

Let's Work Mozambique Country Pilot
Third programmatic review
Summary of advances and proposed work plan
January 2019

Introduction

This document summarizes the advances of the Let's Work Partnership (LWP) Mozambique Country Pilot during FY18/19 (Calendar 2018) and describes the proposed work program for calendar 2019 (the second half of FY19 plus FY20 until December 2019).

The LWP is a global alliance of development partners and private sector agents which supports private sector development in sectors with the potential to create more good jobs – especially for the poorest households and excluded groups – through analytical work, policy dialogue and pilot operations. It is financed through a Multi Donor Trust Fund (MDTF) administered by the World Bank Group (WBG). The motivation for the LWP initiative came from the IFC Jobs Study and the World Development Report on Jobs, both produced in 2013.

At the country level, LWP works with partners in the private sector, development agencies and government. It uses a value chain approach to highlight sectors with high jobs potential; to identify constraints to improving jobs outcomes; and to develop and implement policy and program initiatives to correct them. The Mozambique Country Pilot is one of six country pilots being carried out worldwide to develop and test the LWP approach¹.

The Concept Note (CN)² for the Mozambique Country Pilot proposed two major components: 1) *Jobs diagnostics and strategies*, which is focused on studies and analytical work to better understand the development of the Mozambican labor market and jobs outcomes, both at the national level and within key sectors and value chains; and 2) *Country pilots and operations*, which would finance innovative investments for job creation and productivity improvement and carry out rigorous evaluations of the resulting jobs impacts. In addition, the CN outlined stakeholder coordination and communication / change management activities, which cut across both components.

The first annual review re-grouped the activities into four components, as follows: 1) Program management and stakeholder coordination, 2) Jobs Diagnostics and Strategies, 3) Pilots and Operations and 4) Communications and Knowledge Management. This third annual review provides an update of implementation activities for each component during FY18 and outlines planned activities for the next year³.

Component 1: Program management and stakeholder coordination

¹ The LWP Pillar One Pilot countries are: Mozambique, Paraguay, Bangladesh, Zambia, Tanzania and Western Balkans). Under Pillar Two, LWP also finances an ambitious program of measurement initiatives that aims to help donors better understand the jobs impacts of their funding by developing tools such as tracer studies, value chain surveys and computable general equilibrium (CGE) analysis.

² The concept review for the LWP Mozambique Country Pilot was held in April 2015. The Concept Note is attached to the Review documentation. The first annual review was held in July 2016. The second review was held in November 2017. The review documents are in the portal and are also attached to the review package, for convenience.

³ This includes an additional implementation year compared with the original implementation schedule, which ended in FY18. This extension was approved in the first annual review and will run until December 2019.

This component covers the supervision of program implementation and coordination activities with LWP partners and with the Government. These activities are critical for LWP, whose central purpose is to build an alliance of development agencies, private sector actors and the Government to promote job creation and productivity growth that allows earnings and working conditions to improve. The goal of mobilizing the resources of multiple agencies to support the approaches developed by the LWP program implies investing significant resources in the stakeholder coordination function.

The team has carried out extensive consultations with Let's Work Partners and with the Government; this will be an ongoing work stream throughout the program. *Partners:* The team coordinated with donor partners of the LWP that are present in Mozambique, including IFC, DfID (which is the largest donor to the MDTF), the African Development Bank, ILO, Norwegian Cooperation and the International Youth Foundation (IYF). A stocktaking exercise highlighted the range of complementary programs already underway in Mozambique that are relevant to the LWP's agenda. For example, DfID has extensive private sector development, agriculture and skills programs. The ILO has supported the Government to develop the National Employment Policy (NEP). IYF is working on many pilot projects on entrepreneurship, informal workers, and agriculture that have commonalities with the LW Program.

Government: The team has coordinated with the Government of Mozambique to brief them on advances of the program. Given the emphasis on activities to generate demand for labor, the main counterpart for the program is the Ministry of Economy and Finance (MEF). The team has met regularly with MEF and the labor ministry (MITESS) and received their feedback on the design of the program and the outputs to date. The Labor Ministry commented that the value chain activities of the Let's Work program will support a central pillar of the new National Employment Policy (NEP). The team has also successfully engaged with the Ministry of Agriculture related to the Value Chain analysis and advocacy work, which are discussed later in this report.

Future stakeholder coordination activities: LWP Mozambique program will continue consultations with LWP partners and the Government around the design and implementation of recommended programs and policies and hold joint events through its communication strategy (see section on communication below).

Component 2 - Jobs diagnostics and strategies.

The Let's Work program has worked to inform and support the design and implementation of Bank Group and LW partners' programs to support skills development in construction, forestry and agribusiness value chains, including the activities of the Bank's Growth Poles and Landscapes projects and the new Forest Investment Project (FIP). The team has completed a fully-fledged *Jobs Diagnostic* (JD), which was reviewed at the time of the last progress report in November 2017. It was launched during a public event in August 2018 that received good media coverage and visibility. The LWP has also undertaken an in-depth analysis of jobs in key value chains through engaging local experts and stakeholders in the chains in question; it has been able to start to influence policy dialogue in key areas, such as the pigeon pea VC. The following sub-sections provide a summary of the main findings of the Jobs Diagnostic and the VC reports. Accompanying reports providing greater detail are annexed to this review (final Jobs Diagnostic; value chain studies for Cashew, Cassava, Pigeon Pea, and Plantation Forestry).

2.1 Jobs Diagnostic⁴

The Jobs Diagnostic (JD) that was completed in late 2017 built on the preliminary report that was prepared in FY16 using data from the 2012 labor force survey. It updated and enhanced the previous analysis, using data from the 2014 household budget survey (IOF). It also used data from the Government's new enterprise census, CEMPRE, which was completed in late 2016. The latter provides a rich set of information about firm dynamics and the evolution of labor demand since the last CEMPRE was carried out in 2003/4. Taken together this made possible a richer diagnostic that complies with the standards established by the Jobs Group in response to donors' requests during the IDA17 funding round.

The report focuses on the challenge of Mozambique's jobs transition: how to accelerate the shift into higher value-added activities and better livelihoods. As Mozambique enters the next phase of the demographic transition, the working-age population (WAP) is growing rapidly. Education levels are also steadily improving. However, good jobs are not expanding fast enough to absorb the growing, better educated labor force. The risk is that many young people will end up doing the same jobs as their parents—and in similar levels of poverty. In this context, the challenge is to help the labor force (particularly young people entering the labor market) increase their earnings by creating opportunities for more productive work. Regardless of whether they are engaged in self-employment or in wage jobs, it is necessary to link them to sources of capital, technology and markets, and to give them access to scale and agglomeration economies. Otherwise, the demographic dividend will be squandered.

