seed support program</td>
</tr>
<tr>
<td>Fertilizer industry</td>
<td>Regulations governing the fertilizer subsector (product quality, Fertilizer Authority, value chain activities)</td>
<td>Alliance for a Green Revolution in Africa: African Fertilizer and Agribusiness Program (AGRA-AFAP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>International Fertilizer Development Center program</td>
</tr>
<tr>
<td>Irrigation subsector</td>
<td>Medium-term agriculture investment plan (PNISA) with details on irrigation</td>
<td>Food and Agriculture Organization (FAO) technical assistance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>World Bank (PROIRRI) and USAID support</td>
</tr>
<tr>
<td>Nutrition</td>
<td>Quality and standards for fortified wheat flour and edible oils</td>
<td>World Bank Health Delivery Services Project</td>
</tr>
<tr>
<td></td>
<td></td>
<td>USAID (G8 New Alliance) and European Union (Millennium Development Goal Program) nutrition-specific activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Helen Keller Foundation Food Fortification Program</td>
</tr>
</tbody>
</table>

| **Policy Area #2: Enhancing Access to Assets for Increased Production** |                                                                                                   |                                                                                                          |
| Land                            | Simplified process and reduced timelines for transferring rural land use rights on parcels of less than 10 ha | Millennium Challenge Corporation–Millennium Challenge Account Land Tenure Services Project                 |
|                                 |                                                                                                   | Netherlands/Sweden: Institutional Development and Capacity Building of the Land Sector program            |
| Value chain development         | National strategy for agribusiness development                                                   | USAID agriculture and private sector development program                                                 |

| **Policy Area #3: Monitoring Sector Performance** | Master Plan for Agricultural Statistics | FAO technical assistance |

70. Other World Bank activities complement the support for medium-term policy and institutional reforms in agriculture. The AgDPO series was designed with attention to the requirement for high complementarity with the Climate Change DPO series of general budget support operations, which includes an agricultural component. Under the Climate Change DPO series, the government has committed to introducing policy and institutional measures that promote conservation and climate-smart agriculture (a pillar of the national sector strategy and medium-term investment plan). Policy Area #1 in the proposed AgDPO series (improving agricultural technology) directly supports the Climate Change DPO’s focus on conservation and climate-smart agriculture by encompassing reforms to improve access to seed and water for agriculture.

71. Given the multisectoral nature of the AgDPO series, links exist with many other operations in the World Bank’s portfolio for Mozambique. As Table 7 indicates, several
World Bank lending operations support specific investments in policy areas and sectors included under the AgDPO series. At the same time, by addressing policy and institutional bottlenecks relevant to the investment operations, the AgDPO series should help to achieve the development objectives of the various projects mentioned here.

Table 7: AgDPO Linkages with Other World Bank Operations in Mozambique

<table>
<thead>
<tr>
<th>Bank Operation (ID#)</th>
<th>Project Development Objective</th>
<th>Linkages with the AgDPO series</th>
</tr>
</thead>
<tbody>
<tr>
<td>MZ Climate Change Development Policy Operation (P128434)</td>
<td>Build effective institutional and policy frameworks for climate-resilient development</td>
<td>Includes a component on conservation agriculture linking productivity (promoted under the AgDPO series) with climate change.</td>
</tr>
<tr>
<td>MZ Poverty Reduction Strategy Credit 9-11</td>
<td>Strengthen economic governance systems, support the private sector, enhance social protection</td>
<td>PRSCs will support a program of overarching policy reforms that complement the AgDPO series.</td>
</tr>
<tr>
<td>MZ PROIRRI Sustainable Irrigation Development Project (P107598)</td>
<td>Increase share of agricultural production that is marketed and raise farm-level productivity</td>
<td>The AgDPO series will support improved management of public irrigation infrastructure.</td>
</tr>
<tr>
<td>MZ Integrated Growth Poles Project (P127303)</td>
<td>Improve the performance of enterprises and smallholder farms in Tete and Nampula Provinces</td>
<td>The AgDPO series will strengthen the legal basis for shared land use between farming communities and private entrepreneurs.</td>
</tr>
<tr>
<td>Agricultural Productivity Program for Southern Africa (APPSA) (P094183)</td>
<td>Enhance regional specialization and collaboration in agricultural research to achieve farm productivity increases</td>
<td>The Center for Leadership Research on Rice, established under APPSA, will benefit from institutional reforms under the AgDPO series.</td>
</tr>
<tr>
<td>MZ Social Protection Project (P129524)</td>
<td>Create and consolidate a social safety net</td>
<td>AgDPO reforms in irrigation are conducive to labor-intensive cash-for-work programs promoted by this project.</td>
</tr>
<tr>
<td>MZ Water Resources Development Project (P107350)</td>
<td>Strengthen the management of national water resources</td>
<td>Investments under this project will enhance the supply of water for agriculture, as supported by AgDPO reforms in irrigation.</td>
</tr>
<tr>
<td>Health Services Delivery Project, additional financing for nutrition (P099930)</td>
<td>Increase access to and utilization of maternal and child health and nutrition services in target areas in the territory</td>
<td>Focuses on reducing malnutrition, including micronutrient malnutrition, through actions coordinated by the Ministry of Health.</td>
</tr>
<tr>
<td>Competitiveness and Private Sector Development Project (P106355)</td>
<td>Improve the business environment and enhance the competitiveness of targeted enterprises</td>
<td>AgDPO reforms to promote private sector-led agricultural growth will help achieve the objectives of investments in this project.</td>
</tr>
</tbody>
</table>

**Lessons Learned**

72. The World Bank increasingly focuses on using sector development policy lending to support agricultural growth and rural development under CAADP, which provides an Africa-wide framework for program support and coordination among donors. To date, only one agricultural DPO has been implemented in Africa Region (in Ghana), but in addition to the proposed AgDPO series for Mozambique, two others are under consideration, namely in Senegal and in Nigeria. However, a few cases exist in the Africa Region of multi sector DPOs with one policy area dedicated to agriculture (for e.g. Niger DPO-1 and DPO-2, or the early PRSC series for Benin).

73. Ghana’s two recent AgDPOs played a role in implementing Ghana’s CAADP Compact and agricultural sector investment plan. The Implementation Completion Report for the first and second AgDPOs found that sector development policy lending was a flexible
instrument that provided additional resources to the Government of Ghana to implement a country-owned program of policy and institutional reforms. Reforms under the first AgDPO series focused on post-harvest management, market access, irrigation management, research, and agriculture and fisheries sector management. The AgDPO series contributed to overall growth in the agricultural sector. The government viewed the DPO as complementary to investment lending operations because of its policy focus and the “unearmarked” resources it made available. The implementation arrangements were consistent with the principles of aid effectiveness, country ownership, leadership, management for results accountability, and use of country systems.

74. Niger’s two Rural and Social Sector Policy Reform Credits have played a major role in drawing attention to the institutional and policy reform agenda that was required for a successful implementation of the multi sector National Agricultural Action Plan. As the 2008 Implementation Completion Report highlights, institutional reforms implemented under the two DPOs proved to be key in improving the performance in irrigation, agricultural statistics, or in food security and natural disaster management. However, at the end of the second operation, it became clear that with no significant increase in the allocation of public funds to agriculture, the absence of incentives would severely limit on the sustainability of the engagement of the line ministry in the policy dialogue.

75. The on-going series of annual PRSCs for Mozambique, with PRSC-9 currently under preparation, underlines the need for a longer term, programmatic approach to achieve measurable outcomes through policy and institutional reforms. While progress on poverty reduction has been far less significant than initially anticipated despite the reform agenda backed by the PRSCs, the series highlighted the need for developing programmatic sector DPOs in order to engage the corresponding line ministries in a sustained policy dialogue aimed at implementing groundbreaking sector reforms.

76. The 2012 Development Lending Retrospective prepared by the World Bank's Operations Policy and Country Services (OPCS) reports that the performance of IDA-funded Development Policy Lending improved in recent years, as measured by the Bank’s Independent Evaluation Group. During the period under review, the average number of prior actions dropped from around 20 to 10, perhaps indicating that the judicious selection of policy areas with few but substantial prior actions and triggers increases the likelihood of achieving the desired outcomes. At the same time, more operations used results indicators based on baselines and targets, contributing to improved performance. Consistent with OPCS recommendations, the AgDPO series proposed for Mozambique is based on a reform agenda with a small number of carefully selected policy areas, and the results framework contains baselines and targets.

77. The 2012 OPCS review highlighted the role of DPOs in coordinating aid and achieving greater alignment in the policy dialogue in many (although not all) cases. The AgDPO series for Mozambique will support the medium-term agricultural sector investment plan, with the CAADP framework serving as a mechanism for aid coordination. The experience from Ghana indicates that an AgDPO series, underpinned by the CAADP planning process, can indeed strengthen the policy dialogue. By stimulating the policy dialogue with a focus on policy implementation, which is often the missing link in the process, the AgDPO series in Mozambique is expected to add value in a similar way.

---

11 In some cases—mostly of joint budget support—it increased costs and led to inefficiencies.
78. MINAG and other ministries with links to agriculture may require capacity building to internalize and implement the policy agenda. In Ghana, the policy and planning unit within the Ministry of Food and Agriculture had the capacity to engage in policy dialogue to identify a reform agenda, but the unit struggled to integrate the high-priority policy issues in the ministry’s management process. As a result, the achievement of prior actions was not internalized by the various departments and required frequent intervention from the policy and planning unit. It is vital to identify whether the capacity exists to absorb the policy agenda brought by the AgDPO and the additional focus on policy implementation. Mozambique may present both an opportunity and a need for technical support.

79. Given the challenges of attributing achievements and results to budget support, a carefully designed results framework is required. Ideally the results framework is based on an existing M&E framework. The timing of the availability of agricultural statistics needs to be considered. In Ghana, some baseline data were not yet available when the first operation in the second series was designed; in the interim, anticipated changes were expressed as percentages, and values were added at a later date.

**ANALYTICAL UNDERPINNINGS**

<table>
<thead>
<tr>
<th><strong>Box 5: Evidence-based Analytical Work in Support of the AgDPO Series</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fundo de Apoio a Rehabilitacao da Economia (FARE)</strong>: Grupos de Poupança e Credito em Moçambique: 10 Anos Depois [Savings and Loans Groups in Mozambique: 10 Years Later.] Rural Finances Support Project (PAFR), March 2011.</td>
</tr>
<tr>
<td><strong>Ministry of State Administration (MAE)</strong>: Estratégia de Financias Rurais em Moçambique. Republic of Mozambique, October 2011.</td>
</tr>
<tr>
<td><strong>SDC (Swiss Agency for Development and Cooperation) and Austral-COWI</strong>: Analysis of Seed Production, Commercialization, and Use in Mozambique. April 2011.</td>
</tr>
<tr>
<td><strong>United States Agency for International Development (USAID)</strong>: AgCLIR Mozambique: Commercial, Legal, and Institutional Reforms in Mozambique’s Agriculture Sector. August 2011.</td>
</tr>
<tr>
<td><strong>World Bank</strong>: Agribusiness Indicators – Mozambique. February 2012.</td>
</tr>
<tr>
<td><strong>World Bank</strong>: Improving the Rural Investment Climate for Business: Key to Rural Income Generation. December 2011.</td>
</tr>
</tbody>
</table>

80. The program of policy and institutional reforms proposed in the AgDPO series is guided by a comprehensive body of recent, evidence-based analyses by the World Bank, other development partners, and the government. Component 2 of the CAADP roundtable process is dedicated to analytical work that can underpin evidence-based decisions and
investment program planning. In that context, the CAADP stakeholders under the leadership of MINAG initiated a comprehensive exercise in 2010 to take stock of existing studies and reports and identify gaps in the knowledge and information required to support policy design and decision making. Development partners and the government identified which specific studies and reports would be needed to close the knowledge gap. This intensive, multistage process produced most of the analytical underpinnings upon which this AgDPO series is built (Box 5).

81. **Donor-funded collaborative agreements with MINAG also contributed greatly to the body of analytical work available for agricultural policy design.** The World Bank has also regularly undertaken analytical work in agriculture and other sectors covered in the AgDPO policy areas. Two long-term programs supporting analytical work in agriculture and rural development are highlighted here:

   (i) **Strengthening Mozambique's Capacity for Agricultural Policy Analysis, Productivity, Growth, and Poverty Reduction:** This program is funded by USAID and implemented by Michigan State University. Michigan State University has worked with MINAG in Mozambique since 1991 to increase MINAG's capacity to formulate and implement facilitative agricultural sector policies, strategies, and institutional reforms. Since 2004, it has also provided assistance to the National Agricultural Research Institute (IIAM).\(^{12}\)

   (ii) **Mozambique Strategy Support Program (MozSSP):** This program is funded by USAID and Sida and implemented by the International Food Policy Research Institute (IFPRI). It is designed to support the government’s efforts to reduce poverty through evidence-based research, capacity strengthening, and policy communications. At the heart of these efforts is the Mozambique Strategy Analysis and Knowledge Support System, which works closely with MINAG’s Directorate of Economics.

82. **Policy Area #1: Improving Agricultural Technology for Enhanced Productivity and Nutrition.** This policy area encompasses agricultural inputs (seed, fertilizer, water) and nutrition. A 2011 comprehensive analysis of the seed subsector funded by the Swiss Agency for Development and Cooperation highlighted the need for a package of policy and institutional reforms that includes a complete review of the outdated legal and regulatory framework for seed. The assessment recommends that the reforms in the seed subsector take into account requirements of the Southern African Development Community (SADC) in the updating exercise, and better defines the role of the government while allowing private sector participation. A 2012 World Bank study (*Agribusiness Indicators – Mozambique*) highlighted the need to implement policies fostering the development of a fertilizer value chain, given the increasing number of agro-input dealers. Based on these analyses, reforms under the AgDPO aim to strengthen private sector participation in the value chains for seed and fertilizer. To contribute to this outcome, MINAG developed and adopted in early 2012 regulations governing the seed and fertilizer subsectors, which are now under implementation.

83. With respect to **irrigation**, the AgDPO series builds on background reports developed in 2009–10 for the World Bank–funded PROIRRI investment operation as well as a comprehensive study funded by the European Commission on public expenditures in the irrigation subsector. This work highlighted the need to address gaps in the legislation regarding

---

\(^{12}\) As a follow-up to the CAADP stocktaking exercise on evidence-based analysis, a comprehensive list of recent work undertaken for the agricultural sector by Michigan State University and development partners can be found at [http://www.aec.msu.edu/fs2/mozambique/caadp/index.htm](http://www.aec.msu.edu/fs2/mozambique/caadp/index.htm).
local irrigation organizations and the management of public irrigation infrastructure by private entities, to boost private sector participation in irrigation. The analyses further recommended that the government design and implement a multiyear national irrigation program, developed in consultation with the private sector and others to ensure broad ownership by stakeholders. Reforms supported through the AgDPO series aim to improve the management of public irrigation schemes. To that end, under AgDPO-1 MINAG has developed and adopted in 2012 a comprehensive medium-term investment plan for the irrigation subsector to be implemented under the PNISA.

84. Policy actions related to nutrition under the AgDPO build on the Micronutrient Fortification Strategy drafted by MISAU, MINAG (SETSAN), and other partners and supported by a coalition of donors. The strategy prioritizes the fortification of wheat flour and oil through the agriculture value chain. It also recommends developing stronger quality control capacity and proposes regulations to support compliance with standards. Helen Keller International is working with MISAU to develop quality control procedures and manuals for industry and inspectors and to define a training plan for food producers and inspectors. The 2012 Mozambique Micronutrient Survey was commissioned and will provide baseline data on vitamin and mineral deficiencies. Further studies by HKI found that the impact on the consumer price of fortified edible oil or wheat flour should not significantly increase. Based on these various assessments, reforms under the AgDPO will address the role of nutrition in productivity by increasing the availability of food fortified with micronutrients. To that end, under AgDPO-1 the Ministry of Industry and Commerce developed and ratified in 2012, food quality standards for wheat flour and edible oil. The ratification of standards is a key requirement for the introduction of mandatory fortification of these products for the food industry.

85. **Policy Area #2: Enhancing Access to Assets for Increased Production.** This policy area covers land and financial assets, as well as the environment for agribusiness (value chain) development. On land, policy dialogue led to the production of three Bank policy notes on community land delimitation, land valuation, and land taxation. Together, these notes contend that in view of the steady increase in demand for land over the past two decades, the government should consider establishing a more accurate opportunity cost of land and applying an appropriately informed land taxation regime, which are likely to lead to higher effective land use. A fourth policy note, currently under preparation, uses spatial analysis to assess the potential for agricultural growth and support decision making on the allocation of land and investment type. Based on recommendations emerging from these notes, the AgDPO reform agenda on land aims to improve access to land and land tenure security through more efficient land administration. To that end, under AgDPO-1 the government has taken the measures in 2012 to simplify and shorten the process of transferring rural land use rights (Dereito de Uso e Aproveitamento da Terra, DUAT) for parcels of less than 10 hectares.

