



WORLD BANK GROUP

World Bank Group Strategy for Mozambique 2023 - 2027

February 2023



Disclaimer: This brochure summarizes the World Bank Group (WBG)'s official strategy document in Mozambique. In case of inconsistencies or lack of clarity, please refer to the original report published on the World Bank website: www.worldbank.org/Mozambique.

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Acknowledgements

The strategy preparation core team was led by Paulo Correa, World Bank Program Leader, and Fernanda Massarongo Chivulele, World Bank Research Analyst. The team worked under the guidance of the World Bank Director for Mozambique, Mauritius, Seychelles and Comoros, Idah Z. Pswarayi-Riddihough. The preparation of the report includes contributions from various teams and branches of the World Bank Group, including the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

The preparation of this brief, including oversight of graphic design and printing, was led by Rafael Saute, Senior External Affairs Officer, and Leonor Costa Neves, External Affairs Officer at the World Bank.



Foreword

Mozambique, and its people, have unique needs and aspirations. This tailored strategy aims to respond to those, while aligning with the Government of Mozambique's Five-Year Plan (*Plano Quinquenal do Governo - PQG*) and its medium-term strategy (*Estratégia Nacional de Desenvolvimento – ENDE*). These were central pieces in defining our priorities for the five-year cycle we now begin.

When preparing this strategy with the Government of Mozambique, its partners, and citizens, we considered the emerging priorities against critical filters, such as whether they contribute to addressing fragility and boosting

resilience. We also factored in our comparative advantage embedded in the World Bank Group's mandate.

As the guiding document for our support to Mozambique for the next five years (2023-27), we consciously evaluated our strengths and weaknesses and the evolving context around us. This strategy is the culmination of a long process of introspection. We took stock and drew lessons from the previous cycle, adjusting to the emerging challenges. Two key, publicly available documents resulted from this process: the 2021 Systematic Country Diagnostic and the 2022 Completion and



Learning Review. Their findings informed the discussions that generated the strategy's main pillars and objectives.

Our determination to support Mozambique's efforts to strengthen investors' confidence, building on its recent agreement with the IMF, is at the core of the strategy's short-term goals. In the medium term, we will assist the country in its transition towards an inclusive and greener economy. This is especially relevant for Mozambique, given the impact of recurrent shocks on productivity, human capital, and economic mobility.

To that end, we will support efforts to deepen reforms in the capital, labor, and land markets. We will also help Mozambique improve the business environment, reform its infrastructure sector, and strengthen human capital accumulation with better education, health, social protection, and women's empowerment outcomes. Furthermore, we will build on our current prevention-based approach, supporting efforts to address and mitigate fragility and conflict risks in Mozambique.

This strategy is the joint product of the institution's different branches. In addition to the International Development Association

(IDA) concessional financing, this country partnership framework will draw from the International Finance Corporation (IFC) private capital mobilization, as well as from the Multilateral Investment Guarantee Agency (MIGA)'s contribution. Both are essential to boost the role of the private sector in the economy.

Lastly, I am particularly proud of how we vetted our hypothesis through substantive consultations throughout the preparation process. The talks were deep, open, and candid, covering many topics. They were instrumental in the prioritization work that ensued, infusing the necessary dose of realism into our plans. I am immensely grateful for all the contributions we received. Over 300 individuals in Nampula, Beira and Maputo – the country's leading development poles – were consulted in person, and their contributions were thoroughly examined and considered. After all, our ultimate goal is to improve the lives of Mozambicans, advance their aspirations, and grow their prosperity.

Idah Z. Pswarayi-Riddihough
World Bank Country Director
Mozambique, Madagascar, Mauritius,
Seychelles and Comoros



Introduction

The World Bank Group's (WBG) strategy, known as Country Partnership Framework (CPF) is the WBG's country engagement strategy, guiding the institution's support to the country to achieve its development goals. The CPF sets out the objectives and expected results of the partnership between the WBG and a country over five years. The focus of the WBG's work remains its twin goals of eliminating extreme poverty and increasing shared prosperity in a sustainable manner.

Mozambique CPF Objectives

The CPF for Mozambique was approved in February 2023, covering the financial years (FY) 2023 to 2027.

The CPF's overarching goal is to support Mozambique in achieving a greener, more resilient, and inclusive development.