GDP per capita grew 3.8% a year from 2008-14. Growth decomposition analysis undertaken for the JD shows that this was almost entirely due to labor productivity gains, while the relative contributions of the rates of employment and participation are both slightly negative. Forty-eight percent of growth in GDP per capita came from the shift of labor out of informal self-employment into informal non-farm services (household enterprises), and a further 32% is from transition into formal service jobs. The remaining 20% of the total gain in per capita GDP is due to several factors. One of them is rising productivity within agriculture (up 22% in this six-year interval, or 3.5% a year). This reflects the shift of surplus labor out of the sector plus the expansion of modern technology and increased production of cash crops. Productivity in industry also rose (by 12%). These gains were offset by a 14% decline in average productivity in services, which is the product of the fact that jobs in informal services are growing faster than those in more productive, formal services.⁵

Although the shift from self-employment in agriculture to self-employment in services typically produces a one-off gain in productivity, it is unlikely to lead to dynamic gains, because there is little prospect for self-employed service workers to raise their productivity further, given their atomized organization (leading to coordination failures); low skill levels; and lack of access to capital.

This pattern of structural change in jobs has facilitated an increased rate of poverty reduction over the last decade. The official headcount poverty rate fell from 69% to 63% over 2008 to 2014; and the \$1.90 a day headcount rate fell from 59% to 48%. This follows a period of flatlining from 2002 to 2008. But these gains mainly reflect improved outcomes for households in the top half of the income distribution. The income share of the bottom 40% of households fell from 15% in 2008 to 11% in 2014; and the Gini coefficient shot

⁴ The findings from the Jobs Diagnostic were first reported in the Program Review undertaken in November 2017. They have been kept in the present report in order to have an integrated summary of the main outputs from the Mozambique Let's Work program in a single document.

⁵ These findings are broadly consistent with those of Jones, S. and Finn Tarp (2015). Understanding Mozambique's growth experience through an employment lens. WIDER Working Paper 2015/109. Jobs Diagnostic analyses changes in the level of productivity in each sector, while Jones and Tarp focused on changes in the rate of growth of productivity in each sector,

up from 0.47 to 0.56. Attacking inequality and sustaining faster poverty reduction in the next decade will call for more emphasis on helping households lower down the income distribution shift into better jobs.

In addition to the insufficient creation of good jobs, the JD also identifies significant problems of exclusion of women (especially through the underemployment of low-skilled women in rural areas) and of youth. This is especially true of relatively well-educated urban youth, who exhibit high reservation wages and queuing behavior as they attempt to get a formal sector job). Policies to address the constraints to labor demand growth are clearly needed.

The Jobs Diagnostic also includes a new look at the development of jobs in formal firms between 2003-2016, based on the CEMPRE data. The analysis confirms a clear pattern of expansion of formal firms, growing at 3.7% a year, and formal jobs, growing at almost 6% a year. The main concentrations of formal jobs are in manufacturing (19%), commerce (27%), construction (11%), transport (10%) and other services (12%). The main challenges identified in the analysis are: the need to accelerate formal jobs growth beyond the area around Maputo; the need to accelerate productivity growth in formal commerce and services, which are among the biggest sectors but have the lowest productivity growth; and the need to accelerate the still-modest rate of decline in the concentration of market power in the hands of the biggest firms. These findings confirm the conclusion of the growth decomposition analysis, that more attention should be paid to realizing the potential for better jobs in formal services outside of manufacturing and mining.

Box 1: Action recommendations from the Jobs Diagnostic

The conclusions of the JD focus on the policy recommendations for Mozambique. As in other lower-income countries in Sub-Saharan Africa, the transition towards higher productivity jobs in Mozambique is still at a very early stage. Much of the structural transformation of the labor force is still taking place within the informal sector. As workers move away from agriculture towards non-farm work, both in rural and urban areas, many remain in relatively low-productivity, informal self-employment. Furthermore, there is growing concern that—in the face of shifting global technology trends, demand growth, and trade policy changes—the traditional route to development through the expansion of jobs in manufacturing may be closing. Mozambique needs a viable strategy to transition its output and jobs towards better capitalized, more productive activities that can generate increased earnings in a changing world. Better jobs will be at the heart of any successful development strategy. The strategy should include:

- Economy-wide policies that affect the business environment, sectoral-level policies to remove obstacles to the growth of good jobs, and “bottom-up” interventions to support jobs-rich private sector investments in specific regions and sectors.
- Simulations (Jones and Tarp, 2012) suggest that even if the number of non-agricultural wage jobs increases at double the rate of growth of the labor force through 2050, the number of people working in non-wage jobs (household farms and firms) will still double over this period. In both sectors, the objective of jobs policy should be on increasing opportunities and productivity.
- A coherent strategy to raise the productivity of smallholder farmers is critical. Even though land is not scarce, and the average farm size even in poor households is relatively high (compared with some East and West African countries), incomes are still low, and underemployment is common. Use of inputs is low, as well as lack of market access. There is a strong case for public support to transition smallholders into productive activities that are linked to the modern economy, where productivity and earnings will be much higher. A coherent strategy could include infrastructure investments to provide market access, transparent land concessions for commercial farms, and support to the expansion of contract grower schemes for smallholder framers, which can also be an effective way to improve extension services for smallholders.

- Income diversification to reduce exclusive dependence on crop income should also be encouraged. Where adequate market channels exist, diversification into livestock activities can help rural households move out of poverty.
- The creation of more wage employment is also critical as it represents the main engine for growth, development, and poverty reduction. In addition to benefiting the workers who get formal jobs, this process produces multiplier effects beyond the formal sector. If Mozambique wants to rapidly create more wage jobs in private enterprises, it needs more private investment in labor-intensive production. Manufacturing could be for internal market demand (such as processing domestic agricultural production for the growing urban population) or manufacturing to supply a growing construction sector. Such jobs do not need to be in manufacturing; they can also be in services and agriculture.
- The natural resource sector, if developed strategically, could offer a tremendous opportunity for Mozambique to sustainably increase economic growth. Within five years, coal and gas projects could double their contribution to GDP. Mineral discoveries have also led to substantial foreign direct investment. With over a thousand prospecting and exploration licenses in place, the metals and minerals sector could potentially contribute an additional 8 percent to GDP. Direct employment in extractive industry is usually small, but mining and gas could generate four to five times more jobs through indirect employment (World Bank, 2012a). For this to happen, strong linkages should be developed between the large foreign direct investment investors and smaller domestic enterprises. This will require policies to increase the competitiveness and productivity of local firms so that they will be able to supply at the scale and quality required by foreign investors.