86. A number of studies recently conducted by the World Bank and USAID for Mozambique’s agribusiness sector provide valuable, evidence-based analysis for the design of the AgDPO series in relation to value chain development. The Bank’s report on agribusiness indicators and the Rural Climate Investment Assessment (RICA) confirm that the policy environment for agribusiness (encompassing licenses, public-private partnerships, access to land and credit, service delivery, governance, and other variables) must improve markedly for the private sector’s involvement in agriculture to increase significantly. Similarly, USAID’s report on commercial, legal, and institutional reforms (AgCLIR) provides many recommendations, backed by the World Bank’s RICA, to help overcome the constraints faced
by entrepreneurs in the various commodity value chains. The measures proposed under the AgDPO series address these bottlenecks and impediments through reforms to foster a business environment conducive to private sector-led agricultural growth.

87. For the finances side of value chain development, the design of the AgDPO drew on a major review of Mozambique’s financial sector undertaken by the World Bank in 2009 and published as a comprehensive Financial Sector Assessment. The assessment recommended that the government urgently address the low performance of financial services in rural areas. The Rural Finance Strategy (Ministry of State Information, 2011) builds on this diagnostic and outlines the government’s commitments to support local savings and loans initiatives, provide a framework for better district-level coverage by banking services and microfinance institutions, and encourage the development of new instruments and operators (such as a warehouse receipt system). Based on recommendations from those reports, the AgDPO reform agenda aims to promote innovative financing instruments and increase the number of rural finance operators. To increase access to rural finance services and enhance the agribusiness environment, MINAG has developed and adopted in early 2013 a comprehensive national agribusiness strategy that proposes an action plan to enhance, among others, access to financial services for rural entrepreneurs.

88. Policy Area #3: Monitoring Sector Performance. Most reports on agriculture note the lack of recent, reliable statistics and of adequate institutional arrangements to monitor, evaluate, and report on the sector’s performance. Moreover, a well-performing data management system supported by an annual results framework that feeds into a medium term expenditure framework is required to ensure accountability of MINAG for achieving the results committed to. MINAG has comprehensively assessed its statistical system, and a report on sector performance has recommended unifying all agricultural data under one statistical system and giving one agency the overall mandate for agricultural statistics to one agency. Based on these assessments and recommendations, the AgDPO reforms aim to support the development of a reliable agricultural statistics system. To that end, under AgDPO-1 MINAG ratified the Master Plan for Agricultural Statistics (2012–22), now under implementation. The plan includes a core list of sector indicators to be monitored and reported on and consolidates the mandate for agricultural statistics under one agency within MINAG.
V. THE PROPOSED MOZAMBIQUE PROGRAMMATIC DPO FOR AGRICULTURE

OPERATION DESCRIPTION

89. The Program Development Objective of the AgDPO series is to promote private sector-led agricultural growth in order to achieve improved food and nutrition security. To support the government's strategic objective of achieving food security through sustainable and equitable growth in agriculture, the AgDPO series is articulated around the pillars of the World Bank’s Africa strategy for agriculture\(^\text{13}\) (land and water management, agricultural markets and infrastructure, food security and vulnerability, and agricultural technology). That strategy in turn is aligned with the architecture of the CAADP program, as reflected in Mozambique’s National CAADP Compact, signed in December 2011.

90. The AgDPO series is designed as a programmatic series of three consecutive annual credits to support sequenced medium-term policy and institutional reforms in agriculture and nutrition. The AgDPO series is the result of a participatory process fully owned by the Government of Mozambique (Box 6). The design of the AgDPO series and the choice of policy areas reflect the need for a broader approach to achieve the objectives outlined in the national poverty reduction strategy, consistent with the national agricultural strategy and the country’s CAADP agenda. Such an approach, capable of achieving significant results on the ground, must feature a multisectoral, interministerial effort to address policy and institutional bottlenecks hindering agricultural growth. It also requires the government to adopt measures that help improve the performance of sectors that influence the enabling environment, which will in turn generate positive outcomes for growth in the agricultural sector.

91. Development partners are supporting the various government agencies with the implementation of the policy and institutional actions under AgDPO-1. At the same time, the World Bank is leading the preparation of a technical assistance program to support government implementation of the reform agenda in agriculture. The technical assistance program, currently under development and designed for several sources of funding, will

---

also strengthen the institutional capacity of the agencies involved in this multisectoral AgDPO, while sustaining their engagement throughout the lifetime of the AgDPO series.

92. **Figure 5 illustrates the operational principles of the AgDPO series.** Policy and institutional actions have been identified for interrelated subsectors, clustered in three policy areas, based on analytical evidence, the presence of bottlenecks impeding growth in the agricultural sector, and government priorities. These actions, which form part of the government’s medium-term agricultural reform program, are implemented sequentially over the three annual AgDPOs (subject to completion of the Prior Actions). At the end of the AgDPO series, it is expected that the reform agenda supported by the operations will have contributed to Objective 1 of the government’s poverty reduction strategy (*Increase production and productivity in agriculture and fisheries*) and to the strategic objectives of the four pillars of the national sector strategy.

**Figure 5: The AgDPO’s Contributions to Mozambique’s Poverty Reduction Strategy and Implementation of the Agricultural Sector Strategy**

93. **The policy and institutional reforms promoted by this AgDPO series will be implemented by the Government of Mozambique from 2012 to 2014.** As detailed in Box 7, the government completed the AgDPO-1 Prior in 2012, to subsequently trigger disbursement of the US$ 50 million equivalent early in Mozambique’s budget cycle. Several triggers identified for implementation under the AgDPO-2 have been proposed; should they be confirmed by the government, they will become Prior Actions under AgDPO-2, and the government’s performance under AgDPO-2 will be measured against by those actions. The final formulation of Prior Actions under AgDPO-2 will be made in the early stages of AgDPO-2 preparation. At that time, a more in-depth review of the selection and formulation of AgDPO-3 triggers will be proposed.

94. **The basic premise in designing the AgDPO is that reforms in areas central to agricultural development are necessary but not sufficient to achieve the expected outcomes.** The AgDPO takes a holistic approach to agriculture and rural development. It addresses the need for policy and institutional reforms in areas central to improving agricultural technology for enhanced productivity and nutrition (Policy Area #1). It also recognizes the need for policy and institutional change in areas that are vital for enhancing access to assets to achieve increased production (Policy Area #2). Finally, the AgDPO series
supports the development of a strong, efficient system for monitoring sector performance that is capable of generating reliable data and information for policy and decision makers with minimum delay.

<table>
<thead>
<tr>
<th>Box 7: Prior Actions for the Agriculture DPO-1</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Government of Mozambique has agreed upon and implemented the following prior actions before the presentation of the credit to the Executive Board:</td>
</tr>
</tbody>
</table>

**Prior Action 1:** Ratification by the Council of Ministers of SADC-compliant national seed regulations governing production, trade, quality control and certification.

*Evidence of completion:* Letter signed by MPD Minister that includes confirmation of approval by Council of Ministers of the decree on seed regulations

*Status of completion:* COMPLETED. Ratified by the Council of Ministers, February 19, 2013.

**Prior Action 2:** Ratification by the Council of Ministers of the regulations governing the fertilizer sub sector that include: i) details on the role of the Fertilizer Authority in providing public good type services, and ii) the requirements for economic agents that encourage private sector participation in the fertilizer value chain.

*Evidence of completion:* Letter signed by MPD Minister that includes confirmation of approval by Council of Ministers of the decree on fertilizer regulations.

*Status of completion:* COMPLETED. Ratified by the Council of Ministers, February 19, 2013.

**Prior Action 3:** Ratification by the Council of Ministers of the medium term investment plan for agriculture (PNISA) that includes the irrigation sub sector with a policy agenda supporting private sector participation, clear institutional coordination arrangements, a detailed costing, and an M&E framework.

*Evidence of completion:* Letter from the Secretariat of the Council of Ministers confirming approval of PNISA.

*Status of completion:* COMPLETED. Ratified by the Council of Ministers, December 4, 2012.

**Prior Action 4:** Adoption by the National Institute for Quality Standards (INNOQ/MIC) of the food quality standards for nutrient-fortified wheat flour and edible oil.

*Evidence of completion:* Official INNOQ list of quality standards published that includes fortified edible oil and wheat flour.


**Prior Action 5:** Publication of the outcomes of the process on simplification and reduction of the timelines for the transfer of rural land user rights (DUAT) for parcels measuring less than 10 hectares.

*Evidence of completion:* Publication of a communique from the Ministry of Agriculture, National Directorate for Land and Forests (DNTF) in the national newspapers.

*Status of completion:* COMPLETED. Approved by MINAG Consultative Council and published in the national newspapers, August 2012.

**Prior Action 6:** Ratification by the Council of Ministers of the country’s strategy for agribusiness (PNDA) that includes a sound policy agenda and a comprehensive implementation plan to promote the development of rural financial services and private sector investment in agriculture.

*Evidence of completion:* Letter signed by MPD Minister that includes confirmation of approval of PNDA by the Council of Ministers.

*Status of completion:* COMPLETED. Ratified by the Council of Ministers, February 26, 2013.
Given that women play a dominant role in small-scale agriculture, food security, and nutrition in most parts of the country, and given the government’s increased emphasis on food security and nutrition, policy reforms in agriculture must take gender into account. Recent data indicate that the share of woman-headed agricultural households in Mozambique increased from 23 to 27 percent over 1999–2009, with women heading significantly smaller farms than men (INE, 2011). A large body of literature suggests that women are much more likely than men to spend additional income on food and healthcare, so increasing women’s incomes is likely to have a proportionally greater impact on children’s health and nutrition—and thus on poverty reduction in rural areas—than comparable increases in men’s incomes.

Although the policy and institutional reforms supported under the AgDPO series are expected to have gender-neutral impacts, specific gender-related issues may require further assessment under the AgDPO series. Specific questions that could be analyzed include: What are the gender distributional effects of an increase in effectively irrigated agricultural area? How can women’s access to irrigation infrastructure and technology be enhanced? What are the possible impacts on rural women of phasing out government input distribution programs? How will a better-performing seed industry be more responsive to the needs of woman-headed agricultural households? How can the delivery of rural financial services be made more gender-responsive? And above all, how will the anticipated structural transformation of the rural economy caused by the newer generation of megaprojects in the extractive industry impact women, youth, and other vulnerable groups in all areas? In policy dialogue with development partners, the World Bank will explore the possibility of mobilizing funding to study the potential transformational effects of the growth in the gas and mining sectors on agriculture and gender.

Box 8 summarizes how the proposed AgDPO series conforms to five good practice principles for conditionality: (i) reinforce ownership; (ii) agree up front with the government and other financial partners on a coordinated accountability framework; (iii) customize the accountability framework and modalities of World Bank support to country circumstance; (iv) choose only actions critical for achieving results as conditions for disbursement; and (v) conduct transparent progress reviews conducive to predictable and performance-based financial support.
Box 8: The AgDPO Series and Good Practice Principles for Conditionality

**Principle 1: Reinforce Ownership**

There is strong government ownership of the AgDPO series. The AgDPO was envisaged as a means of support for Objective #1 of the government’s poverty reduction strategy (PARP). The government played a strong role throughout the selection and design of policy actions, undertook regular consultations across line ministries, and engaged actively in discussions on policy actions. The AgDPO series supports the objectives and priorities of the country’s CAADP Compact and is aligned with the country’s agricultural sector strategy (PEDSA); it is also linked to the Performance Assessment Framework for general budget support to the Poverty Reduction Strategy Paper through the inclusion of indicators to track progress in enhancing productivity and production in agriculture and fisheries. Policy reforms selected for inclusion in the AgDPO series support the government’s current policy intentions as defined in government policies, strategies, and legal frameworks. The design of the AgDPO is based on a strong foundation of analytical work.

**Principle 2: Agree up front with the government and other financial partners on a coordinated accountability framework**

The policy matrix in Annex 2 is the product of extensive dialogue led by the Ministry of Planning and Development (MPD) and was developed incrementally through consultations with the government and development partners. The different government ministries accountable for delivering different policy reforms are indicated clearly in the policy matrix. Donor coordination on agriculture has occurred regularly as part of the broader G19 support to the Government of Mozambique and within the Agriculture and Rural Economic Development (AgRED) donor group, which is a platform for broader discussion of policy and institutional reforms with development partners and government. For the past two years, the World Bank has led coordination among AgRED partners. A number of donors are providing technical support to the government in selected policy areas covered by the AgDPOs. The operation gained broad support through a series of workshops convened by MPD over the last year, in which focus group discussions brought together government representatives, World Bank staff, and development partners.

**Principle 3: Customize the accountability framework and modalities of World Bank support to country circumstances**

The government team preparing the AgDPO includes the National Budget Director of the MPD. As a result, the AgDPO cycle is aligned with the government’s budget planning cycle. As stated, there is close alignment with cross-cutting and sector-by-sector reforms expressed in the government’s policies, strategies, and legal frameworks. The choice and design of reforms was informed by existing studies and analyses; updated analyses may be considered for AgDPO-2 and AgDPO-3.

**Principle 4: Choose only actions critical for achieving results as conditions for disbursement**

Policy actions have been selected to meet objectives at the PDO level. The choice of prior actions and triggers has been selective. Only seven prior actions are included in AgDPO-1, and only eight triggers have been preselected to potentially become prior actions under AgDPO-2.

**Principle 5: Conduct transparent progress reviews conducive to predictable and performance-based financial support**

The World Bank will undertake supervision on an ongoing basis and as part of its support for the preparation of AgDPO-2 and AgDPO-3. The AgDPO Policy Area #7 on Sector Performance Monitoring will feed back into the AgDPO and provide the operational framework to track progress against the AgDPO indicators selected in the other policy areas, to assess the performance of AgDPO implementation. The disbursement schedule for each cycle of the AgDPO series is subject to full compliance with the prior actions, and is designed to ensure that AgDPO commitments can be integrated into the budget planning cycle.
Policy Areas for the AgDPO Series

Policy Area #1: Improving Agricultural Technology for Enhanced Productivity and Nutrition

Description

98. This AgDPO Policy Area encompasses the seed and fertilizer subsectors as well as the irrigation subsector and nutrition. Significant gains in farm productivity and agricultural production can be achieved through the adoption by smallholder farmers of a technology package tailored to their specific farming system and that includes an adequate combination of improved seeds, sound use of fertilizer, and water for agriculture. Combined with improved nutrition that directly impacts on on-farm labor productivity, agricultural technology is a key determinant to the transformation of smallholder farms into agricultural entrepreneurs. The government’s reform agenda under this Policy Area aim at increasing farm productivity in smallholder agriculture, while improving competitiveness and sustainability of the agriculture sector and taking into account social and private sector participation.

Seed and fertilizer subsectors: Context, Challenges, Government Actions to date

99. The largely underdeveloped seed subsector is characterized by significant government interventions that potentially inhibit the full development of a well-performing seed industry in Mozambique. Less than 10 percent of Mozambique’s staple crop area is planted with certified seed. Basic seed production is fairly centralized at IIAM, and the involvement of seed companies is not sufficiently promoted. MINAG’s Seed Department under the National Directorate for Agrarian Services (Direcção Nacional de Serviços Agrários, DNSA)—and their counterparts at the provincial level—are responsible for seed quality control and certification, but they have limited financial and human capacity. For example, in the last two years, public agencies inspected less than half of the seed production areas, and laboratory testing met only about half of the demand.

100. IIAM is the only public institution that conducts plant breeding and evaluates varieties. IIAM—with few effective links with agribusiness and seed companies to define plant breeding priorities and to partner in seed development—has submitted only 30 cereal varieties for release in the last five years. The Seed Department, which handles all tests and procedures for releasing and registering new varieties, cannot meet the demand for its services. In 2011, for example, it had a large backlog of more than 80 varieties awaiting registration. Mozambique lacks an effective instrument for regulating plant breeders’ rights. The only policy document is the National Seed Strategy for 1997–2001, formulated in 1997. No other seed policy instruments are being formulated, but in view of the challenges involved in developing the seed subsector, most stakeholders regard the formulation of a new seed policy as an urgent matter. Revisions to legislation and additions to the legal framework for seed (for example, for plant breeders’ rights) will need to be crafted as part of the harmonization of seed legislation in SADC countries.

101. Fertilizer use is concentrated on a few cash crops, especially tobacco and sugarcane, and widespread use by small-scale farmers is prohibited by high fertilizer prices in rural areas. Fertilizer use in terms of nutrients applied is very low, at 4.3 kilograms per hectare (compared to 9.5 kilograms per hectare in Ghana and 8.2 kilograms per hectare in Ethiopia). This level is well below the 2006 NEPAD/AU Abuja Declaration on Fertilizers, which sets a target for sub-Saharan Africa of 50 kilograms per hectare by 2015. All fertilizer used by Mozambican producers is either blended by one mixing plant or imported by several firms
(fertilizer imports are subject to a 2.5 percent tariff). Many observers feel that fertilizer prices paid by emerging farm entrepreneurs to agro-dealers are too high, suggesting high gross profit margins. Calculations of the kilograms of grain needed to purchase one kilogram of fertilizer nutrient (the nutrient-output ratio) imply that farmers have little or no incentive to use fertilizer on food crops such as maize, as fertilizer prices are too high relative to maize prices in the postharvest period (World Bank, 2012).

