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The World Bank Group

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Report No: 176672-MZ

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY PARTNERSHIP FRAMEWORK

FOR

THE REPUBLIC OF MOZAMBIQUE
FOR THE PERIOD FY23-FY27

January 25, 2023

Southern Africa Country Department 2
Eastern and Southern Africa Region

International Finance Corporation
Sub-Saharan Africa Department

Multilateral Investment Guarantee Agency
Sub-Saharan Africa Department

The date of the last Country Partnership Framework was April 20, 2017.

CURRENCY EQUIVALENTS

US$1 = 63.88 New Mozambique Metical (MZN)
(As of December, 2022)
US$1 = 0.74 SDR
(As of December 2022)

FISCAL YEAR

July 1 – June 30

ABBREVIATIONS

AF	Additional Financing	EMPREGA	Government Youth Employment Program
AfDB	African Development Bank	ENDE	Estratégia Nacional de Desenvolvimento (National Development Strategy)
AIDS	Acquired Immunodeficiency Syndrome	ESF	Environmental and Social Framework
AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism	EU	European Union
ASA	Advisory Services and Analytics	FCDO	Foreign and Commonwealth Development Office
AWPB	Annual Work Plan and Budget	FCPF	Forest Carbon Partnership Facility
BETF	Bank-Executed Trust Funds	FCPF	Forest Carbon Partnership Facility
CA	Conservation Area	FCV	Fragility, Conflict, and Violence
CCDR	Country Climate Development Report	FGC	Fundo de Gestão de Calamidades (Disaster Management Fund)
CERC	Contingent Emergency Response Component	FIPAG	*Fundo de Investimento e Património do Abastecimento de Água* (Water Supply Investment and Assets Fund)
CERF	Climate Emission Reduction Facility	FISF	Financial Inclusion Support Framework
CIF	Climate Investment Fund	FM	Financial Management
CLR	Completion and Learning Review	FNDS	*Fundo Nacional de Desenvolvimento Sustentável (*National Fund for Sustainable Development)
CPF	Country Partnership Framework	FRELIMO	The Front for the Liberation of Mozambique
CPPR	Country Portfolio Performance Review	FRR	Fiscal Risk Reports
CPS	Country Partnership Strategy	FY	Fiscal Year
CPSD	Country Private Sector Diagnostic	GBS	General Budget Support
CRW	Crisis Response Window	GBV	Gender-Based Violence
CSE	Crisis Simulation Exercise	GDP	Gross Domestic Product
CTT	Temane Thermal Power Plan	GEF	Global Environment Facility
DLI	Disbursement Linked Indicators	GEPRES	Projecto de Gestão de Recursos Públicos para Prestação de Serviços (Managing Public Resources for Service Delivery Project)
DPF	Development Policy Financing	GFF	Global Financing Facility
DPO	Development Policy Operation	GMWSP	Greater Maputo Water Supply Expansion Project
DRM	Disaster Risk Management	GoM	Government of Mozambique
DSA	Debt Sustainability Analysis	GRID	Greener, Resilient, and Inclusive Development
DSSI	Debt Service Suspension Initiative	HCI	Human Capital Index
E&S	Environmental and Social	HDD	Harnessing the Demographic Dividend Project
ECD	Early Childhood Development	HIPC	Heavily Indebted Poor Countries
ECF	Extended Credit Facility	HIV	Human Immunodeficiency Virus
EDAP	Energy Development and Access Program	HLO	High-Level Outcome
EDM	*Electricidade de Moçambique* (Mozambique Electricity Company)	IBRD	International Bank for Reconstruction and Development
EMATUM	Empresa Moçambicana de Atum (Mozambique Tuna Company)	ICT	Information and Communications Technology

IDA	International Development Association	PIU	Project Implementation Unit
IDP	Internally Displaced People	PPA	Policy Performance Actions
IFC	International Finance Corporation	PPCR	Pilot Program for Climate Resilience
IMF	International Monetary Fund	PPP	Public-Private Partnership
INE	*Instituto Nacional de Estatística* (National Institute of Statistics)	PQG	*Programa Quinquenal do Governo* (Five-Year Development Plan of the Government)
IOF	*Inquérito sobre Orçamento Familiar* (Household Budget Survey)	PRA	Prevention and Resilience Allocation
IPF	Investment Project Financing	PREDIN	*Programa de Resiliência e Desenvolvimento Integrado do Norte de Moçambique* (Resiliency and Integrated Development Program for Northern Mozambique)
IPF	Investment Project Financing	PSW	Private Sector Window
IPP	Independent Power Producer	RD	Restricted Default
IRM	Immediate Response Mechanism	REDD+	Reducing Emissions from Deforestation and Forest Degradation
JET	Jobs and Economic Transformation	RENAMO	Mozambican National Resistance
JIP	Joint Implementation Plan	RETF	Recipient Executed Trust Funds
LIC	Low-Income Country	RSR	Rapid Social Response
LNG	Liquefied Natural Gas	RTI	Right-to-Information
M&E	Monitoring and Evaluation	SADC	Southern African Development Community
MAGTAP	Mining and Gas Technical Assistance Project	SAIFI	System Average Interruption Frequency Index
MAM	Mozambique Asset Management	SCD	Systematic Country Diagnostic
MDTF	Multi-Donor Trust Fund	SDFP	Sustainable Development Finance Policy
MIGA	Multilateral Investment Guarantee Agency	SDG	Sustainable Development Goal
MISAU	Ministry of Health	SDTF	Single Donor Trust Fund
MLA	Mandate Lead Arranger	SEA/SH	Sexual Exploitation and Abuse/Sexual Harassment
MoF	Ministry of Finance	SMEs	Small and Medium Enterprises
MOPA	*Programa de Monitoria Participativa de Prestação de Serviços Urbanos* (Digital Platforms for Public Services)	SNIP	Public Investment Management System
MozBio	Mozambique Conservation Areas for Biodiversity and Development Project	SOE	State-owned Enterprise
MozFIP	Mozambique Forest Investment Project	SP	Social Protection
MPA	Multiphase Programmatic Approach	SPI	Supplementary Progress Indicator
MSME	Micro, Small, and Medium Enterprise	SSA	Sub-Saharan Africa
NGO	Non-Governmental Organization	SUSTENTA	Agriculture and Natural Resources Landscape Management Project
NPL	Non-Performing Loan	TA	Technical Assistance
NWRDP	National Water Resources Development Project	TF	Trust Fund
PAE	*Pacote de Medidas de Aceleração da Economica;* (Package of Economic Acceleration Measures)	TPM	Third-Party Monitoring
PBA	Performance-Based Allocation	TREP	Temane Regional Electricity Project
PCM	Private Capital Mobilization	UN	United Nations
PDUM	Mozambique Urban Development and Decentralization Project	US$	United States Dollar
PER	Public Expenditure Review	VAT	Value-Added Tax
PERIP	Power Efficiency and Reliability Improvement Project	WASH	Water, Sanitation, and Hygiene
PFM	Public Financial Management	WBG	World Bank Group
PforR	Program-for-Results	WEF	World Economic Forum

	IBRD	IFC	MIGA
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I. INTRODUCTION

1. **This Country Partnership Framework (CPF) for the Republic of Mozambique lays out the World Bank Group's (WBG) strategy for FY23–FY27**. The CPF supports the Government's priorities outlined in the Five-Year Development Plan for 2020–2024 (*Programa Quinquenal do Governo*; PQG), which is anchored in the National Development Strategy (*Estratégia Nacional de Desenvolvimento*; ENDE) for 2015–2035. The ENDE is currently under review by the Government, and a new PQG—based on the revised ENDE—will be prepared in 2025. The CPF builds on the reforms the Government has implemented in recent years in the face of consecutive domestic and external shocks. The CPF will span two International Development Association (IDA) cycles: IDA20 (FY23–FY25) and IDA21 (FY26–FY28). The indicative allocation under IDA20 is SDR 1.3 billion (equivalent to US$1.8 billion), including the Prevention and Resilience Allocation (PRA) top-up, subject to satisfactory annual reviews. The CPF will seek IDA frontloading of 59 percent in FY23 to respond to the multiple crises faced by Mozambique. A program with projects for SDR 701.8 million (equivalent to US$946.5 million[1]) of the IDA20 allocation has been discussed with the Government of Mozambique (GoM), with an emphasis on infrastructure investment, governance, and support for economic reforms. A mid-term review of this CPF is planned for FY25, which will coincide with the period after the 2024 presidential elections, and the start of the new IDA cycle.

2. **Mozambique is a country endowed with abundant natural resources, which provide a transformative opportunity to promote inclusive and resilient development.** The country has one of the world's largest natural-gas reserves, vast amounts of arable land, considerable hydropower, and blue economy potential, and is strategically located to serve as a gateway to global markets. Mozambique's economic prospects are promising, with growth expected to reach an average of 8 percent over 2023–2027. In recent years, the country has made significant progress in strengthening economic management, disaster risk management, and access to electricity, among other areas. Despite this progress, Mozambique continues to face considerable development challenges, with poverty and inequality remaining persistently high. Income per capita has stagnated as economic growth has barely kept up with high population growth. A large share of the population is engaged in informal rural activities, predominantly low-productivity subsistence agriculture. Structural transformation is hindered by inefficient factor and product markets, and weak private sector development owing to a challenging business environment, weak governance, and limited access to finance.[2] These development challenges are compounded by deep-seated structural fragility and high exposure to climate shocks.

3. **The overarching goal of this CPF is to support Mozambique progress toward greener, resilient, and inclusive development (GRID).**[3] This will be achieved by setting the foundations for a transition to (i) an economic growth model that generates more and better jobs, with attention to women's participation; (ii) a society that is more resilient to multidimensional shocks; and (iii) a future development path that is consistent with global climate goals and the findings of the Country Climate Development Report (CCDR). In doing so, this CPF will address the underlying causes of fragility, conflict, and violence (FCV). To achieve these results, it envisages three aspirational high-level outcomes (HLOs): (i) more inclusive institutions[4]—laying the foundations to a more resilient society and enabling the transition from a resource-intensive to a more diversified economy; (ii) inclusive green job creation—the creation of job opportunities for low-skilled labor outside subsistence agriculture, particularly in low-carbon sectors, to enhance inclusion; and (iii) improved human capital and women's empowerment—helping to reduce inequality, improve inclusion, and build resilience. The WBG portfolio is expected to contribute to these HLOs through nine objectives. Annex 1 elaborates on the CPF objectives and the results framework.

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[1] Project commitments are made in SDR, and US$ amounts are subject to exchange rate fluctuations. US$ equivalents as of January 17, 2022.

[2] A challenging business environment, including limited access to credit, has hampered the private sector's potential for job creation and economic transformation in Mozambique. Firms identify access to finance as one of the biggest obstacles to doing business, second only to corruption. Monetary policy has been contractionary, with real interest rates high at about 10-13 percent (among the highest in Africa).

[3] The GRID approach involves a deliberate and proactive recovery strategy for long-term green growth, climate action, and sustainable and inclusive development.

[4] "Inclusive institutions" are defined in opposition to extractive institutions, in line with Acemoglu and Robinson (2012). In operational terms, these mean the rules, processes, and organizations that provide services for the majority of the population in a transparent and accountable manner, while promoting citizens' participation. Acemoglu, Daron, and James A Robinson. 2012. Why Nations Fail: The Origins of Power, Prosperity and Poverty. 1st ed. New York: Crown.

4. **While GRID remains a medium-term goal, in the short term this CPF will focus on strengthening economic recovery and protecting the more vulnerable against the effects of the Russian Invasion of Ukraine and other global shocks.** The CPF aims to support an ambitious plan of reforms and strategic investments to create opportunities for private investment. It is aligned with the Government's reform initiative (*Pacote de Medidas de Aceleração da Económica;* PAE) launched in August 2022 that aims to speed up economic recovery while maintaining fiscal sustainability. These reforms—expected to be implemented over 2023–2024 and anchored in the country's long-term development strategy—aim to foster private sector development by improving the business environment and aligning fiscal policy with development objectives. The Government is also pursuing critical reforms of state-owned enterprises (SOEs) and pension reforms. The Government plans to finance these reforms and investments with support from development partners, including the World Bank Group. Such reforms are likely to create momentum for deeper, more transformational measures in the coming years. Some of these reforms are being supported through the IMF program (2022–2024) and the ongoing World Bank's Development Policy Financing (FY23–FY25).

5. **The CPF brings continuity while making adjustments to the FY17-FY21 WBG program, reflecting the country's new priorities and lessons learned from past engagements, with particular emphasis on FCV**. Building on the achievements of the previous program, this CPF will continue to: (i) prioritize addressing the structural and deep-rooted fragility challenges in Mozambique and the country's commitments under the PRA; (ii) support effective disaster risk management (DRM), while mainstreaming resilience throughout the program and pivoting to prevention; and (iii) contribute to some of the 2030 Sustainable Development Goals (SDGs), such as improving access to electricity, telecommunications, water, and sanitation. This CPF proposes three main adjustments to the previous program. First, it supports the Government's renewed reform agenda and efforts to strengthen governance and institutions including through the DPF, among other lending and non-lending instruments. Second, while continuing to support improved agricultural productivity and rural development as the primary routes to poverty reduction, the CPF also aims to enhance the role of economic transformation (shifting labor from subsistence agriculture to more productive activities) and of rural-urban mobility for the creation of better jobs. Third, the program further emphasizes human capital and women's access to opportunities as crucial for an effective transition towards inclusive growth.

6. **The program emphasizes the importance of scaling up for impact, leading to fewer, larger, transformational investments, and paying greater attention to implementation.** A portfolio of 35 national projects, and six regional projects with total commitments of US$5.3 billion (as of January 2023) will provide continuity in areas such as access to electricity, support for smallholder agriculture, and access to finance. A pipeline of projects in the roads sector (US$400 million), urban transportation (U$250 million), and water (U$150 million)—corresponding to about 46 percent of the indicative IDA20 allocation—will further enhance WBG support for infrastructure. A capacity building project (US$100 million) in the pipeline will help to address some of the bottlenecks to effective service delivery. The operational pipeline and FCV approach also reflect the priorities of the AFE Regional Strategy. Project design will place more emphasis on the regional dimension of development and a stronger focus on gender, jobs and economic transformation, and governance IDA themes. Implementation through country systems, including support for the creation of "centers of excellence" within the Government, will enhance the sustainability of projects' impact. Since a new presidential administration will take office in 2025, this CPF will build in the necessary flexibility to adjust the program to any new priorities.

7. **The CPF will also seek to mobilize additional funds for Mozambique, helping to addressing the country's structural savings gap.** The program will continue to use Contingent Emergency Response Components (CERCs) for crisis response, together with access to IDA's Crisis Response Window (CRW). Up to four regional projects, which will also bring strong synergies from multi-country experiences, are envisaged to be financed through IDA's Regional Window. In addition to IDA and other concessional funding, the CPF will draw on the International Finance Corporation (IFC) private capital mobilization, with potential investment estimated to reach US$900 million over the next four years—and the Multilateral Investment Guarantee Agency (MIGA). Building on the success of the previous program, opportunities for the development of robust public-private partnerships (PPPs) will be pursued.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

2.1. Social and Political Context

8. **In August 2019, the GoM and the Mozambique National Resistance (RENAMO) agreed on a new peace deal.** The deal signaled an end to nearly three decades of political and military conflict, presenting an opportunity to chart a more inclusive and equitable development course. The Maputo Accord on Peace and Reconciliation was signed by President Filipe Nyusi, of the ruling Mozambique Liberation Front (FRELIMO)[5] and Ossufo Momade, the leader of the former rebel group turned political party RENAMO. The Accord offers hope for a more durable and inclusive political settlement between the former warring parties.

9. **Since 2017, Mozambique has been facing an insurgency in its northernmost, gas-rich province of Cabo Delgado, which has spilled over into neighboring provinces.** The conflict has resulted in a humanitarian and displacement crisis and has led to delays in the implementation of large liquefied natural gas (LNG) investments. Regional military support in 2021 helped to stabilize the situation somewhat and opened the way for the reconstruction of these areas; however, the security context remains volatile with a spike in targeted attacks in southern Cabo Delgado from mid-2022.

10. **The Government approved in September of 2021 the *Plano de Reconstrução de Cabo Delgado (Cabo Delgado Reconstruction Plan)*, which is intended to guide reconstruction of northern Cabo Delgado in the short term.** In June 2022, the Government also approved the Integrated Development and Resilience Program for Northern Mozambique (*Programa de Resiliência e Desenvolvimento Integrado do Norte de Moçambique;* PREDIN), which outlines a five-year plan for the provinces of Niassa, Cabo Delgado, and Nampula for development, recovery, and peacebuilding that seeks to address the conflict and its root causes. This roadmap ensures that the Government is guiding the overall response to the conflict and that all interventions in the north of Mozambique are coordinated and aligned under its lead.

11. **The insurgency in Cabo Delgado reflects some of the structural factors that drive fragility in Mozambique, including those associated with an incomplete process of state building.** Many of the country's key fragility challenges go back to the pre-independence period and have been exacerbated by the nature of the post-independence political settlement.[6] These dynamics are expressed in the weakness of institutions that are not inclusive and that struggle to mediate and manage relations between the state and its citizens. They are also expressed in both the perception and the reality of deep-seated inequalities between regions and groups, with a sense among some groups of exclusion from power, resources, services, and opportunities. The conflict in Cabo Delgado is the latest in a series of shocks that have tested the capacity of Mozambique's institutions to respond to multiple crises in a timely and effective manner. These shocks, which include the hidden debt crisis (see Box 1), the 2019 twin cyclones Idai and Kenneth, and the COVID-19 crisis, have cumulatively exposed Mozambique's vulnerability to multidimensional risks.

12. **Despite improvements in the wake of the hidden debt crisis, overall governance challenges remain.** Over the past decades, Mozambique has adopted a comprehensive legislative and institutional framework to address governance and corruption, covering areas such as the administration of justice, business regulation, anti-money laundering and countering the financing of terrorism (AML/CFT), state-owned enterprises (SOEs), and the financial sector. Since 2016, the Government has taken specific measures to address the issues that led to the hidden debt crisis, resulting in a more transparent and accountable fiscal and debt regime (see Box 1).

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[5] The elections secured a majority of seats for FRELIMO at the National Assembly and in all 11 provincial assemblies, including in several provinces that were traditionally RENAMO strongholds.

[6] This refers to the General Peace Accords (Portuguese: *Acordo Geral de Paz*), a peace treaty signed between the government of Mozambique and Mozambican National resistance (RENAMO), which led to the end of the Mozambican Civil War on October 4, 1992.

However, weaknesses remain in several relevant areas of the economy and beyond. For example, some earlier gains in freedom of expression and assembly seem to have been recently reversed, leading CIVICUS Monitor[7] to change its rating for its civic space from "obstructed" to "repressive". Indicators also show the country's performance on corruption may be deteriorating, despite systematic government efforts that include the adoption of an overarching anti-corruption plan adopted in March 2016; the reassessment of the causes in a joint diagnostic report on transparency, governance and corruption jointly prepared with the IMF in 2019;[8] and the emphasis of the PAE on the revision of the government internal audit system.

Box 1 - The Challenges of the Hidden Debt Crisis
Mozambique contracted an undisclosed US$1.3 billion (equal to about 10 percent of gross domestic product—GDP) in non-concessional debt between 2009 and 2014 by issuing guarantees to state-controlled companies. The first loan (US$622 million), for a company named Proindicus, was arranged by Credit Suisse with the stated objective of financing marine security services to the gas industry sites in northern Mozambique. The second loan (US$535 million), in favor of a company named Mozambique Asset Management was arranged by the Vneshtorg Bank to finance the construction of a port logistics base in Pemba, in the Cabo Delgado province that houses Mozambique's large Rovuma Basin gas fields. Both loans were covered by sovereign guarantees. This borrowing was in breach of the IMF program in place at the time, and the IDA non-concessional borrowing policy. The authorities subsequently disclosed the debt to the IMF and the World Bank in 2016. These hidden debts were additional to the Mozambique Tuna Company (*Empresa Moçambicana de Atum;* EMATUM) corporate bond, which was originally issued in September 2013 (also backed by a state guarantee) then restructured as the Mozam 2023 sovereign bond in March 2016, which was again restructured in 2019 to create a more manageable debt profile. **Several measures have been taken to address the challenges of the hidden debt crisis.** The authorities strengthened the regulatory framework for economic management, focusing on addressing vulnerabilities from SOE debt and guarantees, which were at the heart of the 2016 debt crisis. They passed an SOE law and a decree on debt and guarantee issuances. Among other measures, the new legal instruments require the council of ministers' authorization before issuing guarantees and the use of adopted credit risk tools for financial operations by SOEs. The Government also (i) developed a public investment management system, requiring pre-appraisal of public investment projects, (ii) enhanced transparency through the publication of fiscal risk statements and expansion of debt reporting coverage to SOEs and LNG-related debt, and (iii) revised the overarching public finance law, bringing SOEs and subnational governments into the budget system legislation, and increasing the focus on debt and fiscal risk management by consolidating and expanding previous decrees under one core piece of legislation. The authorities also made progress in resolving the Mozam bond default, with the bond restructured to more favorable terms. **The authorities also pursued legal action.** Mozambique's Attorney General initiated proceedings against 19 Mozambicans, including officials, involved in contracting the EMATUM, Proindicus, and Mozambique Asset Management debts in an administrative tribunal in January 2017. The lawsuit contested the legality of the previously undisclosed debts and cites corruption in the process of their arrangement and approval. In May 2020, Mozambique's constitutional court ruled that these debts were illegally contracted. In October 2021, Credit Suisse was fined by the United Kingdom's Financial Conduct Authority for its role in the long-running debt scandal and required to write off US$200 million of Mozambique's debt. In early 2022, the trial of 19 officials began and the verdict was read in December, 2022 with imposed sentences ranging up to 12 years in prison.
Source: World Bank elaboration

13. **Over the last two decades, Mozambique has been hit hard by over one hundred natural disasters, causing a significant toll in human lives and socio-economic infrastructure.** Cyclones pose a significant and recurring risk to Mozambique, affecting on average 2 million people per year in the coastal regions. In 2019, Cyclones Idai and Kenneth affected more than 1.7 million people, with damages and losses amounting to US$3 billion and an estimated US$3.4 billion of total cost for recovery and reconstruction. This was also the first time in recorded history that two strong tropical cyclones had hit Mozambique in the same season. Between 2000 and 2015, floods affected about 4.6 million people and caused the destruction of 639,000 homes.[9]

14. **The COVID-19 pandemic had severe impacts on growth, poverty reduction, and other development outcomes.** These results were in part mitigated by a comprehensive and effective response by the Government. In 2020, the authorities declared a state of emergency on April 1 and a state of public calamity on September 7. Strong social distancing norms were established, including the temporary closure of schools. With the support

[7] Available from < https://monitor.civicus.org/>

[8] IMF. 2019. Republic of Mozambique Diagnostic Report on Transparency, Governance and Corruption. Washington, DC: IMF.

[9] Water storage, flood protection, transport infrastructure, railways, and ports were also damaged. The annual loss for building damages caused by river flooding is estimated at US$500 million. Cyclones, floods, and droughts combined have led to crop failures, and a drop of 25–30 percent in per capita food consumption among affected households, increasing poverty by 12 to 17.5 percentage points. The social and economic costs would be even more significant if estimates of foregone growth and poverty reduction rates caused by climate-change related events are taken into account (Ministry of Economy and Finance, 2018, Financial Protection against Disasters in Mozambique

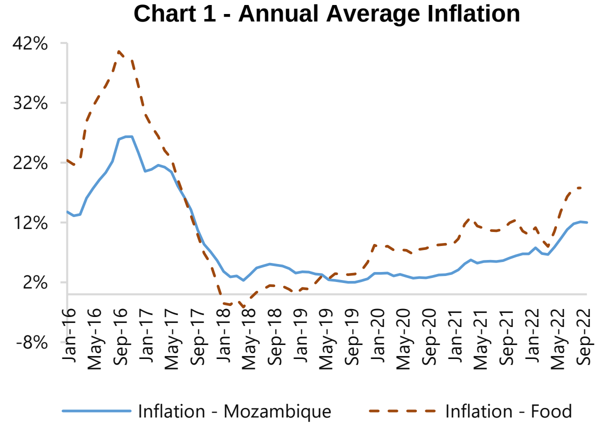
of the development community, they expanded social protection measures, and provided liquidity support to firms and households. Between May 2020 and July 2022, the pandemic caused more than 2,000 deaths and triggered the first economic recession in three decades, reversing much of the hard-earned gains in poverty reduction of the past decade. Its precise impact on other social indicators such as education is still to be assessed, but is expected to be significant.[10]

15. **The war on Ukraine has caused a sharp rise in inflationary pressures, affecting an already vulnerable population.** As in most countries, the direct impact of the war on Ukraine has been through higher prices on food, fuel, and fertilizer, with considerable implications for poverty and food security. Measures to mitigate the impact of the crisis on vulnerable households have led to increased fiscal pressures, which have counteracted budget consolidation efforts. Food inflation, including on staples such as bread, was already rising before the war, reaching 10.9 percent in 2021, driven by Covid-related supply disruptions and the incipient economic recovery. As of December 2022, inflation reached 11 percent, driven by spikes in food, fuel, and food prices. In 2022, the price of public transport and diesel fuel rose by about 50 percent; the cost of a market food basket increased by 45 percent over the past five years. The authorities responded by increasing fuel prices gradually, and took a restrictive monetary policy stance. Nevertheless, Mozambique saw some upsides. Total goods exports registered a record growth of 70 percent in the third quarter of 2022 (year-on-year), reaching US$6 billion. The rise was mainly due to aluminum and coal exports, reflecting high international prices.

2.2. Recent Economic Developments

16. **Mozambique's economy is recovering from a protracted slowdown caused by successive shocks in recent years, picking up momentum in 2022.** Growth plunged from an average of 8 percent in 1993–2015 to 3 percent in 2016–2019, owing to series of shocks, including the hidden debt crisis, insurgency in Northern Mozambique, and tropical cyclones. As a result of the subdued growth, per capita income declined given population growth of roughly 3 percent a year. The COVID-19 crisis hit Mozambique as it was starting to recover from the economic slowdown. The economic recovery that started in 2021 has strengthened, with growth estimated to reach 3.7 percent in 2022, despite the worsening global economic context. Growth is projected to rise over the medium term, reaching an average of 6.5 percent over 2024–2025, as the first LNG project begins production and services recover further.

Chart 1 - Annual Average Inflation



Source: National Statistics Institute (INE).

17. **Following a period of relative stability, inflation hit a five-year high as international prices surged due to the war on Ukraine.** A combination of tighter fiscal and monetary policies and a strong currency, the Mozambique metical, had brought inflation under control, while stabilizing the external balance. Between 2017 and 2020, annual inflation ranged between 15.4 percent (in 2017) and 3 percent, while interest rates ranged between 28.3 and 15.9 percent—among the highest in the region. The global economic recovery and supply chain disruptions led to inflation surging to 5.7 percent in 2021, almost double the 2020 rate. The impact of the war on Ukraine on fuel and food prices led to further price pressures in 2022 (see Chart 1). Headline inflation reached 11 percent in December 2022 (year-on-year). The Bank of Mozambique (BM) consistently raised policy

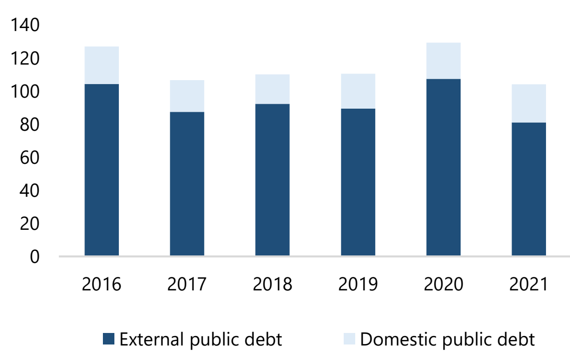
[10] Mozambique has administered 23,989,564 doses of COVID-19 vaccines so far. This translates into roughly more than 80 percent of the target population (aged 15+) being fully or partially vaccinated. The country is on track to vaccinate everyone above the age of 15. As of 18 December 2022, a total of 29,140,427 vaccine doses have been administered. The World Bank supported the Government's responses to COVID-19 through budget support operations.

interest rates to contain inflation expectations and second-round effects, continuing the tightening cycle that started in 2021. The policy rate was raised by 700 basis points to 17.3 percent between 2021 and 2022.

18. **The current account deficit (CAD) increased, driven by large LNG investments, but it has been comfortably financed through conventional sources of finance**. The import of the LNG offshore platform, combined with higher prices of fuel and food imports, widened the current account deficit in 2022 (Table 1). The deficit reached US$5.3 billion (30 percent of GDP) in the first half of 2022, more than double the level in the same period in 2021. External financing needs are mainly met by foreign direct investment and debt. Pressures from fuel imports have reduced Mozambique's external reserves, which declined by US$640 million to US$2.7 billion (equivalent to 3.4 months of non-megaproject imports) between December 2021 and November 2022.

19. **Significant fiscal pressures persist, despite considerable progress in public finances consolidation.** The overall fiscal deficit narrowed from 7.1 percent of GDP in 2015 to 4 percent in 2022. Despite the growth slowdown in recent years, revenues saw a slight increase, driven mainly by income and goods and services tax collection. Significant measures were taken to contain expenditures before the pandemic,[11] despite pressures from natural disasters, and the deterioration of the security situation in the north.[12] Total public debt stock declined to 103 percent of GDP in 2022, from 127 percent in 2016, mainly reflecting exchange rate appreciation, and limited access to external financing. However, total domestic debt has continued to rise, reaching 24 percent of GDP in the third quarter of 2022, from 12 percent in 2016, as the authorities resorted to the domestic debt market to make up for the lack of donor budget support (Chart 2). Overall, fiscal capacity remains heavily constrained, with the public sector wage bill, debt service, and pensions currently absorbing more than 90 percent of tax revenues.

Chart 2 – Total Public Debt, % of GDP



Source: World Bank elaboration and IMF staff estimates

20. **The authorities have considerably strengthened fiscal management**. This includes new regulations on debt, guarantees issuance, fiscal risk, public investment management, and a legal framework for SOEs. In 2019, they prepared a diagnostic report on transparency, governance, and corruption, with support from the IMF. These reforms culminated in the approval of an overarching public finance law in 2020. The law enhances the management of fiscal risk and debt by mandating the preparation of annual fiscal risk assessments and a medium-term debt strategy. In addition, to ensure sound and transparent management of natural resource revenues, the Government is in the process of establishing a sovereign wealth fund, which needs to be embedded in a stronger medium-term fiscal framework. Supported by the IMF program, it is continuing to implement a robust fiscal reform package, which includes measures to increase value-added tax (VAT) revenue and to reduce the sizeable wage bill.

21. **Mozambique has satisfactorily complied with the Sustainable Development Finance Policy (SDFP) principles.** As a country exposed to debt vulnerabilities, Mozambique is subject to Policy Performance Actions (PPAs) under the SDFP key principles of the Debt Sustainability Enhancement Program. Compliance with PPAs

[11] Total expenditure dropped to 30 percent of GDP in 2019, down from 36 percent in 2015, on a commitment basis. Investment expenditures reduced from 13 to 7 of GDP over this period. Additional savings were realized through the elimination of subsidies to fuel and bread. These efforts contributed to an estimated 4 percentage points reduction in the primary fiscal deficit from 6 to 2.2 percent of GDP, between 2015 and 2019 (excluding capital gains revenues in 2019).

[12] Total revenue as percentage of GDP increased from 23 to 25 percent between 2015 and 2021, and expenditure declined from 33 to 30.6 percent of GDP during the same period. Reduction in capital expenditure explains most of the of the cuts in total spending.

signals the authorities' commitment to a more sustainable financing policy and improved fiscal management. Under the FY21 SDFP, three PPAs were implemented to support debt transparency and management and fiscal sustainability through: (i) the publication of a comprehensive public sector annual debt report covering central government, SOE, and LNG debt; (ii) the production of credit risk reports for seven SOEs (accounting for over 95 percent of SOE external debt stock); and (iii) a zero non-concessional borrowing limit on external public and publicly guaranteed debt. The FY22 PPAs required the zero non-concessional borrowing limit as before, as well as: (i) all new debt-financed public investment projects in the state budget to be selected from a published pre-appraised pipeline of projects; (ii) the debt report to cover PPP as well as SOE and LNG-related debt; and (iii) credit risk reports for 12 major SOEs. Mozambique has fully complied with the PPAs.

22. **The April 2022 IMF-World Bank Debt Sustainability Analysis (DSA)[13] concluded that Mozambique is at high risk of debt distress, with debt considered sustainable in a forward-looking sense.** The sustainability conclusion reflects the fact that a significant share of the anticipated borrowing will be repaid directly from future LNG revenues. Debt sustainability indicators have worsened, being now projected to reach the prudent thresholds by 2030,[14] compared to 2028 in the previous DSA (2020). This deterioration is due to additional financing needs owing to the pandemic, the war on Ukraine, and the postponement of large LNG projects due to the insurgency. Natural disasters, the implementation cost of the wage bill reform and the insurgency continue to pose downside risks. But on the positive side, the DSA assumptions do not capture LNG inflows that could accrue to the state as non-tax revenue, and LNG spillover effects on the wider economy.

23. **Although still high, Mozambique sovereign credit risk has improved following the restructuring of the Mozam bond and agreement on a three-year credit facility arrangement with the IMF.** Mozambique saw consecutive downgrades of its credit ratings since 2013 due to increasing debt, the revelation of the hidden debts, and deteriorating business conditions. Under Fitch's classifications, the country's credit rating deteriorated from highly speculative (B+) in 2013 to restricted default (RD) in 2018 as it became an issuer in debt distress, the equivalent of non-investment grade. This restricted its access to international credit markets. In November 2019, Mozambique's credit rating improved slightly to CCC (substantial credit risk) following the complete restructuring of the 2023 Mozam bond.[15] In 2022, following the agreed three-year arrangement with the IMF and expected resumption of budget support, the country's credit rating was further upgraded to CCC+ (meaning no default scenario is envisaged in the coming 12 months). Overall, the country remains non-investment grade due to unresolved debt liabilities, high gross government debt, tight liquidity, and a weak track record in debt management (although this has improved more recently, as discussed above). This represents a significant constraint on meeting its sizeable financing needs, which include financing its participation in the US$60 billion gas projects in the Rovuma Basin.[16]

24. **Medium-term prospects remain positive, but fiscal pressures are likely to remain.** Growth is expected to accelerate in the medium term, averaging 8 percent between 2022 and 2027, partly reflecting recovery in services and the start of production of LNG projects (Table 1).[17] LNG projects are expected to increase demand for services and non-tradeables, and boost exports. In addition, agricultural output growth is expected to remain significant, subject to favorable weather conditions. Although fiscal pressures – particularly from the wage bill - are expected to continue and spending composition to remain a problem, the overall fiscal deficit is expected

[13] IMF- World Bank Joint DSA 2022.
[14] Apart from the present value of the debt-to-export ratio, which will reach the threshold in 2022.
[15] In 2017, Fitch downgraded Mozambique's Long-Term Foreign-Currency Issuer Default Rating (IDR) from B+ to RD. In November 2019, Fitch upgraded Mozambique's Long-Term Foreign-Currency IDR from RD to CCC (substantial credit risk) and its Long-Term Local-Currency IDR from CC (very high levels of credit risk) to CCC.
[16] As per the Paris Agreement, the WBG does not finance any upstream gas activities.
[17] The discovery of large natural gas reserves in the Rovuma Basin in northern Mozambique in 2010 has been considered transformational. The reserves, evaluated at about 100 trillion cubic feet—comparable to those of Norway—make Mozambique a potential global player in LNG production and potentially one of the largest exporters. Three main projects are in the pipeline for exploration of these reserves. The total expected investment needed for these three projects is about US$61 billion from 2018 to 2026—over four times Mozambique's GDP.

to reduce from 4 percent of GDP in 2022 to an average of 2.8 percent of GDP between 2023 and 2027.[18] The recently approved US$456 million IMF Extended Credit Facility (ECF) (2022–2025) will further support growth recovery and help to address fiscal challenges by supporting reforms to increase the Government's fiscal space and improve spending efficiency. The IMF program will also help to set a framework for managing upcoming LNG revenue inflows and improve governance.[19]

Table 1 – Selected Economic and Financial Indicators, 2019–2027

	2019	2020	2021	2022 Est.	2023	2024	2025 Projections	2026	2027
Annual percentage change, unless otherwise indicated									
National accounts and prices									
GDP at constant prices	2.3	-1.2	2.3	3.7	5.0	8.2	5.0	5.0	13.1
GDP at constant prices, ex. extractive sector	2.5	-0.2	2.3	3.3	3.8	3.9	3.9	3.9	3.9
Consumer prices (average)	2.8	3.1	5.7	10.7	11.5	7.3	5.7	5.9	5.5
Broad money (M3)	12.1	23.6	2.8	2.5	12.1	12.6	11.3	10.1	14.9
In percent of GDP, unless otherwise indicated									
Fiscal accounts[20]									
Total revenue and grants	30.0	27.5	27.7	29.2	28.8	27.4	27.2	28.5	27.2
Revenue	29.0	23.9	25.7	25.7	25.9	25.7	25.8	27.0	25.6
Grants	1.0	3.6	2.0	3.5	2.9	1.7	1.4	1.5	1.6
Total expenditure and net lending	29.8	32.9	31.5	33.2	33.3	31.2	30.4	30.3	28.1
Primary fiscal balance (inc grants)	3.5	-2.3	-2.1	-0.4	-1.4	-0.5	-0.2	1.2	1.7
Overall fiscal balance (inc grants)	0.3	-5.4	-4.8	-4.0	-4.5	-3.8	-3.2	-1.8	-0.9
Domestic financing (net)	-2.6	3.0	3.6	3.1	3.7	3.2	3.2	2.1	1.4
External financing (net)	2.4	2.4	1.1	0.9	0.8	0.6	0.0	-0.3	-0.5
Total public debt	99.0	120.0	107.0	102.9	101.4	102.6	101.5	97.6	81.9
External public debt	79.4	97.8	82.8	77.6	75.9	77.7	76.9	74.4	62.8
Domestic public debt	19.6	22.2	24.2	25.3	25.5	24.9	24.6	23.2	19.1
External sector									
Current account balance[21]	-19.1	-27.3	-23.6	-41.4	-14.5	-35.5	-38.9	-40.9	-27.1
Gross international reserves (US$ billion)	3.8	4.1	3.5	2.9	3.0	3.4	3.7	4.4	4.8
Gross international reserves (months of next year's import cover ex. megaprojects)	7.5	5.8	4.5	3.7	3.8	4.2	4.3	4.9	5.0
Nominal GDP									
in US$ million	15	14	16	18	20	21	23	25	29
in MZN billion	957	975	1,033	1,145	1,291	1,493	1,687	1,878	2,291
Agriculture (% of total)	27	28	28	27	26	25	23	22	22
Industry (% of total)	20	20	20	23	25	25	25	28	30
Services (% of total)	53	52	52	51	52	50	52	50	48

Source: Mozambique authorities, World Bank and IMF staff estimates, and projections.

25. **However, downside risks remain substantial.** The prolonging of the war on Ukraine is a critical risk, as pressure on food and fuel prices imply continuing inflationary pressures, which could lead to social unrest and further tightening of monetary policy, slowing down the economic recovery. Continued high fuel prices are

[18] These projections are subjected to the results of the ongoing wage bill reform. The reform intends to reduce the size of the wage bill through simplification of the career structure and remuneration, and indexation of salary increases only to inflation as opposed to nominal GDP growth as previously done.

[19] The recently agreed ECF comes six years after the suspension of the last IMF program following the hidden debt crisis in 2016. In April 2021, the IMF approved COVID-19 emergency support through a Rapid Credit Facility of SDR227 million (US$309 million) to help Mozambique meet its balance of payment and fiscal needs. In 2019, the IMF had also disbursed a Rapid Credit Facility of SDR85 million (US$118 million) for emergency support after cyclones Idai and Kenneth.

[20] The fiscal account projections are subject to the results of the undergoing wage bill reform. Authorities are currently revising the wage bill reform costs, which may influence the overall public deficit and debt.

[21] Current account balance excludes budget support-related grants.

expected to hold back economic activity and exacerbate fiscal and inflationary pressures,[22] as fuel forms a large share of total consumption and is a key determinant of the prices of other essential goods. On the demand side, rising prices and interest rates will hamper consumption and investment. On the supply side, producers are facing increased input costs. The transport sector will be especially hard hit. Further fiscal pressures are expected from the implementation of measures to mitigate increasing living costs.[23] However, some of these pressures have been offset by higher exports, notably of coal and gas. The start of LNG exports in 2022,[24] combined with an increase in coal production, will partly offset the negative effects of the war on Ukraine.

26. **The development of natural gas projects continues to bring positive long-term prospects.** Under an optimistic scenario, with three large LNG projects coming on stream,[25] GDP in 2033 would be 163 percent higher than without LNG production.[26] Employment opportunities are also projected to increase, including for lower-skilled labor. Estimates indicate that, between 2019 and 2033, the LNG industry will directly and indirectly create about 1.6 million worker year opportunities. Fiscal revenue would also spike as exports take off. Gas revenues, taxes, and other non-tax revenues are expected to expand the fiscal space. By 2040, fiscal revenues are expected to be about 143 percent higher than without LNG. Making the most of the ongoing resource boom requires an adequate policy and institutional framework for its successful management and more equitable distribution of the revenues in the future, helping to avoid the risks of "Dutch Disease" that plagues many countries.

2.3. Poverty Profile

27. **Following COVID-19, Mozambique's poverty rate increased and it remains one of the highest in the world.** Preliminary estimates based on the INE's 2019/20 Household Budget Survey (IOF 2019/20) point to a marked increase in the national poverty rate: from 48.4 percent in 2015 to 62.8 in 2020, or from 63.7 percent to 74.4 percent using the international poverty line (Chart 3).[27] This corresponds to approximately 18.9 million people living in poverty according to national standards in 2020. It represents a reversal of the poverty reduction trend that persisted through to the mid-2010s,[28] after which declining growth rates and high population growth resulted in very low or negative per capita income growth. The impact of COVID-19 on households has been felt primarily through the loss of earnings and employment, especially for those working in the informal sector and in urban areas. The World Bank estimates that over 3 million people slipped into extreme poverty in 2020.[29]

28. **Progress in shared prosperity and reduction of inequality has been uneven in recent years**. The Gini coefficient increased from 0.47 in 2003/04 to 0.56 in 2014/15, giving Mozambique one of the most unequal consumption distributions in SSA, but then declined to 50.5 percent in 2019/20 (Chart 4).[30] The shared

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[22] The option for a partial pass through of the international fuel price has led to about $150 million in accumulated contingent liabilities to fuel suppliers.

[23] The measures put in place by the authorities are estimated to amount to 0.7 percent of GDP. They include cash transfers to vulnerable households and targeted transport subsidies.

[24] The off-shore Coral project, led by ENI—which is the smallest of the three LNG projects underway in the Rovuma Basin—started production in 2022. The assumption is that the project reached only 17 percent of the total 3.4 mtpa production capacity in 2022 and will gradually increase to full capacity in 2024.

[25] The other LNG projects are: Coral South Floating LNG—approximately US$7 billion in investment (started production in 2022); Golfinho/Atum—approximately US$23 billion in investment (started in late 2019, was interrupted in 2021 due to the escalation of insurgency in the North); and the Mamba project—estimated at US$30 billion (final investment decision was postponed due to COVID-19 and escalating insurgency).

[26] Under a less optimistic scenario, where only two LNG projects become operational, real GDP would still be 60 percent higher than without LNG production.

[27] World Bank. 2022. *Poverty Assessment* (forthcoming). The international poverty line of US$2.15 a day per person in 2017 PPP (purchasing power parity) is used for international comparison across countries. For in-country poverty analysis the World Bank uses a national poverty line. In this case, the World Bank's national poverty line for the latest Household Budget Survey is 40.0 meticais per person per day.

[28] Poverty as measured by national standards fell from 58.7 percent to 48.4 percent between 2008/09 and 2014/15 (1.8 percentage points annually on average) or from 69.6 percent to 63.7 percent when measured by the international poverty line (US$1.9 per person per day in 2011 PPP).

[29] World Bank. 2022-2023. *Poverty Assessment* (forthcoming).

[30] The average annual rate of consumption for the bottom 40 percent of the population was 2.3 percent, compared to 2.9 percent for the top 60 percent, giving a shared prosperity premium of -0.6 percentage points. The shared prosperity premium has worsened in recent years, reaching

prosperity premium[31] has been historically low: the average annual rate of consumption for the bottom 40 percent of the population was 2.3 percent, compared to 2.9 percent for the top 60 percent, giving a shared prosperity premium of -0.6 percentage points in the 2003–2009 period, declining to -3.4 percentage points in the period 2009–2015. The reduction in inequality since 2015 seems to have been mostly driven by crises—in particular COVID-19, which seems to have had larger effects on the urban poor and the upper percentiles of the income distribution.

Chart 3 – Poverty Levels
% of population on under US$2.15 a day (2017 PPP)

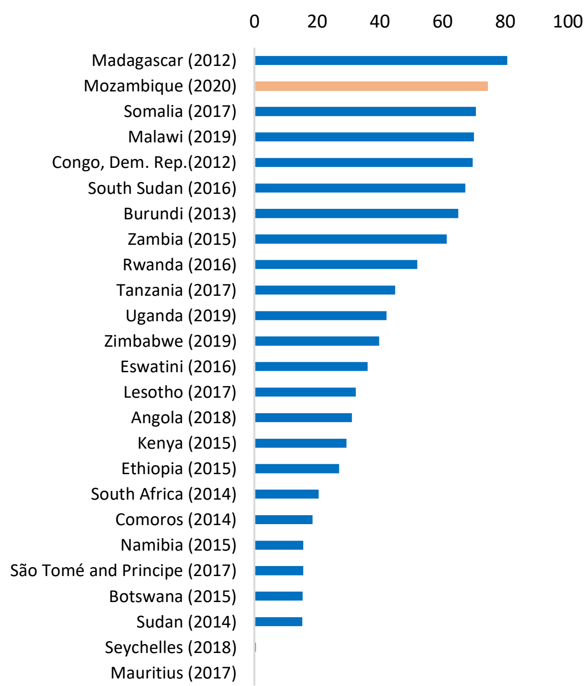
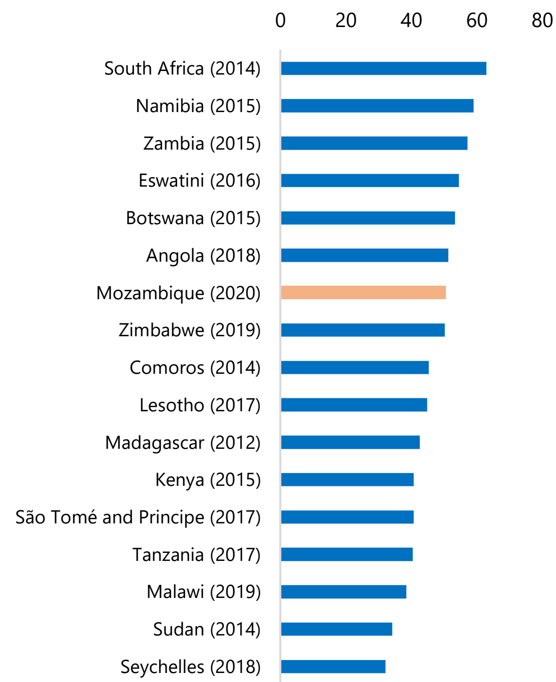


Chart 4 – Income Distribution
Gini Coefficient



Source: World Bank elaboration based on Mozambique Consumption Expenditure Survey (IOF) 2019/20 and World Development Indicators (WDI).
Note: Mozambique's poverty rate for 2020 includes COVID-19 impacts while those of other countries do not as they predate COVID-19.

29. **Most of the people living below the World Bank's national poverty line for Mozambique (40 meticais per person per day) are in the north** (see Chart 5). Approximately 11.4 million of the poor, about 59 percent of the total, live in the provinces of Nampula (28 percent), Zambezia (22 percent) and Cabo Delgado (10 percent). Nampula (81.0 percent), Zambezia (75.1 percent), and Cabo Delgado (77.6 percent), are also the provinces with the largest share of the population living below the poverty line. Cabo Delgado, which in 2015 was also the third poorest province in relative terms, currently has the second largest share of poor in the total population. Central and southern provinces like Tete and Inhambane experienced substantial increases in the poverty rate over the 2015–2020 period. There are three major pockets of low consumption at district level in Mozambique. The first is in the northeast, mainly in Nampula. The second pocket is found in districts in the southern provinces of Gaza and Inhambane. A third stretches across several districts from Tete Province in the northwest to the northern parts of Manica and Sofala Provinces in the central part of the country.[32]

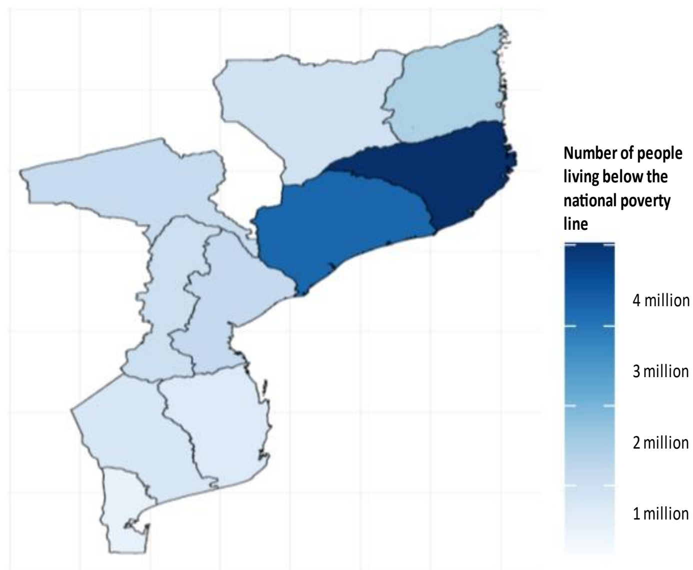
-3.4 percentage points in the period 2009–2015. 2022. "Twinning the goals: how can promoting shared prosperity help to reduce global poverty?" *World Bank Policy Research Working Paper* 7106.

[31] Shared prosperity premium is defined as the difference between the income growth in the mean and in the bottom 40 percent of the income distribution.

[32] Because the survey was conducted during the pandemic, this district-level picture captures the superposition of both the subjacent level of poverty in 2020 and the consumption-dampening effect of the pandemic in real time.

30. **Consumption levels in rural and urban areas have shown little sign of convergence, yet internal migration has been moderate.** Historically, poverty rates have fallen in both rural and urban areas, but faster in urban areas. In rural areas, the share of the population living under the national poverty line fell from 69 percent in 2002/03 to 56.0 percent in 2015. Urban poverty showed a similar trend, falling from 41.1 percent in 2009 to 32 percent in 2015. Between 2015 and 2020, however, the gap between rural and urban poverty rates has widened to almost 27 percentage. Despite this wide divide, internal migration has not been particularly intense.[33] Since the early 2000s, between seven and eight out of every ten poor people have been living in rural areas. Not surprisingly, employment in agriculture remains a strong predictor of poverty (see Box 2).

Chart 5 – Number of Poor by Province



Source: World Bank estimations based on IOF 2019/20.

31. **Some improvements have been observed in non-monetary poverty, although this progress was reversed in 2020.** In 2003, most households (92.8 percent) and nearly all rural households (99.6 percent) were multidimensionally poor—deprived in three or more of the eight monetary and non-monetary dimensions considered for Mozambique. There has been sustained but moderate progress in reducing multidimensional poverty, especially between 2008 and 2015; it had fallen to 71.0 percent in 2015, largely driven by improved standards of living in urban areas. Some education indicators such as school enrollment, attendance, and late enrollment have also shown improvement since the early 2000s. Life expectancy and longevity also increased, broadly in line with the trends observed in SSA, mainly due to a reduction in child and maternal mortality, lower morbidity rates, and a fall in Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome (HIV/AIDS) and malaria rates. Access to basic services, such as water, sanitation, and health centers have also shown improvement. More recently, however, progress in reducing multidimensional poverty has been reversed. The share of households experiencing deprivation in three or more measures increased from 71 percent to 78 percent in the period 2015–2020. In rural areas, conditions reverted to nearly 2002/03 levels, with over 95 percent of households falling into multidimensional poverty, even though the increase in poverty was just 7 percentage points. Urban households experienced an increase of 14 percentage points from 32 percent in 2015 to 46.0 percent in 2020.

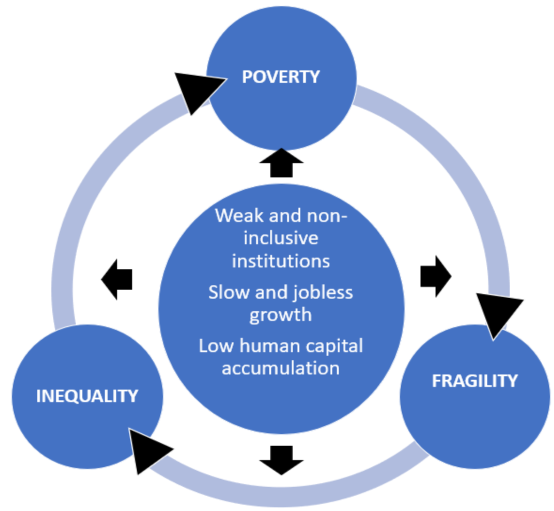
Box 2 – Employment, Poverty, and the Characteristics of the Poor in Mozambique
Recent evidence confirms that employment in subsistence agriculture remains a strong predictor of poverty, as economic transformation has slowed down. Poor households are far more likely to be engaged in agriculture than the non-poor; almost all the rural poor are primarily engaged in agriculture. Just over 70 percent of the labor force was employed in agriculture in 2019, compared to 84.4 percent in 1991. In contrast, over the same period, the share of labor employed in agriculture declined 27.4 percent in Ghana and 33.7 percent in Vietnam, countries with similar or lower levels of agricultural employment to Mozambique. About 61 percent of farmers produced in lots of 1.3 hectares on average and did not sell any of their production. The share of total farmers using chemical fertilizer, pesticide, and herbicide is less than 6 percent, and only about 1 percent have access to credit. Half of them reported difficulties in feeding their families. Commercial farmers are estimated to account for less than 0.5 percent of all farmers.
Source: World Bank. 2019. Rural Income Diagnostic based on the Agriculture Integrated Survey 2015.

[33] These migration dynamics are particularly difficult to understand when taking into account the significantly higher consumption among the self-employed in urban areas: 1.7 times higher in 2008/9, 2.3 times higher in 2014/5, and 1.4 times higher in 2019/20.

2.4. Main Development Challenges

32. **Mozambique's fundamental development challenges remain essentially unchanged from the FY17-FY21 CPF period.** Despite its wealth of natural resources, the majority of its population lives in extreme poverty and faces pervasive inequality. Its development challenges are compounded by structural fragility: the conflict in Cabo Delgado is a recent expression of deep-seated fragility,[34] and it is heavily exposed to exogenous shocks. This mutually reinforcing cycle of fragility, poverty, and inequality is underpinned by: (i) an exclusionary political settlement and weak institutions; (ii) slow and structurally jobless growth in recent years; and (iii) low human capital accumulation (Figure 1).

Figure 1 – Mozambique Development Challenges



Source: World Bank elaboration.

33. **Mozambique's institutions still need to improve effectiveness, pro-poor orientation, and public trust**.[35] A recent study found that overall state intervention in the economy is regressive—leaving a larger number of poor than in a hypothetical situation in which the state is absent.[36] Two aspects require attention: (i) the condition of the country's public finances in the context of a large savings gap, and (ii) the Government's limited capacity to deliver quality public services. A high debt burden and still improving macro-fiscal framework expose the economy to risk and undermine investors' confidence. These obstacles also help to explain the country's high real interest rates, which significantly undermine the functioning of an already underdeveloped financial market and the country's growth prospects.[37] Limited transparency, accountability, and citizen engagement further undermine trust. Remaining governance challenges will be further stressed by the inflow of gas-related revenues after 2030. Inclusive institutions will be needed to address fragility, conflict, and violence, build resilience and diversify the economy, including through good use of the upcoming natural resource revenues.

34. **Mozambique's recent growth pattern has neither addressed inequalities nor created a sufficiently large number of better-paid jobs to accelerate poverty reduction.** This is in part because growth is driven by capital-intensive industries, notably mining, with limited linkages to the rest of the economy. As a result, Mozambique's poverty reduction during recent decades, while not negligible, was lower than in peer countries. With an estimated 500,000 people projected to enter the labor force each year over the next decade, Mozambique needs to generate more and better-paying jobs outside subsistence agriculture—a process that has started but is still in its infancy. The shift of labor from subsistence agriculture to more productive activities in agriculture,

[34] In that respect, the 16 years of civil war (1978–1994) was the foundational challenge of the post-independence period, resulting in the destruction of economic infrastructure and human capital, undermining economic growth for two decades. The emergence of conflict in the north is a more recent evidence of this deep-routed challenge. The insurgency in Cabo Delgado has prompted a displacement and humanitarian crisis, with the loss of more than 4,000 lives and nearly a million people displaced.

[35] Firms reported in the 2018 World Bank Enterprise Survey that they consider corruption the biggest constraint to their business activity. According to a recent Afrobarometer survey for Mozambique, 37 percent of all respondents consider "all" or "most" government officials corrupt, up from 19 percent in 2016.

[36] World Bank. 2020. *How do Taxes and Transfers Affect Poverty and Inequality in Mozambique? Mozambique Fiscal Incidence Analysis*.

