

20 July 2018

Prepared by: RDGS/AHAI/COMZ/PGCL

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BOARD APPROVAL
Lapse-of-time Procedure

20 July 2018

FOR INFORMATION

MEMORANDUM

TO : THE BOARD OF DIRECTORS

FROM : Vincent O. NMEHIELLE
Secretary General

SUBJECT : MOZAMBIQUE – AGRICULTURAL VALUE CHAIN AND YOUTH EMPOWERMENT PROJECT (AVACYEP)*
ADF GRANT OF UA 11 MILLION

The Grant **Proposal** and the draft **Resolution** related to the above-mentioned project, were submitted for **your consideration on a Lapse-of-time Basis** on 7 July 2018.

Since no objection was recorded by 5:00 pm on 20 July 2018, the Proposal is considered as **approved** and the Resolution **adopted**.

Attach:

Cc: The President

***Questions on this document should be referred to:**

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AFRICAN DEVELOPMENT FUND



PROJECT: AGRICULTURAL VALUE CHAIN AND YOUTH EMPOWERMENT PROJECT (AVACYEP)

COUNTRY: MOZAMBIQUE

PROJECT APPRAISAL

Date: July 2018

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AFRICAN DEVELOPMENT FUND



MOZAMBIQUE

AGRICULTURAL VALUE CHAIN AND YOUTH EMPOWERMENT PROJECT (AVACYEP)

RDGS/AHAI/COMZ/PGCL DEPARTMENTS

July 2018

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ACRONYMS

ADF	African Development Fund	PY	Project Year
			RDGS	Regional Directorate General South
			SDC	....	Switzerland Development Cooperation
			TAAT	....	Technologies for Africa Agriculture Transformation
AfDB	....	African Development Bank (Bank)	UA	....	Unit of Account
ARA-	....	Southern Regional Administration	UNDP	....	United Nations Development Programme
AVCYEP	....	Agriculture Value Chain and Youth Employment Project			
AWPB	....	Annual Work Plan and Budget			
CODE	....	Committee on Operations and Development Effectiveness			
COMZ	....	Mozambique Country Office	USAID	....	United States Agency for International Development
CPIA	....	Country Policy and Institutional Assessment	USD	....	United States Dollars
CPPR	....	Country Portfolio Performance Review	WB	....	World Bank
CSP	....	Country Strategy Paper			
DNEA	....	National Directorate of Agriculture Extension			
DNP	....	National Directorate of Livestock			
DNSV	---	National Directorate of Veterinary Services			
EA		Executing Agency			
FAO	....	Food and Agriculture Organisation			
FDA	....	Agriculture Development Fund			
GAPI	...	Office for Support of Production			
GoM	....	Government of Mozambique			
HH	....	Household			
IDE	....	Institute for Entrepreneurship Development			
IFAD	....	International Fund for Agriculture Development			
IIAM	---	National Agriculture Research Institute			
INIR		National Institute for Irrigation			
IPEME	....	National Institute for Small and Medium Enterprise			
JICA	....	Japanese International Cooperation			
MASA	....	Ministry of Agriculture and Food Security (<i>Ministério da agricultura e segurança alimentar</i>)			
M&E	....	Monitoring and Evaluation			
MIS		Management Information System			
MTR	....	Mid-Term Review			
MZN	....	Mozambique Metical			
PIU	....	Project Implementation Unit			
PEDSA	....	Strategic Plan for the Development of the Agriculture Sector (<i>Plano Estratégico de Desenvolvimento do Sector Agrário</i>)			
PICA	....	Integrated Plan for Agriculture Commercialization			

Grant Information

Client's information

BORROWER:	Republic of Mozambique
EXECUTING AGENCY:	Ministry of Agriculture and Food Security (MASA)
Financing plan	

Source	Amount (UA million)	Instrument
ADF	11.00 ¹	Grant
GoM	0.74	Counterpart funds
Beneficiaries	0.24	Beneficiaries in-kind contribution
TAAT (AfDB)	0.26	Grant
TOTAL COST	12.24	

Key financing information

Grant currency	ADF UA11.00 million
Interest type*	NA
Interest rate spread*	NA
Commitment fee*	NA
Other fees*	NA
Tenor	NA
Service Charge	NA
Grace period	NA
FIRR, NPV (base case)	24.81
EIRR (base case)	21%

Timeframe - Main Milestones (expected)

Concept Note approval	February 2018
Project approval	July 2018
Effectiveness	September 2018
Completion	December 2023
Last Disbursement	December 2023
Last repayment	(month, year)

¹ Resources coming from the cancelable amount from a closed Project

I. Project Summary

1.1. The Agriculture Value Chain and Youth Empowerment Project (AVACYEP) is an integrated project to strengthen the capacity of rural communities to address the inter-linked challenges of food production, rural poverty, food insecurity and access to markets through the provision of horticulture and livestock related infrastructure, and improving food production and marketing activities, as well as capacity building for the affected communities. The total project cost is 12.241 Units of Account (17.294 million dollars) over 5 years (2018-2023) and will be implemented in the four districts of Moamba, Namaacha, Chókwé and Chonguene with estimated total direct beneficiaries of 20,000 and additional 20,000 indirect beneficiaries. This project consists of three approaches for scaling up agriculture water infrastructure development through: (i) increased horticultural crop production through value chain improvement, (ii) contribute to the introduction of best practice agricultural technologies to improve productivity of the red meat (i.e. cattle and goats) value chains, (iii) establishment of incubation centers for youth and women in order to promote entrepreneurship and agribusiness in order to create an appropriate and conducive environment for business development through advisor services and transfer of technologies to the beneficiaries of the program; (iv) through the aforementioned activities enhance the resilience to climate change and climate variability and risk.

1.2. Needs Assessment: The AVACYEP emerged from the need to promote a competitive and inclusive agribusiness in the Maputo and Gaza provinces through increasing agricultural productivity and animal production; providing rural infrastructure to support production (i.e. irrigation, storage facilities); use of improved agricultural inputs (i.e. certified seeds and fertilizers); practical and lower-cost breeding programs, such as Community-Based Breeding programs (CBBPs); vaccinations; agro-processing; access to market; and, promotion of value chain development. The project also emerged in order to tackle the Bank's and Government investment made at the Massingir Dam to promote irrigation development for the production of food crops and livestock with the aim of improving food security, thereby contributing to the diversification of the agricultural economy in the region, and ensuring wealth creation for the rural population, including women and youth. It is expected that the private sector will fully participate in supporting the smallholders and the emerging farmers throughout-grower or contract farming approaches, supply of agricultural inputs, agro-processing, marketing the agricultural produce, and financing agricultural activities.

1.3 Bank's Added Value: The Project is also in line with the *Bank's High 5 Action Plan* the Bank's Ten Year Strategy (2013-2022), Agricultural Transformation in Africa Strategy (2016-2025) under the Bank's High 5² including the Technologies for Africa Agricultural Transformation (TAAT) and Enable Youth Programs in order to transform the agriculture sector to enhance the country competitiveness and develop domestic clusters of agri-business and integrated value chains that can increase domestic value addition, generate jobs and attract FDI and know-how. The AVACYEP will also contribute to the second pillar of the new Country Strategy Paper 2018-2022, under preparation, through the envisaged increased agriculture productivity as a result of the improved water and land management activities and introduction of science based, proven and high impact technologies. The new CSP 2016-2021, currently under preparation, focuses on two strategic pillars that have been approved by CODE: Pillar I infrastructure development; and Pillar II Agriculture.

² High 5 refers to the five priority areas that the Bank will be focus on in the next 10 years.

II. RESULTS-BASED LOGICAL FRAMEWORK

Country and Project Name: Mozambique - Agricultural Value Chain and Youth Empowerment Project (Vachangame). Purpose of the Project: To contribute to rural poverty reduction by ensuring food, income, and nutrition security in a sustainable manner.						
RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
		INDICATOR (INCLUDING CSI)	BASELINE	TARGET		
IMPA	Poverty Reduction and livelihood improvements for women and youth	National Poverty Rate	49% (2015)	42% (2025)	MEF Reports	
OUTCOMES	1. Increased productivity and income by women and youth in the red meat and horticulture value chains 2. Increased youth employment and Agribusiness ventures	1. Increased annual yields and income based for red meat and vegetables for youth and women (50%); 2. N°. of skilled and unskilled jobs created (50 % Female) in the selected districts of Gaza and Maputo provinces	1. 1.5-2.0 ton/ha major vegetables, 159,274 goats USD250.00/year 2. 6500 in the Gaza and 2300 in Maputo districts	1. 2.5-4.0 ton/ha of vegetables, 179274 goats and USD400.00/year 2. 8000 in Gaza and 3000 in Maputo	<ul style="list-style-type: none"> MEF statistics MASA reports INE statistics WFP reports labour market observatory	Assumptions 1 Government commitment, social and political consensus and macroeconomic stability 2 No restriction imposed on water extraction for irrigation. 3 No restrictions on private sector/ NGO participation in water harvesting infrastructure and setting up of livestock
OUTPUTS	A: Agriculture Value Chain Development 1. Horticulture Value Chain (a) Irrigation schemes using irrigation kits rehabilitated (b) Agriculture productivity improved (c) horticulture value addition services supported 2. Red Meat Value Chain (d) livestock production practices improved (e) Red meat value addition services supported (f) livestock infrastructures installed 3. Youth and Women Empowerment (g) Agribusiness incubation for women and youth entrepreneurs including investment fund and finance mechanism created	(a) Area developed with irrigation kits (b) N° of farmers, adopting new production technologies (including climate compatible technologies) (c) N° of processing facilities and marketing service providers (d) livestock owners adopting new production technologies (e) N° of livestock processing facilities and marketing service providers (f) N° of surface, water troughs, multifunctional boreholes slaughter-houses, disease control centers, processing facilities and feed stock sites (g) N° of business plans and proposals approved for financing (50% of which owned by females) within the incubation program including accessing to financial mechanism.	(a) 530ha with irrigation kits in 2018 (b) 8000 in 2018 (c) 3 and 4 in 2018 (d) 2000 in 2018 (e) 3 and 4 in 2018 (f) 30, 48, 4, 2, 12, 5 in 2018 (g) 560 in 2018 (122 women)	(a) 880ha with irrigation kits by year 2023 (b) 16000 by 2023 (c) 3 and 4 in 2023 (d) 4000 in 2023 (e) 3 and 4 in 2023 (f) 45, 64, 6, 3, 15 and 10 by 2023 (g) 1500 in 2023 (750 women)	Project M&E reports ARA-Sul MEF MASA INGC CERNACARTA SETSAN Directorates of Livestock Dam operation records	Risk: Limited business and technical skills of targeted youth and women and MSMEs in value chain management Mitigation measure: Project includes business and technical skills training for targeted beneficiaries. Risk: Farmers with no interest to adopt new technologies: Mitigation measure: Promoting stakeholder participation, engagement and integration.
	B: Project Management i Enhanced capacity of PIU ii. M&E system established iii. Capacity building conducted	(a) N° of PMU staff including those from the districts coordinating the project recruited (b) M&E system in place (c) Baseline survey (d) Training project staff in M&E, Dam Safety, Agriculture Financial Services and managing climate risk & implementing adaptation (e) GAPI, FDA, IDE and IPME supported (f) N° of studies on environment, social and climate issues	(a) 0 staff in 2018 (b) 0 systems (c) 0 (d) 5 staff (e) 0 institutions (f) 6 studies	(a) 1 staff (b) 1 M&E (c) 1 (d) 11 staff (e) 3 institutions (f) 12		Risk: Adaptability of selected seeds Mitigation measure: Research and demonstrative activities, extension and capacity building
KEY ACTIVITIES	Components				Inputs	
	Component 1 - Agriculture Value Chain Development - Sub-component 1.1 horticulture value chain; 1.2 red meat value chain and 1.3 youth and women empowerment. Component 1 cost: UA 9806,0 million (77.96%). Component 2: Institutional Support and Project Management - Sub-component 3.1 Project Coordination; 3.2 Monitoring and Evaluation and 3.3 Capacity Building. Component 2 cost: UA 2435,0 million (22.04%).				Project Cost: UA 12.241million. ADF Grant: UA11.00.00 million (90%). Government: UA 0, 730. million (6.0%). Beneficiaries: UA 0,240 million (1.9%). TAAT (AfDB): UA 0,260.0 million (2.1)	

III. Project Timeframe

Activity Description	2018				2019				2020				2020				2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Appraisal Mission		■																										
2. Grant Negotiation			■																									
3. Board Approval			■																									
4. Signature				■																								
5. Fulfilment of Conditions for Effectiveness								■																				
6. Project Launch /Start Off				■																								
7. Construction of Infrastructures																												
8. Transfer of technologies to farmers and livestock owners																												
9. Improve Value chain production																												
10. Marketing and Agro-processing Facilities																												
11. Rehabilitation of youth incubation centers																												
12. Project implementation																												
13. N° of business plans and proposals approved for financing																												
14. Supervision and Monitoring																												
15. Bank PCR																												
16. Audit																												

REPORT AND RECOMMENDATION OF THE MANAGEMENT TO THE BOARD OF DIRECTORS ON A PROPOSED GRANT/ TO MOZAMBIQUE FOR THE AGRICULTURE VALUE CHAIN AND YOUTH EMPOWERMENT PROJECT (AVACYEP)

Management submits the following Report and Recommendation on a proposed grant of UA 11.00 million from the ADF and UA 0.73 million from the Republic of Mozambique for the financing requirement of the Agriculture Value Chain and Youth Empowerment Project (AVACYEP) in Mozambique.