102. Mozambique has no nationwide fertilizer subsidy scheme. The distribution of fertilizer in startup kits for small-scale farmers has been subsidized in the past by nongovernmental organizations (NGOs) or in ongoing development projects, particularly following floods and under resettlement programs. The government introduced a voucher-based input subsidy scheme in 2009 with FAO technical assistance and European Union funding. Under this scheme, implemented by the International Fertilizer Development Center (IFDC), 25,000 farmers received sufficient seed and fertilizer to plant 0.5 hectare of maize or rice. The program concluded after two years and is under evaluation for potential scaling up.

103. Finally, the fertilizer subsector lacks a clear set of governing policies and regulations, including policies that enable private value chains to develop. Without this framework, it will remain challenging for fertilizer to form part of a package of improved agricultural technology that enables farmers to move beyond subsistence agriculture.

104. The multiple challenges and constraints to improved seed production range from limited institutional capacity to poor links among research, extension, and farmers. The World Bank study on agribusiness indicators highlighted how insufficient capacity in public institutions (including their lack of equipment and qualified staff) affects the outcomes and efficiency of plant breeding and seed maintenance programs. Seed production is impeded by the poor quality of basic seed supplied by IIAM, the limited capacity and ineffectiveness of seed quality control and certification services, inadequate skills among emergent seed companies and seed growers, and difficulties accessing finance. Seed companies are too few to meet the demand. The varieties produced do not reflect farmers’ needs because of the poor communication links among farmers, extension workers, and plant breeders. Aside from the inefficiency of the public institutions in the seed subsector, challenges include the lack of incentives for private participation in the seed industry, distortionary seed distribution campaigns by MINAG, and the absence of a relevant seed sector policy. Most of these challenges present policy or regulatory issues or suggest public sector investment priorities.

105. For this AgDPO series, the key priority in the seed and fertilizer subsectors is to support the government’s provision of an enabling environment for private seed and fertilizer value chains to develop and improve producers’ adoption of those inputs. Government seed distribution programs need to be phased out rapidly (except for emergency responses). Seed and fertilizer subsector rules and regulations must be consolidated into a new policy for both inputs. For fertilizer, one of the bigger challenges is to establish lasting links with public research institutions such as IIAM on soil nutrients and plant uptake.

106. Important developments occurred within the seed subsector over the past decade as MINAG implemented several policy and institutional measures. The government created the Seed Department within MINAG to replace the previously financially autonomous National Seed Services. Responsibility for the regional seed laboratories and field inspections was devolved to the Provincial Directorates for Agriculture. MINAG developed the legislation establishing a comprehensive legal framework for the Mozambican seed industry. In response to demands from stakeholders, a Basic Seed Unit was created at IIAM to improve the quality
and availability of seed for breeding and multiplication. As the state-owned (Sementes de Mozambique, SEMOC) lost its quasi-monopolistic position in the seed industry, a number of private seed companies, grouped under the Seed Producers Association, entered the national market. To compensate for the Seed Department’s limited capacity to conduct the required tests and overcome the inactivity of the National Seed Committee, MINAG issued a decree permitting the provisional release of varieties based on data provided by the plant breeder or seed company proposed the variety for release.

107. For fertilizer, the government partners with specialized development agencies to develop the fertilizer value chain and increase fertilizer use. As noted, the government is assessing IFDC’s pilot voucher program and reviewing options to scale it up to reach more smallholders. MINAG is partnering with AGRA’s African Fertilizer and Agribusiness Program (AFAP) to support government efforts to develop an enabling environment and fertilizer value chain. Through various donor-funded initiatives, the government has initiated activities to strengthen agro-dealers’ capacity to transfer knowledge and technology related to fertilizer management and to provide agricultural credit services to smallholders.

Irrigation subsector: Context, Challenges, Government Actions to date

108. Only about 40 percent of the 120,000 hectares developed for irrigation is effectively irrigated. Irrigation raises agricultural productivity and reduces the risk associated with droughts and other kinds of climatic variability, which is high in Mozambique. The large and medium irrigation schemes and related infrastructure date from colonial times; many were abandoned during the civil war and have since deteriorated. Postwar public investments in irrigation have been inconsistent, so despite recent progress in expanding irrigated area, the subsector has yet to generate outputs equaling those achieved before independence. The most recent data indicate that sugarcane accounts for some 60 percent of the effectively irrigated area (driven by private investments on large commercial estates), followed by smallholder horticulture (18 percent) and rice (10 percent). This AgDPO series aims to support the government’s efforts to improve the management of public irrigation schemes by partnering with the private sector.

109. To improve the performance of the irrigation subsector and transform it into an engine of growth for agriculture, the government must thoroughly address the following challenges:

   (i) Enhance the management of irrigation assets, focusing particularly on cost recovery to finance operation and maintenance. One option would be to promote irrigation organizations that are mandated to act as water users’ associations.

   (ii) Improve the legal and regulatory framework on water for agriculture and the efficiency of enforcing the land law. The land law must clarify land use rights and enhance land use security to promote producers’ access to irrigation as well as private investment in the subsector.

   (iii) Establish institutional linkages and working relationships between the public entities responsible for irrigation (at the central and provincial levels) and beneficiaries (such as smallholder farmers’ associations; irrigation organizations; individual, emerging commercial, and commercial farmers; and private enterprises)—for example, through public-private partnerships for irrigation development.
110. In recent years, the government has made the development of irrigation a priority for agricultural growth and rural development. The country’s successive poverty reduction strategies have explicitly recognized the potential contribution of irrigation to smallholders’ incomes and enhanced agricultural productivity. As a result, irrigation infrastructure has been rehabilitated or newly built on an estimated 15,000 hectares since 2004, although this construction remains below the 3,000-hectare annual target in the poverty reduction strategy. The government also adopted regulations governing water user rights and implemented them through a network of regional water resource management centers, which issue water user rights and collect water user fees from producers. The government’s commitment to the development of irrigation was further consolidated with the US$ 70 million sector investment loan negotiated with IDA to prepare and implement PROIRRI. Through irrigation schemes across Central Mozambique, PROIRRI seeks to raise farm productivity and increase the share of agricultural production that is marketed.

111. The Council of Ministers signaled further commitment to irrigation when it adopted the National Strategy for Irrigation in December 2010. The strategy was developed under the coordination of an interministerial panel and with support from international experts; it was widely shared with stakeholders through a series of validation workshops. The strategy’s objectives are fully aligned with the CAADP agenda: “to contribute to an increase in production and productivity, to generate production surpluses to be marketed, to create jobs in rural and peri-urban areas, and to increase producer income.” The strategy advocates two main lines of action. The first is the creation of a National Irrigation Institute (Instituto Nacional de Irrigação, INIR)—also represented at the provincial level—to adequately cover policy, strategic, and operational issues related to irrigation. The second is the development and implementation of a comprehensive National Irrigation Program. INIR was created by a Ministerial Decree in May 2011 and recently became operational.

Nutrition: Context, Challenges, Government Actions to date

112. As detailed earlier, malnutrition seriously compromises Mozambique’s human capital and economic growth. Chronic undernutrition has scarcely improved in the past decade, and Mozambique is estimated to lose US$ 116 million annually to vitamin and mineral deficiencies. Moreover, labor productivity, a key determinant of farm performance, is directly affected by malnutrition. MISAU’s strategy to combat micronutrient deficiencies, discussed previously, involves food fortification, targeted vitamin and mineral supplementation, and dietary diversification. This AgDPO aims to support the government to scale up fortification of two key staples: wheat flour and edible oil.

113. A key challenge in implementing Mozambique’s nutrition agenda is ensuring participation, coordination, and accountability among the various agencies across sectors and ministries and at various levels of government. Food fortification is one example of the challenges of working across sectors and ensuring compliance with nutritional standards. MISAU sets the standards and prescribes safe levels of fortification. The Ministry of Industry and Commerce works through the private sector to fortify foods and ensure adherence to standards. The judicial system promulgates laws and regulations to support food fortification. Although legislation and regulation are critical for the private sector to participate in food fortification, it is also essential that supply be set up to ensure that the private sector has the capacity to fortify the foods, that the quality control mechanisms are in place, and that there is compliance with the proposed legislation. Prospects for success in a mandatory fortification
program are higher when the industry in question is concentrated both geographically and commercially, as is the case for wheat flour and edible oil.

114. **A government survey commissioned in 2010 identified foods that could be selected for nutrient fortification based on their consumption level.** The study, conducted by Helen Keller International, confirmed that wheat flour (in the form of bread) and edible oil are widely consumed in all regions of the country, with levels of consumption rated between moderate and high for children and women of childbearing age.

115. **MISAU, supported by development partners, is working to develop and implement a micronutrient fortification strategy.** It has also put legislation in place for salt iodization, with the result that much of the salt that is produced or processed at scale is iodized (60–70 percent). The government is exploring large-scale fortification of wheat flour and edible oil because of the potential to achieve wide, effective coverage. Wheat flour and edible oil can be fortified with different minerals and vitamins, and wheat flour derivatives such as bread can be enriched with micronutrients. The government can draw lessons from the experience gained with the mandatory iodization of salt already under implementation, where the challenge remains to iodize salt produced by small-scale producers or processors.

**Specific measures for Policy Area #1 under AgDPO-1**

116. **The program of reforms supported by the AgDPO series in Policy Area #1 addresses institutional bottlenecks and policy constraints to improve agricultural technology and nutrition outcomes.** The Prior Actions proposed to accompany AgDPO-1 reforms relate to seed, fertilizer, irrigation, and nutrition are consistent with the analytical work and aligned fully with the national sector strategy and CAADP priorities. The Prior Actions, implemented in 2012 and early 2013, support the development, adoption, and implementation of: (i) seed industry regulations that meet SADC requirements; (ii) regulations governing the fertilizer subsector; (iii) a mid-term investment plan for the irrigation subsector; and (iv) food quality standards for wheat flour and edible oil.

117. **Prior Action 1: Ratification by the Council of Ministers of SADC-compliant national seed regulations governing production, trade, quality control and certification.** Under AgDPO-1, the government has brought its national seed legislation into compliance with regional SADC requirements. The National Directorate for Agrarian Services has revised and approved the legislation regulating seed production, trade, quality control, and certification, following SADC protocol.

118. **Prior Action 2: Ratification by the Council of Ministers of the regulations governing the fertilizer sub sector that include: i) details on the role of the Fertilizer Authority in providing public good type services, and ii) the requirements for economic agents that encourage private sector participation in the fertilizer value chain.** Regulation is increasingly necessary as greater volumes of fertilizer are traded and applied. Regulations

---

14 It is important to note that the series does not cover two fundamental elements of the agricultural technology agenda—agricultural research and extension—because many policy and institutional changes two which the government is committed in these areas are covered elsewhere. For example, the IFAD-funded Programa Nacional de Extensão Agrária (PRONEA) promotes the outsourcing of public extension services; the IDA-funded regional APPSA project supports the establishment of a Center of Leadership for Rice Research in Mozambique; technical assistance from Embrapa (the Brazilian national agricultural research organization) under IIAM’s multipartner platform for agricultural research supports the development of a new human resources management policy for IIAM.
approved focus on product quality and public health issues, detail the institutional arrangements and private sector participation, detail the Fertilizer Authority’s mandate, and describe the rules applicable to the various functions in the fertilizer value chain.

119. Prior Action 3: Ratification by the Council of Ministers of the medium term investment plan for agriculture (PNISA) that includes the irrigation sub sector with a policy agenda supporting private sector participation, clear institutional coordination arrangements, a detailed costing, and an M&E framework. Under the country’s CAADP agenda, the government committed to developing a comprehensive medium-term sector investment program. The program aggregates the investment plans from different subsectors and includes irrigation, given its importance in achieving the objectives of the sector strategy.

120. Prior Action 4: Adoption by the National Institute for Quality Standards (INNOQ/MIC) of the food quality standards for nutrient-fortified wheat flour and edible oil. These standards set out specifications and procedures designed to ensure that the products are safe, reliable, and consistently perform as intended. These standards are aligned with the international framework for quality standards in food; they have been developed and validated through stakeholder consultations (including with the food processing industry), and they establish a common language which defines quality and safety criteria. Their application remains voluntary until their use is mandated by the government, as sought under AgDPO-2.

Triggers for the next AgDPOs

121. To deepen reforms originating with the implementation of AgDPO-1 Prior Actions, the government is proposing a number of Triggers for the subsequent AgDPOs. The AgDPO-2 and AgDPO-3 Triggers build on the policy and institutional changes pursued under AgDPO-1. AgDPO-2 Triggers will be reviewed and finalized during the AgDPO-2 preparation phase; it is anticipated that the government will complete their implementation in 2013 to trigger the second disbursement of IDA funds as early as possible in the country’s fiscal year 2014. Once the final formulation of the reforms is agreed upon, the policy and institutional actions that the government commits to take will be locked in and become Prior Actions for AgDPO-2. The AgDPO-2 Triggers cover: (i) implementation of the plant breeders’ rights decree; (ii) composition of the two committees tasked with the overseeing the implementation of regulations; (iii) revision of the legal and regulatory framework for associations to include the specificities of water user associations and local irrigation organizations; and (iv) institutional arrangements and private sector participation in food fortification programs.

Expected results for Policy Area #1

122. The policy and institutional actions proposed in AgDPO Policy Area #1 support the government’s agenda of reforms to achieve productivity growth and improved nutrition through agricultural technology enhancement. By implementing the proposed AgDPO measures, the government is expected to achieve the following results in the medium term:

(i) The participation of the private sector in the commodity value chains for seed and fertilizer has increased, as measured by the number of registered agricultural input dealers (and the share of those dealers that are women).

(ii) Improved management arrangements in public irrigation schemes have enhanced the performance of the irrigation subsector, as measured by the number of newly built or rehabilitated irrigation schemes managed by a water user association or a local
irrigation organization (and the share of those entities that have women in their management).

(iii) The availability of food fortified with micronutrients has increased, as measured by the share of fortified wheat flour relative to the total volume of wheat flour processed.

**Policy Area #2: Enhancing Access to Assets for Increased Production**

**Description**

123. **This AgDPO Policy Area covers the strengthening of land administration and the development of commodity value chains.** It supports the government’s reform agenda by improving the access to productive and financial assets for producers and entrepreneurs in rural areas to contribute to the development of commodity value chains and stimulate private sector investments in agriculture. For land, the AgDPO series focuses on supporting the government’s efforts to establish an efficient land administration system with adequate policies and well-functioning institutions. For the development of commodity value chains, the AgDPO series emphasizes improving the agribusiness environment and securing access to financial services for actors in value chains (including small-scale farmers).

**Land: Context, Challenges, Government Actions**

124. **Land is implicated in many important ways in sustaining Mozambique’s economic growth and generating employment.** For example, land underpins rural development, urban management, environmental protection, and improvement of the investment climate. To unleash the potential of the country’s vast land resources, the government needs to establish a well-functioning land administration system and to strike a balance among competing interests. The manner in which this daunting challenge is resolved will play a central role in determining the shape and trajectory of Mozambique’s economic and social future.

125. **Mozambique’s overall land policy and supporting legal framework are generally sound, but major gaps in implementation prevent this sound framework from yielding tangible social and economic benefits.** Land administration capacity at all levels is weak, and there is a consensus that the current rural land taxation system should be addressed. In addition to the very low tax level, recent research led by the World Bank shows that the tax collection rate is extremely low (between 16 percent and 33 percent). Communities’ land tenure should be strengthened, particularly given the rising global interest in farmland. Land area covered by applications for DUATs (land use rights) increased more than five times from 2005 to 2009. Rural DUATs do not enjoy the same transferability as urban DUATs. The unfavorable economic and social consequences of these implementation gaps create, if unaddressed, will undermine the government’s efforts to sustain economic growth and create more employment in the long run.

126. **Based on the World Bank’s analytical work (Box 5), the government should address the following challenges as a matter of urgency:**

   (i) Enforce and upgrade the land taxation system (addressed in the AgDPO series) to pursue more social goods, such as a more efficient land use pattern, increased local government revenues, and more meaningful decentralization.

   (ii) Strengthen the protection of communities’ land rights and improve the investment climate by scaling up community delimitation, increasing the transferability of rural
land use rights (addressed in the AgDPO series), and improve rural zoning and land use planning.

(iii) Develop a comprehensive strategy to strengthen the capacity of the land administration and management system at all levels.

127. **Owing to the rapidly increasing demand for land, the enforcement of the Land Law and adaptation of some of its elements to the evolving socioeconomic context have become major challenges for the government.** Rising international food and fuel prices in recent years have spurred a global increase in demand for land from international investors eager to seize economic opportunities in producing food, ethanol, and forestry products. Mozambique, generally perceived as a country with vast areas of unused land suitable for agriculture, has attracted considerable interest from foreign investors who have sought land use rights to implement their projects (in agriculture, tourism, and mining). In a number of cases, such projects have generated conflict with local communities and highly publicized reports of “land grabbing.” At the same time, the government is increasingly aware that the existing practices for allocating or transferring the land-use rights for smaller parcels is cumbersome, lengthy and inefficient, leading producer associations and smallholders to resort to local arrangements, or worse, to leave productive land out of production.