[37] Despite its moderate size, the financial sector is vulnerable to shocks, does not serve a large share of the population or small and medium enterprises (SMEs), and does little to help individuals invest in their education or health, and manage risk: 21 percent of adult Mozambicans have bank accounts while 22 percent use mobile money accounts. About 10 percent of firms in Mozambique report having access to bank loans. Collateral requirements are high (up to twice the value of the loan). The banking sector is concentrated. The four largest commercial banks provide more than 80 percent of credit. Capital buffers seem adequate but non-performing loans are high at 10 percent. Exposure to weak SOEs are a key vulnerability and financial stability risk.

manufacturing, or services also represents a major opportunity to improve aggregate productivity.[38] Poorly functioning product and factor markets—including market contestability (lack of competitive neutrality due to market dominance by some underperforming SOEs etc.), regulatory constraints (e.g., restrictive land, labor, and investment policy), and limited access to finance (largely due to the high cost of credit)—limit private sector development. To accelerate inclusive growth that lifts people out of poverty, Mozambique needs to further enable the process of economic transformation and the ensuing processes of economic agglomeration and urbanization. Agglomeration will further help create markets, increase productivity, and reduce the cost of investing in infrastructure and human capital.

Box 3 – Mozambique's Demographic and Gender Challenges

Mozambique's population is expected to increase from 29 million in 2019[39] to almost 35 million in 2026. Population growth will strain the capacity of public agencies in education, health, and other social sectors, while also representing an opportunity to harness the benefits of the demographic dividend. Furthermore, Mozambique's growing population will increase the demand for agricultural land and forestry products, exercising greater pressure on limited natural resources unless a substantial modernization and capitalization of the agriculture sector takes place, for instance, by increasing the size and scope of commercial agriculture and the agro-industrial sector. Demographic changes will be uneven, being largely concentrated in rural areas and in northern and central areas. This means that despite slowly increasing urban growth, the country is projected to remain mainly rural until 2040[40] and only in 2050 will more than half the population be urban. Urbanization therefore remains a powerful but underutilized lever for poverty reduction, shared prosperity, and subsequent urban resilience in Mozambique.

Mozambique has the sixth highest rate of adolescent fertility and the tenth highest rate of child marriage in the world; one in four women aged 18–49 have experienced physical or sexual violence at some point in their lives. While Mozambique has achieved almost universal enrollment at primary level, completion rates remain stubbornly low, particularly for girls: 45.6 percent of girls complete primary education compared with 50.4 percent of boys, 12.8 percent of girls who enroll in secondary school complete their studies, and women completed, on average, 2.7 years of schooling compared to 4.5 years for men. High female labor force participation (close to 80 percent) is minimized by a high degree of sector-based gender segregation and the concentration of women in agriculture. Within the agricultural sector, men are more likely to be involved in cash crop production, while women provide the majority of labor to produce food crops. Women farmers also have less access to capital and livestock; own smaller agricultural plots; and use less fertilizer, pesticides, machinery, and other modern inputs than male farmers. [41]

Source: World Bank. 2021. Mozambique Human Development Sector Note.

35. **Another reason for limited poverty and inequality improvements in recent years is low human capital accumulation**. To promote long-term growth and reduce multidimensional poverty, Mozambique needs to invest more in its people. A child born in Mozambique today will be only 36 percent as productive as she could have been had she enjoyed full health and education, giving Mozambique a Human Capital Index (HCI) of 0.36 in 2020. Heads of poor households have on average 0.8 fewer years of education than those of non-poor households and the illiteracy rate among heads of poor households is 19.7 percent, nearly 7 percentage points higher than among non-poor households. Poor households are also characterized by limited ownership of basic assets, such as a car, fridge, TV, or a phone, constraining their access to information and services such as data on price markets, weather alerts, and electronic banking.[42] Poor households are larger, with on average nearly 1.1 more members and relatively more children under 14. The rapidly growing population and high dependency ratio increase the challenges to improving development outcomes (Box 3). The large number of poor individuals suggests the country's social safety nets are not serving them. Development prospects are also significantly impacted by high fertility rates, especially among adolescent girls.

36. **Mozambique needs to build a climate-resilient economy and adopt smart policies for low carbon growth for its development objectives.** Mozambique is among the ten countries most vulnerable globally to climate change. The impact of weather-related disasters is putting additional fiscal pressure on the ability of its institutions to improve its capacity to respond to shocks and build resilience. Given Mozambique's fiscal

[38] In the early 2000s, the country experienced a transition of workers from subsistence agriculture into services, where productivity is higher. This contributed to a faster increase in living standards, but the process decelerated after 2015 (World Bank. 2018. *Mozambique Jobs Diagnostic)*. Evidence of economic and spatial transformation is also presented in World Bank. 2021. *Country Economic Memorandum: Reigniting growth for all*.
[39] *Instituto Nacional de Estatística (INE).* 2019. *Anuário Estatístico 2018*. (National Statistics Institute (INE). 2019. Statistical Yearbook Maputo 2018.)
[40] World Bank. 2020. *Cultivating Opportunities for Faster Rural Income Growth and Poverty Reduction*. Washington, DC.
[41] World Bank. Upcoming. *Mozambique Gender Assessment.*
[42] World Bank. 2018. *Mozambique Poverty Assessment*.

limitations, in order to create a climate-resilient economy it needs to prioritize its policies and investments to concentrate on the most vulnerable sectors and locations in the most efficient manner. Mozambique's location as a gateway to global markets and natural resources give it tremendous potential to drive a low-carbon energy transition in domestic and regional demand. Revenues from LNG exports have to be seen in the context of enabling the country to accelerate its energy transition and secure low-carbon growth.[43] They will also provide the financial resources for the adaptation actions needed to cope with Mozambique's exposure to climate impacts. Mozambique needs to consider a plan to transition out of coal extraction and exports given the decline in financing for coal and restrictions on it in international markets. Its existing mining capacity has the potential to be shifted to minerals central to the energy transition, which offer greater long-term demand and economic value, as the country hosts significant and commercially deposits of such minerals.[44]

37. **Without urgent and coordinated action by security, development, and peacebuilding actors, the conflict in Cabo Delgado could constrain Mozambique's growth prospects.**[45] The rapid intensification and escalation of the insurgency underscored the country's deep-seated fragility and reflected an unfinished process of state building (see Box 4). Although the situation has stabilized somewhat over the past year, following the arrival of troops from Southern African Development Community (SADC) countries and Rwanda to reinforce the efforts of Mozambican security forces, it remains volatile. A spate of attacks in mid-2022 triggered new waves of displacement—including among some who had already been displaced. Attacks reached into southern Cabo Delgado and Nampula, indicating that the conflict was mutating with insurgents dispersing and fragmenting into smaller semi-autonomous groups. The ongoing conflict also highlights the challenge of a thriving illicit economy that could prolong the hostilities and fuel a war economy.

Box 4 – Factors of Fragility and Resilience in Mozambique

Factors of fragility:

i. Mixed progress towards decentralization as a mechanism to share power and resources
ii. Mixed progress towards decentralization as a mechanism to share power and resources
iii. Limited avenues for civic engagement and citizen voice
iv. Challenges related to transparent governance and management of resource revenues
v. Overexploitation of resources and illicit trade
vi. Regional imbalances in access to services and infrastructure
vii. Rapid population growth and pressure on housing and services in peri-urban and informal areas
viii. Challenges related to access to justice and security in a timely, fair, and transparent manner.

Factors of resilience:

i. Religious and traditional leaders and institutions act as mediators and provide a buffer against violent extremism
ii. Peace clubs as a forum for mediation and grassroots peacebuilding
iii. Community-based organizations as a frontline defense against natural hazards and crises
iv. Culture of academia and independent thought
v. Dynamism of youth and growing activism of civil society in opening up spaces for voice and expression
vi. Public-private wildlife conservation as a model for effective community-based natural resource management
vii. Strong regional connectivity and cooperation through SADC membership.

Source: World Bank. 2020. Risk and Resilience Assessment.

[43] The existing gas reserves are low in carbon dioxide, making them a possible source for the clean energy transition—the gas plant in Area 1 of the LNG concession has one of the six lowest greenhouse gas intensity among LNG plants in operation globally. The greenhouse gas intensity of the Total-led LNG plant is projected to be less than 300 tons of carbon dioxide equivalent per ton of LNG (CO2eq/ton LNG).
[44] Mozambique is the third largest producer of natural graphite (a key battery mineral) and is home to two large graphite mining companies holding high-grade world class graphite deposits
[45] Total, the main investor in one large project, announced the suspension of activity and declared *force majeure* until security and stability have been restored in a sustainable manner. A second on-shore LNG project led by ExxonMobil has postponed its final investment decision from 2021 to 2023. Significant revenues are not expected before the early 2030s.

III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

3.1. Government Program and Medium-Term Strategy

38. **The Government is currently revising its 20-year ENDE and will soon launch its new strategic framework for development, ENDE 2023 - 2043** (Figure 2). The revision has been motivated by the need to adjust the strategy to reflect changes in the context, namely, the intensification of climate shocks, the conflict in the north, and the COVID-19 pandemic. The proposed new focus areas for the ENDE will be: (i) economic transformation; (ii) social transformation; (iii) infrastructure development; (iv) governance; and (v) environment and the circular economy.

39. **The current five-year development plan (PQG 020–2024) focuses on three main priorities, supported by three pillars and cross-cutting themes.** The priorities are: (i) economic growth, productivity, and employment creation; (ii) human capital development and social justice; and (iii) sustainable management of natural and environmental resources. The program's priorities are sustained by three pillars: (i) democracy and social cohesion; (ii) good governance and decentralization; and (iii) international cooperation. Finally, it pays particular attention to three cross-cutting themes: (i) youth, women, and former combatants; (ii) housing and employment; and (iii) agriculture, industrialization, and tourism, which are central to the modernization and diversification of the economy. The PQG also articulates the goals of reaching universal access to electricity by 2030 and positioning Mozambique as a regional electricity hub. A new PQG is expected to be launched after the 2024 national elections.

Figure 2 – Mozambique Strategic Planning Framework

Source: ENDE

40. **In April 2021, Mozambique became eligible for the PRA under IDA19, which provides stepped-up support to countries at risk of escalating into violent conflict.** As part of the PRA eligibility process, the WBG recalibrated its portfolio and pipeline of projects to support the Government's conflict prevention efforts, including outlining a regional integrated approach for the north of Mozambique. The Government also committed to meeting a series of milestones that seek to chart a pathway toward sustainable peace and conflict prevention in Mozambique.

41. **Despite ongoing security challenges, the Government has delivered solid and consistent progress across the board against its FY22 PRA milestones**. In the cases where it was not able to fully deliver on its commitments, the Government nonetheless made varying degrees of progress, underscoring its commitment to the PRA monitoring framework. Of the 19 milestones that it had committed to for FY22, it fully met eight; recorded significant progress and is on track for finalization of six; and recorded some progress in three but fell short of finalizing them in FY22. It recorded limited progress on one milestone; and one milestone lapsed during the year. The Government will roll over three of the FY22 milestones that remain incomplete, to ensure it has sufficient time to deliver fully on these strategically important commitments (see Annex 3 for further detail on progress against FY22 targets in the PRA monitoring framework).

42. **The Government achieved or made progress against some strategically important milestones.** It has established a sovereign wealth fund model, a key prerequisite for the establishment of the fund itself. The Government also finalized a pilot on interoperability between civil registration and civil identification using a unique identification number, marking a watershed in a country where around 50 percent of the population

lack legal identification. It has made significant progress in the development of a temporary formula to define budget limits for transfers to provincial governments. Its continued implementation of and commitment to the 2019 peace agreement was demonstrated through the demobilization of 3,558 combatants.

43. **The Government and the World Bank have agreed to shorten the long list of FY23 milestones to focus on more strategic commitments.** Of the 20 milestones that the Government committed to for FY23, it will retain 13 and reassign seven to FY24/25 (see Annex 4 for the full list of revised FY23 milestones and Annex 5 for a list of indicative FY24/25 milestones). Eight of the 13 retained FY23 milestones have been revised, reflecting changes in the context and the need to adopt a more iterative approach to foundational milestones.

44. **More recently, the Government committed to strategic investments and reforms to accelerate economic growth**. Building on the momentum created by the IMF Agreement of May 2022, the Government launched the Package of Economic Acceleration (PAE) measures aimed at boosting the confidence of international investors and development partners. This ambitious reform plan aims to help Mozambique weather the global impacts of the war on Ukraine, prepare for recurrent climate shocks, and promote peace and stability while creating opportunities for private investment and business expansion through reforms and strategic investments. The PAE, expected to be implemented in 2022–2024, comprises 20 reform measures, including a reduction in the VAT rate, tax exemptions for the agriculture and energy sectors, creation of a guarantee fund, simplification of administrative procedures, and improvements in internal audits, as well as revisions to investment legislation and labor regulation. The package further reinforces vital reforms underway—such as the SOE restructuring plan, and land and agricultural policy revision—and improvements to the performance of service sectors such as airports, roads, and telecommunications.

45. **Mozambique's government is aware of the risks climate change poses to its development strategy.** In particular, the country's Nationally Determined Contribution states that "adaptation and the reduction of climate risk is a national priority.'' Since 2010, the Government has embarked on a series of climate-change related policy reforms, including the approval of a National Climate Change Adaptation and Mitigation Strategy, which provides the overall policy framework to guide climate resilient planning and development.[46] It was followed by the approval of an ambitious and comprehensive National Disaster Risk Management Program to promote Mozambique's resilient development through disaster prevention, preparedness, response, and recovery, as well as mainstreaming of DRM in public finance, investments, and development planning across sectors. The current review of the PQG (2020–2024) creates an opportunity to also make climate change a mainstream part of its development strategy.

3.2. Proposed WBG Country Partnership Framework

46. **The CPF FY23–FY27 has been built upon three main criteria selected in consultation with the Government, the donor community, and civil society**. These were: (i) government strategic objectives, policies, and programs; (ii) priorities identified by the 2021 Systematic Country Diagnostic (SCD) and the Country Private Sector Diagnostic (CPSD), the CCDR, as well as by WBG studies conducted during the last CPF; and (iii) the WBG's comparative advantages, identified through the Completion and Learning Review (CLR) of the FY17 CPF (Annex 2). Priorities have also been checked against two critical filters—whether they contribute to addressing fragility and boosting resilience. Consultations with the Government were an essential part of the preparation of the CPF and provided valuable feedback on the selection, prioritization, and design of the new program (see Annex

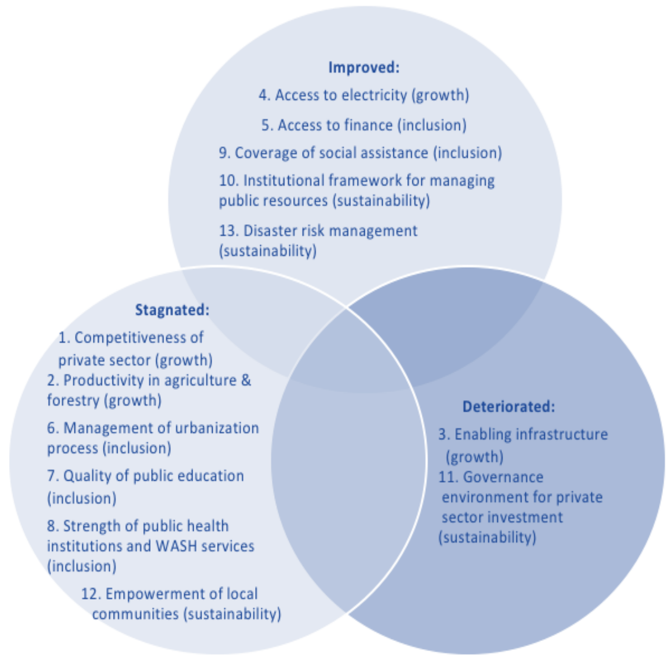
[46] Mozambique adopted an adjustable climate change framework in 2003. In 2003 Mozambique submitted its first national communication to the UNFCCC identifying seven sectors that are particularly vulnerable to climate change. In 2007, the National Adaptation Program of Action (NAPA) proposed immediate adaptation strategies and soon after the National Poverty Plan 2011–2014 proposed measures for reduced disaster risk and climate change adaptation. In 2012, the National Strategy for Adaptation and Mitigation of Climate Change (ENAMMC) 2013-2025 was approved (GoM, 2013) with general objective to "establish guidelines for action to build resilience, including the reduction of climate risks, in communities and in the national economy and to promote low-carbon development and the green economy (MICOA, 2012).

12 for details of the consultations). The formulation of the CPF's strategic objectives also reflects IDA20 themes and cross-cutting issues, and Mozambique's need to maximize additional financing for development and private capital mobilization.

3.2.1. The WBG Priorities

47. **The 2021 SCD Update underscored the central role economic transformation would need to play in reducing poverty in Mozambique**.[47] The country has experienced limited economic transformation in recent decades.[48] As of 2019, 70.1 percent of the labor force is still employed in agriculture, of which approximately 68.6 percent were engaged in subsistence agriculture. Although spatial transformation has picked up recently, about 60 percent of the population still lives in rural areas—indicating a slow migration process, despite a large and persistent rural-urban income gap. Only five out of 13 SCD policy objectives had improved since 2016: disaster risk management; access to electricity; access to finance; coverage of social assistance; and the institutional framework for managing public resources. Two objectives had deteriorated: the enabling infrastructure for growth and governance for private sector investment. The rest had stagnated, including the competitiveness of the private sector, productivity in agriculture and forestry, and the management of urbanization, particularly important for economic transformation and inclusive growth (Figure 3). The SCD Update demonstrated how malnutrition, weak educational outcomes, and poor water, sanitation, and hygiene (WASH) conditions hamper productivity and aggravate the intergenerational cycle of poverty. In addition, demographic trends (high fertility and a booming young population), and the lack of access to opportunities among women, have constrained equitable progress on developing human capital. Finally, the pandemic exacerbated challenges to health and education service delivery, as well as increasing the demands on Mozambique's social protection system.

Figure 3 – World Bank 2021 SCD Findings against 2016 SCD Objectives



Source: 2021 SCD Update – Mozambique

48. **The SCD Update identified three pathways for transformation plus one cross-cutting theme.** The cross-cutting theme was government effectiveness and good governance, while the three pathways were (i) accumulation of productive human capital; (ii) private sector-led job creation and greater productivity; and (iii) productive and sustainable use of natural capital (Box 5). These policy recommendations served as a basis for identifying the partnership priorities of the WBG and the Government for this CPF.

49. **In addition to the SCD, IFC and MIGA have also identified policy priorities and transformational investments affecting private sector development.** The CPSD highlights sector and cross-cutting issues. This

[47] World Bank. 2021. *Mozambique SCD - Coming Together for a Better Future*. Washington DC / Word Bank. 2021. *Mozambique Country Private Sector Diagnostic*.

[48] Economic transformation is a major source of productivity growth in the early stages of development, as illustrated by the cases of Korea and Brazil in the past century. More recently, countries like Vietnam and Ghana, with similar levels of employment in agriculture, have had much higher exit rates than Mozambique. This shows that transitions take a few decades to occur but, if properly managed, may deliver results within one to two generations.

includes traded sectors which, after extractives, have the most potential to drive growth and productive employment, and the reforms needed to support them. The CPSD proposes: (i) leveraging immediate opportunities in upstream linkages to extractives, agribusiness, tourism niches (for post-COVID-19), and housing construction; (ii) focusing on medium-term opportunities in transport, logistics, and energy; (iii) exploring long-term opportunities in downstream linkages to extractives; (iv) supporting the financial sector; and (v) fostering the forestry and fisheries sectors. It also highlights the need to address key cross-cutting constraints to capitalize on these opportunities by: (i) addressing skills gaps, so they no longer hamper private sector development; (ii) improving investment policy and promotion efforts; (iii) enhancing market and competition policy; (iv) narrowing the infrastructure gap; and (v) improving the overall business environment, including issues around land access and financial inclusion. MIGA will prioritize projects that promote green and inclusive development, in line with its Business and Strategy Outlook.

Box 5 – Mozambique's Priorities by Policy Area (According to the 2021 SCD Update)

Government effectiveness. First, a high debt burden, still weak macro-fiscal framework, and other downside risks expose the economy to macroeconomic instability and undermine trust among investors and citizens. Second, weak transparency, a weak data environment, and insufficient oversight and accountability of public financial management (PFM) and SOEs undermine the efficiency and efficacy of public resources in providing key public goods and erode confidence in the state. Third, a sluggish, unbalanced, and unfunded process of decentralization hinders the devolution of power to local governments. Fourth, limited mechanisms to redress grievances undermine trust between the state and citizens, as highlighted by the conflict in the north but an issue throughout Mozambique.

Accumulation of productive human capital. First, geographic disparities, an insufficient identification system, and inefficiencies in social spending are hampering service delivery within human development sectors. Second, limited accountability and performance-based incentives and poor institutional coordination are constraining the effectiveness of service delivery. Third, social norms, legal pluralism, and ineffective implementation limit female agency, human capital, access to economic opportunities and control over resources. Undernourishment, weak educational outcomes, and poor WASH conditions make the nation less productive and aggravate the intergenerational cycle of poverty. Furthermore, demographic trends (high fertility and a booming young population) and the disempowerment of women constrain equitable progress on human capital.

Private sector-led job creation and greater productivity. First, the enabling conditions, regulation, and critical markets for private sector growth, diversification and job creation are underdeveloped. A very bureaucratic business environment, high real interest rates, and low levels of financial inclusion hinder the development of SMEs while labor regulations are still barriers to formal job creation. Second, the state's role as investor and regulator stifles private investments, undermines competition, creates uncertainty, and adds conflict of interest. Third, insufficient and regionally uneven public infrastructure undermines connectivity and economies through agglomeration.

Productive and sustainable use of natural capital. First, failures in key markets, some of which are policy-induced, hinder the enhancement of productivity, commercialization, and risk management. Second, weak regulation, enforcement, and collective action mechanisms undermine rural economic growth and the sustainable use of natural resources. Existing land tenure and complex land use regulations undermine incentives for domestic and foreign investments in commercial agriculture and forestry. Third, growing but still weak risk management mechanisms leave households and key natural assets vulnerable to the effects of climate change and large natural disasters.

Source: World Bank elaboration based on the World Bank (2021) Mozambique SCD Update.

3.2.2. Lessons from the Previous Country Partnership Framework

The CLR of the CPF FY17–FY21 identified four major lessons (Annex 2).

50. **Lesson #1: Successful interventions provide a base for continuity.** DRM, and particularly emergency responses and resilient recovery of public infrastructure and services, were identified as successful examples to follow in FY23-FY27 CPF, given the country's vulnerabilities to natural hazards and other shocks. Implementing an effective CPF program in a challenging FCV environment requires close alignment with government priorities, fewer and targeted objectives, and the combination of a wide array of lending and non-lending instruments, which often need to be implemented over more than one CPF cycle. Successful cases in the FY17-FY21 CPF can be attributed to: (i) the integrated structure of the WBG, enabling the implementation of a cross-cutting approach; (ii) its recognized technical expertise and leadership role, enhancing multi-donor coordination; and (iii) dedicated knowledge generated by the World Bank's advisory services and analytics (ASAs) and its

incorporation into government policies and plans through technical assistance (TA), investment project financing (IPF) and Development Policy Operations (DPOs) when needed. CERCs have also been effective instruments to finance government responses to external shocks.

51. **Lesson #2: Adjust the theory of change of the CPF, given the inconclusive impact of the FY17-FY21 CPF on agricultural productivity and poverty reduction.**[49] Following closely the recommendations of the previous CLR and SCD, the FY17–FY21 CPF significantly increased resources allocated to agricultural productivity and rural development, aiming to reduce poverty.[50] However, the evidence for increases in agricultural productivity has not been conclusive and the poverty reduction achieved by this investment has been relatively small.[51] The analytical evidence produced by the World Bank ASAs points to the need to recognize the heterogeneity of the rural population. Some farmers certainly have the capacity to establish themselves in markets as commercial producers, while others are in a position of lesser development. In those cases the emphasis has to be on ensuring that they reach production levels that at least cover a minimum caloric intake. Given the living conditions of the majority of the rural population, there is a clear convergence across the agriculture, environment, and social protection sectors over the design of strategies that will enable the rural population to generate a minimum level of livelihood to overcome their poverty, while guaranteeing a path of transformation that is fiscally, environmentally and institutionally sustainable.[52]

52. **A revised CPF theory of change should therefore consider the differences among farmers and the role of structural transformation in reducing poverty in Mozambique**.[53] On the one hand, it should continue with the provision of rural public goods and services such as extension, agricultural research, animal and plant health, and food safety and traceability. On the other hand, it needs to recognize the need to deepen specific markets such as in land, agricultural inputs, and rural financing. It is the combination of these elements that will enable the private investment or transfer of productive assets needed to have the necessary multiplier effect. Meanwhile, strong support to peri-urban and potentially commercial farmers needs to continue, as well as support for the development of intermediate cities, helping integrate small-scale farmers into domestic, regional, and global markets.

53. **Lesson #3: Renew the emphasis on economic reforms, including governance and institution building, to increase development impact.** The recent series of climate, health, and security shocks shifted the attention of the CPF program towards meeting urgent government priorities for emergency support, reconstruction, and resilience. As a result, asset building was prioritized over governance and institution building, with the exception of macro-fiscal management institutions. The recommendation for the new CPF is to complement asset building with institutional reforms, so as to increase the overall impact of lending. This will require bringing back general budget support, blended with tailored TA and ASA, with an emphasis on governance and private sector reforms. On decentralization, it is anticipated that the process will be gradual and thus implemented over several CPF cycles. The latest political framework for decentralization was established in the 2019 Peace Accord. For this reason, it is recommended that this CPF continues to support the decentralization process, particularly

[49] According to the underlying theory of change, investing more and with an integrated approach to agricultural productivity and rural development, where the poor work and live, would lead to substantive poverty reduction. However, impact in terms of labor productivity achieved by the SUSTENTA Project, a core activity of the CPF program, has been relatively small and confined to the project beneficiaries—a fraction of the millions of subsistence farmers in the country. The capacity to expand such a program, especially when the cost of access to markets are considered, is also questionable. On the other hand, development in rural areas has shown some progress when associated with the expansion of secondary cities.

[50] These include both Agriculture and Rural Development, which totaled a significant lending effort of about US$850 million.

[51] See Independent Evaluation Group (IEG), *Mozambique Country Program Evaluation* (forthcoming). The report also suggests that it may be still early to observe the results of recent shifts of agriculture strategy and investments in agricultural productivity.

[52] World Bank. 2020. *Cultivating Opportunities*. *Cultivating Opportunities for Faster Rural Income Growth and Poverty Reduction —Mozambique Rural Income Diagnostic. Overview Policy Report. March 2020.*

[53] World Bank. 2021. *Mozambique Systematic Country Diagnostic – Coming Together for a Better Future* Washington DC: World Bank Group/ World Bank. 2021. *Mozambique Country Economic Memorandum –Reigniting Growth for All* Washington DC: World Bank Group / World Bank, *Mozambique Urbanization Review*.

important in an FCV setting, while revising its approach to ensure it is consistent with the political and administrative constraints.

54. **Lesson #4: Streamline the IFC strategy planning processes and implementation.** Mozambique's business regulatory framework remains constrained by time-consuming procedures that impose high costs, deter investment, facilitate rent seeking, and discourage entrepreneurship. In addition, the challenges around poor infrastructure, limited access to land, skills shortages, and a high risk rating render the country less attractive to private investors. As such, the WBG should strive to provide a deeper level of support to government in the key cross-cutting areas identified by the CPSD, including its policy reform recommendations. Furthermore, there is also a need to better leverage IDA-Private Sector Window (PSW) instruments, in particular Blended Finance and local currency financing, as well as other risk-mitigating instruments such as PRGs to mitigate currency volatility and Mozambique's elevated cost of lending due to its high-risk rating. Finally, climate and conflict sensitivity assessments need to better inform strategic investment priorities. IFC project designs and implementation should consider the risks and issues highlighted in the respective country assessments and incorporate mitigation measures as appropriate in order to ensure their approaches are sensitive to both conflict and climate risks.

The CLR also identified two important lessons related to the implementation of the PRA.

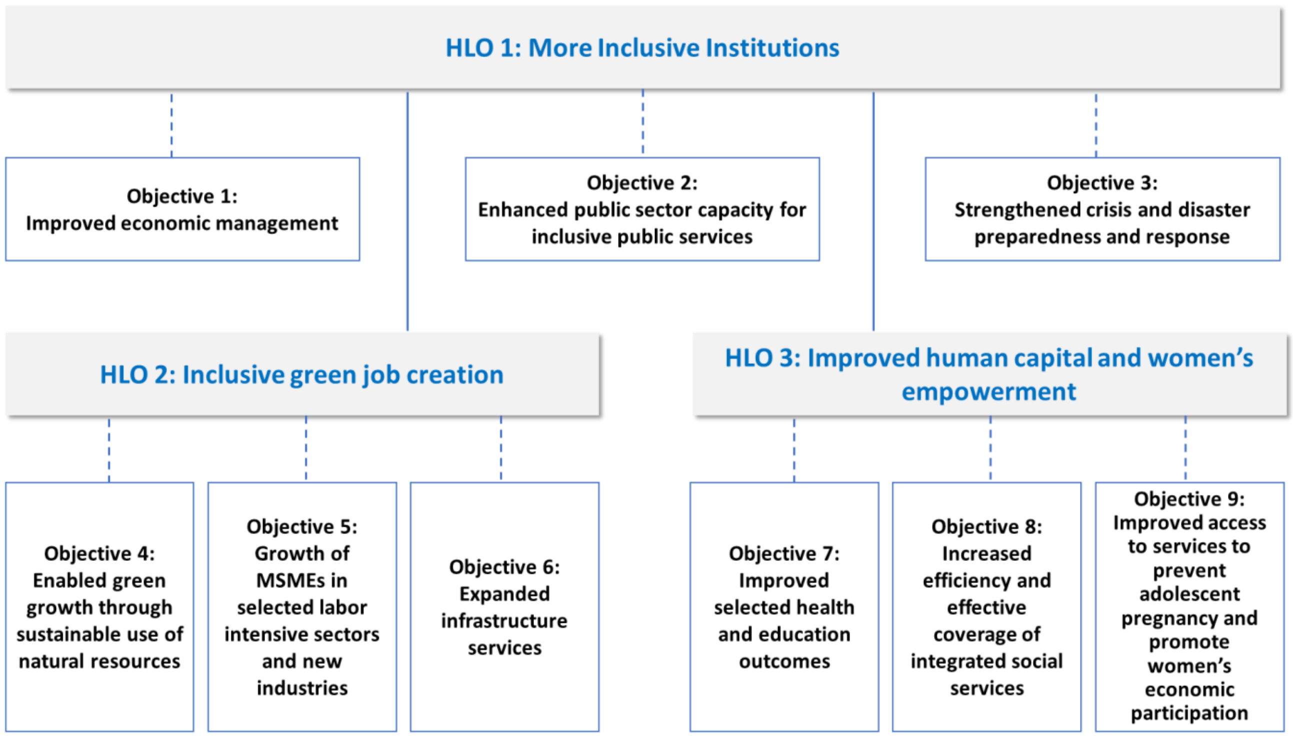
55. **First, early targeted preventive action and responses to crises are imperative.** Mozambique is highly vulnerable to compound risks, the impacts of which are amplified by institutional fragility that could hamper an effective response. It is therefore crucial to invest in early warning systems and capacities, as well as in rapid response capabilities to shocks ranging from the start of conflicts to natural hazards and pandemics. Not only is this approach cost-effective, but it is also critical to saving lives, preserving development gains, and protecting the most vulnerable.

56. **Second, the World Bank needs to use its convening power to leverage partnerships to support the Government in addressing complex challenges**. As part of the coordination and mobilization required for securing eligibility to the PRA, bilateral consultations were held with the development community as a way of building a common agreement around the root causes of fragility and conflict in Mozambique and of ensuring a shared understanding of and approach to the key FCV challenges across the country. The World Bank also partnered with Chatham House to carry out group-based consultations and support a dialogue between the Government, civil society, academics, private sector, non-governmental organizations (NGOs), and think tanks about the milestones the Government had committed to. This dialogue continued to support the process throughout the IDA19 cycle and will extend into IDA20, especially in relation to milestones where the World Bank has a close engagement with partners. This broad-based and inclusive approach to consultations during the process of securing eligibility helped to ensure a degree of alignment among traditional and non-traditional partners in support of the Government.

3.2.3 Overview of the CPF Program

57. **The FY23–FY27 CPF supports Mozambique in its gradual shift to greener, resilient, and inclusive development**. This GRID approach is particularly relevant for Mozambique given the severe impacts of conflict, climate change, and natural disasters, and the likely impacts of the economic volatility, health, and climate shocks on productivity, human capital, and economic mobility. The CPF will promote green growth by investing in solutions for key systems and sectors (agriculture, land use, transport, energy, cities) toward a low-carbon and sustainable economy. To promote sustainable and resilient growth, the WBG will support Mozambique in building resilience in its physical and economic infrastructure, fiscal framework, and human capital to better handle a variety of shocks—social, climatic, economic, or health-related. To pursue inclusive growth and address regional inequalities and imbalances, the CPF will support investments in human capital, inclusive job creation, social protection, and ensure a focus on women, youth, and marginalized groups (see Figure 4).

Figure 4 – The FY23-FY27 CPF Overall Architecture



Source: World Bank elaboration.

58. **While GRID remains a medium-term goal, the short-term objective of the CPF is to support Mozambique's existing growth potential and protect the most vulnerable against risks.** A primary goal is to help Mozambique to realize its projected average economic growth of 5 to 6 percent over the next three years by focusing on investments and reforms that could mitigate existing downside risks: macroeconomic instability, climate shocks, new COVID-19 waves, and a resurgence of conflict and violence. The CPF will also help the Government to unlock additional private investments and potential productivity gains that could accelerate economic growth and inclusion in the short term. In addition, the CPF will support targeted and fiscally responsible policies to protect the poorer segments of the population, especially in the context of the effects of the war on Ukraine, and addressing some of the grievances that underpin its fragility risks. A core short-term goal is to strengthen confidence among investors and the international community, building on the country's recent agreement with the IMF.

59. **In the medium term, the proposed CPF aims to help the country gradually shift toward more inclusive and greener growth.** While the country will continue to explore its comparative advantages in capital-intensive sectors in the coming years, it will need to accelerate its economic transformation if it is to create the better-paid jobs and achieve the massive poverty reduction the country needs. This will require deepening reforms in capital, labor and land markets; improving the business environment; and reforming the infrastructure sectors among other areas. Mozambique will also need to further improve its policies related to human capital accumulation with better outcomes for education, health, social protection, and women's empowerment. Finally, the country will also need to reform and invest in its core institutions, to make them more effective, inclusive, and transparent—avoiding the re-emergence of the "natural resource curse"—and to promote greater voice and accountability. While creating the conditions for the diversification of assets and thereby the economy, institutions will shape the opportunities and incentives to address the challenges of climate change.

60. **Building on the FY17-FY21 CPF, and in line with the context and prevailing challenges, the FY23–FY27 CPF aims to build on the prevention-based approach outlined as part Mozambique's process of securing**

eligibility to the PRA. Over a year after Mozambique secured eligibility to the PRA, the diagnostic that underpinned the PRA monitoring framework remains current and relevant. Although the dynamics of the conflict in the north continue to evolve, the underlying factors remain as salient as before and Mozambique continues to grapple with deep-rooted and structural fragility. The PRA Eligibility note outlined a spatially differentiated approach focusing on areas surrounding active conflict and in the "buffer zone". As well as maintaining this approach, the proposed CPF will also provide support to improve the targeting of beneficiaries to ensure that projects target the most vulnerable, for instance, through the deployment of the Poverty Tracking Index. All pipeline operations will also pass through a "peace and inclusion lens" at the concept and decision stages, which will serve as a criterion to ensure conflict sensitivity is embedded throughout the portfolio.

61. **The program's high-level outcomes and corresponding objectives are intended to help address and mitigate fragility and conflict risks in Mozambique.** As such, they seek to align with and reinforce the milestones that the Government has committed to as part of its PRA monitoring framework. These include the following milestones under the strategic goals: addressing regional imbalances in access to services and state presence; promoting the socioeconomic inclusion of women and youth; strengthening inclusive governance and civic engagement; and establishing inclusive practices regarding the management of natural resources and extractives. The only strategic goal that is not directly reflected in the CPF architecture is promoting peace and security. The WBG will continue to support the commitments that fall under this strategic goal through its partnerships and dialogue.

62. **The CPF envisages an enhanced role for IFC and MIGA.** Building on findings of the joint WB-IFC CPSD for Mozambique, IFC will support the recovery of a fragile private sector, leveraging the sectors with existing capabilities to help the country pave the way for a more diversified, resilient, and inclusive economy, while remaining sensitive to climate impact and fragility risks and harnessing the opportunities of the green and blue economy. As such, IFC will focus on selected sectors aimed at supporting and contributing to Mozambique's inclusive growth agenda through (i) unlocking the potential of commercial agriculture; (ii) promoting renewable energy sources; and (iii) strengthening the construction sector and improving access to affordable housing. MIGA will continue to deliver on its portfolio in the energy and financial sectors, while expanding to other sectors such as agribusiness, digital and renewable energy.

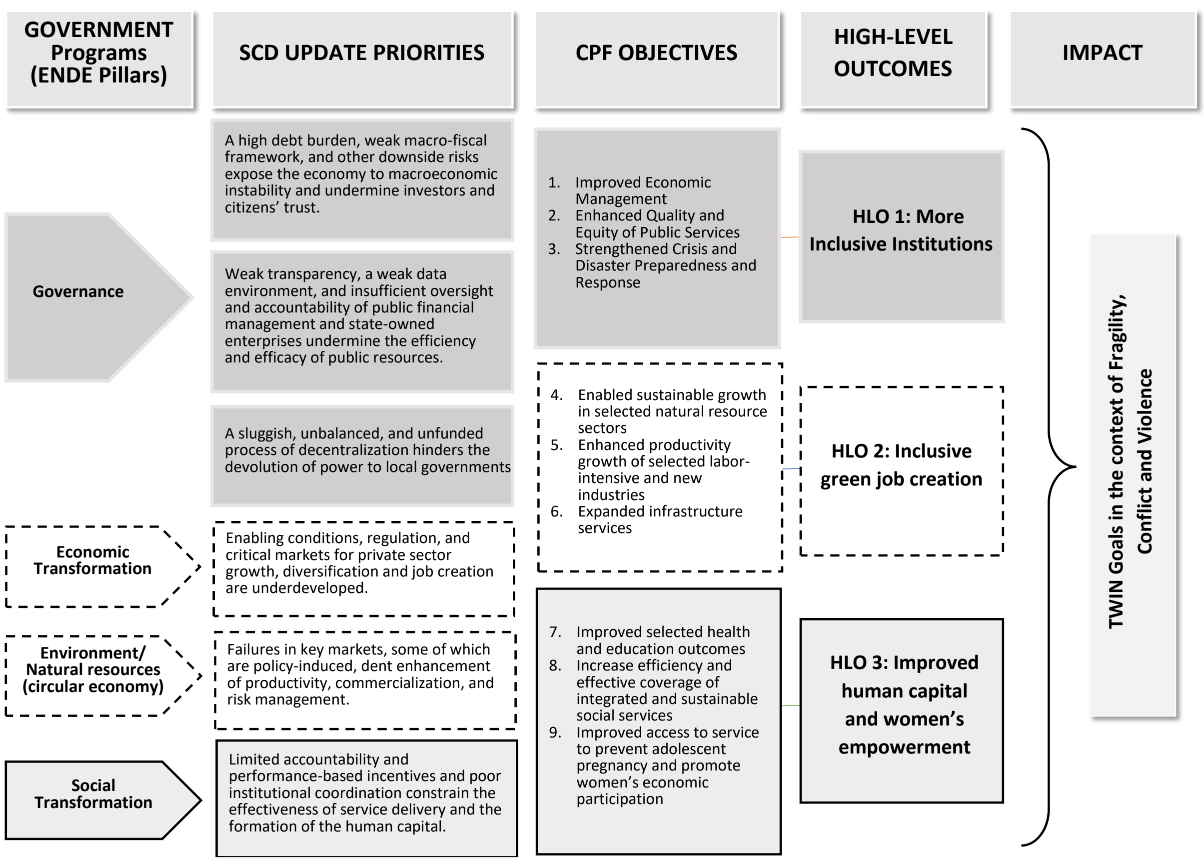
63. **The CPF Results Framework maps how the HLOs and CPF objectives selected for the FY23–FY27 CPF were derived from the SCD and are rooted in government's priorities (Figure 5).** All of the selected CPF objectives fall within the areas identified in the 2021 SCD Update and the Government PQG Program. The nine chosen objectives reflect continuity in the country priorities as they have evolved over several previous CPF cycles: five objectives have been modified and carried over from the last CPF toward the achievement of the HLOs in this one.

64. **The IDA20 special themes have been used as a focused framework for applying WBG's comparative advantage in designing a CPF program and result chains which responds to Mozambique's goals.** The CPF is fully aligned with all five IDA20 special themes and supports selected cross-cutting issues. The formulation of the HLOs and the CPF strategic objectives speak directly to WBG corporate priorities. The three HLOs—inclusive institutions, inclusive green job creation, and human capital and women's empowerment—each translate an IDA20 theme or issue (governance, jobs and economic transformation, human capital, and gender) into a program of interventions and policy goals.

- Climate resilience is addressed both as a separate objective aiming to assist Mozambique's national priority to reduce climate risks and as a cross-sectoral issue. Through Mozambique's CCDR, the CPF will inform five main priorities for public investments to address climate change (see Box 7). WBG support for the adoption of resilient housing and public infrastructure (including education, health, and public buildings), will help the country reduce the damages and losses caused by disasters and the length of disruption to basic services while facilitating the rapid recovery of affected sectors.[54]

- Providing new investments through the Digital Acceleration Program will contribute to narrowing key digital technology divides and accelerate transformation through increased digital adoption, creating new jobs. As well as improving digital inclusion, this will help meet other development objectives, such as revenue mobilization, transparency and good governance, public service delivery, and social protection.
- The CPF will place more emphasis on debt sustainability, by assisting the Government with the development of a sound fiscal framework, improved debt management and transparency, and the management of public investments.
- The governance agenda is addressed under HLO1 but also cross-sectorally. Under Objectives 1 and 2 of HLO1, this CPF will seek to strengthen core PFM functions at central and provincial levels for increased state effectiveness, support governance reforms for improved service delivery, and enhance transparency and demand-side governance. Cross-sectorally, this CPF will reinforce (i) the use of a governance considerations when preparing projects; (ii) the adoption of sector-specific governance-oriented reforms; and (iii) encourage citizens' engagement through implementation.

Figure 5 – Results Framework



Source: World Bank elaboration.

3.3 CPF High-Level Outcomes and Objectives

65. **This section describes the rationale behind the outcomes and objectives, and outlines the role of the World Bank (and IFC and MIGA where appropriate) in supporting them**. It details some of the key WBG

[54] In addition, support for climate-smart agriculture will help reduce the adverse impact of agriculture on natural forests and ecosystems. The CPF program will use investments and advisory work to support the retrofitting and expansion of fixed infrastructure and housing stock according to resilient standards. WBG IDA support for the LNG sector will be aligned with the Paris Agreement.

workstreams that will contribute toward these goals, both ongoing and in the pipeline. The goals set are oriented by and aim to help the country to reach specific SDGs. For a description of the indicators to be used to measure progress, as well as a full list of relevant World Bank-supported project related to each objective and associated SDGs, please refer to Annex 1.

High-Level Outcome One – More inclusive institutions

66. **To reduce poverty and inequality while mitigating the risks of conflict and violence, Mozambique needs to make its core development institutions more inclusive**.[55] Stable and efficient institutions are a strong predictor of growth. Equitable institutions—from government policies to access to justice and broad political participation—deliver inclusiveness. This CPF will build on the previous work of the Government, with the support of the WBG and other development partners, to strengthen governance and advance the decentralization process. In the FY17-FY21 CPF, the transparency and governance objectives were incorporated into one of the objectives (economic management) at the Performance and Learning Review stage. By treating inclusive institutions as a separate HLO, the aspiration is to reinforce citizens' agency and strengthen the social contract between the state and citizens, especially among those who are more vulnerable and disenfranchised.

67. This HLO has three objectives: (i) improved economic management; (ii) enhanced public sector capacity for inclusive public services; and (iii) strengthened crisis and disaster preparedness and response.

Objective 1: Improved economic management

68. **Sound economic management will help attract investments and open up fiscal space for much-needed investments in human capital and infrastructure**. The current macroeconomic framework, while stable, is not conducive to private sector growth, job creation, and poverty reduction.[56] With the support of development partners, the Government has taken significant steps to improve its macroeconomic governance in past years. More recently, it initiated reforms to increase fiscal space and improve spending efficiency through the ongoing wage bill,[57] as well as pension and tax reforms.[58] Donors have actively boosted these reforms through technical assistance.[59]

69. **Under this objective, the WBG will help the Government to improve its economic management to increase its spending capacity, and promote sustainable, resilient job creation.[60]** Building on the FY17-FY21

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[55] This outcome will be measured by two indicators: (i) fiscal incidence results; and (ii) the open budget index. The open budget index captures three dimensions of national budgets: transparency, oversight, and participation. Given the importance of national budgets in determining how resources are distributed across society, this indicator will capture important elements of institutional inclusiveness.

[56] The high debt-to-GDP ratio, a commitment of more than 80 percent of total fiscal revenues to public wages and debt services, and the over-reliance on expected natural gas revenues lead to a high sovereign risk and no fiscal space for investments in human capital and infrastructure. Public capital expenditure fell from 16 percent of GDP in 2014 to 7 percent in 2020—of which only 4 percent is actually capital spending. Improving debt management and fiscal capacity are essential to reduce the country's sovereign risk, reduce interest rates, and support sustainable and resilient job creation. Efficient spending on infrastructure and human capital will increase productivity and employment creation.

[57] In October 2022, the parliament passed a new law (Law n.º 5/2022) that seeks to reduce the public wage bill by eliminating *ad hoc* salary increases and controlling supplementary compensation. The reform unifies and simplifies the career compensation structure, revises the wage increase formula, and freezes wage supplements in nominal terms. These measures will be complemented by an attrition rule—replacing only one in three public employees who leave except in the education, health, and agriculture sectors.

[58] The Government adopted new regulations on debt, guarantees issuance, fiscal risk, and public investment management, as well as a legal framework for SOEs. A new diagnostic report on transparency, governance, and corruption was prepared in 2019 with support from the IMF. A sovereign wealth fund is in the process of being established.

[59] The FCDO finances most of the TA on strengthening macro-fiscal management and is financing a tax reform program to help the Mozambican Government increase own revenues efficiently and equitably. Details on the FCDO project are available from: https://www.cowater.com/en/project/taxing-efficiently-for-developing-inclusively-support-to-tax-reform-in-mozambique/. The European Union provided direct budget support to co-finance the public investment reform. There is a coordination platform of development partners which undertakes regular analytical work on budget execution.

[60] Following the adoption of a new public investment management regulatory framework that is expected to help improve the selection of public investment projects, the WBG will continue to support reforms to strengthen public project planning and selection, including the adoption of a climate-smart framework to enhance infrastructure resilience. Under the TA provided by the WBG through the Strengthening Economic Management for Inclusive Growth Project (176664) the Ministry of Economy and Finance is expected to approve a ministerial resolution adopting a climate-smart public investment management framework.

CPF, this CPF will place more emphasis on (i) debt dynamics and sustainability; (ii) the development of a sound fiscal framework; and (iii) the management of public investments, including the capacity of sector ministries to design and evaluate projects, thus increasing social returns, while mainstreaming green growth and climate resilience considerations into public investment plans. New areas of structural reforms, for which WBG assistance is expected, are SOEs and pensions. The CPF will continue to support the development of transparency and accountability measures, especially in relation to the PPAs under the IDA SDFP. The program will continue to support the development of the sovereign wealth fund to manage the impact of future inflows of natural gas revenues. Financial sector stability and transparency, supported by the FY17-FY21 CPF, will continue to be supported under this objective.

70. **The WBG will use a mix of instruments to help the Government improve its economic management, from budget support and project lending to TA and policy dialogue.** As the CLR recommended, budget support operations, which were suspended due to the hidden debt crisis, will need to resume to achieve this objective. The CPF envisages a series of DPOs, starting with the Institutions and Economic Transformation DPO (P176762) in FY23, followed by DPO II and III in FY24 and FY25. The work builds on the IMF program approved in May of 2022.

71. **Other lending, analytical and sector analysis, TA, and enhanced policy dialogue will complement the budget support.** The 2022 Mozambique Public Expenditure Review (PER), covering education and SOEs, will serve as the analytical basis for future fiscal consolidation work. The emphasis will be on the provision of essential ASAs on demand, as the policy dialogue on structural reforms evolves and other economic management needs emerge—as illustrated by the pensions reform TA and a policy note on the response to the impact of the war on Ukraine. TA will also be enhanced by the Managing Public Resources for Service Delivery Project (*Projecto de Gestão de Recursos Públicos para Prestação de Serviços*; GEPRES; P173178), aiming to contribute to strengthening public finance management, revenue administration, and the management of SOEs. Building on the National Risk Assessment and Parliament's approval of the new Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) law in May 2022 and other measures, this CPF will continue to support government initiatives to boost financial integrity and stability through the Financial Inclusion and Stability Project (P166107).

72. **A SADC Regional Statistical Capacity project will further contribute to the production and dissemination of data and thus more cost-effective public policies.** It will also contribute to the harmonization of data and methodologies across the region. The World Bank supported the National Statistical Office *Instituto Nacional de Estatística* (INE) through the National Statistics and Data for Development Project (P162621) over the last CPF cycle. This support has allowed INE to produce a National Statistical Strategy, conduct a population and housing census, and implement several household surveys. The project has allowed INE to substantially improve its technical capabilities and produce high-quality data, which have in turn been increasingly available for evidence-based policy formulation. Building on these achievements, the new SADC project is planned for FY24.

Objective 2: Enhanced public sector capacity for inclusive public services

73. **The Government's capacity to deliver policies and services that are cost-effective, participatory, and inclusive is a precondition for robust progress on the WBG twin goals, as well as mitigating fragility and conflict risks.** As described above, the Government has undertaken vital efforts to strengthen the social contract, including renewed efforts to fight corruption and enhance transparency. Development partners have been very active in this area since the hidden debt crisis. This CPF will enhance government initiatives and complement development partners' efforts by closely following the lessons of the CLR and the priorities identified by the SCD. In this context, it will focus on three intermediate objectives: (i) strengthened civil service skills and PFM; (ii) continued decentralization through an adjusted approach; and (iii) increased performance transparency, external oversight, and enhancing citizens' voice for better public sector accountability.

74. **The CPF envisages a three-phase approach to increasing government effectiveness, combining a variety of World Bank instruments.** The first stage, an ASA (FY23–FY24), consists a of functional review and a civil service capacity assessment to better understand to what extent existing skills meet the requirements of efficient and equitable delivery in an affordable and fiscally sustainable manner.[61] This will be followed by the Mozambique Integrated Institutional Capacity Building IPF (FY23–FY28) dedicated to (i) public sector reorganization and modernization; and (ii) enhancing civil service capacity.[62] Finally, selected changes from the first two phases will be mainstreamed across the administration. This approach complements the Government's plan to resume fiscal consolidation on the spending side, the ongoing IMF program supporting wage bill reforms, and the proposed World Bank's DPO program series.

75. **The approach to the decentralization process, which has been associated with improved quality service delivery, will change**. Based on lessons learned from the FY17-FY21 CPF and the development of the decentralization process (Box 6), the proposal is to adopt a more targeted and sector-specific approach though (i) capacity building, including for provinces and municipalities; and (ii) effective transfers of functions and resources in the health and education sector. Finally, a short-term priority is to support the Government in the development and implementation of a formula for the transfer of resources and functions to provinces. The necessary TA in this regard will be provided by the GEPRES (P173178) and the Mozambique Urban Development and Decentralization Project (PDUM; P163989).

Box 6 – Progress with Decentralization
Decentralization efforts emerged at the cusp of Mozambique's democratic opening in the 1990s. The first municipalities (decentralized entities) with elected local authorities were created in 1997 and they co-existed alongside local districts (deconcentrated entities), whose administrators were appointed. Since 1997, 33 cities and villages have been considered municipalities. Provincial governors have been elected since 2019 and district administrators will be elected from 2024. The 2019 constitutional review introduced deeper reforms and was accompanied by the creation of non-elected "secretaries of state" at the provincial level, subordinated to the central government. Since the 2019 decentralization package, concerns have been raised about the lack of clarity in the distribution of competencies between the provincial governor and the secretary of state. Further decentralization would contribute to addressing regional imbalances.
Source: World Bank elaboration.

76. **The CPF will support enhanced and transparent external oversight and citizen engagement by leveraging the provision of technology in public services.** Through GEPRES (P173178), this CPF will provide TA toward the creation of an independent supreme audit institution. The World Bank will continue to provide TA for the development and implementation of an e-government procurement strategy including through GEPRES (P173178), and the use of digital technologies to improve service delivery supported by the Digital Governance and Economy Project (P172350). The Digital Governance and Economy Project (P172350)will also address one of the foundational challenges of the country's governance by providing digital identification to almost 50 percent of the population without civil registration. To further address disenfranchisement, the GEPRES (P173178) will support the creation of Citizens' Assemblies across different policy areas (e.g., budget allocation, sharing of gas revenues) as a modern, participatory method for peaceful contestation and dialogue. These last elements are expected to enhance the demand for good governance.

77. **This objective aligns with FY23 government commitments as part of the PRA that seek to support, reinforce, and further the decentralization process, and create greater voice and civic engagement.** The FY22 milestone for the adoption, implementation, and measurement of formula-based fiscal transfers to provincial governments is being rolled over into FY23 to ensure it is fully completed. It will now be accompanied by the

[61] The functional assessment of safeguards issues will be led by environmental and social teams. The functional review will focus on one core government function (public financial management), one strategic sector for human development (e.g., education), and the cross-cutting dimension of social and environmental safeguards. This covers the entire PFM cycle, including procurement capacity.

[62] This project is also important because it helps the Government build capacity to eventually limit the use of project implementation units and strengthen skills development to match critical shortages in areas such as safeguards, procurement, and financial management, including partnering with the private sector to ensure alignment on the demand side.

target of implementing transfers to provincial government according to approved 2022 Budget Law that assigns transfers based on the provisional formula. Further milestones linked to this objective include the identification of ten new municipalities for inclusion in upcoming municipal elections; agreement between the Ministry of Education and the Ministry of Health (MISAU) to transfer resources (human, financial, and assets) to five pilot municipal governments to manage primary education and basic health services; and a target to issue 60 percent of the population with biometric identification by end-June 2023. This objective also supports the FY23 PRA milestone for promoting and supporting greater oversight, accountability, and transparency through reforms to the judiciary. This is through the preparation of a roadmap for the establishment of a supreme audit institution, separated from the Administrative Tribunal, in line with international good practice and standards.

Objective 3: Strengthened crisis and disaster preparedness and response

78. **Mozambique's high exposure and vulnerability to multidimensional shocks requires a sustained effort to strengthen its response, prevention, and resilience**. During the past CPF, the Government and the WBG made good progress in addressing climate and health shocks. In particular, the country has built strong foundations for resilience in the public infrastructure sector.[63] The Government has also implemented an ambitious set of DRM measures with an emphasis on new building codes and standards for resilient construction, and infrastructure maintenance of classified road networks and bridges.[64] The country has also built up its readiness to respond to emergencies by putting in place procedures for CERC activation to protect its citizens against shocks. Based on strong coordination between government policies, the WBG's support for resilient recovery from shocks has been one of the objectives with the strongest implementation of the past program. In this CPF, WBG support to the Government will be built on that experience, including the high levels of coordination within the WBG and across the donor community. With an overall focus on building resilience, the CPF will (i) continue strengthening the country's timely response, capacity, and gradual adaptation to climate shocks; and (ii) support its pandemic preparedness.

79. **To mitigate the socioeconomic impacts of climate change, the WBG will focus on improving the efficiency and timeliness of responses, while continuing to invest in resilience building.**[65] Under the CPF FY17–FY21, the World Bank supported the creation, capitalization, and operationalization of the Disaster Management Fund (*Fundo de Gestão de Calamidades;* FGC), among other initiatives.[66] Under the new CPF, overall support to DRM will be anchored under the DRM and Resilience Program-for-Results (PforR; P166437) and the Cyclone Idai and Kenneth Emergency Recovery and Resilience Project (P171040). This operation, which closes at the end of FY24, and other operations in the portfolio will continue to build communities' disaster preparedness capacity and the early warning capabilities of the DRM system. Overall support for integrated landscape management will be built around the Northern Mozambique Rural Resilience Building Project (P174635), the Mozambique Conservation Areas for Biodiversity and Development Project – Phase 2 (MozBio; P166802), and the Sustainable Rural Economy Multiphase Programmatic Approach (MPA) (P174002). These activities will be further supported by the Regional Resilience Project that will cover many equally vulnerable

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[63] Successful results include flood-proofed roads, urban stormwater drainage, irrigation, water supply systems, and water management infrastructure; cyclone resilient schools; and drought-resilient desalination plants.

[64] The measures also include mandatory resilience screening of public construction design; technical norms for resilient construction of educational buildings; and the approval of a national disaster risk financing strategy to guide risk retention and risk transfer tools for government, society, and the private sector. Further, the country has strengthened the legal framework for DRM with the approval of a new Disaster Management and Risk Reduction Law setting clear mandates for disaster recovery and reconstruction and coordination of DRM at all levels.