I. – Strategic Thrust & Rationale

1.1. PRSP and CSP priorities, Key Development Issue(s) project

1.1 The Mozambican Government has been making efforts to transform the agriculture sector which culminated in the preparation of the National Investment Plan for the Agrarian Sector (PNISA -2014 to 2018, currently under review to extend it up to 2022). Through PNISA, the Government identified 6 Agricultural Growth Corridors to promote agricultural development, namely: (i) Pemba-Lichinga corridor that is suitable for the production of potatoes, wheat, beans, maize, soybeans, cotton, tobacco and poultry; (ii) Nacala corridor with potential to grow cassava, maize, cotton, fruits, poultry and peanuts; (iii) Zambezi Valley corridor that can produce rice, maize, potatoes, livestock, poultry and cotton; (iv) Beira corridor for maize, wheat, vegetables, soybeans, rice, livestock and poultry; (v) Limpopo corridor for rice, vegetables, livestock and poultry; and (vi) Maputo corridor that would focus on rice, vegetables, livestock (red meat) and poultry. While these corridors are not necessarily aligned to the transport corridors, some have achieved a degree of development in terms of infrastructure, institutions and agricultural development, while others have not commenced any form of development.

1.2 Under the effort of contributing to the Bank's Feed Africa Strategy and also supporting the implementation of the Government's 5-Year-Investment Plan, the Maputo and Limpopo corridors have been selected for the implementation of this project considering their high potential for unlocking the development of approximately 450,000 ha of arable land, out of which 110,000 ha are suitable for irrigation development. The target staple commodities include horticulture and livestock (red meat), and are considered as priority commodities in both the Maputo and Limpopo Development Corridors, especially in the large irrigation schemes of Baixo Limpopo and Chókwé (Gaza Province) and the Sabié-Incomati (Maputo Province). The main constraints the horticulture value chain faces are related to the availability of appropriate seeds, pest control and processing; while for livestock the challenges are related to health (disease control), nutrition (feed stock production) and markets (value addition and processing). If these limiting factors are addressed, both value chains can contribute to the improvement of the quality of life, nutrition and income of the local people, in particular youth and women, through the creation of business opportunities and decent employment for both groups along the priority agricultural value chains.

1.3 The investments will also complement previous Bank financed projects such as the Massingir Dam Agriculture Rehabilitation and Emergency Projects, Baixo Limpopo and climate Resilience project (BLICRP), Sustainable Land and Water Management Project (SLWMP) and Drought Recovery and Agriculture Resilient Project (DRARP), all of which have invested in irrigation and livestock infrastructures and processing facilities for horticulture. The project also incorporates the Technologies for African

Agricultural Transformation (TAAT), an initiative to help African countries significantly increase agricultural and livestock productivity and production rapidly and at scale by adopting existing technologies, including high yielding and climate resilient seed varieties. The project is also well in line with the Government's poverty reduction efforts looking to support increased agricultural production and employment promotion (on a national scale) with particular attention given to youth and women. The project is furthermore aligned with the Bank's Ten Year Strategy (2013-22), particularly in its operational focus areas (private sector infrastructure) and areas of special emphasis (agriculture and food security). The project also aligns with the Bank's Climate Change Plan (CCAP 2, 2016-2020) which promotes the implementation of climate smart agriculture. Furthermore, the project is therefore expected to provide an enabling economic environment for private sector development and participation.

1.2. Rationale for Bank's involvement

1.2.1 The project will be implemented in two provinces of Maputo and Gaza, which have potential for horticulture and livestock (red meat) production. These provinces are covered by three of the largest irrigation schemes in the country, namely **Chókwé**, **Baixo Limpopo** and **Sabie**, and also accounts for the largest number of livestock heads in Mozambique. The interventions under the High 5 are aligned with the Government 5-year Plan of promoting agriculture production and productivity, that will increase employment as well as improving competitiveness of the national economy. The AVACYEP is in line with the Bank's Ten Year Strategy (2013-2022), Agricultural Transformation in Africa Strategy (2016-2025) under the Bank's High 5, including TAAT and Enable Youth Action Plans in order to transform the agriculture sector to enhance the country competitiveness and develop domestic clusters of agri-business and integrated value chains that can increase domestic value addition, generate jobs and attract FDI and know-how. The AVACYEP will also contribute to the second pillar of the new Country Strategy Paper 2018-2022, under preparation, through the envisaged increased agriculture productivity as a result of the improved water and land management activities. The new CSP 2018-2022, currently under preparation, focuses on two strategic pillars that have been approved by CODE: Pillar I infrastructure development; and Pillar II Agriculture.

1.3. Donor Coordination

Sector	Size		
	GDP	Export	Labor
[Agriculture/CC]	26%	20%	80%
Players - Public Annual Expenditure (average)**			
Organization	% contribution out of a total of Total 250.4 million UA/ Year		
	2016-2017	2014-2015	2012-2013
WB	53%	45%	24%
USAID	7%	9%	25%
EC	10%	13%	13.4%
AfDB	14%	18%	8.4%
JICA	10%	7%	7.2%
Others	6%	8%	22%
Existence of Thematic Working Groups			[Y]
Existence of SWAPs or Integrated Sector Approaches			[N]
ADB's Involvement in donors coordination***			[M]

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

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

1.4. Comments on Donor Coordination

1.4.1 An active thematic donors' group for the Agriculture sector named the Agriculture and Rural Economic Development Group (led by the World Bank), in which the AfDB is member meets on a regular basis. Other members of the group are: IFAD, USAID, Canada, Sweden, Switzerland/SDC, JICA, Ireland, Austria, Italy, Denmark, Finland, France, Germany, Netherlands, UK/DFID, Norway, European Commission, FAO, UNDP, DFID, and Belgian. Most of these are providing support to the agriculture development through the Development Strategy of the Agrarian Sector (PEDSA) 2011-2020, the National Investment Plan for the Agriculture Sector (PNISA) and the Integrated Plan for Agriculture Commercialization (PICA). Related to climate change and environment issues, the Bank regularly participates in the meetings of the Environment Group, led by the UN.

II. – Project Description

2.1. Project Components

2.1.1 The overall objective of the proposed Project is to contribute to rural poverty reduction by ensuring food, income, and nutrition security in a sustainable manner. The specific objectives are to (i) increase horticultural crop production through value chain improvement, (ii) contribute to the introduction of best practice technologies to improve productivity in the red meat (cattle and goats) value chain, (iii) establish incubation centers for youth and women in order to promote entrepreneurship and agribusiness with the goal of creating an appropriate and conducive environment for business development through advisor services and transfer of technologies to the beneficiaries of the program; (iv) through the aforementioned activities, enhance resilience to climate change and climate variability and risks.

Table 2.1 Project Components

nr.	Agriculture Value Chain Development	Est. cost (USD million)	Component Description
1	<u>Sub-component 1.1:</u> Horticulture Value Chain Development	5,100.00	<u>1.1.1 Improve Horticulture infrastructure:</u> Install 30 irrigation kits (5ha each) and 20 irrigation kits (10ha each). Provide assorted horticultural inputs (improved seeds, fertilizers and agro-chemicals) and farm tools including shade nets for crop production. <u>1.1.2 Facilitate value addition</u> through agro-processing of vegetables. Facilitate horticulture products packaging and labelling and Facilitate marketing linkages using 1.1.3 <u>MIC Training:</u> Facilitate training of trainers and farmers; and value addition through agro-processing of vegetables, horticulture products packaging, labelling and marketing
1	<u>Sub-component 1.2:</u> Red Meat Value Chain: Technologies for African Agricultural Transformation	5,100.00	<u>1.2.1: Improved Animal Health:</u> through renovation and construction of vaccination infrastructure; establishment of veterinary checkpoints and; provision of vaccines for tick-borne disease and parasites. <u>1.2.2 Increased Animal Production:</u> by promoting practical and lower-cost breeding programs, such as Community-Based Breeding programs (CBBPs); selection of goat genetic material within current flocks; introduction of improved breeds for specific markets; introduction of private sector driven business model for fattening and animal processing. The project will also promote animal asset management by establishing protocols for traceability (for disease and control of theft), branding and veterinary control points (for disease and theft monitoring). <u>1.2.3. Production and conservation of Nutritious Feed and Forage:</u> to improve the production and accessibility of quality feed and forage, by

			<p>establishing planned use of natural resources (including grazing and browsing resources); integrated production of feed and forage in conventional food crop production, through the use of irrigation schemes where available for cultivation of high quality forage (brachiaria, mucuna and other highly nutritious varieties of forages); implementation of FEAST for monitoring inventory and uptake of feed resources; promotion of forage production and support to National Research Institute (IIAM) for effective seed distribution system for forage seeds; introduction of hay bale making and ration formulation to young entrepreneurs; construction of multipurpose boreholes for water provision.</p> <p><u>1.2.4 Private sector led Value Addition and Marketing:</u> Construction of marketing facilities closer to high goat volume areas or areas with high demand; rehabilitation and construction where needed of livestock hub (abattoirs, dip tank, vet clinic, and market centre), and; rehabilitation of slaughter slabs and mini abattoirs; support to establish private sector management of marketing infrastructure.</p> <p><u>2.5 Enhanced Capacity Building:</u> of animal health worker, para-veterinary agents, laboratory officers, and relevant government technicians. This will include: training and equipping 20 – 30 para-vets; training 5 agro-dealers to stock vet medicines, and provision of starter kits; organize and train farmers on high quality forage production (in the irrigation schemes); ILRI facilitated-technology transfer to IIAM on forage seed production and multiplication (seeds and training); training and equipping youth and community on mechanization hay bale making; build capacity of extension workers to use Feed Assessment Tool (FEAST); capacity building feed formulation; capacity building of lab staff for use of nitrogen, and; establishment of ICT-driven platform to improve knowledge and skills on livestock value chain.</p>
...	<u>Sub-Component 1.3:</u> Youth and Women Empowerment;	4159.00	<p><u>1.3.1 Capacity Development:</u> Implement a comprehensive capacity development for about 2000 youths and women in agriculture production, agribusiness, post-harvest loss reduction, animal health services, and entrepreneurial skills across the red meat and horticulture value chains.</p> <p><u>1.3.2 Promote innovation</u> accelerations of agriculture production through the introduction of new technologies using the existing youth incubation centres.</p> <p><u>1.3.3 Establish a youth investment fund</u> or financing mechanism (grant, soft loans, and risk Guarantee Fund) for financing youth led agribusinesses. Partner with public and private stakeholders involved in youth employment promotion for effective transition, market access and other financing servicing and business to business networking.</p> <p><u>1.3.4 Provision of production starter kits</u> (goats, and infrastructure for red meat value chains, seeds, fertilizer and appropriate irrigation and land preparation equipment for the horticulture value chain):</p>
2	Project Coordination and Monitoring and Evaluation	2900.00	
2	<u>Sub-component 2.1:</u> Project Coordination		2.1.1 Establish and support the Project Coordination Unit (PCU) including recruitment of PCU staff, procure vehicles and office equipment for PCU and facilitate annual financial and procurement audit.
	<u>Sub-component 2.2:</u> Monitoring and Evaluation;		2.2.1 Prepare and operationalize the Project Implementation Manual and the Monitoring and Evaluation (M&E) system; prepare project annual work plans and budgets; progress review meetings; baseline survey and beneficiary impact assessment.
	<u>Sub-component 2.3</u> Capacity Building		2.3.1 Facilitate community/famer sensitization and mobilization into groups (associations/cooperatives); support to GAPI, FDA, and IPME and Produce brochures with best practices.

