



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 9 -May-2019 | Report No: PIDISDSA26013



BASIC INFORMATION

A. Basic Project Data

Country Mozambique	Project ID P168940	Project Name Additional Financing to the Agriculture and Natural Resources Landscapes Management Project (SUSTENTA)	Parent Project ID (if any) P149620
Parent Project Name Moz Agriculture and Natural Resources Landscape Management Project	Region AFRICA	Estimated Appraisal Date 28-Feb-2019	Estimated Board Date 20-Mar-2019
Practice Area (Lead) Agriculture	Financing Instrument Investment Project Financing	Borrower(s) Ministry of Economy and Finance	Implementing Agency Ministry for Land, Environment and Rural Development

Proposed Development Objective(s) Parent

The project development objective is to integrate rural households into sustainable agriculture and forest-based value chains in the Project area and, in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis or Emergency.

Components

- Agriculture and Forest-Based Value Chain Development
- Securing Land Tenure Rights and Increasing Natural Resources Resilience
- Project Coordination and Management
- Contingency Emergency Response

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	60.00
Total Financing	60.00
of which IBRD/IDA (CRW)	60.00
Financing Gap	0.00

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DETAILS

World Bank Group Financing

International Development Association (IDA)	60.00
IDA Credit	60.00

Environmental Assessment Category

B-Partial Assessment

‘Have the Safeguards oversight and clearance function been transferred to the Practice Manager?’ No

Decision

Other Decision (as needed)

B. Introduction and Context

Country Context

Mozambique’s economic performance has been strong since the end of the civil war in 1992, but growth has not been inclusive recently. The country’s Gross Domestic Product (GDP) grew an average of 7.4 percent from 1993 to 2013, higher than the average 4.4 percent of Sub-Saharan African non-oil economies. GDP growth improved living standards in the early years after the war, when the poverty rate fell from 69 percent in 1996 to 56 percent in 2003. However, poverty has fallen only slightly from 56 to 52 percent between 2003 and 2009. Per capita income in 2013 was US\$605, about one-third of the Sub-Saharan Africa (SSA) average. The weakening correlation between economic growth and the poverty rate suggests that growth in the last twelve years has been less inclusive. Mozambique’s recent growth has been driven by capital-and import-intensive mega-projects with limited linkages to the local economy. The bottom 40 percent of the population, located mostly in rural areas, has benefited less from growth than the overall population.

The country has a large endowment of renewable natural resources. Mozambique’s substantial natural capital includes 36 million hectares of arable land and 40 million hectares of natural forests. This translates into significant potential for agriculture and forestry development for food security and commercial purposes. However, Mozambique’s natural resources are being rapidly depleted: 220,000 hectares of natural forests are lost every year, and erosion is pervasive. Ensuring the sustainability and resilience of the natural resource base on which agriculture and forestry depend, particularly soil and water, is critical for sustainable development.

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Agriculture is essential to Mozambique's development, but its potential will remain underutilized if productivity is not significantly increased. Though 45% of the country is suitable for agriculture, less than 10% is currently cultivated. Inefficient and limited provision of agricultural services is among the key limiting factors in increasing production and productivity. For example, the climate of Mozambique means that the risk of harvest loss in rainfed agriculture exceeds 50 percent in all regions south of the Save River and can reach up to 75 percent in the interior of the Gaza province. The north of the Manica province and the south of the Tete province regions also have a risk of harvest loss in rainfed crops of usually more than 50 percent. It is only the center and north regions of the country that have more appropriate conditions for rainfed agriculture, where the probability of good harvests during the wet season is 70-95 percent. As such, the GoM has made the development of irrigation a priority for agriculture and rural development.

Extreme poverty is concentrated in a few geographical areas in Mozambique. While poverty rates dropped in most of Mozambique's provinces between 2003 and 2008, they increased in the provinces of Gaza, Manica, Sofala and Zambezia. The number of poor in these four provinces increased by 1.6 million between 2003 and 2009, representing approximately 70 percent of the country's poor in 2009, up from 59 percent in 2003. In Nampula, a province with more than 22 percent of the country's poor, poverty remained practically unchanged during this period. By 2009 almost three quarters of Zambezia's population lived in extreme poverty. Zambezia and Nampula alone accounted for almost half of the country's poor (48 percent), up from 42 percent in 2003. Together these two provinces saw their poverty rates increase by more than 5 percent between 2003 and 2009, while the rest of the country experienced a 17.3 percent reduction in poverty rates (CPF,2016).

A new government took office in February 2015, after general elections. The new administration adopted a Five Year Development Plan (Plano Quinquenal do Governo – PQG 2015-19) with a strong emphasis on rural development through the promotion of productive activities in rural areas with focus on the Central and Northern provinces, particularly in agriculture and forestry.