This entails transitioning to an economic growth model that generates more and better jobs, with attention to women's participation; an economy more resilient to multidimensional shocks; and a future development path consistent with global climate goals.

The strategy will invest in inclusive institutions, laying the foundations for a more resilient society. It will support inclusive green jobs by creating opportunities for low-skilled labor outside subsistence agriculture. It will also support human capital and women's empowerment, thus helping to reduce inequality, improve inclusion, and build resilience.

Goals

Short term: strengthening confidence among investors and the international community, building on the country's recent agreement with the IMF.

Medium term: help the country gradually shift toward more inclusive and greener growth. This will require deepening reforms in the capital, labor, and land markets; improving the business environment;

reforming the infrastructure sectors, and strengthening human capital accumulation with better education, health, social protection, and women's empowerment outcomes.

In pursuing the above, we will continue to adopt a prevention-based approach intended to help address and mitigate fragility and conflict risks and pivot to prevention in Mozambique.

CPF Preparation

The preparation of the CPF is informed by the government's strategic objectives, policies, and programs, notably those outlined in its Five-Year Plan (Plano Quinquenal do Governo - PQG), and its National Development Strategy, (Estratégia Nacional de Desenvolvimento - ENDE), to name a few. It draws its priorities from diagnostics such as the World Bank's 2021 Systematic Country Diagnostic (SCD) and other key documents and studies. It considers the institution's comparative advantages and lessons learned from implementing the previous strategy, as stated in the Completion and Learning Review (CLR). Additionally, the definition of the CPF priorities has been checked against two critical filters—whether they contribute to addressing fragility and boosting resilience.

Public consultations

The CPF preparation involved intensive consultations with over 300 individuals in Nampula, Beira and Maputo – the country's leading development poles. A wide array of stakeholders, including government, development partners, civil society organizations and think tanks, were consulted in two phases.

The first phase informed the development of the Concept Note and included a series of sector-focused discussions involving internal and external stakeholders. It also entailed commissioning analytical pieces on key development challenges facing Mozambique as viewed by local researchers.

The second phase aimed at deepening the discussion around each pillar of the emerging strategy and its objectives, further defining priorities and instruments (including funding), and defining the CPF monitoring mechanisms (indicators).

Lessons learned from the previous program

Building on the achievements of the previous cycle of assistance, this CPF will continue to: (i) prioritize addressing the structural and deep-rooted fragility challenges in Mozambique and the country's

commitments under the **Prevention and Resilience Allocation (PRA)***; (ii) support effective disaster risk management (DRM), while mainstreaming resilience throughout the program and pivoting to prevention; and (iii) contribute to some of the 2030 Sustainable Development Goals (SDGs), such as improving access to electricity, telecommunications, water, and sanitation.

This CPF proposes **three main adjustments** to the previous program:

- **First**, it supports the Government’s renewed reform agenda and efforts to strengthen governance and institutions, including through the Development Policy Financing, among other lending and non-lending instruments.
- **Second**, while continuing to support improved agricultural productivity and rural development as the primary routes to poverty reduction, the CPF also aims to enhance the role of economic transformation (shifting labor from subsistence agriculture to more productive activities) and of rural-urban mobility for the creation of better jobs.
- **Third**, the program further emphasizes human capital and women’s access to

opportunities as crucial for an effective transition towards inclusive growth. The program emphasizes the importance of scaling up for impact, leading to fewer, larger transformational investments, and paying greater attention to implementation.