2.2. *Technical solution retained and other alternatives explored*

Table 2.2: Project Alternatives Considered and Reasons for Rejection

Alternative name	Brief description	Reasons for rejection
Focus on cattle value chain	There is a long-standing history of research on cattle while small ruminants have been relatively neglected by international and local research	<ul style="list-style-type: none"> There is growing demand for small ruminant meat production, especially goats. Meat consumption in Mozambique, as in many other parts of Africa, are met by imports. The urban population can benefit from local small ruminant production, whilst increasing incomes of various actors across the meat value chain. Hence this project's focus on small ruminants.
A non-integrated value chain solution for enhancing productivity for the small ruminants sector.	The challenges of smallholder livestock producers in Mozambique spans across the spectrum, from health, breeding and production, feed and forage to value addition and marketing	<ul style="list-style-type: none"> Focusing on only one segment of the value chain will be insufficient to increase productivity and production volumes. In order to increase productivity, it is key to address both supply and demand constraints of the small ruminants' value chain.
Construction of Agro-Processing Center	Government or community management of the Agro-Processing Center	<ul style="list-style-type: none"> Lack of flexible and market oriented management. Lack of private sector linkage
Providing finance services through local	Use the existing financial services to provide financial resources to youth and women	<ul style="list-style-type: none"> Bank guarantees are the limiting factor for women and youth access to financial services. The Banks do not offer any capacity building on financial managements services

2.3. *Project Type*

2.3.1 The project is a stand-alone investment operation with a source of funding mainly coming from the African Development Fund blended with Government financing. The Project is one of the three selected interventions planned for 2018 under the new CSP for Mozambique 2017-2022.

2.4. *Project Cost and Financing Arrangements*

2.4.1 Project Cost and Financing Arrangement

The Project cost, including physical and price contingencies, is UA 12.24 million, which will be financed by (i) ADF Grant of UA 11.0 million (89.6%) covering all major Project activities, and also taxes and duties; (ii) the Government contribution of UA 0.73 million (6.0%) through in-kind (monetary value) for existing Government staff salaries participating in Project activities, office space, and office utilities; (iii) beneficiaries in-kind contribution of UA 0.24 million (2.0%) through specific labour during installation of the irrigation systems, agricultural production activities and also valuable time for attending training sessions; and (iv) AfDB TAAT contribution (Grant) of UA 0.3 million (2.4%). The price contingencies were based on projected local and foreign inflation rates of 5% and 2% per annum, respectively. The physical contingencies ranged from 0% to 8% (works) based on (i) common technical practices, and (ii) available Engineer's cost estimates. Taxes and duties cover the total amount of UA 740,500.00 corresponding to 6% of the total project costs. This is motivated by the need to ensure seamless project implementation in an environment of tight budgetary space for the Government, a full case for the ADF to cover duty and taxes, in line with the Policy on Expenditure Eligible for Bank Financing is formulated in Appendix IV. Summary of the Project costs by components, sources of financing, expenditure categories and schedule by component are presented in Tables 2.3 to 2.6 and the details are in PAR Volume II Technical Annex B.2.

Table 2.3: Summary Project Cost Estimates by Component

Component Name	(MZN '000)			(UA '000)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
1. Agriculture Value Chain Development	284,615.9	520,787.1	805,403.0	3,177.0	5,612.4	8,789.4	64	78
2. Institutional Support and Project Management	183,070.1	35,057.9	218,128.0	2,043.5	391.3	2,434.8	16	22
Total BASELINE COSTS	467,686.0	555,845.0	1,023,531.0	5,220.5	6,003.7	11,224.2	53	100
Physical Contingencies	11,552.0	25,809.0	37,361.0	128.6	288.1	416.7	69	4
Price Contingencies	38,940.8	14,813.9	53,754.7	434.7	165.4	600.1	28	5
Total PROJECT COSTS	518,178.8	596,467.9	1,114,646.7	5,783.8	6,457.2	12,241.0	53	109

Table 2.4: Sources of Finance

Source of Financing	Total Amount (UA '000) and Percentage Contribution (%)							
	Foreign		Local		Taxes & Duties		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
ADF Grant	6,162.3	95.4	4,072.0	80.7	740.5	100.0	10,974.8	89.6
Government	-	-	730.8	14.5	-	-	730.8	6.0
Beneficiaries	-	-	240.5	4.8	-	-	240.5	2.0
TAAT/ILRI Grant	294.9	4.6	-	-	-	-	294.9	2.4
Total	6,457.2	100.0	5,043.3	100.0	740.5	100.0	12,241.0	100.0

Table 2.5: Project cost by category of expenditure [amounts in million UA equivalents]

Category of Expenditure	Amount (MZN '000)			Amount (UA '000)			% For'gn Exch
	Foreign	Local	Total	Foreign	Local	Total	
A. Investment Costs							
1. GOODS							
Vehicle	30,212.0	-0.0	30,212.0	337.2	-0.0	337.2	100
Equipment	17,547.9	5,174.2	22,722.1	195.9	57.8	253.6	77
Subtotal	47,759.9	5,174.2	52,934.1	533.1	57.8	590.9	90
2. WORKS							
Horticulture-Related Infrastructure	208,302.0	19,500.0	227,802.0	2,325.2	217.7	2,542.9	91
Livestock Infrastructure	131,930.2	23,568.4	155,498.6	1,472.7	263.1	1,853.3	85
Youth and Women Empowerment	46,600.0	81,810.8	128,410.8	520.2	913.2	1,433.4	36
Subtotal	386,832.2	124,879.2	511,711.4	4,318.0	1,394.0	5,712.0	76
3. SERVICES							
Training	-	59,882.1	59,882.1	-	668.4	668.4	-
TAAT-Related Technical Support	21,944.4	1,368.0	23,312.4	245.0	15.3	260.2	94
ILRI TAAT Grant-Contribution	23,938.0	-	23,938.0	267.2	-	267.2	100
Survey and Studies	9,387.9	5,130.0	14,517.9	104.8	57.3	162.1	65
Institutional Support	-	47,300.0	47,300.0	-	528.0	528.0	-
Financial Audit	6,258.6	-	6,258.6	69.9	-	69.9	100
Consultancy	41,724.0	-	41,724.0	465.7	-	465.7	100
Subtotal	103,252.9	113,680.1	216,933.0	1,152.6	1,269.0	2,421.5	48
4. Duties & Taxes	-	61,044.5	61,044.5	-	681.4	681.4	-
Total Investment Costs	537,845.0	304,778.0	842,623.0	6,003.7	3,402.1	9,405.8	64
B. Recurrent Costs							
1. OPERATING COST							
Personnel_ Govt Staff/NBF	-	16,050.0	16,050.0	-	179.2	179.2	-
Personnel_PCU Staff	-	58,608.0	58,608.0	-	654.2	654.2	-
Daily Subsistence Allowance	-	11,250.0	11,250.0	-	125.6	125.6	-
Operation and Maintenance	-	76,612.4	76,612.4	-	855.2	855.2	-
Subtotal	-	162,520.4	162,520.4	-	1,814.1	1,814.1	-
2. Duties & Taxes	-	387.6	387.6	-	4.3	4.3	-
Total Recurrent Costs	-	162,908.0	162,908.0	-	1,818.5	1,818.5	-

Category of Expenditure	Amount (MZN '000)			Amount (UA '000)			% For'gn Exch
	Foreign	Local	Total	Foreign	Local	Total	
Total BASELINE COSTS	537,845.0	467,686.0	1,005,531.0	6,003.7	5,220.6	11,224.3	53
Physical Contingencies	25,809.0	11,522.0	37,331.0	288.1	128.6	416.7	69
Price Contingencies	14,814.0	38,940.8	53,754.7	165.4	434.7	600.0	28
Total PROJECT COSTS	578,467.9	518,148.8	1,096,616.7	6,457.2	5,783.9	12,241.1	53

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

Item Description	Amount (UA '000)					
	PY1	PY2	PY3	PY4	PY5	Total
1. Agriculture Value Chain Development	3,399.3	3,333.8	1,395.3	330.5	330.5	8,789.4
2. Institutional Support and Project Management	727.4	428.9	440.5	379.8	458.4	2,435.0
Total BASELINE COSTS	4,126.7	3,762.7	1,835.8	710.3	788.9	11,224.4
Physical Contingencies	154.9	147.3	80.0	15.5	19.1	416.8
Price Contingencies	54.7	158.6	148.1	99.4	139.1	599.9
Total PROJECT COSTS	4,336.3	4,068.6	2,063.9	825.2	947.1	12,241.1
<i>Amount for Taxes and Duties (already included)</i>	<i>337.2</i>	<i>247.6</i>	<i>111.4</i>	<i>16.2</i>	<i>28.1</i>	<i>740.5</i>

2.5. Project's Target area and population

2.5.1 The activities of the project will be undertaken in two provinces, Gaza and Maputo. In each of the provinces two districts are selected to participate in the project. In Maputo, the project will be implemented in the districts of Moamba and Namaacha, while in Gaza the selected districts are Chókwè and Chonguene. The selected communities are those that are cultivating horticulture and livestock owners. They will be the direct beneficiaries of the activities under the project. The total direct beneficiaries of the project will be circa 20,000 individuals, of which about 60% will be women. The project will target 4000 households to increase the production of an additional 20,000 small ruminants in four districts in two provinces - Moamba and Namaacha districts (Maputo Province), and Chonguene, Massingir and Chókwè districts (Gaza Province). The indirect beneficiaries will be in the range of 20,000 people. With an average of 5 persons per household this would result in improved livelihoods for approximately 100,000 rural dwellers.

2.5.2 Public institutions such as the Ministry of Agriculture and Food Security (MASA), the Provincial and District directorates of Agriculture and Food Security, Veterinary Services, IIAM, the Agriculture Development Fund (FDA), the National Institute for Small and Medium Enterprises (IPEME) and the Office for Supporting Economic Production (GAPI) will benefit from the project interventions in terms of capacity building. Other indirect beneficiaries are agro processors, traders, entrepreneur, various service providers, NGOs, etc. In addition to infrastructure and improved agricultural practices, innovative techniques needed for quality maintenance of infrastructure, and conservation and processing of food products, will be developed.

2.6. Participatory Process for Project Identification, Design and Implementation

2.6.1 Project Identification

The investment in integrated agricultural development in the Lower Limpopo and Sábiè-Incomati regions within the Limpopo and Maputo Corridors, will respectively have a component for leveraging the existing infrastructure to increase agricultural productivity and producers' access to markets. Increasing agricultural productivity, strengthening its resilience to climate shocks and building agriculture value chains, are all areas where the Government of Mozambique is looking forward to working with the AfDB.

The Value Chains and Youth Empowerment Project emerged from the need to promote a more competitive and inclusive agribusiness in the Maputo and Gaza provinces through increasing agricultural productivity and animal production, by providing rural infrastructure to support production (irrigation, storage facilities), use of improved agricultural inputs (certified seeds and fertilizers), practical and lower-cost breeding programs, such as Community-Based Breeding programs (CBBPs), vaccinations, agro-processing, access to market and promotion of the value chain development. The project also emerged in order to tackle the investment made at the Massingir Dam to promote irrigation development for the production of food crops with the aim of improving food security, contributing to the diversification of the agricultural economy in the region, and wealth creation for the rural population including women and youth. It is expected that the private sector will fully participate in supporting the smallholders and the emerging farmers throughout-grower or contract farming approaches, supply of agricultural inputs, agro-processing, marketing the agricultural produce, and financing agricultural activities.