Sectoral and Institutional Context

To support the implementation of the PQG, the Government, through the Ministry of Land, Environment and Rural Development (MITADER), has articulated a vision to promote integrated sustainable rural development in its comprehensive Programa Estrela, Desenvolvimento Rural Integrado e Sustentável (Integrated Sustainable Rural Development), 2015-2019, focused on five strategic priorities: (i) knowledge and technology transfer (Mais Saber); (ii) market-related infrastructure (Via Rural); (iii) access to finance and financial services (Um Distrito, Um Banco); (iv) improved water supply (Água Viva); and (v) expanded energy supply (Quinta da Energia) in rural areas. As part of this vision, MITADER has other initiatives, including: (i) Terra Segura (Secure Land), aimed at registering 5 million parcels and completing 4,000 community land delimitations; and (ii) Floresta em Pé, (Standing Forests) aimed at promoting sustainable forest management (including forest management certification) and curtailing illegal logging. In addition, MITADER is leading the climate change and Reducing Emissions from Deforestation and Forest Degradation (REDD+) agendas, with significant levels of financing from international sources. Of noteworthy mention is the Zambezia Emissions Reductions Program, which aims to reduce net deforestation and increase rural income over seven Districts in the Zambezia Province and by so doing generate results-based payments for emissions reductions to be distributed among stakeholders in the area.

The Ministry of Agriculture and Food Security (MASA) has also outlined its strategy and investment priorities geared toward raising rural incomes and improving food security in the Strategic Plan for Agricultural Development (PEDSA 2011-20), the National Agriculture Investment Plan (PNISA 2014–2018) and the



Attributions, Priorities and Challenges (PODA 2015-2019), the plan to implement the 2015-19 PQG in the agriculture sector. Recognizing the increasing importance of promoting more resilience to climate variability and change, MASA has also developed the Action Program for Climate Change Adaptation in Agriculture 2015-2020, with actions aimed at mitigating both longer term climate, and shorter-term weather risks. Institutional coordination is recognized as key barrier to achieving enhanced resilience, and its improvement constitutes the Pillar 1 of the Action Program.

The National Water Resources Management Strategy, approved by the Government in 2007, outlines a number of priority interventions to ensure integrated water resources management. Among the strategic actions is the development of river basin management plans, infrastructure investments aiming at increasing water storage capacity for irrigation and agriculture development, targeting smallholder farmers. With highly variable inter-annual river flows, the amount of usable and available water resources depends heavily on the development of storage and diversion infrastructure, without which only a small fraction of the total runoff can be utilized. The Ministry of Public Works, Housing and Water Resources (MPOHWR), through the National Water Resources Management Directorate (NWRMD) and the Regional Water Administrations are currently promoting integrated river basin planning and improved catchment management practices for sustainable development.

The Government's strategic vision of integrating the promotion of rural development with increased resilience and sustainability of natural resources paves the way for the implementation of an integrated landscape management approach. The landscape approach recognizes the interdependence between value chains in agriculture and forestry, and natural resources (particularly soil and water), and seeks to increase rural households' incomes while strengthening the resilience and sustainability of these natural resources. A sustainable landscape will simultaneously meet local needs (e.g. water availability for households and business needs), while also contributing to national commitments and international targets, such as protecting biodiversity and reducing GHG emissions. This approach offers tools to deal with the trade-offs related to land use choices (land use planning through spatial and participatory tools, multi-stakeholder platforms to promote collaboration, monitoring frameworks beyond project level). This Project adopts a landscape approach by combining the promotion of agriculture and forestry value chains over a well-defined landscape, with the protection and restoration of the natural resources on which households and agribusiness depend, and the promotion of more secure land tenure at the individual and community levels.

Agriculture is the largest economic sector in the country, accounting for over 25 percent of Mozambique's GDP and employing 72 percent of the workforce. Approximately 3.9 million households cultivate an area of about 5.0 million hectares, mostly practicing subsistence agriculture on holdings not larger, on average, than 1 ha (DE/DNSA, 2014). The number of medium and large farms has doubled from 2000 to 2010, but is still a very small proportion of the overall number of farms. Based on data provided by the Centro de Promoção de Investimentos (CPI), from 1990-2011 there have been 63 Foreign Direct Investment projects in the agriculture sector in Zambézia, and 50 in Nampula, amounting respectively to US\$2.7 billion and US\$2.5 billion (Massingue and Muianga, 2013). This provides the investment base and markets to expand rural household smallholder farmer's participation in key agriculture and forest-based value chains.

Mozambique has favorable natural conditions for agricultural and forestry production and for agribusiness investment in the majority of the country. It is estimated that there are 36 million ha of arable land, of which less than 20 percent are cultivated (5.1 million ha in 2013/14). The soils are generally fertile in northern and central Mozambique, and the average rainfall is close to 1,000 mm/ year. Countrywide, there is abundant water for



irrigation, good rainfall and diverse environments allowing for a range of agriculture and forest-based products. The recent growth in commercial agriculture points to the country's untapped agribusiness investment potential. While large commercial farms and export-trading companies have been providing smallholder farmers with commercial opportunities to join emerging value chains, such as poultry, soy, sesame and cashew, there is significant scope to expand sustainable cultivation of agricultural land and domestic food processing. Multi-purpose forest plantations also have elevated potential in Mozambique, and there have been some recent large-scale investments in the sector. Government estimates suggest that up to 7.0 million hectares could be allocated for forest plantation development, and plantations have moderately good yields. Thriving value chains in agriculture and forestry can form the backbone of rural economies by creating jobs, increasing rural income, strengthening food security, and facilitating better nutrition. In the agribusiness sector, opportunities span both the development of large-scale farming and commercializing smallholder agriculture. (Mozambique SCD, 2015).