The main findings of the JD have been used to inform the preparation of a new World Bank project on harnessing the demographic dividend. One of the three components of the project will focus on support to formal jobs creation through the private sector and support to better employment opportunities for youth.

2.2 Value chain development for better jobs

Starting in FY17, the Let's Work Mozambique Program (LWP) undertook in-depth value chain analysis for four value chains: cassava (main food staple), cashew (traditional high value agricultural export), plantation forestry (key link to sustainability and climate change mitigation), and Green construction (link to urban growth and sustainability). Let's Work had originally intended also to include value chain studies for pigeon pea and sesame as rising major non-traditional agricultural exports (mainly to Asia). The pigeon pea paper was accelerated due to an urgent Government of Mozambique request in the course of 2017; the Government was dealing with a trade dispute with India following serious disruption of the Asian pigeon pea market and the possibility that India might not honor previous commitments to import from Mozambique. The International Growth Center (IGC) was in a position to provide immediate lead authors and funding. Let's Work agreed to support this effort through the time of its consultants and LWP is accordingly duly recognized on the cover of the paper. MASA has already cleared and published the paper through IGC.

The World Bank's Global Agricultural Practice was already undertaking a value chain study for sesame in Mozambique as part of their project on Scaling up Smallholder Inclusion in Value Chains. It was agreed not to duplicate this. This study was completed in mid-2018. Let's Work facilitated restitution of the results of the sesame study through its support of the Agricultural Platform in Maputo chaired by the National Directorate of Planning and International Cooperation (DPCI) of MASA. A joint LWP Mozambique and World Bank Agricultural GP team member presented the World Bank sesame value chain results at the

November 15, 2018, meeting of the Agricultural Platform in Maputo (see details of the study conclusions below).

The cassava, cashew, plantation forestry, and Green construction value chain studies were duly contracted out in 2017 to Mozambique-based consultants: Carlos Costa for cassava and cashew, Leonor Serzedelo de Almeida for plantation forestry, and Francisco Barreto and Adrienne Acioly for Green construction. Drafts were duly received in the second half of 2018, sent out for external and internal peer review, and a formal World Bank Quality Enhancement Review (QER) was held with authors, peer reviewers, and LWP representatives from the World Bank and DfID in Maputo on November 15. Peer review comments were synthesized and needed revisions agreed with the authors. Revised drafts of the cassava, cashew and plantation forestry papers addressing the QER and comments since then have been provided for the present meeting, and the LWP team recommends that they be published following any needed revisions and copy-editing. Significant insights from the papers are given below.

The discussion at the QER of the Green construction paper agreed that it was full of insights for the Nampula area, but was not ready as a general assessment of the desired issues. The ILO peer reviewer (David Marcos) informed the QER that ILO (a Let's Work Partner) planned to produce a substantial new report on jobs and gender implications of the choice of construction materials more generally in Mozambique, in the first half of 2019. He felt that ILO would welcome more work on Green aspects of the issue. It was agreed that a re-write of the Let's Work paper should be merged with the ongoing ILO effort to produce a joint report. An update on progress is given below.

Cassava: Cassava is a tropical food crop whose global production grew at 2.7% per annum between 2000 and 2016. Africa accounted for 57% of global production in 2016, and by weight cassava is Sub-Saharan Africa's main food starch, about 1/3 of total by weight. However, Asia and Latin America accounted for most of the industrial use of cassava, a rapidly expanding high value sector that includes: High Quality Cassava Flour (HQCF) with end uses as diverse as processed foods and plywood; wet cake for beer-making; ethanol for distillery and pharmaceutical uses; and starch for sweeteners, toothpaste, and cosmetics.

In Mozambique, cassava is also the principal food starch (30% of all calories), well ahead of maize, but also plays a food security smoothing role, as in the rest of Africa, in that it can be stored unharvested for up to 30 months underground. It is also more resilient to climate change than are cereals. However, fresh cassava has a shelf life of only 3 days once harvested. Over 100 varieties are grown in Mozambique. Most of Mozambique's sweet cassava is produced in the southern coastal region of Inhambane, but most national production is in the Northern provinces. Ninety percent of Mozambique's overall production consists of bitter varieties that are more resistant to pests and diseases but contain cyanosis glucosides that need to be eliminated through post-harvest processing for safe consumption as food or feed. Mozambique's average cassava yields are low relative to West Africa and 1/2 to 1/3 of Latin American or Asian yields, respectively.

Most cassava processing in Mozambique is non-mechanized and traditional, involving soaking, drying and chipping or grating. This is highly labor-intensive, low profitability work. Some mobile mechanical processing units are found, mostly in the South. Domestic markets are overwhelmingly for use as food, with a large majority consumed directly on-farm. Only six percent of production in 2011 was used commercially for non-food, two-thirds for feed and 1/3 for starch.

An optimistic set of estimates by an international consultancy in 2015 foresaw the possibility of using an upper bound of 212,000 tons of HQCF, cassava ethanol, and cassava industrial starch combined for domestic purposes by 2020 and selling a further 150,000 tons in regional markets (mostly South Africa) that year. Seemingly little progress has been made to date in achieving these levels of use. Further possibilities for trade and price smoothing arise from the fact that farmers in Mozambique consume and

often produce both maize and cassava. If maize prices rise in the region, farmers can eat more cassava and sell more maize, and vice versa.

Low levels of productivity for cassava in Mozambique and poor transportation infrastructure are major barriers to the development of a viable larger-scale cassava processing industry, as from the business point of view the cost of raw material is high. But from the farm point of view, prices offered by industry are too low, perhaps 3 to 4 US cents per kg, which fails to make effort on a small farm worthwhile. Present cost levels based on a survey by the paper author in Inhambane province is that unit costs of production on rainfed smallholdings range from an equivalent of 9 to 30 US cents per kg under yields ranging (respectively) from 10 to 3 tons/ha. Producers would need to achieve at least 15 tons/ha to be commercially viable at present market prices, compared to average Mozambique yields that have varied between 5 and 9 tons /ha over the last decade.

Public policy over the years has tried to encourage development of the cassava sub-sector. The crop is a priority in the current Agricultural Sector Strategic Development Plan (PEDSA). Beer is normally taxed 40%, but only 10% if made with cassava. Biofuels policy favors the use of cassava feedstock. Food safety polices, however, have been lax, which discourages exports of high value-added cassava food products to regional markets.