2.6.2 Project Preparation and Appraisal

The project design was prepared following constant consultations with beneficiaries, government authorities, NGOs and development partners in Maputo and Gaza provinces. While in the field, numerous interactions/consultations were conducted at the provincial and district levels; site visits to the selected districts and mini-workshops were held; and consultations with government, non-government and private organizations as well as community representatives near and within some of the targeted communities were carried out to modify and fine-tune the project proposal. The Bank also deployed designed resources to fine-tune into AVACYEP, existing designs from the most recently implemented projects, i.e. Sustainable Land and Water Management Project and Baixo Limpopo Irrigation and Climate Resilience Project, in order to adjust proposed infrastructures to the implementation sites. The consultation also involved the provision of agricultural inputs to match farmers' needs and their financial limitations to ensure sustainability of activities and meet the outcomes. Consultations were also carried out with a number of Government authorities and other development partners that participate in different development donor programmes.

2.6.3 Project Implementation

2.6.3.1 The proposed AVACYEP is based on a fully participatory approach involving capacity training of members of the community and substantial training through demonstrative processes. The Project Implementation Unit (PIU) at the project headquarters and the provincial technical staff will be responsible for the monitoring of project results including output and outcome indicators on a participatory fashion. Data collection and evaluation tasks would be performed by all the institutions involved in the project or in partnership with other relevant institutions under close supervision of the Monitoring and Evaluation expert of the project. The community members will thus develop the capacity to maintain the community infrastructure, to be installed with support from the Agriculture Departments.

2.7. *Bank Group Experience, Lessons Reflected in Project Design*

The overall performance assessment of the Bank's portfolio in Mozambique conducted in 2017 is 3.30 on a scale of 1-4. The portfolio is comprised of 19 projects (17 public projects, 2 private sector projects and 1 multinational project). There are no projects at risk. Learning from recent Project Completion Reports (PCR's) and the ongoing Bank Projects in Mozambique which have informed the design features of the AVACYEP include the need to: a) improve the project design process with consideration to existing capacity within the country so as to ensure timely implementation; b) project readiness and quality at entry for both regional and national operations; c) Rationalize the number of conditions necessary to declare the

Grant effective in order to reduce implementation delays; d) increase capacity of implementing agencies especially in the project management); e) enhance the supervision of projects, particularly monitoring and evaluation to minimize delays in completion; and, f) delays in provision of counterpart funds, partly owing to late approval and release of funds by Government. For the closed Projects in the last 5 years, the PCRs are up to date with all the reports prepared and posted on the Bank website.

2.8. Key Performance Indicators

The key performance indicators for the project have been outlined in the Result Based Logical Framework. Special emphasis in order to assess the changes in the livelihood and nutrition levels within the household will be placed on the targeting indicators that should be monitored and those related specifically to women as they carry the majority of agriculture activities in the project area. Regular implementation progress will be measured through bi-annual Bank supervision missions led by Mozambique Country Office, Quarterly Progress Reports, and annual technical and financial audits. The M&E of the PIU will collect and analyze project data to monitor performance. The main performance indicators disaggregated by gender will be monitored from the baseline scenario of the log frame include among others: (i) Area developed with irrigation kits; (ii) N° of farmers and livestock owners adopting new production technologies (including climate compatible technologies); (iii) N° of processing facilities and marketing service providers; (iv) N° of surface and subsurface reservoirs, water troughs, multifunctional boreholes slaughter-houses, disease control centers, processing facilities and feed stock sites; (v) N° of business plans and proposals approved for financing (50% of which owned by females) within the incubation program, including access to financial mechanisms; and (vi) number of women & men trained with basic agriculture and livestock skills. All indicators selected for the project will help to enhance agricultural performance in the Maputo and Gaza Provinces in particular, and in Mozambique in general. The Bank's various supervision missions and periodic activity reports will reflect the level of achievement of the indicators.

III – PROJECT FEASIBILITY

3.1. Economic and Financial Analysis

The DCF analysis carried out on the net cash-flow gave an Economic Internal Rate of Return (EIRR) of 28% and the Economic Net Present Value is estimated at USD 220 million at an opportunity cost of 10%. The economic values for the production inputs and equipment were developed using a standard conversion factor of 0.95, taking into account the taxes in the country. The economic prices used for the horticultural and red meat products were the prevailing market prices in the country.

Sensitivity analysis using economic prices showed that a 5% decrease in capital costs marginally increased the ENPV to USD 222 million while maintaining the EIRR at 28%. On the other hand, a fall in the product prices by 3% reduced the ENPV to USD 93 million and EIRR to 16%. Refer to Annex 3 on details on sensitivity analysis.

FIRR, FNPV (base case)	24.81 % : USD 141 million
EIRR, ENPV (base case)	28 % : USD 220 million

Note: detailed calculations are available in Appendix in the Volume II, Technical Annex

The financial analysis has been carried out at the farm household level as well as the entire project level. This has been done by comparing the benefits accruing to the individual beneficiaries, and aggregated for the project as a whole, on a with – and - without project basis. The analysis was carried out for on the

horticulture value chains focusing on five priority horticultural crops namely tomatoes, cabbages, cucumber, onion and pepper and red meat value chains, the latter focusing on beef and goat meat. The analysis is based on the assumption that the participating households will be producing horticultural crops under irrigation system and rearing of beef animals and goats under improved management systems. The project is expected to increase agricultural productivity through the provision of inputs and irrigation facilities, multipurpose boreholes, agro-processing and packaging equipment, livestock equipment and infrastructures for disease control and improved sanitation, extension services and institutional strengthening and capacity building. The analysis takes into account the current and incremental production under the improved management and assumes full production levels from year 3. The analysis shows that an average net income (gross margin) per farming household participating in the project will increase from USD 22,182 under the existing situation (without project) to USD 31,966 under project situation. The discounted cash flow (DCF) analysis carried out on the net cash-flow gave a Financial Internal Rate of Return (FIRR) of 24.81%, and a Financial Net Present Value (NPV) of USD 141 million at an opportunity costs of 12%.

Sensitivity analysis was conducted on the price changes on for the horticultural and red meat products and capital investments in the project. The results showed that a decrease in the prices of produce by 3% resulted into a reduction of the FIRR to 14.17% with FNPV of USD 28.30 million. This shows that the revenue is very sensitive to changes in the prices. It was also noted that a decrease in the capital cost by 5% resulted into an increase in the FIRR to 25.02% and FNPV increased to USD 142.50 million.

3.2. Environmental and Social Impacts

3.2.1 Based on the proposed project scope the environmental and social (E&S) classification was validated as a Category 2 according to the African Development Bank's Environmental and Social Assessment Procedures (ESAP). Hence an Environmental and Social Management Plan (ESMP) was prepared and disclosed on the Bank's website before 20th of June 2018. This classification and attendant requirement is commensurate with the project classification stipulated by the country's *Regulamento Sobre Processo de Avaliação do Impacto Ambiental – Decreto No.54/2015*. The principal objectives of conducting this environmental and social assessment and planning was to ensure that the project integrates mechanisms to reduce environmental impacts along the entire value chain, from production, marketing to product value addition/manufacture, usage and disposal.

3.2.2 Environmental and Social Assessments indicate that although the project will have some site specific negative impacts, it is also posed to have numerous positive impacts among them: (i) improved production and competitiveness of selected agriculture commodities that will contribute to increased income opportunities for value chain actors, and support the local economy of the Gaza and Maputo Province; (ii) improved access to irrigation kits that will foster water management and reduce the vulnerability of farmers to precarious weather conditions, ensuring all year round agricultural activities; (iii) improved agronomic practices and technologies for selected crops and improved varieties that are adapted to different climatic conditions; and (iv) improved agricultural production, productivity and market linkages that will foster job creation along the value chains.

3.2.3 The negative impacts will stem from a number of activities in the infrastructure development and value chain components of the project. The potential negative impacts of the project include those associated with the construction of the infrastructure development, and agriculture production and value chain activities. Construction activities may result in (i) losses of vegetation cover due to site clearing, soil erosion, landscape degradation; (ii) noise, vibration and emissions from operation of machinery that may impair air quality and induce health implications; (iii) generation of wastes (including construction wastes);

(iv) disruption of water flows and hydrologic cycle which may impact activities of other water users. During operation phase, agriculture activities of value chain actors may lead to (i) increased use of agrochemicals including pesticides and fertilizers, which may contribute to soil and water (surface and groundwater) contamination, and increase health-risks of people exposed to pesticides, and (ii) waste and effluents from processing and marketing facilities. These impacts are site specific and can be readily managed with the application of well-defined measures elaborated in the ESMP. Some of the mitigation measures to be implemented include (i) refilling the exposed or excavated soil soon after completion of works and avoiding or minimizing compaction of soils, (ii) establishing sustainable water management systems, and (iii) capacity building of value chain actors to promote good agriculture practices, improved agriculture technologies such as integrated soil fertility management (ISFM), integrated pest management (IPM), Waste-to-Energy techniques, and other sustainable land and water management practices.

3.3. *Climate Change*

3.3.1 Agriculture production in Mozambique is vulnerable to the impacts of climate variability and change. Drought, floods and storms are increasing in frequency and intensity, while average temperatures during the growing season are rising. Crop failure, loss of livestock, reduction in productivity of pastures and outbreaks of pest and diseases are exacerbated by extreme climatic events. Furthermore, severe floods and storms damage infrastructure (road, market and storage infrastructure) that support agriculture value chain development).

Cognizant of the national commitment to combat climate change, the projects is being prepared taking into consideration the various National Strategies, Plans and Institutions relevant to Climate Change among them; (i) the Nationally Determined Contribution (2015) which articulate the actions to be undertaken to adapt to the inevitable impacts of climate change and to contribute to the global mitigation agenda . (ii) the National Climate Change Adaptation and Mitigation strategy 2013-2030 (2012) which identifies adaptation and climate risk reduction and low carbon development as national priorities (iii) National Adaptation Programme of Action (NAPA) (2007) and the Strategic Program for Climate Resilience (SPCR), aim to coordinate the elaboration and implementation of an action plan for adaptation to climate change for various economic and social development sectors, with an emphasis on disaster risk reduction, early warning systems, agriculture, fisheries, energy, water resources, ecosystems, and coastal zones.

In relation to the climate risk screening the project is category 2, it is potentially vulnerable to the impacts of climate change and requires the identification and integration of practical climate risk management measures in project design. In this regards, the proposed AVACYEP will address critical climate adaptation needs of the smallholder farmers and other value chain actors in the project area. Some of the priority areas of action include (i) increase access to seeds adapted to local conditions (ii) promote good agriculture practices such as sustainable land management for increased agricultural yields; (iii) facilitate climate proofing of infrastructure, (iv) build capacity for agricultural planning and extension services to facilitate dissemination of climate information to farmers, and (iv) promote livelihood diversification. Overall, the project will facilitate climate resilience along the selected value chains by promoting climate smart agriculture and improved agriculture technologies.

3.4. Gender

3.4.1 Agriculture is the most important economic sector for the wellbeing of rural households in Mozambique. As such, agriculture is linked to the income and consumption levels of rural households, and influences their food security, poverty, and malnutrition status, among other characteristics. Smallholders continue to dominate the agrarian sector, with 3.86 million households engaged in small-scale agriculture, out of a total of 4.268.585 farms, predominantly farmed by women. Gender mainstreaming in agriculture is guided by the Agriculture Gender Strategy. The strategy seeks to guarantee access and control of the resources, benefits, rights and equal opportunities, between women and men, and to increase food security and household revenue of men and women, with the ultimate goal of contributing to reduction of poverty and sustainable development.

