

Mozambique and Millennium Challenge Corporation

Building a Dynamic Partnership for Poverty Reduction Through Economic Growth

The Millennium Challenge Corporation and the Republic of Mozambique have signed a five-year, \$506.9 million Compact to reduce poverty and increase economic growth. The Compact's goal is to increase the productive capacity of the population in selected districts, with the intended impact of reducing the poverty rate, increasing household income and reducing chronic malnutrition in the targeted districts. The various interventions are designed to foster investment and increase economic opportunities for Mozambicans living in the North.

Background

Since emerging in 1992 from three decades of almost constant conflict, Mozambique has experienced one of the fastest growth rates in Africa, averaging eight percent per year over the last decade. To sustain this growth, it is necessary to unlock the potential of the economically lagging Northern provinces which are home to approximately 10 million people. Moreover, given Mozambique's rapid urbanization, its next stage of economic recovery cannot succeed without well-functioning public services in its cities where coverage levels for water and sanitation are declining.

Water and Sanitation Project (\$203.6 million)

The largest of the components in the Compact, the Water Supply and Sanitation Project, will increase access to a safe, reliable water supply and sanitation services thereby increasing productivity and reducing water-borne diseases - the leading cause of death in children under five. It involves water supply and sanitation services in six cities in the provinces of Zambézia, Nampula and Cabo Delgado; water supply in two mid-sized towns in Nampula and Cabo Delgado provinces; rural water supply services covering 600 water points in the Nampula and Cabo Delgado provinces; and capacity building of local institutions and policy development.

Transportation Project (\$176.3 million)

The Compact includes a Transportation Project that will improve access to markets, resources, and services; reduce transport costs for the private sector to facilitate investment and commercial traffic; expand connectivity across the Northern region and the southern half of the country; and increase public transport access for individuals to take advantage of job and other economic opportunities. Specifically, MCC funding will rehabilitate 491 km of key segments of the National Route 1 which forms the backbone of country's transportation network.

Land Tenure Services Project (\$39.1 million)

The objective of the Land Tenure Services Project is to establish more efficient and secure access to land by improving the policy framework; upgrading land information systems and services; helping beneficiaries meet immediate needs for registered land rights; and better access to land for investment. This project is comprised of three mutually reinforcing activity areas:

- ★ Policy Monitoring Pillar: to help improve the policy environment by addressing implementation problems with the existing land law, conducting regulatory reviews to improve upon it, and supporting training for predictable, speedy resolution of disputes;
- ★ Capacity Building Pillar: to build the institutional capacity to implement policies and to provide quality public land-related services by investing in human and information resources; and
- ★ Site-specific Pillar: to facilitate access to land use by helping individuals and businesses with clear information on land rights and access and with registering their grants-of-land use.

Farmer Income Support Project (\$17.4 million)

Coconuts and coconut products form an important part of the economy in Northern Mozambique. Outbreaks of Coconut Lethal Yellowing Disease (CLYD) now threaten the industry and the livelihood of over 1.7 million people in Zambézia and Nampula Provinces. At the present rate of spread, more than 50 percent of the coconut area is likely to be lost over the next nine years. Affected trees cease producing and threaten healthy trees; therefore, they must be removed and replaced.

The objective of the Farmer Income Support Project is to reduce the spread of CLYD, to improve productivity of coconut products, and to encourage diversification into other cash-crop production. This project will eliminate biological and technical barriers that hinder economic growth among farms and targeted enterprises while supporting diversification into other cash crops and improved farming practices to assist smallholders and producers recover lost income. In conjunction with tree removal and replacement, this activity will assist farmers in adopting new cropping systems and developing alternative sources of cash income during the time required for new coconut

trees to reach productive age. This component will also provide technical support to introduce better practices aimed at increasing crop yields.

The Compact also includes \$70.5 million for program management, oversight, fiscal accountability, monitoring and evaluation. In addition, the Compact budget contains \$40 million of funding for capacity building and technical assistance to strengthen local institutions.

Expected Results¹

- ★ The Water Supply and Sanitation Project is expected to raise the incomes of approximately one million Mozambicans by 2015.
- ★ The Transportation Project is expected to raise the incomes of approximately one million Mozambicans by 2015.
- ★ By 2015, the Farmer Income Support Project is expected to maintain the earnings of approximately 900,000 individuals who would otherwise suffer losses due to the spread of Coconut Lethal Yellow Disease.
- ★ The Land Tenure Services Project is expected to benefit 1.9 million Mozambicans by 2015.

Overall, the Compact is expected to raise the incomes of approximately 3 million Mozambicans by 2015.² These individuals are expected to generate approximately \$45 additional in income, on average, by 2015.³

¹The Millennium Challenge Corporation is currently developing updated guidance on beneficiary analysis to ensure that consistent practice has and will continue to be applied in describing the beneficiaries of its projects. The figures included represent a revision of original estimates based on this updated guidance and on more recent information. The figures offer preliminary estimates of project results and are subject to a variety of assumptions, risks, and adjustments. For more information on MCC's approach to beneficiary analysis, please visit <http://www.mcc.gov/programs/beneficiary/index.php>.

²This figure does not include the anticipated 1.9 million beneficiaries from the land project, as MCC anticipates that many or most will already have been counted as beneficiaries of one of the other activities.

³This figure represents the total income earned by each beneficiary between 2006 and 2015, discounted at 10% annually. This income gain is in addition to the income levels that would have earned in the absence of the MCC compact.