Box 2: Action recommendations for the cassava sub-sector

- Adopt a "Master Plan to Develop Cassava Value Chains" similar to Nigeria, Ghana, Thailand, and Vietnam, with a multi-stakeholder Platform to coordinate, monitor, and evaluate implementation.
- Adopt policies including infant-industry subsidies to promote production and use of HQCF, cassava-based ethanol, and industrial cassava starch through PPPs, but these should be clearly time- limited, as improvements in on-farm productivity and post-harvest efficiency should be the basis of a strategy going forward.
- Encourage creation of a network of service providers to operate in smallholder farm areas to deliver improved inputs, capacity-building, and advocacy.
- Encourage farmers to organize themselves into associations to facilitate access to service providers, including improved germplasm and other purchased inputs, to support production of high-quality fresh roots to sell in more demanding markets and to supply processing units that cater to those markets.
- Increase research allocation to pest control in sweet varieties more suited to industrial processing. IIAM should collaborate with international specialized institutes such as IITA and peers in Africa, Asia and Latin America to acquire and multiply pest resistant varieties with higher starch content and productivity.
- Intensify technical support schemes for cassava processors and capacity building for people throughout the processing supply chain.
- Support local processing companies in accessing export markets by hosting or attending trade shows and conferences and improving availability of market intelligence from abroad
- Carry out a campaign to mentor small-scale processors for avoiding uncontrolled cassava effluents, while introducing a set of legal norms to prevent medium and large processors from polluting

Cashew: Approximately 1.3 million Mozambican farm households have cashew trees, which generate cash income to supplement subsistence diets. Thirty percent of these are headed by women. Overall, 6.5 million people derive livelihoods in part from cashew, adding US\$80 to US\$120 per capita to the annual net income of growers. Furthermore, 150,000 people are employed in some capacity in marketing and processing, with potential to add another 30,000 processing jobs. Before the revolution, Mozambique was the world's largest producer of raw cashew nuts (with 216,000 tons). In 2017, national primary production was still only two-thirds of the 1972 level, but it is growing strongly and the national cashew institute, INCAJU, targets surpassing pre-revolutionary production by 2020.

Key challenges in primary production are to replace aging trees with improved root stock and to step up anti-fungal spraying, so yields can rise from the current low average of 3 kg/tree. The pre-revolutionary industry also had primary processing plants, which were closed in the late 1990s. This followed the controversial removal of a protective export tax that had favored processors in Mozambique at the expense of growers. A new law (13/1999) led to a variable export tax being established in 2001, set at around 20% of FOB value (it currently stands at 18%).

Cashew, cotton, tobacco, and sugar cane remain measurable contributors to improving the Mozambican trade balance. However, unlike those other crops, whose production is supported by private enterprises through specific schemes, cashew production in Mozambique is carried out by millions of rural families, without any other support than that provided by public services. The fact that most raw cashew nut (RCN) is still exported unprocessed (Mozambique only processes about 1/3 of its RCN production) implies that the crop may have potential to generate better jobs through more efficient rural industrialization based on processing. It is crucial to invest in new modern processing units that add value to RCN.

The report identifies key obstacles to job creation within the cashew sector and provides insight on how to remove obstacles. It begins by a general description of cashew culture, its characteristics and cultivation practices, and emphasizes the multipurpose uses of cashew, including a range of by-products that could be a source of new and better jobs. The report also presents a general overview of the cashew industry around world. It concludes that the global industry is flourishing and the market for cashew nuts is growing internationally at a faster pace than other popular nuts such as almonds, macadamia, pistachios, and walnuts. This provides an opportunity for African cashew producers to capture a growing market. The present cashew business global scenario suggests an opportunity to add further value to the cashew domestic production and generate new jobs, provided there is focus on building an efficient processing industry. Any strategy to achieve this will need to deliver on four inter-related determinants of cashew industry growth:

- Good raw cashew nut quality and out-turn, expressed as a higher kernel output ratio (KOR)⁶;
- A higher level of labor productivity;
- Adequate working capital;
- Technology relevant to the prevalent social economic context of smallholder producers.

The potential for impact through the expansion of jobs in processing cashew internally is surely lower than the potential job creation from increasing RCN production, but is not negligible. Trading is the third area of potential job creation. Thousands of small/medium traders act as middle men, retailers, wholesalers, and exporters. The value chain in Mozambique therefore is usefully considered according to its three stages: production, processing and marketing.

The overall production level is determined by smallholder producers. Production is highly affected by pest management or lack thereof (use of chemicals) and climate change effects on production. These issues must

⁶ KOR is measured as the share by weight of kernels in a bag of cashew nuts.

be attended to in any strategy intended to boost production. Industrial processing has been going through ups and downs for about 30 years, after the privatization of the main processing units. It was revitalized over the past decade with the support of donor-funded initiatives. The processing sector now comprises 15 factories employing approximately 17,000 workers, 57% of whom are women. There is potential to double these numbers. Marketing includes RCN domestic trading and exports, as well as specialty outlets for white, roasted, and flavored kernels and smaller quantities of Cashew Nut Shell Liquid (CNSL) and some alcoholic beverages from the cashew apple.

The cashew value chain is one of the most regulated for crops, with fiscal policies governing the distribution of incentives amongst main activities in each country. Yet, despite the heavy intervention of most Governments, results have been mixed with more success in some countries than in others. Mozambique has not been particularly successful with the implementation of its adopted policies, especially its export tax policy to discourage export of RCN as compared with processed products. Primary RCN production has not grown, and it is still behind the rate of growth of most of the African producers. Nevertheless, the processing industry has grown steadily, and Mozambique's processing sector is again the most developed in Africa.

The Mozambique Government decided recently to maintain law 13/1999 on export taxes, keeping it in force while reformulating its accompanying regulations. This move implies that any strategy to intervene in the cashew business must consider the policies in force (18-22% taxes on RCN exports). The new regulation includes a set of rules and activities intended to govern cashew value chain activities.

INCAJU (National Institute of Cashew) is the State Agency in charge of supervising the cashew business in Mozambique. Its main role for the period 2017/2020 is to implement the activities previewed in the Cashew Master Plan, approved by the Government of Mozambique. This includes several interventions to develop the value chain in all its dimensions, to improve existing jobs, promote the processing of new products, and create new jobs. Moreover, it stresses the need for any development promoter to work in coordination with the relevant state agencies and the private sector to implement the Government Cashew Master Plan. INCAJU's main task as a regulatory body is to create a friendly environment to attract investments to cashew sector and to generate new and better jobs. This necessarily implies the implementation of an effective strategy to address the main constraints in each step of the value chain and to mitigate or eliminate the main obstacles to the development of the cashew business. It also implies that investors need to specifically align with INCAJU in the implementation of the Cashew Master Plan directives.