[65] According to the CCDR (forthcoming), the economic costs of extreme events averaged 5 percent of GDP but reached up to 11 percent in the case of the 2019 cyclones. More efficient responses to climate shock will substantively decrease the cost. With no adaptation policies, Mozambique's foregone growth would reach 15 percent by 2050 under a scenario of historical growth and disaster risk patterns. Cutting response times by 40 percent could cut GDP losses by 7 percentage points compared to the baseline scenario.

[66] In October 2017, the Government of Mozambique created the Disaster Management Fund to provide immediate liquidity after a disaster and avoid delays in the emergency response. The FGC is a dedicated account managed by INGD and is receiving an annual budget allocation of at least 0.1 percent of the State budget. The establishment of the FGC also responded to a call for greater accountability and transparency of disaster response expenditure.

countries in southern and eastern Africa. The program focuses on improving water resources, addressing floods and droughts, and the restoration of degraded habitats (land, forests, mangroves), while also supporting early warning systems, disaster preparedness and response, community-based DRM, disaster risk financing, and resilient infrastructure. The program includes aspects of social protection to ensure that people become part of the solution and are not simply survivors of climate shocks. In turn, adaptation to climate change will benefit from a broad list of priorities for public investments and institutional reforms identified by the Mozambique's FY23 CCDR (Box 7).

Box 7 – Mozambique's Country Climate and Development Report

Building Resilience, Fostering a Just Transition, and Seizing the Opportunities of Global Decarbonization

The Mozambique CCDR captures the interplay between the country's (i) development challenges and (ii) climate change, with the objective of identifying synergies and tradeoffs.

- Mozambique's core challenge is to generate and sustain rapid and inclusive growth for massive poverty reduction and shared prosperity, in a context of a significant savings gap and weak institutions. Another core development challenge for Mozambique is to address the causes of fragility, conflict, and violence.
- Mozambique is one of the world's most vulnerable countries to climate shocks, with profound impacts on development—as such, the cost of inaction is extremely high. Mozambique's contribution to climate change is negligible, but global decarbonization will exert pressure on the country's current growth path, given its growth and export performance dependency on carbon-intensive sectors (natural gas, coal, and aluminum).

Main messages. The CCDR provided five main messages. First, Mozambique's development success depends on the adoption of effective adaptation policies from efficient responses to prevention and resilience building. Second, given its economic dependence on carbon intensive sectors, there is a need to prepare a "just transition" towards green and diversified growth, also building on the country's wealth of renewable natural resources (forestry, fisheries, biodiversity). Third, the country's least-costs approach to expanding energy access, a considerable development challenge, can be strengthened by opportunities for renewable energy and off-grid options. Fourth, advancing the development of sustainable, and climate smart agriculture will contribute to poverty reduction, improved resilience, and economic diversification. Fifth, the private sector will need to adapt to environmental regulations in export markets, but there will also need to be policies to address the resilience of the informal sector, .

Main recommendations. Mozambique needs to fully mainstream climate change into its national development strategy. This means building a more resilient society while enabling the economy to adjust to the challenges and opportunities of global decarbonization. The CCDR develops these recommendations in more detail.

- The volume of investments required to build resilience are estimated to be large, but the costs of inaction are likely to be larger. Government resources from the natural gas sector, will be broadly commensurate with investment needs, but will only be available by the mid-2030s. Until then, investments in resilience will probably focus on the most immediate needs.
- Better institutions can reduce the costs of investments in resilience and enable the productive and inclusive use of natural gas revenues. Climate sensitive public investment management, robust fiscal and sovereign wealth fund frameworks, efficiency enhancing sector polices, and better management of the country's natural capital are some of the policies that would help make building resilience more affordable while creating the foundations for economic diversification.
- Given the country is under severe fiscal constraints, financing investment in resilience and economic diversification will require mobilizing private capital. Mozambique's vast amount of natural capital provide potential opportunities for green financing, and private investments in the renewable energy sector that could be further explored.

Source: World Bank. Country Climate and Development Report (forthcoming).

80. **Further, under the proposed CPF, the World Bank will continue to ensure that CERCs are included in most IPF operations.** During the past CPF period, the CERCs were activated five times, for a combined amount of close to US$200 million, to provide financial resources within days of a natural disaster or other emergency event. With technical assistance from the World Bank, and as part of the implementation of the national disaster risk financing strategy, the country has decided to use the FGC to contract sovereign insurance against cyclones and floods, starting in the cyclone and rainy season of 2022–23. This decision will build a risk protection layer into the FGC and further boost the country's financial capacity to promptly mobilize resources to respond to and recover from large emergencies.

81. **This CPF will continue to support pandemic preparedness through the COVID-19 Strategic Preparedness and Response Project (P175884) and through participation in a new regional pandemic preparedness project.**[67] The Government implemented a comprehensive program of activities in response to COVID-19, which has strengthened its capacity to respond to future pandemics. Social distancing norms were established,

[67] World Bank. 2021. Mozambique Human Development Sector Note.

including containment measures, such as closing schools when needed, limiting passengers on public transport, and requiring face masks in public places. Treatment facilities and access to water have been improved, and a public communication campaign has been launched to provide advice and regular updates. The COVID-19 DPO (P174152) helped to finance the government response. The Strategic Preparedness project has been supporting the purchase and distribution of COVID-19 vaccines, ensuring vaccine access, the development of cold-storage chains and diagnostic capacity, and improvements in logistics and vaccine distribution and vaccination capabilities. This project will dovetail with a new regional Pandemic Preparedness project under preparation in the outer years.

High-Level Outcome Two – Inclusive green job creation[68]

82. **Transitioning to more inclusive and greener growth requires a gradual diversification of the economy toward sectors that are more labor intensive and less carbon intensive.** Fortunately, many of the opportunities opened up by the green economy are also labor intensive. In parallel, this process of economic diversification and economic transformation will further accelerate urbanization, contributing to poverty reduction, human capital development (to be supported by HLO3), and resilience. Given the country's characteristics, particular attention will be paid to the informal sector. While HLO1 enables the development of institutions that will promote good use of LNG resources, this HLO aims to support reforms and investments that will directly promote greener and labor-intensive sectors, as well as in infrastructure—a core enabler. This HLO corresponds to the objectives of the ENDE (economic transformation, infrastructure development, environment, and the circular economy). It builds on the efforts of the FY17-FY21 CPF, while accounting for infrastructure investment that combines rural development needs with strategic development goals including the Sustainable Development Goals, enhancing private-sector competitiveness, and a revised approach to agricultural development. Both adjustments balance rural and non-rural infrastructure needs and strengthen commercially oriented agriculture, reflecting lessons from the previous CPF.

83. This HLO has three objectives: (i) enabled green growth through sustainable use of natural resources; (ii) growth of micro, small, and medium enterprises (MSMEs) in selected labor-intensive sectors and new industries; and (ii) expanded infrastructure services.

Objective 4: Enabled green growth through sustainable use of natural resources

84. **Mozambique's large endowments of renewable natural resources will help it to transition to a lower-carbon trajectory and build resilience.**[69] Mozambique has the potential to generate and export renewable energy, particularly hydro and secondarily solar power, given the natural resources aviable. Gas-to-power development could displace some of the coal power generation in neighboring countries. Other renewable natural resources include 36 million hectares of arable land, of which less than 15 percent is used, and outstanding terrestrial, marine, and coastal species biodiversity, making Mozambique a unique tourist destination.

85. **The CPF will continue promoting green and blue growth economic opportunities arising from the sustainable use of the country's tremendous natural capital.** These include conservation friendly, export-oriented agriculture products (shade coffee, honey, etc.); Mozambique's enormous eco- and wildlife tourism

[68] Inclusive job creation is defined as the creation of jobs for non-skilled subsistence agricultural workers to migrate them to higher productivity activities.
[69] Mozambique's renewable resources are key to building terrestrial and coastal resilience against climate shocks, providing global public goods, protecting biodiversity and climate stabilization and ecosystem services, such as water quality and quantity and electricity generation, as well as foster inclusive green and blue growth. Mozambique's 32 million hectares of forest, which are threatened by deforestation, are a major carbon sink and source of rural livelihoods. In some areas, such as the Gorongosa district, Miombo woodlands contribute 19 percent of households' cash income and 40 percent of households' subsistence (non-cash) income.

potential;[70] and its potential for sustainable aquaculture, mangrove restoration, and mariculture.[71] To transform these comparative advantages into sustainable and inclusive business opportunities and jobs will require institutional reforms and strategic investments. To complement the ongoing government initiatives in those sectors, and following IFC and MIGA priority investments, this CPF will focus on three main sectors: (i) increasing climate-smart agricultural productivity; (ii) unlocking private investments in the green sector (forestry, fisheries and aquaculture, as well as tourism); and (iii) renewable energy.

86. **In the agricultural sector, a combination of financing, TA and policy dialogue will be employed to strengthen agriculture modernization** (see Box 8). Support for agricultural modernization will take a two-pronged approach. First, building on the promising results in target areas, this CPF will continue the approach of SUSTENTA, focused on integrated land management that considers the blue, forest, and tourist sectors together in concert with the natural resource base and ecosystem services to sustain agricultural production. This approach improves TA, extension services, and access to markets for farmers with an emphasis on value chains for nutritious foods and the inclusion of women and youth. This will be leveraged by other projects, described in Objective 5, which will support the development of the above-mentioned value chains. Second, the CPF will strengthen dialogue with the Government toward developing an agricultural strategy that, while addressing food security issues, also maximizes the economic potential of the agricultural sector in generating income, encouraging economic transformation, and creating better jobs. State ownership, the inability to use land as a collateral, and the highly imperfect mechanisms for land transfer are part of the ongoing discussions about the revision of the 1997 land legislation. The adoption of a landscape approach to promote climate-smart, sustainable agriculture and nutrition-smart agricultural technologies and practices will also be included in the program.

87. **During the CPF, the World Bank's support for agriculture will be anchored to the 10-year Sustainable Rural Economy Program MPA.** The Mozambique Land Administration Project, *Terra Segura* (P164551), will continue to support the regularization of land and a strategy for rural finance, a precondition for efficient land use.[72] A third area relates to better targeting support for subsistence farmers who may not have the capacity to transition to commercial farmers, an issue identified by the Rural Income Diagnostic.[73] Following a government request, a multiyear ASA covering the topics of agricultural productivity, economic transformation, and poverty reduction is envisaged to provide the analytical basis for the development of proper policies. This approach will be complemented by a regional food security program.

88. **A robust pipeline of projects and new interventions integrated to upcoming projects will strengthen opportunities for the fisheries, forestry, and tourism sectors.** Mozambique's Blue Economy Strategy is under development, and the country recently presented the newly approved National Marine Spatial Plan at its second Growing Blue Conference. While Mozambique is expected to attract future investments and build more regional partnerships for a sustainable ocean economy, governance mechanisms must be in place to mainstream blue economy issues and create a whole-of-government approach. These mechanisms take into consideration the importance of sustainable harvesting in open access fisheries and the need for environmental and coastal management to ensure the long-term viability of this sector. Progress on these reforms could signal a good opportunity to scale up the WBG's support for the blue economy agenda. The current portfolio will continue to support increasing market production of forest products and reducing deforestation though the Mozambique Agriculture and Natural Resources Landscape Management Project (P149620) and the Northern Mozambique Rural Resilience Project (P174365). Ecotourism is addressed via Phase 2 of MozBio (P166802). In addition,

[70] The tourism sector currently accounts for 3.4 percent of GDP. However, Mozambique has the potential to be one of the 10 fastest-growing destinations by capitalizing on its nature-based sectors.
[71] For example, seaweed cultivation is a largely untapped opportunity in Mozambique, but it is estimated it could be worth US$16.7 billion in 2021, rising to US$30.2 billion by 2030. It is also an economic activity promoting gender equality as most seaweed cultivation is usually carried out by women.
[72] The objective of increasing market production of agriculture is also currently supported via the Mozambique Agriculture and Natural Resources Landscape Management Project (P149620 and the Smallholder Irrigated Agriculture and Market Access Project IRRIGA 1 (P164431).
[73] 2020. *Mozambique Rural Income Diagnostic*. Washington, DC: World Bank.

continued support could be provided through fostering blue and green solutions in a ridge-to-reef approach for improved ecosystem and coastal resilience and productive rural economies, leveraging IDA funding through additional new World Bank climate finance facilities, the Climate Investment Fund (CIF) and the Climate Emission Reduction Facility (CERF).

Box 8 – The Evolution of WBG Support to Agriculture
Over the period FY08–F16, the World Bank's agriculture program had a relatively narrow focus on adopting better agricultural technology and improving productivity, but this did not achieve net productivity gains, as evaluated by the Independent Evaluation Group. Under the FY17-FY21 CPF, the WBG started broadening its support for improved agricultural productivity through market access, natural resource management, land administration, and feeder roads. This integrated approach, known as SUSTENTA, has shown some promising results in the target areas and is being scaled up under the newly approved Sustainable Rural Economy Program MPA. Through a combination of IPF and PforR, the Sustainable Rural Economy Program aims to increase rural economy resilience by (i) promoting the productivity and intensification of agriculture through climate-resilient and sustainable practices that reduce the adverse impact of agriculture on natural forests and ecosystems; (ii) enhancing ecosystem services (soil, water, and forests) that rural production depends on; and (iii) diversifying the rural economy to new sustainable productive activities (forestry, fisheries, and nature-based tourism) that will reduce dependence and associated land use change from agriculture in rural areas of Mozambique. The need for complementary relevant investment and more private sector linkages continues to be critical to the agriculture program of the CPF. Investment is needed in rural power, rural domestic water supply and irrigation systems for agriculture, storage and processing facilities, agricultural research and extension, rural finance, broadband internet, and adult education and vocational training in rural areas. It will also be important to focus on institutions, with support for research/extension, weather and market dissemination, micro-credit, value chain efficiency, and adult/youth vocational training. The program needs to be accompanied by a set of policy reforms to shift agriculture support from private towards public goods and services and move towards a more competitive policy support environment. Under this CPF, the WBG will support the agricultural sector by encouraging: (i) a better fit of government interventions (instrument, target group and policy goal) to the three different type of farmers—subsistence, aspirational, and commercial; and (ii) mobilizing resources to support the Government's approach of enabling the deployment of unused arable land; making subsidies more market friendly; and encouraging agricultural research and extension services to accelerate the development of a sustainable and climate-smart, export-oriented, commercial agriculture in an integrated landscape management approach. Nudging structural transformation by encouraging subsistence farmers to seek better jobs in higher productivity activities will complement the current WBG support to small-holder agriculture and increased food security.
Source: World Bank elaboration.

89. **This objective aligns with FY23 Government commitments as part of the PRA that seek to support natural resources as a source of livelihoods and ensure the sustainable and transparent management and governance of the country's rich resource base.** These include a commitment to have 40 percent of Conservation Areas (CAs) under co-management between public/private entities and communities, and a commitment to create 50 mining cooperatives to support positive economic, environmental, and social impacts for artisanal miners.

90. **The role of IFC in mobilizing private investments in some of these sectors will be strengthened.** To support this objective, IFC will focus its support on further unlocking the potential of commercial climate-smart agriculture, through both its investment and its advisory services engagement. This includes expanding the IFC's ongoing activities in the commercial agriculture sector, financing agricultural inputs and production, and the use of innovative risk-mitigation instruments such as weather-based index insurance for smallholder farmers. Sub-sectors where IFC will focus its support during this CPF cycle include sustainably produced fresh fruits, fisheries, forestry, poultry, and grains (including milling). To complement this effort, IFC is also engaging its upstream unit to support productive alliances with MSMEs; the development of cold chain infrastructure, logistics, and irrigation; mechanization and storage investments; and supporting the development of agricultural production corridors.

Objective 5: Growth of MSMEs in selected labor-intensive sectors and new industries

91. **Creating inclusive jobs means encouraging faster growth in the activities that are more likely to hire lower-skilled labor**. Combined with improvements in agricultural productivity (see Objective 4), this objective will enable workers to move out of subsistence agriculture to better paid jobs, increasing aggregate productivity

and bringing more inclusive growth. The proposed CPF adopts a more targeted (sectoral and territorial) approach to the support for the business environment and jobs provided by the FY17–FY21 CPF. It will also pay greater attention to the informal sector and seek to leverage the benefits of digital technology, including in raising labor productivity in service sectors. Improving access to markets, finance, labor skills, and business support services will continue to be the core areas of support. Collaboration with IFC and MIGA will be further strengthened. The WBG will support business environment reforms and strategic investments that contribute to (i) accelerating the growth of MSMEs,[74] including through youth access to technical training in selected sectors; and (ii) developing the digital economy.[75]

92. **Accelerating the growth of MSMEs requires continued emphasis on access to markets, finance, labor skills, and firms' capabilities, especially in the informal sector**. Five projects will contribute to this objective: four projects in implementation (three recently approved), and a fifth in preparation for FY23. First, the Economic Linkages for Diversification Project (P171664) is helping to improve the performance of MSMEs and foster green competitiveness. Interventions are creating linkages to large projects, as well as small-scale, informal, women-led, and climate-focused enterprises connecting to individual consumers. Second, the Southern Africa Trade and Connectivity Project (P164847) will, in turn, foster MSME growth by helping integrate them into regional value chains by improving the logistics for trade between Mozambique and Malawi with investments in transport infrastructure, reforms on trade regulation and facilitation, and measures to support firms concentrated in the Nacala, Beira, and Maputo corridors. Third, the Financial Inclusion and Stability Project (P166107) promotes access to digital transaction accounts to under-served segments of the population, and access to finance for MSMEs. Fourth, the Harnessing the Demographic Dividend Project (HDD; P166100) promotes productive employment opportunities through business plan competitions with a focus on youth through the *Emprega* program. Finally, the Access to Finance and Economic Opportunities Project, *Mais Oportunidades* (P178658), the new project under approval for FY23, will seek to increase access to and usage of financial services and increase access to economic opportunities for low-income households and MSMEs, including the informal sector.

93. **Addressing Mozambique's digital development gaps could be a critical productivity growth enabler.** Currently, Mozambique trends behind SSA peers. Access and affordability remain key challenges, despite falling tariffs. Factors hindering operators' ability and willingness to invest in network upgrades are the high deployment costs due to difficult terrain, high tariffs, and low population density in hard-to-reach places. The low levels of broadband adoption by consumers, businesses, and government means Mozambique still cannot take advantage of digital solutions and the potential of the digital economy to drive growth, job creation, and expanded service delivery.[76] The WBG will (i) support Mozambique's digital development and increase broadband services mainly through the recently approved Sustainable Energy and Broadband Access in Rural Mozambique (P175295); and (ii) assist Mozambique in its efforts to increase digital adoption and inclusion and lay the groundwork for accelerated digital transformation by providing new investments through the Digital Acceleration Program (P176459) and by the provision of training in relevant institutions through the Improvement of Skills Development Project (P167054).

94. **This objective aligns with FY23 Government commitments as part of the PRA that seek to bolster the socioeconomic inclusion of women and youth**. For FY23, the Government is committed to ensuring that 11,000 youth and women will benefit from new employability training programs.

[74] Including by fostering green competitiveness and a private sector contributing to climate change adaptation and mitigation goals.
[75] These are tentative sectors. Targets may change to adjust to evolving market conditions.
[76] Bringing more people and businesses online will be critical to achieve the dividends associated with greater adoption of digital technology. The spillovers in terms of access to other services (e.g., mobile banking) are potentially strong for the poor. Yet, the number of mobile telephone subscribers per 100 people was 49 in 2019, which is low compared to LICs (60 percent). Since the introduction of a second and third mobile operator, mobile broadband penetration has grown rapidly, but it had still only reached 32 percent of the population in 2021, while fixed broadband household penetration rate was under 2 percent in 2018. To date, broadband coverage is mostly limited to provincial capitals and major cities, as well as major development corridors, while rural areas have little or no service. Internet data tariffs are trending downward, but affordability remains a challenge given low purchasing power of the average consumer.

95. **Under this objective, IFC will focus its support on the construction and affordable housing sectors**. The rationale is to explore the significant potential for job creation and the need to increase the stock of affordable housing due to growing urbanization. IFC will explore opportunities beyond the country's southern region to expand its spatial coverage in secondary cities (Beira, Nampula). IFC's approach to the construction and affordable housing sectors will include engaging with local building material companies (blocks, bricks, tiles, wood-derived products), as well as with private developers and the financial sector, to support Mozambique's housing construction market, which includes tackling the issues surrounding land title regulations. Finally, IFC will also apply a climate lens to its activities in the construction sector, aimed at improving the quality of the housing stock in terms of climate resilience (through its green building program and updated building codes).

96. **MIGA expects to support this objective through engagements in the digital and financial sectors.** MIGA is working with foreign investors to support the development of a carrier-neutral data center in Mozambique, which is expected to promote the local digital industry by increasing access to critical digital infrastructure. In addition, MIGA's existing guarantees to Absa and First Rand banks are helping to promote access to credit for sustainable lending operations of their respective subsidiaries in Mozambique.

97. **Technical assistance and ASA will be important tools to support Objective 5.** The Government has expressed interest in continued assistance with the development of better business-oriented reforms. The SCD Update and CPSD[77] identified several policy and regulatory changes that could be supported by the current portfolio or through additional Trust Funds (TFs) that will be mobilized, such as the Competitiveness for Jobs and Economic Transformation. IFC will continue to mobilize resources for TA, building on past experience. The follow-up Investment Climate Project (606565) is in the design phase and is reviewing support for the development of a sound basis for diversifying the economy through the development of a favorable investment promotion policy framework and reforms to improve the business environment in priority sectors. Finally, given the size of the informal sector in Mozambique (80 percent of employment), it will be necessary to better understand the role of the urban informal sector as compared to subsistence agriculture (see Box 9).

Box 9 – The Informal Sector in Mozambique
The informal sector is large and flourishing but has lower levels of productivity and income than the formal economy: informal firms are typically small, often run by or within households with lower levels of assets and education. Informality represents about 80 percent of all employment in Mozambique. Informal firms sell about 14 times less than formal micro enterprises, making 17 times lower profits. Almost two-thirds (61 percent) of these performance gaps can be explained by differences in firm characteristics: informal firms are smaller with fewer skills, have less access to capital and production inputs, and are less likely to have access to finance. The rest of the productivity gap is explained by differential returns. Despite this duality between formality and informality, there is nevertheless a small but significant group of informal enterprises (7.6 percent of informal firms, representing 10.6 percent of employment in the informal sector) that have similar characteristics and productivity levels to formal micro enterprises. Policies have to take this heterogeneity into account.
Source: World Bank. 2021. *Informal Firms in Mozambique: Status and Potential* (Policy Research Working Paper 9712); World Bank calculations.

Objective 6. Expanded infrastructure services

98. **As in any LIC, Mozambique needs massive infrastructure investment to enhance private sector competitiveness and support job creation, while addressing the major access needs of the population.**[78] Almost two-thirds of the population live in rural areas, making it difficult and expensive to deliver infrastructure and services. While urbanization has accelerated in recent decades, driven by economic transformation and conflict,[79] it has been largely unplanned, unmanaged, and underfunded, which significantly reduces the gains

[77] World Bank. 2021. Mozambique 2021 Systematic Country Diagnostic: Coming Together for a Better Future; IFC. 2020. Creating Markets in Mozambique: Country Private Sector Diagnostic.
[78] World Bank. 2021. *Mozambique Human Development Sector Note*. *Mozambique: CPF Inputs – How can Infrastructure and Digital Contribute to Green Growth and Development*. Background for preparation of CPF (FY23–FY27).
[79] Urban growth picked up during the worst years of the 1978–94 civil war, and more recently with the conflicts in the north. The urban population is expected to more than double in the next 25 years, adding more than 11 million people to cities.

that could be achieved in terms of poverty reduction and productivity.[80] Urban infrastructure, including better mobility and access to telecommunications services, are also important drivers of labor productivity in the informal sector. Meanwhile, investing in roads and transportation logistics, digital connectivity, and energy will enable faster growth while strengthening rural-urban linkages, including by enabling the development of secondary cities. More specifically, the WBG will (i) continue to support access to electricity and water services; (ii) improve the quality of strategic roads; and (iii) continue support for large urban centers while gradually extending it to fast-growing cities, including in the northern region.

99. **Access to electricity stands at 41 percent with an impressive increase of 15 percent points in the last five years, almost reaching average SSA rates (42 percent) but additional work is required to achieve universal access".** The Government has enacted several tariff adjustments, which have more than doubled the tariffs since 2015. However, the lack of systematic tariff adjustments, together with the high technical losses (27 percent of the electricity generated) of the Mozambique Electric Utility (*Electricidade de Moçambique;* EDM), meant that cost recovery was only 85 percent of the sector's operating and debt service costs in the pre-pandemic period (2020). As Mozambique has no integrated national transmission network, it needs to invest across the entire sector value chain. To address these challenges, the Government has made major strides in recent years in mobilizing private investment and starting reforms. Its goals are to: (i) reach universal access by 2030; and (ii) position Mozambique as regional electricity hub to exploit its large hydro and gas resources. The Government adopted a new National Electrification Strategy in 2018 which it is implementing through the national Energy for All Program (*Projecto Energia para Todos*). This program has reduced the cost per connection (including a zero-connection fee for poor and vulnerable households), achieving an average of 250,000 connections per year, with a peak of 360,000 connections during the last two years. However, it will take immense investment to achieve universal access by 2030 and ensure a reliable electricity supply—around US$600 million per year and an average of 600,000 connections per year. Additionally, the Government agreed on a Loss Reduction Program to address the commercial and technical performance of the utility that is supported by several development partners, including the World Bank. The Government has mobilized private investment in generation segment representing 40 percent of domestic consumption and 12 percent of total generation capacity. Private generation capacity will increase to 88 percent in 2024.

100. **The World Bank's support to Mozambique's electricity sector encompasses the whole sector value chain with a series of interlinked projects with total financing of US$902 million with five projects**: Power Efficiency and Reliability Improvement Project ((PERIP) P158249; US$150)); Mozambique Energy for All (ProEnergia; P165453; US$82); Sustainable Energy and Broadband Access in Rural Mozambique (P175295; US$300); Mozambique-Malawi Regional Interconnector Project (P164354; US$55); and Temane Regional Electricity Project (P160427; US$315). The focus of the WBG support is in providing technical assistance on utility reform for reduction of losses and improving tariff design; and for investments to accelerate the pace of the national electrification plan and improving utility last-mile connections to broaden access, including in rural areas. The WBG will support GoM to develop a world class Renewable Energy program, including auction modalities and initial bidding rounds.

101. **Water is a vital factor in production and job creation.** Water-dependent exports made up 91.5 percent of total exports in 2020, and water-dependent employment was 77 percent in the same year.[81] Diminishing water supplies translate into slower growth and contribute to reducing the development potential of economic agglomerations due to absenteeism in the workforce, with more sick workers, and reduced expenditure on healthcare and treatment.[82] The potential socioeconomic gains from water investment in Mozambique are evident in the main urban centers, where rapid population growth and increased urbanization has been coupled

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[80] World Bank. 2017. *Mozambique Urbanization Review: Accelerating Urbanization to Support Structural Transformation in Mozambique*. World Bank, Washington, DC. © World Bank. https://openknowledge.worldbank.org/handle/10986/ CC BY 3.0 IGO 29826 License:
[81] WBG. 2021. *Climate and Economic Analysis for Resilience in Water (CLEAR Water) Dashboard*. Water, Economy, and Climate Change.
[82] SIWI (Stockholm International Water Institute). 2005. *Making Water a Part of Economic Development*.

with a lack of investment in storage infrastructure and prolonged droughts. The result is a widening demand-supply gap as the system fails to meet domestic and industrial needs or make progress in expanding services. To improve reliability and climate resilience, it will be key to invest in water storage infrastructure and strengthen water resources management, including the hydrometeorological monitoring capacity to better cope with increasingly frequent floods and droughts.

102. **More sustainable expansion of the water supply and sanitation services will require both investment in infrastructure and institutional strengthening, including performance improvement incentives.** The CPF will address the sector's performance and financial weaknesses in order to build stronger institutions, which will be key to improving utilities' creditworthiness and improving water supply services. This will also ultimately help to diversify the sources of investment financing to meet the goal of universal water access by 2030.[83]

103. **Mozambique remains fragmented in part due to a lack of physical connectivity, which undermines national cohesion.** Roads are the most important mode of transport in the country, but the road network is limited and of poor quality—half of the population has no access to it and only 27 percent of roads are paved. The network density is among the lowest in the region. Climate-related natural disasters have put additional pressure on aging transport infrastructure. The country's ports, roads, and rail network have all suffered extensive damage from extreme climate events over the last 20 years. The poor quality of the road network has direct negative impacts on the health, education, and livelihoods of residents and damage to roads by disasters makes emergency recovery and reconstruction efforts extremely difficult. Aiming to contribute to progress in achieving the relevant SDGs by 2030, WBG interventions in the road sector will be at the center of the Safer Roads for Socio-Economic Integration in Mozambique Project (MPA, Phase 2), which focuses on improving safety, resilience, and accessibility and connectivity in selected areas.[84] The second phase of the MPA will continue developing the North-South Corridor (N1) to connect the fragile north with the rest of the country, as well as increasing domestic market accessibility.[85]

104. **Cities are expanding informally, creating under-serviced peri-urban areas where the poorest and most vulnerable people build their own dwellings using non-durable materials.** The poverty headcount rate is significantly lower in urban areas than in the rest of the country, as discussed in Section 2.3. However, weak national urban policy and a lack of institutional frameworks severely limit the benefits of urbanization and rural-urban mobility.[86] Poorly managed urbanization is already contributing to deteriorating living conditions and public goods in some cities. The influx of internally displaced people (IDPs), particularly in northern cities, has put enormous pressure on cities' already limited capacity to manage urban growth. The widespread lack of formal land tenure rights exacerbates the economic and social exclusion, as do limited avenues for voice and expression—and civic engagement. The residents of these peri-urban areas are also at a greater risk of climate-related impacts.

105. **The WBG will continue to support strategic and secondary fast-growing cities to invest in transformative urban infrastructure.[87]** This will involve providing finance for major city-wide infrastructure investments that municipalities alone cannot finance, particularly urban corridors which will connect the more established areas where jobs are located with the fast-expanding peri-urban areas where poor households have their homes. The

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[83] GoM. 2019 *Projecto Energia para Todos (ProEnergia)*. Available from https://portal.edm.co.mz/pt/document/tenders/projecto-energia-para-todos.
[84] SDG target 3.6 calls for halving the number of global deaths and injuries from road traffic crashes, and SDG target 11.2 calls for improving road safety in the provision of access to transport systems and expanding public transport.
[85] From the distributional point of view, it is noteworthy that the North-South Corridor development is more conducive to inclusive growth, benefiting more Mozambican people.
[86] Mozambique is one of the only countries that does not have a national urban policy, ministry/agency, or financing framework for urban infrastructure, housing, or land development.
[87] Strategic cities are fast-growing and larger cities that are vital economic poles, including Maputo, Nacala, Beira, Nampula, and Pemba. Secondary fast-growing cities are intermediate cities and small towns that are important to rural-urban linkages. World Bank. 2021. *Mozambique Human Development Sector Note.*

WBG will continue to invest in improving urban mobility through the Maputo Metropolitan Area Urban Mobility Project (P175322) and through the Maputo Urban Transformation Project (P171449). Support will focus on helping low-capacity, fast-growing cities to roll out land-use planning instruments incorporating mapping of climate risk and sensitive land use, undertake systematic land tenure, and modernize the land cadaster. It will also aim to increase municipal source revenue, maximizing revenues from land-based infrastructure finance to use land market forces to pay for future infrastructure needs. This could be done through a combination of incentives (performance-based) to finance small-scale investments and TA, building on the promising results from the Mozambique Urban Development and Decentralization Project (P163989) which supports 22 municipalities in Gaza, Zambezia, Sofala, and Niassa through performance grants.

106. **The infrastructure sector could be a vehicle for the mobilization of private capital, especially through public-private partnerships**. Building on the example of the Temane Regional Electricity Project, strengthening the institutional capacity of the Government to prepare a pipeline of bankable projects would help alleviate fiscal constraints while addressing some of the country's infrastructure needs. This in turn will require a broad multisectoral effort involving improving climate-sensitive infrastructure planning and project design; advancing reforms to reduce the regulatory risk and, thus, the cost of capital and corresponding tariffs; and deepening financial markets to enable a gradual development of project finance. IDA financing could enable private investment by supporting legal frameworks, critical regulatory reforms, improved governance, and targeted investments. Close collaboration with IFC and MIGA will be critical.

107. **This objective aligns with FY23 Government commitments as part of the PRA that seek to expand infrastructure services in the north and center of the country, which have historically suffered from under-investment, as a way of addressing regional imbalances.** For FY23, the Government has committed to ensure that 61 percent of the population in the provinces of Niassa, Nampula, Cabo Delgado, and Zambezia have access to improved water supply services.

108. **IFC will focus its support on the renewable energy sector, in line with the country's objective of reaching universal access to electrification by 2030.** This will require more than doubling the existing generation capacity to almost 6,500MW. As such, IFC's efforts will include exploring additional opportunities in hydro, solar, and wind generation, while also leveraging long-term financing and guarantees (alongside MIGA) to projects, including climate finance opportunities. These efforts will be developed in close coordination with the World Bank working to improve the operational and financial performance of EDM.

109. **MIGA will continue to support foreign investors' engagement in Mozambique's power sector and will work closely with IFC's to expand investments in renewable energy sector.** MIGA will also explore support to other investments in Mozambique's infrastructure sectors, and potential PPP projects, through its political risk insurance guarantees.

High-Level Outcome Three – Improved human capital and women's empowerment

110. **Human capital accumulation is central to Mozambique's future economic growth; to reducing poverty, inequality, and fragility; and to building social cohesion and peace.** Basic services in education and health are unevenly delivered across the country, driving spatial inequality. There are limited mechanisms to protect the most vulnerable from the impacts of shocks, thus driving fragility, instability, and violence. Poor quality training and weak links between supply (the labor force) and demand (firms) constrain job and productivity growth. The lack of access to education among girls, and economic opportunities among women, hinders inclusion. Mozambique's women are burdened by unfavorable levels of fertility, high child and maternal mortality, lower skill levels, and poor productivity in the labor market. Promoting investment in the country's women and girls will be essential, with an emphasis on enhancing the cost-effectiveness of public spending to improve key outcomes in health and education to ensure the protection of, and investment in, the most vulnerable.

110. **This HLO aims to address these challenges by supporting the Government in boosting inclusion through a fiscally sustainable framework for mainstreaming policies for human capital accumulation,** and reducing extreme poverty while empowering women and ensuring resilience to shocks. It has three objectives: (i) improved selected health and education outcomes; (ii) increased efficiency and effective coverage of integrated and sustainable social services; and (iii) improved access to services to prevent adolescent pregnancy and promote women's economic participation.

Objective 7: Improved selected health and education outcomes

111. **Mozambique has one of the lowest levels of human capital in the world, a situation that has been greatly exacerbated by COVID-19, as well as by the impacts of natural disasters and conflict.** Mozambique's health and education outcomes are still far below its peers and are insufficient to build the productive human capital needed to increase productivity and enable people to access better jobs and move out of poverty. While most health indicators have improved since 2000, they have done so at a slower rate than peers and shown low elasticity with economic growth. Life expectancy at birth remains 61 years and over one-third of children are stunted.[88] Mozambique has one of the world's highest HIV prevalence rates, at almost 13 percent (with women constituting 62 percent of adults living with HIV) while 15 percent report being sick or affected by an accident. [89]At any given time, 10 percent of adults are unable to work, resulting in significant forgone output and earnings.

112. **Strong and sustained World Bank involvement has contributed to a positive trend in key indicators in education since 2000**. However, rapid population growth, low per capita spending, and system inefficiencies hamper the sector's results. Mozambique has a 24 percent secondary completion rate and is far from universal primary completion, behind its peers.[90] Completion rates have recently worsened and the sector suffers with low learning outcomes. Furthermore, there are wide disparities in both health and education outcomes between the north and south, and between rural and urban areas. Finally, COVID-19 has had a significantly detrimental impact on education outcomes, including student dropout rates, with the associated risk of creating even more unskilled and unemployed adults in the labor force.

113. **The WBG will address these challenges by supporting efforts to improve health and education.** Ongoing financing includes the Primary Health Care Strengthening Program (PHCSP), which co-finances Mozambique's Investment Case, to mobilize and align financing for high-impact investments in reproductive, maternal, newborn, child, and adolescent health and nutrition services and health systems. It has leveraged co-financing from five partners: IDA, the Global Financing Facility, USAID, the Netherlands, Canada, and the UK's Foreign Commonwealth Development Office (FCDO). Its PforR modality means it is strongly results focused. The next version of the PHCSP is being designed (for delivery in FY23 or FY24) with leveraging of more donor financing and a stronger focus on outcomes. Pandemic preparedness (global health security) and early childhood development will be key themes along with stunting reduction, anti-dropout campaigns, transition to secondary school, and skills training, all with a gender priority lens. In order to achieve the desired outcomes, it will be essential to continuing to work to improve access to quality services.

114. **The CPF will continue the current engagements in health and education which, having achieved many foundational reforms, will focus next on outcomes, equitable delivery of frontline services, quality, and adaptability, and resilience to shocks.** The intermediate focus will be to improve access to WASH and electricity in all health and education facilities, increase numbers of community health workers, improve pupil-teacher ratios, especially in the lagging north, procurement, and health worker and teacher training. Stunting will be a

[88] World Bank Open Data
[89] United Nations International Children's Emergency Fund
[90] World Development Indicators. Last Updated: 12/22/2022

new key focus, playing an important part in the new health sector project under preparation, under nutrition-sensitive components of future agriculture projects, and potentially as part of a new regional food security project. Outcomes of interest in education will include primary and secondary completion rates, girls' learning outcomes, and closing the skills gap. In health, the CPF will focus on improving stunting rates, child and maternal mortality, and tracer indicators of universal health coverage.

115. **Lack of access to WASH at home and school has a negative impact on children's health and education, particularly for girls.** Exposure to pathogens as a result of inadequate access to safe water and sanitation cause regular cholera outbreaks (on average 7,500 cases per year), endemic diarrheal disease (on average 715,000 reported cases per year) and widespread childhood stunting (42 percent of children under five).[91] Poor sanitation in schools is also one of the key factors limiting school attendance and hampering the retention of female students, which in turn limits their livelihood opportunities. Adolescent girls are unwilling to use school toilets that are dirty, unsafe, or lack privacy, and this affects their attendance. Investments in improved sanitation facilities in schools coupled with a school-based program that includes access to proper menstruation protection could help improve retention and completion rates for girls. In turn, this could help to reduce early marriage, a serious problem for girls in Mozambique, with 60 percent of girls leaving school to get married by the time they reach 18.

116. **This objective aligns with FY23 Government commitments as part of the PRA that are intended to boost access to education and health care in the lagging northern and central regions of Mozambique.** For FY23, the Government has committed to ensuring an average pupil-teacher ratio of 63:1 in the northern and central regions.

Objective 8: Increased efficiency and effective coverage of integrated social services

117. **In a constrained macro-fiscal environment, social services need to be integrated and sustainable.** The CPF will enhance the focus of social protection programs to improve their cost-effectiveness. This will include encouraging the consolidation of social policies; assuring mechanisms for graduation from the programs and links to jobs and labor force participation, when necessary; and supporting a national social protection strategy to strengthen social resilience in response to shocks (as covered in Objective 3). Those measures will be closely coordinated with initiatives under Objective 5, aimed at increasing productivity in labor-intensive industries and income levels in the informal sector. Considering the current macro-fiscal context, the central objectives will be increasing efficiency to maximize the impact of the financing available, while ensuring increasing coverage for the most vulnerable. Increasing the efficiency of spending will require better government capacity to plan, implement, and monitor and evaluate programs and activities. Objective 8 will support these institutional reforms and seek to finance the gradual extension of the programs.

118. **The main social protection programs in Mozambique cover about 23 percent of those in poverty.** The key programs include: Basic Social Assistance, covering about 460,000 households with vulnerable members such as the elderly and children in poverty; the Productive Social Action Program, covering 135,000 families in public works activities to support the social and economic infrastructure; and the Direct Social Assistance Program, supporting families affected by emergencies. The implementation of these programs has been sustained in recent years, gradually increasing coverage, especially due to emergency response operations. In 2016, 18,500 families affected by the droughts in Gaza Province were supported; in 2020 and 2021, social protection programs aimed to cover almost 1.7 million families affected by the COVID-19 emergency and the Eloise cyclone. The capacity to expand social protection programs has been due to gradual, but sustained, improvements in instruments and increased financing. The Government allocates 0.7 percent of GDP to social protection and jobs, compared to a regional average of 2 percent.[92]

[91] World Bank. 2017. *Mozambique Water, Sanitation and Hygiene Poverty Diagnostic*.
[92] World Bank. 2021. *Mozambique Human Development Sector Note*. Background for preparation of this CPF.

119. **Moving from fragmented social services to a unified platform will enable to provide people with the information, linkages, referrals, and accompanying services that best meet their needs**. With World Bank support, recently expanded, Mozambique has made vital progress in consolidating its implementation capacity using efficient instruments. It has also undertaken a systematic revision of policies and programs to make them more agile and fit for purpose, making their design more consistent with declared goals.[93]

120. **In the new CPF cycle, the World Bank will continue to build national capacity to manage and implement integrated social protection systems**. Future support will include (i) improved targeting (entry and graduation) and transparency while expanding; (ii) expanding digital payment options and coverage; (iii) strengthening and expanding the social management information system (e-INAS) that enables the registration and socioeconomic assessment of households, leveraging the identity infrastructure wherever possible, to support operational processes; (iv) increased coordination and expansion on the jobs and employment agenda; (v) functional programs to support poverty reduction, human development and protection of investments in emergency scenarios; and (vi) the expansion of services to the poorest with complementary (bundled) health services. The current Social Protection and Economic Resilience Project (P173640), with co-financing and joint vision from the FCDO, Sweden, and the Netherlands, will continue to address these issues in this CPF cycle.

Objective 9: Improved access to services to prevent adolescent pregnancy and promote women's economic participation

121. **Girls and women in Mozambique face enormous challenges which constrain their human capital development, access to jobs, and wellbeing.** Mozambique has the fourth highest adolescent fertility rate and the tenth highest rate of child marriage in the world and these rates are rising, affecting the health and mortality of families and their children. Women are excluded from the labor market due to early marriage, domestic duties, lower skills, and lower productivity. Mozambique's total fertility rate, at 4.7, is one of the highest among its peers, and it is especially high among those with little or no formal education, people living in rural areas, and those in the lowest income quintiles. Yet this demographic dividend presents an urgent and untapped opportunity for future growth in Mozambique that could support more agency and empowerment for women. Preliminary World Bank analysis indicates that Mozambique's GDP per capita could be 31 percent higher by 2050 under a low fertility scenario than with current levels of fertility. As such, greater emphasis on protecting and empowering girls and young women is vital.

122. **The CPF will tackle this challenge by helping Mozambique to improve access to services to prevent adolescent pregnancy and promote women's economic participation**. Lower fertility rates, together with improvements in education and access to jobs, will be crucial to increase investment in children and attain future favorable dependency ratios. The CPF will focus on women's empowerment with the ultimate goal of increasing economic empowerment, including access to productive assets and productive capacity in the labor market. To do so, this objective will address child marriage, adolescent pregnancy, and the need for family planning, and also focus on girls' secondary education and labor market transition. This approach complements the emphasis on youth, which runs across this CPF through the emphasis on job creation (HLO2) and human capital (HLO3). This emphasis will be reflected in the design and implementation of projects.

123. **The HDD (P166100), the Improving Learning and Empowering Girls in Mozambique (P172657), and the Mozambique Primary Health Care Strengthening Program (P163541) address components of the women's empowerment agenda.** A new regional women's empowerment project proposes a multisectoral vision to

[93] Evidence shows that unconditional, conditional, and "productive" cash transfers can be cost-effective in achieving their proposed objectives. For example, small, frequent, and reliable cash payments to poor households have been shown to improve outcomes like consumption, savings, nutrition, and mental health, and stimulate local economies. See Development Impact Evaluation (DIME): *Summary of the Evidence on the impact of Unconditional, Conditional, and "Productive" Cash- Transfers and Community Driven Development Programs.* Background Note for the CPF. Mimeo.

support girls and women across the life cycle with key sector/project links to these three projects and also with WASH. It will emphasize intrafamilial and economic empowerment, skills, and jobs, while providing an opportunity for multi-generational impacts on human capital and economic growth. In addition to combating child marriage and adolescent pregnancy, combating gender-based violence (GBV) is a priority, including abuse in schools**.** This encompasses the design of prevention measures, investment in referral pathways for GBV cases, and an analysis of the legal and institutional framework to combat GBV and child marriage. The demographic dividend agenda and vision has strong buy-in at the Ministry of Economy and Finance; the Ministry of Gender, Child, and Social Action; *Secretaria do Estado Para Juventude e Emprego*; the Ministry of Education and Human Development; and MISAU.

124. **This objective aligns with FY23 Government commitments as part of the PRA that looks to address the socioeconomic inclusion of women and address the challenges that impede their ability to live a full life as contributing members to society.** For FY23, the Government has committed to assisting 68,750 GBV survivors in health units and integrated GBV service centers (including mobile services, disaggregated by gender).

3.4. Implementing the CPF

125. **The indicative IDA20 allocation for Mozambique is SDR 1.3224 billion (US$1.89 billion), including a performance-based allocation (PBA) of SDR 832.7 million (US$1.19 million), and a PRA top-up of SDR 489.7 million (US$700.27 million).**[94] The CPF will cover the full IDA20 (FY23–FY25) cycle and the first two years of IDA21. Mozambique is subject to the SDFP and will have access to its country allocation subject to the satisfactory implementation of agreed PPAs. The WBG will also continue to leverage additional IDA resources from the Regional Window, the CRW, and the PSW, among others that it could be eligible for. This IDA combined allocation is expected to be supplemented by resources from recipient-executed TFs. Close coordination with development partners will continue to be paramount.

126. **Subject to successful annual review processes, Mozambique will maintain its eligibility to the PRA through IDA20.** This will allow for a top-up to the PBA of approximately US$700 million over the three years. Since the Eligibility Note was discussed at the World Bank Board of Executive Directors in April 2021, 16 operations have been approved, amounting to nearly US$2 billion (see Annex 6 for further detail on approved FY22 operations). Several national operations are under preparation, scheduled for approval in FY23, which will fully commit the FCV envelope for FY23.

127. **The CPF will seek IDA frontloading of 59 percent for Mozambique's allocation in FY23.** The national IDA program for FY23 includes five operations three of which were delivered in the first quarter of FY23: Institutions and Economic Transformation Development Policy Financing (DPF), for SDR223.2 million; the Maputo Metropolitan Area Urban Mobility Project for SDR180.9 million; and the Safer Roads for Socio-Economic Integration Program for SDR297.6 million. In addition, one FY23 operation is expected to be funded from the CRW to support food security. The indicative IDA lending program for FY23–FY25 is presented in Table 2.

128. **The priorities of the AFE Regional Strategy are reflected in the CPF HLOs, the operational pipeline, FCV approach, and the COVID-19 response.** For instance, the CPF's HLO1 (more inclusive institutions), Objective 4 (enabling sustainable growth of selected natural resources sectors), and Objective 9 (improved access to services to prevent teenage pregnancy and promote women's economic participation) speak directly to Pillars 3 and 4 of the AFE Regional Strategy. The regional indicative IDA lending program for FY23–25 is presented in Table 3.

[94] Referenced IDA volumes are indicative. Access to PRA is subject to a satisfactory annual review of progress on agreed milestones. Actual PBA allocations will be determined annually and will depend on: (i) total IDA resources available; (ii) the number of IDA-eligible countries; (iii) the country's performance rating, per capita gross national income, and population; (iv) implementation of IDA's forthcoming SDFP; and (v) the performance and other allocation parameters for other IDA borrowers. The amounts presented are equivalent to a total PBA of SDR440.8 million per year for FY23–FY25, of which the FCV top up is SDR163.2 million.

Table 2 – Mozambique National Indicative IDA Lending Program (Million US$)[95]

ID	PROJECT NAME	HLO	INSTRUMENT	IDA20		
				FY23	FY24	FY25
P176762	Institutions and Economic Transformation (DPO I)	HLO1	DPF	300		
P174639	Safer Roads for Socio-Economic Integration Program	HLO2	IPF	400		
P175322	Maputo Metropolitan Area Urban Mobility	HLO2	IPF	250		
P179060	Crisis Response Window Food Security Additional Financing	HLO1	IPF	50		
P178653	Mozambique Urban Water Security	HLO2	PforR	250		
P178658	Mozambique: Access to Finance & Economic Opportunities	HLO2	IPF	250		
P176762	Institutions and Economic Transformation (DPO 2)	HLO1	DPF		200	
P179942	Mozambique State Capacity Project	HLO1	PforR		200	
P179913	Second Mozambique Primary Health Care Strengthening Program		PforR		100	
P179270	Mozambique Disaster Risk Management and Resilience Program - AF		PforR		100	
P175298	HD Integrated Project	HLO3	IPF		200	
TBD	HD Integrated Project		IPF		200	
TBD	HD Integrated Project		IPF		200	
P163541	Second Mozambique Primary Health Care Strengthening Program (PHCSP II) AF		PforR		200	
P179913	Second Mozambique Primary Health Care Strengthening Program	HLO2	PforR		100	
P179270	Mozambique Disaster Risk Management and Resilience Program - AF		PforR		100	
P179942	Mozambique State Capacity Project		PforR		200	
P176762	Institutions and Economic Transformation (DPO 3)	HLO1	DPO			150
	Total			**1500**	**1800**	**150**

Table 3 – Regional Indicative IDA Lending Program (Million US$)[96]

ID	PROJECT NAME	HLO	INSTRUMENT	IDA20		
				FY23	FY24	FY25
P177816	Eastern and Southern Africa Food Systems Resilience Program (Phase 3)			125		
P180171	Regional Climate Resilience Program for Eastern and Southern Africa		IPF	30	120	
P175731	SADC Regional Statistics (Regional)	HLO1	IPF	60		
P179293	Women's Economic Empowerment in Eastern and Southern Africa		IPF	TBD		
P179797	Regional Green Energy Corridors Project		IPF	TBD		
P179705	Southern Africa: Green and Resilient Regional Trade Corridors	HLO2	IPF		TBD	

129. **DPF has been reintroduced to support reforms, blended with investment financing and TA.** The CPF expects to allocate about 30 percent of the IDA20 envelope to DPFs. Out of the planned US$550 million new programmatic DPF series for Institutions and Economic Transformation, the first grant for US$300 million was approved in FY23 to support the Government's reform agenda and strengthen budgetary institutions and transparency. Two more DPFs, for US$200 million and US$100 million each, are programmed, to support reforms to the business climate, financial sector, and environment governance. The sustainability of an adequate macroeconomic policy framework is a key prerequisite to using the DPF instrument.

130. **The WBG investment portfolio in Mozambique is sizeable.** As of January 2023, it comprised 35 active projects with an overall net commitment of approximately US$5.2 billion, as well as 23 recipient-executed trust-funded operations with a total allocation of US$486.4 million. The IDA20 envelope will support new investment operations and AF to expand existing support in areas critical to the Government's growth, poverty, and resilience agenda. During the FY17-FY21 CPF period, the World Bank made progress in improving the performance of the portfolio: average project size increased from US$95 million in FY17 to US$144 million in FY22, reflecting efforts to reduce fragmentation. Further, 100 percent of projects evaluated by the Independent Evaluations Group (IEG) since January 2021 were rated moderately satisfactory or better. Despite having a

[95] The IDA lending program is aspirational and subject to available resources. Mozambique's indicative IDA20 country allocation is $1.8 billion. Fiscal years are plans and actuals may shift.

[96] Referenced volumes are indicative IDA20 amounts. Fiscal years are plans and actuals may shift. Normally, at least one-third of the cost of a regional operation is financed from the national country allocation, whereas the remaining two-thirds come from the IDA Regional Window.

young portfolio (51.5 percent of projects are two years old or less), disbursements are steady: total disbursements are 30 percent, and the disbursement ratio in FY22 was well over 20 percent. The IDA19 PBA allocation of US$1.3 billion, and PRA allocation of US$700 million were fully delivered by the end of FY22. The proactivity index for FY22 was 100 percent.

131. **During this CPF's implementation period, efforts will continue to reduce portfolio fragmentation and capitalize on the array of lending instruments to advance fewer, larger, and more multisectoral projects.** Although lending volumes are expected to grow about 50 percent between FY21 and FY25, the number of projects will go down, and average project size is projected to increase from US$144 million (FY22) to US$188 million (FY25). The average size of the new projects entering the portfolio is planned to be between US$250 million and US$300 million. Consolidation will also be facilitated through the timely closing of operations, while building the multisectoral nature of the pipeline. In areas where there is strong government ownership and clearly defined strategies for implementation, the World Bank will intensify engagements and promote results-based financing instruments. The World Bank will explore opportunities in several new areas where multisector engagements can deliver on tackling complex problems at scale, under an integrated approach with increased private sector participation.

132. **In light of its high vulnerability to climate change and external shocks, Mozambique will seek to make full use of various IDA windows and instruments to improve its readiness and response to natural disasters and build its economic resilience.** Mozambique will be applying for access to the CRW to mobilize additional finance for addressing the developing food price shocks and associated health crisis. The CPF will mainstream the CERCs across the portfolio and will be considering the Catastrophe Deferred Drawdown Option to be activated upon occurrence of a natural disaster or emergency.

133. **The World Bank will continue to support Mozambique to take advantage of the growing climate finance ecosystem**, including various environment and climate-related TFs such as the CIF, the Global Environment Facility, the Green Climate Fund, the Forest Investment Program, the Pilot Program for Climate Resilience, and the Forest Carbon Partnership Facility (FCPF). Mozambique is in the process of developing and implementing a program for Reducing Emissions from Deforestation and Forest Degradation (REDD+). In support of the REDD+ program, the CPF program will integrate financing from multiple sources, including the FCPF Readiness Fund; IDA/Global Environment Fund resources under the MozBio and Agriculture and Natural Resources Landscape Management Project; and new financing coming online through the CIF, the CERF, and the ProGreen and ProBlue trust funds.

134. **IFC will continue to support the Government to mobilize finance for development.** Building on the reforms supported by the CPF, IFC will leverage private sector financing for key sectors of strategic importance for job creation and growth. Although IFC has no indicative targets, it is planning to grow its program to US$408 million in long-term finance commitments during the FY23–FY27 CPF period. Based on the current pipeline and given appropriate market conditions, IFC stands ready to commit more resources, especially in commercial agriculture, renewable energy, and affordable housing. IFC's net committed investment portfolio totals approximately US$112 million, with an addition of US$15.3 million for advisory services as of 2022. IFC also intends to use all IDA20 facilities, especially the PSW, to de-risk high-impact projects in critical sectors. When opportunities arise, IFC will use the Risk Mitigation Facility for projects in agriculture as well as the Local Currency and Blended Finance facilities in agriculture and renewable energy. Enabling projects in sectors with such high development impact will bolster Mozambique's inclusive growth and help ease some of the current macroeconomic economic challenges while fostering private sector development. To ensure optimal implementation, IFC will pursue synergetic approaches—leveraging the World Bank operations and MIGA collaboration—and will seek to develop new markets, financing instruments, or operating models.

135. **MIGA will continue to mobilize foreign private investment into Mozambique through its political risk insurance products.** MIGA has played an instrumental role in reassuring the cross-border private sector to invest

in Mozambique for critical long-term infrastructure, particularly in the energy sector. With gross exposure of US$642 million, MIGA is currently supporting five projects and nine different foreign investors across the energy and financial sectors. Looking forward, MIGA sees opportunities for active involvement in the renewable energy sector and the digital and agribusiness sectors. The MIGA Guarantee Facility under the PSW, which facilitates MIGA's support to IDA countries, can help in enabling MIGA's support of private cross-border investments in Mozambique.

136. **Further collaboration between IFC and MIGA will be explored as the CPF implementation evolves.** The WBG will also review its own operational and advisory pipeline to identify new opportunities for private capital mobilization, including in the power sector, transportation, and urban infrastructure. As the World Bank's support for energy sector reforms take hold, there may be potential for collaboration with IFC and MIGA in supporting private sector engagement in renewable energy. The WBG will be working closely together to support Mozambique's emerging PPP framework, following the assistance provided to enact the PPP law in 2020.

137. **Building the scope and depth of development partnerships will continue to be essential in leveraging IDA resources and managing CPF implementation.** This includes WBG's effectiveness in helping the Government to address FCV vulnerabilities and mobilize urgent response to external shocks. Excluding the WBG, official development assistance to Mozambique averaged US$1 billion per year between 2017 and 2021, focused mainly on energy, health, DRM , natural resource management, and rural development, which together made up just over 60 percent of all assistance. Ongoing dialogue with development partners remains very important to the WBG, including through active participation in coordination mechanisms. These include the Development Cooperation Platform (which coordinates between development partners and with the Government at different levels), the International Community COVID-19 Taskforce (which coordinates the international community's support to the response to the pandemic in Mozambique, and has more recently focused on the conflict on Cabo Delgado), and thematic working groups.