3.4.2 Key gender equality challenges in rural agriculture include i) *Access to land*- The Mozambican Land Law (*Lei de Terra*) provides for equal access to land for men and women but majority of women still do not have security of tenure for the land they work on. Many are unaware of the registration process and access to land is still based on gender structures where women's claims are usually socially embedded in their relations to their male relatives the project will therefore support land registration for women. ii) *Access to affordable financial solutions*- whilst women are the main household financial managers, they are often an overlooked target client for financial services providers. Although un- and underserved by formal financial institutions, women in Mozambique save using informal methods such as *xitique* (group savings) making them viable customers for local financial services. The project will therefore support business coaching, incubation and linkages to financial services for youth and female agripreneurs. Building on existing savings groups the project will support the strengthening of community based financial schemes to promote financial inclusion in rural areas. iii) *Limited production capacity and value addition*- both women and men in Mozambique are involved in the horticulture and red meat value chains, albeit with different patterns between male- and female-headed households. While women generally participate at all levels of the chains they face production related challenges and are minimally involved in value addition. The project will therefore support increased productivity for women and youth through the provision of starter kits for horticulture and red meat value chains including training and coaching in agribusiness, animal health, and training of community based extension services workers and creating linkages to formal extension services.

3.5. Involuntary Resettlement

3.5.1 The project is not expected to trigger any form of involuntary resettlement.

IV – IMPLEMENTATION

4.1. Implementation arrangements

4.1.1 The Ministry of Agriculture and Food Security (MASA) will be the Executing Agency (EA) for the Project which will be implemented in Gaza and Maputo Provinces, through MASA's Directorate of Planning and International Cooperation (DPCI). A Project Coordination Unit (PCU) will be set up at the MASA, for the day to day effective implementation of the Project activities over a period of five (5) years. The MASA institutions such as the National Irrigation Institute (*Instituto Nacional de Irrigação/INIR*), the National Directorate of Agriculture and Silviculture (*Direcção Nacional de Agricultura e Silvicultura/DINAS*), Fund for Agriculture Development (*Fundo de Desenvolvimento Agrário/FDA*), and National Directorate for Agricultural Extension (*Direcção Nacional de Extensão Agraria/DNEA*), National

Directorate of Veterinary (Direcção Nacional de Veterinária / DINAV) and National Institute for Agricultural Research of Mozambique (Instituto Nacional de Investigação Agrária de Moçambique / IIAM) will be responsible for technical implementation in the areas linked with their mandates. Some of the components, i.e. Youth and Women Empowerment will be outsourced. The PCU will be constituted of a Project Coordinator (PC), Project Accountant, Monitoring and Evaluation (M&E) Specialist, Procurement Specialist and support staff. For effective implementation, the agriculture offices in Gaza and Maputo Provinces will be provided with logistical support. The PCU will also be responsible for the overall monitoring and supervision of ESMF/ESMP implementation. The Project activities will be supported by MASA Technical Council that will compose the Project Steering Committee (PSC) which will be set-up, by the Government, to provide oversight responsibility and oversee Project compliance with sector policies and strategies. The PSC will comprise MASA Permanent Secretary and senior officials from DPCI, FDA, DNEA, DNP, INIR, DNE, IPEME (*Institute for Promotion of Small and Medium Enterprises*), and GAPI (*Small Scale Investment Support Office*), DNS and IIAM. The PC will be secretary to the PSC.

4.1.2 Financial Management, Disbursement and Auditing Arrangement:

4.1.2.1 Financial Management: The overall conclusion of the FM Assessment is that MASA's (through the Department of National Planning and Cooperation, DNPC) capacity to handle the FM aspects of the project satisfies the Bank's minimum requirements as per the Bank FM guidelines. The Ministry has handled donor-funded (APSA- World Bank, PROSUL- FIDA, PASF- Austria, PSP- IFAD and PADR- Italy) projects. The DNPC is generally adequately staffed. The Ministry utilizes a functional computerized accounting system (e-SISTAFE) to record and process transactions, complemented by use of spread sheets for financial reporting purposes for projects. The control environment from budget preparation, execution, monitoring and reporting were found to be adequate. There is a functional internal audit unit which will further strengthen the internal controls within the ministry including the project. In that regard, the Bank will make use of the existing systems within MASA (while closely monitoring and providing assistance as required) under the overall responsibility of the Director, Department of Finance and Administration, to handle the project's FM including accounting for the project resources and submitting the required financial reports to the Bank. In accordance with the Bank's financial reporting and auditing requirements, the project will be required to prepare and submit to the Bank Interim Quarterly Progress Report (IQPR) no later than 45 days after the end of each quarter. In addition, the project will be required to prepare separate project annual financial statements which will form the entry point for external audit due diligence. The overall FM residual risk for the project is assessed as Moderate. (The detailed FM assessment is attached as Annex B4).

4.1.2.2 Auditing arrangement: The MASA has been audited by the *Tribunal Administrativo* (TA) bi-annually. The TA is constitutionally mandated to audit all public institutions in Mozambique, however given the capacity constraints, some of the audits especially in Bank funded projects have been audited by private audit firms competitively recruited with the involvement of the TA. Specific for the project, a separate audit report will be prepared for the project annually with the audit carried out by an independent external auditor recruited in accordance with the Bank's requirements. The audit will be conducted in accordance with a Bank approved audit Terms of Reference with the costs of the audit financed from the grant. The annual audited financial statements including the auditor's opinion and management letter will be submitted to the Bank not later than six months after the end of each fiscal year.

4.1.2.3 Disbursement Arrangements: Flow of funds to finance the institution follows the national treasury and appropriation procedures with controls over the use of funds generally adequate. The entity operates 3 bank accounts with adequate controls over access to the funds and up to date recording of transactions. The review noted that donor-funded projects funds have been managed generally satisfactory. However, the institution lacks practical experience in managing Bank funds flow. Specific to this project, payments will

be primarily by direct payment method where the Bank will pay contractors/consultants and suppliers directly based on satisfactory performance in accordance with the Bank's Disbursement Handbook. Disbursements would be made upon preparation and submission of all relevant documentations by DPCI to the Bank's Disbursement Division, through the Bank's Country Office in Mozambique. In addition, a Special Account denominated in USD and its associated MZN denominated project operating account shall be opened at the Central Bank, and will be limited for use in paying for the small operating project expenses that are recurring in nature. A Disbursement Letter will be issued by the Bank.

4.1.3 Procurement Arrangements:

4.1.3.1 Borrower Procurement System (BPS):

The following contracts will be carried out using the Borrower's Procurement System (BPS) in line with Decree N° 5/2016 dated 8 March - *Regulations for Contracting of Public Works, Supply of Goods and Consultancy and Non-Consultancy Services*, utilizing available National Standard Solicitation Documents (SSDs).

Training

The following activities will be undertaken using the established practice in the Ministry of Agriculture and Food Security, for which (i) the value of each individual activity shall not exceed equivalent of UA 10,000; (ii) Training Activities under the TAAT Focused Red Meat Value Chain Component, with estimated aggregate value of UA 334900; this include (i) private sector facilitation valued at UA 45.755, development of ICT tools valued at UA24.2, training of certified vaccinators (against ECF) valued at UA33.27 and introduction of improved genetics valued at UA33.27 (iii) Specific Training for Livestock and Veterinary Staff with estimated aggregate value of UA 97,500; (iv) Para-Vet Training Including Starter Kits with estimated aggregate value of UA 71,100; (v) Farmers Training on High Quality Forage Production with estimated aggregate value of UA 97,300; (vi) Youth and Community Training on Hay-Bale Making with estimated aggregate value of UA 8,800; (vii) Training of Extension Workers on Use of Feed Assessment Tool with estimated aggregate value of UA 14,100; (viii) Capacity Building on Feed Formulation with estimated aggregate value of UA34,000; (ix) Laboratory Staff Training Sessions on Use of Nitrogen with estimated aggregate value of UA 9,300, (x) Technology Transfer (TAAT) to IIAM on Forage Seed Production with estimated aggregate value of UA 12,800; (xi) Capacity Development for 2000 Youths; (xii) and Entrepreneurship and incubation support estimated at aggregate of UA440,000.

Miscellaneous

Various activities under the operating cost of the project will be undertaken using Government procedures. Activities to be financed under operating cost include; physical maintenance of project office accommodation, payment of electricity and water, salary of staff, communications and travel expenses, totaling UA 1,299,300.

4.1.3.2 Bank Procurement Methods and Procedures (PMPs):

The following contracts will be carried out using the BPM in line with the Bank's Procurement Policy and Methodology for Bank Group Funded Operations dated October 2015, utilizing available Bank's Standard Solicitation Documents (SSDs).

Civil Works

The following contracts for civil works will be carried out using Open Competitive Bidding (OCB) under the BPM, National Competitive Bidding (NCB); (iii) Rehabilitation of Laboratory with Nitrogen Manufacturing Plant at an estimated amount of UA 75,800; (iv) Rehabilitation of Livestock Breeding and Multiplication Centres at an estimated amount of UA 112,500; (v) Construction of Improved Goat Housing - Community-Demonstration at an estimated amount of UA 21,800; (vi) Construction of Small Ruminants Dip Tanks with Multi-purpose Boreholes at an estimated amount of UA 77,800; (vii) Rehabilitation/Construction Cattle Dip Tanks at an estimated amount of UA 79,000; (viii) Construction of Spray Races (Livestock) at an estimated amount of UA 67,100; (ix) Construction of Veterinary Check Points at an estimated amount of UA 71,100; (x) Construction of Quarantine Facilities/Stations at an estimated amount of UA 81,000; (xi) Establishment of Forage Banks (2 ha each) at an estimated amount of UA 175,200; (xii) Establishment of Mini-feedlot with Bio-digesters at an estimated amount of UA 135,500; (xiii) Rehabilitation/Construction of Mini-Slaughter Facilities at an estimated amount of UA 129,100; (xiv) Construction of Livestock Marketing and Vaccination Centres at an estimated amount of UA 195,100.

Consulting Services

All Contracts for consultancy services are expected to be carried out using competitive methods under the BPM. Consulting services to Facilitate Training of Trainers estimated at UA 248,900, and for Implement Outreach and Post Incubation Follow Up estimated at UA 159,900 shall be procured following Quality and Cost Based Selection (QCBS) method. Financial and Procurement Audit Services of estimated at UA 77,600 will be recruited following Least Cost Selection (LCS) method. For the purpose of shortlisting, advertisement of request for Expression of Interests (REOI) will be published nationally and other electronic portals with free access in the country.

Goods

Procurement for the supply of goods will be carried out using OCB under the BPM following National Competitive Bidding (NCB) and contracts will be awarded as follows; (i) Sprinkler Irrigation Kits (5ha each) at an estimated amount of UA 1,784,800; Sprinkler Irrigation Kits (10ha each) at an estimated amount of UA 623,000, at an aggregated amount of UA 2,407.8 (ii) supply of nine (9) Double/Twin Cab 4x4 Pickup-Vehicles with an estimated aggregated amount of UA 209,700 as one package, (ii) supply of twelve (12) Off-road Heavy Duty Motorcycles with an estimated amount of UA 114,600 as one package, (iii) supply of seven (7) Laptop Computers & Printer Sets and eleven (11) Desk-top Computer-Sets with an aggregate contract amount of UA 33,870, (v) Supply of office equipment and furniture for project management and M&E system at an aggregated amount of UA 44,700, (vi) supply of Assorted Starter-Kits for Youth and Women (UA 60,200) and Para-Vet Kits (Community Level (UA 2,300) at an aggregated amount of UA 62,500. Supply of O&M for Office Computers & Equipment and Office Operation with total aggregate value of UA 31,400 and, UA 7,500, respectively will be procured through shopping method, using Request for Quotation (RFQ). These items are to be procured in batches based on specific requirements and times of needs. Value of each contract under this category of supplies should not exceed UA 10,000.

4.1.3.3 Procurement Risks and Capacity Development:

Procurement Risk Assessments were undertaken for this project by conducting an exhaustive assessment covering the risks associated with the country, sector and project environments as well as the Executing Agency responsible for the implementation of the Project's procurement activities.