However, low productivity, marginal use of improved inputs and labor-saving technologies, poor agronomic knowledge and limited rural infrastructure characterize the agriculture and forestry sectors. In 2014, only 2.9 percent of smallholder farmers used improved seed; only about 4.6 percent used fertilizers. Smallholder farmers' integration in value chains is modest. Agriculture and forestry development is marred by several barriers, including inadequate government support services, ineffective and poor coverage of agricultural extension and technical assistance (only 52 extension officers available to serve over 450,000 rural households in the 10 Districts of the Project Area), lack of access to mechanization services, limited technical and physical aggregation capacity, insufficient availability and affordability of improved seeds, limited access to credit, unrecognized/unregistered land rights and complex land access procedures for medium and largescale farmers, significant information asymmetries, as well as lack of key rural infrastructure. The latter include processing technology limitations, limited or no storage options, limited access to markets (rural feeder roads), water storage and irrigation.

Underdeveloped transport and irrigation infrastructure poses several constraints to the agriculture and forestry sectors. Mozambique has a geographically dispersed but underdeveloped transport network characterized by sizeable rural population spread out over vast distances. Mozambique's road network comprises nearly 30,000 km of classified functional roads, 77 percent of which are unpaved. Lack of transport connectivity impinges on rural population's access to markets and to key services. The Rural Access Index (RAI) for Mozambique is 17 percent, that is, only 17 percent of the rural population is estimated to live within 2 km of a road in good condition, leaving about 16 million people unconnected. In northern and inland provinces, the RAI is estimated at less than 5 percent. There are generally low levels of irrigation coverage in the country. Despite a potential 3 million ha for irrigation, only 180,000 ha are equipped with infrastructure and only 90,000 ha are operational. There is a need for expanding the area equipped with irrigation infrastructure and services, and improve the management capacity in all irrigation systems. The National Irrigation Institute (INIR) is developing the National Irrigation Program, aiming at improving agricultural production and productivity. This program includes an assessment of the potential and a roadmap for irrigation development, including infrastructure and services, public and private sector capacity development and is aimed to develop at least 8,000 ha in the next two years. Current irrigation coverage does not coincide with the highest potential areas. Most irrigation infrastructure is in the southern region, in Maputo and Gaza provinces with the lowest productivity potential, whereas high-potential areas in the northern and central regions have very limited coverage.

New private investment opportunities exist, but they require complementary public investments to address barriers. Some of these investments are value chain and area-specific, others apply across all areas (such as improving land administration and natural resources management). All require careful identification and



targeting. In most value chains, the development of production, product quality and quantity, and aggregation capacity depends on the existence of private sector-led small emerging commercial farmers (SECFs) and/or well-organized producer groups and efficient linkages between producers and processors/buyers.

Households in Mozambique, as well agriculture and forestry value chains, are highly dependent on natural resources. Renewable natural resources, including forests and woodlands, contribute significantly to the welfare of rural Mozambicans, through the provision of subsistence needs (food, shelter, energy) and cash income. Woodlands in Mozambique contribute to over 80 percent of total domestic energy supply in the form of firewood and charcoal. In addition to timber, forests also provide livelihoods for many rural communities through harvesting of medicinal plants, honey, mushrooms, fruits and other non-timber forest products. These can generate significant income to rural communities when linked to markets.

Sustainable natural resources management is closely linked to agricultural performance, since agriculture production benefits from a range of environmental services generated at the landscape level, including water availability and quality, soil fertility conditions, pollination and rainfall patterns. Agriculture can have positive or negative impacts on natural resources depending on the adopted practices and their effects on land cover and ecosystems. Sustainable agriculture practices, such as conservation agriculture and agroforestry, consider this interdependence and seek to increase productivity while also strengthening the resilience of natural resources and the productive systems. There are experiences in Mozambique based on the adoption of such practices, but they are still limited in number and scale. There is significant scope for scaling them up.

Climate change threatens agriculture and forest-based value chains. Mozambique is ranked the third most vulnerable country to climate change in Africa, with climate change impacting 58 percent of the population and more than 37 percent of GDP by exposure to two or more natural hazards per year. This has generated on average a 1.1 percent annual loss of GDP between 1980 and 2003. Economic gains from growth and infrastructure development are significantly undermined as a result of recurrent water and weather related hazards. Furthermore, stress on natural resources is expected to increase due to climate change, which will lead to more frequent and intense droughts, flooding and extreme weather events. The temperatures are expected to increase by 1.4-3.7 °C by 2060, while rainfall will decrease during the dry season (January-June) and increase in the wet season (July-September). An increasing number of floods will affect particularly the northern region of the country.

Tropical Cyclone Idai: On March 15, 2019 Idai made landfall over Mozambique's Sofala Province producing torrential rains and strong winds and severely affecting Manica, Sofala, Tete, and Zambézia provinces. The cyclone has affected an estimated 1.85 million people, according to some preliminary estimates. The Project CERC component has been activated, and the design of the AF adjusted to support the recovery effort in the affected areas.