128. **Conflicts between communities and foreign investors have often resulted from weaknesses and failures in the attribution of DUATs.** A particular problem is that the required community consultations are often improperly carried out, focusing on investors’ promises, which are not fulfilled later. Conflicts around land are often facilitated by the institutional weakness of local government, the vulnerability of poor communities, and investors’, communities’, and local authorities’ incomplete knowledge and understanding of the rights and obligations stipulated in the Land Law. Since the 2009–11 moratorium on DUAT attribution for areas greater than 1,000 hectares was imposed to review existing DUAT allocations and reassess the process, the government seems to have adopted a more cautious approach to handling the demand for land from large commercial investors. With support from development partners, including the World Bank’s PROIRRI project, government efforts are underway to accelerate the issuance of certificates of delimitation to communities across the country and DUATs to registered associations. The Millennium Challenge Corporation’s Land Administration project is focusing heavily on strengthening institutional capacity at the National Directorate for Land and Forests (DNTF) and decentralized levels to increase the skills and knowledge of land administration officers in relation to the Land Law.

129. **Under the G8 Grow Africa Initiative to increase private sector investment in agriculture, the G8 members, the Government of Mozambique, and the private sector have confirmed their intention to take account of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (“the Voluntary Guidelines”) adopted by the Committee on World Food Security in May 2012.** They will also consider the Principles of Responsible Agricultural Investment (PRAI) (produced by several international organizations and endorsed by, among

---


16 The purpose of these Voluntary Guidelines is provide guidance to improve the governance of tenure of land, fisheries and forests with the overarching goal of achieving food security for all and to support the progressive realization of the right to adequate food in the context of national food security. Principles for the implementation of the Guidelines include gender equality, consultation and participation and accountability.
others, the G8 and G20), which are undergoing a consultative process through the Committee on World Food Security on PRAI. In addition, they intend to work together specifically to develop pilot implementation programs for the Voluntary Guidelines and the PRAI in Mozambique.

130. **The government recognizes the urgency of tackling the challenges identified and has taken significant actions to address them.** In recent years, the government has: (i) approved the donor-supported Community Land Initiative (ITC, *Iniciativa de Terras Comunidades*), with the target of exploring effective models for community land delimitation; (ii) agreed to include the number of completed community delimitations as an indicator within the G19 Performance Assessment Framework of its poverty reduction strategy; and (iii) launched the implementation of a land project (US$ 39 million) financed by the Millennium Challenge Corporation (MCC), focusing on national policy monitoring, capacity strengthening, and improving land access in selected provinces. The government has also actively engaged the World Bank in a multiyear land policy dialogue, which led to: (i) creation in 2011 of the National Land Consultative Forum to facilitate policy discussions and strengthen civil society ownership; (ii) removal of uncertainties related to the documentation required for recognizing community land rights, arising from the 2007 Amendment of Article 35 of the Land Law; (iii) an increase in the rural land tax level (effective 2010), although the new level is still considered low, given its even lower starting point; and (iv) discussions at the Land Forum of the recommendations of the World Bank/FAO policy notes on land taxation and community delimitation.

*Value chain development (agribusiness environment and financial services): Context, Challenges, Government Actions to date*

131. **In recent years Mozambique’s agribusiness sector has undergone a rapid transformation.** The agribusiness landscape has long been dominated by traditional, export-oriented cash crops, with highly integrated value chains led by foreign companies in sugar, cotton, and tobacco and, to a lesser extent, cashew. Recently, however, stakeholders have embraced the commodity value chain approach as a vehicle to achieve inclusive agricultural growth in the development corridors identified by the government. Value chain development is promoted as a means of creating incentives to improve the enabling environment, expand and strengthen business development services, build linkages between agribusinesses and financial services providers, and increase and strengthen public-private partnerships. In recent years, new agricultural value chains, conducive to the participation of small and medium enterprises and smallholder farmers, have emerged (rice, oilseeds, poultry, bananas, mangos, and green beans, among others).

132. **Commercial lending to agriculture is extremely low, considering that agriculture contributes 25 percent to GDP, and that agricultural GDP has grown considerably faster than the economy as a whole in recent years.** Lending to agriculture fell from 20 percent of commercial lending in 2000 to 6 percent in 2010 (Figure 6). Commercial financial services have developed more rapidly in areas where export crops are produced, and finance is provided down the production, processing, and marketing chain. Only 2.3 percent of producers report having access to some form of credit (INE, 2011). Almost half of those with access to formal financial services in rural areas had to spend more than two hours to reach their financial institution, with more than a third spending more than three hours or even having to travel

---

17 Note that this figure does not include credit to agricultural processing companies and credit for agricultural equipment and machinery, which account for a large share of credit to the agricultural sector in Mozambique.
overnight. The recent piloting of payment services via mobile telephone holds some promise for improving access to financial services in rural areas, but this nascent industry must be expanded rapidly to serve as a base for innovation and competition in financial services for rural populations.

**Figure 6: Commercial Bank Lending in Mozambique by Sector (% of total bank lending)**

![Commercial Bank Lending in Mozambique by Sector](chart.png)

Source: MFSDS.

133. **Most rural credit that goes to small agribusinesses and small-scale producers moves through government- or donor-funded credit lines and guarantee funds.** These funds have subsidized interest rates and are often linked to rural and agricultural development projects. In contrast, major investments (for example, in sugarcane and tobacco) usually are financed through offshore credit or equity capital. The extremely high costs of agricultural credit (25–30 percent per annum, plus fees and commissions of up to 3 percent, plus transaction costs), act to exclude rural entrepreneurs, and most agricultural credit is limited to short-term loans for working capital. Microfinance in rural areas, especially for smallholders, is not well developed owing to the inherent risks in agriculture (weather, crop disease, and market risks), the lack of collateral, and high credit servicing costs, although positive trends are emerging in the provision of credit to the most organized value chains.

134. **Challenges for agribusiness development highlighted in a comprehensive diagnostic of commercial, legal, and institutional reforms in Mozambique’s agricultural sector** revolve around licensing procedures, employing workers, getting credit, paying taxes, accessing marketing infrastructure, trading across borders, and enforcing contracts. In farm and nonfarm sectors, the World Bank’s Rural Investment Climate Assessment (RICA 2011) identified four areas for improvement: (i) market demand; (ii) access to markets; (iii) access to finance; and (iv) business services. These concerns are largely consistent with those expressed in the May 2011 National Forum on Agribusiness, held with representatives from

---


the private sector, NGOs, development partners, and public agencies involved in agribusiness. They identified the most important challenges for the development of agribusiness as: (i) improving access to and affordability of finance; (ii) improving input supply (in terms of availability, adequacy, and quality); and (iii) rehabilitating roads and bridges (especially those linking high-potential agricultural areas to the road network). Under the AgDPO series, the government has been developing a comprehensive agribusiness development strategy to address those challenges through a policy agenda and implementation plan.

135. Licensed financial institutions still do not serve the majority of the population, and rural populations are particularly underserved. Registered savings and loan organizations are few, provide only limited services to local communities, and operate under a legal and regulatory framework that needs to be adapted to promote local initiatives for rural financial services. The expansion of financial services to rural areas is hindered by low population density, poor physical infrastructure (which raises investment and transaction costs), asymmetric risks associated with agriculture and commodity price fluctuations, and strong seasonality. Solutions from the public and private sector (especially with regard to the gaps in physical and information technology infrastructure outside urban areas) are required to improve the performance of the rural financial sector and achieve a sustained increase in lending to agriculture. The AgDPO series addresses the twin challenges of the scarcity of financial service providers in rural areas and the inadequacy of financing instruments for borrowers in commodity value chains (including small-scale farmers).

136. Throughout 2012, the government took important steps to improve the agribusiness environment and increase private investment in agriculture. In May 2012, Mozambique presented its Agricultural Growth Corridors initiative to the Grow Africa event organized by AU/NEPAD and the World Economic Forum. Grow Africa, a partnership platform, seeks to accelerate private sector investments and transformative change in African agriculture based on national agricultural priorities and in support of CAADP. In August 2012, the government expressed its intention, through a Cooperation Framework with the G8, to build domestic and international private sector confidence to increase agricultural investment. During the first half of 2012, the government, in consultation with development partners, developed a country paper outlining its commitment under the G8 New Alliance for Food Security and Nutrition. In this document, which reflects the priorities of the sector strategy and the CAADP agenda, the government commits to focusing on: (i) increasing stability and transparency in trade policy; (ii) improving incentives for the private sector, especially in developing and implementing domestic input policies that encourage increased private sector involvement; (iii) developing and improving the transparency and efficiency of land policy and land administration; and (iv) developing innovative methods for increasing the availability of and access to credit by smallholders. Policies under those focus areas have been selected to fully align with the AgDPO policy dialogue between the government, development partners, and World Bank. In October 2012, the government published a decree authorizing the creation of an agricultural commodity exchange.

137. The country’s first Strategy for Rural Finances (EFR 2011-17) gained approval from the Council of Ministers in April 2011. The strategy focuses on developing and consolidating an inclusive financial system in rural areas to support the socioeconomic development of individuals and enterprises alike. In 2012, the government drafted a financial sector strategy (MFSDS) which should be approved by the Council of Ministers shortly. The goal of the MFSDS is to facilitate the development of a sound, diverse, and competitive financial sector that gives citizens and businesses—particularly small and medium
enterprises—convenient access to a range of appropriate, high-quality financial services at affordable rates. The government’s macroeconomic and financial sector reforms undertaken in 2005–07 prompted a decline in interest rates, but they remain too high for the private sector (particularly small businesses, agricultural producers, and artisanal fishermen) and act as a major constraint on credit provision.

**Specific measures for Policy Area #2 under AgDPO-1**

138. The program of reforms supported by the AgDPO series in Policy Area #2 addresses institutional bottlenecks and policy constraints to improve access to assets for increased agricultural production. Specifically, this Policy Area covers access to land and land administration services, as well as the two major constraints to commodity value chain development (the lack of financial assets and access to financial services, as well as limitations in the agribusiness environment). The broader agenda of reforms in the financial sector will be at the core of the forthcoming Financial Sector DPO (FY14), while broader reforms to improve the business environment are covered in the new PRSC series launching in FY13. For those reasons, the proposed AgDPO focuses on constraints specific to agriculture. The AgDPO-1 Prior Actions to which the government has committed under this Policy Area reflect the need for a more efficient process of allocating land use rights, the need to review restrictions on transferring rural land use rights, and the need to adopt a comprehensive policy agenda that promotes the development of rural financial services and private sector investment in agriculture.

139. Prior Action 5: Publication of the outcomes of the process on simplification and reduction of the timelines for the transfer of rural land user rights (DUAT) for parcels measuring less than 10 hectares. Procedures for acquiring land use rights are seen as lengthy and unnecessarily complex, with the outcome often being uncertain. In urban areas, use rights to smaller parcels of land are transferable, but in rural areas the current DUAT holder is effectively required to renounce the land use right to the issuing authorities before it can be reallocated to a new user. Owing to the human resource constraints in land administration offices, including decentralized offices, considerable time is needed to complete the process. In many cases, rather than leaving the land idle, particularly when smaller parcels of land are involved, the parties make their own arrangements to transfer the land use rights, which is contrary to the existing law. The government recognizes that this process needs to be formalized and the regulatory framework adjusted to bring such arrangements into conformity with the regulations. As a step toward full transferability of rural DUATs, the government has recently allowed rural land use rights to be transferred for areas of less than 10 hectares, based on data indicating that over 67 percent of the applications for DUATs were for parcels of less than 5 hectares (World Bank, 2011).

140. Prior Action 6: Ratification by the Council of Ministers of the country’s strategy for agribusiness (PNDA) that includes a sound policy agenda and a comprehensive implementation plan to promote the development of rural financial services and private sector investment in agriculture. The PNDA is an official document giving an overview of the government’s priorities for developing the agribusiness sector, including the respective roles of the government and other stakeholders in achieving private sector-led agricultural growth. The PNDA includes a comprehensive implementation plan with a policy agenda to promote the development of rural financial services and private sector investment in agriculture, as well as an M&E framework with indicators and targets. The PNDA policy agenda is significant and well aligned with the policy dialogue between development partners.
and MINAG. It covers areas such as facilitating access to land (including through limited transferability of land use rights), promoting affordable credit for agriculture, and developing public-private partnerships for the private management of public infrastructure. The GoM is expected to review and ratify the PNDA shortly after submission to its Council of Ministers. Ratification of the PNDA by the Council of Ministers will be monitored under the AgDPO-2.

**Triggers for the next AgDPOs**

141. To deepen the AgDPO reforms launched with the implementation of AgDPO-1 Prior Actions in Policy Area #2, the government is proposing a number of Triggers for the subsequent AgDPOs. The AgDPO-2 and AgDPO-3 Triggers are fully consistent with the policy and institutional reform objectives pursued under the AgDPO-1. AgDPO-2 Triggers will be reviewed and finalized during the AgDPO-2 preparation phase; it is anticipated that the government will complete their implementation in 2013 to trigger the second disbursement of IDA funds as early as possible in the country’s fiscal year 2014. Once the final formulation of the measures is agreed upon, the policy and institutional actions the government commits to take will be locked in and become Prior Actions for the AgDPO-2. The proposed Triggers for the AgDPO-2 cover: (i) the adoption of operational procedures (developed in consultation with the National Land Forum) for communities seeking to enter into an agreement with a third party on the use of the land for which the community holds the user rights and (ii) the promotion of new financial service providers through a review of the regulations pertaining to local or community-based savings and loans groups.

**Expected results for Policy Area #2**

142. The policy and institutional actions proposed in AgDPO Policy Area #2 support the government’s agenda of reforms to increase agricultural production by improving access to assets. By implementing the proposed AgDPO measures in land administration and value chain development, the government is expected to achieve the following results in the medium term:

(i) Access to land and land tenure security have improved, particularly for smallholders, as a result of increased efficiency in land administration services; this outcome will be assessed by monitoring the number of land use rights issued to associations and certificates of delimitation issued to communities.

(ii) A policy environment conducive to rural economic growth has led to an increase in rural finance operators and the emergence of innovative financing instruments, thereby enhancing access to financial services; this outcome will be assessed by monitoring the share of rural households with access to agriculture (and the share of those households headed by women).

**Policy Area #3: Monitoring Sector Performance**

**Description**

143. The growing popularity of performance-based management systems has significantly increased the demand for statistical data and information on agriculture. The government’s inability to assess the results of landmark programs such as its Food Production Action Plan or the donor-funded PROAGRI highlights the shortage of reliable data. Evidence-based policy and decision making require careful and rigorous analyses using accurate and timely data. The advent of the CAADP agenda, implementation of the agricultural
sector strategy, and development of the medium-term sector investment plan have increased the demand for line ministries to develop and implement reliable systems to monitor progress in implementing these and other high-level strategies and plans. Such systems are an integral part of the accountability framework MINAG should be subject to, and are especially vital for the poverty reduction strategy, because monitoring progress toward Strategic Objective #1 requires comprehensive, reliable data on agricultural output and agricultural productivity. Additional demand for agricultural data comes from public sector investors (development partners), private sector investors, and agricultural researchers (IIAM, UEM).

**Sector Performance Monitoring: Context, Challenges, Government Actions to date**

144. Agriculture presents two interrelated challenges for improved performance monitoring and reporting: the lack of recent, reliable data and the inefficient institutional arrangements for collecting, validating, and disseminating agricultural statistics. Every 10 years, the National Institute for Statistics (Instituto Nacional de Estatística, INE) and MINAG conduct the national Census for Agriculture and Livestock (Censo Agro-Pecuário), the main source of basic data. The last census was conducted in 2009–10, and a comprehensive volume with basic data tables was published in 2011.

145. Official agricultural statistics are generated mainly through two annual surveys by MINAG. The Directorate of Economics conducts the postharvest agricultural survey (Trabalho do Inquerito Agricola, TIA), and the Directorate for Agrarian Services conducts the early warning crop forecast survey (Aviso Previo). Both data sets are used by different groups, even within MINAG.\(^{21}\) Neither survey was conducted in 2009 and 2010, given that production data were to be collected through the 2009–10 census. Those data have yet to be released, however, so the most recent production data are still from the 2008 agricultural survey. Inconsistencies and significant discrepancies in data from the agricultural survey and early warning survey have been reported regularly. The Directorates of Economics and Agrarian Services could coordinate their efforts on agricultural statistics to prevent duplication of effort, achieve greater cost-efficiency in the use of scarce resources, and produce higher-quality data.

146. Following the government’s commitment under the Regional Strategic Framework for Statistical Capacity Building in Africa (2007) to design a National Strategy for the Development of Statistics (the “Paris 21 initiative”), INE and the High Council for Statistics developed the National Statistical System (PESEN 2008–12). PESEN did not include agricultural statistics, however. Work on PESEN 2013–17 has started, and more strategic sector plans will be developed, including one for agricultural statistics. The line ministries involved have been developing their respective sector strategic plans for statistics, with technical assistance from FAO and under the framework of the World Bank/FAO Global Strategy to Improve Agriculture and Rural Statistics.

147. The government has recognized the need to improve the institutional arrangements for collecting and disseminating agricultural statistics. A much more integrated approach is needed to generate the statistical information to fulfill the increasing monitoring and reporting required of line ministries. MINAG, with support from FAO, has drafted a Master Plan for Agricultural Statistics, which includes an integrated framework for agricultural statistics. This process builds on the 2007 assessment of the agricultural statistics system, as well as on the

---

\(^{21}\) *Aviso Previo* data are used for early warning but also by default for the evaluation of MINAG’s annual Social and Economic Plan, whereas data from TIA have been used extensively by MINAG to analyze the agricultural economy and set priorities for research and agricultural investment. See MINAG and INE: *A 10-year Master Plan for Agricultural Statistics for Mozambique, 2012-2022*. Draft, October 2011.
results of follow-up workshops that yielded the draft master plan and framework (August 2011). The draft highlights the need to: (i) make production data an integral part of the agricultural sector strategy; (ii) improve coordination among different players and increase institutional efficiency; and (iii) agree on a core set of indicators for which data should be collected annually.