Most of the issues/ risks associated with the procurement activities for implementation of the project have been identified and mitigated. The mitigation measures have been discussed and agreed with the Executing Agency MASA and included in the PRCA action plan proposed in above. The overall Project Procurement Risk Rating (PPRR) is at time of Appraisal is:

Table 4.2 Overall Project Risk Rating at Appraisal

Items	H	S	M	L
Overall Project Procurement Risk				
<i>Country Risks</i>				
<i>Sector Risks</i>				
<i>Project Specific risks</i>				
<i>Executing Agency Risks</i>				

4.1.3.3 Summary of the Procurement Arrangements for the Project

The procurement arrangements for the various components, elements, and items, under the different expenditure categories to be financed by the Grant and procured using BPS and BPM are summarized in Table 4.3 below. Large-value contracts, each group of similar transactions/contracts, the different procurement regimes, estimated costs, oversight requirements, and the timeframe as agreed between the Borrower and the Bank, are documented in the Procurement Plan.

Table 4.3: Summary of Procurement Arrangements

		BPS					
	Project Components/Categories	Shop	OCB (ICB)	OCB (NCB)	OCB (SL)	Shop	Total
1	Goods		1,784.8	465.4		38.9	2289.1
2	Civil Works		2,407.8	1,424.2			3832.0
3	Consulting Services (Firms)				488.4		488.4
4	Consulting Services (Individual)				1,961.8		1961.8
5	Training	1,864.8					1864.8
6	Operating Costs	563.9					563.9

4.2. Governance

GoM has been implementing a number of reforms to enhance governance, transparency and accountability. There have been major structural and functional reforms with emphasis on policy and institutional actions including public financial management system, decentralization and capacity building all in an effort to ensure accountability and transparency in Government operations. The Project will be utilizing qualified staff to ensure economy and efficiency of project procurement and financial management process. Furthermore, the governance structure of the project provides for a statutory body like the MASA *Conselho Consultivo* and *Conselho Tecnico* (Consultative Council and Technical Council) as the steering committee, which gives oversight policy direction for the implementation of the project. The Bank will follow up on governance through regular field supervision missions, audit reports, Annual WorkPlan and Budget (AWPB), progress reports and procurement plans. The Bank is effectively on the ground with the Country Office (COMZ) in Maputo and thus close interaction and follow up will be undertaken at the Country level to ensure that implementation of Project activities are on course. The COMZ Sector Experts and from RDGS 2 will give a quarterly schedule of implementation progress to the Country Manager and the Manager of RDGS 2

4.3. Monitoring

4.3.1 The monitoring and evaluation specialist will be responsible for the internal monitoring and evaluation of project activities and logical framework indicators, working in liaison with the technical experts on the project implementation team. The Project Implementation Unit at the project headquarters and the province levels will be responsible for the monitoring of project results including output and outcome indicators. Data collection and evaluation tasks will be performed by all the institutions involved in the project or in partnership with other relevant institutions.

4.3.2 The PIU will work closely with relevant Ministries Directorates and Agencies of government and research institutes for the purposes of data collection, and monitoring and evaluation of the project. The PIU will be recruited and staffed with a qualified M&E Specialist, who will benefit from tailored capacity building programs to acquaint him/her very well with the scope and nature of the project, and the methodology to be followed. The project will support the deployment of an M&E and Management Information System (MIS) that will facilitate performance monitoring and impact evaluation against the specified indicators, including gender tracker and environmental safeguards related indicators. While the performance monitoring process facilitates informed decision-making, the outcome assessment will provide information on whether the project has achieved its development objectives.

Table 4.4 Monitoring Milestones

Timeframe	Milestone	Monitoring Process/feedback Loop
07/2018	Grant Approval	Board of Directors
08/2018	Grant Signature	Grant Agreement
08/2018	Grant Effectiveness	Bank/GoM – Bank letter to GoM
09/2018	Project Launch Mission	Bank/GoM
09/2018	First Disbursement	Bank/GoM: Open a Bank Account by GoM
06/2020	Mid-Term Review	Bank/GoM
2018-2023	Supervision Missions	Bank
11/2023	Project Completion Report	GoM/Bank

4.4. Sustainability

Use of simple technologies that are appropriate for the rural farmers ensures that adoption and replicability is assured. The project design is based on feasibility studies as well as stakeholders consultations to ensure ownership and sustainability. Community participation and capacity building will further bolster the abilities of the various groups to continue project activities even after completion. The market activities offer additional sources of income and therefore greater capacity for the horticulture farmers and livestock owners to continue with the activities after conclusion of the project. The project will establish communities' led-committees for overseeing infrastructure operation and maintenance as well as for enhancing community participation and ownership. The committees will be technically supported by the National water and agriculture agencies. The infrastructure to be installed for irrigation and water harvesting was selected based on the national plans from both MASA and Ministry of Public Works, Housing and Water Resources (MOPHRH). Therefore, the infrastructure will be owned both by the communities and the relevant Government agencies and token amounts paid for their day to day operations.

4.5. Risk management

The Project assumes (i) that the Government will continue with its commitment to social and political consensus and macroeconomic stability; (ii) Mozambique will have no restriction on water extraction for

irrigation; (iii) no restriction on private sector/NGO participation in water harvesting infrastructures and setting up of livestock. The current risks include the following:

Table 4.5 Risk and Mitigation

N°	Risk	Level of Occurrence	Mitigation
1	Limited business and technical skills of targeted youth and women and MSMEs in value chain management	M	Project includes business and technical skills training for targeted beneficiaries
2	Farmers with no interest to adopt new technologies	M	Promoting stakeholders participation, engagement and integration
3	Adaptability of selected seeds	L	Research and demonstrative activities, extension and capacity building

4.6. Knowledge building

The AVACYEP will allocate resources to systematically document and publicize new lessons, especially on the adoption technologies for small ruminants and Youth Empowerment components that are less documented. The outcome of this project will be carefully monitored and documented. Furthermore, the Project will be financing number of studies in particular related to build a knowledge implementation of FEAST for monitoring inventory and uptake of feed resources; promotion of forage production and support to IIAM for conducting research on effective seed distribution system for forage seeds; introduction of hay bale making and ration formulation to young entrepreneurs; construction of multipurpose boreholes for water provision. All project related studies and research would be made readily available on the AfDB websites for wider dissemination. Finally, the third approach is to bring agro-processing to the farm level by farmer and women/youth groups, all of which will also be documented. Contracted service providers will train beneficiaries, especially women, on value addition and post-harvest operations including cleaning, sorting, drying, cutting and packing produced vegetable. The successes of these practices will also be documented.

V. – LEGAL INSTRUMENTS AND AUTHORITY

5.1. Legal instrument

The project will be financed pursuant to: (i) an ADF grant agreement between the Borrower and the ADF;

5.2. Conditions associated with Bank's intervention

5.2.1 Condition Precedent to Entry into Force of the ADF: *The grant agreement shall enter into force on the date of signature by the Recipient and by the Fund.*

5.2.2 Condition Precedent to First Disbursement: The obligations of the Bank to make the first disbursement of the Grant shall be conditional upon the entry into force of the *Protocol of Agreement*:

The Borrower shall provide:

- (i) Evidence of the recruitment, designation or appointment of staff (Project Coordinator, Project Accountant, Monitoring and Evaluation (M&E) Specialist, and Procurement Specialist) for the project implementation unit with qualifications and terms of reference acceptable to the Fund;

5.3. *Undertaking*

The Borrower undertakes to implement the Environmental and Social Management Plan (ESMP), and report to the Bank on a quarterly basis, as part of the quarterly progress report.

5.4. *Compliance with Bank Policies*

- This project complies with all applicable Bank policies.
- Non-standard conditions (if applicable): N/A

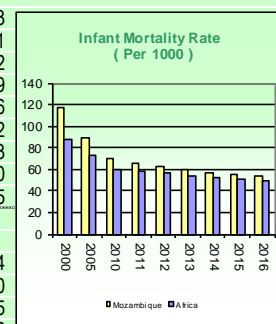
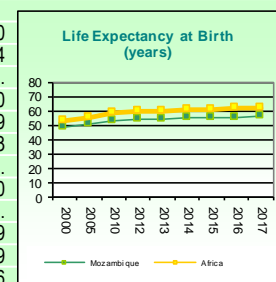
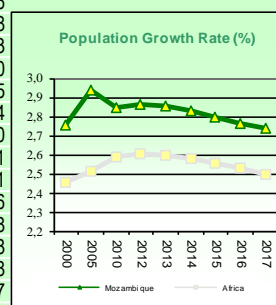
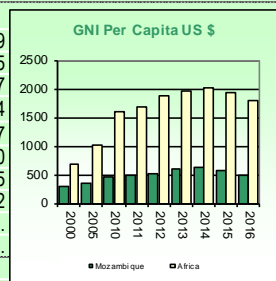
VI. – RECOMMENDATION

Management recommends that the Board of Directors approve the proposed ADF Grant of **Eleven Million Unit of Account (UA 11.00 million)** to the Republic of Mozambique for the purpose of implementing the Agricultural Value Chain and Youth Empowerment Project and subject to the conditions stipulated in this report.

• Appendix I: Comparative socio economic indicators

Mozambique COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Mozambique	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km²)	2017	799	30 067	80 386	53 939
Total Population (millions)	2017	29,5	1 184,5	5 945,0	1 401,5
Urban Population (% of Total)	2017	31,6	39,7	47,0	80,7
Population Density (per Km²)	2017	37,6	40,3	78,5	25,4
GNI per Capita (US \$)	2016	480	2 045	4 226	38 317
Labor Force Participation *- Total (%)	2017	79,3	66,3	67,7	72,0
Labor Force Participation **- Female (%)	2017	82,5	56,5	53,0	64,5
Sex Ratio (per 100 female)	2017	95,9	0,801	0,506	0,792
Human Develop. Index (Rank among 187 countries)	2015	181	...	...	...
Popul. Living Below \$ 1.90 a Day (% of Population)	2008	68,7	39,6	17,0	...
Demographic Indicators					
Population Growth Rate - Total (%)	2017	2,7	2,6	1,3	0,6
Population Growth Rate - Urban (%)	2017	3,4	3,6	2,6	0,8
Population < 15 years (%)	2017	44,9	41,0	28,3	17,3
Population 15-24 years (%)	2017	20,3	3,5	6,2	16,0
Population >= 65 years (%)	2017	3,4	80,1	54,6	50,5
Dependency Ratio (%)	2017	93,5	100,1	102,8	97,4
Female Population 15-49 years (% of total population)	2017	23,1	24,0	25,8	23,0
Life Expectancy at Birth - Total (years)	2017	56,1	61,2	68,9	79,1
Life Expectancy at Birth - Female (years)	2017	57,3	62,6	70,8	82,1
Crude Birth Rate (per 1,000)	2017	38,0	34,8	21,0	11,6
Crude Death Rate (per 1,000)	2017	10,9	9,3	7,7	8,8
Infant Mortality Rate (per 1,000)	2016	53,1	52,2	35,2	5,8
Child Mortality Rate (per 1,000)	2016	71,3	75,5	47,3	6,8
Total Fertility Rate (per woman)	2017	5,2	4,6	2,6	1,7
Maternal Mortality Rate (per 100,000)	2015	489,0	411,3	230,0	22,0
Women Using Contraception (%)	2017	20,5	35,3	62,1	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2013	5,5	46,9	118,1	308,0
Nurses and midwives (per 100,000 people)	2013	40,1	133,4	202,9	857,4
Births attended by Trained Health Personnel (%)	2011	54,3	50,6	67,7	...
Access to Safe Water (% of Population)	2015	51,1	71,6	89,1	99,0
Access to Sanitation (% of Population)	2015	20,5	51,3	57	69
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2016	12,3	39,4	60,8	96,3
Incidence of Tuberculosis (per 100,000)	2016	551,0	3,8	1,2	...
Child Immunization Against Tuberculosis (%)	2016	95,0	245,9	149,0	22,0
Child Immunization Against Measles (%)	2016	91,0	84,1	90,0	...
Underweight Children (% of children under 5 years)	2011	15,6	76,0	82,7	93,9
Prevalence of stunting	2011	43,1	20,8	17,0	0,9
Prevalence of undernourishment (% of pop.)	2015	26,6	2 621	2 335	3 416
Public Expenditure on Health (as % of GDP)	2014	3,9	2,7	3,1	7,3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2015	106,3	106,4	109,4	101,3
Primary School - Female	2015	101,7	102,6	107,6	101,1
Secondary School - Total	2015	32,9	54,6	69,0	100,2
Secondary School - Female	2015	31,5	51,4	67,7	99,9
Primary School Female Teaching Staff (% of Total)	2015	43,1	45,1	58,1	81,6
Adult literacy Rate - Total (%)	2009	50,6	61,8	80,4	99,2
Adult literacy Rate - Male (%)	2009	67,4	70,7	85,9	99,3
Adult literacy Rate - Female (%)	2009	36,5	53,4	75,2	99,0
Percentage of GDP Spent on Education	2013	6,5	5,3	4,3	5,5
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2015	7,2	8,6	11,9	9,4
Agricultural Land (as % of land area)	2015	63,5	43,2	43,4	30,0
Forest (As % of Land Area)	2015	48,2	23,3	28,0	34,5
Per Capita CO2 Emissions (metric tons)	2014	0,3	1,1	3,0	11,6