138. **As an integral part of the CPF program, ASAs will provide critical diagnostics in priority reform areas to inform strategic priorities throughout the cycle.** A combination of hands-on TA, results evaluations, policy notes, and broader reports will support the ongoing program and sector dialogue and inform preparation for future operations where knowledge gaps exist. During consultations for the CPF preparation, the Government expressed interest in better understanding: (i) how peer countries managed the process of economic and spatial transformation; (ii) what options exist for expanding cost-effective social protection in Mozambique; and (iii) how to build institutional frameworks for PPP systems. The Government also expressed interest in deepening options for the modernization and expansion of agriculture, including the impact of land institutions in agricultural productivity. These areas are envisaged as ASA priorities to be supported. All the core ASAs—the Country Economic Memorandum, Poverty Assessment, and PER—have been recently completed, and have already provided a solid basis for policy dialogue and TA.

139. **The emphasis on portfolio management will be further enhanced to maximize the impact of the program.** The World Bank will continue to hold regular Country Portfolio Performance Review meetings with the Government to address key risks and implementation challenges and ensure a coordinated and systematic response. Innovative approaches will be used whenever possible to strengthen development impact, for example, by leveraging the use of technology, third parties, strengthening tools to combat GBV, and enhancing collaboration with NGOs and communities. The Government has also expressed interest in improving its monitoring implementation capacities to manage for results. In particular, it hopes to maximize synergies between the current portfolio, policies, programs, and investments to be prioritized over the next 24 months—including through a more active engagement on portfolio management. The new delivery unit in the Ministry of Economy and Finance (supported by the GEPRES Project) has a mandate to plan and advance major reforms, monitor and evaluate critical government programs, track impact, and recommend adjustments to the WBG portfolio. This will be key not only to building institutional capacity and ownership, but also for increasing the

effectiveness of the WBG program and achieving development objectives.

140. **A strengthened focus on data and operational knowledge to support robust monitoring and evaluation will be vital for success.** As noted in the CLR, effective monitoring and reporting of key results indicators will be key to better informing public policies, country programs, and project designs. A precondition for this is reliable and timely data, not only on project inputs and outputs, but also on likely outcomes. The CPF program will build on current engagement with the INE to explore options for data collection and piloting new instruments. It will also place more emphasis on generating and using geo-referenced data, and explore the potential for the systematic use of high-frequency data to improve service delivery. The program will continue to work closely with Development Impact Evaluation to improve monitoring and evaluation capacity at project and program levels, including through the use of targeted ASA.

141. **This CPF will seek to maximize the spillovers from its large portfolio, especially on gender, jobs, and governance.** Ensuring the effective mainstreaming of gender in operations will be a critical consideration during the CPF period. This will include TA and capacity building during the project design and implementation phases by the Mozambique CMU Gender Platform, to ensure that gender aspects are embedded in all relevant parts of the project cycle. Furthermore, lessons learned from the recently completed Gender Portfolio Review (see Box 10 and Annex 11), will be applied in the CPF period. PA jobs filter will also be applied to screen projects will be screened during the design phase to maximize their impact on job opportunities, with close monitoring of this aspect during implementation. Governance lenses will be developed to improve the understanding of governance challenges at project and/or sector levels. Finally, the CPF will seek to use mobile devices to support the engagement of project beneficiaries during implementation.

142. **Country financial management and procurement assessments will inform budget support and investment project preparation.** This will be in line with World Bank policies and guidelines on FM in IPF operations, and procurement regulations for IPF borrowers on preventing and combating fraud and corruption in projects financed by IDA credits and grants. Implementation through country systems will be emphasized, including support to establish centers of excellence within the administration and the use of a single treasury account. The Government is committed to improving its financial management and procurement systems through the implementation of reforms, and through capacity building. The Integrated Institutional Capacity.

143. Building Project and a targeted Functional Review Analysis are expected to provide training and inputs to improve government performance. The Government has shown commitment to addressing the challenges imposed by a rapidly growing and rich portfolio. The World Bank is financing the development of a database and a management information system that will improve knowledge of the use of development partners' funds.

Box 10 – Gender Portfolio Review FY17–FY21
Attention to gender has increased over time in the World Bank's operations in the country. A review of 37 projects approved during the FY17-FY21 CPF period showed that in FY21, 91 percent of projects received the gender tag, an increase from 71 percent in FY20. The review also found a wide coverage of gender across the four pillars of the FY17–FY21 CPF, with more focused attention on improving access to endowments (education, health) and jobs. Projects under the Human Development Practice Group were more likely to address more than one pillar of the Gender Strategy—emphasizing the connections between the pillars—and also a broader approach to women's empowerment. Coordination between sectors, as evidenced by the increasing number of operations that are cross-global practice, is also increasing, as is collaboration with other stakeholders and the use of evidence to influence project design.
Source: Upcoming Gender Portfolio Review, Mozambique Gender Platform.

IV. MANAGING RISKS TO THE CPF PROGRAM

144. **Overall, the CPF residual risk is substantial.** Two non-standard risks—re-escalation of conflict and climate shocks—are considered substantial, despite the CPF's strong emphasis on resilience, including addressing the underlying causes of the conflict and improving preparedness and response to climate shocks. Political and governance, macroeconomic and institutional capacity, environmental and social risks are considered Substantial. Sector strategies and policies, technical design of projects or programs, fiduciary and stakeholders are Moderate risks (Table 4).

145. **The risk of the re-escalation of the conflict in Cabo Delgado is assessed as substantial.** One major risk is the possible spillover of conflict to neighboring provinces. Recent spikes in attacks signal the ongoing risk of the conflict's resurgence, escalation, and spread. This could exacerbate the humanitarian and displacement crisis, put additional strain on social cohesion, and impact the economy. If they materialize, such events would likely divert the attention of authorities away from the reform agenda toward more urgent emergency and reconstruction needs. The WBG is continuing its support to the Government, including through support to the *Plano de Reconstrução de Cabo Delgado*, to PREDIN, through the PRA, and through this CPF.

146. **The risk of climate shocks is considered substantial, despite important mitigating factors**. As illustrated by the FY17-FY21 CPF, the need to address the impact of extreme climate hazards may reduce the resources (financial, knowledge, and human) available for the remaining parts of the program, despite the emphasis in the current program on response to and prevention of multidimensional shocks (Objective 3). The use of CERCs and the experience with COVID-19 will help to mitigate these risks. The Government is committed to further improving its capacity to respond to such shocks while investing in prevention.

147. **Macroeconomic risks are substantial.** Mozambique's positive growth prospects are subject to considerable downside risk, including the global impact of the war on Ukraine, as well as debt sustainability, which is heavily dependent on the future of LNG investments and the security issues in Cabo Delgado. Prolonged two-digit food price inflation and declining real wages could provoke social unrest. As a mitigating factor, the Government is committed to fiscal sustainability, and the IMF program is a further demonstration of its commitment. This also underpins the DPO series under this CPF period.

148. **Political and governance risks are also substantial.** While the political environment is stable, insufficient progress with decentralization may threaten this. Mozambique also faces longstanding governance challenges, exacerbated by weaknesses in institutional capacity. Elections will be held in 2024, and a Performance and Learning Review of the CPF is scheduled for FY25, coinciding with the new government taking office. This will provide an opportunity to further align the CPF with the priorities of the new administration.

149. **Institutional capacity is a source of substantial residual risk.** The rapid and large increase in lending volumes has stressed the implementation capacity of core government agencies. The new CPF proposes to address this issue both at a broader institutional level and at project implementation level through enhanced training. The program also proposes the creation of centers of excellence to reduce the pressures on the Project Implementation Units (PIUs). Emergency situations could also add additional stress to the system. The institutional capacity for implementation risk is therefore considered substantial, even after mitigation.

150. **Environmental and social risks are assessed as substantial**. There has been an increase in GBV cases in recent years. This has been due to the increased sensitization and access to quality care that results from the adoption of stronger grievance redress mechanism framework, the development of accountability, and increased community trust in survivor-centered accountability systems. Swift action was taken to mitigate this risk, including a detailed GBV risk-mitigation framework and implementation plan, which provided detailed mitigation measures (contractual obligations, capacity building, monitoring, and multi-sectoral coordination)

and served as a blueprint for furthering risk prevention and mitigation across the Mozambique portfolio. Specific measures by government counterparts included: (i) hiring additional environmental and social specialists to enhance project capacities at central and local levels; (ii) streamlining environmental and social instruments and implementing programmatic approaches to address SEA/SH risks in the north; (iii) identifying qualified firms to provide environmental and social services to government agencies; and (iv) highly specialized short training courses for PIUs. A national strategy to curb GBV is being developed by the Ministry of Public Works, Water and Housing. Despite those mitigating measures, GBV risk is assessed as substantial in the sense that increased sensitization and access to quality care is likely to continue to increase the uptake of GBV cases.

151. **Other forms of risk, while significant, are likely to be moderated sufficiently by effective mitigating measures.** For example, CPF support to the sustainable development of natural resources sectors intrinsically involves high risks, especially in the case of LNG investments. The program will heavily invest in institutions, from support for the sovereign wealth fund to natural resources management, to help mitigate those risks and gradually shift Mozambique towards a greener economy. Guidance provided by the CCDR will further inform policies and investment which will contribute to mitigating risks, which remain substantial. The risk of re-escalation of the conflict in Cabo-Delgado is also substantial, and the CPF will continue to help mitigate the underlying causes of fragility and conflict through the implementation of the PRA. Additionally, in one of the poorest countries in the world, the social risks are relevant and associated with a growth pattern that does not generate enough jobs or enables sustainable investments in human capital. The CPF is contributing to tackling these two issues as HLOs. In particular, gender and GBV risk are significant; as such, the WBG is putting in place the systemic identification, prevention, and mitigation of GBV issues with the support of specialized NGOs. A Gender Assessment of the World Bank portfolio provides an entry point for World Bank interventions on gender.

Table 4 – CPF Risk Matrix

Risk Category	Rating
Political and Governance	Substantial
Macroeconomic	Substantial
Sector Strategies and Policies	Moderate
Technical Design of Projects or Program	Moderate
Institutional Capacity for Implementation	Substantial
Fiduciary	Moderate
Environmental and Social	Substantial
Stakeholders	Moderate
Other: Re-escalation of the conflict in Cabo Delgado	Substantial
Other: Climate shocks	Substantial
OVERALL	Substantial

Annex 1: Results Matrix[97]

High-Level Outcome 1 (HLO 1) – More inclusive institutions		
High-level outcome indicators	**Data source**	**Current value**
Net fiscal transfers to the bottom 40 percent (as defined by the Fiscal Incidence Analysis under the Commitment to Equity methodology)	*World Bank Commitment to Equity (CEQ)*	*Total direct transfers to the bottom 40 percent (CEQ 2020) = 45% of total budget allocation (as calculated by the Fiscal Incidence Analysis under the Commitment to Equity methodology)*
Budget Public Participation Budget Transparency	*Open Budget Survey*	*Budget Public Participation (2021) =18/100* *Budget Transparency Index (2021)=45/100*

High-level outcome description

Rationale for the CPF objective and WBG engagement: Inclusive economic institutions are those that make the best use of the talents and skills of the people and enable equal opportunities and rights, voice, and access to services. Mozambique's institutions have shown limitations in their focus on the poor, transparency and accountability, and opportunities for public participation. As a result, the governance challenge in Mozambique is broad and deep, as indicated by the deterioration in governance indicators in recent years. Reinforcing citizens' agency and supporting the social contract, especially among those who are more vulnerable and disenfranchised by state policies, will increase the benefits of economic development, and enhance social cohesion. The WBG will contribute to this HLO with investments and analytical and advisory services under three objectives: (i) improved economic management; (ii) enhanced public sector capacity for inclusive public services; and (iii) strengthened crisis and disaster preparedness and response.

Lessons learned and new knowledge at the program level: Following the improvements in government performance in fiscal management, debt transparency, and PFM, as presented by the Debt Service Suspension Initiative, resuming Development Policy Financing, suspended since the hidden debt crisis, will help support continued institutional reforms. The CPF needs to continue the emphasis on governance reforms, including a more gradual sector-specific approach to the decentralization agenda.

Associated SDGs:

1. SDG 8 – Decent Work and Economic Growth
2. SDG 9 – Industry, Innovation, and Infrastructure
3. SDG 11 – Sustainable Cities and Communities
4. SDG 13 – Climate Action
5. SDG 15 – Life on Land
6. SDG 16 – Peace, Justice, and Strong Institutions

Objective 1: Improved economic management

This CPF objective is related to the 2017 CPF objective "Improving economic management". Providing continuity from the 2017 CPF, the current CPF supports further improvement to economic management by emphasizing debt dynamics and sustainability and improving the country's credit risk as well as transparency and accountability in the public sector.

Rationale for the CPF objective and WBG engagement: The Government faces a heavily constrained fiscal space and is at high risk of debt distress. More than two-thirds of public spending is currently allocated to the wage bill and debt servicing, curbing its ability to invest in infrastructure and human capital for economic transformation. This is further exacerbated by limited access to international capital markets. Sound macro-fiscal

[97] Variations in the baseline years reflect data availability, while variations in the target years reflect data available from current projects documents. Adjustments are likely to occur during the Performance Learning Evaluation.

policies would help to improve its sovereign risk rating, mobilizing international savings to finance development. Better public investment management, including mainstreaming climate change considerations into the allocation of public resources would improve the impact of public investments. LNG will continue to bring positive medium- and long-term development prospects. However, realizing these will require sound public institutions and a strong fiscal framework (including fiscal rules) that will ensure the productive use of the LNG income. Improving PFM will be an important part of this. This objective will support the Government to: (i) improve debt management; (ii) strengthen the fiscal framework for macroeconomic stability; (iii) improve the management of public investments.

Lessons learned and new knowledge at the program level: Technical assistance and coordination with other development partners was key to previous progress in improving Mozambique's economic management. The WBG will continue to provide assistance to the Government under this CPF objective through ongoing and planned support, namely the Strengthening Economic Management for Inclusive Growth Project (176664) , Development Policy Financing (DPF) series, and analytical advisory services resulting from the Public Expenditure Review and other analysis.

WBG ongoing and planned support: In coordination with donors, the WBG has supported the Government in improving economic governance and transparency. New government regulations on SOEs, debt, guarantees issuance, fiscal risk, and public investment management were adopted. Accountability measures have also been supported through the SDFP. This CPF will continue the work of the previous program by placing more emphasis on debt sustainability, the development of a sound fiscal framework, and the management of public investments—including the capacity of sector ministries to design and evaluate projects, thus increasing social returns—while mainstreaming green growth and climate resilience considerations into public investment plans. The program will continue to support the development of fiscal instruments and tools to manage resource revenue to mitigate adverse impacts and ensure intergenerational equity. This objective will also support financial stability and transparency. Central to this objective will be a series of DPOs. The program builds on the IMF program approved on May 2022. Other lending, analytical and sector analysis, TA, and enhanced policy dialogue will complement the World Bank's budget support. The planned future fiscal consolidation work will build on the recently completed PER. As the policy dialogue on structural reforms evolves, emphasis will be placed on "on demand" ASAs. TA will also be enhanced by the Managing Public Resources for Service Delivery Project (GEPRES; P173178), which aims to contribute to strengthening public finance management, revenue administration, the management of SOEs, and the creation of a supreme audit institution.

Key risks and mitigation include a low appetite in government for the implementation of macro-fiscal reforms. This may lead to slower than expected achievement of targets, especially if new shocks occur and divert priorities to other areas. Mitigation factors include the upcoming DPF series advancing reforms, as well as the possible resumption of the IMF program. Further, the World Bank will be providing TA to the Government in key areas that support the achievement of the objective.

CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
Ind 1.1. Increased share of domestic debt with instruments with maturity above 5 years. Baseline [2022]: 5% Target [2027]: 25% Ind 1.2. Medium-term fiscal framework and budget to include fiscal risk mitigation measures based on recommendations from the fiscal risk report. Baseline [2022]: No Target [2027]: Yes	SPI 1.1. Reduced wage bill as a percentage of GDP.[98] Baseline [2022]: 14% Target [2027]: 12% SPI 1.2. Medium-term debt framework developed and used to inform medium-term fiscal framework.[99] Baseline [2022]: No Target [2027]: Yes	**Ongoing Financing:** - Mozambique Institutions and Economic Transformation DPF (P176762) - Managing Public Resources for Service Delivery (P173178) - National Statistics and Data for Development (P162621) - Mozambique: Financial Inclusion and Stability Project (P166107)

[98] This indicator is in line with targets agreed under the IMF ECF arrangement approved in 2022. It will be monitoring through the program implementation reports. Government MTFF (www.mef.mz).
[99] Government MTFF (www.mef.mz).

Ind 1.3. Adoption of a climate-smart public investment management framework in new infrastructure projects included in the public budget.[100] Baseline [2022]: No Target [2027]: Yes Ind 1.4. Creation and operationalization of a Sovereign Wealth Fund for Mozambique. Baseline: [2022]: No Target: [2027]: Yes	SPI 1.3. Establishment of a medium-term budget framework with sectoral multi-year budget ceilings and/or fiscal targets, and and/or qualitative objectives in sectors critical for economic transformation.[101] Baseline [2022]: No Target [year]: Yes	- Strengthening Economic Management for Inclusive Growth (176664) **Financing Pipeline:** - Mozambique Institutions and Economic Transformation DPF (II) (2023) - Mozambique Integrated Institutional Capacity Building (2023) - SADC Regional Statistics Project (2023) **Ongoing ASA:** - PER - Enhancing Civil Service Effectiveness ASA - CCDR - Pension reform TA
Objective 2: Enhanced public sector capacity for inclusive public services		
This is a new CPF objective that draws on elements of the 2017 CPF objectives focused on Objective 8 (Increase transparency and accountability of government institutions). However, it places greater emphasis on building state capacity for service delivery and the management of SOEs.		
Rationale for the CPF objective and WBG engagement: Inclusive institutions depend on the quality and equity of public service provision. Improving government effectiveness at delivering better policies and services is essential to strengthening the social contract between the Mozambican state and its citizens. This CPF will enhance government initiatives and complement development partners' efforts. In this context, the CPF FY23–FY27 will focus on three intermediate objectives: (i) strengthened civil service skills and PFM; (ii) continued decentralization through an adjusted approach; and (iii) increased performance transparency, external oversight, and citizen's voice for better public sector's accountability. *Lessons learned and new knowledge at the program level:* Governance achievements in the past CPF were concentrated on improving the transparency of fiscal and debt management policies. However, the Government has demonstrated limited capacity to further the broader agenda due to its complexity, the limitations of human resources management, and a lack of transparency. As a result, the decentralization agenda stalled after a promising beginning due to changes in government priorities. The main lesson is to be selective and focus primarily on the administrative decentralization of health and education services to municipalities and provinces. *WBG ongoing and planned support:* Efforts to increase government effectiveness will take a three-stage approach combining various WBG instruments. First, an ASA (FY23–FY24) will conduct a functional review and a civil service capacity assessment. Second, the Mozambique Integrated Institutional Capacity Building IPF (FY23–FY28) will be dedicated to public sector modernization and civil service capacity building. The third phase will mainstream selected changes from the previous two phases across the entire administration through a PforR. The decentralization process for improved quality service delivery will be supported by (i) capacity building, including for provinces and municipalities; and (ii) effective transfers of functions and resources in the health and education sector. The CPF will support the process through TA (GEPRES; P173178 and PDUM; P163989) covering the development and implementation of a formula for the transfer of resources and functions to the provinces.		

[100] State Budget (www.mef.mz); Strengthening Economic Management for Inclusive Growth (176664).
[101] Government MTFF (www.mef.mz).

Objective 7 will complement this approach. Support will be given to widening the public use of digital technology, enhancing transparency and accountability. GEPRES (P173178) will provide TA for the creation of an independent supreme audit institution. Building on the National Risk Assessment and the new AML/CFT law, the CPF will continue to support the Government's efforts to improve financial integrity. The development and implementation of an e-government procurement strategy and use of digital technologies for better service delivery will be supported by the Digital Governance and Economy Project (P172350)—encouraging environmentally-friendly criteria and strengthening institutions mainstreaming the climate agenda. The WBG will also support the creation of Citizens' Assemblies around issues such as budget allocation and sharing of gas revenues, providing space for peaceful contestation and dialogue.

Key risks and mitigation: The main risks relate to the insurgency in the north and a fiscal decentralization framework that is not yet fully implemented. This may delay decision making on issues related to implementing the systems and processes that are essential for the success of the reforms supported by some of the projects. To mitigate this, the teams will arrange briefing sessions with the key high-level stakeholders in relevant institutions on the results, approach, and areas of reform that the project will support, and emphasize the key decisions and actions necessary to achieve success in the objectives.

CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
Ind 2.1. Public transfers for health and education to provinces and municipalities as a share of total spending in those sectors.[102] Baseline [2022]: 0% Target [2027]: 25% Ind 2.2. Increased capacity to audit public expenditure (percentage).[103] Baseline [2022]: 46% Target [2027]: 65% Ind 2.3. Percentage of the population with biometric identification. Baseline [2022]: 40% Target [2027]: 70% Ind 2.4. Number of users benefiting from newly streamlined and/or digitalized public services. Baseline [2022]: 0 Target [2027]: 2,500,000[104] Ind 2.5. Number of Citizens' Assemblies held. Baseline [2022]: 0 Target [2027]: 3	SPI 2.1. Creation of centers of excellence. Baseline [2022]: 0 Target [2026]: 4–5	**Ongoing Financing:** - Managing Public Resources for Service Delivery (P173178) - Mozambique Urban Development and Decentralization Project (P163989) - National Statistics and Data for Development (P162621) - Digital Governance and Economy Project (P172350) **Pipeline** - Mozambique Integrated Institutional Capacity Building (2023) - SADC Regional Statistics Project (2023) **Ongoing ASA** - Enhancing Civil Service Effectiveness ASA
Objective 3: Strengthened crisis and disaster preparedness and response		
This CPF objective is related to the 2017 CPF Objective 11 (Improving management of climate risk and natural resources).		

102 State Budget (www.mef.mz).

103 Proportion of public expenditure externally audited by the *Tribunal Administrativo*. The proportion are supplied by the *Tribunal Administrativo*.

104 Digital Governance and Economy Project (P172350).

Rationale for the CPF objective and WBG engagement: High exposure to shocks combined with limited coping mechanisms help to trap households into low-income growth trajectories. State capacity has been particularly relevant for preparedness for and mitigation of climate and health shocks over the last five years, and for the mitigation of FCV risks. As a country vulnerable to natural disasters and the impacts of climate change, increasing resiliency is essential to bring people out of poverty and prevent the vulnerable and IDPs from falling into poverty. Preparedness and mitigation of shocks is also essential to protect the country's growth prospects and includes the management of macroeconomic shocks addressed by Objective 1. While the climate change agenda will be mainstreamed throughout the CPF, this objective will complement Objective 1 (green public investment) and will support the implementation of the Government's climate priorities. The knowledge base will be further enhanced by the recommendations of the CCDR, including mainstreaming climate considerations into the country national development strategy and policies. The CPF will seek to attain this objective by: (i) continuing to strengthen the country's timely response, capacity, and gradual adaptation to climate shocks; and (ii) supporting its pandemic preparedness. *Lessons learned and new knowledge at the program level:* DRM has shown strong improvement during the past CPF period, building on the WBG's core attributes as well as the targeted nature of the interventions. COVID-19 highlighted the need to be prepared for pandemics while the escalation of the conflict in Cabo Delgado has shown the multidimensionality of the shocks Mozambique is subject to. *WBG ongoing and planned support:* WBG support for strengthening Mozambique's prevention, response, and resilience includes the creation, capitalization, and operationalization of the FGC; the adoption of new building codes and standards for resilient infrastructure; approval of a national disaster risk financing strategy; and improved emergency response and response to the Cabo Delgado conflict. Under the new CPF, the overall support for DRM will be anchored in the Disaster Risk Management and Resilience PforR (P166437) and the Cyclone Idai and Kenneth Emergency Recovery and Resilience Project (P171040). This operation, which closes at the end of FY24, and other operations in the portfolio, will continue to build disaster preparedness capacity among communities and the early warning capabilities of the DRM system. The CPF will continue to support pandemic preparedness through the COVID-19 Strategic Preparedness and Response Project (P175884) and through participation in a new regional pandemic preparedness project. *Key risks and mitigation:* Some interventions will require labor to be hired, which could lead to an influx of workers bringing potential risk of conflict with local communities and gender-based violence/sexual exploitation and abuse/sexual harassment risks. In cases where cash transfers are considered, there is a potential risk of elite capture and exclusion from project benefits or of conflict if the targeting of program beneficiaries (cash for work, etc.) is not carefully planned in consultation with local communities. These risks will be managed by direct consultations with local communities and through the working conditions for labor. There are also security risks due to the context of conflict in Cabo Delgado.

CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
Ind 3.1. Number of sectors with climate resilient standards for infrastructure.[105] Baseline [2022]: 2 (education and roads) Target [2027]: 4 new (housing, public infrastructure, health, and energy) Ind 3.2. Number of people in targeted lagging northern areas with increased access to climate resilient infrastructure and basic services.[106] Baseline [2022]: 0 Target [2027]: 680,000	SPI 3.1. Number of people with increased flood protection.[107] Baseline [2022]: 0% Target [2027]: 20% of affected people SPI 3.2. Number of people at risk areas with access to more resilient livelihoods services (e.g., early warning information; emergency response services or safety nets). Baseline [2022]: 0 Target [2027]: 3 million[108]	**Ongoing Financing:** - Northern Mozambique Rural Resilience Project (P174635) - Disaster Risk Management and Resilience Program (P166437) - Cyclone Emergency Recovery and Resilience Project (P171040) - Mozambique Northern Urban Development Project (P175266) - COVID-19 Strategic Preparedness and Response Project (P175884)

[105] Sectors evidence.
[106] Mozambique Northern Urban Development Project (P175266).
[107] Disaster Risk Management and Resilience Program (P166437).
[108] Refers to number of people in risk-prone areas reached by flood and cyclone early warning systems under the Program.

Ind 3.3. Number of households benefiting from safety net programs.[109] Baseline [2022]: 500,000 Target [2027]: 2 million (o/w female-headed: 50%) Ind 3.4. Full operationalization of the Center for Public Health Emergencies Baseline [2022]: No Target [2027]: Yes		- COVID-19 Strategic Preparedness and Response Project Additional Financing (P178068) - Northern Crisis Recovery Project (P176157) - Northern Crisis Recovery Project – Additional Financing (P178070) - Strengthening Economic Management for Inclusive Growth (176664) - The Mozambique Conservation Areas for Biodiversity and Development Project – Phase 2 (MozBio; P166802), - Sustainable Rural Economy Multiphase Programmatic Approach (MPA) (P174002) **Financing Pipeline:** - Crisis Response Window Food Security Additional Financing (P code TBD) **Ongoing ASA:** Climate Change and Development Report (P177152)
High-Level Outcome 2 (HLO 2) – Inclusive green job creation		
This HLO is related to Focus Area 1 of the 2017 CPF: Promoting diversified growth and enhanced productivity.		
High-level outcome indicators	**Data source**	**Current value[110]**
1. Share of labor employed in agriculture 2. Share of urban population (including peri-urban) 3. Share of small farmers as a proportion of the total	*Agriculture Integrated Surveys* *National Census* *ILO*	Share of agricultural employment = 71% Share of urban population = 33% (Census 2017) Share of small farmers = 99%
High-level outcome description *Rationale for the CPF objective and WBG engagement:* Inclusive growth and job creation are national strategic priorities. Evidence from Mozambique and other countries has shown the sustained poverty-reduction effect of labor moving out of low productivity agriculture into higher productivity industry and service sectors. In Mozambique, the pace of this economic transformation has been slower than comparable countries and will not be enough to reduce poverty in a meaningful way in the coming years. Rural development and agricultural productivity continue to be a priority. At the same time, enabling urbanization in Mozambique is important to foster economic agglomeration and more efficient service delivery. Increasing the pace of economic transformation would strengthen the growth-poverty nexus. Mozambique is facing the need to gradually adjust to declining international demand for non-renewable fuels (coal and natural gas). The WBG will contribute to this HLO with investments and analytical and advisory services under three objectives: (i) enabled green growth through sustainable use of natural resources; (ii) growth of MSMEs in selected labor-intensive sectors and new industries; and (iii) expanded infrastructure services.		

[109] Instituto Nacional de Acção Social.
[110] CPFs track the trajectories of HLO indicators but do not formulate target values.

Lessons learned and new knowledge at the program level: The 2017 CPF contributed only marginally to the job creation and poverty reduction needed due to the limited impact of WBG investments on agricultural productivity. The theory of change has been adjusted to reflect the fact that a large proportion of workers in subsistence agriculture do not have the potential to become commercial farmers and may benefit more from social protection programs providing conditional, unconditional, or productive cash transfers.

Associated SDGs:

1. SDG 1 – No Poverty
2. SDG 6 – Clean Water and Sanitation
3. SDG 7 – Affordable and Clean Energy
4. SDG 8 – Decent Work and Economic Growth
5. SDG 11 – Sustainable Cities and Communities

Objective 4: Enabled green growth through sustainable use of natural resources

This objective is related to the 2017 CPF objective of "Increasing agricultural growth" but expands the targeted sectors for growth beyond agriculture.

Rationale for the CPF objective and WBG engagement: In the short term, non-renewables will continue to be sources of growth in Mozambique. However, Mozambique will need to gradually adopt a low-carbon trajectory. Mozambique's vast endowment of renewable natural resources and minerals needed for the energy transition provides significant opportunities to supply lower-carbon, low-cost power domestically and to the region. Mozambique is also endowed with significant arable land and forests. In order to increase productivity and develop downstream industries, Mozambique will need to shift from subsistence-dominated agriculture to larger-scale, commercial, and export-oriented sustainable agriculture, while harnessing opportunities for renewable energy generation and developing a vibrant blue economy and preserving wildlife. Under this objective, the WBG will focus on three main priorities: (i) increasing climate-smart agricultural productivity; (ii) unlocking private investments in the green sector—forestry, fisheries/ aquaculture, and tourism; and (iii) increased renewable energy generation.

Lessons learned and new knowledge at the program level: The WBG needs to shift its main effort and resources to structural and spatial transformation, due to the limited gains in agricultural productivity during the past CPF, despite the significant resources invested. While addressing food security issues, the agriculture strategy needs to maximize the income-generating potential of the agricultural sector, encouraging economic transformation. For Mozambique to remain competitive in a decarbonizing world, it will need to ensure trading access to new low-carbon technologies and put in place infrastructure and services to support carbon competitive exports. The Temane Regional Electricity Project demonstrated that regional integration will be critical to developing domestic natural resources at scale to reduce the cost of electricity for Mozambique and the region.

WBG ongoing and planned support: The WBG approach to agriculture support has focused on integrated landscape management, conservation of the natural resource base and ecosystem services to sustain agricultural production, improved access to inputs, technical assistance, extension services, and markets for potential commercial farmers. This includes support to increase the market production of forest products and reduce deforestation (Mozambique Agriculture and Natural Resources Landscape Management Project - P149620), improve irrigation and market access (Smallholder Irrigated Agriculture and Market Access Project IRRIGA 1 - P164431), and ecotourism via the Mozambique Conservation Areas for Biodiversity and Development (Phase 2; MozBio; P166802). IFC will continue to explore opportunities to support the sustainable development of the forestry sector, building on its investment and advisory projects with Portucel Moçambique (#32522 and #598347), aimed at enhancing the developmental impact of forestry investments and reducing extreme poverty among households affected by forestry plantations in its concession areas in Mozambique. Support has also been directed toward the regularization of land and rural finance, a pre-condition for efficient land use (Project Terra Segura - P164551). The WBG will continue to support the Government in enhancing the sustainability of investments in non-renewable natural resources in the power sector—natural gas and mining sectors, addressing sector negative externalities, and exploring positive spillovers—including human capital development and economic linkages and diversification.

Key risks: Persistent poverty, lack of inclusiveness, and widespread inequality are the main drivers of fragility. The country is exposed to risks related to corruption and fraud. Indicators show a gradual decline in government effectiveness, control of corruption, the rule of law, and voice and accountability over the past several years. These are substantial country risks reaching deeply into most aspects of public service delivery, at both the national and local levels. These risks will, to some extent, be mitigated by prioritizing the provinces with the highest poverty rates and promoting more inclusive growth and development of the rural economies, as well as building broad public support through enhanced communication. Furthermore, the CPF program will support the strengthening of government institutions at the national and local level to improve the effectiveness of service provision and governance.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Ind 4.1. Share of farmers commercializing agriculture output.[111] Baseline [2020]: 20% Target [2026]: 25% (o/w female: 30%) Ind 4.2. Number of farmers reached (directly or indirectly) through IFC clients. Baseline [2022]: TBD Target [2025]: 5,370 Ind 4.3. Emissions avoided from reduced deforestation (metric tons). Baseline [2018]: 0 Target [2024]: 542,000 Ind 4.4. Increased share of renewable energy (excluding hydro) in the total energy mix.[112] Baseline [2020]: 1% Target [2024]: 4% Ind 4.5. Approval of a blue economy strategy. Baseline [2022]: No Target [2027]: Yes Ind 4.6. Number of rural households integrated in conservation-compatible value chains. Baseline [2018]: 0 Target [2027]: 3000 (o/w female-headed: 30%)	SPI 4.1. Land yields in selected crops and regions. Baseline [2020]: Maize yield = 800kg/ha Target [2027]: Maize yield = 1500kg/ha Source: Integrated Agricultural Surveys (IAS) SPI 4.2. Number of people benefiting from formal land-use rights (*Direito de Uso e Aproveitamento de Terra*; DUATs).[113] Baseline [2020]: 0 Target [2025]: 64,000 SPI 4.3. Number of firms benefiting from skills interventions for upstream linkages.[114] Baseline [2022]: 0 Target [2027]: 1000 SPI 4.4. Share of households covered by formalized land-use rights (2017 CPF indicator to continue).[115] Baseline [2020]: 10% (2020) Target [2026]: 15% (o/w female-headed: 30%)	**Ongoing Financing:** - Mozambique Agriculture and Natural Resources Landscape Management Project (P149620) - Sustainable Rural Economy Program (P174002) - Northern Mozambique Rural Resilience Project (P174635) - Mozambique Mining and Gas Technical Assistance Project (P129847) - Smallholder Irrigated Agriculture and Market Access Project- IRRIGA 1 (P164431) - MZ Zambezia Emissions Reductions (Payment (P164524) - Mozambique Conservation Areas for Biodiversity and Development - (Phase 2; P166802) - Mozambique Land Administration Project (Terra Segura); (P164551) - Southern Africa Trade and Connectivity Project - Economic Linkages for Diversification (P171664) - Safer roads for Socio-economic Integration Program - Energy for All - Temane Regional Electricity Project - Mozambique-Malawi Regional Interconnection - Power Efficiency and Reliability Improvement Project

[111] Integrated Agricultural Surveys (IAS).
[112] Power Sector Master Plan.
[113] Mozambique Land Administration Project (Terra Segura) (P164551).
[114] Economic Linkages for Diversification (P171664).
[115] Mozambique Land Administration Project (Terra Segura) (P164551).

		- Integrated Feeder Road Development Project **Financing Pipeline:** TA for the development of the energy sector considering all its natural resources to reduce energy poverty in Mozambique and the region. **ASA Pipeline:**[116] ***Advisory Services*** - Portucel Mozambique (598347) - Nespresso Revivals Mozambique (606557) ***Investment Services*** - Westfalia Fruto Mozambique (34183) - Westfalia Fruto Mozambique (42280) - Merec Industries SA (31153) - Portucel Mozambique (32522)

Objective 5: Growth of MSMEs in selected labor-intensive sectors and new industries

This CPF objective is related to the 2017 CPF Objective 3 "Improving the business environment for job creation" of Area 1, with additional coverage of policies towards SME growth and sustainable income growth in the informal sector.

Rationale for the CPF objective and WBG engagement: Improved agricultural productivity will enable labor to move out of substance agriculture to better-paid jobs in urban areas and in service sectors. Inclusive jobs will require faster growth among activities employing low-skilled labor. Enabling SMEs to fully explore backward and forward linkages would increase the impact of large investments, especially when LNG production takes off, and provide opportunities for the absorption of low-skilled workers. Accelerating the growth of MSMEs requires continued emphasis on access to markets, finance, labor skills, and improved capabilities, especially in the informal sector, and leveraging the benefits of digital technology. With a growing working-age population, increasing the growth of labor-intensive sectors, including services and informal activities, will be essential to absorb the inevitable labor surplus: 500,000 people are expected to enter the labor market annually, in an economy able to create only 25,000 jobs per year. The WBG will support business environment reforms and strategic investments that contribute to: (i) accelerating the growth of MSMEs, including through youth access to technical training in selected sectors; and (ii) developing the digital economy.

Lessons learned and new knowledge at the program level: WBG interventions need to be cross-sectoral and ensure linkages across this sector, as well as the green and blue economy and the informal sector. The WBG needs to pursue reforms that improve the functioning of labor and capital markets, including improving access to finance; strengthening the performance of MSMEs through skills development and quality upgrading; creating/strengthening markets and regulations that enable further expansion of the digital economy; and exploring opportunities for further regional trade integration. Labor supply could be strengthened by supporting the Government in efforts to increase empowerment, access to education, and employment opportunities for the youth.

[116] Following a government request, a multiyear ASA covering the topics agricultural productivity, economic transformation and poverty reduction is envisaged to provide the analytical basis for the development of proper policies.

WBG ongoing and planned support: The WBG has supported business environment improvement, access to finance, job creation, and improved firm productivity, including along the development corridors. This has been done through complementary interventions including the *Emprega* program under the Demographic Dividend Project (P166100), the Economic Linkages project (P171664) covering about 10,100 MSMEs, and the Southern Africa Trade and Connectivity Project (P164847). Under the proposed CPF, the WBG will adopt a more targeted (sectorial and territorial) approach and will pay additional attention to the informal sector, seeking to leverage the benefits of digital technology, including in raising labor productivity in the service sector. The WBG will support business environment reforms and strategic investments that contribute to (i) accelerating the growth of MSMEs through youth access to technical training in selected sectors; and (ii) developing the digital economy. A new project, the Access to Finance & Economic Opportunities Project – *Mais Oportunidades* (P178658), will seek to increase access to financial services and economic opportunities for low-income households and MSMEs, including the informal sector. IFC will complement this with a focus on the construction and affordable housing sectors, local building material companies, and the financial sector (including digital financial services) as well as supporting changes to property titling and mortgage regulations. MIGA will work to support engagements in the digital and financial sectors. *Key risks and mitigation:* The world's macroeconomic environment could deteriorate further leading to a fall in large investments in the country, thus limiting the opportunities for economic linkages. Social conflict and political unrest could further escalate during the CPF implementation period. The conflict in Cabo Delgado may spill over to further districts or neighboring provinces. To mitigate these risks, the implementation will work across multiple sectors and locations, and with private sector actors, seeking to drive multiple opportunities for increased investment and employment. The implementation will also build on the Risk and Resilience Assessment recommendations for operating in the conflict-affected areas and how to adapt and mitigate conflict-related risks in the districts of Cabo Delgado province. Investing in analytics will boost the understanding of key risks in the short and medium term.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Ind 5.1. Increase in average gross sales of selected SMEs.[117] Baseline [2022]: 0 Target [2027]: 20% (o/w female-headed: 50%) Ind 5.2. Number SMEs that received loans secured by movable assets registered in the collateral registry.[118] Baseline [2022]: 38 Target [2027]: 3750 (o/w female-headed: 50%) Ind 5.3. Investment Law approved with provision to improve approval and entry of investment projects.[119] Baseline [2022]: No Target [2027]: Yes	SPI 5.1**.** Number of implemented business environment reforms supporting labor-intensive activities. Baseline [2021]: 0 Target [2027]: 2 SPI 5.2**.** Number of investment climate reforms supported by IFC. Baseline [2022]: 0 Target [2027]: 3 SPI 5.3**.** Value of financing facilitated through financial infrastructure supported by IFC. Baseline [2022]: US$24 million Target [2027]: US$35 million SPI 5.4. Number of firms benefiting from matching grants or competitive grants.[120] Baseline [2022]: 0 Target [2027]: 600	**Ongoing Financing:** - Mozambique Forest Investment Project (P160033) - Harnessing the Demographic Dividend (P166100) - Mozambique: Financial Inclusion and Stability Project (P166107) - Improvement of Skills Development in Mozambique (P167054) - Economic Linkages for Diversification (P171664) - Southern Africa Trade and Connectivity Project (P164847) - Sustainable Energy and Broadband Access in Rural Mozambique (P175295 **Financing Pipeline:** - Access to Finance and Economic Opportunities Project (2023)

[117] Firms selected based on the following projects: Economic Linkages for Diversification (P171664) and Mozambique: Financial Inclusion and Stability Project (P166107).
[118] Access to Finance and Economic Opportunities Project (2023).
[119] Government of Mozambique.
[120] Economic Linkages for Diversification (P171664).

<table>
<tr>
<td>Ind 5.4. Share of the population with basic and resilient housing.
Baseline 2019: 30%
Target: 2027: 35% (o/w female-headed: 10%)
Source: Population Census

Ind 5.5. Number of formal and informal MSMEs benefiting from financial services through digital channels.
Baseline [2022]: 0
Target [2027]: TBD[121]

Ind 5.6. Number of jobs supported by IFC clients.[122]
Baseline [2021]: 1,197
Target [2027]: TBD</td>
<td>SPI 5.5. Value of transactions/month (US$)
Baseline [2021]: 1,478,000,000
Target [2027]: TBD[123]

SPI 5.6. Number of Digital Financial Services agents
Baseline [2021]: 42,824
Target [2027]: TBC[124]</td>
<td>Ongoing ASA:
- Women Entrepreneurs Finance Initiative (We-Fi;)

IFC Portfolio
Advisory Services:
- Mpesa Mozambique (602138)
- Banco Comercial e de Investimentos (BCI) (603275)
- STCR Mozambique (602928)
- Mozambique Investment Climate Project 2 (603043)
- Nespresso Revivals Mozambique (606557)

Investment Services
- Nedbank Mozambique (44597)
- Midal Cables Moz (32703)
- M.M Integrated Steel Mills (34708)
- CTT (43099)
- Mocuba Solar (36787)
- Portucel Mozambique (32522)
- Westfalia I and II (34183 and 42280

Pipeline Advisory Services:
- Mpesa Moz DFS II (606264)

MIGA Portfolio
- ABSA/Barclays Mozambique
FirstRand Bank Mozambique</td>
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<tr>
<td colspan="3">Objective 6: Expanded infrastructure services</td>
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<tr>
<td colspan="3">This CPF objective is related to the 2017 CPF Objective 2 “Expansion of access and improvement in reliability of electricity”.</td>
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<tr>
<td colspan="3">Rationale for the CPF objective and WBG engagement: Economic transformation, conflict in the north and influxes of IDPs have been major drivers of an unprecedented urban growth overwhelming the authorities’ capacity to deliver basic infrastructure and adequate housing. Urban growth is happening in an unplanned manner and without public investment. As a result, cities are expanding informally. The widespread lack of formal land tenure rights exacerbates economic and social exclusion. The residents of these peri-urban areas are also at a higher risk of climate-related impacts. This pattern of informal urban growth limits the full benefits of economic agglomeration, undermines social cohesion, and increases the risk of conflict. Providing universal access to affordable energy and telecommunications services remains a challenge and government priority. The main WBG focus during the CPF period in assisting the Government to address these challenges will be to: (i) continue to support access to electricity and water services; (ii) improve the quality of strategic roads; and (iii) continue support for large urban centers while gradually extending it to fast growing cities, including in the northern region. Several other objectives will also interact with this one. The results in telecommunications depend</td>
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</table>

121 Mozambique: Access To Finance & Economic Opportunities Project (2023) IFC: Mpesa Mozambique (602138) and Mpesa Mozambique DFS II (606264).
122 Current IFC investment and advisory portfolio projects linked to Indicator 5.7: Central Termica de Temane – CTT (43099), Mocuba Solar (36787), Portucel Mozambique (32522), Westfalia Mozambique (I and II – 34183, 42280), Nespresso Revivals Mozambique (606557).
123 Mozambique: Access To Finance & Economic Opportunities Project (2023) IFC: Mpesa Mozambique (602138) and Mpesa Mozambique DFS II (606264).
124 Mozambique: Access To Finance & Economic Opportunities Project (2023) IFC: Mpesa Mozambique (602138) and Mpesa Mozambique DFS II (606264).

on the enabling effect and complementarity with the development of the digital economy (one of the priorities under Objective 5). Improved logistics may also help to build on the country's locational advantages and improve the competitiveness of labor-intensive sectors (complementing Objectives 4 and 5). Given the fiscal constraints, the emphasis will be on mobilizing private capital, through concessions or PPPs, based on close collaboration with IFC and MIGA.

Lessons learned and new knowledge at the program level: Access to electricity and urbanization are two areas where the FY17-FY21 CPF cycle achieved good results and this objective will build on this good practice (see Objective 4 for electricity and Objective 9 for urbanization in the CLR report). An important lesson is to detach urbanization from the decentralization agenda as a more effective way to pursue results in the municipalities and provinces.

WBG ongoing and planned support: WBG instruments will support this objective through the expansion of access to electricity; improvements to basic urban infrastructure and living conditions in selected cities, with special focus on the north; institutional support to local entities for delivery and for service delivery; enhancement of access to and the quality of roads in selected rural areas, supporting livelihoods in local communities and responses to crises or emergencies; strengthening institutional capacity for sustainable urbanization; and upgrading informal settlements. The WBG will continue to invest in improving urban mobility through the Maputo Metropolitan Area Urban Mobility Project (P175322) and the Maputo Urban Transformation Project (P171449). Such support will focus on low-capacity fast-growing cities to roll out land-use planning instruments incorporating climate risk mapping. The Mozambique Urban Development and Decentralization Project (P163989) will support 22 municipalities (in Gaza, Zambezia, Sofala, and Niassa) through performance grants to undertake systematic land tenure, modernize the land cadaster, and increase municipal source revenue, maximizing revenues from land-based infrastructure finance.

Key risks and mitigation: The risks and uncertainty surrounding the implementation of the new decentralization policy reforms are significant. Tensions across the political spectrum compound the challenges of achieving this objective at both the provincial and district levels. After the 2025 elections, decision making on issues related to implementing decentralization systems and processes may slow down. Sector financing and resource sustainability may weaken. The risk is mitigated by substantial government commitment to the reform agenda, and the sustainability road map agreed for the program. The CPF puts a high premium on policy dialogue with the Government and advancing international good practice.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Ind 6.1. Number of additional people provided with access to improved water.[125] Baseline [2022]: 241,463 Target [2027]: 858,000 (o/w female: 50%) Ind 6.2. Number of additional people with safely managed sanitation.[126] Baseline [2022]: 0 Target [2027]:479,000 (o/w female: 20%) Ind 6.3. Share of households with access to electricity.[127] Baseline [2022]: 41% Target [2027]: 50%	SPI 6.1. Number of people benefiting from improved access to urban infrastructure and basic services incorporating climate mitigation and adaptation measures.[129] Baseline [2022]: 0 Target [2027]: 230,000 SPI 6.2. Number of vulnerable households benefiting from climate-resilient housing improvements.[130] Baseline [2020]: 0 Target [2025]: 8,200	**Ongoing Financing** - Mozambique Urban Development and Decentralization Project (P163989) - Mozambique Northern Urban Development Project (P175266) - Northern Crisis Recovery Project (P176157) - Northern Crisis Recovery Project - Additional Financing (P178070) - Southern Africa Trade and Connectivity Project - Water Services & Institutional Support II (P149377) - Integrated Feeder Road Development Project (P158231)

125 Water Services and Institutional Support II (P149377); Rural and Small Towns Water Security Project (P173518).
126 Mozambique Urban Sanitation Project (P161777); Water Services & Institutional Support II (P149377).
127 Mozambique Energy for All (ProEnergia) (P165453), IFC: CTRG (33020), Mocuba Solar (36787), CTT (43099).
129 Mozambique Urban Development and Decentralization Project(P163989).
130 Mozambique Northern Urban Development Project (P175266).

Ind 6.4. Rural accessibility (percentage of rural population within 5 kilometers of good condition roads) in the project area.[128] Baseline [2022]: 22% Target [2027]: 45% Ind 6.5. Share of population with access to mobile phone services. Baseline [2022]: 27% Target [2027]: 45%	SPI 6.3. Energy delivered by IFC clients to off-takers. Baseline [2022]: 0 Target [2025]: 3,178 GWh SPI 6.4. Number of customers supplied with power by IFC clients. Baseline [2022]: 1.54 million Target [2024]: 2.0 million (TBC)	- Power Efficiency and Reliability Improvement Project ((PERI(P); (P158249) - Mozambique Urban Sanitation Project (P161777) - Mozambique Energy for All (ProEnergia) (P165453) - Maputo Urban Transformation Project (P171449) - Rural and Small Towns Water Security Project (P173518) - Safer Roads for Socio-Economic Integration in Mozambique (SRSEI); (P174639) **Pipeline** - Maputo Metropolitan Area Urban Mobility Project (2023) - Mozambique Digital Acceleration Project (2023) - Mozambique Urban Water Security Project (2023) - Safer Roads for Socio-Economic Integration in Mozambique (SRSEI) (2023) **IFC Portfolio** **Advisory Services** - EdM Treasury and Risk Management Support (602694) **Investment Services** - Empresa nacional De Hidrocarbonetos Equity Finance (10983) - Mocuba Solar (36787) - Central Termica De Temane (43099) - Central Térmica De Ressano Garcia SA (33020) **Investment Services** - Moz LNG Vessels (43366) **MIGA Portfolio** - Gigawatt 100MW Gas-Fired Power Plant - Central Termica De Temane - Central Termica De Ressano Garcia

[128] Integrated Feeder Road Development Project (P158231).

High Level Outcome (HLO 3) – Improved human capital and women's empowerment		
This HLO is related to Focus Area 2 of the 2017 CPF: Investing in human capital.		
High-level outcome indicators	**Data source**	**Current value**
Human Capital Index *Fertility rate*	*World Development Indicators (WDI)*	*HCI (2020) = 0.36* *Fertility rate (2020) = 4.7 children per woman*

High Level Outcome Description

Rationale: Mozambique's human capital accumulation is one of the lowest in the world, a situation that has been greatly exacerbated by COVID-19 and now the war on Ukraine. To date, Mozambique has shown poor growth elasticity of poverty reduction and human capital accumulation, meaning that large investments and gains in the economy have not improved the lives of wide swaths of the population, especially in the northern provinces. Basic education and health services are unevenly delivered across the country, driving spatial inequalities, with limited mechanisms to protect the most vulnerable from the impacts of shocks and violence. Inequality in human capital outcomes is an important driver of the conflict in the north. Regions disfavored in allocations from the central budget have lagging human capital outcomes and high levels of disenchantment with the state, contributing further to discontent and violence.

Mozambique has the fifth highest rate of child marriage and one of the highest rates of adolescent fertility in the world. Gender-based violence is rampant with one-third of 15-year-old girls reporting that they are survivors of physical violence. More than half of the girls enrolled in first grade drop out by the fifth grade. 49 percent of women are illiterate, compared to only 27 percent of men, and women are disproportionately represented in low-productivity and informal sectors of the labor market. The focus of WBG investments and analytical and advisory services under this HLO will be on: (i) improved selected health and education outcomes; (ii) increased efficiency and effective coverage of integrated and sustainable social services; and (iii) improved access to services to prevent adolescent pregnancy and promote women's economic participation.

Lessons learned and new knowledge at the program level: A key lesson learned is that human capital accumulation and women's empowerment are multi-sectoral endeavors that require whole-of-government and whole-of-WBG approaches. This requires critical collaboration and partnerships not only within human development but also with work on infrastructure, digital, WASH, agriculture, and the private sector. Focusing on efficiency will be key. This includes the efficient use of donor and domestic resources, presently hampered by high levels of fragmentation, lack of prioritized planning and budgeting, and poor budget execution. The WBG has a critical role to play in supporting improvements to PFM systems; provider payment strategies; and the planning, monitoring, and implementation of national strategies as well as the coordination of considerable donor resources around national priorities. The WBG's investments in human capital have been sporadic and relatively small scale (with average project sizes in human development under US$70 million over last 20 years) while women's empowerment was only very recently added to the agenda with a small pilot project. To achieve the results at the scale envisaged by the Government and targeted in this CPF, the WBG must ramp up its multisectoral investments in human capital.

Associated SDGs:

1. SDG 1 – No Poverty
2. SDG 2 – Zero Hunger
3. SDG 3 – Good Health and Well-being
4. SDG 4 – Quality Education
5. SDG 5 – Gender Equality
6. SDG 6 – Clean Water and Sanitation
7. SDG 10 – Reduced Inequalities

Objective 7: Improved selected health and education outcomes
This objective is related the 2017 CPF objectives "Enhancing the skills base" and "Improving health service delivery" but while the 2017 CPF had separate indicators for each of these areas, this groups them together and places a greater emphasis on outcomes.

Rationale for the CPF objective and WBG engagement: Mozambique's health and education outcomes are still far below peer countries and are insufficient to build the human capital necessary to increase productivity, access better jobs, and move people out of poverty. Life expectancy at birth remains at 61 years. Mozambique has one of the world's highest HIV prevalence rates, at almost 13 percent (62 percent of those infected are women); 15 percent report being sick or affected by an accident, and at any time 10 percent of adults are unable to work, resulting in significant forgone output and earnings. Mozambique remains behind its peers on school completion rates, with 24 percent secondary completion and far from universal primary completion, coupled with low learning outcomes. Completion rates have recently worsened. Furthermore, health and education outcomes have wide disparities across regions and between rural and urban areas. Pandemic preparedness and early childhood development, together with stunting, secondary education, and skills will be focus areas for WBG support. Specifically, the main WBG priorities will be: (i) improving primary education outcomes; (ii) reducing learning poverty; (iii) reducing the prevalence of stunting; (iv) reducing child mortality; and (v) increasing childhood immunization coverage.

Lessons learned and new knowledge at the program level: A focus on efficiency through improved governance of domestic and external financing in the health and education systems is critical in a constrained macro-fiscal environment. There are considerable potential efficiency (and quality) gains to be had through these reforms. With strong results on institutional delivery coverage during the last CPF, the WBG needs to shift focus to quality, including quality of care and learning outcomes. Capacity building and ownership at the provincial and district levels will strengthen and sustain results. Fragmentation impacts the quality of strategic dialogue as well as the alignment and efficiency of donor financing. WBG's leadership in this alignment is essential for sustained results.

WBG ongoing and planned support: Ongoing financing includes the Primary Health Care Strengthening Program (PHCSP) which co-finances Mozambique's Investment Case, to mobilize and align financing for high-impact investments in reproductive, maternal, newborn, child, and adolescent health and nutrition services and health systems. It leverages co-financing from five partners: IDA, the Global Financing Facility, USAID, the Netherlands, Canada, and the FCDO. Its PforR modality is strongly results focused. The next version of the PHCSP is being designed (delivery FY23 or FY24) aiming to leverage more donor financing and with a stronger focus on outcomes. Important inputs to the implementation will be further progress in delivering WASH and electricity in all facilities; improving the skills of community health workers; improving pupil-teacher ratios, especially in the lagging north; procurement; and health worker and teacher training and motivation.

Key risks and mitigation: The sector lacks adequate strategies and the policies required to improve overall sector governance and financing. Structural policies aimed at strengthening sector financing are dependent on a multitude of players including the private sector in the case of technical and vocational education and training. Measures to mitigate key risks include, among others, strong coordination with the Government to address potential challenges during preparation, and the provision of technical assistance during implementation.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Ind 7.1. Percentage of children at the end of the first cycle of primary education with adequate competence in language and math. Baseline [2016]: 4.9% (o/w female: n/a)[131] Target [2025]: 20% (o/w female: 50%) Ind 7.2. Reduced learning poverty. Baseline [2020]: 90% Target [2025]: 80% Ind 7.3. Prevalence of stunting, height for age	SPI 7.1. Literacy proficiency at Grade 3 in schools implementing the literacy package in communities with low educational attainment.[135] Baseline [2021]: 5 Target [2025]: 80 SPI 7.2. Number of primary health care facilities that have at least two maternal child health nurses.[136] Baseline [2021]: 698	**Ongoing Financing:** - Mozambique Primary Health Care Strengthening Program (P163541) - Improving Learning and Empowering Girls in Mozambique (P172657) - Harnessing the Demographic Dividend (P166100) - Improvement of Skills Development in Mozambique (P167054) - Additional Financing for the ACE II Project

[131] The 2019 edition was not published due to methodological problems. The results for 2022 edition are expected July 2023 at which time this baseline will be updated
[135] Ministry of Health (www.misau.gov.mz).
[136] Mozambique Primary Health Care Strengthening Program (P163541).

(percentage of children under 5)[132] Baseline [2020]: 35% (o/w female: 34.5%) Target [2025]: 30% (o/w female: 30%) Ind 7.4. Child mortality rate.[133] Baseline [2020]: 70.6 deaths per 1,000 live births Target [2025]: 50 deaths per 1,000 live births Ind 7.5. Percentage of children fully immunized.[134] Baseline [2020]: n/a Target [2025]: 95% (o/w female: 50%)	Target [2025]: 838	(Regional; P176744) - Girls' and Women's Economic Empowerment (P179293) **Financing Pipeline:** - New health project (P179913) **Ongoing ASA:** - Technical assistance to build a more people-centered and performance-focused health system in Mozambique (P177238)

Objective 8: Increased efficiency and effective coverage of integrated social services

This objective relates the 2017 CPF objective "Extending coverage of social protection and labor programs".