**Specific measures for Policy Area #3 under the AgDPO-1**

148. The government has committed to address the policy and institutional bottlenecks affecting monitoring and reporting related to the performance of the agricultural sector. To that end, the multiyear program of reforms proposed under the AgDPO series seeks to build a sustainable agricultural statistics system that allows to report objectively on the performance of the agriculture sector (and enables evidence-based sector policy and program design. The system will also allow informed assessment and reporting on the performance of the agricultural sector and progress on implementing PEDSA and the country’s CAADP agenda.

149. **Prior Action 7: Consolidation under a single agency within MINAG of the institutional mandate for agricultural statistics and adoption of a single list of core sector indicators to be monitored and reported upon annually (as per the Master Plan for Agricultural Statistics, 2012-22).** The Master Plan is critical to achieve the results anticipated in this Policy Area, as its implementation paves the way for a number of important institutional and policy measures relevant to improving the efficiency of the agricultural statistics system. These measures include adopting a unique official list of sector indicators that MINAG will monitor and report upon annually, as well as institutional rearrangements to improve the efficiency in the management of the statistics agenda in agriculture within MINAG.

**Triggers for the next AgDPOs**

150. **The adoption under AgDPO-1 of the Master Plan for agriculture enables MINAG to implement further policy and institutional measures on agricultural statistics.** The GoM has committed to take all preparatory steps and field tests required to start using the integrated framework for the early warning and agricultural surveys, as early as the 2013 sector survey.

**Expected results for Policy Area #3**

151. **At the sector level, the measures adopted by the government under the DPO series will contribute to the achievement of the following medium-term outcome:** a unique and reliable agricultural statistical system is in place and operational, is managed by a single department or bureau within MINAG, integrates data from the early warning system with data from agricultural surveys, publishes data and qualitative assessment reports on an annual basis, and is integrated with the national statistical system. The overall reform agenda in agricultural statistics (of which a part is supported directly by the AgDPO under Policy Area #3) will enable the government, the World Bank, development partners, and other stakeholders to better monitor progress toward the government’s strategic objectives. It will also help monitor overall progress toward the objectives of the AgDPOs and assess the successful completion of the AgDPO series relative to the expected outcomes and targets detailed in the AgDPO Results Matrix (see Annex 2). Policy Area #3 illustrates the links among the various AgDPO policy areas, because it provides the foundation for assessing the success of reforms in the other two policy areas of the AgDPO series.
VI. OPERATION IMPLEMENTATION

POVERTY AND SOCIAL IMPACTS

152. Over the past decade, rapid economic growth has increasingly failed to translate into significant poverty reduction in Mozambique. This trend has arisen despite average annual growth in agriculture of around 7 percent. Extreme poverty is concentrated most heavily in rural areas, where it remains severe, pervasive, and largely intractable. Recent analyses indicate that a small decline in rural poverty has occurred in the southern provinces, likely reflecting spillover effects from the rapid growth of urban centers in the region. Elsewhere in the country, rural poverty rates remain unchanged, and in Central Mozambique, the poverty headcount actually increased between 2003 and 2009 (Figure 7). Clearly agriculture has yet to become the engine of rural economic growth and poverty reduction. Special attention must be given to the potential effects of policy and institutional reforms in agriculture on poverty and inclusive growth. Decision makers must ensure that those effects are sufficiently understood and considered in the design and implementation of the reform agenda.

Figure 7: Poverty Headcount by Consolidated Regions

![Poverty Headcount by Consolidated Regions](image)


153. The AgDPO series supports Mozambique’s reform agenda in agriculture to enhance agricultural productivity and increase farm output; through these outcomes, it is expected to contribute to poverty reduction. The country’s agriculture strategy (PEDSA 2011), national CAADP compact (2011), and medium-term sector investment plan (PNISA 2012) reflect the government’s strategy to reduce poverty (PARP 2011), in which the first Strategic Objective relates to agriculture. By helping to overcome longstanding institutional and policy bottlenecks in agriculture, the AgDPO series contributes to strategic objectives related to poverty (income, nutrition, assets) and social equity:

---

(i) *Strategic Objective for Policy Area #1:* To increase farm productivity in smallholder agriculture, while improving competitiveness and sustainability of the agriculture sector and taking into account social and private sector participation.

(ii) *Strategic Objective for Policy Area #2:* To improve the access to productive and financial assets for producers and entrepreneurs in rural areas to contribute to the development of commodity value chains and stimulate private sector investments in agriculture.

154. Recent research emphasizes that Mozambique’s farm households can emerge from entrenched rural poverty if they can overcome longstanding impediments to improve agricultural productivity, especially in cereal crops and livestock.\(^{23}\) Results from a dynamic computable general equilibrium model indicate that growth driven by improved cereal crop productivity is more effective at reducing poverty than similar growth in export crops, and maize in particular contributes more to poverty reduction than to agricultural growth (Figure 8). If Mozambique achieves reasonable improvements in crop and livestock yields—for example, by gaining better access to improved seed and fertilizer, as facilitated by this AgDPO series—then the country could achieve the kind of agricultural growth that could lift almost one million people above the poverty line. (It would also meet the 6 percent agricultural growth target to which it has committed under CAADP.) Giving priority to improving yields for maize and other cereal crops, as pursued under this AgDPO, would not only increase farm household incomes from agriculture but allow households to diversify into horticulture and other high-value crops.

155. The specific Prior Actions and Triggers proposed under the AgDPO are expected to contribute to broad-based rural economic growth and poverty reduction. The proposed reforms in the seed, fertilizer, and irrigation subsectors, coupled with business environment reforms promoted under PRSC-9 (FY13), should make better agricultural inputs (including water) more widely available to smallholders and complement or reinforce efforts under the PROIRRI irrigation project, the regional agricultural productivity project (APPSA), and Market-led Smallholders project in the Zambezi Valley. Further, the AgDPO measures proposed in nutrition should increase labor productivity, with positive effects on rural household incomes. Finally, the AgDPO policy and institutional actions that promote the emergence of new financial operators (savings and credit cooperatives, rural finance associations) and/or innovative financing instruments (such as a warehouse receipt financing system) will allow smallholders to obtain key financial services and build a stronger asset base (to use as collateral, for example). All of these achievements lend impetus to farmers’ transition from subsistence production to agricultural entrepreneurship in commodity value chains.

156. **Women, youth, and other vulnerable groups are not expected to be negatively affected by the implementation of the policy and institutional actions under the AgDPO series.** Even so, considering that women now head 27 percent of agricultural households (versus 23 percent a decade earlier), policy and decision makers must give special attention to the gender agenda in agriculture. The AgDPO measures that support nutritional security are integral to inclusive agricultural growth and rural poverty reduction for women and youth. The measures to improve the management of irrigation schemes should benefit female and male farmers equally, although local authorities should require women to be included in the management committees of irrigation organizations (as under the PROIRRI project). The World Bank’s experience with the Market-led Smallholders project (and more generally) shows that technology adoption is higher among women-led farming households when their information about the technology comes from a female community facilitator or female extension worker. Finally, the AgDPO measures that improve land tenure security and provide access to financial services and better inputs should ensure that, at least in women-headed farming households, a portion of farmland is set aside for women to invest in growing food of better nutritional quality.

157. **The social and poverty impacts of rural economic growth arising from the AgDPO should be positive, but prospective impact of the booming mining and gas sectors on agriculture is less clear.** Massive discoveries of coal, minerals, and gas in central and northern Mozambique—where poverty is most severe—are certain to induce rapid structural change in the economy and social fabric in those areas and in areas where related sectors (transport and other infrastructure, for example) are located. These developments present opportunities for agriculture that would contribute directly to poverty reduction. For example, agriculture will need to respond to the rapidly growing demand for more and better food, possibly through various forms of contract farming. Investments in improved road, rail, and port facilities could enable areas of high agricultural potential to develop commodity value chains and link to national and international markets.

---

24 INE agricultural census (2011).
158. Yet a cautionary note is important, because the underlying risks for agriculture, the differing impact on poverty for men and women, and the distributional aspects of welfare gains from the booming mining and gas sectors may be less well understood. Such effects demand in-depth analysis. A Poverty and Social Impact Assessment of growth in the extractive industries on agriculture and gender should be undertaken concomitantly with the AgDPO series.

ENVIRONMENTAL ASPECTS

159. The Prior Actions and Triggers proposed under the AgDPO series are not likely to cause significant negative effects on the country’s environment, forests, or other natural resources. Nonetheless, special attention is required in implementing the agricultural technology measures under AgDPO Policy Area #1. To achieve productivity increases at the farm level, producers will gain better access to higher-yielding varieties suited to the local environment. To fully realize the yield potential of these varieties (e.g. for rice) will require farmers to apply fertilizer and water. Irrigation infrastructure will also be rehabilitated under the AgDPO series. Similarly, the AgDPO measures implemented with regard to land under Policy Area #2 could potentially increase the cultivated area.

160. Mozambique has a solid foundation to address these and other potential environmental impacts linked to the AgDPO. Mozambique has a robust environmental institutional framework, considerable capacity to address environmental management issues, and external support in that area. The Environment Ministry (MICOA, Ministério para a Coordenação da Acção Ambiental oversees implementation of the Environment Law and coordinates all aspects related to environmental management; it is represented locally by Provincial Directorates for Environmental Coordination (DPCA, Direcção Provincial de Coordenação Ambiental). Under AgDPO-2, it is required that the Technical Evaluation Committee for the Registration of Fertilizers (CATERF) includes a representative from MICOA. MICOA has been involved in developing a number of environmental assessments required by the World Bank for recent investment lending operations. It conducted a comprehensive Strategic Environment and Social Assessment for PROIRRI. For the Integrated Growth Poles project, for PROIRRI and for APPSA it produced environmental safeguards tools for mitigating the potential impact of increased use of agricultural inputs and land (an Environmental and Social Management Framework and corresponding plan, as well as a Pest Management Plan). Moreover, PROIRRI and APPSA require on-farm soil testing to be carried out prior to any investments (e.g on irrigation infrastructure) to help determine the incremental nutrient value required form fertilizer applications.

161. The multisectoral nature of the AgDPO series implies that linkages exist with many other operations in the World Bank portfolio. Such linkages can yield synergies that enhance the management of natural resources and remove adverse impacts. For example, the Mozambique Climate Change DPO will support policies that are expected to have overwhelmingly positive environmental impacts. It will promote wider use of conservation agriculture techniques, reduced deforestation, renewable energy generation, and more careful use of water resources, all of which engender significant environmental and social benefits.
162. **The Ministry of Planning and Development (MPD) will be responsible for overall implementation of the AgDPO.** Within MPD, the lead agency for the AgDPO will be the Agency for the Development of the Zambezi Valley Corridor (ADVZ). Created by decree in June 2010 as a public institute with financial and administrative autonomy under MPD, ADVZ has led and coordinated the identification and preparation phases for the AgDPO and heads the multisectoral, interministerial government Task Force to prepare and implement the AgDPO. As the regional agency coordinating activities in the Zambezi Valley corridor, it already works with line ministries involved in the AgDPO, as well as with provincial and district authorities who are helping to develop a comprehensive multisectoral investment program for this corridor. ADVZ is also the counterpart agency for the World Bank’s Growth Poles project and is familiar with Bank procedures and requirements.

163. **The results framework developed for this AgDPO (Annex 2) is consistent with the broader results frameworks for the national poverty reduction and agricultural strategies.** Most indicators and targets were drawn from government documents (country poverty reduction strategy, national sector strategy, medium-term sector investment plan), and when necessary, they were adjusted to the medium-term timeline of the AgDPO. Under the Growth Poles project’s institutional capacity strengthening component, the ADVZ will receive financial support and technical assistance that will be applied toward ADVZ’s monitoring, evaluation, and reporting responsibilities for the AgDPO. Moreover, the government’s medium-term sector investment plan for agriculture will require development partners to strengthen their coordination and discuss modalities for potential joint funding of the investment plan. The AgDPO series, as the primary platform for a coordinated sector policy dialogue between development partners and the government, will provide timely stimulus for a coordinated M&E of the program of policy and institutional reforms promoted in the sector over the next three years.

164. **The World Bank will play a supervisory and monitoring role, reviewing progress and making adjustments as needed.** The World Bank AgDPO team will use the preparation of the AgDPO-2 and AgDPO-3 as an opportunity to monitor overall progress toward the expected outcomes of the DPO series, as well as ratification by the Council of Ministers of the PNDA. The World Bank team will focus on the impact outcomes of the program and identify the adjustments needed as the series evolves, particularly with respect to the subsequent selection of Triggers and Prior Actions, to take into account the latest country developments, stakeholder support, and feasible options for realizing the intended development goals. The assessment will be based largely on the review of indicators and the goals of the program. At the same time, the overall status of the government program of reforms will be monitored to determine whether country conditions and the specific policy measures have been met.

**Fiduciary Aspects**

165. **Mozambique’s public financial management system is considered adequate to support the AgDPO series.** While there have been successful PFM reforms in the country, there are still challenges particularly in terms of application of internal controls at decentralized levels, funds-flow to and information gathering from remote districts, lack of adequate PFM staff, delayed releases of budget, and high-levels of off-budget spending. Ongoing PFM reforms are fully geared up to respond to these challenges; hence, the proposed credit will be disbursed following standard IDA procedures.
166. **PFM improvements have been a corner stone of reforms towards good governance and sound macroeconomic management.** Public Expenditure and Financial Accountability (PEFA) indicators show the trajectory of improvement from 2006 to 2008 and 2010 as the PFM reforms led to successful improvements. These PFM improvements have been in all dimensions including multi-year planning, annual budgeting, procurement, accounting, internal controls, auditing, and public access to key fiscal information, including parliamentary approved annual budgets as well as reports on use of government funds, which are made available through the MOF’s external website. SISTAFE legislation (2002), along with new PFM policies and procedures, provided a solid foundation for the PFM structure and a government-wide IFMIS (e-SISTAFE) has been implemented progressively as the information technology platform for implementation of the legislation. PFM reforms especially supported improved macroeconomic management by expanding the use of these systems.

167. **There has been limited success in meeting the goal to use Medium-Term Expenditure Framework as the basis for the sectorial budget allocations supporting programmatic implementation of PRS.** However, considerable progress has been made in rolling out e-SISTAFE as well as expanding the functionality over time. e-SISTAFE covers budget preparation as well as budget execution and reporting of expenditures. A Treasury Single Account was introduced for efficient cash management. A revised Procurement regulation issued in 2010 incorporates lessons learned. Although, a legal and institutional framework is in place, public institutions and legal enforcement are still weak. Public sector capacity at all levels and hierarchies remains weak while private sector capacity is not addressed. Outstanding opportunities exist with regard to information management, engagement with private sector and civil society, transparency and integrity, and complaints and appeals mechanisms. Enhanced capacities of the Supreme Audit Institution and the internal audit bodies have enabled increased coverage of audits done.

168. **While the funding envelope for the agriculture sector is likely to expand, the sector is facing a series of public finances management problems constraining the efficient execution of the budget.** The Bank’s analysis of public expenditure in agriculture (World Bank, 2011) has identified three main causes of low budget execution: (i) complicated and lengthy procurement processes, (ii) the need to close the accounts of one year before beginning to spend against the following year’s budget, and (iii) delays in the disbursement of external funds. Other analysis confirms that main weaknesses are budget execution, and monitoring and evaluation, and the impact of these weaknesses is exacerbated by on-going decentralization process. PFM problems have affected the execution ability and expenditure efficiency of the agriculture budget. As a consequence, MINAG is only able to execute 68 percent of its recurrent budget and 32 percent of its investment budget from government own resources. Budget execution for external funds is higher than that of internal funds because external funds are largely managed outside of the government PFM systems. Due to inability to execute a significant proportion of budgeted funds for the sector, especially the non-salary variable costs, the sector falls short of promised level of services to the farmers and specific investments take long to mature.

169. **Going forward, the recently updated PFM Vision 2011-2025 continue to be the guiding tools for PFM improvements in Mozambique.** Implementation of the PFM Vision is being supported by development partners and an amount in excess of USD 157 million is planned for 5 years. The Bank is supporting the PFM reforms through various projects such as National Decentralized Planning and Finance Program and Cities and Climate Change Project, which support building PFM and procurement capacities at local levels. PRSCs have also
supported the government PFM reforms program, including moving from increased audit coverage to more of risk-based audits. Financial management challenges identified in audits will be monitored by the IGF, which will be responsible for follow up on recommendations provided in the audits carried out by all of the government’s internal control bodies. The Bank is also planning to support Government’s new PFM for Results Program which aims to deepen the PFM reforms in sectors and at decentralized levels.