Box 3: Action recommendations for the cashew sub-sector

- Set up a multi-stakeholder Platform including input and service providers, farmers, bulkers, transporters, and processors, importers from target markets, financiers, technical experts, and government. Use the platform to periodically review market and production developments, legislation, and regulations affecting the functioning of the sector all along the chain and recommend actions.
- Target farm productivity and production of cashew nuts through motivating smallholders to participate in producer organizations, enhancing access to technical advice, input services, better germplasm, and better voice in dealing with companies and government.
- Promote the gradual privatization of seedling production and distribution by promoting private nurseries in farm communities, and through producer associations.
- Privatization of the cashew spraying program with complete elimination of subsidies and autonomy of commercialization of chemicals, equipment, and application labor.
- Support the establishment of public and private commercial structures (warehouses, transportation, access roads) in strategic locations.

- Encourage establishment of public-private partnerships (PPP) to better link cashew processors to farmers activities.
- Promote the creation of a publicly accessible market and technical information system (production, processing, domestic and foreign markets) to ensure transparent access to strategic and technically credible data.
- Promote achieving scale in production and marketing of cashew shell by-products with high energy content to generate energy.
- Promote industrial use of cashew apple to produce packaged fermented beverages complying with food safety and legal regulations.
- Promote partnerships between processors from AICAJU, the association of processors, and INNOQ, the Mozambique National Institute for Standardization and Quality, to create a set of norms and procedures to meet certified Food and Safety standards for more demanding international markets and monitor the implementation of standards at all levels.

Plantation forestry: Rising domestic and international demand for forest products, Mozambican national endorsement of concerns about reducing GHG emissions from rapid degradation of natural forests in the 2015 IPCC process, and the search for income sources in a relatively land and forest-abundant country such as Mozambique have increased interest in promoting plantation forestry. Yet plantation forestry at a large scale—as practiced elsewhere—has been slow to take off in Mozambique, where community views of their rights to land often conflict with official Government allocations of land to logging companies. Furthermore, the main use of wood in Mozambique by far remains charcoal for cooking fuel, even in the capital city, and commercial operations based on forest plantations find it hard to compete with artisanal operations using (often illegally) harvested wood from natural forest in a low value-added sub-sector.

Nonetheless, interest in promoting plantation forestry remains high in the light of recent stepped up enforcement of laws concerning the sustainable harvest of natural forests, the fact that Mozambique is a net importer of construction materials made from wood, and the need for income sources in those rural areas—often remote—suitable for expanding forestry operations. Going forward, there is a growing recognition of the need for community involvement in expanding land devoted to forest plantations. The problem turns out to not be just disagreements over who gets to use which pieces of land, but also issues of whether people from the community can be profitably integrated into plantation workforces requiring both skills and reliability of participation when needed.

There is growing recognition that at just 60,000 ha of large-scale commercial planted forest at the present time and an optimistic potential of 1 FTE job per 20 ha of large-scale commercial plantation going forward, large-scale commercial plantation forests to date have been minor contributors to job creation, and targets of creating 250,000 new jobs from 1,000,000 ha of large-scale commercial plantations by 2030 are unlikely to be met. At most, 50,000 jobs seem possible by 2030 in large-scale commercial plantation forestry, and even that depends on having a very different relationship with local communities than is the case at present. Commercial forestry actors are increasingly recognizing the need to engage local communities more systematically if they wish to succeed in using large allocations of land from the government for production. A number of civil society actors have emerged to help in the process. Companies themselves have also engaged in costly large-scale activities of a corporate social responsibility nature.

More recently, the potential for better integrating smaller scale commercial forestry into community land use patterns has emerged as an important theme for “productive landscape” activities. The latter integrate efforts to promote community agriculture and forestry on a commercial basis as part of broader and more sustainable efforts to improve land use by communities and create more and better rural jobs at scale. An example given concerns the Mozambique Forest Investment Program (MozFIP) funded by the World Bank. These approaches seek to engage with rural communities (which still represent the majority of the national population), strengthen local land tenure and land use planning, extend sustainable practices, and facilitate

out-grower schemes with a private sector that provides community producers of forest products access to capital, skills, and markets.

The prospects for commercial forestry in Mozambique are also bounded by the same factors that limit the growth of all businesses; Mozambique ranked 138th out of 190 countries considered in the 2018 version of the World Bank's *Ease of Doing Business Indicators*. For forestry, difficulties in contract enforcement, a relatively very high cost of capital, difficulties in actual access to inhabited land (which in the view of communities is most land) are all prominent. However, the present study included a survey of large-scale commercial forestry companies in Mozambique that underlined the relevance to community engagement of the issue of skills gaps for commercial forestry. Out of 43 distinct skills respondents identified as needed for commercial forestry, only 10 were thought to require substantial educational achievement such as a technical college or university degree. Many require no formal education. Yet all require some formal training that the company would need to provide, and there was felt to be a need to bring in non-locals for many jobs and non-nationals for the more skilled jobs. The remoteness of many plantations raises the cost to companies of providing training. Employee absenteeism rates of 25 to 50% raise commercial costs further.

Comparisons of components of unit costs per cubic meter of eucalyptus timber produced commercially in Mozambique, Brazil, South Africa, and Uganda is instructive. Although labor costs are three to four times lower in Mozambique and Uganda than in the other cases, other costs (establishment and maintenance, administration, and harvesting) are higher for Mozambique and Uganda. And Mozambique overall is less competitive than all the other cases, including Uganda, because of a lower harvest volume of biomass, a biophysical issue over which human action has relatively little sway (at least in the time frame in question).

The take-aways from the study are that large-scale commercial plantation forestry is unlikely to be a major creator of jobs for nationals through 2030. On the other hand, integrated smaller scale commercial out-grower activities in forestry in inhabited areas are likely to have significant poverty alleviation and sustainability benefits, potentially at large scale in terms of people affected. The commercial component provides income to the community. Other features here integrate the reforestation of hillsides, nitrogen (and thus carbon) fixing trees in farmers' fields, and reforestation of the headwaters of streams that provide significant ecosystem benefits to agriculture, benefits that are being lost under deforestation. These landscape level community forestry activities will need to achieve market recognition for all these benefits in order to grow outside the context of projects that de facto channel resources to socially profitable if not yet fully financially profitable activities.

Current policies of the Government of Mozambique appear to recognize these potentials. The large-scale commercial forest sector also seems to recognize the need to better engage communities through corporate social responsibility initiatives. The best pathway to achieve success at larger scale for all is to integrate community landscape level project activities, local governance, private forest sector investments, and national infrastructure investments into a unified land use approach that creates synergies for all.