Rationale for the CPF objective and WBG engagement: The main social protection programs in Mozambique cover only 23 percent of the population in poverty. There is a need to build national capacity for the management and implementation of integrated social protection systems, including expanding the social registry and ensuring improved targeting and graduation criteria. There is also the challenge of fragmented access to benefits and services, or missing markets to provide such services. It will be essential to make linkages to health, education, and jobs. This includes interventions to protect the most vulnerable and contribute to productivity, alongside adaptive social protection systems to respond to shocks. Pensions protect households from falling into poverty as their members age or suffer shocks, while mitigating risks of sustainability and deficit financing from the public budget. Supply-side interventions need to accelerate job creation, especially in the formal sector, combined with actions aimed at increasing the productivity of the vast majority of the rural and urban population who still engage in informal, low-quality productive activities. The main WBG focus of assistance to the Government during this CPF period will be to increase: (i) coverage of social transfers; (ii) coverage of emergency transfers; and (iii) social protection coverage with complementary (bundled) health services.

Lessons learned and new knowledge at the program level: The value of a strong national social protection system is clear, especially now after successive cyclones, the COVID-19 pandemic, and the war on Ukraine. The sustainability of services is essential, in a macro-fiscally constrained environment, and the focus will be on national ownership, including supporting a national shock-responsive social protection strategy; improved targeting; and entry/graduation criteria. On the jobs side, the challenge in Mozambique will be to expand good jobs in all sectors, including agriculture, industry, and services.

WBG ongoing and planned support: Currently WBG supports key social assistance programs, through the current Social Protection and Economic Resilience Project (P173640), with co-financing from other donors, as well as the Investing in Inclusive Human Capital Development in Northern Mozambique Project (P175298). Future support will include improved targeting (entry and graduation) and transparency; expanding digital payment options and coverage; strengthening and expanding the social management information system (e-INAS) that enables registration and socioeconomic assessment of households, leveraging the identity infrastructure wherever possible, to support operational processes; increased coordination and expansion on the jobs and employment agenda; functional programs to support poverty reduction, human development, and protection of investments in emergency scenarios; and expansion of services to the poorest.

Key risks and mitigation: A key risk is related to the institutional capacity and sustainability of the new implementing agency, the Ministry of Gender, Child, and Social Action. Another is the need for coordination with INAS. The required establishment of a Project Support Team and the appointment of a project coordinator would mitigate the institutional capacity and sustainability risks associated with the weak coordination between the ministry's policy and INAS's operational activities.

[132] data.worldbank.org.
[133] Data.unicef.org.
[134] Ministry of Health (www.misau.gov.mz).

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Ind 8.1. Beneficiaries of regular social transfers.[137] Baseline [2021]: 626,625(406,656 women) Target [2027]: 750,000 (487,500 women) Ind 8.2. Beneficiaries of emergency social transfers.[138] Baseline [2022]: 202,724 (121,634 women) Target [2027]: 1,000,000 (600,000 women) Ind 8.3. Beneficiaries of social protection programs receiving complementary health services. Baseline[2022]: 2,250 (2,250 women) Target [2027]: 22,500(20,250 women)	SPI 8.1. Beneficiary households with food consumption score above "poor level".[139] Baseline [2021]: 76 Target [2027]: 80 SPI 8.2. Female social protection beneficiaries who own and use a bank or mobile money account.[140] Baseline [2022]: 60,841 Target [2027]: 80,000 SPI 8.3 Number of youths that benefited from employability programs Baseline [2022]: 700 Target [2027]: 40,000	**Ongoing Financing:** - Northern Crisis Recovery Project (P176157) - Northern Crisis Recovery Project - Additional Financing (P178070) - Social Protection and Economic Resilience Project (P173640) - Investing in Inclusive Human Capital Development in Northern Mozambique Project (P175298) - Harnessing the Demographic Dividend (P166100) **Ongoing ASA:** - Strengthening Mozambique's Social Protection System (P167025)

Objective 9: Improved access to services to prevent adolescent pregnancy and promote women's economic participation

This is a new CPF objective. While gender was a component of some of the objectives and indicators in the 2017 CPF, it is given greater prominence here given the evidence demonstrating the importance of women's empowerment for better human capital outcomes, lower fertility rates, and poverty reduction.

Rationale for the CPF objective and WBG engagement: Girls and women in Mozambique face gender-specific challenges that constrain their human capital development and job opportunities, and contribute to high levels of poverty and violence. 49% of girls marry (or are married) before the age of 18 (which is against the law) and 46% of girls say they are survivors of domestic, sexual, or emotional violence from their partners. The demographic dividend presents an urgent and untapped opportunity for future growth in Mozambique. Mozambique's total fertility rate, at 4.9, is one of the highest among peer countries. The poorest 40 percent of women have, on average, 1.5 more children than they desired. Lower fertility rates, together with improvements in education and access to jobs, is crucial to increasing investment in children and reaching favorable dependency ratios. Simulations indicate that Mozambique's GDP per capita could be 31 percent higher by 2050 under a low fertility scenario compared to today's levels of fertility. While the overall participation of women in the labor force is high, their access to productive assets is low and they are concentrated in the lowest-productivity sectors of the market. As such, greater emphasis on protecting and empowering girls and young women is essential. Under this objective the WBG will be supporting the government in: (i) improving access to service to prevent adolescent pregnancy; (ii) promoting women's economic empowerment.

Lessons learned and new knowledge at the program level: Engaging in women's empowerment, in a comprehensive way, is critical. To date, several projects have addressed components of this topic piecemeal, with the highly impactful Harnessing the Demographic Dividend Project (P166100), being the first small foray by the WBG to address the topic directly. A life-cycle approach is planned, which will focus on youth and pregnancy, and on women's economic empowerment, integrating the existing piecemeal activities. With institutional delivery coverage indicators achieved, the next CPF needs to focus on quality of care. Contraceptive use remains a critical agenda, with particular focus on reducing adolescent pregnancies, strengthening domestic financing for contraceptives, promoting behavior change, and supply chain reforms. Capacity constraints continue to inhibit expansion of the full Nutrition Intervention Package (NIP), which remains a key long-term agenda.

[137] Number of regular beneficiaries as of December 2021, based on estimates from the sector. This number includes *Programa De Acção Social Produtiva* (PASP) (145,750) and *Programa Subsídio Social Básico* (PSSB) beneficiareis (480,875). The target is the number of beneficiaries that will be assisted at the end of the CPF.

[138] Number of emergency beneficiaries as of June 2022, based on estimates from the sector. The target is the cumulative number of emergency beneficiaries that will be assisted during the CPF because emergency social protection benefits last only for 6 months.

[139] Social Protection and Economic Resilience Project (P173640).

[140] Idem. Number of female beneficiaries that have and use mobile money account as of June 2022 based on estimates from the sector (only from PASD-PE in response to COVID-19). The target is the number of beneficiaries that will be assisted at the end of the CPF.

WBG ongoing and planned support: The Harnessing the Demographic Dividend Project (P166100), the Improving Learning and Empowering Girls in Mozambique (P172657), and the Mozambique Primary Health Care Strengthening Program (P163541) address components of the women's empowerment agenda. A new regional women's empowerment project proposes taking a life-cycle approach to women's empowerment allowing a multi-sectoral vision to support girls and women across the life cycle with key sector/project links to the three aforementioned projects and further with WASH, intrafamilial and economic empowerment, skills, and jobs, providing an opportunity for multi-generational impacts on human capital and economic growth. The priorities will be adolescent pregnancy, jobs, combating gender-based violence including abuse in schools, and child marriage, encompassing the design of prevention measures, investment in referral pathways for GBV cases, and an analysis of the legal and institutional framework to combat GBV and child marriage. *Key risks and mitigation:* There are substantial institutional risks. With the recent decentralization reform, which created a double governance structure composed of the provincial elected administration and the state representation, It is not clear how the decision making, coordination and responsibilities at the local level will be managed in all sectors, including human development. Risk considerations also include the increasing conflict, violence, and instability in the northern and central regions. To mitigate the risks, the team will work closely with the local authorities in the provinces to identify areas that will need support and monitoring to ensure timely and safe implementation.		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
Ind 9.1. Girls' transition rate from lower secondary to upper secondary education. Baseline [2018]: 65%[141] Target [2025]: 71% Ind 9.2. Adolescent fertility rates.[142] Baseline [2022]: 144 per 1,000 women Target [2027]: 125 per 1,000 women Ind 9.3. Number of women *completing* employability and entrepreneurship program.[143] Baseline [2022]: 0 Target [2027]: 100,000	SPI 9.1. Percentage of adolescent girls who delay marriage or are unmarried as a result of child marriage prevention activities.[144] Baseline [2022]: 0 Target [2027]: 40% of girls participating in child marriage prevention activities. SPI 9.2. Percentage of primary health units with at least two maternal and child health nurses (IMS nurses).[145] Baseline [2022]: TBD Target [2027]: 40% SPI 9.3. Total fertility rate.[146] Baseline [2020]: 4.7 per women Target [2027]: 4.5 per women SPI 9.4. Number of GBV survivors assisted in health units and integrated services (including mobile services).[147] Baseline [2022]: 56,984 Target [2027]: 173,900	**Ongoing Financing:** - Improving Learning and Empowering Girls in Mozambique (P172657) - Harnessing the Demographic Dividend (P166100) **Financing Pipeline:** - Regional Women's Empowerment (P179293)

[141] Latest available from official statistics.
[142] The target is the number of beneficiaries that will be assisted at the end of the CPF.
[143] Measure through program.
[144] Proposed by the gender team.
[145] Mozambique Primary Health Care Strengthening Program (P163541).
[146] WDI.
[147] Data source: MISAU.

Annex 2: Mozambique (FY17–FY21) Completion and Learning Report
Date of CPF: March 30, 2017 (Report No: 104733-MZ)
Date of Performance and Learning Review: April 3, 2020 (Report No: 144024-MZ)
Period Covered by the Completion and Learning Review: FY17–FY21

I. INTRODUCTION AND SUMMARY OF FINDINGS

1. **This Completion and Learning Review (CLR) assesses the performance of the World Bank Group (WBG) Country Partnership Framework (CPF) in Mozambique for the FY17-FY21 period** (see Summary of CPF Self-Evaluation Matrix in table 1 and annex 2). This CLR covers the FY17-FY21 period; FY22 was treated as a gap year as the initial CPF period was not extended by the Performance and Learning Review (PLR). This CLR draws on discussions with country team members involved in the design and delivery of WBG lending and nonlending programs, reviews of operational documents, and discussions with the Government and development partners.* It is also based on the results of the PLR dated April 3, 2020 (Report No. 144024-MZ). The PLR, timed with the consolidation of the emergency response effort in the aftermath of the Cyclones Idai and Kenneth, confirmed the strategic relevance of the originally proposed approach, reduced the number of Objectives from eleven to nine and established a new one—Supporting Recovery and Resilience—to reflect the substantial International Development Association (IDA) financing commitments and additional resources that were made available on an emergency basis.

2. **The FY17-FY21 CPF had ambitious Objectives, but its implementation faced a sequence of shocks which demanded swift adjustments**. The overarching CPF objective was to achieve inclusive growth through job creation and productivity. To enhance alignment with the twin goals, it envisaged a large part of the program financing going to agricultural productivity and rural development – a marked change in relation to previous CPFs. It conceived investing in policy reforms, institutional building, and governance, while addressing some of the drivers of fragility. By the end of the CPF period, these two main Objectives were achieved: CPF allocation to agricultural and rural development reached 30 percent of the total CPF commitments, surpassing the original target of 20 percent. To respond to an unprecedented sequence of shocks, emergency response and reconstruction were prioritized. As this will be elaborated in this review, the WBG responded swiftly and adjusted its program to the new priorities of the evolving country needs. Mozambique was reclassified as a full Fragile, Conflict, and Violent (FCV) country and currently benefiting from support provided by IDA's Prevention and Resilience Allocation (PRA).

3. **The CLR has three main parts: (i) assessing progress towards the proposed CPF outcomes; (ii) reviewing and rating the WBG's performance in designing and implementing the CPF program; and (iii) discussing alignment with the WBG's Corporate Goals and mandates.** The CLR concludes with lessons that may inform the next CPF (FY23–FY27). This CLR benefited from preliminary findings of the 2022 Mozambique Country Program Evaluation FY08–FY21 by the Independent Evaluation Group (IEG) and several studies conducted during the CPF period. The review assesses the overall development outcome as ''Moderately Satisfactory'' but, as it will be explained later, better design and a more proactive review of targets and indicators during the PLR stage could have further improved the achievement of outcome. The overall WBG performance is rated ''Good'. The CPF implementation supported several corporate priorities and policy commitments under the Agenda 2030 and IDA Special Themes. From the main lessons and recommendations of the report, two are more prominent: the importance of sustaining the WBG's support to Mozambique for addressing the drivers of fragility; and the need to assist the country accelerate the process of economic and spatial transformation to generate more and better jobs.

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* This CLR followed the methodology of the *Country Engagement Guidance* (OPCS, July 01, 2021). The assessment opted for evaluating the CPF results against the initial (or adjusted at mid-term) set of indicators, rather than introducing substitutes and applying them retroactively. When assigning Objectives' ratings, the team was conservative in weighing evidence, giving more weight to validity and sustainability, thus opting for lower ratings in various cases. The size, complexity, and the dynamic nature of the country program contributed to somewhat longer than the recommended length for a standard CLR report. However, the team believes this will provide a more thorough review under the new OPCS *Guidance* with better learning and adaptation for the preparation of the next CPF.

II. STRATEGIC FOCUS AND CONTEXT

4. **The overarching goal of the FY17–FY21 CPF was to help Mozambique "achieve inclusive growth through employment promotion and improved productivity in a sustainable manner."** The CPF was anchored in the Government's medium-term strategy and Five-Year Plan of the Government (PQG 2015), which had very similar Objectives. The CPF program planned to increase its alignment with the WBG's twin goals through an enhanced focus on regions and sectors where the poor are concentrated. For that, it aimed to scale up operations in agriculture, where two-thirds of the country's poor work, to account for as much as 15–20 percent of the investment portfolio (from 5–6 percent in the previous cycle). The CPF planned to focus on the poorest provinces and take a multisectoral, integrated approach such that agricultural operations would be supported by transport investments focused on secondary and tertiary roads, as well as support for reducing barriers to trade and improving access to finance, inputs and technology to boost agriculture commercialization and productivity. The CPF program also envisaged the possibility of policy-based lending to enhance fiscal sustainability and debt management; aspired to mainstream governance through a combination of project-, sector-, and country-wide approaches; and support building the systems and institutions needed to manage the expected increase in public revenues derived from Mozambique's natural gas boom, and channel these resources toward reducing poverty. Lastly, the CPF considered addressing some of the underlying drivers of conflict and fragility.[148]

5. **The CPF was implemented within a challenging environment marked by a series of natural disasters, emergencies, and heightened fragility.** Mozambique's poverty rate has picked up and, augmented by population growth, the total number of the poor is higher today than in the early 2000s. Cyclones Idai and Kenneth, which hit Mozambique in 2019, and Corona Virus Disease 2019 (COVID-19) in 2020, erased a good portion of the social and human capital gains the country made at the beginning of the decade, worsening development prospects. Mozambique's political development took a significant step forward with a new peace deal brokered in August 2019 between the country's president and the leader of the main opposition party RENAMO, which created hope for a more lasting and inclusive political settlement. However, an insurgency in the northernmost province of Cabo Delgado, where most of the country's natural gas reserves are, spilled over into the neighboring provinces of Niassa and Nampula and impacted development gains in the North, creating a humanitarian and displacement crisis and disrupting lives and livelihoods. As of April 2022, the conflict had resulted in nearly 5,000 deaths and left nearly a million people displaced.[149]

6. **Although the situation in the North stabilized somewhat following the arrival of Southern African Development Community (SADC) and Rwandan troops to reinforce the Mozambican security forces in August 2021, the situation remains volatile**. Sporadic attacks continue in northern Cabo Delgado. Alongside the military response, the Government and international community are helping Internally Displaced Persons (IDPs), while partners are supporting the response through the reconstruction of parts of Cabo Delgado and a broader peacebuilding, development, and recovery approach in the North. A few IDPs have begun to return to their places of origin – although the United Nations High Commissioner for Refugees (UNHCR) has urged caution in view of the still volatile security context. The repossession of districts formerly under the control of insurgents has opened the way for the reconstruction of these areas, and the Government has approved its *Plano de Reconstrução de Cabo Delgado*, intended to guide reconstruction in the short term. With support from the UN, EU, African Development Bank (AfDB), and

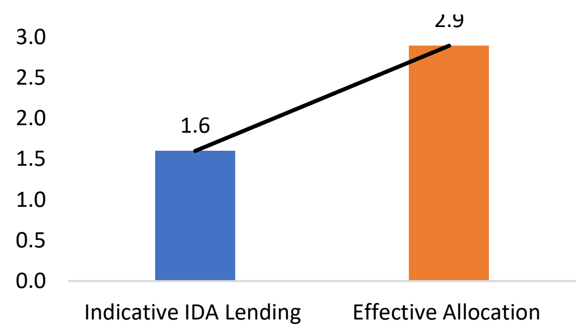
[148] World Bank, Country Partnership Framework for the Republic of Mozambique for the period FY17–FY21 (Washington DC: World Bank Group, 2017).
[149] ACLED, Cabo Delgado Weekly, April 17, 2022.

the WBG, the Government approved its *Programa de Resiliência e Desenvolvimento Integrado do Norte de Moçambique* (PREDIN) in June 2022.

7. **Since 2016, Mozambique has experienced the turmoil and aftermath of a hidden debt scandal.** Between 2013 and 2014, three Mozambican state-owned companies – ProIndicus, Mozambique Tuna Company (Ematum) and Mozambique Asset Management (MAM) took out a total of US$2 billion in loans, including from Credit Suisse and the Russian bank VTB, to finance maritime surveillance, fishing, and shipyard projects. This operation is said to have covered up a vast enterprise of corruption for the benefit of people close to the government. The affair broke in 2016, when the government revealed that it had taken out loans without informing parliament or its donors, including the World Bank. In the wake of the scandal, a majority of Mozambique's donors suspended their aid, the Government was forced to stop repaying the debts, and the local currency (New Mozambique Metical) collapsed, plunging the country into the worst financial crisis since its independence in 1975.

8. **In response to this challenging context, the WBG's engagement in Mozambique expanded significantly during the FY17–FY21 CPF.** Under growing IDA allocations, US$1.716 billion was committed during the FY17–FY20 period, followed by US$1.138 billion after the PLR for the 2020–2022 period. A total of US$2.894 billion[150] was committed during the CPF period. During the gap year of FY22, another US$1.487 billion was committed. This represents an increase of 81 percent over the US$1.58 billion committed during the previous FY12–FY15 Country Partnership Strategy (CPS)[151] period, and reflects the top-up received as part of Mozambique's eligibility for the PRA (P172327) under the IDA19 FCV window (see paragraphs 52–54 and annex 8). Resources devoted to emergency and resilience response were channeled through different instruments. This included the COVID-19 Emergency Response Development Policy Operation (DPO), the activation of the Disaster and Risk Management/Contingent Emergency Response Component (DRM/CERC), and an Emergency Resilience and Recovery Project (ERRP; P161559). The active portfolio grew from US$1.616 billion in FY17 to US$3.243 billion in FY21. Annual disbursements increased over the course of the CPF period, from US$190.7 million in FY17 to US$509 million by FY21. During FY17-FY21 CPF period, IEG rated 12 ICRRs of exiting projects out of 16 as "Marginally Satisfactory" or "Satisfactory."

Chart 1 - CPF FY17 – FY21 Lending Portfolio (Billion US$)



Source: IDA Dashboard

9. **Nevertheless, progress in terms of the twin goals has been uneven during the CPF cycle, with gains in poverty reduction being reversed by the impacts of COVID-19.** Recent poverty estimates point to a marked increase in the international poverty rate, from 63.7 to 70.4 percent during the 2015–2020 period -- a significant reversal from the 2008-2015 period, when poverty was steadily declining from almost 70 percent. As a result, Mozambique's poverty rates are still some of the highest in the world. Inequality, in turn, remains high. The Gini coefficient increased from 0.47 in 2003/04 to 0.56 in 2014/15.[152]

[150] This amount also includes US$40 million trust-funded lending TA.
[151] The Country Partnership Strategy was the framework used prior to the WBG's adoption of the CPF model.
[152] The shared prosperity premium for the 2000–2015 period was – 0.6 percentage points – resulting from an average annual rate of consumption for the bottom 40 percent of the population of 2.3 percent, compared to 2.9 percent of the top 60 percent. The shared prosperity premium has worsened in recent years, reaching – 3.4 percentage points in the period 2009–2015.

More recently, after the COVID-19 shock, inequality seems to have declined. Yet, large spatial differences in poverty levels and changes across provinces in the country remain. There had also been little convergence between rural and urban poverty and consumption growth, with growth increasingly benefitting the nonpoor in urban settings. The insurgency in Cabo Delgado exacerbated the vulnerability of poorer segments of the population.[153]

10. **Moreover, growth decelerated, and per capita income stagnated or declined in the period.** The decline in per capita income was an important driver of poverty -- even when considered the historically moderate contribution of growth to poverty reduction (at 0.68 over the 2008–2014 period). In fact, the poverty reduction observed between 2008-2015 was driven by one of the highest rates of growth in Sub-Saharan Africa. The unprecedented sequence of shocks between 2016-2022, however, decelerated growth substantially -- COVID-19, for instance, caused the first recession in Mozambique in almost three decades. Meanwhile, fertility rates remained high. Overall, as the FY17-FY21 CPF acknowledged, Mozambique's growth had not been inclusive and regional divides had deepened since the end of the civil war, with concentration of poverty in rural areas and in the Central and Northern regions. The country still has positive growth prospects in the coming years, mainly due to investments in natural gas, but faces important downside risks.

11. **Mozambique's fundamental development challenges remain unchanged since the last CPF.** Mozambique remains a Low Income Country (LIC- (per capita income below U$500)), with the largest share of the population living in rural areas (more than 60 percent) and working on subsistence agriculture (about 70 percent). Structural transformation is happening at a slow pace: between 1991-2019 the share of population working in agriculture decreased roughly 11 percent (0.4 per year on average), half the speed of Ghana, and a third of the pace of Vietnam in the same period. Overall, agriculture is dominated by smallholders (99 percent of total farmers) -- with the median area cultivated in the main growing season of about one hectare (typical plot of the poorest farmers, however, is about half that size) -- as well as very low land and labor productivity.[154]

III. PROGRESS TOWARD CPF DEVELOPMENT OUTCOMES

12. **This section summarizes the program results of the FY17–FY21 CPF.** This learning review assesses the CPF's nine Strategic Objectives under its three Focus Areas. Table 1 summarizes the CPF's outcome ratings. The detailed assessment of each outcome indicator is in annexes 1 and 2.

13. **This review assesses the overall development outcome of the CPF as Moderately Satisfactory.** The WBG program comprised a coherent blend of Advisory Services and Analytics (ASAs) and investment projects,[155] complemented by International Finance Corporation (IFC) investments and advisory services, and Multilateral Investment Guarantee Agency (MIGA) guarantees. All three focus areas – (i) ''Promoting Diversified Growth and Enhanced Productivity''; (ii) ''Investing in Human Capital''; and (iii) ''Enhancing Sustainability and Resilience'' – are rated Moderately Satisfactory. One of the nine Objectives was Achieved, six were Mostly Achieved, and two Partially Achieved. The targets for 16 of the result indicators were Achieved or ''exceeded''; five were Mostly Achieved, and three were Partially Achieved. The targets of two indicators were Not Achieved.

[153] Climate and health shocks appear to have had different effects, with the climate shocks affecting the rural poor the most, while COVID-19 hit the urban poor harder.
[154] World Bank, Cultivating Opportunities for Faster Rural Income Growth and Poverty Reduction: Mozambique Rural Income Diagnostic (Washington, DC: World Bank Group, 2020a).
[155] The program prepared one DPO operation: COVID-19 Strategic Preparedness and Response Project (P175884).

Table 5 - Ratings of FY17–FY21 CPF Strategic Objectives by Focus Area

Focus Area/Strategic Objective	Rating
Focus Area 1: Promoting Diversified Growth and Enhanced Productivity – Moderately Satisfactory	
Objective 1: Improving Economic Management	Mostly Achieved
Objective 2: Increasing Agricultural Incomes and Land Tenure Security	Mostly Achieved
Objective 3: Improving the Business Environment for Job Creation	Partially Achieved
Objective 4: Expanding Access and Improved Reliability of Electricity	Achieved
Focus Area 2: Investing in Human Capital – Moderately Satisfactory	
Objective 5: Enhancing the Skills Base	Mostly Achieved
Objective 6: Improving Health Service Delivery	Mostly Achieved
Objective 7: Improving Access to Water and Sanitation	Mostly Achieved
Focus Area 3: Enhancing Sustainability and Resilience – Moderately Satisfactory	
Objective 8: Supporting Recovery and Resilience	Mostly Achieved
Objective 9: Promoting Inclusive Urbanization and Decentralization	Partially Achieved

14. **There were some exceptional successes**. For example, the program provided quick and effective responses to complex emergencies, simultaneously addressing and meeting urgent recovery and resilience needs from climatic shocks and the COVID-19 pandemic and providing a rapid response to the conflict in the North. The WBG helped increase access to electricity, water, and sanitation and took high-risk/high-reward/high-stakes steps in advancing decentralization reforms. Important institutional reforms to improve economic management (details in paragraph 17) took place with the support of WBG Technical Assistance (TA), even in the absence of a Development Policy Operations (DPO). A notable success of WBG collaboration is the Temane Regional Electricity Project (TREP; P160427). This is the largest undertaking in Mozambique's power sector since the country's independence, representing around 16 percent of Mozambique's Gross Domestic Product (GDP). A World Bank commitment of US$420 million mobilized additional private investment of US$1 billion for this power generation project (see paragraph 24). IFC's investments helped create new markets[156] in infrastructure, manufacturing, agriculture, and services and increased access to credit, while IFC advisory products focused on improving the investment climate. MIGA guarantees complemented the efforts of the World Bank and IFC by providing support for investments in energy and the financial sector.

15. **Overall WBG performance is rated as Good**. The design and implementation of the CPF program successfully contributed to the pursuit and achievement of the CPF Objectives. The WBG program, including a sizeable investment portfolio and an extensive program of analytical and advisory services, reflected a strong partnership with the Government of Mozambique (GoM). The program design was more focused compared to the FY12-FY15 CPF and significantly consolidated the number of Strategic Objectives from 17 in the FY12–FY15 CPS to 11 in the FY17–FY21 CPF, later reduced again to 9 after the PLR in 2020. Lending grew considerably in response to emergencies and to support the GoM's effort to prevent the escalation of violent conflict, particularly in the North. Nevertheless, the portfolio size was kept in check by the growth in size of the projects, limiting portfolio fragmentation, and by the growth of preparation and supervision costs (see paragraph 62). The PLR provided timely adjustments and regrouped the program in response to shocks and to new, urgent country circumstances. There was consistent attention to safeguards and fiduciary issues (see paragraphs 64 and 66). Managing the program risk, and overall supervision quality, were *satisfactory*. The program sustained high disbursements,

[156] The definition of "creating new markets" is derived from IFC's new corporate strategy (IFC 3.0) and can be considered a High-Level Outcome (HLO). IFC 3.0 focuses the institution on creating markets and mobilizing private capital, with increased support to countries like Mozambique where the objective is to mobilize adequate private capital flows to address major development gaps, including those linked to the sustainable development goals (SDGs).

consistently above the World Bank's Africa Region and overall World Bank's averages,[157] and exited the CPF period with a sound pipeline, reflecting the WBG's strong partnership with the client.

Focus Area I: Promoting Diversified Growth and Enhanced Productivity – Moderately Satisfactory

16. **Under this Focus Area, the CPF promoted improved economic management, diversification, and productivity by taking an integrated approach to increasing productivity in agriculture, improving the overall business environment, and expanding access to reliable electricity.** This Focus Area was supported by four Objectives: ''Improving Economic Management''; ''Increasing Agricultural Growth''; ''Improving the Business Environment for Job Creation''; and ''Expanding Access and Improved Reliability of Electricity''. Since the hidden debt crisis, Mozambique has adopted important regulations and other measures to strengthen fiscal management, including the management of public debt and guarantees.[158] Nevertheless, much remains to be done on public financial management, transparency, and accountability reforms. Similarly, important progress has been made in expanding Mozambique's power and electricity sector throughout its value chain. The next challenge will be to crowd in private investment into the transmission and distribution sectors, including renewable energy. Some measures of financial inclusion progressed well during the CPF period,[159] but accessing financing for Small, and Medium Enterprises (SMEs) and agriculture remains an important challenge and an unfinished agenda for supporting the resilience of poor households. This focus area absorbed about 48 percent of the actual CPF allocation during the period (charts 2 and 3).

Objective 1: Improving Economic Management – Mostly Achieved

17. **The WBG interventions contributed to effectively improve Mozambique's economic management, with most of the CPF targets achieved and Objective 1 rated as Mostly Achieved. Economic management went through/received improvements that addressed some of the weaknesses at the center of the hidden debt crisis**. In the aftermath of the crisis, WBG activities provided TA during the CPF period to implement the Government's package of reforms. The World Bank's efforts targeted core fiscal management fragilities that lay at the heart of the hidden debts and contributed to increased transparency and accountability. This TA supported policy reforms for improving the GoM's debt management capacity and debt market development, thereby strengthening State-Owned Enterprises (SOEs) oversight and public investment management. As a result, the GoM improved its fiscal risk management capacity, strengthened accountability over mining and gas operations, and improved its statistical capacity for policy decision-making. Under this Objective, the newly created Fiscal Risk Unit (FRU) produced and published four Fiscal Risk Statements between 2016 and 2021.[160] Supported by the

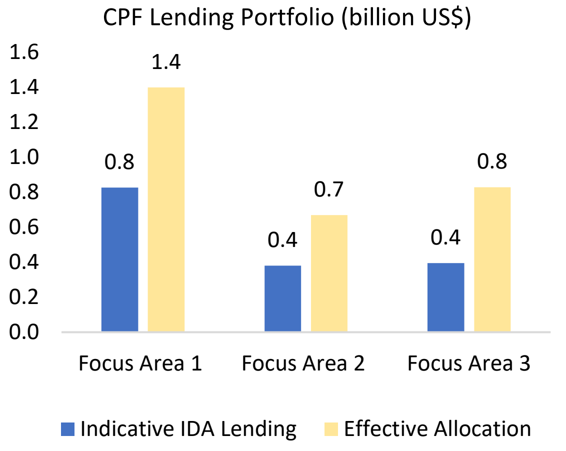
[157] Between 2017 and 2021, Mozambique disbursement ratio averaged at 24.7 percent, compared with 19.6 and 18.5 ratios averages from Africa Region and the World Bank as a whole.

[158] See Economic Management for Inclusive Development Project TA (P176664). These include new regulations by the GoM requiring to prepare a medium-term debt strategy as basis for borrowing decisions and setting borrowing limits for domestic and external borrowing, adopted in budget laws; new law to reform the governance of State-Owned Enterprises (SOEs) as an "umbrella" act which provides additional transparency, accountability, and risk management measures; and public investment management framework for screening projects proposed for budget financing for both central and provincial governments as a core part of the annual planning and budgeting cycle.

[159] See Mozambique Financial Inclusion and Stability Project (P166107). First mass payments of social assistance to the mobile wallets of beneficiaries were disbursed, as well as the first US$2 million for capitalization of the deposit guarantee fund; the pilot operation of the collateral registry was launched.

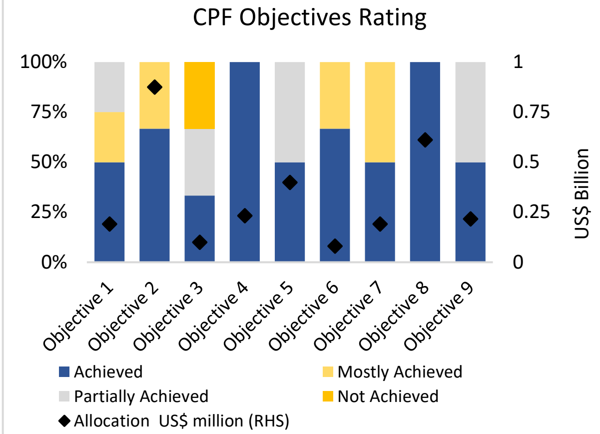
[160] The statement covers a wide range of risks to the fiscal accounts, for instance: macroeconomic risks (inflation, exchange rate, growth), specific fiscal risks (budget cost shocks), debt risks (contingent liabilities, on lending, SOEs), climate shock risk. The statement also reports on stress tests.

Chart 2 - Effective Allocation by focus area



Source: IDA Dashboard; staff calculations.

Chart 3 - Outcome and Allocation by Objective



Source: IDA Dashboard; staff calculations.

Mining and Gas Technical Assistance Project (MAGTAP; P129847), 20 (out of a targeted 25) mining and gas projects became subject to fiscal controls.[161] Mozambique's performance on the Statistical Capacity Indicator (SCI) reached 99 percent of the target (a score of 74.5 out of 75)[162] and achieved the two Supplementary Progress Indicators (SPIs) for establishing an Investment Selection Committee and a Fiscal Risk Unit. The achievement of Indicator 3—"Enhanced accountability for results in sector ministries and provinces"—had two components: one to do with "Enhancement" by further extending new results agreements beyond the Health and Education ministries and to the Ministry of Finance (MoF), line ministries, and provincial directorates; and the other aiming to "Sustain" already reached agreements and avoid reversal. While the first part "Enhancement" was Not Achieved, the implementation nevertheless ensured that the two ministries, Health and Education, "Sustained" adopted earlier results agreements. Indicator 3 was therefore rated as Partially Achieved.

18. **In addition to TAs and ASAs, the CPF had planned to use the DPO series under this Objective, but this did not materialize because of the adverse impact of the hidden debt scandal on the macro-fiscal framework.**[163] An Accelerated Program of Economic Integration DPO and a Financial Sector DPO III had been planned but did not materialize because of the interruption of policy-based support following the revelation of the hidden debts. Nevertheless, under this Objective, the World Bank successfully supported the Government in passing key reforms for improved economic management. The World Bank assisted with the launch of the Public Investment Management System (SNIP), adoption of a regulatory framework for SOEs and state guarantees management, and the adoption of the new and overarching State Financial Administration Law,[164] covering independent and decentralized public entities. Among the factors that contributed to the success of this Objective were capacity building combined with strong government

[161] The National Petroleum Institute can now conduct audits of mining and oil and gas projects, which allows the authorities to control for possibilities of inflated prices and transfer prices. This is a significant improvement, as the Mozambican government can protect state share, taxable amount, and fiscal revenues. See https://clubofmozambique.com/news/inp-completes-audit-of-costs-declared-by-oil-companies.

[162] SCI index was discontinued by the World Bank's Development Economics Department (DEC) in 2020; staff recalculated five components of the index affecting the indicator and completed the measurement.

[163] The only budget support approved, did not address Objective 1 but the government emergency response and was provided under the WBG's instrument of COVID-19 SPRP Multiphase Programmatic Approach (MPA). The COVID-19 Strategic Preparedness and Response Project (P175884) for US$115 million contributed to CPF's Objective 6 for "Improving Health Service Delivery," within Pillar 2 of "Investing in Human Capital," which prioritized strengthening public health institutions and improving water, sanitation, and hygiene services.

[164] SISTAFE (Sistema de Administração Financeira do Estado) Law.

ownership. The successful implementation of WBG activities under this Objective also benefitted from the collaboration with the International Monetary Fund (IMF) to establish the Investment Selection Committee and Fiscal Risk Unit; and from the overall emphasis on institution building to sustain results. Under this Objective, about US$190 million was committed, against the US$75 million initially planned. The increase in allocation was mainly driven by the COVID-19 DPO.

Objective 2: Increasing Agricultural Incomes and Land Tenure Security – Mostly Achieved

19. **The WBG's interventions, including IFC investments, during the CPF period contributed to increase agricultural incomes for selected farmers by improving market access, commercialization, and land tenure security.** Following on the recommendations of the last CLR, the CPF for FY17–FY21 made agricultural productivity and incomes a top program priority and managed to increase government engagement on this agenda. This objective alone represented about 30 percent of the program's total allocation, compared to less than 6 percent in the FY12-FY15 CPF. It absorbed about US$875 million of all World Bank lending during the CPF period. The CPF linked the World Bank's efforts to Mozambique's ambitious goal of "unlocking the agricultural sector's potential" by, among other things, improving access to inputs, promoting the agribusiness development of large-, medium-, and small-scale commercial agriculture, supporting agri-processing and forestry value chains, investing in better road infrastructure to link with national and regional markets, access to inputs and agricultural extension services, and improving land tenure security. The program also had a spatial focus on the country's two poorest provinces, Nampula and Niassa. The World Bank and IFC worked closely through lending and advisory interventions to achieve this Objective.[165] The more recent refocus of agricultural intervention through the Agriculture and Natural Resources Landscape Management Project (SUSTENTA program; P149620) aimed to improve agricultural outcomes. However, despite the significant resources spent and overall good achievements under the Objective's indicators, the impact on national poverty levels could not be established. The 2022 IEG's Country Program Evaluation Assessment for the 2008–2021 period [166] also finds WBG effort in agriculture to have had mixed results, due to no major impact on productivity so far. In fact, cereal yields, a proxy for agricultural productivity, continue to be much lower in Mozambique than the Sub-Saharan Africa average. Despite an increase since 2013, overall, the yields in Mozambique remain lower than in the low-income countries (LICs) by about 50 percent.

20. **Two of the three indicators met their targets, while one indicator was Mostly Achieved.** The number of households marketing part of their production in Zambezia and Nampula (Indicator 5) increased, and 37,964 smallholder farmers were reached by World Bank's agribusiness and forestry investments. The number of households covered by formalized land user rights went up from 4.1 percent (baseline; Indicator 7) to 10.8 (2020) against a target of 8.2 percent. Gender disaggregated indicators did not reach their targets. The number of households marketing part of their production in Zambezia and Nampula increased by 11,783 households,[167] against a target of 15,000. The number of farmers reached through agribusiness and forestry investments (Indicator 6) rose from 1,700 to 65,363 smallholder farmers (World Bank: 47,137; IFC: 18,226 – against a total target of 41,505 for the two institutions). Of these, 1,506 women-headed households were reached, against a target of 9,000. Commercial farmer household incomes grew sixfold between 2018 and 2021 under the Agriculture and Natural Resource Management Project (SUSTENTA; P149620). Major inputs contributing to the results of the formulated Objective, and making important investments in scaling up formalization of land tenure rights, were provided by the SUSTENTA, the Forest Investment Project (P160033), the Conservation Areas for Biodiversity and Development Project (P131965), the Smallholder Irrigated Agriculture and Market Access

[165] For example, IFC Westfalia Mozambique Investment, SEF Ausmoz Investment, Bakhresa Grain Milling Investment; and IFC Portucel Investment and Advisory.
[166] Independent Evaluation Group. 2021. Approach Paper: Mozambique Country Program Evaluation
[167] "Household reached" refers to the number of families that had access to the market to sell their produce.

(IRRIGA I; P164431), and the Land Administration Project (P164551). The WBG lending program was supported by extensive analytical and TA portfolio, which included the Rural Income Diagnostic, the Agriculture and Rural Development NLTA, Tracking Agriculture Program NLTA, Institutional Mapping ESW, Investment Models and Policies for Scaling-up the Inclusion of Smallholders in High-Value Agricultural Supply Chains, to mention a few. The Innovation and Demonstration Catalytic Fund (IDCF) in the Growth Poles Project (P127303) mobilized US$26.5 million from the private sector and improved the job quality of 21,203 farmers. Training program developed capacity for commercial farmers (PACEs).

Objective 3: Improving the Business Environment for Job Creation – Partially Achieved

21. **The WBG effort contributed significantly to increasing Micro, Small, and Medium Enterprises (MSMEs) access to credit, but the volume of loans attained only 50 percent of the target, and job creation was limited, missing the corresponding targets.** The CPF interventions contributed to an increase in the number of MSMEs with access to credit, and to job creation. These interventions were complementary to enabling improvements in the business environment. Advisory products contributed to improvements in the investment climate by supporting business enabling reforms, such as the secured transactions and collateral registry. However, the overall results were mixed, and the Objective was Partially Achieved. One indicator (over) Achieved its target, one was Partially Achieved, and one did not achieve its target. The number of MSME loans supported by private sector clients reached 6,245 in 2020, against a target of 4,300 (baseline: 1,206). IFC clients lent US$193 million, from a target of US$371.7 million, and against a baseline of US$169.9 million. The number of jobs supported by IFC reached 1,197, from a target of 6,000 (baseline: 1350). MIGA guarantees to two commercial banks, ABSA (US$89 million) and First Rand (US$30 million), targeted to their subsidiaries in Mozambique also contributed to expanding SMEs access to credit and to sustain continued lending in Mozambique throughout the COVID-19 crisis.

22. **WBG support also contributed to an improved business environment, including through the approval of a Commercial Code, Insolvency Administrator Code, and Property Registration Law.**[168] The Catalytic Fund mobilized US$26.5 million, improving more than 21,000 farmers jobs. The CPF also contributed to (i) the launch of the EMPREGA program (Demographic Dividend Project P166100), targeting 20,000 MSMEs; (ii) the Economic Linkages Project (P171664), reaching 10,100 MSMEs; and (iii) building a strong business environment analytical base and ensuring efficient implementation of key projects (Growth Poles, P127303). However, the Objective could have been achieved if the design of the results chain had also included other relevant project components. For example, the World Bank invested in other projects that supported MSMEs in ways that were not captured by the specific indicators used in the results measurement. Other projects (such as the Integrated Growth Poles Project, Mozambique Forest Investment Project (MozFIP (P160033)), Southwest Indian Ocean Fisheries Governance and Shared Growth Project (P132123), SUSTENTA (P149620), and Women Farmers Personal Initiative supported 1,235 MSMEs with matching grants of almost US$23 million. In addition, the Catalytic Fund mobilized US$22 million in credit for more than 1,000 MSMEs, creating an additional 23,000 jobs, which were not captured in the results measurement. This Objective could also have had a better gender focus, by targeting female-headed MSMEs and including gender disaggregated targets. This Objective received an allocation of about US$100 million, corresponding to 3.5 percent of the program total.

Objective 4: Expanding Access and Improved Reliability of Electricity – Achieved

23. **WBG efforts achieved notable improvements in the reliability of, and access to, electricity service.** The CPF substantially contributed to the provision of more reliable and efficient electricity supply, to increasing people's access to electricity service, and to developing additional generation capacity and

[168] Financial Sector DPO II (P151861) delivered in FY16; Mozambique Financial Inclusion and Stability Project FY19 (P166107).

opportunities for regional trade. IDA financing supported (i) grid rehabilitation, (ii) improvement of utility performance, (iii) transmission expansion, and (iv) grid and off-grid access to electricity. Both indicators for reliability and access were (over) Achieved. The World Bank supported the Government to prepare a comprehensive Short Term Investment Program (STIP) to address critical investments to increase reliability, financed by several development partners. The electricity utility company, *Electricidade de Moçambique* (EDM), has improved service delivery, substantially reducing the average interruption frequency per year from an average of 52 interruptions per delivery point per year in 2014 to 27 in 2020.[169] Additionally, the World Bank supported the Government in defining a new approach to electrification embedded in the National Electrification Strategy (NES), which was approved in 2018 by the Council of Ministers and created an effective platform for the Government and its development partners to collaborate, harmonize procedures, and reduce the overall cost of electrification.[170] As a result, from a baseline of 25.2 percent in 2014, the GoM achieved 35 percent access to electricity in 2020 and 38 percent in 2021 (against a CPF target of 33 percent of households by 2020). Harmonization of procedures and closer collaboration among Norway, Sweden, the EU and the World Bank under ProEnergia was essential to the success of the project. Allocations under this project totaled US$232 million, lower than the US$530 million initially planned because the Regional Power Transmission Development (about US$300 million) advanced only recently.

24. **The World Bank also supported the GoM to improve the enabling environment for private investments in power generation.** The TREP (P160427) became a notable success for Private Capital Mobilization (PCM),[171] the first generation project to select a shareholder on a competitive basis, resulting in the largest investment in power generation since the country's independence, and at a lower cost compared with the marginal electricity production cost in the country. The project became effective 8 months after approval and the financial close of the guarantee was achieved in December 2021. The project design needs 36 months for construction of the power line, while the power plant will require in parallel around 24 months. IFC and MIGA participation was envisaged jointly from the beginning. IDA supported Temane project with the approval of the overall package in 2019. The Central Termica Temane shareholders selected the financiers. IDA support is for US$300 million in grants to EDM to strengthen Mozambique's transmission capacity for domestic and regional markets; and US$120 million in guarantees to backstop EDM's payment obligations. IFC provided debt financing for US$652.3 million project with "B" loan with the participation of the Dutch Entrepreneurial Development Bank (FMO) and Emerging Africa Infrastructure Fund (together for US$253.5 million), U.S. International Development Finance Corporation (approximately US$191.5 million), and the Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development (US$50 million), approved in 2021. MIGA provided up to US$251.3 million in political risk guarantees to the private sector equity investors, approved in 2021. The World Bank financed the transmission as a public investment, while IFC supported the generation component of the project, with MIGA providing political risk insurance guarantees (more on the TREP collaboration in paragraph 75). TREP is putting in place the first phase of a transmission backbone in Mozambique through PCM at the scale of 10 percent of GDP. Still at an early stage of implementation, TREP has already yielded important financial and institutional benefits for the Mozambique country program. The project resulted in 6 percent lower equity return on investment compared to previous noncompetitive processes, and an electricity cost expected to be 35 percent lower than the existing Independent Power Producers (IPPs) to allow Mozambique to become an electricity exporter. The overall package consists of an Investment Project Financing (IPF) toward the implementation of the transmission

[169] Measured by the System Average Interruption Frequency Index – (SAIFI). SAIFI is a common reliability index used by power utilities. SAIFI is the average number of interruptions per customer, measured in nits of interruptions per customer.
[170] Cost per connection has been reduced from US$510 following business as usual process before 2017 to US$365 adopting new procurement and implementation arrangements and least-cost technology solutions.
[171] See https://worldbankgroup.sharepoint.com/sites/IPG/SitePages/Blogs/A%20story%20of%20private%20c-1649297211600.aspx.

line and IDA guarantees to mitigate the payment risk on the gas supply and tolling agreement. The guarantee was provided with the explicit condition that the selection of the strategic partner be conducted on a competitive basis. TREP was made possible through the use of the Private Sector Window (PSW) and blended finance instruments by IFC. The overall package resulted in the second-lowest generation costs in the country's power sector, after hydropower.

Focus Area II: Investing in Human Capital – Moderately Satisfactory

25. **The CPF strategy for the human capital area intended to address challenges in service delivery that led to poor outcomes in education, health, and water, while also building capacity for future enhanced investments in human capital formation**. The ultimate Objective was to contribute to a more productive, diversified and inclusive economy through ''Investment in human capital''. In line with this, the program prioritized a focus on access to and completion of early education, reproductive health, child nutrition, and access to water and sanitation. Special attention was given to vulnerable groups (women and children). Despite the impact of COVID-19 and military insurgency shocks on some of the targets set, this focus area's outcome was moderately satisfactory. This Focus Area was supported by three Objectives: ''Enhancing the Skills Base''; ''Improving Health Service Delivery''; and ''Improving Access to Water and Sanitation''. Total resources allocated to the area were about US$668 million, about 23 percent of the portfolio and double the originally planned IDA lending.

Objective 5: Enhancing the Skills Base172 **– Mostly Achieved**

26. **Primary education underwent improvements until 2019 -- including along the gender dimension -- reaching the indicators' targets but COVID-19 reversed some of these improvements.** The World Bank aimed to support the delivery of early childhood education, allowing children to acquire basic literacy and numeracy skills and be better prepared for primary education. This Objective absorbed US$398 million, about 13 percent of the total resources of the program. The main lending inputs were two investment projects: Education Sector Support Program FY11 (P125127; AF-P151185), and Improvement of Skills Development in Mozambique (P167054). Education was one of the sectors affected immediately and directly by COVID-19. The twin shocks of school closures and the socioeconomic crisis, together with the escalating conflict in the North, constrained the ability of the education system to increase the number and quality of graduates. With limited capacity of schools to absorb high repetition rates, the Government decided to automatically graduate the entire class of 2021–2022, regardless of actual learning Achieved. Within this context, Mozambique still managed to ''Increase the primary school completion rate'' (the first indicator for this Objective), reporting 48 percent completion in 2020 (45.6 percent for girls) against a baseline of 43.7 percent in 2015 (41.3 percent for girls). This exceeded the CPF target of 46 percent by 2020 (45 percent for girls only). Additionally, there was a substantial increase in the enrolment and graduation rates for higher levels of education. Between 2017 and 2021, the number of students enrolled in higher education rose from 200,000 to 225,000, from just 100,000 in 2010. The rate of secondary education completion also increased, from 42 to 52 percent of enrolled students. At the same time, the parity index of the retention rate until Grade 3 between the highest and lowest provinces (the second indicator for this Objective) initially made progress, reaching 0.64 in 2019 (the CPF target) against a baseline of 0.61. However, in 2020 the COVID-19-related school closures and conflict in the North erased the progress back to the 2014 baseline level. In assessing the achievement of this Objective, the counterfactual was considered in order to evaluate not only what the positive outcomes were but what

[172] This was one of the priorities identified by the SCD (improving quality of public education). Under the 2017 CPF, the World Bank interventions were expected to contribute to enhancing the skills base, defined as improving the skills profile of the population, providing better opportunities to acquire basic literacy and numeracy skills. The World Bank rationale was to increase the number and raise the quality of graduates at post-basic and higher education level especially in science, technology, and agriculture to strengthening country's competitiveness. This objective was measured by primary completion rate and parity index of retention rate (between highest and lowest provinces).

negative outcomes were prevented, and what other beneficial outcomes might have been achieved in the absence of external shocks and crises. The conclusion was that, had the WBG not responded decisively to external shocks (cyclones, COVID-19, and conflict) to protect the poorest, this indicator would have deteriorated significantly. WBG investments also addressed the shocks which caused significant damage to infrastructure, livelihoods, and the wellbeing of affected population groups. This included restoring schools and other social infrastructure to resilient standards, but also bringing back online basic services such as water, sanitation, and power. Therefore, although Indicator 14 was Not Achieved, Objective 5 was assessed as Achieved. Overall, capacity building and ownership at the provincial and district levels contributed to better results. The World Bank's contribution and link to specific indicators need to be supported by relevant supplemental indicators.

27. **Skills development in Mozambique is a key prerequisite to increasing the supply of technical, market-relevant skills and capitalizing on the demographic trends and economic growth prospects.** The country needs to create a critical mass of well-trained workers, both women and men, with the potential for greater income generation, social mobility, lower fertility, innovation, and economic diversification, a goal that could be Achieved with World Bank support. For instance, the World Bank is assisting the education sector to carry a national reform to create a more relevant system of professional education. The National System of Professional Qualifications (SNQP) was developed and established in the context of this Reform. It includes a new training paradigm characterized by Mozambique's first modular curriculum in competences that are determined by the productive sector. In 2017, there were 33 professional education institutions (public and private) implementing the SNQP. The initial focus was on Agriculture, Hospitality and Tourism, Industrial and Administration and Management but from 2015 onward, the support was extended to mining and ICTs. Between 2009 and 2017, the SNQP system produced 22,740 graduates, 8,742 of which were women. Also, under the Higher Education Science and Technology Project, the number of undergraduates graduating from higher education institutions increased from a baseline of 7,000 in 2010 to 19,197 in 2018, exceeding the revised target of 14,700 for a 30.5 percent increase over the revised target. The number of male students increased from 4,500 in 2010 to 10,202 in 2018, and female students from 2,500 in 2010 to 8,995 in 2018.[173]

Objective 6: Improving Health Service Delivery – Mostly Achieved

28. **Health service delivery, including medical-facility-based maternal deliveries and contraceptive prevalence, achieved significant gains in coverage during the CPF; additionally, the child stunting target was Mostly Achieved.** The CPF program invested in the early years by improving service delivery in the areas of reproductive, maternal, newborn, and child health. The main World Bank investments delivering on this Objective included the Southern Africa Tuberculosis Health Systems Support FY16 (P155658) and the Mozambique Primary Health Care Strengthening Program FY18 (P163541). Three ASAs supported the lending and implementation effort: Service Delivery Indicators Update; Value for Money in Health Investing in the Early Years; and Impact Evaluation on Early Childhood Development (ECD) and Nutrition. Overall, the program spent about US$80 million under this Objective, exactly the initially planned amount.

29. **Health service delivery outputs, including medical-facility maternal deliveries and contraceptive prevalence, exceeded their targets and achieved significant increases in coverage.** Coverage of institutionally facilitated maternal deliveries reached 85 percent against a target of 78 percent; from a baseline of 70.3 percent. Targeted support directed to lagging districts helped increase the coverage of medical-facility deliveries, increased the attention focused on the importance of quality of care, and improved the availability of essential reproductive and maternal health medicines. Modern contraceptive prevalence rate increased from a baseline of 25.3 percent in 2015 to 36.4 percent in 2020 (against a target

[173] See Higher Education Science and Technology Project, ICR (P146602).

of 35 percent). A scale-up of contraception provision through multiple channels targeted different populations, including youth and people in hard-to-reach areas. The large-scale procurement support provided by donors also contributed to reaching the target for contraceptive prevalence. However, the broader, impact-oriented indicator—''Reduction in child stunting''—fell short of its target, despite the progressive rollout of a comprehensive World Bank-supported Nutrition Intervention Package (NIP) for children 0–24 months in 8 provinces with chronic malnutrition over 35 percent. The rate of stunting among children under 5 dropped 5 percentage points, from a baseline of 43 percent to 38 percent (target of 35 percent). M&E capacity remained a major constraint during project implementation, particularly for obtaining reliable, empirical, project performance evidence on the nutrition sub-component. Capacity constraints ranged from the central and provincial ministerial levels to the level of the implementing agencies in the provinces. Data availability was also an issue. The risk of a lack of M&E capacity was identified at the outset, and lessons were drawn but not adequately addressed.

Objective 7: Improving Access to Water and Sanitation – Mostly Achieved

30. **The FY17–FY21 CPF investments resulted in improved access to water and sanitation in urban areas**. The CPF program targeted vulnerable, low-income households in peri-urban areas with subsidized water connections.[174] The WBG built fixed assets and expanded the water supply to the Greater Maputo area as well as to selected secondary and tertiary cities along growth corridors in the country. A strong investment portfolio supported this Objective, including the Greater Maputo Water Supply Project (P125120), Water Services and Institutional Support (WASIS) Project (P149377), the Water Resources Development (P107350), and Urban Sanitation and Drainage Project (P161777). Key ASAs that provided analytical support and advisory assistance included Mozambique Basic Sanitation and Water Service Mechanisms and Monitoring; Equity Analysis of Piped Water Delivery in Mozambique; Poverty Diagnostic for Water Supply, and Sanitation and Hygiene (WASH).

31. **The Objective (over) Achieved the sanitation access target, and the access to water target was Mostly Achieved.** The percentage of the urban population with access to improved water supply services reached 83.5 percent against a target of 85 percent (baseline 81 percent). The Supplementary Performance Indicator (SPI) for per capita water production in major cities was Achieved with 71 liters/person/day. The percentage of the urban population with improved access to sanitation services reached 60.3 percent against a target 50 percent (from baseline 42 percent). The SPI indicator for the number of small towns with a functioning water system was also Achieved. The program strengthened the institutional and management framework in the sector to improve the performance of the utilities. Integration and complementarity of investments, client capacity building, accountability mechanisms, and ownership were critical to the success of the implementation. Also contributing to the attainment of strong results for this Objective were the selection of effective RMS indicators for water and sanitation, with well-articulated priorities and spatially targeted interventions, easily available data sources, and the international monitoring framework.

32. **The Objective also supported the integration and complementarity of investments, client capacity building, accountability mechanisms, and ownership.** Specifically, under the Water Services and Institutional Support Project (P149377), the World Bank is investing in water supply in three major systems that serve five urban areas in the Northern and Central regions. World Bank interventions support the complementarity of investment in rehabilitation and expansion of water supply production, and rehabilitation and expansion of water distribution. The project also supports the creation of regional water utilities in the Northern, Central and Southern regions of Mozambique. Under a separate

[174] Objective 7 pertains to the peri-urban areas and small towns. Under this Objective, the World Bank aimed to provide improved water and sanitation services to an additional 1.1 million people.

institutional component, the project provides capacity building and operational support to both the water supply operator (FIPAG - *Fundo de Investimento e Património do Abastecimento de Água*) and the regulator (CRA) under a common framework, which ensures the integration of the overall goals of improving water supply services while each allowing agency to retain ownership and independence.

Focus Area III: Enhancing Sustainability and Resilience – Moderately Satisfactory

33. **Among the broad range of risks that can impede inclusive growth and poverty reduction in Mozambique, the CPF program focused on climate change and building resilience, especially in agriculture, fisheries, and forestry.** Two CPF Objectives supported country outcomes in Focus Area III: ''Supporting Recovery and Resilience''; and ''Promoting Inclusive Urbanization and Decentralization''. Under this Objectives, the CPF program also contributed to inclusive urbanization, decentralization, and accountability of local governments. The twin cyclones in 2019 prompted substantial progress on reforming the Disaster Risk Management (DRM) system. With assistance from the WBG, the GoM has put in place increasingly comprehensive legal, strategic, and operational frameworks. The Government's DRM Master Plan sets forth an ambitious, all-encompassing program for 2017–2030 to promote prevention, preparedness, response, and recovery as well as the mainstreaming of DRM in public finance, investments, and development planning.