Land tenure security and land use planning contribute to sustainable landscape management, to rural livelihoods and to investments in agriculture and forest-based value chains. Increased land tenure security can directly contribute to increased agriculture productivity and sustainable management of natural resources by increasing the incentives that landholders have of adopting land use practices that account for their long-term effects. The cumulative total of land titles (DUATs) issued to-date to individuals and associations in Mozambique is slightly over 300,000 out of 14.1 million individual properties (2.1 percent) and over 450 Community Delimitation Certificates out of over 5000 communities (9 percent) (DNAT, 2016). Although the land policy in Mozambique is



sound, its implementation at the national, provincial, and local levels is cumbersome and needs to be streamlined, institutional arrangements are not clear and lead to duplication in land registration, and land administration services are weak. Added pressure over land resulting from increased investments in the country may increase the risk of social instability if land security is not improved. Moreover, land use planning should be enhanced so that returns on land use are increased while simultaneously reducing risk. Adequate assessment and management of trade-offs is dependent on effective integrated management.

The lack of registration and formal recording in cadastral and legal registries of land use rights renders smallholder farmers and communities vulnerable to losing their land to other land users, including incoming private investors. This can lead to a lack of confidence in tenure security and unwillingness to invest in longer-term projects and in conservation of the land and natural resources. By supporting the cadastral and legal registration of these rights, the Project will protect communities and individual land rights and promote greater investment in on-farm production by local producers, as well as and provide the basis for negotiations between existing rights -holders and investors who want local land for new projects. In this way local people benefit concretely from their own land and natural resources and participate as active stakeholders in the new investments and value chains supported by the project. Also, investors achieve greater security for their investments, with a much reduced potential for conflicts with local rights holders.

There is an increasing acceptance that sectorial approaches to land management and agricultural development are no longer sufficient to meet global challenges such as food production, biodiversity conservation, and poverty alleviation. The Programa Estrela of MITADER clearly recognizes this and offers a framework for integrating landscape management, land tenure security and community land use planning initiatives, devolved development planning and administration and agricultural support programs within an “Integrated Landscape Approach”. This approach then provides a framework for balancing competing demands and integrating policies for multiple land uses within a given area, and ensures equitable, sustainable and environmentally sound development into the future.

The GoM has requested WB assistance to implement the Programa Estrela (2015-2019) – an ambitious integrated sustainable rural development program. Programa Estrela is expected to be extended after 2019, in line with the Government’s subsequent Five-Year Development Plan (2020-2024). The success of Programa Estrela will depend, to a large extent, on its ability to raise rural incomes, orient multi-stakeholder coordination and integrated interventions to deliver countrywide impact. This will require national-level planning, coordination, and integration to be reflected at landscape, Provincial and District levels. The Mozambique Landscape Management

Program, a proposed WB Program in support of the larger Programa Estrela, would contribute to the implementation of key elements of Programa Estrela by financing the development of agriculture and forestry value chains, with a strong emphasis on the sustainability of natural resources local, level land use planning and management, and on strengthening land security. This integrated approach should allow for the trade-offs between higher agriculture productivity and increased cultivated areas and sustainable natural resources management to be properly analyzed and managed. This is expected to result in decisions that take into account social, economic and environmental risks when developing value chains.

C. Proposed Development Objective(s)

Original PDO

The project development objective is to integrate rural households into sustainable agriculture and forest-based value chains in the Project area and, in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis or Emergency.

Current PDO

This Additional financing follows the same PDO as the original project, as described above.

Key Results

D. Project Description

The AF seeks US\$40.0 million from regular IDA and US\$20 million from the CRW to: (i) scale up the original project by extending its geographical coverage and reaching out to an increased number of beneficiaries; (ii) replenish the US\$10 million reallocated to the Contingency Emergency Response Component (CERC) following the activation of the IDA Immediate Response Mechanism (IRM) in the aftermath of Cyclone Idai; and (iii) support the recovery efforts from the Cyclone Idai in the affected areas.

The PDO and the project components will not change with respect to the original project. The key design changes proposed are the following: (i) geographical coverage will extend to other districts in Nampula and Zambezia, the provinces of Sofala and Manica, and to other areas as needed; (ii) the target number of business plans to be financed and implemented will increase; (iii) beneficiary eligibility criteria, funding windows, and operations will be updated based on lessons learned to date; (iv) the restoration area target value will increase, while land delimitation will be continued and scaled up through the MozLand project; (v) target values for small road infrastructure improvement will increase, while irrigation infrastructure works will be discontinued, to be funded and carried out through IRRIGA (P164431); (vi) the results framework will be adjusted in the formulation and targets reflecting these changes; and (vii) the closing date of the Project will be extended by two years to accommodate the increase in activities and targets. This time extension is deemed sufficient in view of the good implementation progress to date. These changes are fully consistent with and aligned to government priorities and the World Bank CPF. They also consider lessons learnt from the first two years of implementation and good global practices in similar projects