170. An update safeguards assessment of the Bank of Mozambique (BM) was completed on January 11, 2010 for the ESF. The assessment found improvements in financial reporting practices following the implementation of IFRS. It noted vulnerabilities in the oversight mechanism for external and internal auditing, controls, financial reporting, and in the Central Bank’s legal structure. It recommended that the Central Bank commission an external quality assurance review of the internal audit function.

DISBURSEMENT AND AUDITING

171. The proposed credit will be disbursed following standard IDA disbursement procedures for Development Policy Lending. The SDR 32.5 million (USD50 million equivalent) credit will be disbursed as a single tranche after effectiveness and fulfillment of the tranche release conditions and upon submission of acceptable withdrawal applications from MPD.

172. Funds flow arrangements: IDA will deposit the funds in a dedicated foreign exchange account of the Bank of Mozambique in Frankfurt and the transaction recorded in the financial management system of the GoM. Within two working days, the Bank of Mozambique will credit the Metical equivalent of the credit funds to the Transit Account of the Ministry of Finance. The Metical equivalent funds will be transferred from the dedicated account to the CUT and will be used as State budget revenue and recorded in the State accounts as such.

173. Disbursements from the Single Treasury Account by the Government of Mozambique shall not be tied to any specific purchases and no special procurement requirement shall be needed. The proceeds of the credit shall, however, not be applied to finance expenditures in the negative list as defined in Schedule 1 of the Financing Agreement. If any portion of the credit is used to finance ineligible expenditures as so defined in the Financing Agreement. IDA shall require the Government to promptly, upon notice from IDA, refund an amount equal to the amount of the said payment to IDA. Amounts refunded to IDA upon such request shall be cancelled from the credit.

174. Assurance Requirements: In line with noted improvements in PFM, particularly in oversight and follow-up mechanisms and the modest risk rating, there will be no special or additional fiduciary arrangements established for the credit and an audit report will not be mandatory under the series. However, IDA will reserve the right to request an audit should it feel there is a need for such. Should an audit be requested, a legally registered, private and independent audit company meeting international standards on auditing and qualifications of the auditors assigned will perform the annual audit, and in accordance with Terms of Reference to be agreed with the GoM and the audit costs will be met by GoM.
175. The overall risk rating is moderate, and institutional issues pose the most significant risk to this AgDPO series—specifically the need to improve coordination of cross-sectoral mandates and implementation efficiency. The main risks identified that could prevent the proposed operation from fully achieving its medium-term outcomes as presented in the results matrix (Annex 2) can be summarized as follows: (i) a decline in the interministerial coordination and policy dialogue with weakening convening power of MPD’s ADVZ; (ii) slow progress in implementing reforms due to the absence of direct incentives for the agencies implementing the AgDPO Prior Actions; and (iii) macro and political risks.

176. Institutional arrangements for the coordination and preparation of the AgDPO need to be assessed regularly. The Bank recognizes ADVZ’s leadership in launching the AgDPO series and in promoting the interagency collaboration and agricultural policy dialogue required for a successful AgDPO. ADVZ’s mandate is limited to a particular geographic area, however, and it is unclear if the agency can maintain its convening power for a countrywide reform agenda that primarily involves one line ministry (most AgDPO Prior Actions and Triggers are implemented by public agencies mapped to MINAG). For the next stages of the AgDPO series, the World Bank and Government of Mozambique need to assess the efficiency of current institutional arrangements and, if needed, explore the possibility of transferring the lead role for the AgDPO to MINAG.

177. As with other programmatic general budget support operations, a key challenge for the AgDPO is to sustain the engagement of the agencies implementing the agreed reforms. Under the AgDPO, satisfactory completion of Prior Actions is the responsibility of various institutes and directorates under MINAG, with little indication that incremental budget will be allocated to those agencies, to MINAG, or even to agriculture. The participation of development partners in the sector reform agenda to be supported helped mitigate the risks of delays in the completion of AgDPO-1 Prior Actions, because several partners involved in specific subsectors provided support to the MINAG directorates and institutes and assisted them in the completion of Prior Actions (Table 6).

178. With the government in the process of completing its medium-term sector investment plan under the CAADP agenda, some development partners may subsequently redeploy resources toward co-funding the investment plan. To sustain the continuous engagement of the agencies implementing the AgDPO reform agenda after the investment plan is operational, the World Bank is preparing a Technical Assistance operation to accompany the AgDPO series; the operation will strengthen MINAG’s capacity to develop, design, and implement sector reforms.

179. Implementation risks are associated with unpredictable macroeconomic shocks and their potential impact on the government’s reform program. Slow worldwide growth and the high degree of uncertainty in the global economy present risks related to deteriorating terms of trade, reductions in FDI, and new limitations on donor assistance, especially direct budget support. Over the medium term, higher growth in the extractive industries could result in an appreciating domestic currency and “Dutch disease” effects on labor-intensive sectors such as agriculture and services. The government is attempting to mitigate these risks by continuing to pursue the policies that enabled Mozambique to manage the 2008–09 global financial crisis, including maintaining a high level of reserves and adhering to the flexible exchange rate regime.
180. **Over the medium term, the government and the Central Bank are working on policies designed to counter real exchange rate appreciation.** The government has a stable working relationship with the IMF anchored by a PSI, which has contributed to ensuring sound macroeconomic management. The development of the new PARP further strengthened the policy dialogue between the government and its development partners, helping to address potential disagreements that could lead to reduced donor support. Over the long term, the government is committed to continuing to build its domestic revenue base and gradually reduce its dependence on foreign aid. In light of these factors, the risk of macroeconomic shocks affecting the reform program is moderate, and constant attention will be required as external circumstances evolve.

181. **Political risks are associated with potentially growing political uncertainty in the run-up to general elections in 2014, which may negatively impact the coordination of reforms, particularly on land.** The risk of potential loss of consensus is mitigated by the highly participatory process through which the AgDPO series was developed and by its strong contribution to the current PARP objectives. This process greatly strengthened the ownership of the AgDPO series by numerous stakeholders in various government agencies, reinforcing their commitment to the reform process. Even so, the absence of formal institutional mechanisms to coordinate the reform process creates the potential for bureaucratic resistance or new political disagreements, which may result in slow or uneven implementation of reforms.

182. **Political uncertainty in the run-up to general elections in 2014 is expected to be mitigated by the increased political dialogue within the ruling party and the growing role of civil society in demanding transparency.** While the government’s overall commitment to the reform process is solid, the potential for inadequate consensus on the part of all government agencies nevertheless poses a risk to the swift and consistent implementation of the reform agenda required for agricultural growth.

183. **The likelihood that risks related to governance and anti-corruption (GAC) efforts will emerge as a result of the implementation of AgDPO-1 Prior Actions is moderately low, and mitigation measures are addressed through other World Bank activities.** With respect to PFM, Mozambique is among the highest performing developing countries in Africa in terms of its aggregate Public Expenditure and Financial Accountability score. As noted, reforming PFM has been a cornerstone of good governance and sound macroeconomic management under the country’s PRSC during the past few years. PFM reforms have been largely successful, as demonstrated by significant improvements in the country’s Public Expenditure and Financial Accountability indicators between 2006 and 2010. Despite successful PFM reforms, gaps remain between the reformed policies, laws, and systems and their implementation, and they constitute major impediments to the performance of sector delivery systems. These gaps were highlighted during the preparation of the FY13 Bank-funded Governance Program for Results (P124615), which included an agriculture component with MINAG. They will be further addressed under the new PRSC series in FY13, which includes a PFM pillar. Moreover, the donor sector group led by the World Bank includes an agriculture PFM subgroup that works with MINAG to further strengthen the line ministry’s PFM capacity to mitigate potential GAC-related risks.

184. **On land reform, core GAC issues concern the risk of irregular land acquisition and rent-seeking behavior through speculative holding of land use rights.** The government has been proactive in the recent past on the “land grab” risk, as demonstrated by the moratorium on
issuing user rights for areas greater than 1,000 hectares over 2009–11. Enhanced institutional capacity and more rigorous enforcement of the Land Law are required for speculative land holding to be tackled efficiently, however. Efforts to do so are underway, in partnership with the land programs funded by MCC and the Government of the Netherlands with FAO. The World Bank has also been instrumental in the policy dialogue on land with the government by raising awareness of the need for community land delimitation as well as for a review of the land taxation system. Moreover, the creation of the National Consultative Forum on Land has enabled a broad spectrum of stakeholders to engage on land issues. The risk of excessive “land grabbing” resulting from authorizing user-to-user transfers of land use rights (AgDPO-1 Prior Action) is mitigated by the limit of 10 hectares as well as measures underway to accelerate the national community land delimitation campaign and the issuance of user rights to farmer associations.

185. **AgDPO Policy Area #3 on Sector Performance Monitoring directly addresses GAC-related accountability issues.** The adoption of the Master Plan for Agricultural Statistics under the AgDPO-1 is of prime importance for governance and government accountability. With the implementation of the Master Plan, policy and decision makers as well as the public at large will have access to a set of core sector indicators and their intermediate target value. Policies and decisions will need to be based on evidence, including statistical data that is collected, processed, and published annually. The clearly defined mandate on statistical data within MINAG, promoted under this AgDPO, implies that the dataset published every year by MINAG will be the unique, official agricultural statistics dataset, providing up-to-date empirical data that can serve as a basis for policy reforms.
Subject: Letter of Development Policy for the First Agriculture Development Policy Operation (agdpo-1)

1. I am writing on behalf of the Government of the Republic of Mozambique to request a Credit in the amount of US$50 million (AGDPO-I) from the International Development Association (IDA), to support a reform programme in the agriculture and fishery subsectors under a Development Policy Operation credit.

2. The aforementioned Credit will help to meet the financing requirements that Mozambique faces to implement the Action Plan for the Poverty Reduction (PARP2010-2014), through the Economic and Social Plan (PES) and the annual budget (DE) for the year 2013. The requested credit will be directed to support the GoM - PARP Objective I with the first of three operations in the proposed programmatic AgDPO series. The amount indicated in the current country assistance strategy for each AgDPO is US$50 million.

3. We would like to commend your commitment to continuous support of the Government’s program, as we progress with the implementation of the PARP 2010-2014 through the support of World Bank DPO support series. The Development Objective of the AgDPO series is to contribute to increasing production and enhancing productivity in the agriculture sector through the implementation of a medium term sector policy and institutional reform agenda.

4. The Development Objective of the AgDPO series is consistent and aligned with the objectives of the W.B. Country Partnership Strategy (CPS, FY12-FY15) in particular to promote inclusive and broad-based growth. By focusing on agricultural productivity, the DPO series directly supports the CPS cross-cutting Pillar I on Competitiveness & Employment.

Exmo. Senhor Lawrence Clarke, Director do Banco Mundial MAPUTO

Av. AhmedSekouTouné nº. 21 - 4º Andar - C.Postal nº 4087, Tel. 21492268; Fax. 21495463 – Maputo
Overview of Country Recent Progress

5. Mozambique has made macro-economic progress in recent years. The country experienced average annual economic growth rates of over eight percent between 1996 and 2011, making Mozambique the fastest growing non-oil economy in Sub-Saharan Africa. Pro-growth economic policies, tight monetary policy, a significant influx of foreign investment and high levels of donor support have contributed to this economic growth. The economic growth was accompanied by significant poverty decline over the last 20 years. However, the country remains one of the poorest countries of the world – ranking 169th for per capita GDP at US$802 per year and 165th out of the 169 countries included in the Human Development Index.

6. The PARP-II implementation in 2011 was broadly satisfactory. The Mozambican economy continued to grow rapidly, achieving a GDP growth rate of 7.3 per cent in 2011 following a 7.1 per cent in 2010. Inflation declined from 12.7 per cent in 2010 to 10.4 per cent in 2011.

7. The results of household budget survey done in 2008-09 (IOF08-09) provide solid evidence of significant progress across a range of non-monetary poverty indicators at both the national and regional levels. These include large improvements in access to education (at both primary and secondary levels); improved access to health services, particularly in rural areas; increases in asset ownership by households; improvement in access to electricity and improvements in housing quality. These improved indicators attest to important positive long-run development trends as well as success in meeting strategic government priorities. At the same time, the 2008/09 measures of poverty based on consumption, particularly food consumption, did not decrease as planned. While consumption poverty fell significantly from 1996/97 to 2002/03 (69% to 54%), the 2008/09 IOF shows that consumption poverty (as measured by the headcount rate) at the national level was essentially the same as in 2002/03, at slightly less than 55% of the population. The advances observed in non-monetary poverty indicators are associated in part with the large efforts made by the government in the provision of social services. The government has invested massively in education and health, along with investments in transport infrastructure, which has resulted in significant improvements in school attendance rates and in the average proximity of health posts. Alongside these gains in social sectors, improvements in durable goods ownership and housing quality were observed. Despite these advances, consumption poverty rates at the national level remained stable. Factors behind these results include:

- Very slow growth rates in agricultural productivity, especially with respect to food crops, observed in the TIA surveys since 2002.
- Weather shocks that impacted the harvest of 2008, particularly in the Central provinces.
**Sector Reforms**

8. As set out in the 2010-14 PARP, the Government's main objective is the reduction of the levels of absolute poverty in Mozambique. To achieve this goal, the PARP-II, adopted 2010, presents a strategy and programme focused on the following key priorities areas: human capital development (including education, health and access to potable water); governance (good governance, legality and justice including public and legal sector reform); economic development (including the promotion of national entrepreneurship and infrastructure development); and cross-cutting issues including environment, HIV/AIDS and gender.

9. The GoM introduced in agriculture sector a set of reforms and management to boost the overall performance and improve productivity. The most important are the following:

   a. **The PEDSA**—the government’s strategic plan for the development of the agricultural sector for the 2011 to 2020 period multi sector, inter-ministerial approach to improving agricultural performance. PEDSA is built around the following strategic pillars and corresponding goals: (i) Agrarian Productivity, (ii) Market Access: (iii) Natural Resources: (iv) Institutions capacity building.

   With the implementation of the PEDSA, the government seeks to achieve an annual growth rate in agriculture of at least 7 percent, through a combination of farm productivity increase (i.e. higher yield per ha) and expansion of cultivated area (increase of 25 percent by 2020 of the area cultivated for food crops). The PEDSA promotes the creation of an enabling environment conducive of stronger private sector participation (including smallholders and other economic actors) in the various commodity value chains. The PEDSA prioritizes public investments in areas of strong economic potential, while supporting local initiatives and non-farm activities elsewhere.

   b. **Mozambique embarked on the AU/NEPAD’s CAADP agenda and signed its national CAADP Compact in December 2011. CAADP** represents African leaders’ collective vision for agriculture in Africa. It aims at helping African countries reach a higher path of economic growth through agriculture-led development. To achieve this goal by 2015, countries commit to reforms designed to bring about an average annual growth rate of 6 percent in agriculture; they also commit to increasing public investment in agriculture to at least 10 percent of their national budgets.
CAADP revolves around four pillars for agricultural improvement and investment: (i) sustainable land and water management; (ii) market access; (iii) food supply and hunger; and (iv) agricultural research. Mozambique’s CAADP Compact outlines a set of sector priorities aligned with the CAADP pillars committed to by GoM, donors, producers, other private sector agents, and civil society. As Mozambique’s PEDSA is implemented under the CAADP framework, the Compact also highlights the linkages between PEDSA pillars and CAADP pillars.

c. PNISA. The GoM has prepared its first agricultural medium term investment plan. Mobilizing resources through domestic and international alliances is a crucial element and output of the CAADP Roundtable process. Mozambique’s National Investment Plan for the Agrarian Sector (PNISA) is the result of a participatory process of broad consultation and validation rounds launched in January 2012 with various stakeholders under the leadership of a technical unit at MINAG with support from FAO. PNISA encompasses the detailed costing, the monitoring and evaluation framework and the arrangements for institutional coordination for areas derived from the pillars of the PEDSA, and is broken down into 21 programs. PNISA’s total budget amounts to an equivalent of around US$4 billion for the period 2013-17, or around US$800,000 per year.

Agriculture Program

10. A recent assessment of the Agriculture subsector found that: (i) Overall agricultural sub sector growth for the first half of 2012 (including the second crop) was 3.4 percent, lower than expected due to sub performance in the cashew, tea, and copra subsectors. The activities and actions proposed in MINAG’s PES 2013 for agriculture, forestry and livestock are support the PQG sector priorities and the projected growth rate for the sector in 2013 is 4.8 percent. This remains well below the 7 percent target of the PEDSA and the 6 percent growth rate target the governments from African countries committed to under the Comprehensive Africa Agriculture Development Program (CAADP). The PES 2013 indicates for example that the distribution of seeds will be pursued using the mechanisms introduced with the GoM’s Food Production Action Plan (PAPA), which include supplying seeds though agro-dealers at a subsidized price.

11. The tentative budget allocation to irrigation, research, and fisheries is around 22, 20 and 10 percent of the total PNISA budget, respectively. The financing gap presented in the PNISA is estimated at US$3.1 billion (slightly more than 77 percent of the total PNISA budget). Once the final version of the PNISA is approved by
the authorities, the GoM will officially present the PNISA to potential investors (including private sector and development partners) and invite them to formulate commitments to co-funding the PNISA using a range of mechanisms (e.g. program targeted, basket funding, direct investments).