The Let's Work program has worked closely with other WBG teams and Let's Work members in the forest sector. LWP supported the development of the Mozambique Planted Forest Grant Scheme, which has been incorporated as part of the Forest Investment Program (FIP). This was modelled on a successful initiative in Uganda. LWP has also coordinated with the IFC team working on the Portucel project, and with the DfID funded training project, JOBA, supporting a skills assessment to identify training needs in the sector. In FY19, LWP will participate in a dialogue group involving MASA's National Directorate of Agriculture and Silviculture (DNAS), civil society groups and private sector actors to promote policy actions to resolve the key constraints facing the sector.

Box 4: Action recommendations for the plantation forestry sub-sector

- Finalize establishment of a National Land Use Plan that includes a National Forest Policy, Strategy and Law with significant community and private sector participation.
- Use matching grant schemes financed by concessional public sector resources to leverage private investment in community woodlots, other forms of community-led plantation forestry, and greater formal private plantation forestry sector involvement with community out-growers.
- Recruit and empower an independent third-party organization endorsed by relevant stakeholders and paid by companies to intermediate communications between forestry operators, communities, and government.
- These communications should include: communities' rights and land values, what communities could realistically expect to get from the private sector; the negative impact of practices such as slash-and-burn agriculture on land values—both market-mediated and eco-system service related.
- Promote lesson learning from agricultural contract farming for out-grower schemes between plantation forestry operators and communities.
- Promote private sector mobile agroforestry schools to mitigate the current lack of access to training in remote areas while avoiding the heavy costs of disseminating training institutions throughout a vast country.
- Establish a platform of forestry plantation operators to discuss and recommend items for policy standardization, harmonization, organization, advocacy and representation of the sector, both at national and international level. It could also become a think tank on best practices, including community engagement and infrastructure development.
- Define minimum criteria for incorporation into Mozambican legislation with respect to sustainable forest management, akin to Forest Stewardship Council norms.
- Develop community land-use plans with local stakeholders, delimit different kinds of land and different rights and strengthen community-based organizations that deal with land. This will eventually need to entail the issuance of DUATs to community stakeholders.
- Facilitate out-grower schemes of the private sector through some form of public-sector grant scheme encouraging good corporate practice vis-à-vis communities.

Green construction: As evidenced in the Jobs Diagnostic report, Mozambique has experienced rapid growth in the construction sector. That opens opportunities to deepen the jobs impact by promoting intensified use of national inputs, in place of imported materials. Over the last year, Lets Work Mozambique has worked with the Government's Urban Housing Directorate, with the ILO (LWP partner in Mozambique), and the IGC to analyze opportunities to accelerate jobs growth in "Green construction"; that is, alternative building materials systems that maximize the use of local inputs and labor. Such opportunities have also been promoted by LWP partner ILO in Zambia and more recently in Mozambique.

Given the mandate of the LWP to collaborate with its partners (present in country), the LWP and the ILO are partnering in the green construction sector. During the QER, it was agreed to merge the present draft of the green construction paper with a substantial review ILO is doing to produce a report on the jobs and gender implications of choice of construction materials generally. The WB Maputo-based LWP team is teaming up with the ILO to produce a revised LWP draft on Green construction by March 2019 ready for immediate peer review and revision, with a final published version ready by May 2019. That approach would have LWP supplementing the larger ILO report and avoiding the appearance of competing with it.

Presently, the team is working on restructuring the Green report, in particular: to develop the outline based on the ILO (Employment Impact Assessment) conception report and following a similar structure to the cassava value chain report; to re-organize the existing information from the former Green construction report into the new one; to identify the gaps within the report (e.g. from INE, MOPHRH, ILO and other sources); to determine what information needs to be gathered and analyzed; to overcome current constraints

on collecting information at national level, aimed at a broader focus on green infrastructure than solely on green housing (with assistance from the Green Building council and MOPHR).

Pigeon pea: Pigeon pea is an annual crop, produced almost entirely for export to India, where it is processed into dahl. The intermediaries who promote the crop and purchase output from the farmers are mainly Bangladeshi traders, operating on behalf of the exporters, who sometimes provide finance to the growers and often work in coordination with local commercial outlets. Selling into the huge Indian market, where demand has been growing ahead of local production, represents an important opportunity for Mozambican producers; 98% of output is normally sent to India.

Production of raw pigeon peas has expanded strongly, at 8% a year for the last five years. But exclusive dependence on the Indian market is also a major risk. In 2017, in response to the high prices paid in 2016 (MTN 45/kg) there was a 80% leap in Mozambique's output, to 250,000 tons produced by 1.2 million farm households. This, in turn, produced a glut and farmgate prices collapsed to MTN 6/kg, which does not cover estimated production cost of MTN 10/kg. This is a classic cobweb cycle: the unstable interaction between a high, lagged price-elasticity of supply in annual crops and price-inelastic demand.

Farmers need strategies to shift efficiently between crops based on market signals, and to diversify to help manage risks. This includes a need for mechanisms to stabilize the market and provide farmers with good signals of the likely volume of demand and prices. An MOU signed in 2016 between the Government of Mozambique and the Indian government guaranteed at least 125,000 tons of pigeon pea exports to India in 2017, and seemed at the time to be a move in that direction. But an unexpected glut in Indian domestic production led to a halt on imports by the Government of India, only 40,000 tons had been exported to India by Mozambique by November 2017, although the remaining 85,000 eventually were let into India under strict rules of origin certification. For 2018/19, 150,000 tons are planned under similar rules.

Let's Work supported through consultant time the response of the International Growth Center (IGC) to a MASA request in 2017 for urgent advice on how to strengthen the sector in the face of issues with the saturation of a very dominant single external market. India will remain paramount as an export destination, but there are a number of shorter and longer-term actions identified in the report that could strengthen the resilience of the sector in Mozambique to market shocks.

Box 5: Action recommendations for the pigeon pea sub-sector

- Hold national meeting with pigeon pea exporters to clarify the methods and criteria used for allocation of export quotas and issuing of certificates of origin.
- Establishment of a platform for ongoing dialogue between pulse traders and the Government.
- Inform all extension workers about current status of and prospects for pigeon pea markets, so that they can then further disseminate the information among farmers.
- Promote cultivation of mung bean, common bean and sesame, particularly in the districts of Middle and Upper Zambézia.
- Request the Government of India to send seeds of pulses other than pigeon pea in the context of the Memorandum of Understanding.
- Systematic and periodic compilation of statistical data on the production of pigeon pea by season and by district.
- Request FAO to include estimates of pigeon pea production on FAOSTAT.
- Include pigeon pea prices in different districts in reports of MASA's statistical unit, SIMA.
- Identify and train staff at MASA/MIC to monitor dynamics of the international pulses market, particularly pigeon pea, and disseminate the conclusions of the analyses, inside and outside the Ministry.
- Improved monitoring and recording of export of pulses.