*PREVENTION AND RESILIENCE ALLOCATION

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

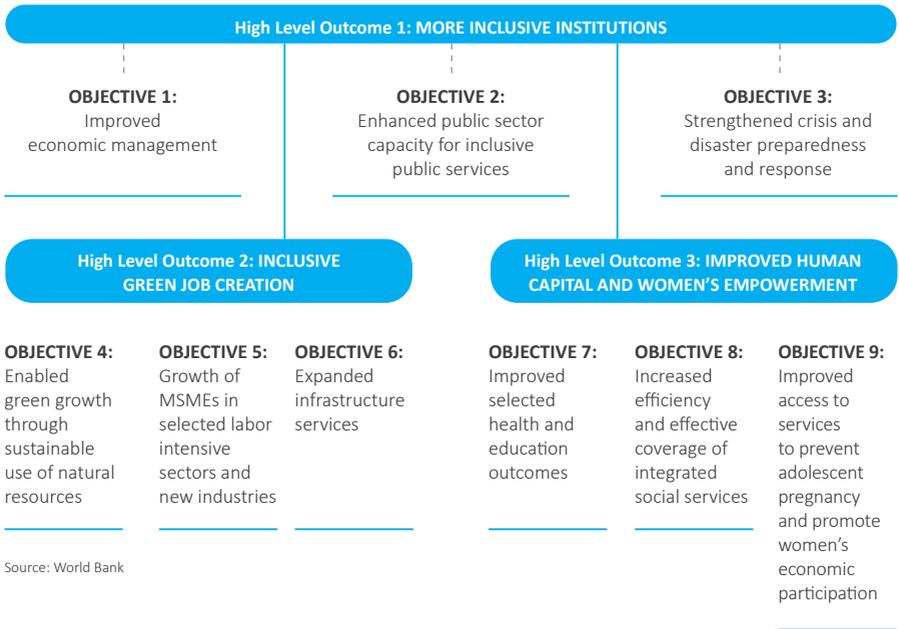


FY23–FY27 Country Partnership Framework

The CPF supports Mozambique’s gradual shift to Greener, Resilient, and Inclusive Development (GRID). This GRID approach

is particularly relevant for Mozambique given the severe impacts of conflict, climate change, natural disasters, and the likely impacts of economic volatility, health crisis, and climate shocks on productivity, human capital, and economic mobility.

CPF FY23-FY27 Overall Structure



World Bank Corporate Priorities

The formulation of the High Level Outcomes (HLOs) and the CPF strategic objectives speak directly to WBG corporate priorities. Each of the three HLOs translates an IDA20 theme or issue (governance, jobs and economic transformation, human capital, and gender) into a program of interventions and policy goals.



Climate Resilience – Climate resilience is addressed both as a separate objective aiming to assist Mozambique’s national priority to reduce climate risks and as a cross-sectoral issue.



Digital Inclusion - Providing new investments through the Digital Acceleration

Program will contribute to narrowing key digital technology divides and accelerate transformation through increased digital adoption, creating new jobs.



Debt Sustainability - The CPF will place more emphasis on debt sustainability by assisting the government with developing a sound fiscal framework, improved debt management and transparency, and the management of public investments.



Governance - The CPF will seek to strengthen core Public Finance Management functions at central and provincial levels for increased state effectiveness, support governance reforms for improved service delivery, and enhance transparency and demand-side governance.



AN ENHANCED ROLE FOR IFC AND MIGA

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

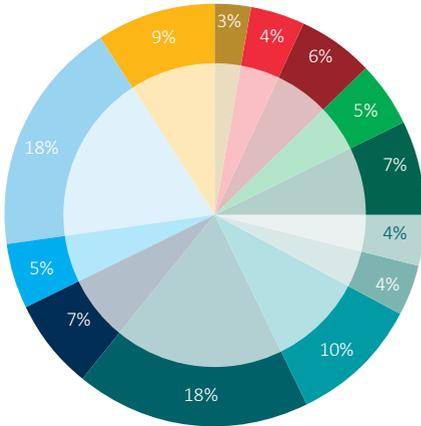
The CPF will span two International Development Association (IDA) replenishment cycles: IDA20 (FY23-FY25) and IDA21 (FY26-FY28). The indicative allocation under IDA20 is equivalent to US\$1.8 billion. This includes the PRA top-up, subject to satisfactory annual reviews.

The CPF will seek the frontloading of about 60 per cent of IDA 20 envelop in FY23 to respond to the multiple crises faced

by Mozambique. A program of pipeline projects has been discussed with the Government of Mozambique, emphasizing infrastructure investment, governance, and support for economic reforms.

The CPF mid-term review is planned for FY25, which will coincide with the period after the 2024 presidential elections and the start of the new IDA cycle.