12. The GoM recognizes the need for actions and changes as illustrated by the country’s 2011-14 poverty reduction strategy (PARP) Objective I devoted to agriculture. The stated objective is "to increase production and enhance productivity in the agriculture and fisheries sectors". To contribute to achieving the PARP Objective I, the AgOPO series is envisaged to support a GoM medium term program of policy and institutional reforms in agriculture and fishery sectors. The basic premise at the core of the design for the AgOPO series is that reforms in the core sub sectors of agriculture and fishery are necessary - but not sufficient. Rather, in order to achieve the comprehensive and lasting changes required to turn around the performance in agriculture and fishery subsectors, reforms need to extend to the enabling environment and be embedded in a foundation that allows to accurately monitoring progress towards the results expected from their implementation. Therefore, in addition to irrigation, land and technology adoption, the policy areas of the OPO-I include rural roads, rural finances, agribusiness environment, and sector statistics.

13. The AgOPO series proposed is a logical consequence of the lessons learned by government and donors after a decade of operational and institutional engagement in agriculture. Amiast the various sector strategies, institutional development programs and operational projects, the AgOPO series fills the growing policy gap that has been a determinant of the mixed results in agriculture performance in recent years. To achieve agricultural growth, the GoM needs to complement its new agricultural sector strategy (PEDSA), its recent national CAADP Compact and its subsequent medium term sector investment plan (PNISA), with the implementation of a medium term program of policy and institutional sector reforms: the AgOPO series provides the opportunity for the GoM to prioritize, select, implement and report on the implementation of rigorously selected sector policy instruments.

14. However, with the GoM’s clear prioritization of agriculture in its current economic growth and poverty agenda (e.g. Strategic Objective I of the PARP, GoM’sCAADP agenda with PEDSA and PNISA), a more comprehensive framework for a tri-partite sector policy dialogue between GoM and development partners is required - which the AgOPO series provides.

15. The GoM has agreed upon and implement the following prior actions before the presentation of the credit to the Executive Board:
a. Prior Action 1: Ratification by the Council of Ministers of SADC-compliant national seed regulations governing production, trade, quality control and certification

b. Prior Action 2: Adoption by MINAG of the legislation regulating the production, trade, quality control and seed certification, compliant with SADC harmonization requirements. Approval by the Council of Ministers of the regulations governing the fertilizer sub-sector that include: i) a detailed mandate for the Fertilizer Authority, and ii) the requirements for economic agents operating in the fertilizer value chain

c. Prior Action 3: Adoption by the Council of Ministers of the mid-term investment plan for agriculture (PNISA) under the country’s CAADP agenda that includes a detailed costing, policy agenda, institutional coordination and M&E framework for the irrigation sub-sector

d. Prior Action 4: Ratification by the National Institute for Norms and Quality Standards (INNOIL/MIC) of the food quality norms and standards for wheat flour and edible oil that govern nutrient fortification for both commodity groups

e. Prior Action 5: Simplification of the process and reduction of the timelines for the transfer of rural and user rights (OUAT) under 10 hectares

f. Prior Action 6: Adoption by the Council of Ministers of the country’s strategy for agribusiness (PNDA) that includes a policy agenda and a comprehensive implementation plan to promote the development of rural finance services and private sector investment in agriculture.

g. Prior Action 7: Consolidation under a single agency within MINAG of the institutional mandate for agricultural statistics and adoption of a single list of core sector indicators to be monitored and reported upon annually (as per the Master Plan for Agricultural Statistics, 2012-22)

DPO TECHNICAL ASSISTANCE

16. The GoM has embarked in a set of agricultural reforms that will enhance agricultural production and productivity and, with the AgriDPO operations the Government hopes to secure financial support from the Bank funding to anchor the introduction of the above mentioned reforms. However the Government of
Mozambique recognizes that a rigorous implementation of the new reforms and regulations will require additional effort imposes additional challenges, and there are implementation challenges that need to be addressed. Those challenges are similar for the implementation of the reforms agreed in other initiatives, namely the Climate Change DPO, and the Poverty Reduction Strategic Paper Series (PRSP).

17. The main challenges involved include a better inter-ministerial policy dialogue and coordination under MPD, the need to create direct incentives for the agencies implementing the DPO reforms, human resources development, strengthened institutional capacity, and better capacity for monitoring the implementation of the agreed policy and/or institutional changes. This implies that the different agencies involved in the implementation of the DPO series need to strengthen their institutional capacity for a continued and sound identification, development, design, and implement sector reforms. To that end, the GoM is keen to develop a Technical Assistance Program to complement the DPO series.

18. Mitigating measures to address the above mentioned challenges include the establishment of a multi-sector, inter-ministerial DPO Task Force to coordinate the preparation, implementation and monitoring of the operations, and above all, introduction and implementation of a Government and World Bank Technical Assistance project to accompany DPO-2 and -3 and support the agencies involved in the implementation of the policy actions (institutional capacity development). The Technical Assistance is needed, in broad lines, to build capacity in the targeted Government institutions, to properly assess the methodologies to implement the reforms, to screen the technical appropriateness of the reforms, and to assess the financial viability of the reforms, their social acceptance, environmental impacts, and institutional sustainability (ownership, long term commitment, good governance).

19. The technical assistance would also comprise support to the government to further formulate reform policies, strategies and plans, strategic monitoring and impact assessment of the introduced reforms and studies in case of information gaps for the AgriDPO, Climate Change DPO, and other policy reforms. As part of the Technical Assistance, consultants would be hired to prepare specific guidelines and monitoring mechanisms to ensure the DPO introduced reforms are translated into workable and beneficial instruments that stimulate agricultural production and productivity, better capacity to address the issues arising from the climate changes, and improved business environment.

20. The envisaged Technical Assistance Program will primarily rely on own resources. However, given current funding constraints, the proposed efforts may require external funding. Therefore the Government of
Mozambique hereby requests the Bank to provide additional funding to support the Technical Assistance program, in the benefit of the implementing Government Agencies. The Technical Assistance program would be designed and defined in conjunction by the Government and the Bank as advanced and discussed in the recently well concluded AgriDPO Appraisal mission. Thus, the Government is requesting funding to DPO Technical Assistance in the order of USD15-20 million for the period of 2013-2015.

21. In this regard, and based on the progress we have made so far, we would like to thank the World Bank for all support provided, and we express our readiness to negotiate the Agriculture Development Policy Operation in the proposed dates of March, 2013.

With highest consideration,

Yours Sincerely,

Minister of Planning and Development

Cc:
Sua Excelência
Manuel Chang
Ministro das Finanças

Sua Excelência
Alcinda de Abreu
Ministra para a Coordenação de Assuntos Ambientais

Sua Excelência
José Pacheco
Ministro da Agricultura

Sua Excelência
Victor Borges
Ministro das Pescas

Sua Excelência
Ernesto Gove
Governador do Banco de Moçambique

Maputo

Av. AhmedSekouToure nº 21 - 4º,Andar - C.Postal nº 4087, Tel. 21492268; Fax. 21495463 – Maputo
# ANNEX 2: RESULTS MATRIX FOR THE PROGRAMMATIC AGRICULTURE DEVELOPMENT POLICY OPERATIONS

<table>
<thead>
<tr>
<th>Development objectives by Policy Area</th>
<th>Prior Actions - Key policy and institutional measures for DPO-1 (completion in 2012)</th>
<th>Triggers - Key policy and institutional measures for DPO-2 (completion in 2013)</th>
<th>Triggers - Key policy and institutional measures for DPO-3 (completion in 2014)</th>
<th>Medium term outcomes of the prior actions and triggers supported by the DPO series</th>
<th>Indicators</th>
<th>Source of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy Area 1: Improving Agricultural Technology for Enhanced Productivity and Nutrition</strong></td>
<td>To increase farm productivity in smallholder agriculture, while improving competitiveness and sustainability of the agriculture sector and taking into account social and private sector participation.</td>
<td>1.1.1 Ratification by the Council of Ministers of SADC-compliant national seed regulations governing production, trade, quality control and certification</td>
<td>1.2.1 Adoption by MINAG of the detailed regulations for the implementation of the decree on plant breeders’ rights, that includes sound provisions for the protection of breeders’ intellectual property rights</td>
<td>1.3.1 Adoption by MINAG of: i) the revised official texts governing the roles and responsibilities of the multi stakeholder National Seeds Committee (CNS), ii) a multi annual activity plan for CNS with detailed budget requirements, and iii) the updated list of seed varieties authorized by CNS for release</td>
<td>The participation of the private sector in the commodity value chains for agricultural inputs (seeds &amp; fertilizer) has increased.</td>
<td>Cumulative number of registered agricultural input dealers (and share of registered women input dealers) Base 2012: 496 (12%) Target 2015: 720 (25%) Annual report from International Fertilizer Development Center (IFDC) and African Fertilizer and Agribusiness Program (AFAP)</td>
</tr>
<tr>
<td><strong>Seed sub sector</strong></td>
<td>1.1.2 Ratification by the Council of Ministers of the regulations governing the fertilizer sub sector that include: i) details on the role of the Fertilizer Authority in providing public good type services, and ii) the requirements for economic agents that encourage private sector participation in the fertilizer value chain</td>
<td>1.2.2 Adoption by MINAG of the composition and operational procedures for: i) the Technical Evaluation Committee for the Registration of Fertilizers (CATERF) that includes a representative from MICOA, and ii) the Technical Advisory Committee on Fertilizer (CATF), that includes a representative from private sector</td>
<td>1.3.2 Publication by MINAG of the complete list of fertilizers licensed by CATERF for production, marketing and use in the country</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fertilizer sub sector</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

68
| Development objectives by Policy Area | Prior Actions - Key policy and institutional measures for DPO-1 (completion in 2012) | Triggers - Key policy and institutional measures for DPO-2 (completion in 2013) | Triggers - Key policy and institutional measures for DPO-3 (completion in 2014) | Medium term outcomes of the prior actions and triggers supported by the DPO series | Indicators
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Irrigation sub sector</td>
<td>1.1.3 Ratification by the Council of Ministers of the medium term investment plan for agriculture (PNISA) that includes the irrigation sub sector with a policy agenda supporting private sector participation, clear institutional coordination arrangements, a detailed costing, and an M&amp;E framework</td>
<td>1.2.3 Adoption by MINAG of an updated legal and regulatory framework for associations that formally recognizes the legal status of Water User Associations and Local Irrigation Organizations, and outlines their mandates and accountabilities</td>
<td>1.3.3 Adoption by MINAG of the regulations for public-private partnerships that govern the development, management, operation and maintenance of public irrigation schemes by private entities</td>
<td>Improved management arrangements in public irrigation schemes have led to enhanced performance of the irrigation sub sector.</td>
<td>Additional number of irrigation schemes managed by Water User Associations/Local Irrigation Organizations (share of those WUA/LIO with women in their management committee)</td>
<td>Base 2011: 0 (0%) Target 2015: 20 (67%)</td>
</tr>
<tr>
<td>Nutrition</td>
<td>1.1.4 Adoption by the National Institute for Quality Standards (INNOQ/MIC) of the food quality standards for nutrient-fortified wheat flour and edible oil</td>
<td>1.2.4 Creation of a Joint Commission on Food Fortification sanctioned by a ministerial diploma by MIC and MISAU, and implementation of an MoU approved by MIC on the operationalization of the food fortification program with the private sector</td>
<td>1.3.4 Mandatory nutrient fortification of wheat flour sanctioned by the ratification by MIC and MISAU of a joint ministerial diploma that endorses the corresponding legal and regulatory framework</td>
<td>The availability of food fortified with micro nutrients has increased</td>
<td>Share of fortified wheat flour relative to total volume of wheat flour processed</td>
<td>Fortified wheat flour: Base 2011: 0% Target 2015: 50%</td>
</tr>
</tbody>
</table>
### Development objectives by Policy Area

| Policy Area | Prior Actions - Key policy and institutional measures for DPO-1 (completion in 2012) | Triggers - Key policy and institutional measures for DPO-2 (completion in 2013) | Triggers - Key policy and institutional measures for DPO-3 (completion in 2014) | Medium term outcomes of the prior actions and triggers supported by the DPO series | Indicators
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land Administration</strong></td>
<td>To improve the access to productive and financial assets for producers and entrepreneurs in rural areas to contribute to the development of commodity value chains and stimulate private sector investments in agriculture</td>
<td>2.1.1 Publication of the outcomes of the process on simplification and reduction of the timelines for the transfer of rural land user rights (DUAT) for parcels measuring less than 10 hectares</td>
<td>2.2.1 Adoption by MINAG of operational procedures (developed in consultation with the National Land Forum) for communities seeking to enter into an agreement with a third party on the use of the land for which the community holds the user rights</td>
<td>2.3.1 Adoption by MINAG of a road map, developed in consultation with the National Land forum, to revise the land taxation system, based on an in-depth analysis on the tax basis, data management, capacity building needs, and possible social and economic impact</td>
<td>Access to land and land tenure security have improved, particularly for smallholders, as a result of increased efficiency with land administration services</td>
</tr>
<tr>
<td><strong>Value chain Development</strong></td>
<td>2.1.2 Ratification by the Council of Ministers of the country’s strategy for agribusiness (PNDA) that includes a sound policy agenda and a comprehensive implementation plan to promote the development of rural financial services and private sector investment in agriculture</td>
<td>2.2.1 Implementation of revised regulations ratified by the Council of Ministers, that govern the creation, operation and reporting of Savings &amp; Credit Cooperatives (CCP) and Rural Finance Associations (OPE) and facilitate the transition from informal savings and loans groups to CCP and OPE</td>
<td>2.3.2 Ratification by the Council of Ministers of the legal and regulatory framework for the establishment, operation and monitoring of a warehouse receipt financing system</td>
<td>A policy environment conducive of rural economic growth has led to an increase in rural finance operators and the emergence of innovative financing instruments, thereby enhancing access to financial services</td>
<td>Share of rural households with access to agriculture credit (and share of those that are female-headed)</td>
</tr>
</tbody>
</table>

**Baseline (2011)**

<table>
<thead>
<tr>
<th>Source of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Report (DNTF/MINAG); ITF progress report</td>
</tr>
</tbody>
</table>

**Target (2015)**

<table>
<thead>
<tr>
<th>Source of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base 2011: 52 user rights; 80 certificates</td>
</tr>
<tr>
<td>Target 2015: 260 user rights and 280 certificates</td>
</tr>
</tbody>
</table>

**Cumulative number of land user rights issued to associations and certificates of delimitations issued to communities**

<table>
<thead>
<tr>
<th>Source of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base 2011: 52 user rights; 80 certificates</td>
</tr>
<tr>
<td>Target 2015: 260 user rights and 280 certificates</td>
</tr>
</tbody>
</table>

**Access to land and land tenure security have improved, particularly for smallholders, as a result of increased efficiency with land administration services**

<table>
<thead>
<tr>
<th>Source of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Report (DNTF/MINAG); ITF progress report</td>
</tr>
</tbody>
</table>

**A policy environment conducive of rural economic growth has led to an increase in rural finance operators and the emergence of innovative financing instruments, thereby enhancing access to financial services**

<table>
<thead>
<tr>
<th>Source of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base 2011: 2.3% (15%)</td>
</tr>
<tr>
<td>Target 2015: 5.0% (33%)</td>
</tr>
</tbody>
</table>

**Share of rural households with access to agriculture credit (and share of those that are female-headed)**

<table>
<thead>
<tr>
<th>Source of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>MINAG annual agriculture survey</td>
</tr>
</tbody>
</table>
| Development objectives by Policy Area | Prior Actions - Key policy and institutional measures for DPO-1 (completion in 2012) | Triggers - Key policy and institutional measures for DPO-2 (completion in 2013) | Triggers - Key policy and institutional measures for DPO-3 (completion in 2014) | Medium term outcomes of the prior actions and triggers supported by the DPO series | Indicators  
Baseline (2011)  
Target (2015)  
Source of verification |
|--------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Policy Area 3: Monitoring Sector Performance | To build a sustainable agricultural statistics system that allows to report objectively on the performance of the agriculture sector (incl. on PNISA) and enables evidence-based sector policy and program design | 3.1.1 Consolidation under a single agency within MINAG of the institutional mandate for agricultural statistics and adoption of a single list of core sector indicators to be monitored and reported upon annually (as per the Master Plan for Agricultural Statistics, 2012-22) | 3.2.1 Implementation of the integrated survey framework for agricultural statistics that links the Early Warning System (Aviso Previo) with the Agricultural Household Survey (TIA), in the 2013 agriculture survey | 3.3.1 Implementation of institutional arrangements and operational procedures at the decentralized level that define the roles and competencies required from actors at the provincial/district level for a successful implementation of the Master Plan for Agricultural Statistics | A unique and reliable agricultural statistical system is operational and managed by a single entity within MINAG that publishes data and qualitative assessment reports on an annual basis.  
Official publication (no later than March of the following year) of the annual agricultural statistics report based on the new integrated survey framework  
Baseline 2011: not available  
Target 2015: available  
MINAG annual report |
IMF Completes Fifth Review Under the Policy Support Instrument for Mozambique
Press Release No. 12/506
December 21, 2012

The Executive Board of the International Monetary Fund (IMF) has completed the fifth review under the three-year Policy Support Instrument (PSI) for the Republic of Mozambique. The Board's decision was taken on a lapse of time basis.²

Despite the difficult global environment, Mozambique’s economic performance in 2012 has been remarkable, building on a track record of strong economic policies that effectively supported growth while bringing down inflation and strengthening international reserves. Real GDP growth for 2012 is set to reach 7.5 percent, benefiting from a robust performance in the services sector and a stronger-than-expected contribution from the nascent coal industry, and inflation has remained low. While global risks are sizeable, the increase in coal extraction will continue to lead Mozambique’s economic growth, and Mozambique’s economic stability and prudent policy mix over the past few years should help the economy weather the global slowdown. The gradual easing of monetary policy in 2012 has supported private sector credit growth while preserving a low inflation environment. The prudent execution of the 2012 budget has contributed to a judicious policy mix that has fostered economic stability despite global uncertainty. All assessment criteria for end-June 2012 were met, except for a temporary breach of the ceiling on net credit to the government. There was broadly satisfactory progress in structural reforms, despite some delays.