Component 1: Agriculture and Forest-Based Value Chain Development (Original amount: US\$21.0 million, Additional amounts: US\$28.0 million IDA, US\$9.0 million CRW, Total US\$58 million). This component will be scaled up to increase the number of business plans for SECFs and SMEs, and investments in infrastructure in the expanded geographic area. CRW resources will be targeted to support SMEs, SECFs and Smallholder Farmers (SFs) in the cyclone affected areas (US\$ 4.0 million) and to rehabilitate damaged rural infrastructure (US\$ 5.0 million). Resources from the IDA AF will be used in additional districts of Nampula and Zambesia Province as well as in Sofala and Manica, to provide additional resources to the cyclone-affected areas and support SUSTENTA's transition into a national program. Under the AF the number of SME's business plans will increase from 25 (original) to 50 (new) and the number of SECF's business plans will increase from 100 (original) to 250 (new). Funding modalities will include special windows to attract young farmers (junior SECFs, under 35 years old), and



startups and business led by local communities (community-based organizations, such as associations, cooperatives, etc.). Business plans would be submitted following periodic calls for proposals, and their screening would be against transparent criteria of innovation, viability, additionality and impact, spelled out in the Project Implementation Manual and communicated to potential beneficiaries. Financing and support will prioritize value chains along revised thematic areas while allowing for greater flexibility for potential business opportunities. Special calls for proposal will target Idai’s affected areas. The business plans financial flow and procurement modalities have been revised to empower beneficiaries in their capacity to manage funds and carry out procurement directly, with support from the implementing agency. Investment in spot improvements for road infrastructure would be scaled up from a target of 260 Km (original) to 1,050 Km rehabilitated, of which 550 Km in the cyclone’s affected areas. Investment in irrigation infrastructure will be discontinued and current feasibility studies passed to the recently approved IRRIGA (P164431) for their implementation in the same Project’s area.

2: Securing Land Tenure Rights and Increasing Natural Resources Resilience. (Original amount: US\$14.0 million, Additional amount: US\$8.0 million IDA). This component will be scaled up to achieve an additional 400 ha (original 1,600 ha, new target 2,000 ha) of restored land under revised methodology and principles: (i) areas to be restored and geographical coverage of the business plans would need to match to allow for maximum synergy; and (ii) restoration plans would have to be ready prior to starting implementation of the business plans. The amount and activities for securing land tenure rights remains the same, to allow the finalization of ongoing land tenure regularization activities. Land tenure regularization activities will be scaled up through the recently approved MOZLAND (P164551), also implemented by the same FNDS, and part of the overall landscape approach adopted by MITADER.

Component 3: Project Coordination and Management (Original amount: US\$5.0 million, Additional amount: US\$4.0 million IDA, US\$1.0 million CRW). The AF will provide incremental resources to oversee implementation in the original Project area and in the affected areas, comprising support for project coordination and management, fiduciary and safeguards management, monitoring and evaluation (M&E), and communications. Whiles fund are broadly earmarked to the implementation of the project, they also support overall FNDS capacity strengthening, with impact on the overall portfolio of projects financed by the Bank.

Component 4: Contingency Emergency Response (Original amount: US\$0.0 million, Additional amount: US\$ 10.0 million CRW). The component was triggered as per the original project in case of a potential disaster-recovery need providing immediate response to an eligible crisis or emergency. The amount of USD 10 million was used for immediate relief response to the cyclone activities through FAO.

Proposed allocation of AF resources per component

Components	Original Allocation IDA Credit 5855-MZ/ Grant D1190-MZ (US\$ Million)	Additional Financing (CRW US\$ Million)
1. Agriculture and Forest-Based Value Chain Development	21.00	37.00

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2. Securing land tenure rights and increasing natural resources resilience	14.00	8.00
3. Coordination and project management	5.00	5.00
4. Contingency Emergency Response	0.00	10.00
Total	40.00	60.00

E. Implementation

Institutional and Implementation Arrangements

Institutional capacity for implementation and sustainability. (Latest ISR-Parent S, proposed M). The Fundo Nacional de Desenvolvimento Sustentável (FNDS) has rapidly established itself as a capable implementing agency since the start of the original project in its day-to-day coordination across several Government and nongovernment institutions at central, provincial, and district levels. The residual risk is therefore assessed as moderate.

The original Project incorporates elements that make it conceptually innovative, while ensuring a technically sound approach, and the AF will scale up in a modular way the same design and approach with some adjustments. The design is supported by solid background information, two years of implementation that provide lessons learned, and recent advisory work related to agricultural development and NRM in Mozambique, especially on value chains development.

Technical soundness is also supported by the selection of the Project area, the institutional opportunity generated by the creation of MITADER and the GoM’s commitment to promote decentralization. Furthermore, the design is fully aligned with the GoM’s policies, and through its integrated components, considers the potential needs and risks of the Project’s area and its rural population. The expansion to the cyclone hit areas is not expected to further elevate the risk category or trigger new safeguard policies as the business model is well tested. This is corroborated by the Immediate Response Mechanism – Contingency Emergency Response Component (IRM-CERC) ESMF recently prepared for the SUSTENTA CERC. Moreover, the existing implementing agency, FNDS, is already present in the area.

The FM, procurement, safeguards, monitoring and evaluation arrangements in place for the ongoing Agriculture and Natural Resources Landscape Management Project will also apply for this operation, and changes those arrangements are not expected.