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

last update : May 2018

UNAIDS; UNSD; WHO; UNICEF, UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)

** Labor force participation rate, female (% of female population ages 15+)

Appendix II: Table of ADB's portfolio in the country

Sector	Project Name	Approval	Closing	Loan/ Grant	Disb. Rate	Uncommit
Agriculture	DROUGHT RECOVERY AND AGRICULTURE RESILIENCE PROJECT	18.01.2018	31.12.2022	10.00	0%	0.00
Agriculture	MASSINGIR DAM AND SMALLHOLDER AGRICULTURE REHABILITATION PROJECT (SL)	02.03.2007	30.06.2016	16.85	100%	0.00
Agriculture	MASSINGIR DAM EMERGENCY REHABILITATION PROJECT SUPPLEMENTARY		31.12.2017	13.30	93%	0.15
Agriculture	MASSINGIR DAM EMERGENCY REHABILITATION PROJECT SUPPLEMENTARY	22.05.2013	30.06.2018	22.01	56%	2.27
Agriculture	BAIXO LIMPOPO IRRIGATION & CLIMATE RESILIENCE PROJECT	26.09.2012	30.06.2019	16.53	79%	2.67
Agriculture	BAIXO LIMPOPO IRRIGATION & CLIMATE RESILIENCE PROJECT	26.09.2012	30.06.2019	9.23	42%	2.86
Agriculture	BAIXO LIMPOPO IRRIGATION & CLIMATE RESILIENCE PROJECT	26.09.2012	30.06.2019	1.95	7%	1.81
Agriculture	SUSTAINABLE LAND & WATER RES. MGT PROJECT (SLWRMP) PPCR	31.10.2012	31.12.2018	2.10	66%	0.30
Agriculture	SUSTAINABLE LAND & WATER RES. MGT PROJECT (SLWRMP) PPCR	31.10.2012	31.12.2018	11.18	46%	2.46
Agriculture	FEASIBILITY STUDIES FOR BUILDING CLIMATE RESILIENCE OF LIMPO	01.12.2014	31.12.2017	2.88	23%	0.59
Agriculture	FEASIBILITY STUDIES FOR BUILDING CLIMATE RESILIENCE OF LIMPO	03.10.2014	31.12.2018	0.67	11%	0.37
Agriculture	COFAMOSA IRRIGATION PROJECT - PPF	24.11.2015	30.06.2017	0.82	18%	0.12
Agriculture	EMERGENCY RELIEF 2016 DRAUGHT	17.06.2016	31.12.2016	0.71	100%	0.00
Governance	ECONOMIC GOVERNANCE AND INCLUSIVE GROWTH II	15.12.2015	31.01.2016	15.00	100%	0.00
Finance	AFRICA SME PROGRAM LOC - MOZABANCO S.A MOZAMBIQUE	11.04.2014	30.05.2016	6.39	100%	0.00
Mineral Res	MOMA MINERAL SANDS PROJECT	21.05.2003	18.10.2007	28.40	100%	0.00
Mineral Res	MOMA MINERAL SANDS EXPANSION PROJECT	27.03.2015	29.04.2017	0.45	100%	0.00
Mineral Res	SASOL NATURAL GAS PROJECT	22.10.2003	15.12.2005	29.76	100%	0.00
Energy	ELECTRICITY IV PROJECT	13.09.2006	31.12.2016	26.30	92%	
Energy	ELECTRICITY IV PROJECT	07.09.2006	31.12.2016	7.38	82%	0.89
Energy	ENABLING LARGE SCALE GAS & PWR INVESTMNT	18.12.2013	30.06.2018	9.95	1%	9.84
Social	UNILURIO	18.01.2018	31.12.2022	10.00	0%	0.0
Social	CONSOLIDATION WOMEN'S ENTREPRENEURSHIP	18.12.2013	31.12.2018	1.24	46%	
Social	CONSOLIDATION WOMEN'S ENTREPRENEURSHIP	18.12.2013	31.12.2018	2.56	23%	0.90
Social	JOB CREATION AND LIVELIHOOD IMPROVEMENT	18.05.2016	30.12.2021	4.53	5%	3.97
Transport	MONTEPUEZ-LICHINGA ROAD PROJECT	27.10.2006	30.06.2018	30.10	67%	1.05
Transport	MONTEPUEZ-LICHINGA ROAD PROJECT	19.03.2007	31.05.2016	21.00	60%	-0.99
Transport	SUPPLEMENTARY LOAN TO MONTEPUEZ - LICHINGA ROAD PROJECT	26.10.2010	30.06.2018	32.65	67%	3.74
Transport	MULTI-NACALA CORRIDOR PROJECT (MOZAMBIQUE)	24.06.2009	01.07.2018	102.72	40%	48.87
Transport	MULTI-NACALA CORRIDOR PROJECT (MOZAMBIQUE)	10.03.2010	06.07.2016	38.26	100%	0.00
Transport	NACALA TRANSPORT CORRIDOR PHASE-III	05.12.2012	31.12.2018	38.65	13%	6.69
Transport	NACALA TRANSPORT CORRIDOR PHASE-III	05.12.2012	31.12.2018	0.18	19%	0.15
Transport	MTWARA DEVELOPMENT CORRIDOR	29.10.2012	31.12.2017	1.30	72%	0.34
Transport	MUEDA-NEGOMANO ROAD PROJECT	09.12.2016	31.12.2022	51.28	0%	0.00
Transport	MUEDA-NEGOMANO ROAD PROJECT	09.12.2016	31.12.2022	2.24	0%	0.00
Transport	NACALA RAIL CORRIDOR & PORT PROJECT-CORR.LOGISTICO INTEGRADO NACALA	16.12.2015	15.01.2028	79.13	0%	0.00
Transport	NACALA RAIL & PORT PROJECT-CDN	16.12.2015	10.04.2020	59.41	0%	0.00
Transport	NACALA RAIL & PORT PROJECT-VALE LOGISTICS LTD (VLL)	16.12.2015	10.04.2020	61.57	0%	0.00
Water	NIASSA PROVINCIAL TOWNS WATER AND SANITATION	29.04.2009	30.03.2016	18.00	97%	0.43
Water	NATIONAL RURAL WATER SUPPLY PROGRAM	09.11.2010	30.09.2017	5.27	94%	0.21
Water	NATIONAL RURAL WATER SUPPLY PROGRAM	09.11.2010	30.09.2017	5.04	89%	0.01
Water	URBAN SANITATION FOR IBANE AND CHIMOIO	14.07.2016	31.12.2018	1.34	0%	0.00

Appendix III. Key related projects financed by the Bank and other development partners in the country

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

Donor	Name of the Project	Implementing Agency		Currency	Amount in Country Currency	Amount in US Dollars	Funding Modality	Duration	Local	Comments
Joint Program from the Spanish Fund for ODM	Climate Change Adptation and Environmental Integration	FAO/UNEP/ UNDP		\$		7,000,000.00	Grant	2008-2012	Limpopo Basin and Chicualacuala district - Gaza	Mostly in the district of Chicualacuala. Financed by the Spanish Government through the MDG-F. Project will close in mid-2012
German Cooperation	Institutional Advisor for consolidation and increasing risk management for calamities in Mozambique	INGC		\$		7,600,000.00	Grants	2007- fim 2012	National, Provincial, Local	Caia, Beira, Buzi, Save, Mabote, Funhalouro, Vilankulos, Maputo
UNDP	Climate Change Project at INGC Fase II – Response às CC em Moç	INGC		\$	3,600,000.00	3.600.000, Danida: 1057000, PNUD: 1250000, Afd: 243000	Grant	2009-2011	National	Draft final reports made available mid-March 2012
França (AFD)										
Danida										
Irish Aid				Euro	250,000.00	327,000.00		2011 - 2012	Mabote	
JICA	Climate Changes Water Supply Emergence Program	MITADER/INGC/ DNA		\$		11,000,000.00	Grant	2009-2010	Províncias de Maputo e Gaza	Previsto para envolver 75.000 pessoas, mas devido a limitação de recursos apenas 20.000 pessoas
Holanda Canada CAD 5.000.000.00 USAID In-Country Missions (U.S.A.)	Promotion and Protection of Means of Subsistence (LPP) under emergency Situation	WFP em parceria com INGC e MASA		\$		40,000,000.00	Direct multilateral	2008-2010	30 Distritos vulneráveis do Plano Director do INGC	
AFD (GEF francês)	Adaptação às mudanças climáticas no Parque Nacional das Quirimbas	MITUR		€	1,000,000.00	1,308,000.00	Grant	2011-2014	Cabo Delgado - PNQ	Parte dum projecte mais global de apoio do PNQ
AFD (GEF francês)	REDD+ - Reserva Nacional do Gile e sua periferia	MITUR		€	2,000,000.00	2,616,000.00	Grant	2011-2014	Zambezia	Statuto : início
UNDP	Capacity Development for RRD and AMC	INGC/MITADER		\$		4,568,000		2012-2015		Note that the total refers to UNDP core funding already allocated; the project plans to mobilize an additional \$10,771,000.

Donor	Name of the Project	Implementing Agency		Currency	Amount in Country Currency	Amount in US Dollars	Funding Modality	Duration	Local	Comments
MITIGAÇÃO										
FINANCIAMENTO EM CURSO										
Noruega	Sul-Sul REDD	IIED with differet institutions		NOK	3.800.000 + 2,000,000	645,934.00	Grant	2009-Marco 2012		
Japan, Government of	Provision of survey equipment, satellite images, PC, and softwares for RS for monitoring REDD+	MASA (DNTF)		Yen	#####	7,000,000.00	Grant	2010	National	A part of the Japan Grant Aid for Forest Preservation Programme: US\$200million for 22 countries
Japan International Cooperation Agency (JICA)	Technical Cooperation Project (Establishment of Sustainable Forest Resource Information Platform for Monitoring REDD+)	MASA (DNTF)		\$	3,500,000		Technical Cooperation	2012-2017	National	
German and Dutch	Energizing Development: Access to modern Energy Services (AMES), grid densification and off grid solar and hydro	FUNAE		\$	3,800,000	5,244,000	Grant	2010-2012	Maputo/Matola /National /Manica province	
UNDP	Green Human capacity Development (GHD project)	MITADER		\$		1,253,000		2012-2015	National - Local	Note that the total refers to UNDP core funding already allocated; the project plans to mobilize an additional \$1.800.000. Also note that the project involves CCA and not only mitigation
Noruega	Capacity building for CDM projects in Mozambique	Pöyry AS/Dr. AJ Tsamba da UEM		NOK	1,600,000.00	271,972.00	?	2010-2011		

APPENDIX IV: JUSTIFICATION FOR 100% PROJECTS' COST FINANCING, INCLUDING VAT AND DUTIES

The Government of Mozambique has submitted a request to the Bank Group to finance 100% of the projects' costs, including VAT and duties, for projects approved in 2017 and 2018. This would bring the practice of the Bank in line with other development partners such as the World Bank and address some emerging project implementation issues.

The Policy on expenditure eligible for Bank financing⁴ (2008) allows the Bank Group to waive the principle that its projects are exempt from duties and taxes on a case-by-case basis, in cases where (para 4.2.1 of the mentioned policy):

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

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

The fiscal context. Mozambique is facing a difficult fiscal outlook, with the suspension of direct budget support by the donor group G-14 and the IMF financing programme going off track in April, 2016. The suspension of these financing programmes were partly a consequence of the discovery of previously undisclosed commercial debt obligations, putting public debt on an unsustainable path and requiring fiscal consolidation of the public budget, as well as contributing to a weakening of the exchange rate.