- Train Customs and MASA officials in the ports to correctly distinguish and record different types of pulses. For pigeon pea in particular, start using the correct line of the Customs Tariff Schedule, number 071360.
- Promote the country's image as a producer of pulses using diplomatic representations in key target markets.
- Identify partners in Europe and America to promote consumption of pulses produced in Mozambique.
- Promote domestic pigeon pea consumption through awareness creation campaigns.
- Introduce pigeon pea in school feeding and food assistance programs.
- Detailed mapping of agro-climatic potential of other pulses, such as mung beans, chickpeas, lentils and corresponding market studies.
- Encourage development partners and NGOs to focus on other pulses in their interventions and programs in the agricultural sector
- Release of improved varieties of other pulses, particularly mung bean.

Sesame: Sesame has emerged as an important cash crop in Mozambique over the last two decades, with output rising from almost zero in 1998 to 70,000 tons in 2016, largely due to diversification away from cotton, driven partly by low prices for the latter. This process has been supported by USAID. Like pigeon pea, it is an annual crop and is therefore vulnerable to price instability. Production is mainly for export to China and Japan. The main exporters are ETC and OLAM. Processing is limited to cleaning, dehulling and grading. For oil processing to be viable, larger volumes are needed (over 100,000 tons input annually per large scale mill). There are multiple quality and productivity issues in primary production, including the need to develop drought resistant varieties and control adulteration.

As mentioned above, LWP opted to not carry out the planned study of the sesame value chain as a World Bank project had already started a similar study under separate funding. The main conclusions of the World Bank sesame value chain study were as follows: (1) the sesame value chain in Mozambique has the potential to include more smallholders; (2) besides the existence of favorable agronomic conditions for growing sesame, the crop does not compete in terms of timing with maize for weeding and harvest labor, two potential bottlenecks; (3) is Mozambique geographically close to key sesame markets (Asia, Middle East); (4) demand is well paid and expected to grow; (5) there is scope for value addition since current smallholder participation in the chain is at the low end of value because of the average low quantity and quality of crops that are bulked together for marketing; (6) contract farming could in theory allow smallholders to benefit from credit, inputs, and knowledge for export markets needed to sell at the high end; (7) but the sustainability of this arrangement is threatened by easy side-selling⁷, as demonstrated by the failure of previous contract farming schemes for sesame. Separate ongoing work with a sesame aggregator in the north of Mozambique is exploring further options for collective action.

Next steps: as outlined in the communication section below, the VC studies will be presented during the agricultural platforms jointly organized with MASA.

2.3 Jobs Strategy.

⁷ Side selling--selling to an outlet that did not provide credit and inputs to farmers to grow the crop in the first place--discourages integrators from investing in their suppliers as they cannot recoup their investment through discounted purchases of crop outputs.

A preliminary outline for a Jobs Strategy was developed in FY16. It was conceived as a “living document” that would be further developed based on the findings of the Let’s Work Program and of relevant analytical and technical assistance activities undertaken by the WBG Mozambique country team⁸.

The JD has re-confirmed the main challenges that were flagged in the preliminary jobs strategy outline, which recommended a focus on: (i) the creation of higher productivity jobs for smallholder farmers; (ii) the promotion of formal private sector jobs, especially in labor intensive manufacturing and services; and (iii) improving the connection of excluded groups to labor market opportunities. This includes finding ways to link under-employed women and the emerging generation of better-educated youth to work opportunities in private sector jobs.⁹ To achieve these goals, Mozambique needs to shift the pattern of growth away from the heavy dependence on capital-intensive “megaprojects” that has dominated the recent development trajectory, towards a more balanced pattern of development, to be able to capitalize on its demographics. A key challenge is to generate more jobs and improve productivity and earnings for SMEs and smallholders by exploiting synergies between the accelerated development of the formal sector and opportunities for self-employed jobs in agriculture and non-farm household enterprises. This agenda of “jobs structural transformations” has also been supported during FY18 by a study undertaken by ODI-SET, funded by Let’s Work partner DfID, to which the Let’s Work team provided detailed comments and whose recommendations are broadly aligned with the emerging findings of Let’s Work. The shift in the Mozambican growth model has also been the focus of the last Economic Update (Shifting to more inclusive growth) that are in line with some of the main recommendations of the JD to broaden the drivers of growth and to raise productivity in sectors with the highest employment potential.

In the agricultural sector, the promotion of linkages between large firms and SMEs (which have access to markets, technology and finance) and smallholder farmers (which have under-utilized land and labor) can be promoted through *aggregator models*, which offer an opportunity to support jobs transformations in agriculture. Many development agencies agree that this type of program offers good opportunities for improving jobs outcomes and a significant number of private companies have developed them of their own volition. Multiple programs are underway to support out-grower schemes in different regions and crops. Component 3 of Let’s Work is largely focused on a pilot initiative to improve our knowledge about what works best in the design and implementation of agricultural aggregation systems and about their impacts on different sorts of jobs (including both direct farm labor and support functions). This will help to quantify the scale of “labor externalities” linked to the upgrading of smallholder jobs, which in turn will help decision makers to determine appropriate levels of public support for those transformations (see Component 3, below).

The preliminary strategy outline also flagged the need to improve the *regulatory environment for SMEs* and ensure that the commercial, taxation and labor codes do not create unnecessary obstacles. SMEs have high potential in agriculture, services and manufacturing but they are relatively underdeveloped. This reflects the fact that - while the problems facing large firms can often be dealt with in high-level negotiations during the investment decision phase - smaller firms are generally exposed to the vagaries of the regulatory environment. Another pressing issue is the shortage of foreign exchange for importing necessary inputs. Improving macroeconomic management governance is a key concern for the investment climate, following

⁸ The Bank’s ASA program in Mozambique includes recently completed analytical work on poverty and employment; new work on rural income diagnostics, on the business climate for planted forests; on community-based natural resource management; on the analysis of agricultural expenditures; on market-led smallholder development; and a study on the demographic transition; the upcoming Enterprise Survey for Mozambique.

⁹ Incorporation of women and youth in the labor market are cross-cutting themes, linked to the creation of jobs in the private sector; the improvement of productivity and earnings; and the improvement of training, information and job matching systems.

the scandal about \$1.4 billion of un-declared sovereign debt incurred in the final months of the Guebuza administration. In FY18, Let's Work's partner, DfID began a systematic analysis of the business climate issues for jobs in Mozambique, undertaken by the Business Environment Reform Facility (BERF), which received inputs from the Let's Work teams working on the value chain studies.