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F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The AF will expand the coverage of SUSTENTA to include nine (9) additional districts within the two provinces currently covered and potentially ten (10) additional districts in two new provinces (Manica and Sofala). These additional areas generally share common physical and biological characteristics with the original districts. The climate is predominantly humid mesothermal, sub-humid and humid subtropical and the geology is from Precambrian basement complex – Proterozoic and Precambrian Craton – Archean to Proterozoic. The vegetation generally consists of broadleaf evergreen and deciduous forest, grassland vegetation, montane forest and savanna grassland.. Nevertheless, the new areas will include new environmental features such as the coastal forest, mangroves and dune vegetation of the coastline districts, the key biodiversity areas of Mount Mabu, Moebase region and Chimanimani Mountains as well as protected areas: Chimanimani and Gilé National Reserves and Primeiras and Segundas Environmental Protected Area. To address these, a Protocol for Preventing Conversion of Critical Natural Habitat has been developed and incorporated in the updated project ESMF.

G. Environmental and Social Safeguards Specialists on the Team

Bruno Alberto Nhancale, Environmental Specialist

Salma Omar, Senior Social Development Specialist

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SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	As with the parent project, the proposed activities of the Additional Financing have potential adverse environmental and social impacts that would require due attention. However, as with the parent project, these potential impacts are considered minor, site specific, reversible, and can easily be managed. These impacts will largely result from activities of Component 1(Funding Agriculture and Forest Value Chains Business Plans for SECFs and SMEs, and investments in maintenance and improvements of tertiary roads infrastructure) and Component 2 (conducting habitat restoration on degraded areas). Such activities may contribute to soil erosion and degradation, deterioration of water quality, loss of vegetation, fauna disturbance, deposition of solid wastes, dust emission, risk to health and safety of



construction workers/artisans and communities. Hence, OP/BP 4.01 Environmental Assessment remains triggered. The borrower has updated the Environmental and Social Management Framework (ESMF) to, among others, incorporate the lessons learned from the implementation of the parent project and provide detailed guidance for project activities/sub-activities in the new coverage areas. The updated ESMF also includes a Protocol for Preventing Critical Habitat Conversion and generic Good Practice Guidelines for Small-Farmers. The updated ESMF has undergone consultations and the final draft will be disclosed both in-country and at the WB portal prior to appraisal. As with the parent project, the updated ESMF provides that site-specific ESMPs/ESIAs should be prepared for specific project activities/subproject. These subproject-specific ESMPs/ESIAs will likewise be consulted upon and disclosed prior to the physical implementation of project activity/subproject.

The project Component 4 (Contingency Emergency Response) has been activated to respond to the damage caused by Cyclone Idai (severe flooding, strong winds, heavy rain). The impacts stemming from this component are also expected to be minor, site specific, reversible and easily managed. The mitigation measures are outlined in the IRM-CERC ESMF of the Government of Mozambique Immediate Response Mechanism Operation Manual and was consulted upon and disclosed on 17/04/19.

In regard to Gender-based violence, to ensure the incorporation of GBV risk mitigation in the social safeguards instruments, the GBV risk assessment tool developed by the WB was applied to identify contextual and potential project-related risks. The GBV risk has been rated as “moderate” (score 14.5). A technical assessment of GBV risk in the project will be undertaken to understand the baseline situation and identify a number of mitigation measures to minimize the risk from SUSTENTA AF activities. The technical assessment will also produce a GBV Action Plan to address the identified risks. The technical assessment will take place before the



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			implementation of project activities and the Action Plan will be included in the final ESMF.
Performance Standards for Private Sector Activities OP/BP 4.03	N		
Natural Habitats OP/BP 4.04	Yes		Similar with the parent project, the AF will generate significant positive impacts on natural habitats, as the project will support restoration of additional 400 ha of degraded lands and increase to 6,000 hectares, the land area to covered under sustainable landscape management practices. Despite this, the financing of agriculture and forest value chains business plans for SECFs and SMEs pose risks to natural habitats, including critical and modified habitats, especially the expanded project area now includes more Key Biodiversity Areas (Mount Mabu, Moebase Region and Chimanimani Mountains) as well as protected areas (Primeiras and Segundas Environmental Protection Areas, Chimanimani and Gilé National Reserves). To address this risk, the updated ESMF includes specific guidance and procedures to address OP/BP 4.04 through a Protocol for Preventing Critical Habitat Conversion.
Forests OP/BP 4.36	Yes		As indicated in the original project ISDS, there are no major activities envisaged that will impact on health and quality of forests, or the health and safety of people who depends on forests, and this continues to be the case for the AF. However, some of the proposed activities under Component 1 will also finance forest value chains for SECFs and SMEs which may include use of wood products and non-forest wooded products and its derivates. All identified impacts will continue to be managed through the measures provided in the ESMF and RPF which were updated as well as in the individual activity/subproject ESMPs/ESIAs.
Pest Management OP 4.09	Yes		OP/BP 4.09 was triggered for the parent project despite noting that activities to be supported would not necessarily involve the massive use of pesticides. The same approach is being taken with the AF since Component 1 may include the use of small quantities of pesticides to improve agriculture productivity.
Physical Cultural Resources OP/BP 4.11	No		This policy continues not the be triggered. As with the original project, the AF will not finance major civil works or large movements of earth in areas where