Overview of the Current Portfolio



- Finance, Computers & Innovation
- Governance
- Macroeconomics, Trade & Investment
- Education
- Health, Nutrition & Population
- Social Protection & Jobs
- Digital Development
- Energy & Extractives
- Transport
- Agriculture & Food
- Environment, Natural Resources
- Urban, Resilience & Land
- Water



Current portfolio

 **41 PROJECTS**
IN MOZAMBIQUE

35 NATIONAL PROJECTS
 **TOTAL COMMITMENTS OF**
US\$5.3 BILLION
(as of January 2023)

+ 6 REGIONAL PROJECTS

The WBG will provide continuity in areas such as access to electricity, support for smallholder agriculture, and access to finance.

In the pipeline



Infrastructure: roads, urban transportation, and water projects corresponding to about 46 per cent of the indicative IDA20 allocation will further enhance WBG support for infrastructure.



Services: a capacity-building project will help address bottlenecks to effective service delivery. The operational pipeline and FCV approach also reflect the priorities of the Bank's Regional Strategy.

Regional dimension

Project design will place more emphasis on the regional dimension

and a stronger focus on gender, jobs and economic transformation, and governance. Implementation through country systems, including support for creating “centers of excellence” within the government, will enhance the sustainability of projects’ impact.

Up to four regional projects, which will also bring strong synergies from multi-country experiences, are envisaged to be financed through IDA’s Regional Window.

Funding sources

The CPF will also seek to mobilize additional funds for Mozambique, helping address the country’s structural savings gap. The program will continue to use Contingent Emergency Response Components (CERCs) for crisis response, together with access to IDA’s Crisis Response Window (CRW).

In addition to IDA and other concessional funding, the CPF will draw on the International Finance Corporation (IFC) private capital mobilization, with potential investment estimated to reach US\$900 million over the next four years—and the Multilateral Investment Guarantee Agency (MIGA). Building on the success of the previous program, opportunities for developing robust public-private

partnerships (PPPs) will be pursued.

Financial Instruments

Mozambique will continue to access a suite of financial instruments from the World Bank, notably **Investment Lending**, also known as Investment Project Financing (IPF), which will provide financing to the government’s activities that create the physical and social infrastructure necessary to reduce poverty and create sustainable development. It will also benefit from **Development Policy Financing (DPF)**, which provides government budget support for policy and institutional reforms. Mozambique will continue to benefit from **Non-lending Activities**, technically known as Advisory Services and Analytics (ASAs). The non-lending portfolio represents a combination of hands-on technical assistance, results evaluations, policy notes and broader reports that support the ongoing program and dialogue and inform the preparation of future operations where knowledge gaps exist.

World Bank Group Institutions Active in Mozambique

Together, the International Bank for Reconstruction and Development (IBRD) and the International Development

Association (IDA) from the World Bank, which provides financing, policy advice, and technical assistance to governments of developing countries. IDA focuses on the world's poorest countries, while IBRD assists middle-income and creditworthy poorer countries. World Bank funding to Mozambique comes primarily from IDA.

The other three institutions of the World Bank Group, the International Finance

Corporation (IFC), the Multilateral Investment Guarantee Agency, and the International Center for Settlement of Investment Disputes (ICSID) focus on strengthening the private sector in developing countries. Of these three, Mozambique uses the services of IFC and MIGA. IFC funding in Mozambique has been instrumental in leveraging IDA funding in strategic sectors such as energy and renewables.



Acronyms List

ASAs	Advisory Services and Analytics
CERCs	Contingent Emergency Response Components
CLR	Completion and Learning Review
CPSD	Country Private Sector Diagnostic
CRW	Crisis Response Window
DPF	Development Policy Financing
DRM	Disaster Risk Management
ENDE	Estratégia Nacional de Desenvolvimento (National Development Strategy)
FY	Financial Year(s)
GRID	Greener, Resilient, and Inclusive Development
HLO	High-Level Outcomes
IBRD	International Bank for Reconstruction and Development
ICSID	International Center for Settlement of Investment Disputes
IDA	International Development Association
IFC	International Finance Corporation
IFP	Investment Project Financing
MIGA	Multilateral Investment Guarantee Agency
MSMEs	Micro, Small, Medium, Enterprises
PQG	Plano Quinquenal do Governo (Government's Five-Year Plan)
PRA	Prevention and Resilience Allocation
SDG	Sustainable Development Goals
SCD	Systematic Country Diagnostic
WBG	World Bank Group





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