Objective 8: Supporting Recovery and Resilience – Mostly Achieved

34. **Under this Objective, the program delivered emergency relief to areas and populations affected by natural disasters and supported the improvement of the institutional capacity for disaster risk management.** This Objective was the principal PLR adjustment to the results matrix in response to emergencies that occurred during the FY17–FY21 CPF period, especially the 2019 Cyclones Idai and Kenneth. Although three sub-objectives were retrofitted, all component parts did add up to a strong program of WBG crisis response interventions.[175] The PLR consolidated and streamlined this Objective under the WBG's response and resilience approach which accelerated disbursements of the DRM and the Resilience Program and mobilized additional IDA resources through a new Emergency Resilient Recovery Project (ERRP) (P161559), providing additional finance and CERC activation. As a result, this objective alone absorbed more than 20 percent of the total portfolio allocations for the program (about US$600 million). The World Bank's emergency assistance targeted recovery and reconstruction for the Beira area (center of Cyclone Idai's impact) and other affected cities by restoring and replacing damaged infrastructure under the ERRP. The World Bank interventions aimed to establish a Disaster Risk Management Fund and an Early Warning System for the Limpopo and Zambezi River Basin. The investments also strengthened the country's hydrological and meteorological services to better inform local communities, and covered poor households through safety nets, including productive inclusion schemes. In 2020, the program was adjusted to respond to the COVID-19 pandemic as well. The CPF channeled support through the IDA Immediate Response Mechanism (IRM) triggered through the Cyclone Idai and Kenneth Emergency Recovery and Resilience Project (P171040). The response included another round of reprogramming the portfolio and the preparation of a US$100 million DPO to finance the recovery phase (COVID-19 Strategic Preparedness and Response Project (P175884)).

35. **Almost all indicators were achieved.** One indicator was (over) Achieved, three were Achieved, and one Mostly Achieved. Through the emergency support given to households affected by Cyclones Idai and Kenneth via cash transfers or public works programs, 135,000 households—9 percent of the affected

[175] The old Objective 9, 'Extending the Coverage of Social Protection and Labor Programs,' and Objective 11, 'Improving Management of Climate Risk and Natural Resources,' were rolled under the new Objective 8, "Supporting Recovery and Resilience." Further, three new indicators were added under the new Objective. The new Objective 8 has been adjusted to reflect the initial response to the COVID-19 pandemic.

population—were covered against a target of 125,000. The share of damaged infrastructure restored or replaced to resilient standards was Partially Achieved. The Disaster Risk Management Fund became fully operational and capitalized in 2019. Early Warning Systems for the Limpopo and Zambezi River Basin became operational. There was an 80 percent increase in the accuracy of flood forecasts in the Zambezi and Limpopo basins when the project closed, exceeding the original target of 50 percent. Also, 23 percent of poor households were covered by safety nets programs (including productive inclusion interventions) against a target of 24 percent (55 percent women) and baseline of 14 percent. Among the main factors that contributed to the achievement of this Objective were the successful capitalization and operationalization of the Fund through the DRMRP Program (P166437) and the Government's commitment to ringfence the Fund to support only emergency preparedness and response. The visibility and transparent management of the Fund through wider dissemination of annual plans, budgets and reports, including annual audits, also contributed to its success. This attracted other development partners to strengthen the role of the Fund as a major vehicle for emergency response.

Objective 9: Promoting Inclusive Urbanization and Decentralization176– Partially Achieved

36. **The WBG took high-risk/high-reward steps by supporting for decentralization in an FCV setting; results were partially achieved.** Yet, they contributed to progress in institution building and reforms in this very important and complex agenda**.** Power-sharing, expressed among other things in the occurrence of subnational elections, was a central pilar of the 2019 Peace Accord that ended armed hostilities between (The Front for the Liberation of Mozambique) FRELIMO and RENAMO. As a result, first elections to elect governors of provinces and major of some districts happened in 2019. However, during the same period, the Government appointed Secretaries of State all provinces to sit alongside the elected Governor, a measure that can be interpreted as re-centralization. Moreover, most of the districts are still administered by the central government and overall fiscal decentralization is limited, with less than 10 percent of the national public expenditures corresponding to transfers to provinces or municipalities in 2021.

37. **Despite implementation challenges, including some measurement problems, this reform made some headway.** This objective strongly supported the decentralization reform as a strategic government priority. The World Bank (over) Achieved its target regarding the "Accumulated Increase in Decentralized Expenditures" in the provision of basic services (214 percent Achieved against a target of 60 percent). Nonetheless, the indicator "Accumulated Increase in Municipal and District Own Revenue" did not reach its goal. Important reforms for districts to collect their own revenue were not implemented, limiting progress on this indicator to just the municipal level. Overall, decentralization progressed slower than the pace the CPF had expected. Some policy decisions and frameworks were put in place, while others are missing (as indicated, for example, by the fact that the districts are not autonomous entities). Laws also were sometimes passed without implementation support and therefore never reached effectiveness. For instance, the policy decision for decentralizing primary education and basic health was made in 2011 but implementation has been very slow.

38. **Another reason for the partial results was the misalignment of the fiscal transfers and the functional attributions at the municipal level**. The Urban Development and Decentralization Project (P163989) was adjusted accordingly to focus on municipalities only, but the PLR did not update the indicators accordingly to reflect these changes. The program increased the amounts committed to the Objective. Total allocation to this Objective increased from US$180 million at the setup of the program to

[176] The CPF aimed to contribute to the inclusiveness of urbanization and decentralization by enhancing the accountability of local governments through reforms, institutions, and pro-poor investments so that the provincial and district governments can gradually acquire greater functional and political autonomy and increase their share of national revenue. Inclusive decentralization is the increased engagement of local communities in decision making and in the management of public resources.

US$217 million. The CPF investment program contributed broadly to addressing regional disparities by bolstering the WBG's footprint in the North and center of the country, promoting inclusive urbanization and decentralization, and enhancing the accountability of local governments.

IV. WORLD BANK GROUP PERFORMANCE

Overall Assessment

39. **The design and implementation of the CPF Program successfully contributed to the pursuit and achievement of the CPF. The overall WBG performance was assessed as Good.** The program design was more focused compared to the previous CPS and relied on fewer and better targeted objectives (see paragraph 15 and further paragraphs 40 and 43). The selectivity was informed by the 2016 Systematic Country Diagnostic (SCD). Although lending grew considerably in response to emergencies and conflict, the portfolio size was contained (for more, see paragraph 62). The program sustained high disbursement rates throughout the cycle, consistently above the Africa Region and entire World Bank averages (see paragraph 62). Some knowledge products informed the WBG's operations in a timely manner, including the Rural Income Diagnostic[177] and the Risk and Resilience Assessment for Mozambique (P172327). The program exited the CPF period with a sound pipeline, reflecting the strong alignment and very effective partnership with the client.

40. **The World Bank programmed all remaining IDA19 resources, including the top-up provided, through the PRA**. The RRA diagnostic underpinned the process of securing eligibility to the PRA, including the formulation of the monitoring framework that the Government committed to. It also provided the analytical base for the development of the Recovery and Peacebuilding Assessment (RPBA) for Northern Mozambique, which provided the evidence base for the Government's PREDIN for the North of Mozambique. The PRA operationalized WBG support for prevention and resilience across the country by identifying FCV challenges and opportunities for resilience, and supported the Government's conflict mitigation plan through a top-up of US$700 million of lending resources and by recalibrating the IDA portfolio. The Government's monitoring framework aligned with 7 out of the 9 CPF Objectives. Mozambique underwent a successful annual review process in July 2021, which ensured continued eligibility to the PRA and secured access to the second tranche of the PRA top-up under IDA19.[178] Despite the challenging security environment, compounded by the COVID-19 pandemic and associated prevention and mitigation measures, the Government met the majority of the targets it had committed to for FY21, and remains on track to meet the majority of its FY22 targets. Of the 15 targets it committed to for FY21, the Government successfully Achieved 10, while experiencing delays in reaching 3 targets, and missing 2 of its FY21 targets. (See annex 8 for further detail and explanation.) Since the PRA Eligibility Note was discussed at the World Bank Board meetings in April 2021, seven operations have been approved, amounting to US$1.1 billion of IDA resources. All additional funding of US$700 million made available at the end of IDA19 cycle was also fully absorbed.

41. **Some shortcomings in program design and implementation prevented the program from achieving better results.** Under a given Objective, accounting for and adding up the contributions of all interventions in the portfolio can achieve stronger results. The choice and definition of several results indicators also could have been more precise and could have been revised during the PLR stage to reflect

[177] World Bank, Cultivating Opportunities for Faster Rural Income Growth and Poverty Reduction: Mozambique Rural Income Diagnostic (Washington, DC: World Bank Group, 2020a).

[178] The annual review (AR) for FY22, including reporting on progress against the milestones, will be embedded into the CPF. This will determine continued eligibility for Mozambique into IDA20. Milestones for the outer years of IDA20 (FY24 and FY25) will be formulated with the Government and included in the annual review for FY23.

evolving circumstances. In addition, some knowledge products are yet to achieve their full impact (for example, Jobs Diagnostics[179] and Urbanization Review).[180]

Design of WBG Interventions for Achieving the CPF Objectives

42. **The selection and formulation of the CPF strategic Objectives were relevant and aligned with Mozambique's own development goals.** The CPF program selectivity was anchored in the priorities of the PQG, 2015, IDA18 thematic areas of focus and the 2016 SCD. The initial CPF design addressed 11 of the 13 SCD priorities, grouped in three Focus Areas of the CPF. At the start of the CPF cycle, Mozambique was not classified as an FCV country. It was informed by the IDA18 FCS framework, and the objectives under Focus Area 3 supported FCV aspects. However, initially Mozambique started the CPF cycle as an IDA country and the strategic objectives and program focus were primarily motivated by restoring growth and poverty reduction. The Risk & Resilience Assessment for Mozambique[181] was conducted in FY19–FY20 to provide a diagnosis of fragility and resilience in Mozambique.[182] At about the same time, Mozambique triggered one of the eligibility criteria for the PRA (number of conflict deaths). The RRA underpinned the process of security eligibility to the PRA, including the development of the Government's monitoring framework. It also provided the analytical base for the development of the RPBA for Northern Mozambique, which provided the evidence base for the Government's PREDIN for the North of Mozambique. After Mozambique obtained access to the PRA under IDA19 (see also paragraph 40), additional pipeline elements were developed.

43. **The choice of instruments was fit for purpose and presented a diverse set, matching the range of CPF objectives.** The CPF and PLR considered budget support series together with IMF special advisory and policy lending. IPF was the main lending instrument to carry the CPF's program focus on investing in assets for the poor. Program-for-Results (PforR) was gradually introduced to test results-based approaches for capacity building in health and DRM interventions. ASAs informed lending operations and supported project restructuring during the CPF cycle (see paragraphs 67–69). IFC committed investments and advisory services, while MIGA provided political risk insurance guarantees. TA was applied to strengthen institutions, build systems, improve revenue management and transparency. Trust funds (RETFs - Recipient Executed Trust Funds and BETFs - Bank-Executed Trust Funds) were mobilized to address education, climate change and deforestation issues (including through Global Partnership for Education (GPE) and Global Environment Facility (GEF) grants; see paragraph 75). The CPF benefited from the World Bank's emergency Multiphase Programmatic Approach (MPA) for the pandemic response.

44. **The flexibility of the program design made it possible for the WBG to provide quick responses to complex crises and emergencies.** The IPF projects had built-in CERC options. Accommodations were driven mostly by climatic emergencies and the onset of conflict in the North as opposed to policy and structural changes. WBG responded flexibly to the external climatic shocks, natural disasters, growing insurgency in Northern Mozambique, and COVID-19. The WBG deployed a spectrum of response

[179] Mozambique Jobs Diagnostic: Volume 1: Analytics. Jobs Series; no. 13 (Washington, DC: World Bank Group, 2018). https://openknowledge.worldbank.org/handle/10986/30200.

[180] World Bank, Mozambique Urbanization Review: Accelerating Urbanization to Support Structural Transformation in Mozambique (Washington, DC: World Bank Group, 2017), https://openknowledge.worldbank.org/handle/10986/29826.

[181] Risk and Resilience Assessment for Mozambique (P172327).

[182] Mozambique joined the FCS list in FY18, dropped off the list in FY20, and then rejoined in FY21 as a "medium intensity conflict" country. In 2020, midway through the IDA19 cycle, the FCS methodology was revised to introduce a new typology and classification of FCV along a number of dimensions, including body count. In FY19 Mozambique triggered one of the eligibility criteria for the PRA (number of conflict deaths). In March 2021 Mozambique was the third country to secure a PRA allocation.
https://thedocs.worldbank.org/en/doc/69b1d088e3c48ebe2cdf451e30284f04-0090082022/original/FCSList-FY23.pdf
World Bank, Classification of Fragility and Conflict Situations for World Bank Group Engagement (Washington, DC: World Bank Group), https://thedocs.worldbank.org/en/doc/8bc2ffd2ca0d2f174fee8315ad4c385b-0090082021/original/Classification-of-Fragility-and-Conflict-Situations-web-FY22.pdf.

instruments: COVID-19 Emergency Response DPO; rapid activation of the CERCs; Additional Financing (AF) to cover replenishment of CERCs; and Emergency Resilient Recovery Project (ERL) (P156559).

45. **Activated CERCs supported other CPF Objectives in addition to Recovery and Resilience (Objective 8).** For instance, the Urban Sanitation and Drainage Project CERC (P161777) supported girls in schools (Objective 5) and improved sanitation services in schools under Objective 7. The CERCs under Land Administration Project (P164551) and the Agriculture Natural Resources Landscape Management Project (P149620) supported the purchase of agricultural kits under Objective 2. The 2020 PLR, identified several adjustments, including responding to cyclones Idai and Kenneth, and introduction of a new CPF objective – Supporting Recovery and Resilience – which also consolidated and programmed the pandemic responses.

46. **The Results Framework (RF) was overall coherent and adequate in terms of linking the government program with SCD priorities to CPF objectives and with supporting interventions,** and for guiding WBG resources allocation to higher-value priorities. The RF design exhibited realism in selecting and tying interventions to strategic targets. The CPF for FY17–FY21 aimed to be more focused than the 2012–2016 CPS, reducing the number of strategic objectives from 16 to 11; and further from eleven to nine at PLR stage. The result framework incorporated the contributions of IFC/MIGA. IFC aligned "creating markets" as an implicit high-level outcome directly with Focus Area One ''Promoting Diversified Growth and Enhanced Productivity''. MIGA's guarantees also contributed to the achievements under the Focus Area One. All Objectives under this focus area, that is, (i) ''Improving Economic Management''; (ii) ''Increasing Agriculture Growth''; (iii) ''Improving the Business Environment for Job Creation''; and (iv) ''Expanding Access and Improved Reliability of Electricity'', contributed to the high-level outcome of market creation at different levels. This included improvements to the macroeconomic framework and business environment, and micro-level interventions in the agriculture, energy, and financial sectors. Five indicators[183] featured gender-disaggregated targets such as female beneficiaries, women farmers reached, or gender parity. At the same time, the formulation of some Objectives was quite general and broad (for example, Enhancing the Skills Base, or Supporting Recovery and Resilience). Other objectives were multidimensional and presented measurement challenges (for example, Increasing Agricultural Incomes and Land Tenure Security; or Promoting Inclusive Urbanization and Decentralization).

47. **Indicators, in general, measured the objectives and were possible to validate against defined baselines, targets, and timeframes.** The indicators varied widely in their outcome scope and target types – with some focusing on outputs of specific interventions (for example, "farmers reached" by certain project), compared to other indicators which targeted sector-wide outcomes (for example, gender parity in education). In some instances, the definitions of the indicators could have been improved to better match the scope of the objective (for example, Indicator 20). In other cases, there was a disconnect between a broadly formulated objective and a narrowly focused indicator (Objectives 6 and 7). Some targets lacked ambition (Indicator 3), while others were not updated during the PLR review and therefore under-measured the results Achieved (Indicators 8 and 9). The baselines of a few indicators could have been better articulated (Indicators 5, 9 and 14) Some of the weaknesses could have been addressed and eliminated at the PLR stage. Acknowledging the measurement challenges and limitations and the need to strengthen the rationale of some ratings, the CLR assessment—following the CE Guidance—nonetheless refrained from making retroactive changes in the methodology and evaluated the CPF results against the original set of indicators, rather than introducing alternative or non-CPF tracked measures.

48. **The PLR realigned the results matrix to update some data and indicators, reflected recent emergency and policy developments, and strengthened causal chains**. However, 5 indicators were Not

[183] Results indicators (RIs) 5, 6, 14, 16, and 24.

Achieved or were only Partially Achieved.[184] Their relevance and "fit" were not examined at the PLR stage, which led to weak measurements of at least 4 objectives. If these weak indicators had been adjusted or replaced by more reliable measures during the PLR review, the CPF's outcome rating could have been higher by a grade.

49. **Risks were properly identified and rated against the implementation challenges and the outlook at the CPF preparation stage.** The overall "substantial" risk forecast by the CPF and the PLR materialized. Both the CPF and the PLR identified the macroeconomic conditions as a ''critical high risk'' threatening to disrupt other WBG interventions. At the PLR stage, the risk rating remained relevant and valid. The political and governance risk, identified initially as ''substantial'', and reflecting the decline in governance effectiveness, was not downgraded even though there was a sharp escalation of conflict in the North.[185] However, a Risk and Resilience Assessment was carried out – as an IDA commitment in FY19-FY20, which underpinned the process of securing eligibility to the PRA (see annex 8). Two risk ratings were adjusted upward for sector strategies and stakeholders. This reflected the increased implementation risk in the water, energy and urban sanitation sectors. In the water sector this was a result of delays in planned reforms to the water asset holding company, and the establishment of regional water utilities. In the energy sector the higher risk was associated with the speed at which new customers were expected to be added to the electricity utility and the pressures that this would place on the reliability of supply. In the area of sanitation, the risk was heightened by overlapping and inconsistent sector policies and strategies, together with a lack of adequate tariff regulation for cost recovery. The deterioration in the outlook due to the COVID-19 pandemic was captured by the "high" risk rating for macro-economic conditions, and the ''substantial'' rating for institutional capacity. The weather- and climate-related risks were factored into the ''substantial'' rating of the Environmental and Social (E&S) risks. The PLR considered adequate risk mitigation measures such as the expected resumption of an IMF program, the World Bank's ongoing support to the poorest areas, continued emergency recovery and rehabilitation support after the cyclones, and the IDA response to COVID-19 crisis. Progress by the Government on macroeconomic management, namely, improvement in debt issuance procedures, production of fiscal risk statements, and improved debt transparency contributed to the mitigation of the macro risks. Additionally, the PRA implementation sought to mitigate the conflict risks.

50. **Strong WBG synergy and alignment with IFC and MIGA supported four objectives:** (Objective 2) Increasing Agricultural Growth; (Objective 3) Improving the Business Environment for Job Creation; (Objective 4) Expanding Access and Improved Reliability of Electricity; and (Objective 8) Supporting Recovery and Resilience. The IFC program sought to create new markets and linkages in the agri-business, construction, transport, energy, and financial sectors. During the CPF cycle, IFC had developed an internal country strategy for Mozambique (2018). This strategy was built on the findings of the previous SCD, alignment with the CPF focus areas, and IFC's comparative advantages in the country. IFC's strategic alignment was mapped to the various CPF objectives, with Focus Area One being the area that exhibited the strongest institutional alignment between the World Bank and IFC's activities. Other aligned areas included Objective 5 (Enhancing the Skills Base) and Objective 11 (Improving the Management of Climate Risks and Natural Resources). IFC's interventions were focused on the following key sectors: (i) agriculture; (ii) access to finance – with a focus on SMEs; and (iii) improving access to reliable and affordable electricity. IFC planned on relying on investments in the agricultural and power sectors – with the ongoing Portucel

[184] These included (RI3) Enhanced accountability for results in sector ministries and provinces through adoption of results agreements between the MoF and line ministries; (RI10) Number of jobs supported by IFC clients; (RI14) Parity Index of the Retention Rate until Grade 3 between highest and lowest provinces; (RI25) Accumulated increase in municipal and district own revenue; and (RI26) Accumulated increase in decentralized sector expenditures in the provision of basic services.

[185] The SORT tool provides no separate rating for FCV risks; these are subsumed under "political and governance risks," which initially was meant to cover the assessment of the overall capacity and effectiveness of the central government. In the case of Mozambique, the governance risks due to the debt scandal subsided somewhat, but then the FCV risks grew, and on balance, as it were, the rating remained the same, not adequately reflecting the growing fragility.

Investment and Advisory projects, Westfalia Mozambique Investment; BCI Fomento II; and new investments in CTRG, Gigawatt, and Mocuba Solar. After the start of the CPF implementation, there was a mismatch in the timing for the completion of the Temane project because of delays triggered by the hidden debt crisis. The Gigawatt solar project was dropped, as IFC was not able to reach an agreement with investors since the planned expansion of the project had been cancelled. The Mocuba Solar Project was approved only in 2019. The Temane project ultimately reached financial closure in FY21. IFC's advisory focus was on the investment climate and Sub-Saharan Africa index insurance; and the pipeline of products in the financial sector (investment and advisory), as well as on business environment improvements and agricultural value chains for diversification and private sector growth. MIGA's projects supported investments in the power and financial sectors, which contributed to increased access to finance (Objective 3) and to improved access to electricity (Objective 4). The World Bank and IFC collaboration was supported by a Joint Implementation Plan (JIP). Outside of JIP, the complementarity was strong in the energy and agriculture sectors. Finally, certain issues related to the agriculture sector, such as land issues (land use planning, land ownership), could not be addressed through policy reforms under this CPF. These need to be further explored under the new CPF cycle.

51. **Collaboration with development partners has been an essential input in the program design.** As the largest donor in Mozambique, the World Bank aimed to continue to drive the donor coordination agenda, adopting lessons from the previous cycle and recommending strategic leadership on substantive issues. As many development partners have adopted the use of country systems, aligning their fiduciary mechanisms with the Government budget was essential. One of the coordination priorities for the World Bank was the push for off-budget aid data to be captured by the Public Financial Management (PFM) systems. During this period, the WBG also partnered with the United Nations (UN), European Union (EU), and African Development Bank (AfDB) to support the response to the crisis in the North. This support took place under the 2008 Joint Declaration on Post-Crisis Assessments and Recovery Planning, using the framework and approach provided by the Recovery and Peacebuilding Assessment. This evidence base underpinned the development of a multi-sector strategy for the Northern provinces of Nampula, Niassa, and Cabo Delgado—known as PREDIN —that outlines the short-, medium-, and long-term efforts toward conflict mitigation, peacebuilding, strengthened resilience, and sustainable recovery in the North of Mozambique.

52. **The main lessons from the 2016 CLR, the 2016 IEG evaluation,[186] and the 2020 PLR[187] were largely addressed in the FY17–FY21 CPF program design.** The key recommendation from the 2016 CLR was to broaden the scope and ambition (Objectives and indicators) and strategic importance of rural development for the next CPF. This recommendation led to a shift in the World Bank's approach, resulting in a significant increase of resource allocation for rural development (from 5 percent to 33 percent of the PBA - Performance Based Allocation envelope). Agriculture was featured prominently in the 2017 lending program (for example, MozFIP, MozLand, Mozambique Conservation Areas for Biodiversity and Development Project - MozBio, and later SUSTENTA). The CPF also reduced the number of outcomes and indicators. To avoid further portfolio fragmentation, the 2016 CLR recommended that the agriculture agenda be integrated with roads and value chain Objectives. The IEG recommendation to better capture the IFC's contributions was also addressed and is still relevant.

Program Implementation

[186] The five main lessons from the 2017 CLR were: using smaller number of outcomes and indicators; broadening the scope and ambition (of the Objectives and indicators) of the agriculture sector; reducing portfolio fragmentation by integrating the AG agenda with roads and value chains; applying more realism to project design; and accounting better for government capacity and political issues.

[187] The three PLR lessons were: continuing to invest in building climate resilience with a focus beyond recovery; addressing implementation capacity constraints – especially inefficient in-country fiduciary systems; and developing robust mechanisms for social risk management and GBV.

53. **The WBG excelled in leveraging and mobilizing substantial IDA resources for emergency lending through national, regional, and emergency IDA windows.** Against the planned US$1.7 billion, the WBG delivered US$2.894 billion in lending (grants only). PBA was fully absorbed under IDA17 and IDA18.[188] During IDA18, an additional US$390 million was leveraged through the Crisis Response Window (CRW). IDA19 allocations stood at US$2.402 billion, of which US$700 million was a PRA top-up to prevent and mitigate the risks of an onset, recurrence, or escalation of violent conflict across the country. Among the sectors, Urban, Education, Agriculture, Transport, and Energy accounted for two-thirds of all new commitments. Among the themes, Rural, Northern Region, Climate/DRM, and COVID-19 Response constituted about half of the new lending.

54. **The initial CPF program considered governance as a cross-cutting challenge, but government attention and CPF priorities shifted away towards emergency responses and growing domestic fragility.** The CPF intended originally to mainstream governance and transparency using projects and sector- and country-level approaches. The initial CPF program design had a dedicated Objective (8) to "Increase the Accountability and Transparency of the Government Institutions." The PLR reported the Objective to be on track; but in the revised results framework, it consolidated and streamlined the CPF program to respond to the two cyclones and the COVID-19 pandemic. The governance Objective was therefore dropped as a standalone, and the transparency indicators were incorporated into Objective 1 "Improving Economic Management."

55. **The CPF's initial spatial focus on the poorest provinces, and the intended accompanying multisector approach, adjusted to include spatial areas impacted by disaster and emergency response.** Geospatial analysis conducted as part of the SCD revealed that Mozambique's northern and central regions have the highest potential for poverty reduction. The four poorest regions (Zambezia, Nampula, Manica and Tete) were in the focus of the World Bank's planned lending interventions, especially in health and education, social protection, transportation, and small-holder agriculture. For instance, the cash transfers for productive inclusion, implementing of a three-step targeting system—geographical targeting using poverty maps, community-based pre-selection, and a proxy means test for poverty verification—were successful in identifying poor households in the poorest provinces of Nampula and Zambezia. However, extending coverage of SP and labor programs was off-track at the PLR stage and this Objective was merged with the new Objective 8 "Supporting Recovery and Resilience". Since cyclones Dineo (February 2017), Idai (March 2019) and Kenneth (April 2019) caused extensive human, physical and economic loss, the spatial priorities shifted focus to the affected areas, concentrating on where the poorest populations received a disproportionate brunt of the disasters in the form of widespread displacements, loss of housing, destroyed food crops, and destroyed public services.

56. **The WBG used country results information and analyses of the changing operational environment to formulate adaptive decisions and make strategic course corrections.** Examples include: (i) Ramping up WBG investments in agriculture and rural development to accelerate poverty reduction, recommended by the 2016 CLR findings. As noted earlier in paragraphs 12 and 19, however, the 2022 CLR found again that the adopted approach was still not effective. Based on poverty data and analysis of rural sector development, the 2022 CLR recommended further shifting Mozambique's growth model toward structural transformation, and transitioning from subsistence farming to export-led commercial agriculture. (ii) Learning from implementation and adapting the program prompted a mid-course correction at the PLR stage. The World Bank created a new objective ''Supporting Recovery and Resilience'' and regrouped the Objectives under Focus Area 3 to adjust its response to the increased risks

[188] IDA19 was also fully absorbed.

that emergencies and fragilities pose to growth and poverty reduction. Under this Focus Area, the CPF consolidated significant additional resources for emergency response. The total support for the government pandemic response had reached US$370 million by June 2021. This included the COVID-19 Strategic Preparedness and Response DPO (P175884) for US$100 million. (iii) The PLR introduced three new indicators to track results linked to the COVID-19 response. (iv) In the absence of reforms, and because of the suspension of the donors' budget support in the aftermath of the hidden debt scandal, the TA (P176664) provided by the World Bank assisted the Government with advancing reforms on debt management, macro fiscal management, and institutional strengthening of SOEs, which prepared the ground for the resumption of budget support under the new CPF cycle; and (v) The World Bank, IFC and MIGA together had to adapt quickly to the changing circumstances after the hidden-debt crisis. The WBG learned about the hidden-debt crisis during the 2016 Spring Meetings, one day after the scandal was publicly announced. A decision was taken to review the CPF design to respond to this new development and complete the CPF preparation in 2017. The World Bank's response was mainly formulated under Objective One of the CPF (Improving Economic Management). For IFC, the new CPF allowed it to re-focus its engagement to better support local companies that faced a credit crunch and could no longer access local financing (for example, trade finance). IFC had to restructure several projects (such as MMI Steel and Merec). It also started presenting a stronger climate change response in the new CPF, reflecting also the new IFC country strategy, and a stronger focus on resilient construction and housing, renewable energy and climate-smart agriculture (see also section VI "Lessons Learned").

57. **As part of the process of gaining eligibility to the PRA in FY21, a pipeline of projects was developed in line with the WBG's commitment to recalibrate its portfolio to support the Government's "pivot to prevention."** This pipeline of new operations was designed in a spatially differentiated manner to distinguish between different kinds of interventions: interventions focused on areas surrounding the active conflict and areas where the conflict might spread (the "buffer zone"), interventions focused on areas that have historically been marginalized and have lagged the rest of the country, and interventions focused on urban and peri-urban areas. The preparation for the PRA involved intensive dialogue with partners as well as with the Government. The milestones, fully aligned with the government strategy and priorities, were formulated by the Government, with the support of the WBG, and the allocation of US$700 million was fully committed through IDA19 across the country. The pipeline for the North was designed so that the selected operations would complement one another in terms of sectoral focus, per the underlying conflict challenges, and were sequenced accordingly. The immediate response to the conflict was anchored in the US$100 million Northern Mozambique Crisis Recovery Project (NCRP) (P176157), which aimed to respond to the growing humanitarian crisis in the North and prevent a deterioration of the context through the provision of emergency support to IDPs and host communities in Cabo Delgado, in the areas proximate or directly adjacent to the conflict. Following the liberation of districts in Cabo Delgado that had been held by the insurgents, the NCRP received AF of US$100 million to support the reconstruction phase.

58. **The emergency response to the conflict is supported, reinforced, and complemented by a series of five operations in the North that build resilience among the population, restore the social contract** between citizens and the State, and support recovery over the medium to the long term. The NCRP serves as a bridge to these series of interconnected operations, amounting to US$600 million, which will be sequenced and prioritized to ensure a focus on livelihoods and jobs support, provision of basic services, support to civic engagement, and upgrading of infrastructure and housing in informal settlements and, additionally, to support human capital development. All operations in the north were approved following the discussion of the PRA Eligibility Note by the Board.[189] The five operations are: (i) the Economic Linkages

[189] Risk and Resilience Assessments for Madagascar and Mozambique & Recovery and Peacebuilding Assessment for Northern Mozambique (P172327).

for Diversification program (P171664; US$100 million), which concentrates on strengthening economic linkages from the extractive sectors to the private sector, with a focus on women, youth, and IDPs; (ii) the Northern Mozambique Rural Resilience Project (P174617; US$150 million), which aims to build resilience among vulnerable populations in the North through the sustainable management of natural resources and support to livelihood opportunities; (iii) the Sustainable Rural Economy Program (P174002; US$150 million), which aims to improve the performance of small agriculture producers and Agri MSMEs and improve natural resource management practices in the North and Centre of the country; (iv) Urban Upgrading in the North of Mozambique (P175266; US$100 million), which aims to improve urban infrastructure, basic services, and shelter in selected informal settlements in the North, with efforts to open up spaces for peaceful contestation and increase citizen engagement; and (v) Investing in Inclusive Human Capital Development in Mozambique (P175298; US$100 million), which aims to improve inclusive access to high-quality social services and community-driven development opportunities for populations in areas at risk of conflict, and strengthen the institutional capacity of the health, education, and social protection sectors.

59. **This prevention-based approach is critical to laying the foundations for recovery in the North.** The emergency response is focused on addressing the immediate impacts of the conflict and preventing an outbreak of secondary conflicts, while the succession of interlinked projects that build on it will seek to address both the impacts and the root causes of the conflict. Maintaining this approach is essential to addressing some of the deep-seated grievances that could derail growth and development in Mozambique and that, in some cases, trace back to the inception of the state nearly 50 years ago. However, this approach has faced challenges, notably related to implementation capacity, a volatile security context, and the lack of clarity over the demarcation of roles and responsibilities among various subnational agencies.

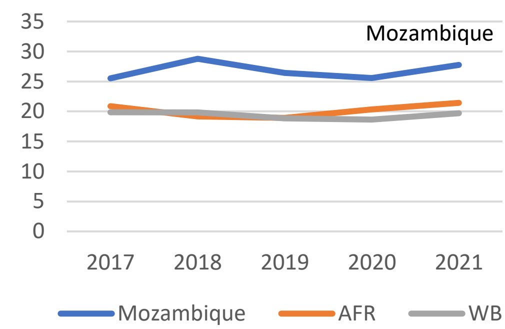
60. **Collaboration with development partners was fundamental and contributed to the results Achieved in key areas.** The FY17–FY21 CPF included a trust fund from Foreign, Commonwealth & Development Office (FCDO) supporting improvements in economic management for inclusive growth. This trust fund provided the TA that supported key government reforms and progress on debt, fiscal risk, and investment management. The reforms included the set of regulatory frameworks for debt and guarantees issuance, SOE and public investment management – all key policy challenges at the heart of the hidden debt crisis. There was a high level of complementarity in other key areas such as health and education. Donors' contributions to the health sector between 2017 and 2021 was about US$500 million, which is more than twice as large as the World Bank's contribution. On education, the FASE fund, comprising eight donors,[190] supported the sector with US$80 million dollars per year,[191] which is on par with the new lending provided to the sector by the CPF program. Development partners were also strongly involved in other core and priority areas of the World Bank program such as agriculture and emergency response.

61. **The Quality of Supervision and the overall portfolio performance has been *satisfactory*.** The implementation of Mozambique's portfolio demonstrated strong performance during the FY17–FY21 CPF period. The number of projects in the portfolio increased by 75 percent and the size of commitments doubled – from US$1.6 billion in (FY2017) to US$3.242 billion (FY2021). Annual disbursements increased 2.5 times – from US$190 million (FY2017) to US$509 million (FY2021). The average disbursement ratio during the 2017–2021 period stood consistently above 25 percent and above the regional and World Bank

[190] Germany, Canada, France, Finland, Italy, Ireland, Portugal and UNICEF.
[191] For news on this, see UNICEF, "O Governo de Moçambique e oito parceiros de cooperação assinaram o novo Memorando de Entendimento para o Fundo de Apoio ao Sector da Educação, July 13, 2021, https://www.unicef.org/mozambique/comunicados-de-imprensa/o-governo-de-mo%C3%A7ambique-e-oito-parceiros-de-coopera%C3%A7%C3%A3o-assinaram-o-novo (in Portuguese).

averages, despite the significant increase of the portfolio and project size and the COVID-19 crisis (See Fig. 4).

Chart 4 - Disbursement Ratio 2017-2021: Mozambique vs. AFR and Bank Averages



Source: World Bank

62. **Proactive portfolio management resulted in gradual performance improvements across most portfolio indicators, despite the dip during the hidden debt crisis, and the COVID-19 pandemic.** Factors that contributed to the strong portfolio performance and improvements were: (i) shortened IPF preparation time from concept to Board; (ii) gradual size increase of lending projects by 20 percent, compared to FY16; (iii) improved quality at entry;[192] and (iv) improved realism at exit.[193] Recurrent implementation challenges hampering portfolio performance included a combination of factors such as ambitious and complex designs, a weak sense of government ownership, uneven capacity within government ministries (partially linked to reshuffling of ministers during the CPF period), and cumbersome bureaucratic government processes.

63. **Exogenous factors also created implementation challenges**. For example, emergency projects in response to Cyclone Idai and Kenneth meant that, although money was rapidly deployed, the actual reconstruction efforts took relatively longer (and some are still ongoing). Inevitably, the COVID-19 pandemic also slowed some of the preparations for, and implementation of, operations, while the conflict in the North also slowed implementation of projects in the region. The 2021 CPPR review recommended Level I restructurings to increase realism. CPPR, focus on the problem projects and increased disbursements together accounted for the improved portfolio performance.

64. **The performance of the Mozambique portfolio was Moderately Satisfactory/Satisfactory on E&S risks management**. E&S implementation challenges were directly associated with shortages of E&S-competent counterpart staff and of capacity to manage Environmental and Social Framework (ESF) processes and products; and limited client capacity for Gender Based Violence (GBV) risk mitigation and stakeholder engagement. Client capacity building on the new ESF was launched soon after the framework was introduced for new projects that were subject to ESF. The World Bank trained 350 safeguard specialists of the Government. Challenges remain, mostly related to Project Implementation Unit (PIU) capacity and implementation of RAPs. Social Risk Management and GBV risk management were priority areas across the portfolio. The projected Integrated Feed Roads (P158231) was suspended for 60 days because of a failure to comply with measures for social risk and Gender Based Violence, Sexual Exploitation and Abuse/Sexual Harassment (GBV/SEA/SH) management in 6 cases of GBV.[194] As a result of the social risk and GBV/SEA/SH management compliance failures, the World Bank immediately suspended Disbursements and Civil Works under the IFRDP. To address the severe incidents, the World Bank requested the Client to agree on a Suspension Action Plan (Agreed Action Plan Confirming the Evidence of Compliance with Conditions to Lift the Suspension on Disbursements, Suspension of Civil

[192] Country Portfolio Performance Review (CPPR).
[193] IEG exit ratings.
[194] The World Bank followed the GBV survivor- centered approach to ensure that the Client and the GBV service provider (Jhpiego) deliver all psychosocial, legal, health support for the six survivors. Some survivors withdrew their cases. At the contractor level, an administrative inquiry was undertaken to identify the perpetrators and initiate a criminal investigation. The role of the GBV service provider was reviewed and mitigation measures strengthened to include Code of Conduct (CoC) translation, mandatory CoC training, increased awareness of GBV issues within the communities, and improved capacity and working conditions for Grievance Redress Mechanism (GRM) committees.

Works, and Termination of Contracts) to review and update the environmental, social including GBV/SEA/SH system and mitigation measures in a manner satisfactory to the World Bank. The agreed Suspension Action Plan included (i) several measures at the central government level, from the Ministry of Public Works, Housing and Water Resources, requiring the minister's cabinet to hire a Senior GBV/SEA/SH advisor; (ii) a complete review of the IFRDP and RF/ANE structure and capacity to implement the safeguards and comply with mitigation measures; (iii) increasing the Project risk to High (because of the GBV risk); and (iv) the resultant hiring of a Third-Party Monitoring (TPM) Agent to supervise the implementation of the safeguards. An E&S audit was also agreed to take place at project level.

65. **Given the overall capacity constraints in the public sector, Mozambique projects relied on Project Implementing Units (PIUs).** Most projects implemented by ministries are managed by contracted personnel (FM, Procurement, Safeguards, technical staff).[195] The World Bank has been providing support to *Fundo Nacional de Desenvolvimento Sustentável* (FNDS) to help overcome capacity challenges and be able to deliver on projects in land management, climate change, and agriculture. This portfolio has grown and currently stands at about US$1 billion, including the World Bank's projects to support the North region. With the growth of the FNDS portfolio, additional challenges related to the capacity of FNDS have been tackled during the CPF cycle. The latest CPPR identified some systemic portfolio issues to be addressed by the GoM, such as Visto of the *Tribunal Administrativo*;[196] GBV challenges that affect some projects with civil works; the need to make greater use of Project Preparation Advances and retroactive financing; and the need to accelerate the projects' effectiveness after board approval.

66. **The implementing agencies in Mozambique have ensured compliance with procurement and Financial Management (FM) requirements for operations financed by the WBG.** At the end of the CPF cycle, most of the projects were rated Satisfactory for FM performance, with a few rated Moderately Satisfactory and one Moderately Unsatisfactory. The World Bank has been conducting regular risk-based reviews. Implementation challenges remain that are directly associated with the relative lack of qualified FM staff for some projects, very slow processing of withdrawal applications, and delayed submission of Annual Work Plans and Budgets (AWPBs).

67. **The CPF implementation extensively used CERCs, which came to serve as an effective emergency response option.** During the CPF period, almost US$200 million in CERCs was activated through an IRM to respond to disasters – droughts, cyclones, COVID-19 and more recently the Internally Displaced People (IDP) crisis. CERCs (US$20 million) were first used in 2016 to address food security, health and water supply needs during the severe El Niño drought affecting 1.5 million people in southern and central Mozambique. In 2019, CERCs (US$55million) were activated in response to Cyclone Idai's impact in central Mozambique. In 2020, CERCs (US$73.5 million) channeled the COVID-19 response to the most vulnerable populations affected by government mitigations measures such as lockdown, quarantine, and social distancing. CERC (US$35 million) was again used under the Urban Sanitation Project (P161777) to support the safe return to school, especially targeting girls. And finally, in 2020, the IRM was activated (US$9.7 million) to provide immediate livelihood support to 150,000 IDPs and members of host communities in the provinces of Cabo Delgado, Nampula, and Niassa.

68. **The ASA program, overall, was relevant to the CPF objectives; the Program deepened the country knowledge base and informed project design and implementation**. The CPF planned a sizable program of 50 tasks, revised to 54 by the PLR stage, and delivered 56 tasks. The ASA delivery instruments ranged from nonlending TA and results evaluations to policy notes. The main sectoral focus of the program (60

[195] Some institutions such as the power utility EDM, FIPAG, and the road authority generally rely on internal personnel for project management.
[196] This exemption will allow Prior Review contracts by the World Bank not to go through the Tribunal Administrativo' s prior review.

percent of the tasks) was represented by four practice groups: poverty and equity; macroeconomics, investment and trade; finance, competitiveness, and innovation; and social, urban, rural and resilience.

69. **The ASA program filled in important knowledge gaps identified by the 2016 SCD.** High priority was assigned to ASAs for addressing constraints and outlining policy reforms with high impact on growth and poverty reduction, and country program implementation. For example, strengthening transparency, accountability, public finance management; supporting response to the debt crisis; addressing SOE and debt management, Public Investment Management (PIM) and land-tenure security; unlocking productivity in the agricultural and forestry sectors; developing enabling infrastructure; improving water and sanitation services (WASH) linked to stunting and Human Development Indicators (HDI) outcomes. Examples of country sector reports addressing essential knowledge gaps during the implementation period were the Mozambique Urbanization Review (2017),[197] which examined the importance of spatial and economic transformation; the Jobs Diagnostic Report (2018)[198] analyzing the supply and demand factors affecting jobs in Mozambique, reinforcing the significance of structural transformation, and informing other interventions such as the Linkages Project and Nacala Corridor. The Rural Income Diagnostic (2021)[199] provided valuable analysis of the obstacles to raising agricultural productivity, and identified the main types of farmers and matching taxonomy of policy recommendations. It supported the recent preparation of an MPA for the agricultural sector. The Risk and Resilience Assessment for Mozambique (2020) provided a baseline understanding of the root causes of fragility and resilience in Mozambique. The Mind the Rural Investment Gap (2019) and the CEM (2021) Spatial Growth analysis responded to questions about the increasing inequality between rural and urban areas, and supported geospatial project decisions. Disaster Risk Management, which led to a substantial increase in coverage of social assistance interventions, would not have been so effective without Social Protection (SP) and Poverty synergies. Those synergies helped to identify operational investments through multidimensional poverty maps and geospatial vulnerability maps, and helped operationalize the response to destruction caused by the cyclones in 2019 and the response to the COVID-19 emergency.

70. **ASAs informed strategic program shifts in the Education, Urban, Water and Energy sectors.** ASA analytics recommended linking the Urban and DRM agendas together to achieve higher impact and to inform effective interventions in the water sector (sanitation, rural and small towns), as well as to achieve implementation support for large-scale energy access. ASAs also addressed capacity risks by the government, incorporating capacity building in projects and programs and coordinating capacity activities with development partners in PFM, PIM, debt management, and statistics. Only three core or extended core products were delivered. The Poverty Assessment was especially well appreciated and complimented by the Government. Mechanisms for social risk management were given priority. A programmatic ASA provided operational support to teams on GBV risk management, diagnostics, and policy dialogue.

71. **Citizen Engagement.** Each project in the Mozambique portfolio included a Grievance Redress Mechanism (GRM) and Stakeholder Engagement tools. All projects have been screened for the existence and functionality of the GRM and Stakeholder Engagement tools. The implementation quality of the currently existing tools needs improvement.

72. **Collaboration with IFC strengthened and became more effective in infrastructure, manufacturing, agriculture, and services.** During the CPF period, IFC's committed portfolio in these four sectors reached US$157 million (see annex 6). More effective WBG and IFC collaboration served to deliver results and to build a strong private sector and business environment though strengthening the WBG analytical base and the efficient implementation of key projects (Growth Poles, P127303). In 2016, the IFC's lending

[197] World Bank, Mozambique Urbanization Review.
[198] Mozambique Jobs Diagnostic.
[199] World Bank, Cultivating Opportunities.

portfolio was impacted by an increase in Non-Performing Loans (NPLs), as IFC's clients had difficulty accessing foreign exchange to meet obligations, which also impacted some of the results under Focus Area I of the CPF. IFC provided six advisory engagements totaling US$16 million. It has approved its new Country Strategy focused on opportunities in commercial agriculture, renewable energy, and affordable housing sectors, complementing the World Bank program.

73. **Robust institutional support from senior management and the launch of IFC's 3.0 corporate strategy were critical for deepening IFC's collaboration with the World Bank.** The use of a PSW has been important in helping to build the investment pipeline in the difficult economic context of Mozambique. The PSW has helped reduce the cost of capital due to Mozambique's high-country risk rating, as well as provided additional guarantees that help manage the risk tolerance levels of other potential lenders who are considering financing private sector investment projects. Joint World Bank-IFC missions and retreats were other forms of collaboration.

74. **During the CPF period, MIGA guarantees crowded in foreign private investment to Mozambique.** MIGA's gross exposure in Mozambique stood at US$215 million as at end of FY21, across three projects in the energy and financial services sectors. In FY22, MIGA brought its total exposure to about US$653 million by supporting two additional energy sector projects (see annex 7). With these engagements, MIGA supported the GoM's program by attracting foreign private investors to the energy sector. In addition, MIGA's guarantees in the financial sector helped to sustain lending operations of local subsidiaries of foreign owned banks during COVID-19 and supported SMEs access to finance. MIGA is also currently working on a project in the digital sector in supporting the establishment of data centers that will help expand the digital economy in the country. The participation of IDA through the PSW has facilitated MIGA's extensive engagement in Mozambique to support cross-border investments.

75. **The TREP (P160427) is regarded as a landmark for PCM and for successful WBG synergies between the World Bank, IFC and MIGA.** The Project was part of an integrated effort to leverage WBG resources with a "cascade" approach to support private sector investment in Mozambique's electricity sector. The Project is also an example of a "one WBG" approach where complementary products—ranging from IDA-funded transmission and IDA guarantees for the Temane Thermal Power Plant (CTT), to MIGA guarantees and IFC commercial and concessional debt financing for CTT—were deployed to support a project that is critical for the country and the region. These projects were developed in close coordination with the World Bank's work in the energy sector, including its support for EDM, the national utility company, to improve its management practices. IFC was able to complete this transaction as the Mandate Lead Arranger (MLA) and coordinated syndication on power production, while MIGA provided guarantees to cover equity, quasi-equity, and shareholder loan investments against the risks of Transfer Restriction and Inconvertibility and Breach of Contract. IFC also helped bring in an external investor[200]. IFC and MIGA coordinated jointly with the World Bank on the use of the PSW to support credit enhancement and enable financial closure. In parallel, the World Bank is implementing a project to improve the overall management of EDM, including support for EDM to reduce its arrears to other independent power producers (IPPs). This was the first time that an IPP was publicly procured resulting in a lower electricity tariff and record private sector mobilization. TREP will also help drive down EDM's average bulk power cost and thereby improve its gross margin and financial viability (see also paragraph 24).

76. **Trust funds continued to play a key role in complementing the World Bank's strategic objectives and development effectiveness in Mozambique.** TFs provided/provide important support to the WBG pipeline, portfolio and ASAs. The World Bank's strong fiduciary systems, technical expertise and convening power allowed development partners to channel funds through the World Bank's systems and operations

[200] Such as Globelec.

(for example, mainly through Multi-Donor Trust Fund - MDTFs and Single Donor Trust Fund - SDTFs), especially global funds—Global Financing Facilities (GFFs) and Pilot Programs for Climate Resilience (PPCRs)—and bilateral contributions in education, health, energy, water, DRM, public financial management, environment, and social protection. The Mozambique portfolio administered 19 RETFs on behalf of development partners, and the World Bank's RETFs total amount during the period stood at US$213 million. TFs complemented existing IDA operations or grant facilities.[201] The EU and the UK remain the major bilateral donors complementing IDA resources through co-financing in energy, social protection, and health sectors. The TFs vary in strategic value and program alignment and demonstrate similar implementation challenges as IDA-financed operations. The WBG has considered introducing selectivity criteria, thresholds, and annual review mechanisms to improve the effectiveness of the TF portfolio.

77. **The lending pipeline for the next engagement cycle is strong,** with 12 projects expected to enter the portfolio during FY22–FY23, and 7 exiting as of March 2022. A solid portfolio of 34 projects totaling US$4.2 billion will be carried over into the next CPF cycle, providing engagement continuity.

V. ALIGNMENT WITH CORPORATE GOALS

78. **The FY17-FY21 CPF supported several corporate priorities and policy commitments under Agenda 2030 and IDA Special Themes**. Five aspects of the Mozambique country program had the strongest overlap with the WBG's corporate priorities: poverty reduction and inequality, gender, climate change and resilience, fragility and conflict, debt sustainability.[202]

79. **The FY17–FY21 CPF program exhibited a strong poverty focus across all strategic Objectives.** The FY17–FY21 CPF supported Mozambique's ambition in creating more inclusive growth through ''Employment Promotion and Improving Productivity and Competitiveness'' (Focus Area One). Increasing the productivity of smallholder agriculture was seen as having the largest potential to contribute to large-scale poverty alleviation. The CPF program went beyond the economic stability agenda, seeking to assist Mozambique in translating its resource wealth into inclusive growth and poverty reduction. Under the second Focus Area, the WBG supported infrastructure investments for growth and human development, such as water and sanitation, with impacts on nutrition, health and public delivery, education, and wages. The third Focus Area addressed the fiscal aspects of as well as institutional, social, and environmental risks to sustainable growth and poverty reduction, for example, by combining cash transfers with productive inclusion interventions in urban and rural settings. During the implementation period, the Government requested stepped up support for addressing the growing conflict in the north, posing a growing risk to growth, poverty reduction and growing inequality (see below paragraph 84).

80. **The FY17–FY21 CPF Program objectives were broadly aligned with the Sustainable Development Goals (SDGs)**. The CPF directly addressed eight, SDGs.[203] 60 percent of the CPF lending went to SDGs linked to Agricultural Growth, Reliability of Electricity, and Recovery and Resilience. The WBG effort supporting basic needs, such as access to water and electricity, made up about one-third of all investments under the program. Climate action, sustainable decentralization and peace SDGs accounted for about one-quarter of the project lending. Stronger linkages to the corporate goals could be beneficial for designing effective

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[201] Global Environment facility (GEF), Global Financing Facility (GFF), Global Partnership for Education (GPE), the Forest Carbon Partnership Facility (FCPF).

[202] The DFI Policy Commitment Dashboard shows Mozambique contributing to 31 IDA19 policy commitments. See https://idaportalaz.worldbank.org/dashboard/policycommitments/ida19/ctryimpl

[203] (1) No Poverty, (3) Good Health and Well-being, (4) Quality Education, (6) Clean Water and Sanitation, (7) Affordable and Clean Energy, (8) Decent Work and Economic Growth, (11) Sustainable Cities and Communities, and (13) Climate Action.

and monitorable results framework. During the next CPF preparation process, management shall adopt a principled approach for directly referring the new CPF's strategic objectives to the 2030 Agenda, and other IDA priorities and frameworks with internationally endorsed definitions and metrics.

81. **The WBG in Mozambique was committed to empower women and girls with integrated and coordinated projects across the sectors.** Gender disparities remain striking and persistent, undermining the social and economic inclusion. On many indices Mozambique lags behind the average for Sub-Saharan Africa[204]. Women's lower access to productive inputs (for example, land and finance), discriminatory customary practices, high rates of adolescent marriage and pregnancy, and lower education and literacy rates are some of the main factors hindering their ability to lift themselves out of poverty. The COVID-19 pandemic also set back progress in building human capital, impacting women disproportionately worse. Adolescent girls continue to be at high risk of GBV. The WBG approach focused on creating an enabling environment for women through better education, employment, and health services. The CPF implemented gender-focused operations such as Gender-Sensitive Social Protection Systems Project (P149536) to provide temporary income support to extremely poor households; and Community Driven Development (CDD) projects (MozBio,[205] MozLand[206]), which integrated gender aspects into natural resource management. Energy and sanitation sector projects also included dedicated actions to improve female staff numbers in counterpart institutions. In the next CPF, a stronger focus on social change and addressing directly selected gender gaps (than just female project beneficiaries) will be a better strategy for achieving stronger results under this area.

82. **Climate Change and DRM became a priority for the FY17–FY21 CPF program, largely because of events that took place during the CPF period.** During the last CPF cycle, cyclones, floods, and droughts led to crop failures and further damages, reducing the average consumption for affected households by 25 to 30 percent, and thus impeding severe poverty reduction. The CPF committed 12 percent of the program to the ''Recovery and Resilience'' Objective.[207] The 2021 Country Program Evaluation (CPE) conducted by the IEG, rated this component of the WBG engagement as the strongest feature in performance and results. Mozambique's program shifted its focus from response to disasters (ex-post) to building resilience, drawing on the development policy lending from the FY12-FY15 CPF for building effective institutional and policy frameworks for climate resilience, strengthening national policy for planning, monitoring, and reporting, improving the sectoral focus on agriculture, hydro-meteorological services, and DRM. The Climate and Disaster Risk Screening Tool for project preparation helped PIUs identify short- and long-term climate and DRM risks at an early stage of project design.

83. **Debt sustainability played a big role in the FY17-FY21 CPF.** The country's loss of economic credibility led to the ballooning of total debt between 2016–2017, when Mozambique also lost access to budget support. The start of Liquefied Natural Gas (LNG) production is critical for returning to debt sustainability. Mozambique has been in debt distress under IDA18 and IDA19 and the World Bank grant financing has been of vital importance to the country. The Government sought World Bank's implementation advice on SDFP, starting in FY20. World Bank provided TA to the Government with preparation of the package for SOEs' governance reforms for improving public investment risk and debt management. Debt restructuring and further progress in improving debt management and transparency

[204] Mozambique ranks 127 out of 162 countries on the Gender Inequality Index (2021) and close to the bottom, 167 out of 174, on the 2021 Human Capital Index (HCI).

[205] Mozambique Conservation Areas for Biodiversity and Development – Phase 2 (P166802).

[206] Mozambique Land Administration Project (Terra Segura) (P164551).

[207] Main lending operations included the Emergency Resilient Recovery Project (AF) (P161559) for restoring critical infrastructure in a resilient manner in the disaster-affected provinces; the Mozambique Disaster Risk Management and Resilience Program (P166437) for investing in the preparation of a disaster response and increasing the climate resilience of vulnerable education infrastructure; and the Cyclone Idai and Kenneth Emergency Recovery and Resilience Project (P171040) to assist with the recovery of public and private infrastructure and livelihoods.

will be essential to return to debt sustainability. Strengthening the Institutional framework for managing public resources, and building further capacity and systems remains of strategic importance for addressing the downside risks that expose the economy to macroeconomic vulnerabilities. Debt sustainability was covered under Objective one.

VI. LESSONS LEARNED

The key lessons to consider during the preparation of the next CPF are the following:

84. **The following four attributes seem to have been important for effective implementation of the CPF in a challenging FCV environment.** The first attribute is a close alignment with government priorities, ideally at program level – mitigating the risks associated to limited ownership and sustainability challenges once the project is completed. The second attribute is targeting on fewer and well-defined objectives, ideally with a clear territorial focus – avoiding dispersion of (human, financial and political) resources. A third attribute is the combined use of a wide array of lending and nonlending instruments over time. Impact seems to be cumulative, emerging because of persistent and coherent implementation, beyond one single CPF cycle with the use of ASAs, DPOs, IPFs and TA activities depending on the needs of the development process. Lastly, a fourth element was the importance the WBG's convening role, including at helping to build consensus, mobilizing additional financing, or coordinating multi-sectorial interventions. Examples of success cases with those attributes include the successful development of DRM activities, the success of access to electrification objective, the mobilization of multi-donor trust funds, including to address governance issues after the hidden debt period as well as the needs of human capital development in the country.

- The next CPF should place an extra emphasis on the alignment with government priorities, targeting fewer and more transformational interventions, prioritizing the combined use of the full range of WBG's instruments, and continuing to closely coordinate and explore synergies with other development partners.

85. **Disaster Risk Management (DRM) and emergency response need to be continued and given the country's vulnerability to shocks, further enhanced in the next CPF cycle.** From an initially modest priority level under the Recovery and Resilience Objective, DRM developed into one of the strongest features of the program. Following the features discussed in the paragraph above, the success of this activity can be attributed to (i) the integrated structure of the WBG, enabling the implementation of a unified cross-cutting approach, (ii) the WBG's recognized technical expertise and leadership role, which enhanced multi-donor engagement and collaboration; (iii) dedicated knowledge generated by the World Bank's ASAs and its incorporation into government policies and plans through TA, IPF and DPOs when needed, leveraging the strengths of different WBG engagement instruments. Over the last two decades, Mozambique was impacted by over one hundred natural disasters, which led to a cumulative economic loss of over 16 percent of GDP. Cyclones pose the most significant and recurring risk to Mozambique, affecting 2 million people per year on average in the coastal regions. Mozambique is likely to remain exposed to extreme climate events in the next decades. It is, therefore, important to stay engaged in the long run and with a uniquely diversified "toolbox" for engagement, as indicated by the Climate Change DPOs, Disaster Risk Management and Resilience PforRs, and numerous specific investment projects throughout different CPF cycles.