In January 2017 the country defaulted on part of its commercial debt service, which led to a downgrade of Mozambique's credit rating to "selective default", in turn affecting investment flows into the country. The default was on its commercial severing guaranteed loss, and the Government of Mozambique remains committed to honoring its financial obligations with DFIs.

Moreover, delays in start-up of the natural-resources based mega-projects in Mozambique mean that expected revenues and signature bonuses are moved further out in the future. As seen in Table 1 below, income tax and VAT collection have steadily fallen between 2014 and 2016 as a percentage of GDP.

Policy response and implications. The Government undertook a gradual fiscal consolidation in 2016 and 2017, expected to continue into 2018, implementing expenditure cuts on targeted areas. The investment budget fell by 7 percentage points of the GDP between 2014 and 2016. Budget reductions means that there will be continued uncertainty over the quarterly budget transfers to sector ministries, including for compensating for foregone taxes and duties for projects funded by development partners. It is estimated that in August 2017 total public arrears to the private sector has surpassed USD 500 million.

⁴ BD/WP/2007/106/Rev.2

Table IV-1: Mozambique's budget position (figures in % of GDP).

	2014	2015	2016	2017 (Law.)	2018 (Prop.)
TOTAL REVENUES	29	26	24	23	23
<i>Income taxes</i>	12	10	9	8	8
<i>Taxes on goods and services</i>	13	11	10	10	10
<i>VAT revenues</i>	9	8	7	6	6
<i>Trade taxes</i>	2	2	2	2	2
TOTAL SPENDING	42	31	34	34	31
<i>Current spending</i>	22	20	21	20	19
<i>Investment spending</i>	16	11	9	10	8
<i>Financial operations</i>	3	1	2	2	1
BALANCE BEFORE GRANTS	-12	-5	-6	n/a	n/a
<i>Grants</i>	5	3	2	2	2
Source: conta geral do estado (2012, 2014, 2016) e orçamento de estado (2017 e 2018)					

Bank-funded projects in Mozambique have already experiencing challenges relating to co-financing of VAT and other expenses as well as with VAT reimbursement to private operators. At least 14 active Bank projects have reported arrears in payment of VAT from Government, causing significant delays in project implementation.

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

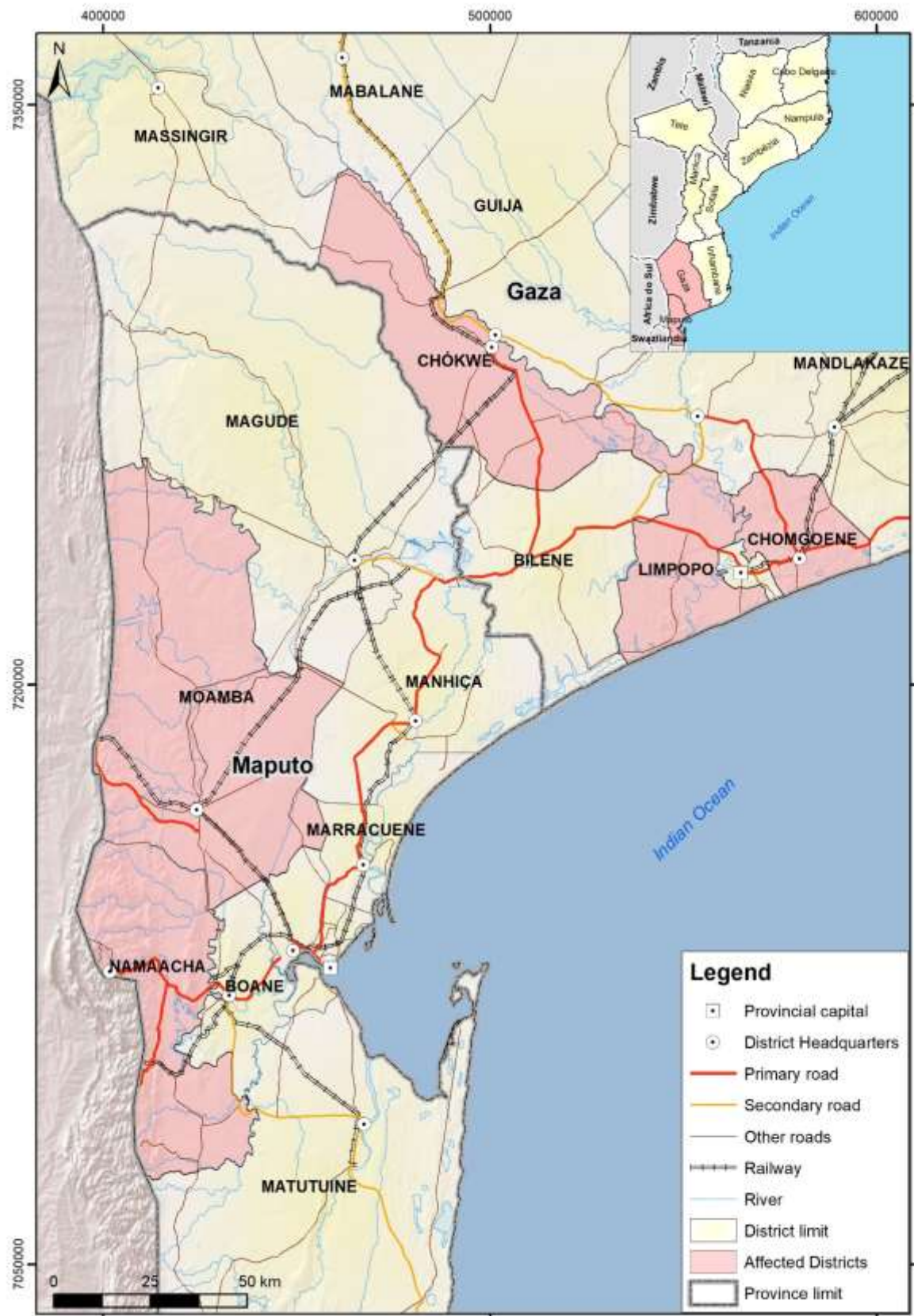
- 1) Tax and duty rates in Mozambique are broadly in line with continental average. VAT rates, at 17% are slightly above the SADC average but broadly in line with similar economies in the continent (see table 2 below).

Table IV-2: Comparative VAT rates

Mozambique	17%		Tanzania	18%
Ghana	17.5%		Kenya	16%
Cote d'Ivoire	18.0%		RSA	14%
Zambia	16%		Namibia	15%

Charging of taxes and duties are not specifically directed at Bank projects; in fact, the World Bank already covers these expenditures under its projects in Mozambique. The goal of the VACYEP is to contribute to rural poverty reduction by ensuring food, income and nutrition security in a sustainable manner, as well as capacity building for the affected communities. However, by nature it is not expected to generate short to medium term revenue gains for the Government. Therefore, it makes sense to ease its implementation by allowing it to cover VAT and duty costs over 2017 and 2018. The requested exception should be considered as a temporary measure to be applied only in 2017 and 2018, strictly on a case by case basis, to reflect the current macroeconomic and fiscal conjuncture and to support the Government in its re-engagement with International Financial Institutions and with creditors, while ensuring smooth project implementation.

APPENDIX V: PROJECT LOCATION



APPENDIX VI: Justification for Youth Empowerment and TAAT

1. Youth Empowerment

The Youth Empowerment sub-component objects to contribute to job creation, food security, income generation and improved livelihoods for youth in both urban and rural areas. The project intends to create business opportunities and decent employment for young women and men along priority agricultural value chains. The program also objects to establish incubation centers to promote entrepreneurship and agribusiness in order to create an appropriate and conducive environment for business development through advisor services and transfer of technologies to the beneficiaries of the program. The project will: (i) rehabilitate and equip (including expert and staff selecting and training) of 2 incubator centers, (2) establish the incubator blueprint & business Plan (3) develop the incubator training program. The project will also create a platform for establishing a risk-Sharing and Financing Mechanism”, (4) Implement a comprehensive capacity development for about 2000 youths and women in Agriculture production, agribusiness, post-harvest loss reduction, animal health services, and entrepreneurial skills across the red meat and horticulture value chains; (5) establish selection committees to setting the beneficiaries (6) develop a training strategy based on the needs assessment (7) finance agripreneurs business start-ups. The project will also support the implement national network of incubators and support existing Agribusiness incubation hubs that provides services and connect successful youth agripreneurs under this project.

2. Transformative Technologies (TAAT)

This project aims to increase the productivity and profitability of the small ruminants’ value chain in Mozambique, through the promotion and dissemination of proven technologies that can improve small livestock genetics, feed, health, production systems and marketing. Leveraging on the Bank’s network of partners, specifically ILRI and IIAM the project will identify existing scalable technologies for increased production and value addition of small ruminants.

Small ruminants play important roles in arid and semi-arid areas of Africa. In the drier areas, extensive grazing of livestock herds/flocks including sheep and goats are the main source of livelihoods; in less dry areas where mixed crop-livestock farming is possible, they are an important source of cash income and high-quality nutrients for the household. Using the TAAT framework, this project will promote technologies for small ruminants which include: supporting the establishment of local production and effective use of thermostable vaccines; promotion and use of a suite of improved forage and feed options to improve the quantity, quality and year-round availability of forage and feed; establishment of community-based breeding programs for higher productivity of the resulting offspring, and; a private-sector driven approach to promote the uptake of sheep and goat fattening as a business whereby better feeding and management and improved market linkages enable higher offtake and greater profitability.

AFRICAN DEVELOPMENT FUND

BOARD OF DIRECTORS

Resolution N° F/MZ/2018/58

Adopted by the Board of Directors on a Lapse-of-time basis, on [●] 2018

Grant to the Republic of Mozambique to finance part of the costs of the Agricultural Value Chain and Youth Empowerment Project (AVACYEP)

THE BOARD OF DIRECTORS,

HAVING REGARD to: (i) Articles 1, 2, 11, 12, 14, 15, 16, 26 and 30 of the Agreement Establishing the African Development Fund (the “Fund” or “ADF”); (ii) the Report on the Fourteenth General Replenishment of the Resources of the Fund (ADF-14); (iii) the applicable ADF-14 Country Resource Allocation; (iv) Operational Guidelines of the ADF-14 Resource Allocation Framework (the “ADF-14 Guidelines;”) and (v) the appraisal report contained in document ADF/BD/WP/2018/107/Approval/Corr.1 (the “Appraisal Report”);

RECALLING Document ADF/BD/WP/2018/110/Approved entitled “Note on the Implications of Mozambique’s March 5, 2018 IMF Debt Sustainability Analysis on its ADF-14 Performance-Based Allocation” approved by this Board on 18 July 2018, and in particular, the waiver therein from the provisions of the ADF-14 Guidelines so as to permit:

- (i) the use of the March 5, 2018 Debt Sustainability Analysis (DSA), where the Republic of Mozambique was classified as being in debt distress, instead of the February 22, 2018 DSA which had the Republic of Mozambique in moderate risk of debt distress;
- (ii) the conversion of the Republic of Mozambique’s 2018 Performance-Based Allocation (PBA) and the indicative 2019 PBA into grants only; and
- (iii) the conversion of any unused loan allocation from Republic of Mozambique’s 2017 PBA into grants only available for use in 2018 or 2019;

NOTING the availability of sufficient resources to enable the Fund to commit the amount of the Grant;

DECIDES as follows:

1. To award to the Republic of Mozambique (the “Recipient”), from the resources of the Fund, a grant of an amount not exceeding the equivalent of Eleven Million Units of Account (UA 11,000,000) (the “Grant”) to finance part of the costs of the Agricultural Value Chain and Youth Empowerment Project (AVACYEP);
2. To authorize the President to conclude a protocol of agreement between the Fund and the Recipient (the “Protocol of Agreement”) on the terms and conditions specified in the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund and the Appraisal Report;
3. The President may cancel the Grant if the Protocol of Agreement is not signed within ninety (90) days from the date of approval of the Grant by this Board; and

This Resolution shall become effective on the date above-mentioned.