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		physical cultural resources (e.g. holy sites such as sacred groves, monuments, sacred forests, and other objects/grounds considered historically and culturally important by the communities..). To address chance discoveries of artefacts and sites, activities under AF will adopt the same Chance Find procedures used in the parent project.
Indigenous Peoples OP/BP 4.10	No	This policy does not apply to Mozambique, as there are no populations and/or communities that meet the definition of Indigenous Peoples as set forth in the policy.
Involuntary Resettlement OP/BP 4.12	Yes	As with the parent financing, the AF will finance activities that would involve land delimitation, which could generate potential short-term conflicts within the community over land ownership, and/ or agriculture-related land expansion, land use planning, and of small-scale infrastructure (storage and roads) that could necessitate involuntary land acquisition resulting in involuntary resettlement of people and/or loss of (or access to) assets, means of livelihoods or resources. The Borrower has updated the Resettlement Policy Framework (RPF) prepared for the SUSTENTA parent project to deal with issues of land acquisition resulting with compensation and/or the physical displacement of peoples. The updated RPF has been consulted upon and disclosed both in-country and at the WB portal. The RPF includes specific provisions to guide the borrower in the preparation of site-specific Resettlement Action Plans (RAPs) prior or during project implementation. Such RAPs will also be consulted upon and adequately disclosed prior to the physical implementation of any of such given activity. In addition, the WB has supported the Borrower in the elaboration of a land protocol to complement the safeguards instruments and address concerns about the ownership and use of the land that may limit investments due to conflicts or cause negative impacts on the people currently occupying or using the land.
Safety of Dams OP/BP 4.37	Yes	This policy remains triggered because, while investments in the rehabilitation of irrigation systems will no longer be pursued under the Additional Financing they will still be implemented in other World Bank projects (e.g. IRRIGA P164431) which as



per policy, makes them “linked” or “associated” with the project.

Projects on International Waterways OP/BP 7.50	No
Projects in Disputed Areas OP/BP 7.60	No

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The proposed scaled up SUSTENTA activities will not trigger any new safeguard policies. The negative impacts identified in the parent project continue to be valid for the AF, namely: soil erosion and degradation, decreased water quality, loss of vegetation, fauna disturbance, deposition of solid wastes, dust emission, noise and vibration, use of chemical and pesticides, etc. There is however a slight increase in the risk in terms possible inadvertent conversion of natural habitat since the project expansion areas would now encompass several important natural habitat, including protected areas. There may also be a risk for exacerbation of gender-based violence as a result of project support to individual farming household’s business plans. These issues are being addressed through the updated safeguards instruments (Environmental and Social Management Framework and Resettlement Policy Framework) by the Borrower. The AF will not have any large scale and irreversible impacts.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The anticipated future activities in the project area are mainly of agricultural in nature such as: the PROCAVA - Programme for Agricultural Value Chain Development; and, PRODAPE - Project to Promote Small Scale Aquaculture; ProSAVANA - Programme for Agricultural Development of the Tropical Savannah, etc. Influenced by or patterned after SUSTENTA, these projects are expected to further contribute to sustainable development in the area.

The improved accessibility due to improve roads as as result of SUSTENTA and similar future projects may lead to an increase of natural resources harvesting (firewood and charcoal, animal protein [e.g. wildlife], medicinal plants, etc.). However, these indirect negative impacts will be negligible since these areas are far away from the urban or demanding centers. Moreover, these impacts will be minimized through general actions from other World Bank funded projects that aim at improving environmental and natural resources management in the region (MozFIP P160033, MozBio P131965 and Zambézia ERPD P164524).

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The additional areas to be covered under AF were initially chosen partly in order to avoid having to establish new Landscape Management Units (LMUs) and hence take advantage of existing environmental and social management capacities that have been established under the original financing. However, SUSTENTA AF added two new provinces (Manica and Sofala) to respond the Cyclone Idai natural disaster and these provinces have recently created LMUs for

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MozBio 2 (P166802) project that is managed by the same implementing agency (FNDS). The development of irrigation schemes and community land delimitation were dropped for the AF project so that they can be carried out in other specific projects (i.e., IRRIGA -P164431 and MOZLAND -P164551) where the associated environmental and social risks are being addressed more thoroughly. The AF targets an additional 400 hectares of degraded lands for restoration and adopted a protocol to avoid conversion of critical natural habitat to agricultural use.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The ESMF has been updated to include lessons learned from the parent project, particularly the (i) Protocol for Prevention of Natural Habitat Conversion and (ii) Land Protocol. Both protocols provide detailed guidance on the handling of SECFs or community delimitation to avoid, minimize and mitigate any environmental and social impacts resulting from those activities. The GBV technical assessment that will take place before the implementation of project activities and the Action Plan will be included in the final ESMF.