- A related lesson is the continuing importance of the PRA in catalyzing and supporting the ambitious government response to the conflict in the North and to addressing fragility more broadly – including advancing decentralization reforms. The next CPF should consider prioritizing the implementation of the current PRA milestones, and the corresponding access to additional funding, helping the GoM consolidate its assistance strategy for the North. It is recommendable that the approach to addressing shocks be further mainstreamed, pivoting towards prevention in a timely and cost-effective manner.

86. **To improve contribution to the twin goals, the next CPF should consider adjusting the current theory of change**. Following closely the recommendations of the previous CLR and SCD, the FY17–FY21 CPF significantly raised its investments in agricultural productivity and rural development aiming to reduce poverty. According to the underlying theory of change, investing more and with an integrated approach in agricultural productivity and rural development, where the poor work and live, would lead to substantive poverty reduction. However, impact in terms of labor productivity achieved by the SUSTENTA Project, a core activity of the CPF program has been relatively small and circumscribed to project beneficiaries -- a fraction of the millions of subsistence farmers in the country. The capacity to expand such type of program, especially when the cost of access to markets are considered, is also questionable. Development in rural areas have shown some progress, but often associated with the expansion of secondary cities. In such context, the limited results of the FY17-FY21 CPF on agricultural productivity and poverty reduction,[208] despite a significant lending effort of about US$850 million,[209] raises questions about the proposed theory of change.[210]

87. **A new theory of change needs to consider the heterogeneous profile of farmers and the role of the process of structural transformation in poverty reduction**. A 2020 World Bank study shows that not all rural households in Mozambique have the same set of possibilities to grow out of poverty. In fact, it estimates that, due to external (e.g. geographic factors) or internal (physical, human, financial and social capital) conditions, more than 60 percent of rural households do not have the potential to become commercial farmers and may be better served by social protection programs -- such as conditional, unconditional, or productive cash transfers than by standard agricultural support policies.[211] Second, the main priority of the FY17–FY21 CPF program—enhancing the prosperity of subsistence farmers and investing in rural communities—misses the centrality of job creation outside subsistence agriculture (economic transformation) and urbanization (spatial transformation) for the process of helping millions escape poverty. Yet evidence produced by the World Bank ASAs and other studies suggests that Jobs and Economic Transformation (JET) and urbanization remain underutilized powerful levers for poverty reduction and shared prosperity in Mozambique.[212]

- While support to peri-urban and potentially viable farmers needs to continue, to unleash a massive and sustainable process of poverty reduction, the next Mozambique CPF should gradually increase its focus on jobs and structural transformation, including an added emphasis on agricultural commercialization and integration into regional and global markets.

88. **The country results of the next CPF can further enhanced by bringing back General Budget Support (GBS) and institution-building**. This is an important lesson on learning and adaptation for the country program. This instrument mix may get the reform agenda back on track. That agenda was, in part, crowded out by a CPF program focused on investing in physical assets and emergency support. The slow progress in addressing the aftermath of the hidden debt crisis prevented the development of budget support as envisaged initially by the CPF. The CPF's initial design placed a lot of emphasis on governance reforms and institution building through a package of project, sector, and country-level interventions.

[208] See IEG, Mozambique Country Program Evaluation (forthcoming). The report also suggests that it may be still early to observe the results of recent shifts of agriculture strategy and investments in agricultural productivity.
[209] These include both Agriculture and Rural Development.
[210] In this sense, there is no inconsistency between the fact that sector specific targets for the corresponding Objective indicators were achieved while impact on total poverty numbers worsened.
[211] See World Bank, Cultivating Opportunities.
[212] See World Bank, Mozambique Systematic Country Diagnostic – Coming Together for a Better Future (Washington DC: World Bank Group, 2021a); World Bank, Mozambique Country Economic Memorandum –Reigniting Growth for All (Washington DC: World Bank Group, 2021b); and World Bank, Mozambique Urbanization Review.

However, the sequence of climate, health, and security shocks shifted the attention of the CPF program toward meeting urgent government priorities for emergency support, reconstruction, and resilience, thus sidelining governance and institutional building as secondary priorities. Jobs, investment in human capital, and government decentralization efforts to better service delivery reform remain important instruments and anchors for the country's political stability and de-escalation of the conflict in Cabo Delgado.

- Given the improvements in fiscal management, debt transparency, and PFM, evidenced by the successful participation of the country in the Debt Service Suspension Initiative (DSSI), the next CPF should consider bringing back the development policy financing, a program feature that has been suspended since the hidden debt crisis, on the condition that the DPF financing meets the necessary prerequisites. A continued emphasis on governance reforms, including a new approach to the decentralization agenda, needs to be considered.

89. **Emphasis on PCM will continue to be a priority, requiring a renewed emphasis on collaboration between the World Bank, IFC and MIGA.** As the success of the Temane Regional Energy Project (P160427) has demonstrated, PCM has great potential for attracting private investment into Mozambique. Important lessons from IFC engagement in the FY17–FY21 CPF will be considered, including: (i) exploring further how to leverage more PSW tools, blended finance, and local currency as well as other risk-mitigating instruments such as PRGs to mitigate currency volatility and the high cost of lending; (ii) using foreign exchange hedging when lending to clients who are exposed to foreign exchange risk; (iii) choosing IFC partners to be able to mitigate country risk analysis, even while using PSW and blended finance; and (iv) putting greater focus on capacity building through investments in skills and education. Utilizing MIGA guarantee instruments will also be effective in mitigating investors' concerns about non-commercial risks and encouraging long-term engagement under public-private partnership structures.

- The next CPF can do more in the short to medium term by strengthening the capacity of the country for mobilizing private capital in infrastructure sectors. This will require advancing institutional reforms and strengthening a Public-Private Partnership (PPP) framework to reduce regulatory risk, and the cost of capital.

90. **Improving the targeting of the WBG portfolio for higher impact, especially Mozambique's sizable legacy portfolio, will be essential for the success of the new strategic objectives.** Capacity deficits remain one of the main binding constraints in accelerated development in Mozambique. To respond to this longstanding challenge, the new CPF will need to strengthen the focus on capacity building by deepening interventions in this area. Moreover:

- CERCs have been shown to be effective instruments to finance the government's response to external shocks. Acting on the lessons for designing a better results framework and more precise indicators, the next CPF should use, where necessary, alternative indicators and additional data to better track country-level outcomes. Other specific lessons are detailed in the CPF Results Matrix Evaluation in annex 2.

Annex 1. Status of Mozambique FY17–FY21 CPF Results Matrix (Summary table)

Focus Area/Strategic Objective/Outcome Indicator		Rating
Focus Area 1:	**Promoting Diversified Growth and Enhanced Productivity – Moderately Satisfactory**	
Objective 1: Improved Economic Management		**Mostly Achieved**
Indicator 1	Strengthened fiscal risk management, as measured through the annual Fiscal Risk Statement produced by the Fiscal Risk Unit	Achieved
Indicator 2	Mining and gas operations subject to fiscal controls in line with the established fiscal regime in Mozambique	Mostly Achieved
Indicator 3	Enhanced accountability for results in sector ministries and provinces through adoption of RAs of MoF with line ministries	Partially Achieved
Indicator 4	Mozambique's score on the Statistical Capacity Indicator for source data has increased	Achieved
Objective 2: Increasing Agricultural Incomes and Land Tenure Security		**Mostly Achieved**
Indicator 5	Increase in number of households marketing part of their production in Zambezia and Nampula	Mostly Achieved
Indicator 6	Number of farmers reached through agribusiness and forestry investments	Achieved
Indicator 7	Number of households covered by formalized land user rights	Achieved
Objective 3: Improving the Business Environment for Job Creation		**Partially Achieved**
Indicator 8	Number of MSME loans supported by private sector clients	Achieved
Indicator 9	Volume of MSME loans supported by private sector clients	Partially Achieved
Indicator 10	Number of jobs supported by IFC clients	Not Achieved
Objective 4: Expand Access and Improved Reliability of Electricity		**Achieved**
Indicator 11	Average interruption frequency per year (System Average Interruption Frequency Index – SAIFI)	Achieved
Indicator 12	Percentage of households with access to electricity	Achieved
Focus Area 2:	**Investing in Human Capital – Moderately Satisfactory**	
Objective 5: Enhancing the Skills Base		**Mostly Achieved**
Indicator 13	Primary Completion Rate	Achieved
Indicator 14	Parity Index of the Retention Rate until Grade 3 between highest and lowest provinces	Not Achieved
Objective 6: Improving Health Service Delivery		**Mostly Achieved**
Indicator 15	Coverage of institutional deliveries	Achieved
Indicator 16	Modern contraceptive prevalence rate	Achieved
Indicator 17	Rate of stunting among children under five years old	Mostly Achieved
Objective 7: Improving Access to Water and Sanitation		**Mostly Achieved**
Indicator 18	Percentage of urban population with access to improved water supply services	Mostly Achieved
Indicator 19	Percentage of urban population with improved access to sanitation services	Achieved
Focus Area 3:	**Enhancing Recovery & Resilience – Moderately Satisfactory**	
Objective 8: Supporting Recovery and Resilience		**Mostly Achieved**
Indicator 20	Population affected by Cyclones Idai and Kenneth receiving emergency support through cash transfers or public works programs	Achieved
Indicator 21	Share of damaged infrastructure restored or replaced to resilient standards	Mostly Achieved
Indicator 22	Disaster Risk Management Fund operational	Achieved
Indicator 23	Early-Warning Systems operational for the Limpopo and Zambezi River Basin	Achieved
Indicator 24	Percentage of poor households covered by safety nets programs (including productive inclusion interventions)	Achieved
Objective 9: Promoting Inclusive Urbanization and Decentralization		**Partially Achieved**
Indicator 25	Accumulated increase in municipal and district own revenue	Partially Achieved
Indicator 26	Accumulated increase in decentralized sector expenditures in the provision of basic services	Achieved

Annex 2. Mozambique FY17–FY21 CPF Results Matrix Evaluation

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
Objective 1: Improving Economic Management	**Mostly Achieved**	**Indicator 1:** Strengthened fiscal risk management, as measured through annual Fiscal Risk Statement produced by the Fiscal Risk Unit	Baseline 2015: 0 Target 2020: 4 statements	**Achieved** 5 Fiscal Risk Statements/reports published 2016, 2019–2022 *Source*: MOF	✓ Policy dialogue and ongoing TA influenced emerging legislation, including the revised SISTAFE law and its regulations. For example, the effects of climate change as a source of fiscal risk now need to be covered in the fiscal risk statements and addressed through budget allocations. Now that Fiscal Risk Reports (FRRs) are prepared, new sections are added each year, including SOEs, climate, PPPs, etc.	**Completed** Mozambique Strengthening Institutions and Inclusive Development Programmatic DPF (P176762) Prior Action **Ongoing** Economic Management for Inclusive Development Project (P176664)
		Indicator 2: Mining and gas operations subject to fiscal controls in line with the established fiscal regime in Mozambique	Baseline: 0 (2015) Target: 5 (2020)	**Mostly Achieved** 16 mining projects + 4 gas projects = 20 projects currently subject to fiscal controls (early 2021) *Source*: Mining and Gas Technical Assistance FY13 P129847 - Sequence No : 14 page #3 *Additional Evidence* 2021: 20 operations P129847 - Sequence No : 16 Page 3	✓ Mozambique needs to develop forward-looking, fiscal modelling capabilities with support from the World Bank. ✓ Through World Bank MAGTAP project interventions, the country developed strong sector capacity on gas at *Instituto Nacional de Petroleo*, which has started carrying out cost audits and fiscal controls of gas projects and at Inspecção-Geral dos Recursos Minerais e Energia (IGREME) on mining.	**Completed** Public Financial Management for Results FY14 (P124615) **Ongoing** Mining and Gas Technical Assistance (MAGTAP) FY13 (P129847) National Statistics and Data for Development FY18
		Indicator 3: Enhanced accountability for results in sector ministries and provinces through adoption of results agreements between the MoF and line	Baseline 2015: Agreements in place with 2 ministries Target 2020: Agreements sustained and extended to 2 more ministries and	**Partially Achieved** *[213] Two ministries, Health and Education, adopted and sustained results agreements *Source*:	✓ The innovative project approach combined three interventions: a capacity building component, the use of facilitators and coaches, and the Disbursement Linked Indicators (DLIs). The combination was instrumental in ensuring that the Program goals were achieved and will be replicated.	ASA **Completed** Debt Management, Fiscal Sustainability, Fiscal Risk Management, and Public Investment Management TA – Country Economic Memorandum

[213] The CLR results for indicator 3 appeared less robust than in the PLR evaluation, which reported that the implementation is on track.

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
		ministries/provincial directorates	selected provincial directorates		✓ Flexibility in the disbursement of Performance Based Allocations (PBA) is crucial for providing additional incentives to the indicators with poor performance. The incentive is through the possibility of claiming undisbursed funds from previous years as targets are met. ✓ Capacity building, combined with strong government ownership, was key to achieving the targets. ✓ Deepening rather than broadening of the interventions can provide valuable quantitative gains. For instance, the results agreement methodology was used by other donors in the same sectors (for example, health and education). ✓ Sustainability (incentives and capacity) remains an issue. For example, continuity in the production of fiscal risk reports once the project stops funding consultants. There is a need to build client capacity.	– Institutional capacity and E&S aspects of mining and gas in Mozambique TA FIRST Trust Fund (TF) (FY15–FY16): ongoing: Crisis Simulation Exercise (CSE) and follow-up FIRST project for the CSE Action Plan Implementation FIRST TF (FY15–FY16): ongoing Debt Market Development TA and FIRST Programmatic TF: Insurance, Pensions, and Capital Markets (FY16–FY19) Political Economy Assessment Media and Service Delivery Right to Information (RTI) Support to Decentralization TA Support to the Tribunal Administrativo Mozambique Poverty Assessment MOPA – Digital Platforms for Public Services Extractives Revenue Sharing **Ongoing** Mozambique Economic Update Public Expenditure Review
		Indicator 4: Mozambique's score on the Statistical Capacity Indicator for source data has increased	Baseline 2015: 60 Target 2020: 75	**Achieved** 74.5 (2020) The two SPIs were Achieved –Establishing an Investment Selection Committee and Establishing and operationalizing a Fiscal Risk Unit *Source*: P162621 - Sequence No : 06, Page #3 *Additional Evidence*: 2021: 62.20	✓ The Statistical Capacity Indicator (SCI) will be discontinued. A new indicator, Statistical Production Indicator, was produced as of 2021. It is important to link the CPF to the new indicator once it becomes available. ✓ Missed opportunity to update all relevant objectives during PLR to reflect changes in external environment (COVID19, debt crises), and the methodological issues (SCI case).	**Ongoing** IFP Grant National Statistics and Data for Development (P1612621)

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
				P162621 - Sequence No : 08, page #3		
Objective 2: Increasing Agricultural Incomes and Land Tenure Security	**Mostly Achieved**	**Indicator 5:** Increase in number of households marketing part of their production in Zambezia and Nampula	Baseline 2014: 1,021,788 households Target 2020: 15,000 additional households Of which women: 9,000[214]	**Mostly Achieved** Result (2020): 1,115,352[215] Additional households reached: 11,783[216] Women headed HHs: 1,506 *Source*: MADER and agricultural census data. Project Implementation Unit and ISRs; ISR 51357	✓ More data on the functioning of the PACE model are needed (repayment rates, yields vs. improved inputs, and so on). ✓ The PACE model could be improved from an operational point of view, particularly in the procurement of inputs and preparation/quality of business plans. ✓ The overall impact of the model needs to be verified.	**Completed/Ongoing** Mozambique Agriculture and Natural Resource Landscape Management Project (P149620) Mozambique Forest Investment Project (P160033) Mozambique Conservation Areas for Biodiversity and Development Project (P131965) Mozambique Land Administration Project (P164551)
		Indicator 6: Number of farmers reached through agribusiness and forestry investments	Baseline 2014: 1,700 World Bank: 400 IFC: 1,300 Target 2020: 41,505 World Bank: 18,000 IFC: 23,505 Of which women: 9,000	**Achieved** World Bank result: 47,137 smallholder farmers reached IFC result: 18,226 farmers reached Women: 12,111 *Source*: P164431 - Sequence No : 05 Page #4 + 18,208 lead farmers (of which are Female) Source: P094183 ICR Annex 6, Page #51	✓ Technical assistance model, integrating PACs as elements of the technology transfer process, could help reach a larger number of beneficiaries. ✓ PACE/PA model (no PAC) seems to be more functional in more remote areas. ✓ Women's PACEs have high reimbursement rates. ✓ Sense of ownership and increased voluntary participation of project beneficiaries and local communities when the investment involves infrastructure (tertiary roads and irrigation).	**Completed** Sustainable Irrigation Development (PROIRRI) FY11 (P107598) **Ongoing** Agricultural Productivity Program for Southern Africa (APPSA) FY13 (P094183) Emergency Resilient Recovery FY16 (P156559) Agriculture and Natural Resource Management FY16 (P149620) Smallholder Irrigated Agriculture and Market Access (IRRIGA I) FY18 (P164431)

[214] Women-headed households.

[215] Source: MADER and agricultural census data. Estimated with a very small interval of confidence, representing 71 percent of smallholders in the two provinces (1,571,752) in 2020. That includes those with market access outside their production area, and those who sell limited quantities on the local market.

[216] Estimated with an attribution assumption. The project is directly responsible only for the 11,783 households, while the remainder (about 82,000) are the result of other of investments, policy measures, local interventions, and so on. There was some amount of a bandwagon effect or observational learning generated by the project activities, but one cannot really estimate its magnitude.

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
				P164431 - Sequence No : 07, Page #4 P164551 - Sequence No : 07 Page #4	✓ Proposed development of value chain in clusters by geographic area. ✓ Strengthening the PACE-SME link	Integrated Feeder Roads Development Project (FY18) P158231 IFC Portucel Investment and Advisory projects IFC Westfalia Mozambique Investment IFC SEF Ausmoz Investment
		Indicator 7: Number of households covered by formalized land user rights	Baseline 2012: 4.1 percent Target 2020: 8.2 percent	**Achieved** Number of households covered increased from 4.1 percent to 10.8 percent Between 2012 and 2020, the number of households covered by formalized land user rights increased from 99,505 to 529,929 That is, households covered by formalized land use rights increased from 4.1 percent to 10.8 percent (assuming 1 household = 4 persons) *Source*: Ministry of Land and Environment here	✓ Land tenure formalization is expected to remain an important aspect of Mozambique's development strategy under the new CPF, and significant investments are planned under the MozLand (P164551). Under MozLand the objective is to formalize the land tenure of 700,000 beneficiaries by March 2024. The indicator remains relevant, but it will be important to clarify the methodology used to calculate the percentage to avoid confusion when monitoring results. Data sources could be the Ministry of Land and Environment (for the number of households covered by formalized land user rights) and the World Bank (for data on population). ✓ Missed opportunity to update all relevant objectives during PLR, for example, to reflect *force majeure* circumstances such as COVID-19 and the conflict in the North to realistically adjust the targets of the indicators. ✓ IEG's country program evaluation assessment indicates mixed results: no major impact on productivity, but recent refocus (SUSTENTA) may change outcomes.	**Completed/Ongoing** Mozambique Forest Investment Project (P160033), Mozambique Conservation Areas for Biodiversity and Development Project (P131965) Mozambique Land Administration Project (P164551) IFC BGM (Bakhresa Grain Milling) 2 Investment IFC Merec Investment Conservation Areas for Biodiversity and Development Phase I (MOZBIO I) FY15 (P131965) AFCC2/RI-South West Indian Ocean Fisheries Governance and Shared Growth Project 1 (P132123). ASA Agriculture and Rural Development NLTA Tracking Agriculture Program NLTA Institutional Mapping ESW Enhancing Agricultural Resilience and Natural Resource Management Investment Models and Policies for Scaling-up the Inclusion of Smallholders in High-Value Agricultural Supply Chains Land Use for Resilient Landscape (LAUREL)

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
					✓ Catalytic Fund (IDCF in Growth Poles) model of connecting large agribusiness companies with smallholders with large impact; and being scaled up in new projects generates significant spillovers. ✓ More data on the functioning of the PACE model are needed (repayment rates, yields vs. improved inputs, and so on). ✓ Land tenure formalization is a multiplier and needs to continue in the next CPF cycle; significant investments are planned under the MozLand (P164551) to formalize the land tenure of 700,000 beneficiaries by 2024–2025. ✓ Synergies among projects amplify results: MOZbio, MozFip, Mozland. ✓ Gender targeting needs improvement.	
Objective 3: Improving the Business Environment for Job Creation	**Partially Achieved**	**Indicator 8:** Number of MSME loans supported by private sector clients	Baseline 2014: 1,206 Target 2020: 4,918	**Achieved** MSME loans supported by private sector clients: 6,245 (2020) *Source: IFC Datasheet*	✓ Need for more coordination with other portfolio projects. The definition of the indicators may have been unnecessarily restrictive in terms of instruments and institutions involved. It thus excluded important projects that were supporting MSMEs. ✓ The analysis about results will triangulate broader sectoral activity. During the CPF period, the WBG support contributed to an improved business environment through the approval of the Commercial Code, Insolvency Administrator Code, Property Registration Law, among others. Also, the Catalytic Fund mobilized US$26.5 million, improving more than 21,000 jobs.	**Completed** Financial Sector DPO II FY16 (P151861) **Ongoing** Integrated Growth Pole and Corridor project (with Catalytic Funds) FY13 (P127303) IFC Investment: BCI Fomento II Mozambique: Financial Inclusion and Stability Project FY19 (P166107) AFCC2/RI-Southwest Indian Ocean Fisheries Governance and Shared Growth Project 1 (P132123) Mining and Gas Technical Assistance (MAGTAP) (P129847) ABSA Group (MIGA) First Rand (MIGA)
		Indicator 9: Volume of MSME loans supported by private sector clients	Baseline 2014: US$169,900,000 Target 2020: US$371,700,000	***Partially Achieved*** Additional IFC clients lent US$193,000,000 *Source: IFC Datasheet*		
		Indicator 10: Number of jobs supported by IFC clients	Baseline 2014: 1350 Target 2020: 6000	**Not Achieved** The number of jobs supported by IFC: 1197		

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
					✓ The CPF also contributed to the launch of the EMPREGA program (P166100, Demographic Dividend Project) that is targeting 20,000 MSMEs, as well as the Economic Linkages project (P171664) reaching 10,100 MSMEs, and the Southern Africa Trade and Connectivity Project (P164847), which includes the new phase of the Catalytic Fund. ✓ Efficient World Bank and IFC collaboration served to deliver results, to build a strong private sector/business environment analytical base and to ensure the efficient implementation of key projects (Growth Poles, P127303). ✓ The indicators could have benefitted from a reformulation during the PLR to better reflect portfolio efforts in relation to MSMEs support. ✓ This Objective could have had a better gender focus, by targeting female-led MSMEs and including gender disaggregated targets.	T&C IFC Investment Climate Projects (Advisory) IFC Pipeline (potential Investment and Advisory) in the financial sector ASA Let's Work Program Mozambique Investment Climate Program (IFC) Financial Inclusion Support Framework – TA (FY15 – 18) Long-Term Finance TA (FY15–19) Financial CSE (FY15–16) Financial Stability Strengthening – FIRST TF (FY17–20) Financial Safety Nets Policy Note to follow up on the CSE Action Plan
Objective 4: Expanding Access to and Improving the Reliability of Electricity	**Achieved**	**Indicator 11:** Average interruption frequency per year (System Average Interruption Frequency Index – SAIFI)	Baseline 2014: 52 interruptions per delivery point per year Target 2020: 30 interruptions per delivery point per year	**Achieved** 2020: 27 interruptions *Source*: DB 2020 page #20	✓ During the reporting period, the national SAIFI fluctuated significantly because of events external to utility operations, such as hurricanes and vandalism, which destroyed key assets. To measure the reliability of supply, it is more credible to use SAIDI – System Average Interruption Duration Index – which measures the period of interruptions and the utility's ability to restore supply after an event has occurred. ✓ Given the level of WBG support on the matter, and its significance for sector sustainability, it would be	**Completed/Ongoing** Power Efficiency and Reliability Improvement Project (PERIP – P158249) Energy Development and Access Project (EDAP – P108444)

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
					important to track the Cash Recovery Index. This is a utility operational indicator that reflects cash billed, cash collected, and overall losses.	
		Indicator 12: Percentage of households with access to electricity	Baseline 2014: 25.2 percent Target 2020: 33 percent	**Achieved** 2020: 34 percent *Source*: GET.invest country bulletin (European programme) *Additional Evidence* 2021: 40 percent *Source*: COUNTRY PRIORITY PLAN (AFDB), executive summary	✓ Government ownership is essential to the continued success of the Programa Nacional de Energia para Todos. ✓ Collective support from the donors through a single source of funds, and harmonized procedures, improved the implementation. ✓ Citizen and stakeholder engagement is a primary factor for the success of a large electrification program.	**Completed** Mozambique Transmission Upgrade Project FY08 (P084404) MZ-Energy Development and Access Project (APL-2) FY10 (P108444) **Ongoing** Mozambique Energy for All Project (ProEnergia – P165453) Power Efficiency and Reliability Improvement Project (PERIP) FY18 (P158249) Mozambique Energy for All (ProEnergia) (P165453) Temane Regional Energy Project (P160427) Gigawatt (# 35359 – IFC, MIGA) CTRG (# 33020 – IFC) Mocuba Solar (#36787 – IFC) Pipeline Power Efficiency and Reliability Improvement Project (PERIP) AF FY20 MFD in Gas Sector FY21 Regional Power Transmission Development ASA TA (SE4ALL TF) Development of National Electrification Plan TA (SE4ALL TF) Development of Options for Regional Power Trade IFC Advisory Services
Objective 5: Enhancing the Skills Base	**Mostly Achieved**	**Indicator 13:** Primary Completion Rate	Baseline 2015: 43.7 percent (MINEDH)	**Achieved** 2020: 48 percent	✓ Projects need to have flexibility to be able to respond to emergencies (e.g., CERCs).	Education Sector Support Program (P125127)

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
			For girls only: 41.3 percent Target 2020: 46 percent For girls only: 45 percent	For girls only: 45.6 percent. *Source*: WBG Data	✓ Since the project is supporting the education system in general, it is necessary to define and delineate the World Bank's contribution and link this to specific indicators and sub-indicators that the World Bank is responsible for. ✓ The World Bank can still carry on dialogue and technical support to help the overall education sector as well.	
		Indicator 14: Parity Index of the Retention Rate until Grade 3 between highest and lowest provinces	Baseline 2014: 0.61 Target 2020: 0.64	**Not Achieved** 2019: 0.64 2020: 0.61 Temporarily achieved in 2019, but slipped back in 2020; *Source*: P172657 - Sequence No : 01 Page #3	✓ Capacity building and ownership at the district and provincial levels is vital. ✓ Given the growing frequency and magnitude of shocks, projects need to build in flexibility to respond to emergencies (for example, factor in CERCs in the project design). ✓ The World Bank's contribution and link to specific indicators need to be backed up by good supplemental substitutes. ✓ Capacity building and ownership at the provincial and district levels strengthen and sustain results. ✓ Design and indicators. ✓ This Objective used national-level indictors, which happened to be very sensitive to exogenous shocks and risks, beyond the ability of the World Bank program to mitigate them. ✓ A missed opportunity to update the indicators during the PLR to reflect COVID-19 and military conflict shocks.	**Completed** Higher Education Science and Technology FY10 (P111592) **Ongoing** Education Sector Support Program (P125127) Public Financial Management for Results FY14 (P124615) Improvement of Skills Development (FY21; (P167054) Education Sector Support Project II (FY21) ASA Policy Notes in Education Impact Evaluation on ECD and Nutrition Service Delivery Indicators Survey Enhancing the Skills Base

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
Objective 6: Improving Health Service Delivery	**Mostly Achieved**	**Indicator 15:** Coverage of medical-facility deliveries	Baseline 2015: 70.3 percent Target 2020: 78 percent	**Achieved** 2020: 85 percent *Source:* MISAU, Maternal Child Health Department Annual 2020 report. *Source*: ICR P099930 Page#32	✓ With the expansion of coverage achieved, the next CPF should increase its focus on the quality of care.	**Completed**: Health Service Delivery Project FY09 (P099930) Public Financial Management for Results FY14 (P124615) **Ongoing**: Southern Africa Tuberculosis Health Systems Support FY16 (P155658) Mozambique Primary Health Care Strengthening Program (P163541) **ASA** Service Delivery Indicators Update Value for Money in Health Investing in the Early Years Impact Evaluation on ECD and Nutrition
		Indicator 16: Modern contraceptive prevalence rate	Baseline 2015: 25.3 percent Target 2020: 35 percent	**Achieved** 2020: 36.4 percent all women of reproductive age *Source:* **Track20 Project.** *Implemented by Avenir Health, Track20 monitors progress towards achieving the goals of the global FP2020 initiative.*	✓ This continues to be a critical agenda, and the focus needs to remain on reducing adolescent pregnancies, strengthening domestic financing for contraceptives, promoting behavioral change, and implementing planned supply chain reforms, including for community health worker supply kits. ✓ APE capacity must also be beefed up through different training and supervision approaches (as identified through ASA).	**Completed** Health Service Delivery Project FY09 (P099930) Public Financial Management for Results FY14 (P124615) **Ongoing** Southern Africa Tuberculosis Health Systems Support FY16 (P155658) Mozambique Primary Health Care Strengthening Program FY18 (P163541) ASA Service Delivery Indicators Update Value for Money in Health Investing in the Early Years Impact Evaluation on ECD and Nutrition
		Indicator 17:	Baseline 2015: 43 percent	**Mostly Achieved** 2020: 38 percent	✓ This is a long-term and critical agenda. Following initial resistance, ownership did build up,	**Completed** Health Service Delivery Project FY09 (P099930) Public Financial

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
		Rate of stunting among children under five years old	Target 2020: 35 percent	(IOF 2019/20) *Source*: UNICEF, WHO, World Bank estimates. Country prevalence table	but capacity constraints continue to inhibit expansion of the full NIP package. This needs to remain in the next CPF with specific interventions to address these constraints. With the institutional delivery coverage indicators achieved, the next CPF should focus on improving the quality of care. ✓ Contraceptive use remains a critical goal, with particular focus on reducing adolescent pregnancies, strengthening domestic financing for contraceptives, promoting behavior change, and inducing supply chain reforms. ✓ Capacity constraints continue to inhibit the expansion of the full NIP package, which remains a core long-term agenda.	Management for Results FY14 (P124615) **Ongoing** Southern Africa Tuberculosis Health Systems Support FY16 (P155658) Mozambique Primary Health Care Strengthening Program FY18 (P163541) ASA Service Delivery Indicators Update
Objective 7: Improving Access to Water and Sanitation	**Mostly Achieved**	**Indicator 18:** Percentage of urban population with access to improved water supply services.	Baseline 2015: 81 percent Target 2020: 85 percent	**Mostly Achieved** 2020: 83.5 percent (IOF 2019/20) SPI: Per capita water production in major cities was achieved with 71 liters/person/day reported by FIPAG for 2020 *Source*: ISR 43952	✓ Integration and complementarity of investments as it was in the case of NWRDP, which increased storage and contributed to GMWSP investments in increased water production, treatment, and distribution. ✓ The next CPF should explore opportunities for complementarity beyond GPs, for example, water for productive uses (irrigation, mini hydropower) and job creation, besides its contribution to human capital.	**Completed** Greater Maputo Water Supply Project (closed in Sep 2021) **Ongoing** Water Services and Institutional Support (WASIS) Project (P149377)

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
		Indicator 19: Percentage of urban population with improved access to sanitation services	Baseline 2015: 42 percent Target 2020: 50 percent	**Achieved** 2020: 60.2 percent (IOF 2019/20) SPIs: Number of small towns with a functioning water system – Achieved with 53 systems *Source*: Knoema Corporation	✓ Client capacity building, accountability mechanisms, and client ownership are critical to successful implementation. But there is a need to find a way to design the best indicators to measure the impact of the resource that is being put into capacity building, e.g., going beyond the PIU model based on consultants. ✓ This is a long-term and critical agenda that spans several CPF cycles. Ownership built up following initial resistance. ✓ Client capacity building, accountability mechanisms and client ownership are critical to a successful implementation. ✓ Design better indicators to measure the impact of the resources being put into capacity building. ✓ The selection of strong RMS indicators for water and sanitation using the available data sources and an international monitoring framework contributed to good Monitoring and Evaluation (M&E) during implementation.	**Ongoing** Water Resources Development FY12 (P107350) Water Services and Institutional Support FY16 (P149377) Greater Maputo Water Supply Expansion FY14 (P125120) Urban Sanitation and Drainage Project (P161777) **ASA** Mozambique Basic Sanitation and Water Service Mechanisms and Monitoring Equity Analysis of Piped Water Delivery in Mozambique Poverty Diagnostic for Water Supply, Sanitation, and Hygiene (WASH)
Objective 8: Supporting Recovery and Resilience [217]	**Mostly Achieved**	**Indicator 20:** Population affected by Cyclones Idai and Kenneth who are receiving emergency support through cash transfers or public works programs	Baseline: 0 Target: 125,000	**Achieved** 2020: Covered 135,000 households *Source*: P129524 - Sequence No : 15 Page #2	✓ Introduce a mid-term planning exercise for the implementation of emergency response payments in order to reduce delays and address challenges early on.	Social Protection Project and its Second Additonal Financing. Financial Inclusion and Stability Project supported digital payments in Beira.

[217] In the CPF, this indicator was titled "Extending Coverage of Social Protection and Labor Programs," but for the PLR it was revised to be "Supporting Recovery and Resilience" and the original Objective 11 from the CPF "Improving Management of Climate Risk and Natural Resources" was also rolled into this indicator

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
		Indicator 21: Share of damaged infrastructure restored or replaced to resilient standards	Baseline: 0 Target: 20 percent	**Mostly Achieved** ERRP completed all of the expected projects using resilient standards under education, irrigation, sanitation and water supply *Source*: Staff estimates	✓ The use of resilience design standards (for flood and drought recovery) requires time for capacity building of sectors, contractors, engineering firms, and local communities. The adoption of resilient standards in strategically important sectors (such as health, housing, urban infrastructure and public buildings) is critical to building resilience within the country, particularly in the coastal and urban areas that are prone to cyclones and floods.	Emergency Resilient Recovery Project (P156559) and Cyclones Idai and Kenneth Emergency Recovery and Resilience Project (P171040)
		Indicator 22: Disaster Risk Management Fund operational	Baseline: No (2014) Current: established by decree in 2017 Target: Yes (2020)	**Achieved** DRM Fund fully operational and capitalized since 2019. Source: International Federation of Red Cross and Red Crescent Societies, Geneva, 2021, Page #5	✓ Increased visibility and good governance of the DRM Fund, in particular, wider dissemination of annual pAChilans, budgets and reports, including annual audits, are fundamental to attracting more partners to strengthen the role of the Fund as a major vehicle for emergency response in Mozambique.	Mozambique DRM and Resilience Program (P166437)
		Indicator 23: Early-Warning Systems operational for the Limpopo and Zambezi River Basin	Baseline 2014: No Target 2020: Yes	**Achieved** Early-warning systems in place and operational for the Limpopo and Zambezi River Basin There was an 80 percent increase in the accuracy of flood forecasts in Zambezi and Limpopo basins when the project closed, exceeding the original target of 50 percent. *Source*: P131049 ICRR Page #8	✓ Limited access to timely early-warning information by local communities has been the major challenge for effective emergency preparedness and response. The diversification of mechanisms for dissemination of flood and cyclone information and warnings is essential for reaching the most at risk population groups.	Hydromet Project (P131049) and DRM and Resilience Program (P166437)

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
		Indicator 24: Percentage of poor households covered by safety nets programs (including productive inclusion interventions)	Baseline 2015: 14 percent Target 2020: 24 percent, and at least 55 percent of beneficiaries are women	**Achieved** 2020: 23 percent of poor households covered Women: n/a *Source*: P129524 ICRR	✓ Direct monitoring of government budget allocations and execution to/of? SP programs, in addition to the monitoring of World Bank-funded operations. ✓ Limited access to timely early-warning information by local communities has been the major challenge for effective emergency preparedness and response; the diversification of mechanisms for dissemination of flood and cyclone information and warnings is essential to reach most of population at risk. ✓ Direct monitoring of government budget allocations and execution to SP programs, in addition to the monitoring of World Bank-funded operations. ✓ The objective was the principal PLR adjustment to the results matrix in response to emergencies. The three sub-objectives were retrofitted; however, all three component parts did add up to a strong program of WBG crisis response interventions. ✓ Three new indicators were introduced, making the combination of the five qualitative, binary and quantitative indicators challenging to verify; the three indicators required additional data. ✓ The binary indicators need better definitions.	**Ongoing** Emergency Resilient Recovery Project (P156559) Water Resources Dev I SIL (P107350) Strengthening Hydro-Met Services Project (P131049) MozBio Program Phase I (P131965) Mozambique Forest Investment Project (P160033) Integrated Feeder Road Development Project (P158231) Mozambique Conservation Areas for Biodiversity and Development – Phase 2 (P166802) Social Protection Project (P129524) Social Protection AF (CRW) (P161351) 2nd AF for the Social Protection Project and support for Cyclone and Flood Emergencies (P170327) **Completed** Mozambique GEF Conservation Areas for Biodiversity and Development Project (P132597) Enhancing Spatial Data for Flood Risk Management Project (P149629) Rapid Social Response (RSR) – Project (implementation of gender sensitive public works) (P149536) Pipeline Agriculture and Natural Resource Landscape Management II Mozambique Dedicated Grant Mechanism for Local Communities Strengthening Safety Nets **ASA** Strengthening DRM Framework Safe Schools Program Climate Change Technical Assistance Project Africa Disaster Risk Financing Initiative (GFDRR)

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
						IFC Advisory Services (Finance and Markets Global Practice): Sub-Saharan Africa Index Insurance Land Use for Resilient Landscapes Urban Safety Nets and Activation Programs Youth Employment TA for fuel subsidy reform TA: Financial Inclusion Support Framework-FISF (FY15–FY18)
Objective 9: Promoting Inclusive Urbanization and Decentralization	**Partially Achieved**	**Indicator 25:** Accumulated increase in municipal and district own revenue	Baseline 2015: 0 percent Target 2020: 60 percent	**Partially Achieved** There has been a 209 percent increase in municipal own revenue in 26 target municipalities. This is more than 60 percent of the 2020 target *Source*: ICRR P123201 Page #7	✓ The formulation of the two results indicators has been too broad and open to interpretation. The chosen indicators were project level, vulnerable to PDO reformulations and project adjustments. ✓ RI 25 was redefined to be applied to municipalities only; the reforms to create district-level entities within the CPF period was not feasible. The Urban Development and Decentralization Project (P163989) was adjusted accordingly to focus on municipalities only. ✓ Need to move from a project-based approach to a programmatic and policy-based approach. DPOs can outline prior actions, like decrees, that need to be achieved to make progress on implementation.	**Ongoing** Cities and Climate Change (P123201) PFM PforR (P124615) **Completed** Maputo Municipal Development Program II (P115217) Pipeline National Urban Development PforR Municipal and District Government PforR **ASA** Urbanization Review Greater Maputo Urban Poverty Reduction and Inclusive Growth Intergovernmental Finances
		Indicator 26: Accumulated increase in decentralized sector expenditures in provision of basic services	Baseline 2015: 0 percent Target 2020: 60 percent	**Achieved** The decentralized sector expenditures for provision of public services increased 214 percent (from 2 billion Mts to 3.4 billion Mts), significantly higher than the target of 60 percent (2020) *Source*: P156532, ICRR 4106; ICRR 4913	✓ Indicators should have been updated during the PLR to reflect the development of the decentralization reform.	

Annex 3. IDA Lending Program FY17–FY21

FY	Project ID	Project Name	US$ millions
2017	P160033	Forest Investment Project	15
	P160959	Education Support Project (AF)	59
	P161351	Social Protection Project - AF	10
	P161559	Emergency Resilient Recovery Project AF	20
	FY17 Total		**104**
2018	P158231	Integrated Feeder Roads Development (IFRDP)	150
	P158249	Power Efficiency & Reliability Improv Project	150
	P161683	Mining and Gas TA (AF)	28
	P162621	National Statistics and Data for Development	62
	P163541	Primary Health Care Strengthening	80
	P164431	Smallholder Irrigated Agriculture and Market Access (SIMAP)	55
	FY18 Total		**525**
2019	P161777	Urban Sanitation and Drainage Project	115
	P164551	Land Administration Project (Terra Segura)	100
	P165453	Lighting and Grid Access Project (Moz-LIGA)	82
	P165463	Water Services and Institutional Support II – Phase 2	75
	P166063	Emergency Resilient Recovery Project (AF)	13
	P166107	Financial Inclusion and Stability Project	40
	P166437	DRM and Resilience Program	90
	P166802	Conservation Areas for Biodiversity and Development – Phase 2	45
	FY19 Total		**560**
2020	P163989	Urban and Decentralization	117
	P166100	Harnessing the Demographic Dividend	75
	P168940	Agric/Natural Resources Landscape Management Project (AF) - SUSTENTA	60
	P170327	Social Protection Project – Support to Cyclone (AF)	35
	P171040	Cyclone Idai Emergency Recovery and Resilience Project	130
	P171093	Integrated Feeder Road Development Project (AF)	110
	FY20 Total		**527**
2021	P167054	Improvement of Skills Development in	104
	P171449	Maputo Urban Transformation Project	100
	P171664	Economic Linkages for Diversification	100
	P172657	Improving Learning and Empowering Girls in	160
	P174002	Sustainable Rural Economy Program	150
	P174152	COVID-19 Response Project	100
	P174294	COVID-19 Response Additional Financing	73.5
	P174635	Northern Rural Resilience Project	150
	P175884	COVID-19 Response DPO	100
	P176157	Northern Crisis Recovery Project (NCRP)	100
	FY21 Total		**1,137.50**
FY17-FY21 Total			**2,853.50**

Annex 4. WBG Mozambique Portfolio FY17–FY21

Project Name	World Bank Approval Date	Net Comm. Amt.– Total ($M)	Latest Project Ratings – DO	Latest Project Ratings – IP
Greater Maputo Water Supply Expansion Project	25-Jul-2013	178.00	S	MS
MZ-Social Protection Project	28-Mar-2013	95.00	S	MS
Mozambique Mining and Gas Technical Assistance Project	28-Mar-2013	78.00	S	S
Water Services & Institutional Support II	29-Mar-2016	165.00	S	MS
Moz Agriculture and Natural Resources Landscape Management Project	30-Jun-2016	100.00	MS	S
MZ – Emergency Resilient Recovery Project	29-Sep-2015	73.00	S	S
Integrated Feeder Road Development Project	8-May-2018	260.00	S	S
Power Efficiency and Reliability Improvement Project (PERIP)	28-Sep-2017	150.00	MS	MS
Mozambique Forest Investment Project	7-Mar-2017	15.00	S	S
Mozambique Urban Sanitation Project	22-May-2019	115.00	S	MS
National Statistics and Data for Development	6-Jul-2017	54.33	MS	MS
Mozambique Primary Health Care Strengthening Program	20-Dec-2017	80.00	S	S
Mozambique Urban Development and Decentralization Project	26-Jun-2020	117.00	S	S
Smallholder Irrigated Agriculture and Market Access Project–IRRIGA 1	29-Jun-2018	55.00	MS	MU
MZ Zambezia Emissions Reductions Payment	13-Dec-2018	0.00	S	S
Mozambique Land Administration Project (Terra Segura)	4-Dec-2018	100.00	MS	MS
Mozambique Energy for All (ProEnergia)	28-Mar-2019	82.00	S	MS
Harnessing the Demographic Dividend	14-Feb-2020	75.00	S	S
Mozambique: Financial Inclusion and Stability Project	13-Dec-2018	40.00	MS	MU
Mozambique Disaster Risk Management and Resilience Program	19-Mar-2019	90.00	MS	MS
Mozambique Conservation Areas for Biodiversity and Development – Phase 2	20-Sep-2018	45.00	MS	MS
Improvement of Skills Development in Mozambique	8-Sep-2020	104.00	S	S
Mozambique: Cyclone Idai & Kenneth Emergency Recovery and Resilience Project	30-Sep-2019	203.50	S	MS
Maputo Urban Transformation Project	10-Dec-2020	100.00	S	S
Economic Linkages for Diversification	11-May-2021	100.00		
Improving Learning and Empowering Girls in Mozambique	26-Mar-2021	160.00	S	S
Sustainable Rural Economy Program	9-Jun-2021	150.00	S	MS
Northern Mozambique Rural Resilience Project	18-Jun-2021	150.00	S	MS
COVID-19 Strategic Preparedness and Response Project	3-Jun-2021	100.00	S	S
Northern Crisis Recovery Project	27-Apr-2021	100.00		

Annex 5. ASA program FY17–FY21 Planned Vs Actual

Task Name	Task ID	Planned by	Approved FY	Delivered FY	Status
MZ– Impact Evaluation of Scaled-up Early Childhood Development Activities	P132355	Post-PLR	2013	2020	Delivered
MZ Impact Evaluation of Various Early Literacy Interventions (Provinha)	P133460	CPF	2013	2018	Delivered
Mozambique Education Programmatic Analysis	P143719	PLR	2013	2017	Delivered
Mozambique Service Delivery Indicators	P145456	CPF	2013	2018	Delivered
SE4ALL TA for Mozambique	P145918	PLR	2013	2018	Delivered
Development of a Safer School Program in Mozambique	P149720	CPF	2014	2018	Delivered
Mozambique Financial Inclusion Support Framework (FISF) – CSP	P149938	CPF	2014	2020	Delivered
Mozambique: Tracking Agriculture Sector Program Implementation	P150070	CPF	2014	2017	Delivered
Expansion of secondary education	P152902	Post-PLR	2015	2017	Delivered
Group Interventions for Agricultural Transformation in Mozambique	P154165	Post-PLR	2015	2021	Delivered
Financing of Education	P154236	Post-PLR	2015	2017	Delivered
Strengthening Disaster Risk Management in Mozambique	P154335	CPF	2015	2018	Delivered
Mozambique Poverty Diagnostic for Water Supply, Sanitation, and Hygiene (WASH)	P154579	CPF	2015	2017	Delivered
The Impact of Targeting Mechanisms on Efficiency and Equity of Irrigation	P154869	Post-PLR	2015	2021	Delivered
Let's Work Jobs program, Mozambique	P155043	CPF	2015	2021	Delivered
Mozambique Economic Update	P156495	CPF	2015	2019	Delivered
Support to strengthen Public Investment, Risk and Debt Management	P156508	CPF	2015	2019	Delivered
Evidence-based Institutional Mapping for the Mozambican Agriculture Sector	P156525	CPF	2015	2017	Delivered
Collaborative Leadership for Development Mozambique	P156350	PLR	2016	2018	Delivered
Mozambique basic sanitation and water	P156493	CPF	2016	2017	Delivered
Mozambique Urbanization Review	P156530	CPF	2016	2017	Delivered
Maputo Urban Poverty and Inclusive Growth	P156532	CPF	2016	2017	Delivered
Equity analysis of piped water delivery in urban Mozambique	P156563	CPF	2016	2017	Delivered
Urban Safety Nets in Mozambique	P156601	CPF	2016	2017	Delivered
Improvement of Sanitation and Water Services in Peri-urban Areas	P158188	PLR	2016	2017	Delivered
Pillar 2: Improvement of sanitation and water services in small towns	P158190	Post-PLR	2016	2017	Delivered
Consolidation of the national sector information system	P158191	Post-PLR	2016	2017	Delivered
Mozambique Long Term Finance Program	P158263	Post-PLR	2016	2020	Delivered
Mozambique Aid Data Management and Rapid Assessment of Donor Assistance	P158881	PLR	2016	2017	Delivered
Digital Innovation for Public Services	P159910	PLR	2016	2018	Delivered
Land Use planning for Enhanced resilience (MG/MZ)	P160760	CPF	2016	2020	Delivered
Mozambique & Madagascar: Media & Public Service Improvement	P161374	CPF	2017	2017	Delivered
Improving value-for-money in Mozambique's health sector	P161900	CPF	2017	2018	Delivered

Task Name	Task ID	Planned by	Approved FY	Delivered FY	Status
Mozambique DeMPA evaluation	P162329	PLR	2017	2017	Delivered
Technology Support to Climate-Smart Agriculture, A Case Study of Zambezi River Basin	P162436	Post-PLR	2017	2020	Delivered
Mozambique Poverty Assessment	P162550	CPF	2017	2018	Delivered
Mozambique Bank Resolution and Deposit Insurance Strengthening	P163112	CPF	2017	2020	Delivered
Support to Implementation of Fuel Subsidy Reform	P164094	CPF	2017	2019	Delivered
Policy note on Intergovernmental fiscal transfers	P164166	CPF	2017	2018	Delivered
MZ TA on Integrated Forests and Landscape Management	P161745	New	2017	2022	Active
Assessing the Effects of Weather and Price Shocks on Household Welfare	P164459	PLR	2018	2018	Delivered
Raising Productivity and Employment in Nonfarm Formal and Informal Businesses	P164659	PLR	2018	2019	Delivered
Subnational Doing Business in Mozambique	P164666	PLR	2018	2019	Delivered
Investment and Prosperity	P165078	PLR	2018	2019	Delivered
CMC: Mozambique Debt Management Reform Plan	P165175	PLR	2018	2018	Delivered
Mozambique: Financial Safety Nets Study	P165587	PLR	2018	2019	Delivered
Mozambique Public Procurement Assessment Using MAPS II	P166442	PLR	2018	2019	Delivered
Intensifying Health Policy Dialogue for Reforms and Donor Coordination	P167424	Post-PLR	2018	2021	Delivered
Mozambique Country Forest Note	P167965	Post-PLR	2018	2018	Delivered
Route to Development: Impacts of Road Network Improvements on Agricultural Intensification in Mozambique	P166755	New	2018	2025	Active
Strengthening Mozambique's Social Protection System	P167025	New	2018	2023	Active
Increasing Women-Owned SMEs' Access to Markets and Finance in Mozambique	P168391	New	2018	2024	Active
Mozambique: Foster Digital Innovation and Entrepreneurship ASA	P167862	PLR	2019	2019	Delivered
Technical Support to Mozambique's Agri-Food System Strategy	P168732	PLR	2019	2019	Delivered
Mozambique Country Economic Memorandum	P168754	CPF	2019	2021	Delivered
Strengthening the Dialogue on Teachers' Policies in Mozambique	P168765	PLR	2019	2019	Delivered
Facilitating Financial Strengthening of the Power Sector in Mozambique	P169016	Post-PLR	2019	2021	Delivered
National Risk Assessment of Mozambique	P171306	Post-PLR	2019	2021	Delivered
GBV, Social Inclusion, and Social Risk Management	P171332	Post-PLR	2019	2021	Delivered
Mozambique Preserving Human Capital through Improved Road Safety	P172125	Post-PLR	2019	2021	Delivered
Sustainable Urban Mobility and Private Sector Participation in Greater Maputo	P171048	New	2019	2022	Active
Risk and Resilience Assessments for Madagascar and Mozambique & Recovery and Peacebuilding Assessment for Northern Mozambique	P172327	New	2020	2022	Active
DIME Mozambique Rural Development Impact Evaluations	P172877	New	2020	2024	Active
Mozambique Impact Evaluations on Women's Land Tenure Security	P175046	New	2020	2024	Active

Task Name	Task ID	Planned by	Approved FY	Delivered FY	Status
Mozambique – Economic Management for Inclusive Growth TA	P176664	New	2021	2024	Active
Mozambique Poverty Assessment	P176860	New	2021	2022	Active
Mozambique Public Expenditure Review	P176904	CPF	2021	2022	Active
COVID-19 Analytics to Build Back Better	P177289	New	2021	2022	Active
Public Expenditure Review		CPF			Dropped
Institutional capacity and E&S aspects of mining and gas in Mozambique TA		CPF			Dropped
FIRST Trust Fund (TF) (FY15–FY16): ongoing: Crisis Simulation Exercise (CSE) and follow-up FIRST project for the CSE Action Plan Implementation		CPF			Dropped
FIRST TF (FY15–FY16): ongoing Debt Market Development TA and FIRST Programmatic TF: Insurance, Pensions, and Capital Markets (FY16–FY19)		CPF			Dropped
Financial Stability Strengthening – FIRST TF (FY17–20)		CPF			Dropped
Support to Decentralization		CPF			Dropped
Extractives Revenue Sharing		CPF			Dropped
Agriculture and Rural Development NLTA		CPF			Dropped
Investment Models and Policies for Scaling-up the Inclusion of Smallholders in High-Value Agricultural Supply Chains		CPF			Dropped
Enhancing Agricultural Resilience and Natural Resource Management		CPF			Dropped
Financial Crisis Simulation Exercise (CSE) (FY15–16)		CPF			Dropped
Financial Safety Nets Policy Note to follow up on the CSE Action Plan		CPF			Dropped
TA (SE4ALL TF) Development of National Electrification Plan		CPF			Dropped
TA (SE4ALL TF) Development of Options for Regional Power Trade		CPF			Dropped
Policy Notes in Education		CPF			Dropped
Enhancing the Skills Base		CPF			Dropped
Investing in the Early Years		CPF			Dropped
Political Economy Assessment		CPF			Dropped
Right to Information		CPF			Dropped
TA Support to the Tribunal Administrativo		CPF			Dropped
MOPA – Digital Platforms for Public Services		CPF			Dropped
Youth Employment		CPF			Dropped
Strengthening DRM Framework		CPF			Dropped
IFC Advisory Services: Sub-Saharan Africa Index Insurance		CPF			Dropped
Mozambique Investment Climate Program (IFC)		CPF			Dropped

Annex 6. IFC Committed and Outstanding Portfolio FY17–FY21

1. Mozambique Historical Investment Program Commitments by Fiscal Year (as of Jun 30, 2021)

	FY17	FY18	FY19	FY20	FY16–FY21
Long Term Finance (LTF)	**44.8**	**2,930.0**	**0.0**	**1.2**	**2,976.0**
of which IFC Own Account	20.9	60.0	0.0	1.2	82.0
of which Core Mobilization	24.0	2,870.0	0.0	0.0	2,894.0
Short Term Finance (STF)	–	–	–	–	–

2. Mozambique Investment Portfolio by Industry Group (as of Jun 30, 2021)

Industry Group	FIG	MAS	INR	Total
Committed Exposure	**0.0**	**75.9**	**85.7**	**161.7**
Portfolio Outstanding	–	50.5	65.5	**116.0**
of which Loan Outstanding	–	45.5	65.5	**111.0**
of which Equity Outstanding	–	4.9	–	**4.9**
Undisbursed	0.0	25.5	20.2	**45.7**
NonPerforming Loans (NPLs)	–	42.3	–	**42.3**
NPL Ratio (%)	0.0%	93.0%	0.0%	**38.1%**

3. Top 5 Portfolio Clients by Committed Exposure in Mozambique (as of Jun 30, 2021)

Client	Industry	Industry Group Sector	Committed Exposure	Portfolio Outstanding
CTRG	INR	Infrastructure	43.3	42.9
Portucel Mozamb	MAS	Agribusiness & Forestry	30.4	4.9
SEF Merec	MAS	Agribusiness & Forestry	24.5	24.5
Mocuba Solar PV	INR	Infrastructure	23.9	22.6
ENH	INR	Oil, Gas & Mining	18.5	–

1. Mozambique Advisory Portfolio by Project (as of Jun 30, 2021)

Project	Primary Sector Name	Primary Business Area	Total Funds Managed by IFC
FIG			**6.5**
STCR Mozambique	Finance & Insurance	FIG	0.1
Banco Comercial e de Investimentos (BCI)	Finance & Insurance	FIG	1.3
Mpesa Mozambique	Finance & Insurance	FIG	4.0
STCR Mozambique	Finance & Insurance	FIG	0.9
STCR Mozambique	Finance & Insurance	FIG	0.2
INR			**2.6**
EdM Treasury and Risk Management Support	Electric Power	INR	2.6
MAS			**4.8**
Portucel Mozambique	Agriculture and Forestry	MAS	1.0
Portucel Mozambique	Agriculture and Forestry	MAS	3.8
Regional Advisory			**2.5**
Mozambique Investment Climate Project 2	Non-Sector Specific	REG	2.0
Mozambique Investment Climate Project 2	Non-Sector Specific	REG	0.4
Mozambique Investment Climate Project 2	Non-Sector Specific	REG	0.1
Total Mozambique Advisory Portfolio			**16.3**

Annex 7. MIGA's Guarantee Portfolio (as of August 2021)

Management Sector	Contract	Effective Date	Expiry Date	Investor Name	Project Name	Business Sector	Investor Country	Risk Covers	Gross Exposure ($USD)	Adjusted Net Exposure ($USD)
EEI	13461-01	12/03/2015	06/30/2026	The Standard Bank of South Africa Limited	Gigawatt 100MW Gas-Fired Power Plant	Infrastructure	South Africa	TR;EXP;WCD; BOC	32,409,752	19,370,089
EEI	13461-02	12/03/2015	06/30/2026	The Standard Bank of South Africa Limited	Gigawatt 100MW Gas-Fired Power Plant	Infrastructure	South Africa	TR;EXP;WCD; BOC	7,855,000	7,855,000
EEI	13538-01	12/03/2015	12/01/2030	Gigajoule Power (Pty) Ltd	Gigawatt 100MW Gas-Fired Power Plant	Infrastructure	South Africa	TR;EXP;BOC	24,009,829	24,009,829
FINCAP	16042-01	12/06/2019	12/05/2034	ABSA Group LTD	ABSA/Barclays Mozambique	Financial	South Africa	EXP	88,552,776	60,000,000
FINCAP	16535-01	06/30/2020	06/29/2035	FirstRand EMA Holdings (Pty) Limited	FirstRand Bank Mozambique	Financial	South Africa	EXP	29,704,758	29,704,758
EEI	16698-01	05/10/2021	06/30/2026	Absa Bank Limited	Gigawatt 100MW Gas-Fired Power Plant	Infrastructure	South Africa	TR;EXP;WCD; BOC	32,409,752	20,343,218
EEI	16728-01	12/08/2021	12/07/2041	Globeleq Africa Limited	Central Termica de Temane	Infrastructure	United Kingdom	TR;BOC	183,656,609	24,000,000
EEI	17044-01	12/08/2021	12/07/2041	Moz Power Invest, S.A.	Central Termica de Temane	Infrastructure	Mozambique	BOC	29,948,391	15,948,391
EEI	17161-01	12/08/2021	12/07/2041	Sasol Africa (Pty) Limited	Central Termica de Temane	Infrastructure	South Africa	TR;BOC	37,695,000	12,395,000
EEI	17421-01	04/19/2022	02/27/2035	Azura CTRG Holdings Limited	Central Termica Ressano de Garcia (CTRG)	Infrastructure	Mauritius	TR;BOC	149,850,000	15,800,000
EEI	13379-01	04/06/2022	02/28/2030	Absa Bank Limited	Central Termica Ressano de Garcia (CTRG)	Infrastructure	South Africa	TR;EXP;WCD; BOC	34,666,985	5,166,985
EEI	13379-02	04/06/2022	02/28/2030	Absa Bank Limited	Central Termica Ressano de Garcia (CTRG)	Infrastructure	South Africa	TR;EXP;WCD; BOC	1,810,789	1,810,789
Grand Total	12 Contracts								652,569,642	236,404,060

Annex 8. Mozambique FY21 PRA Annual Review
August 2021

Progress toward FY21 targets in the PRA monitoring framework

No.	FY21 Monitoring Targets	Status	Comments
1	One high-level dialogue event on reconciliation with representation from stakeholders across society	Delayed	This milestone has been rescheduled to Q1 of FY22 because of measures to prevent the transmission of COVID-19.
2	Rollout of 12 peace clubs across Central Mozambique	Achieved	Status as of end-July 2021: 12 peace clubs established in the Central provinces.
3	2,500 former combatants demobilized	Achieved	Status as of end-July 2021: 2,699 former combatants demobilized.
4	Percentage of primary health facilities in the Northern and Central Regions with at least two Maternal and Child Health (MCH) nurses: 64 percent	Delayed	Status as of end-June 2021: 63.6 percent. The COVID-19 pandemic prompted the GoM to move resources between health facilities, temporarily slowing the rate of recruitment of MCH nurses in the Northern and Central regions.
5	Average pupil–teacher ratio in the Northern and Central regions: 66	Not Achieved	Status as of end-June 2021: 68. This target was not met because of the challenge of recruiting teachers in the North in light of the insecurity, compounded by demographic trends that have seen student numbers in the North outpace the rest of the country. The challenge of recruiting teachers was particularly pronounced in the province of Nampula, which has experienced a large influx of IDPs as a result of the conflict, and which does not have enough teacher training capacity in-province. To mitigate this, the GoM is carrying out a rapid redeployment of teachers from other provinces to Nampula, rather than relying on a voluntary selection process.
6	Number of IDPs/host community members who receive emergency support: 150,000	Achieved	Status as of end-June 2021: 150,000 IDPs/host community members received emergency support.
7	Increase in access to electricity in the provinces of Niassa, Nampula, Cabo Delgado, and Zambezia: 18.4 percent	Achieved	Status as of end-June 2021: 20.4 percent.
8	Increase in access to improved water supply services in the provinces of Niassa, Nampula, Cabo Delgado, and Zambezia: 58 percent	Not Achieved	Status as of end-June 2021: 56.4 percent. This target was missed because of challenges in implementation. The GoM has invested in essential infrastructure upgrading over the last six months. This process has been delayed by the insecurity in the North; however, with the lull in the hostilities, the GoM will place a greater focus on addressing blockages to ensure that this target is met.
9	Number of youth and women who have benefitted from new employability training programs: 4,000	Achieved	Status as of end-June 2021: 4,733 women and youth benefitted.
10	Percentage of vulnerable households covered by social protection programs: 30 percent	Achieved	Status as of end-June 2021: 33.4 percent.