The authorities’ economic program under the PSI will continue to emphasize preserving economic stability and debt sustainability while promoting economic and social development. Monetary policy will be geared toward private sector credit expansion, while remaining committed to the medium-term inflation target. Efforts to strengthen supervision and the crisis management framework will safeguard the financial sector from cross-border spillovers. Fiscal policy, through a prudent 2013 budget, will aim to utilize the available fiscal space to close the infrastructure gap and support an expansion of social safety nets to foster inclusive growth, consistent with the authorities’ four-year poverty reduction strategy (2011–2014). The prudent use of non-concessional external borrowing will help to bridge the gap between the country’s vast infrastructure needs and a trend decline in donor support, while further institutional enhancements and capacity building will strengthen Mozambique’s ability to manage its natural resource wealth. The program’s structural reforms focus on improving public financial management including debt management, tax administration and policy, and the monetary policy framework.

The Executive Board approved Mozambique’s second three-year PSI on June 14, 2010 (see Press Release No. 10/242).

¹ The IMF’s framework for PSIs is designed for low-income countries that may not need IMF financial assistance, but still seek close cooperation with the IMF in preparation and endorsement of their policy frameworks. PSI-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners. A country’s performance under a PSI is reviewed bi-annually.

² The Executive Board takes decisions under its lapse of time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.
Mozambique at a glance

<table>
<thead>
<tr>
<th>Key Development Indicators</th>
<th>Mozambique</th>
<th>Sub-Saharan Africa</th>
<th>Low income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population, mid-year (millions)</td>
<td>23.4</td>
<td>853</td>
<td>796</td>
</tr>
<tr>
<td>Surface area (thousand sq. km)</td>
<td>799</td>
<td>24,243</td>
<td>15,551</td>
</tr>
<tr>
<td>Population growth (%)</td>
<td>2.3</td>
<td>2.5</td>
<td>2.1</td>
</tr>
<tr>
<td>Urban population (% of total population)</td>
<td>38</td>
<td>37</td>
<td>28</td>
</tr>
<tr>
<td>GNI (Atlas method, US$ billions)</td>
<td>10.3</td>
<td>1,004</td>
<td>421</td>
</tr>
<tr>
<td>GNI per capita (Atlas method, US$)</td>
<td>440</td>
<td>1,176</td>
<td>528</td>
</tr>
<tr>
<td>GNI per capita (PPP, international $)</td>
<td>930</td>
<td>2,148</td>
<td>1,307</td>
</tr>
<tr>
<td>GDP growth (%)</td>
<td>7.2</td>
<td>4.8</td>
<td>5.9</td>
</tr>
<tr>
<td>GDP per capita growth (%)</td>
<td>4.8</td>
<td>2.3</td>
<td>3.7</td>
</tr>
</tbody>
</table>

**Sub-Saharan Africa**

Poverty headcount ratio at $1.25 a day (PPP, %) 60 48 ..
Poverty headcount ratio at $2.00 a day (PPP, %) 82 69 ..
Life expectancy at birth (years) 50 54 59
Infant mortality (per 1,000 live births) 92 76 70
Child malnutrition (% of children under 5) 18 22 23

**Low income**

Adult literacy, male (% of ages 15 and older) 70 71 69
Adult literacy, female (% of ages 15 and older) 41 54 54
Gross primary enrollment, male (% of age group) 121 104 108
Gross primary enrollment, female (% of age group) 109 95 101
Access to an improved water source (% of population) 47 61 65
Access to improved sanitation facilities (% of population) 18 31 37

### Net Aid Flows

<table>
<thead>
<tr>
<th>Year</th>
<th>1980</th>
<th>1990</th>
<th>2000</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>(US$ millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net ODA and official aid</td>
<td>167</td>
<td>998</td>
<td>906</td>
<td>1,959</td>
</tr>
<tr>
<td>United States</td>
<td>9</td>
<td>62</td>
<td>116</td>
<td>278</td>
</tr>
<tr>
<td>European Union Institutions</td>
<td>7</td>
<td>81</td>
<td>79</td>
<td>192</td>
</tr>
<tr>
<td>Portugal</td>
<td>..</td>
<td>43</td>
<td>33</td>
<td>113</td>
</tr>
<tr>
<td>Aid (% of GNI)</td>
<td>4.7</td>
<td>43.0</td>
<td>22.6</td>
<td>20.8</td>
</tr>
<tr>
<td>Aid per capita (US$)</td>
<td>14</td>
<td>74</td>
<td>50</td>
<td>84</td>
</tr>
</tbody>
</table>

### Long-Term Economic Trends

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(average annual growth %)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer prices (annual % change)</td>
<td>4.2</td>
<td>12.7</td>
<td>5.6</td>
</tr>
<tr>
<td>GDP implicit deflator (annual % change)</td>
<td>4.1</td>
<td>12.0</td>
<td>12.7</td>
</tr>
<tr>
<td>Exchange rate (annual average, local per US$)</td>
<td>0.9</td>
<td>15.4</td>
<td>34.0</td>
</tr>
<tr>
<td>Terms of trade index (2000 = 100)</td>
<td>87</td>
<td>100</td>
<td>112</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(average annual growth %)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population, mid-year (millions)</td>
<td>12.1</td>
<td>18.2</td>
<td>23.4</td>
</tr>
<tr>
<td>GDP (US$ millions)</td>
<td>3,526</td>
<td>4,249</td>
<td>9,586</td>
</tr>
<tr>
<td>(percent of GDP)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>37.1</td>
<td>24.0</td>
<td>31.9</td>
</tr>
<tr>
<td>Industry</td>
<td>34.4</td>
<td>24.5</td>
<td>23.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>..</td>
<td>12.2</td>
<td>13.1</td>
</tr>
<tr>
<td>Services</td>
<td>28.5</td>
<td>51.5</td>
<td>44.8</td>
</tr>
<tr>
<td>Household final consumption expenditure</td>
<td>96.7</td>
<td>80.6</td>
<td>82.1</td>
</tr>
<tr>
<td>General govt. final consumption expenditure</td>
<td>12.2</td>
<td>9.0</td>
<td>12.2</td>
</tr>
<tr>
<td>Gross capital formation</td>
<td>7.8</td>
<td>31.0</td>
<td>23.7</td>
</tr>
<tr>
<td>Exports of goods and services</td>
<td>10.9</td>
<td>16.5</td>
<td>25.3</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>27.4</td>
<td>37.0</td>
<td>43.2</td>
</tr>
<tr>
<td>Gross savings</td>
<td>..</td>
<td>12.4</td>
<td>12.3</td>
</tr>
</tbody>
</table>

Note: Figures in italics are for years other than those specified. .. indicates data are not available.

Development Economics, Development Data Group (DECDG).
### Balance of Payments and Trade

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Merchandise Exports (fob)</th>
<th>Total Merchandise Imports (cif)</th>
<th>Net Trade in Goods and Services</th>
<th>Current Account Balance</th>
<th>Workers' Remittances and Compensation of Employees (Receipts)</th>
<th>Reserves, Including Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>364</td>
<td>1,163</td>
<td>-819</td>
<td>-697</td>
<td>37</td>
<td>745</td>
</tr>
<tr>
<td>2010</td>
<td>2,089</td>
<td>3,948</td>
<td>-1,951</td>
<td>-1,391</td>
<td>132</td>
<td>1,729</td>
</tr>
</tbody>
</table>

### Central Government Finance

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Revenue (Including Grants)</th>
<th>Tax Revenue</th>
<th>Current Expenditure</th>
<th>Overall Surplus/Deficit</th>
<th>Highest Marginal Tax Rate (%)</th>
<th>Individual</th>
<th>Corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>15,235.1</td>
<td>10,456.1</td>
<td>11,708.7</td>
<td>-8,403.7</td>
<td>20</td>
<td>32</td>
<td>35</td>
</tr>
<tr>
<td>2010</td>
<td>20,620.3</td>
<td>15,332.6</td>
<td>16,234.6</td>
<td>-9,443.6</td>
<td>32</td>
<td>32</td>
<td></td>
</tr>
</tbody>
</table>

### External Debt and Resource Flows

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Debt Outstanding and Disbursed</th>
<th>Total Debt Service</th>
<th>Debt Relief (HIPC, MDRI)</th>
<th>Total Debt (% of GDP)</th>
<th>Total Debt Service (% of Exports)</th>
<th>Foreign Direct Investment (Net Inflows)</th>
<th>Portfolio Equity (Net Inflows)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>7,205</td>
<td>96</td>
<td>3,140</td>
<td>169.6</td>
<td>12.5</td>
<td>139</td>
<td>0</td>
</tr>
<tr>
<td>2010</td>
<td>4,124</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>789</td>
</tr>
</tbody>
</table>

### Private Sector Development

<table>
<thead>
<tr>
<th>Year</th>
<th>Time Required to Start a Business (Days)</th>
<th>Cost to Start a Business (% of GNI Per Capita)</th>
<th>Time Required to Register Property (Days)</th>
<th>Ranked as a Major Constraint to Business (% of Managers Surveyed Who Agreed)</th>
<th>Stock Market Capitalization (% of GDP)</th>
<th>Bank Capital to Asset Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td></td>
<td></td>
<td></td>
<td>n.a.</td>
<td>8.2</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td>n.a.</td>
<td>8.0</td>
<td></td>
</tr>
</tbody>
</table>

Note: Figures in italics are for years other than those specified.

---

### Governance Indicators, 2000 and 2010

- **Voice and Accountability**
- **Political Stability and Absence of Violence**
- **Regulatory Quality**
- **Rule of Law**
- **Control of Corruption**

### Technology and Infrastructure

- **Paved Roads (% of Total)**:
  - 2000: 18.7%
  - 2010: 20.8%
- **Fixed Line and Mobile Phone Subscribers (Per 100 People)**:
  - 2000: 1%
  - 2010: 31%
- **High Technology Exports (% of Manufactured Exports)**:
  - 2000: 9.0%
  - 2010: 1.3%

### Environment

- **Agricultural Land (% of Land Area)**:
  - 2000: 61%
  - 2010: 63%
- **Forest Area (% of Land Area)**:
  - 2000: 52.4%
  - 2010: 49.6%
- **Terrestrial Protected Areas (% of Land Area)**:
  - 2000: 14.8%
  - 2010: 15.8%
- **Freshwater Resources Per Capita (Cu. Meters)**:
  - 2000: 5,224
  - 2010: 4,388
- **CO2 Emissions Per Capita (Mt)**:
  - 2000: 0.07
  - 2010: 0.10
- **GDP Per Unit of Energy Use (2005 PPP $ Per Kg of Oil Equivalent)**:
  - 2000: 1.3
  - 2010: 1.9
- **Energy Use Per Capita (Kg of Oil Equivalent)**:
  - 2000: 394
  - 2010: 427

### World Bank Group Portfolio

<table>
<thead>
<tr>
<th>Year</th>
<th>IBRD (US$ Millions)</th>
<th>IDA (US$ Millions)</th>
<th>Private Sector Development (US$ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>0</td>
<td>760</td>
<td>99</td>
</tr>
<tr>
<td>2010</td>
<td>0</td>
<td>1,491</td>
<td>68</td>
</tr>
</tbody>
</table>

### World Bank Group Portfolio by Source

- **IBRD**
  - Total Debt Outstanding and Disbursed: 0
  - Disbursements: 0
  - Principal Repayments: 0
  - Interest Payments: 0
- **IDA**
  - Total Debt Outstanding and Disbursed: 760
  - Disbursements: 97
  - Principal Repayments: 0
  - Interest Payments: 0

### Other Multilateral

- **MIGA**
  - Gross Exposure: 114
  - New Guarantees: 74

Note: Figures in italics are for years other than those specified.

---

**Development Economics, Development Data Group (DECDG)**
With selected targets to achieve between 1990 and 2015
(estimates closest to date shown, +/- 2 years)

<table>
<thead>
<tr>
<th>Goal</th>
<th>Objective</th>
<th>1990</th>
<th>1995</th>
<th>2000</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal 1: halve the rates for extreme poverty and malnutrition</td>
<td>Poverty headcount ratio at $1.25 a day (PPP, % of population)</td>
<td></td>
<td>80.6</td>
<td>59.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Poverty headcount ratio at national poverty line (% of population)</td>
<td></td>
<td>69.4</td>
<td>54.7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Share of income or consumption to the poorest quintile (%)</td>
<td></td>
<td>5.6</td>
<td>5.2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prevalence of malnutrition (% of children under 5)</td>
<td></td>
<td>23.9</td>
<td>18.3</td>
<td></td>
</tr>
<tr>
<td>Goal 2: ensure that children are able to complete primary schooling</td>
<td>Primary school enrollment (net, %)</td>
<td>44</td>
<td>44</td>
<td>56</td>
<td>92</td>
</tr>
<tr>
<td></td>
<td>Primary completion rate (% of relevant age group)</td>
<td>26</td>
<td>26</td>
<td>16</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td>Secondary school enrollment (gross, %)</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Youth literacy rate (% of people ages 15-24)</td>
<td></td>
<td>47</td>
<td></td>
<td>71</td>
</tr>
<tr>
<td>Goal 3: eliminate gender disparity in education and empower women</td>
<td>Ratio of girls to boys in primary and secondary education (%)</td>
<td>73</td>
<td>69</td>
<td>75</td>
<td>89</td>
</tr>
<tr>
<td></td>
<td>Women employed in the nonagricultural sector (% of nonagricultural employment)</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Proportion of seats held by women in national parliament (%)</td>
<td>16</td>
<td>25</td>
<td>30</td>
<td>39</td>
</tr>
<tr>
<td>Goal 4: reduce under-5 mortality by two-thirds</td>
<td>Under-5 mortality rate (per 1,000)</td>
<td>219</td>
<td>195</td>
<td>177</td>
<td>135</td>
</tr>
<tr>
<td></td>
<td>Infant mortality rate (per 1,000 live births)</td>
<td>148</td>
<td>131</td>
<td>119</td>
<td>92</td>
</tr>
<tr>
<td></td>
<td>Measles immunization (proportion of one-year olds immunized, %)</td>
<td>59</td>
<td>71</td>
<td>71</td>
<td>70</td>
</tr>
<tr>
<td>Goal 5: reduce maternal mortality by three-fourths</td>
<td>Maternal mortality ratio (modeled estimate, per 100,000 live births)</td>
<td>1,000</td>
<td>890</td>
<td>780</td>
<td>550</td>
</tr>
<tr>
<td></td>
<td>Births attended by skilled health staff (% of total)</td>
<td></td>
<td>44</td>
<td></td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Contraceptive prevalence (% of women ages 15-49)</td>
<td></td>
<td>6</td>
<td></td>
<td>16</td>
</tr>
<tr>
<td>Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases</td>
<td>Prevalence of HIV (% of population ages 15-49)</td>
<td>1.2</td>
<td>4.1</td>
<td>8.6</td>
<td>11.5</td>
</tr>
<tr>
<td></td>
<td>Incidence of tuberculosis (per 100,000 people)</td>
<td>401</td>
<td>478</td>
<td>513</td>
<td>544</td>
</tr>
<tr>
<td></td>
<td>Tuberculosis case detection rate (% all forms)</td>
<td>29</td>
<td>23</td>
<td>23</td>
<td>34</td>
</tr>
<tr>
<td>Goal 7: halve the proportion of people without sustainable access to basic needs</td>
<td>Access to an improved water source (% of population)</td>
<td>36</td>
<td>38</td>
<td>42</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Access to improved sanitation facilities (% of population)</td>
<td>11</td>
<td>12</td>
<td>14</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Forest area (% of total land area)</td>
<td>55.2</td>
<td></td>
<td>52.4</td>
<td>49.6</td>
</tr>
<tr>
<td></td>
<td>Terrestrial protected areas (% of land area)</td>
<td>14.8</td>
<td>14.8</td>
<td>14.8</td>
<td>15.8</td>
</tr>
<tr>
<td></td>
<td>CO2 emissions (metric tons per capita)</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)</td>
<td>0.9</td>
<td>1.0</td>
<td>1.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Goal 8: develop a global partnership for development</td>
<td>Telephone mainlines (per 100 people)</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>Mobile phone subscribers (per 100 people)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.3</td>
<td>30.9</td>
</tr>
<tr>
<td></td>
<td>Internet users (per 100 people)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
<td>4.2</td>
</tr>
<tr>
<td></td>
<td>Computer users (per 100 people)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Figures in italics are for years other than those specified. .. indicates data are not available.

Development Economics, Development Data Group (DECDG).