The implementing agency, FNDS, has extensive experience in working with safeguard policies of the World Bank. Aside from SUSTENTA (P149620), it is also currently implementing other World Bank-funded projects such as MozFIP [P160033], MOZBIO [P131965, P166802], MozLAND [P164551] and Zambézia ERPD [P164524]. As such, the agency has built a good capacity to plan and implement environmental and social management measures. It has adopted an “integrated approach” meaning FNDS maintains a common pool of experts with various specialist skills and competencies to respond to the needs of various projects. The 4 safeguard specialists at central level are responsible for particular thematic areas across different projects; the 3 safeguards specialists at provincial level are responsible for an assigned Landscape Management Unit; and the 6 community officers and 30 rural development extensionists at local level responsible to assist field implementation.

The safeguard team composition mentioned above will be strengthened with the recent approval of MozBio 2 (P166802) and MozLand (P164551) which require additional human resource to deal with safeguards policy issues. This “integrated approach” has proven to be efficient and effective in increasing the level of safeguards compliance and other Implementation Agencies in the country are looking to adopt this model.

Despite this, SUSTENTA safeguard performance has been consistently rated Moderately Satisfactory by the WB team in the last 3 ISRs, this is because the original financing started many project activities, particularly civil works (rehabilitation of small stretch of roads and bridges) and agribusiness (small grant schemes for commercial emerging agricultures), however these contracts were previously awarded without a binding Environmental and Social Management Plan (ESMP) or Best Practice Manual (BPM), respectively, leading to Safeguards Rate downgrading to Moderate Satisfactory in previous missions. Since then, the WB team has been supporting and supervising the Client more closely to improve compliance and ensure full implementation of the ESMF. This has led to much progress: (i) regularization of contracts without ESMP, (ii) preparation of a generic BPM for emerging agricultures and Land Protocol and Habitat Conversion Protocol; (iii) capacity building of 30 rural extensionist on safeguards; (iv) setting up a up-to-date online share folder to track progress on Safeguards documents developed, (v) submission of timely quarter reports to the WB, (vi) Client holding internal coordination meetings and safeguard trainings as well as regular meetings with the WB. Nevertheless, there is still need to further strength the Client capacity to monitor the ESMP and BPM implementation by the contractors, service providers and beneficiaries. Based on the above, the WB team has maintained unchanged the rate as Moderate Satisfactory despite the notable progress made. However, in the last few months the WB team has been assessing the fulfilment of the monitoring processes foreseen under the various ESMPs and BPMs, including adequate and timely filling of the non-conformities and works inspection forms and follow up activities. The team has a favorable



opinion but is waiting for the next ISM to validate these findings and upgrade the SUSTENTA safeguard performance to Satisfactory.

The project under the original financing has already screened approximately 60 subprojects from agricultural and agribusiness enterprises to rural roads subprojects and disclosed their ESMPs or Good Practice Guidelines. Moreover, the regular monitoring reports revealed that safeguards implementation are satisfactory and in compliance with the WB safeguards policies.

A common Grievance and Redress Mechanism for all FNDS projects – locally known as “Mecanismo de Diálogo e Reclamações” – has been developed on an IT platform capable of registering and monitoring reported cases through different channels: mobile phone, email, internet, letter, personal communication, etc., and has a comprehensive manual of procedures and communication and awareness material that have been implemented and disseminated in the new SUSTENTA AF expanded areas. To date 74 grievances were registered on the platform out of which 32 are from SUSTENTA project and the founded grievances amounted to 75% of which 8 have been resolved and 16 are being solved. The remaining 8 unfounded grievances have been referred to the relevant authorities for follow up.

FNDS has been strengthening the capacities of key stakeholders to address properly the environmental and social concerns of projects. Since 2017 over 15 courses were administrated to more than 500 participants on topics such as safeguards policies, grievance redress mechanism, forest and natural habitats, and pest management. The safeguards trainings and workshops targeted key stakeholders such as the provincial and district governmental institutions (including FNDS Landscape Management Units, DINAB, AQUA, DPTADERS) and service providers (local NGOs, constructors) but also local communities (SECFs and SMEs). Considering that FNDS has also to implement the project within the local context and according to national legislation, local institutions are also trained on crosscutting issues related to gender-based violence, sexual exploitation and abuse, inclusion of vulnerable groups, etc.

Despite this, the SUSTENTA AF will continue to support the improvement of FNDS’s capacity and systems. The AF will contract additional Rural Development Extensionist to assist field implementation of safeguards in the new districts. Moreover, a training and capacity building plan will be developed for the potential SECFs and SME as well as service providers and key governmental stakeholders.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The updated ESMF and RPF have undergone extensive public consultations in the new coverage areas. This ensured that stakeholders' views and concerns, especially of women, were considered in the final project design and implementation mechanism, for instance: (i) under component 1 the guidelines of the selection process for investments on value chains development provides for higher priority to proposals which have women as main beneficiaries; (ii) complementary interventions that promote climate-smart agriculture practices specifically aimed at women. Key stakeholders include: smallholder and small emerging commercial farmers; local leaders; District and Provincial Government institutions; NGOs active in agriculture, rural development, and conservation.



B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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"In country" Disclosure

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure
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"In country" Disclosure

Pest Management Plan

Was the document disclosed prior to appraisal?	Date of receipt by the Bank	Date of submission for disclosure
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"In country" Disclosure

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

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