11	Percentage of Conservation Areas under co-management between public/private entities and communities: 30 percent.	Achieved	Status as of end-June 2021: 30 percent.
12	Approval by the Council of Ministers and submission to Parliament of new mining law to legalize artisanal mining	Delayed	Status as of end-June 2021: Draft law on track for approval by the Council of Ministers by September 2021. The delay in meeting this target is because the document underwent a process of harmonization with key institutions, including the Confederation of Economic Associations (CTA), the Chamber of Mines, and other bodies. The draft of the Mining Law was submitted in March and April 2021 for consultation, and this process was only completed in June.
13	Number of people consulted as part of the review of the National Land Policy: 100,000	Achieved	Status as of end-July 2021: 150,650 people consulted.
14	Number of community lands demarcated: 800	Achieved	Status as of end-June 2021: 800 community lands demarcated; however, only 637 community lands were registered online because of challenges to the Land Information System. The system is being upgraded, and a comprehensive set of information will be uploaded into it by the end of September 2021.
15	Broad-based consultation on the technical proposal for a Sovereign Wealth Fund	Achieved	Status as of end-June 2021: 28 public consultation events, bilateral meetings, and outreach events through various mediums, including radio, television, and the print media, have been organized in Maputo and in provincial capital cities. Direct inputs have also been received from members of central and local government, commercial banks, the private sector, bilateral and multilateral lending agencies, development partners, civil service organizations, academics, and media organizations. Contributions have been included in the technical proposal and a draft has been finalized.

Annex 3: Progress against FY22 targets in the PRA monitoring framework

Despite ongoing challenges in the security context, the Government delivered solid and consistent progress across the board against its milestones for FY22. In the cases where it was not able to fully deliver on its commitments, it nonetheless recorded varying degrees of progress towards these targets, demonstrating the overall commitment of the Government to the PRA monitoring framework. Of the 19 milestones that the Government committed to for FY22, it has fully met eight, while six have recorded significant progress and are on track for finalization in the next months. Three of the milestones recorded some progress but will fall short of being met in FY22; one milestone recorded limited progress; and one milestone lapsed during the year. The Government will roll over three of the FY22 milestones that remain incomplete, to ensure it has sufficient time to deliver fully on these strategically important commitments.

Table 6 – Progress against FY22 Targets in the PRA Monitoring Framework

No.	FY22 Monitoring Targets	Status	Comments
1	Two high-level dialogue events; Endorsement by parliament of a roadmap for national reconciliation	Significant Progress; Rolled over to FY23	Status as of end-June 2022: The approval of the PREDIN in June 2022 marked a significant step forward for Mozambique in terms of articulating a blueprint for a short to medium-term approach to conflict prevention and mitigation, resilience-building, recovery, and peacebuilding in the northern provinces of Niassa, Cabo Delgado, and Nampula. PREDIN proposes the creation of an Organ for National Reconciliation, which is a key first step for the establishment and institutionalization of a credible and representative, Mozambican-owned and led body, that can provide the vehicle to develop a roadmap for national reconciliation. On this basis, the Government will roll this milestone over to FY23. Overall, the Government has demonstrated good progress towards its commitments regarding peace and reconciliation in Mozambique, as is reflected in the continued implementation of the Maputo Accord for Peace and National Reconciliation.
2	Rollout of 12 peace clubs across Northern and Central Mozambique	Significant Progress	Status as of end-June 2022: Seven peace clubs were set up in FY22, with the remaining five to be set up in the first months of FY23. The timeline was slightly pushed back due to the need to reinforce training for peace club leaders, particularly with a view to gender-sensitive support to reintegration and reconciliation. As a result, further capacity building took place in December 2021 and March and May 2022.
3	All (5,221) former combatants demobilized with a 12-month reintegration subsidy; 2,500 former combatants reintegrated/reinserted with a livelihoods package	Significant Progress	Status as of end-June 2022: 3,558 combatants have been demobilized with the rest scheduled for demobilization by December 2022. The timeline was delayed due to prevention and mitigation measures around the COVID-19 pandemic as well as the impact of the prolonged rainy season. Regarding the reintegration/reinsertion of former combatants, a total of 824 former combatants have thus far been reinserted with a livelihoods package and the process is ongoing. The rate of progress on delivery of this commitment depends in part on engagement and support by reintegration partners to the Government. Underscoring its commitment to this milestone, the Government has established a pensions taskforce to support the process of including DDR beneficiaries into the national pensions system in a sustainable and equitable fashion. This is a key step towards

			securing a solution in the longer-term to the pensions question.
4	Percentage of primary health facilities in the Northern and Central Regions with at least two Maternal and Child Health Nurses (MCH): 69% (FY21 actual number: 63.6%)	Limited Progress	Status as of end-June 2022: 63.1%. This target remained steady at last year's level and therefore came in below the projection. This is in part due to the partial or total destruction of about a quarter of health facilities in Cabo Delgado during the conflict. During this period, the Government sought to mitigate the impact of the conflict through the following measures: It pushed ahead with recruitment of 427 new MCHs in the two regions in areas that were affected by conflict. These new recruits are still in the process of being assigned to specific centers and this number reflects the inclusion of MCHs who have been allocated to temporary health facilities at relocation camps that have been set up for IDPs. The Government also deployed mobile healthcare brigades and constructed new facilities in selected locations.
5	Average pupil–teacher ratio in the Northern and Central regions: 63 (FY21 actual number: 68)	Some Progress	Status as of end-June 2022: 65.8. Despite falling short of reaching the milestone, this ratio has recorded important progress over the last year. The actual number in FY21 fell below the baseline due to the compound impacts of the challenges of recruiting teachers to work in the North on account of the insecurity, the COVID-19 pandemic, and demographic trends that have seen student numbers in the North outpace the rest of the country. The FY22 number, while not quite meeting the target ratio, underscores the commitment of the Government to recover ground and to incrementally lower the ratio of pupils to teachers in the northern and central regions. The challenge of teacher-recruitment is particularly pronounced in the province of Nampula, which has experienced a large influx of IDPs as a result of the conflict, in addition to an existing high rate of student enrollment and is constrained by a limited pool of trained teachers and insufficient teacher training capacity in-province. To mitigate this, the Government is seeking to: accelerate the process of teacher training; focusing new hires in the northern and central provinces; increase the number of teacher training institutions; and in the longer-term, it will reform the national teacher career framework to include incentives intended to attract and retain teachers in less attractive districts and provinces.
6	No. of IDPs/host community members who receive emergency support: 500,000 (FY21 actual number: 150,000)	Achieved	Status as of end-June 2022: 823,140 IDPs/host community members received emergency support
7	Increase in access to electricity in the provinces of Niassa, Nampula, Cabo Delgado, and Zambezia: 19.4% (FY21 actual number: 20.4%)	Achieved	Status as of end-June 2022: 20.4%
8	Increase in access to improved water supply services in the provinces of Niassa, Nampula, Cabo Delgado, and Zambezia:	Some Progress	Status as of end-June 2022: 57.76% with the target set to hit 59% by end-December 2022. This target has faced a number of challenges over the past year, including that of implementing essential infrastructure upgrading, in part due to the insecurity in the North, and the reallocation of

	63% (FY21 actual number: 56.4%)		resources to respond to urgent needs emerging from the conflict. The Government has committed additional resources to support infrastructure upgrading in the water sector in the four provinces, which will begin to bear out through the first half of FY23.
9	Number of youth and women who have benefitted from new employability training programs: 5,000 (FY21 actual number: 4,733)	Achieved	Status as of end-June 2022: 9,717 women and youth benefitted.
10	Percentage of vulnerable households covered by social protection programs: 55% (FY21 actual number: 33.4%)	Achieved	Status as of end-June 2022: Social protection coverage to vulnerable householders peaked at 61.6% during FY22, which exceeded the target. However, this instrument is shock responsive and designed to oscillate. As such, fluctuations during the course of the year meant that by end-March 2022, coverage stood at 17.2%. This number is expected to climb back up to 45.5% by end-December 2022.
11	Number of GBV survivors assisted in health units and integrated services (including mobile services, disaggregated by gender): 55,000	Achieved	Status as of end-June 2022: 56,984 GBV survivors assisted.
12	Adoption, implementation, and measurement of formula-based fiscal transfers to all provincial governments reflecting clear functional responsibilities	Significant Progress; Rolled over to FY23	Status as of end-June 2022: The Government has prepared and is currently applying a temporary formula that defines the budget limits for transfers to provincial governments. This formula has already been applied to 2023 allocations and will be reflected in the transfers under the 2023 Budget Law to be submitted to Parliament in October 2022. The current formula is pending revisions to legislation that are designed to re-define the attributions of the State Representative at Provincial Level to eliminate overlaps. The formula will be modified to reflect these revisions and will be discussed and approved by the Council of Ministers during FY23. On this basis, the Government will roll this milestone over to FY23.
13	Piloting a project on interoperability between Civil Registration and Civil Identification using the Unique Identification Number	Achieved	Status as of end-June 2022: Pilot of project on interoperability is complete.
14	Implementation of a budget planning system linked to execution	Achieved	Status as of end-June 2022: Implementation of budget planning system linked to execution has been confirmed.
15	Approval by the Council of Ministers and by Parliament of new mining law to formalize artisanal mining	Lapsed	This milestone lapsed during FY22 on account of a decision by the Government to maintain the 2014 mining law and instead issue a decree to support the implementation of this law. The Government will roll this milestone over to FY25, by which time the decree will have been approved and will pave the way for a new mining law.
16	Number of mining cooperatives created by the mining law to support positive economic, environmental, and social	Some Progress	Status as of end-June 2022: 26 cooperatives created. This target was held back by lack of clarity over the status of the mining law.

	impacts for artisanal miners: 50		
17	National Land Policy developed and approved by the Council of Ministers	Significant Progress	Status as of end-June 2022: The National Land Policy is on track for approval by October 2022. The timeline was pushed on account of requests from civil society organizations for additional time for consultations in order to ensure that their inputs feed into the process and are duly reflected in the final draft. A first draft of the Policy was released in February 2022 and a second version followed in May 2022, reflecting the outputs from the initial consultations. On the back of calls for further consultations, the Commission for the Revision of the Land Policy decided to carry out final consultations with civil society organizations and other actors. To ensure adequate time to integrate the various inputs from these consultations, it will now submit the document to the Council of Ministers in October 2022.
18	Number of community lands demarcated: 1,000 (FY21 actual number: 800)	Significant Progress	Status as of end-June 2022: 820 community lands have been demarcated and the Government is on track to complete the demarcation of 1,000 community lands by end-December 2022. The process has been delayed by prevention and mitigation measures in response to the COVID-19 pandemic, capacity constraints, as well as by an institutional reorganization within the Ministry that set the timeline back.
19	Establishment of the Sovereign Wealth Fund Model for Mozambique	Achieved	Status as of end-June 2022: Following considerable public consultation over the course of FY21, the Government has prepared a draft law establishing a Sovereign Wealth Fund Model. The draft law established: (i) deposit and withdrawal rules consistent with sound fiscal objectives and rules, and (ii) transparent reporting arrangements. This law is scheduled to be reviewed and discussed at the Council of Ministers in late 2022.

Annex 4: FY23 targets in the PRA monitoring framework

Just over a year after Mozambique secured eligibility to the PRA, the diagnostic that underpinned the PRA monitoring framework remains current and relevant. While the dynamics of the conflict in the North continue to evolve, the underlying factors remain as salient as before as Mozambique continues to grapple with deep-rooted and structural fragility. Likewise, the theory of change and differentiated (and spatial) approach that were outlined in the Mozambique PRA Eligibility Note of April 2021 remain pertinent and appropriate.

With regard to the FY23 milestones, the Government and the World Bank have agreed to shorten the long list of FY23 milestones to focus efforts more squarely on attaining the most strategic commitments, while also revising a number that no longer reflect the context. In response to the challenge of monitoring a large number of annual milestones, the Government has reduced the list of FY23 milestones. Of the 20 milestones that the Government committed to for FY23, it will retain 13 and reassign seven to FY24/25. This process of streamlining will help to ensure a sustained focus on a smaller number of key – and strategic – milestones. Of the reduced list of 13 FY23 milestones, the Government has revised eight, reflecting changes in the context and the need to adopt a more iterative approach to foundational milestones. These revisions support an ambitious yet scaled-back approach that will enable the Government to demonstrate sustainable progress towards these commitments in the medium-term and refocus on key and strategic milestones.

Table 7 – FY23 Targets in the PRA Monitoring Framework

No.	FY23 Monitoring Targets	Adjustments to FY23 Targets
1.	Endorsement by Parliament of a roadmap for national reconciliation	This milestone has been rolled over from FY22 and has been revised. The revised milestone supports a process that builds on the approval of PREDIN, which proposes the creation of an Organ for National Reconciliation as a key first step for the establishment and institutionalization of a credible and representative, Mozambican-owned and led body. This body can then provide the vehicle to develop a roadmap for national reconciliation (which will become a milestone for the outer years of IDA20). The revised milestone is as follows: Establishment of a model or organ for national reconciliation (to sit in the Office of the Prime Minister, and to include the Ministries of Foreign Affairs, Defense, and Justice)
-	Rollout of 12 peace clubs in Northern and Central Mozambique	This milestone will be dropped for FY23 and reassigned to FY24/25
2.	All those eligible for a pension are registered and begin receiving support	No change from the original EN
-	Percentage of primary health facilities in the Northern and Central Regions with at least two Maternal and Child Health Nurses (MCH): 72%	This milestone will be dropped for FY23 and reassigned to FY24/25
3.	Average pupil–teacher ratio in the Northern and Central regions: 60	This milestone has been revised down to 63 from 60. The Government has made important progress over the last year to address the imbalance in the ratio of pupils to teachers between the northern and central regions and the rest of the country. From falling below the baseline in FY21, this target is slowing recovering ground – and reflects the commitment of the Government to address this

		imbalance. Despite applying short-term mitigating measures, including accelerating the process of teacher training; focusing new hires in the northern and central provinces; and increasing the number of teacher training institutions, the Government proposes a downwards revision to the FY23 target to reflect ongoing challenges in the context. These include the difficulty in recruiting teachers to work in the North on account of the insecurity combined with and demographic trends that have seen student numbers in the North outpace the rest of the country and have contributed to high enrollment rates.
-	Increase in access to electricity in the provinces of Niassa, Nampula, Cabo Delgado, and Zambezia: 20.6%	This milestone will be dropped for FY23 and reassigned to FY24/25
4.	Increase in access to improved water supply services in the provinces of Niassa, Nampula, Cabo Delgado, and Zambezia: 67%	This milestone has been revised down to 61% from 67%. The Government has pledged increased investment to support infrastructure upgrading the four target provinces to address the gap in water supply services. Despite these measures, it proposes a downwards revision to the FY23 target to reflect the time it will take to catch up and overcome the residual impact of challenges related to implementing essential infrastructure upgrading, in part due to the conflict in the North, as well as the reallocation of resources to respond to urgent needs emerging from the conflict.
5.	Number of youth and women who have benefitted from new employability training programs: 11,000	No change from the original EN
6.	Number of GBV survivors assisted in health units and integrated services (including mobile services, disaggregated by gender): 68,750	No change from the original EN
7.	Adoption, implementation, and measurement of formula-based fiscal transfers to all provincial governments reflecting clear functional responsibilities.	This milestone has been rolled over from FY22 and has been revised. The revision to milestone reinforces the effort of the Government, which has prepared and is currently applying a temporary formula that defines the budget limits for transfers to provincial governments. This formula has already been applied to 2023 allocations and will be reflected in the transfers under the Budget Law to be submitted to Parliament in October 2022. The current formula is pending revisions to legislation that are designed to re-define the attributions of the State Representative at Provincial Level to eliminate overlaps. The formula will be modified to reflect these revisions and will be discussed and approved by the Council of Ministers during FY23. The revised milestone is as follows: Adoption, implementation, and measurement of formula-based fiscal transfers to all provincial governments reflecting clear functional responsibilities; Transfers to Provincial Government implemented according to approved 2022 Budget Law that assigns transfers based on provisional formula.
8.	Devolution of primary education and basic health functional attributions and resources to all municipalities	This milestone has been revised to support a more gradual and iterative process towards decentralization and devolution of functional attributions and resources to all municipalities, in line with the context and reality on the ground. The revised milestone is as follows:

		Agreement between the Ministry of Education and the Ministry of Health to transfer resources (human, financial, and assets) to five pilot municipal governments to manage primary education and basic health services.
9.	Creation of ten new municipalities for inclusion in the 2023 elections	This milestone has been reworded to enhance the clarity and precision of the target, without significant alteration to the substance. The revised milestone is as follows: Identify ten new municipalities for inclusion in upcoming municipal elections
10.	Percentage of the population with biometric identification: 60%	No change from the original EN
-	Creation of a permanent and continuous voter registration system based on biometric information	This milestone will be dropped for FY23 and reassigned to FY24/25
-	Design and implementation of a state financial administration system with internal functionality for spending execution	This milestone will be dropped for FY23 and reassigned to FY24/25
11.	Establishment of a Supreme Audit Institution, separated from the Administrative Tribunal, in line with international good practice	This milestone has been revised to support a more gradual and iterative process towards the establishment of a supreme audit institution, in line with the context and reality on the ground. The revised milestone is as follows: Roadmap for the establishment of a Supreme Audit Institution, separated from the Administrative Tribunal, in line with international good practice and standards.
12.	Percentage of CAs under co-management between public/private entities and communities: 40%	No change from the original EN
-	Approval by the Council of Ministers and submission to Parliament of new mining law to formalize artisanal mining; Approval of legislation in October 2021 by the Assembly.	This milestone will be dropped for FY23 and reassigned to FY24/25.
13.	Number of mining cooperatives created by the mining law to support positive economic, environmental, and social impacts for artisanal miners: 150	This milestone has been revised down to 50 from 150. The decision by the Government to issue a decree to support implementation of the existing mining law, rather than approval a new mining law, has resulted in delays to the achievement of this target and as a result it is expected to come in below target for FY23.
-	Number of community lands demarcated: 1,500	This milestone will be dropped for FY23 and reassigned to FY24/25.

Annex 5: Indicative FY24/25 Targets in the PRA Monitoring Framework

The Government and the World Bank are in the process of discussing the milestones for FY24 and FY25. These milestones will represent the tangible commitments of the Government to addressing conflict and fragility risks in Mozambique during the outer years of IDA20. These conversations are ongoing and will be finalized over the course of the year. The FY24 and FY25 milestones presented below are indicative and additional milestones are under discussion. A final list of Government-approved milestones for FY24 and FY25 will be included as part of the FY23 annual review.

Table 7 – Indicative FY24/25 Targets in the PRA Monitoring Framework

No.	Responsibility/Verification	FY23	FY24 (Indicative)	FY25 (Indicative)
1.	Office of the Prime Minister, with Defense, Justice, and Foreign Ministries	Establishment of a model or organ for national reconciliation		
2.	Peace Process Secretariat (PPS)		Rollout of 12 peace clubs in Northern and Central Mozambique (Rolled over from FY23)	
3.	Ministry of Economy and Finance (MEF) with support from the Peace Process Secretariat (PPS)	All demobilized former combatants eligible for a pension are registered and begin receiving support		
4.	Ministry of Health (MISAU)			Percentage of primary health facilities in the Northern and Central Regions with at least two Maternal and Child Health Nurses (MCH): 72% (FY22: 63.1%) (Rolled over from FY23)
5.	Ministry of Education (MINEDH	Average pupil–teacher ratio in the Northern and Central regions: 63 (FY22: 65.8)		
6.	Ministry of Natural Resources and Energy (MIREME)		Access to electricity in the provinces of Niassa, Nampula, Cabo Delgado, and Zambezia: 20.6% (FY22: 20.4%)	

			(Rolled over from FY23)	
7.	Ministry of Public Works, Housing, and Water Resources (MOPHRH)	Access to improved water supply services in the provinces of Niassa, Nampula, Cabo Delgado, and Zambezia: 61% (FY22: 57.76%)		
8.	Secretaria de Estado da Juventude e Emprego (SEJE)	Number of youth and women who have benefitted from new employability training programs: 11,000 (FY22: 9,717)		
9.	Ministry of Health (MISAU) and Ministry of Gender, Children, and Social Action (MGCAS)	Number of GBV survivors assisted in health units and integrated services (including mobile services, disaggregated by gender): 68,750 (FY22: 56,984)		
10.	Ministry of Economy and Finance (MEF)	Adoption, implementation, and measurement of formula-based fiscal transfers to all provincial governments reflecting clear functional responsibilities (Rolled over from FY22)	Formula-based fiscal transfers law approved and reflected in the Budget Law according to the revision of the Decentralization Law; Transfers to Provincial Government implemented according to approved 2022 Budget Law that assigned transfers based on provisional formula.[218]	
11.	Ministry of Economy and Finance (MEF), Ministry of State Administration and Public Services (MAEFP), Ministry of Education (MINEDH), and Ministry of Health (MISAU)	Agreement between the Ministry of Education and the Ministry of Health to build capacity and transfer resources (human, financial, and assets) to five pilot municipal	Five municipal governments trained in managing primary education and basic health care.	Five municipal governments managing the resources (human, financial, and assets) of primary education and basic health care.

[218] Target shifted from FY23 to FY24 to reflect more logical sequencing.

		governments to manage primary education and basic health services.		
12.	Ministry of State Administration and Public Services (MAEFP)	Identify ten new municipalities for inclusion in municipal elections	Approve decree by CoM to formalize the creation of municipalities to be included in the next municipal elections.	
13.	Ministry of Interior and Ministry of Justice – with verification by the ID4D team	Percentage of the population with biometric identification: 60% (FY21: 40%); Creation of a permanent and continuous voter registration system based on biometric information.[219]		
14.	Ministry of Economy and Finance (MEF)		Design and implementation of a state financial administration system with internal functionality for spending execution (Rolled over from FY23)	
15.	Ministry of Economy and Finance (MEF), Tribunal Administrativo	Roadmap for the establishment of a Supreme Audit Institution, separated from the Administrative Tribunal, in line with international good practice and standard		Proposal of legal framework for the establishment and functioning of a Supreme Audit Institution, separated from the Administrative Tribunal, in line with international good practice and standard, approved by Council of Ministers and submitted to Parliament; Establishment of a Supreme Audit

[219] This FY23 target is currently under discussion and will be replaced by a revised target for FY24/25.

				Institution, separated from the Administrative Tribunal, in line with international good practice (Rolled over from FY23)
16.	Ministry of Land and Environment (MTA), Administração Nacional das Areas de Conservação (ANAC)	Percentage of conservation areas under co-management between public/private entities and communities: 40% (FY21: 30%)		
17.	Ministry of Natural Resources and Energy (MIREME)			Approval by the Council of Ministers and submission to Parliament of new mining law to formalize artisanal mining (Rolled over from FY22)
18.	Ministry of Natural Resources and Energy (MIREME)	Number of mining cooperatives created by the mining law to support positive economic, environmental, and social impacts for artisanal miners: 50 (FY22: 26)		
19.	Ministry of Land and Environment (MTA)		Number of community lands demarcated: 1,500 (FY22: 820) (Rolled over from FY23)	

Annex 6: Approved FY22 operations

Since the Eligibility Note was discussed at the Board in April 2021, 16 operations have been approved, amounting to nearly US$2 billion of IDA resources. Key operations that have been approved since April 2021, include:

1. The Northern Mozambique Crisis Recovery Project (P176157), a US$100 million IDA financing to respond to the growing humanitarian crisis in the North and prevent a deterioration of the context through the provision of emergency support to IDPs and host communities in Cabo Delgado in areas proximate and directly adjacent to the conflict;
2. Economic Linkages for Diversification (P171664), a US$100 million IDA financing to strengthen economic linkages from the extractives sectors to the private sector, with a focus on women, youth, and IDPs;
3. The Northern Mozambique Rural Resilience Project (P174617), a US$150 million IDA financing to build resilience among vulnerable populations in the North through the sustainable management of natural resources and support to livelihood opportunities;
4. Sustainable Rural Economy Program (P174002), a US$150 million IDA financing to improve the performance of small agriculture producers and Agri MSMEs and improve natural resource management practices in the North and Centre of the country;
5. Mozambique Digital Governance & Economy (P172350), a US$150 million IDA financing to increase access to legal identification, digital public services, and digital business opportunities;
6. Sustainable Energy and Broadband Access in Rural Mozambique Project (P175295) a US$200 million IDA financing to increase access to energy and broadband services and strengthen the operational performance of the electric utility;
7. Social Protection and Economic Resilience Project (P173640), a US$100 million IDA financing to provide social assistance to districts experiencing high poverty and child malnutrition levels, primarily in the North, while addressing the exclusion and women and youth and providing registration and ID services;
8. Rural and Small Towns Water Security Project (P173518), a US$150 million IDA operation to increase access to improved water supply and sanitation services in select small towns and rural areas of Mozambique;
9. Mozambique Northern Urban Development Project (P175266), a US$100 million IDA financing to improve basic urban infrastructure and living conditions in selected cities in the North of Mozambique;
10. Managing Public Resources for Service Delivery (P173178), a US$80 million IDA financing to improve domestic revenue mobilization, budget execution, transparency, and accountability in the management of public resources for service delivery;
11. Investing in Inclusive Human Capital Development in Mozambique (P175298), a US$100 million IDA financing to improve inclusive access to quality social services and community-driven development opportunities for populations in areas at risk of conflict, and strengthen institutional capacity of the health, education, and social protection sectors.

Annex 7: Active Portfolio (IBRD/IDA Commitments)

Project ID	Project Name	Net Comm. (US$M)
National		
P129847	Mozambique Mining and Gas Technical Assistance Project	78.00
P149377	Water Services & Institutional Support II	165.00
P149620	Moz Agriculture and Natural Resources Landscape Management Project	99.08
P158231	Integrated Feeder Road Development Project	260.00
P158249	Power Efficiency and Reliability Improvement Project (PERIP)	150.00
P161777	Mozambique Urban Sanitation Project	165.00
P162621	National Statistics and Data for Development	54.33
P163541	Mozambique Primary Health Care Strengthening Program	80.00
P163989	Mozambique Urban Development and Decentralization Project	117.00
P164431	Smallholder Irrigated Agriculture and Market Access Project- IRRIGA 1	55.00
P164524	MZ Zambezia Emissions Reductions Payment	50.00
P164551	Mozambique Land Administration Project (Terra Segura)	100.00
P165453	Mozambique Energy For All (ProEnergia)	82.00
P166100	Harnessing the Demographic Dividend	75.00
P166107	Mozambique: Financial Inclusion and Stability Project	40.00
P166437	Mozambique Disaster Risk Management and Resilience Program	90.00
P166802	Mozambique Conservation Areas for Biodiversity and Development - Phase 2	45.00
P167054	Improvement of Skills Development in Mozambique	104.00
P171040	Mozambique: Cyclone Idai & Kenneth Emergency Recovery and Resilience Project	203.50
P171449	Maputo Urban Transformation Project	100.00
P171664	Economic Linkages for Diversification	100.00
P172350	Digital Governance and Economy Project	150.00
P172657	Improving Learning and Empowering Girls in Mozambique	160.00
P173178	Managing Public Resources for Service Delivery	80.00
P173518	Rural and Small Towns Water Security Project	150.00
P173640	Social Protection and Economic Resilience Project	126.50
P174002	Sustainable Rural Economy Program	150.00
P174635	Northern Mozambique Rural Resilience Project	150.00
P175266	Mozambique Northern Urban Development Project	100.00
P175295	Sustainable Energy and Broadband Access in Rural Mozambique Project	300.00
P175298	Investing in Inclusive Human Capital Development in Northern Mozambique Project	100.00
P175884	COVID-19 Strategic Preparedness and Response Project	200.00
P176157	Northern Crisis Recovery Project	200.00
P176459	Mozambique Digital Acceleration Project	200.00
P176762	Mozambique Institutions and Economic Transformation DPF	300.00
	Total for National	**4579.41**
Regional		
P132123	South West Indian Ocean Fisheries Governance and Shared Growth Project 1	37.00

Project ID	Project Name	Net Comm. (US$M)
P155658	AFR RI-Southern Africa Tuberculosis and Health Systems Support Project	45.00
P151847	Eastern and Southern Africa Higher Education Centers of Excellence	36.00
P164354	Mozambique - Malawi Regional Interconnector Project	55.00
P164847	Southern Africa Trade and Connectivity Project	230.00
P160427	Temane Regional Electricity Project	315.00
	Total for Regional	**718.00**
	Grand Total	**5297.41**

Annex 8: Selected Indicators of World Bank Portfolio Performance and Management

As of 01/18/2023

Indicator	FY20	FY21	FY22	FY23
Portfolio Assessment				
Number of Projects Under Implementation [a]	22.0	29.0	32.0	34.0
Average Implementation Period (years) [b]	3.1	2.9	2.7	2.7
Percent of Problem Projects by Number [a, c]	9.1	6.9	15.6	20.6
Percent of Problem Projects by Amount [a, c]	10.5	3.0	13.4	18.3
Percent of Projects at Risk by Number [a, d]	13.6	6.9	21.9	29.4
Percent of Projects at Risk by Amount [a, d]	14.2	3.0	17.9	28.1
Disbursement Ratio (%) [e]	25.6	28.9	23.7	8.9
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US$)				
Average Supervision (US$/project)				

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by IEG by Number	96	12
Proj Eval by IEG by Amt (US$ millions)	5,770.3	1,200.7
% of IEG Projects Rated U or HU by Number	22.9	16.7
% of IEG Projects Rated U or HU by Amt	17.1	7.7

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex 9: Statement of IFC's Held and Disbursed Portfolio

Investment Portfolio
As of December 31, 2022

Client	Product	Description	Commitment Year	Committed Exposure (US$ millions)
Financial Institutions Group (FIG)				
Nedbank Mozambique	Trade Finance (GTFP)	Uncommitted trade finance guarantee facility under IFC's Global Trade Finance Program (the "GTFP Facility") of up to US$10 million to support the Nedbank's trade program	2021	1.9
Manufacturing, Agribusiness and Services (MAS)				
Midal Moz	Debt	Manufacturing – Aluminum cables manufacturing, initial investment was $25 million	2013	7.7
MMI Mozambique	Debt	Manufacturing – Roof sheets manufacturing, by a Tanzanian sponsor who expanded into Mozambique.	2013	4.4
Portucel Mozambique	Equity	Agribusiness & Forestry	2013	30.4
SEF Merec	Debt	Manufacturing – Wheat milling, pasta, and biscuits factory. This is a repeat client in his 4th loan with IFC	2015	11.2
Westfalia FM	Debt/ Guarantee/RM	Agribusiness – Avocado plantation which created a new export market for Mozambique and IFC has now made a second loan in expansion of the activity.	2014	2.2
Infrastructure and Natural Resources (INFRA)				
CTT	Debt/RM/PSW	Infrastructure -450 MW gas-fired power plant to help Mozambique improve access to electricity and provide lower-cost power.	2022	104.0
CTRG	Debt/ Guarantee/RM	Infrastructure – Gas to power production of 120MW that supplies Mozambique and South Africa	2018	33.1
ENH	Equity	Oil, Gas & Mining – Gas production that supplies CTRG, Maputo Industry and also is exported to South Africa	2004	18.5
Mocuba Solar PV	Debt/ Guarantee/RM	Solar power generation of up to 43MW in Northern Mozambique that has been developed in partnership with Norway	2018	17.9
TOTAL				**231.3**

IFCAdvisory Portfolio

As of December 31, 2022

Project name	Sector	Description	Amount (US$ millions)
Banco Comercial e de Investimentos (BCI)	Financial Institutions Group	Advisory in value chain finance product identification and design to allow the bank to cater for the new gas economy.	1.2
EdM Treasury and Risk Management Support	Infrastructure and Natural Resources	Embedded advisor in EDM (Electricity of Mozambique) to help with restructuring their treasury function to better meet commitments.	2.6
Mozambique Investment Climate Project 2	Equitable Growth, Finance, and Institutions	Investment climate policy advisory to the GoM	2.5
Mpesa Mozambique	Financial Institutions Group	Advisory to Vodacom Mozambique in their mobile money platform for enhanced processes, procedures, and product design to grow their footprint in Mozambique.	4.0
Portucel Mozambique	Manufacturing, Agribusiness & Services	Community development advisory to help them identify and implement new livelihood opportunities for the communities in the project areas.	4.8
STCR Mozambique	Equitable Growth, Finance, and Institutions	Collateral Registry system implementation and operationalization	1.2
Nespresso Revivals Mozambique	Manufacturing, Agribusiness & Services	Improve coffee production volumes in an environmentally, socially, and economically sustainable manner.	0.9
TOTAL			**17.2**

Annex 10: MIGA's Guarantee Portfolio

As of December 2022

FY	Project	Effective Date	Expiry Date	Outstanding Gross Exposure (USD)	Description
FY16	Gigawatt 100MW Gas-Fired Power Plant	Dec-15	Dec-30	91,421,478	The Project involves the construction of a 118 MW natural gas-fired power plant at Ressano Garcia. The plant will use 13 Rolls Royce engines, each with a capacity of 9.09 MW. The contracted capacity of the plant is 100 MW with 11 engines operating.
FY20	ABSA/Barclays Mozambique	Dec-19	Dec-34	88,552,776	The Project was MIGA's first capital optimization project for a pan-African bank. The Project involves the expansion of ABSA's lending operations in 8 Sub-Saharan African countries, including Mozambique, with the support of MIGA guarantees. The guarantees would generate a risk-weighted asset (RWA) relief at the consolidated group level that would be allocated to ABSA's Regional Operations and provide enabling conditions to allow ABSA's operating subsidiaries to accelerate loan creation in the Host Countries in line with ABSA's ambitious regional growth strategy.
FY20	FirstRand Bank Mozambique	Jun-20	Jun-35	29,704,758	The Project was MIGA's second capital optimization project for a pan-African bank (after ABSA). The Project involves the support of continued operations of seven of FirstRand's subsidiaries in Sub-Saharan Africa, including in Mozambique.
FY22	Central Termica de Temane	Dec-21	Dec-41	251,300,000	The Project consists in the development, design, construction, and operation of a 450 MW (net capacity) greenfield gas-fired power plant located in northern Inhambane Province pursuant to a 25-year build-ownoperate-transfer concession contract. The Poject also includes the construction of a new 1.8km gas pipeline and a new 25 km 400 kV transmission line.
FY22	Central Termica Ressano de Garcia (CTRG)	Apr-22	Feb-35	149,665,304	The project involves the ownership, operation, and transfer of an existing 175 MW gas fired power plant located at Ressano Garcia, near the southern border with South Africa and 70km near Maputo. The power plant entails sixteen natural gas fired engines, plus two additional engines for standby duty that increase the availability of the basic plant.
TOTAL PORTFOLIO				**610,644,316**	

Annex 11: Gender Assessment

1. **Women and girls in Mozambique continue to face a number of development challenges that limit their social and economic empowerment.** While both women and men have high labor force participation rates (close to 80 percent for both), there is a high degree of sector-based gender segregation and underemployment of women. The majority of women in both urban and rural areas are employed in the agriculture sector. Constraints on women's economic productivity and employment in better jobs include unequal burdens of care, lower education and skill levels, insecure and unequal land tenure, and low financial inclusion. High fertility rates coupled with women's greater responsibility for care and household labor leads to their underemployment and concentration in less productive jobs and sectors. In Mozambique, women are more than twice as likely as men to cite domestic responsibilities as preventing them from working full-time.[220] Agriculture and self-employment appeal to women experiencing time poverty as they can combine this with their unpaid care work. A study in Mozambique found that almost 20 percent of women care for a child while working on the farm.

Table 8 – Participation in Employment Type by Gender and Location

Economic Sector	Rural		Urban	
	Women	Men	Women	Men
Agriculture	93%	76%	46%	24%
Non-Farm Self-Employment	3%	10%	29%	25%
Private Wage Employment	2%	11%	16%	38%
Public Wage Employment	1%	3%	8%	12%

Source: Lachler & Walker. 2018. "Mozambique Jobs Diagnostic: Volume 1 – Analytics".

2. **The gender gap in access to financial services is a significant barrier, harming both women and Mozambique's potential for strong economic growth.** Less access to financial services means that female entrepreneurs and farmers are less able to invest in their farms and businesses, have less access to markets, are less able to capitalize on economic opportunities, are less able to utilize technology that could improve productivity, and are less able to navigate financial shocks. Mozambique has the third-highest gender gap in bank account ownership in SSA, with 26 percent of women having an account at a financial institution, compared to 40 percent of men.[221] In rural areas, women in the lowest wealth quintile are less than half as likely as men to have ever been inside a bank.[222] While the use of mobile money has improved women's access to financial services, as of 2017, only 17 percent of women owned a mobile money account, compared with 27 percent of men,[223] while women are more likely than men to rely on informal saving and borrowing mechanisms.[224]

3. **Job quality is highly correlated with education levels, and women enter the labor force at a disadvantage in both education and skills.** Mozambique has made significant progress on increasing enrollment and reducing gender gaps at lower primary, but at upper primary (grades 4-7) the gap increases and continues to widen at secondary level (Figure 6)**.** The situation is worse in northern regions where girls' gross enrollment in upper primary is 10 percentage points below that of boys.[225] Despite

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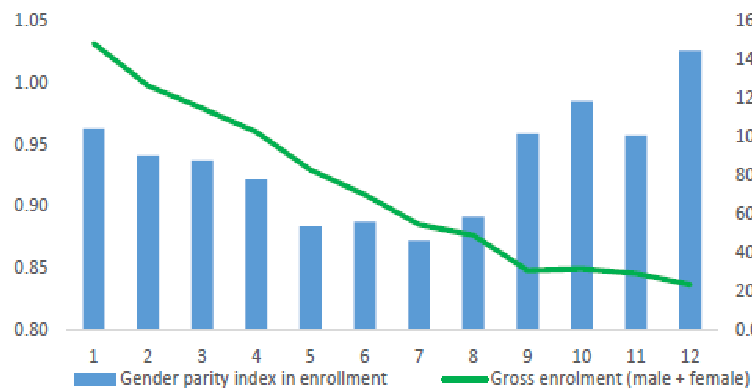
[220] Lachler and Walker. 2018. "Mozambique Jobs Diagnostic: Volume 1 – Analytics."
[221] Asli Demirgüç-Kunt et al. 2017. "The Global Findex Database - Measuring Financial Inclusion and the Fintech Revolution". World Bank Group. https://globalfindex.worldbank.org/.
[222] "Deconstructing the Gender Gap in Rural Financial Inclusion. The Cases of Mozambique and Tanzania |Policy Support and Governance| Food and Agriculture Organization of the United Nations (UN)," 2020, https://www.fao.org/policy-support/tools-and-publications/resources-details/en/c/1308956/.
[223] Asli Demirgüç-Kunt et al.
[224] Deconstructing the Gender Gap in Rural Financial Inclusion.
[225] Ministry of Education and Human Development. 2019. *Analise do Sector de Educação (ESA): Relatório Final*.

policy interventions and increased female primary school enrollment, girls remain more likely to leave school at a younger age than their male counterparts. Lower levels of education result in women being excluded from more economically productive wage work as they do not meet the educational requirements and are often less competitive candidates than male applicants.[226] Specifically, women's lower levels of education, literacy, and proficiency in the Portuguese language have a significant negative impact on them engaging in wage work.[227] Furthermore, lack of physical access and accommodations for children with disabilities as well as social stigma result in lower enrollment and higher dropout rates for children with disabilities which overlay gender disadvantages for girls with disabilities. Lack of adequate water and sanitation facilities that allow for management of menstrual hygiene also reduces attendance and ultimately leads to girls dropping out once they reach puberty. Once girls drop out of school, it can be hard to get them back in, and many join the ranks of the estimated 20 percent of Mozambican women aged 15-24 who are not in education, employment, or training.

Chart 6 – School Enrollment (RHS) and Gender Parity (LHS)



Source: Ministry of Education and Human Development (Ministerio de Educação e Desenvolvimento Humano, MINEDH) administrative data, 2015.

4. **Mozambique has one of the highest fertility rates in Sub-Saharan Africa**.[228] Worryingly, rates of adolescent fertility are rising and there is a direct correlation between early childbearing with high lifetime fertility. Fertility rates vary significantly across regions, wealth quintiles, levels of education, and location. On average 2.5 more children are born to rural women (6.1) than urban women (3.6). Fertility is particular high in northern and central regions: Niassa, Zambézia, Tete, and Sofala provinces all have rates at or above 6.0 births per woman, while in Maputo city the rate is 2.5 births per woman on average. Women without any or only primary education have almost twice as many children as those with secondary or higher levels of education. Similarly, those in the highest wealth quintile have less than half as many children as those in the lowest and second lowest quintiles.[229]

5. **Social norms also restrict women's economic potential and contribute to high rates of GBV.** By some estimates, Mozambique has the fourth highest rate of adolescent fertility and the tenth highest rate of child marriage in the world. Early marriage and pregnancy drive drop-out rates and early school leaving leads to early marriage and pregnancy. One in four women have experienced physical or sexual violence. Girls and young women with disabilities are even more likely to have experienced sexual violence by family members or neighbors.[230] Less than 50 percent of women who experience physical violence seek help and only a quarter of victims of sexual violence do so. Although only 13 percent of women and 17 percent of

[226] Lachler and Walker.
[227] "Gender Inequality in Employment In Mozambique - Gradín - 2019 - South African Journal of Economics - Wiley Online Library."
[228] Preliminary data from the Mozambique 2017 Census.
[229] IMASIDA 2015: Relatório Final.
[230] UNFPA. 2018. Young Persons with Disabilities: Global Study on Ending Gender-Based Violence, and Realizing Sexual and Reproductive Health and Rights.

men justify wife-beating,[231] rape myths that blame the victim, and the belief that forced sexual relations in marriage is not rape are widespread. At puberty, as many as one in five Mozambican girls is subjected to sexual initiation rites signaling their readiness for marriage; these rites are higher in the north and central provinces and are often followed by payment of a bride price (*lobolo*) to the head of the girl's family.[232]

6. **Children, and particularly girls, face the risk of sexual harassment, exploitation, and abuse from teachers and peers in school**. A 2019 national survey on violence against children and youth found that 14.3 percent of 18–24 year-old women had experienced sexual violence before age 18,[233] and that 13.1 percent of assaults had taken place at school.[234] "Sex for grades" is commonly reported; 7 in 10 girls report knowing of cases of sexual harassment, exploitation, and abuse at their schools.[235] Currently, no law or regulation explicitly criminalizes or prohibits sexual harassment in education, and children with non-heteronormative sexual orientation or gender identity are at particular risk of bullying, discrimination, and abuse.

7. **Women and girls are disproportionately impacted by displacement or migration as a result of conflict or natural disasters.** In Cabo Delgado, over 850,000 people have been displaced,[236] which particularly increases the vulnerability of women and girls due to the loss of social structures they frequently depend on for informal financial services, childcare, and healthcare.[237] Those displaced by the ongoing conflict in Cabo Delgado face heightened risks of GBV in camps for internally displaced persons including intimate partner violence, physical and sexual violence, abduction, sexual trafficking, sexual exploitation and abuse, early and forced marriage, and economic violence.[238] Similarly, women and girls face increased vulnerability to GBV, intimate partner violence, human trafficking, sexual violence, and exploitation following natural disasters.[239] Yet, in the face of increased need, access to services is often compromised. In Cabo Delgado, the conflict and resulting displacement have significantly disrupted existing GBV support structures and prevention measures.[240]

[231] *Ibid.*
[232] "Gender-Based Violence in Mozambique: Contextual Analysis for World Bank Projects" (World Bank, 2020).
[233] Under a 2014 amendment to the penal code, abortion is legal until 12 weeks; 16 weeks for rape/incest and 24 weeks for fetal abnormality.
[234] Instituto Nacional de Saúde (INS), Ministry of Health (MISAU), Ministry of Gender, Child, and Social Action, Instituto Nacional de Estatística (INE), and the U.S. Centers for Disease Control and Prevention. 2020. Violence Against Children and Youth Survey in Mozambique, 2019 (VACS 2019). Priority Indicator Report. Maputo, Mozambique.
[235] USAID. 2015. "Lessons from the Gender-Based Violence Initiative in Mozambique."
[236] Miguel and Baptista, "Officials Say Insurgency in Northern Mozambique Is Spreading."
[237] Charlotte Lindsey, "Women Facing War: ICRC Study on the Impact of Armed Conflict on Women," n.d.
[238] "A Rapid Assessment of the Gender-Based Violence (GBV) Situation and Response in Cabo Delgado, Mozambique."
[239] "Gender Dimensions of Disaster Risk and Resilience : Existing Evidence"; Braga, "3 Platforms for Girls' Education in Climate Strategies"; Anonymous, "Gender and Post-Disaster Reconstruction: The Case of Hurricane Mitch in Honduras and Nicaragua," Text, Humanitarian Library, February 25, 2014, https://www.humanitarianlibrary.org/resource/gender-and-post-disaster-reconstruction-case-hurricane-mitch-honduras-and-nicaragua-0.
[240] "A Rapid Assessment of the Gender-Based Violence (GBV) Situation and Response in Cabo Delgado, Mozambique [EN/PT] - Mozambique," ReliefWeb, accessed February 3, 2022, https://reliefweb.int/report/mozambique/rapid-assessment-gender-based-violence-gbv-situation-and-response-cabo-delgado.

Annex 12: Stakeholder Consultations

1. **Consultations for the new CPF were carried out in two phases from December 2021 through June 2022.** The first phase informed the development of the CPF Concept Note and included a series of sector-focused discussions that involved internal and external speakers and panelists. That phase also involved focus discussions with opinion leaders and academics and the commissioning of three short analytical pieces on key development challenges facing Mozambique as viewed by local researchers. The papers included an analysis of the overall authorizing political environment for reforms considering the changing political landscape in Mozambique**.**

2. **The second phase of the consultations occurred after the development of the Concept Note.** The aim of this phase was to deepen the discussion of each pillar of the emerging strategy and its objectives; further define priorities and instruments (including funding) considering the specific development context and challenges; and define the CPF monitoring mechanisms (indicators). The consultations that ensued involved over 300 people in the country's three main development poles: Nampula, Beira, and Maputo. Nampula city is the capital of the province with the same name and colloquially known as the capital of the northern region. Due to its status as the most populous province in Mozambique, Nampula has a strategic place in the country's political landscape due to its large and increasingly opposition-leaning electorate. Nampula is also the economic hub of the north with its deep-water seaport of Nacala and strategic railway corridor, among others. The City of Beira, capital of Sofala province, is the regional hub of the central region and has a special place in Mozambique's political history. The region was the birthplace of political dissent and a stronghold of the largest opposition party, RENAMO. In 2019, Beira was the epicenter of the Cyclone Idai, the largest cyclone to ever hit Mozambique, which left a trail of destruction and death on its wake, and it regularly suffers from smaller cyclones. Along with some northern provinces, the city is among the most exposed to climate change in the country, bringing to the fore discussions around the need to build resilience through greater adaptation to the effects of climate change in its development lenses. Consultations were also held in Maputo, the capital of Mozambique and the country's economic powerhouse. In each of these regions the WBG team engaged with the authorities; the private sector, jointly with IFC; and a wide range of representative umbrella civil society organizations, community-based organizations, NGOs, academics, think tanks, and opinion leaders.

3. **The proposed CPF for FY23–FY27 aims to contribute to Mozambique's transition to a greener, more resilient, and inclusive growth trajectory.** It seeks to support government reforms and investments that can contribute to the following high-level outcomes: **HLO 1:** More inclusive institutions through (i) improved economic management; (ii) enhanced public sector capacity for inclusive public services; and (iii) strengthened crisis and disaster preparedness and response. **HLO 2:** Inclusive green job creation (accelerating the process of structural transformation) which in turn requires (i) enabling green growth through sustainable use of natural resources; (ii) growing MSMEs in selected labor-intensive sectors and new industries; and (iii) the expansion of infrastructure services. **HLO 3**: Improved human capital and women's empowerment through (i) improved selected health and education outcomes; (ii) more efficient and effective coverage of integrated social services; and (iii) improved access to services to prevent adolescent pregnancy and promote women's economic participation (see Figure 4, in Section 3.2 above). Consultations with the stakeholders listed above were structured so as to maximize contributions from the various segments in a combination of plenary and group discussions during the sessions.

4. **Human capital.** Participants in all the consultations were passionate about the need to address human capital challenges, include investing in quality education and in technical and vocational education

tailored to the country’s specific needs. Related to this was the issue of inclusive jobs, which many suggested could be more decisively addressed both through vocational training and through greater support for private initiatives, including SMEs with training programs. Participants were also unanimous in recognizing the importance of investing in relevant skills training for the youth more generally, with particular attention to gender and people with disabilities. Investment in health (access and quality), as well as nutrition also received considerable attention. Related to these, was the cross-cutting issue of gender equity, which was unanimously agreed to be a key focus area to decisively tackle poverty. Some proposed innovative approaches to dealing with the scourge of early marriage in rural areas and its adverse effects on girls’ education. In areas with a high prevalence of early marriage and other practices that hinder girls’ education, participants suggested the development of state-sponsored girls’ schools, exclusively for underprivileged girls in those areas. Related to that, they suggested a greater effort in the dissemination of the Family Law approved by the parliament, which criminalizes early marriage. They suggested that it be included as a prior action for consideration in future DPOs.

5. **Transport infrastructure.** Participants in the consultations were unanimous on the need to invest in infrastructure development, particularly roads and railways. They believe that investments in a back-bone north-to-south railway system could have a transformational effect on the economy and would revitalize rural areas, linking centers of production to consumer markets in a more efficient, cost-effective way, and with a relatively limited environmental footprint. They all acknowledged the colossal task that such an undertaking would represent. They referred to the current efforts to expand energy access, of which the WBG is a part, as a model of success and an example to be emulated and replicated in the railway sector.

6. **Governance and institutional capacity.** The need to address institutional capacity, governance and macroeconomic management challenges dominated the discussions with the authorities centrally and in the northern and southern areas of the country. DPOs are seen as an important instrument for policy dialogue and reforms. The World Bank’s decision to resume budget support was hailed by the Government across the board. Officials outside the capital demanded more inclusion in policy dialogue and in the discussions leading up to the preparation of WBG-funded programs. They were acutely aware of their limited capacity to contribute meaningfully and asked for support in institutional and capacity building. While they seemed well informed on the architectural structure of WBG support to the country, they felt that decisions were taken in the capital without them having much of a say and asked for the WBG’s support in bridging the gap with central government. Given their city’s exposure to climate change, consultation with the mayor of Beira and his cabinet were dominated by the need to build resilience through greater adaptation into the local economy, and to approach every development undertaking through the lens of climate change adaptation.

7. **Feedback mechanisms and policy dialogue.** Civil society representatives consulted in the three regions were unanimous in their request for the WBG to factor robust feedback mechanisms into its funded operations. They also asked to be consulted upstream more in the design of projects that affect or benefit their communities. They also strongly suggested the resumption of DPOs/budget support operations as an important entry point for a more sustained and structural broad-based policy dialogue that is inclusive of non-governmental institutions. Finally, to improve economic governance and stem the scourge of corruption, Civil society groups pointed to the need for greater separation of powers between the legislative, executive, and judicial branches and well as greater protection for freedom of expression and assembly as the main areas of work. They are hopeful that the DPOs would represent an opportunity to address some of these challenges in the context of WBG support in coordination with other development partners with mandates more in line with the challenges above.

8. **The private sector.** Their role in the economy, especially in job creation, was at the center of discussions with the private sector. Agricultural value chains, tourism, and local manufacture were cited as areas where the country enjoys comparative advantages due to its climate, abundant workforce, and rich biodiversity for tourism. In terms of the enabling environment, private sector operators pointed to limited access to finance as the main barrier that hinders their ability to develop and expand initiatives in those areas. They also mentioned that the maintenance and development of infrastructure was key to improving competitiveness. They complained of the lack of business opportunities in an economy dominated by capital intensive investments. They insisted on the need to address issues pertaining to local content in the law which, in their view, could improve their opportunities to be involved in the so-called mega-projects around mining and the LNG sectors. The also mentioned the issues of regional disparities and the impact of climate change. They viewed the WBG as a key ally that could act as a convener of policy dialogue with the Government about improving the business environment more broadly.

9. **A country opinion survey,** tailored to further gauge people's opinion on some of the emerging themes of the CPF, was also conducted, completed in May 2022 . This surveyed over 200 people country wide. In addition, an online consultation page was also activated to expand the reach of the consultations to other stakeholders, including those residing abroad. Respondents would like to see the WBG prioritize its resources on education, health, public sector governance/reform, agriculture and rural development, jobs, and security/stabilization/reconstruction. Not unexpectedly given the COVID-19 pandemic and its economic aftermath, respondents' desire for the WBG to focus on health and jobs increased two-fold in FY22 compared to respondents to a similar question on the country opinion survey in 2018.

Annex 13: Map of Mozambique