Labor regulations are an important part of the regulatory environment for jobs in Mozambique. The minimum wage law presents issues related to the relatively complex structure of sector-specific minima, which may not be conducive to the efficient functioning of the labor market. Recent Government proposals to reform the law on immigrant work visas, making it harder to import skilled labor (in the context of generally tighter “national content” policies), have generated concerns about new obstacles that investors will need to overcome. In FY17, LWP's partner, ILO, mobilized a large grant to support the MITESS in implementing the National Employment Plan (NEP); the Action Plan was subsequently developed, drawing many findings from the preliminary Jobs Diagnostic. As part of its support to the implementation of the NEP, LWP also prepared a benchmarking study on Mozambican labor norms and their jobs impacts.

Finally, the LWP has extensively commented on the revision of the Labor Law in late 2018. The process was being conducted in the framework of the business environment reform efforts led by the Business Association of Mozambique (CTA).

The LWP 2019 will deepen its engagement with the Government to finalize a proposed jobs strategy document that integrates recommended actions at policy and program level that have come out of the Let's Work program's activities. It will also coordinate with the upcoming IFC-World Bank Country Private Sector Diagnostic, to provide inputs on sectors with high potential for jobs creation and income enhancement for low-paid workers.

Component 3: Country pilots and operations.

The third component of the work program is focused on the design, implementation, and evaluation of pilot initiatives to create and improve jobs by supporting SMEs to grow and improve quality and productivity, and help vulnerable workers connect to or develop new job opportunities.

As agreed during the first progress review, Let's Work decided to focus on a comparative study of the job impacts of nine existing aggregator models, working in different crops and animal commodity chains, and using a variety of different organizational and financing models.

The team is also supporting a smaller-scale evaluation of Biscate, a private social entrepreneurship start-up that aims to link informal service workers to jobs through a hybrid web and USSD based platform. The following sub-sections summarize the advances to date with these two pilot studies; detailed documentation is annexed to the review package.

3.1 Mozambique Agricultural Aggregator Pilot (MAAP)

The Mozambique Agricultural Aggregator Pilot, MAAP, is an evaluation program that started in February 2017 and will finish in December 2019. The pilot is part of the Let's Work Program, funded by the Jobs Multi-Donor Trust Fund (MDTF) and implemented by the World Bank. It should be emphasized that MAAP is an evaluation program, and “MAAP program” activities are implemented by the aggregator firms and their contracted growers.

Following an initial phase used for the detailed design of MAAP and for aggregator selection, in August 2017 the nine participating agricultural aggregators started implementation of “MAAP investment

programs.” These programs are to increase the number of contracted growers and/or increase the productivity of existing growers. In parallel, the three-phase MAAP evaluation program got underway.

The original nine selected aggregators received the first tranche of a Participation Incentive Payment (PIP) in August 2017 and participated in a baseline (*ex ante*) survey in late 2017. A second PIP was released to the firms as scheduled in mid-2018 with two exceptions. One concerned the cotton concessionaire, Plexus Moçambique Ltd, which withdrew when it was apparent that the agreed MAAP program had not been implemented in 2017/18 due to competing internal priorities; efforts are under way to recover the first PIP disbursement to Plexus. The other exception is Amarula Farms, where management of contracted sesame in-growers was weak in 2017/18; disbursement of the second PIP tranche is contingent on confirmation that the 2018/19 program has been implemented.

Overall, firms are implementing the two-year grower expansion or intensification programs as proposed in their applications for MAAP support. On the whole, smaller firms have done better in program implementation. A main driver of program quality appears to be managerial ability and focus: the fact that the two cotton firms are among those with weaker performance reflects the fact that these large-scale concessionaires had to deal with some 42,000 (Plexus) and 22,000 (JFS) growers in 2016/2017, and around double those numbers in MAAP Year 1, 2017/2018. Their few field staff (JFS had 26 extension workers in both years) can do little more than ensure seed is distributed to all growers and all cotton offered for sale is purchased and transported to the gin; they focus as they can on the most productive growers but appear to have little time to effectively oversee the implementation of more intensive grower systems of the type supported by MAAP. Aggregator performance in terms of program implementation and collaboration with the MAAP Program Manager has been good.

A variety of activities and business objectives are represented by participating aggregators, and over the 18 months of MAAP program implementation there have been a number of changes in business models and planned activities. Relevant points that stand out are:

The performance of all aggregators concerning MAAP highlights the importance to firms and associated contracted growers alike of: a viable and sustainable commercial model, and management focused on field conditions, grower incentives, and acceptable results at both the grower and firm levels.

- Amarula Farms, the only aggregator that does no value-add to its contracted commodity (sesame), suffered from weak management in 2017-18; as a result, there has been limited continuity of support to the baseline treatment sample. Ways to ensure a stronger focus on that sample in 2018/19 have been discussed with the firm.
- CHVM has supported sugar cane growing by small farmers on their own land under an E.U. project that recently ended. There is no “MAAP program” as such but rather MAAP is comparing the experience of these recently started cane growers with more established out-growers. CHVM has performed as planned with respect to MAAP.
- ECA (maize) has performed relatively well compared with other aggregators, particularly given the easy opportunity of growers to side-sell maize; very few growers associated with ECA do this as is suggested by the firm’s 100% recovery of input advances. The reasons for this are under investigation for the next report.
- JFS (cotton) has grown its operations in a government-mandated concession area (which limits any temptation for side-selling) in a sign of recovery from the low international cotton prices of 2014 and 2015, and increased the difference in level of support given the treatment and comparison samples from 2017/18 and 2018/19, which should better accentuate differences between the samples.

- MozAgri does not work with contracted growers; it purchases goats from sellers who have not received services other than the firm's buying service. It was included in MAAP as the firm is working in an area of particularly limited income earning opportunities and service providers for small-scale farmers; it purchases goats at the farmgate through an extensive buying network, and it adds value to purchased goats through slaughtering and refrigeration.
- New Horizons (broiler chickens) has performed as planned, although it suffered a major phytosanitary crisis in its centralized operations in mid-2018, which had negative impacts on some of the MAAP treatment and control samples.
- PUFAA has experienced serious management and funding challenges and has changed from the intended training center and base for chili in-growers to a model that will be largely operated by employees. The firm remains in MAAP given its focus on working with poor, unemployed younger women in a peri-urban area, and its creation of employment.
- Vanduzi has been operating at a financially unsustainable level for some years, using essentially philanthropic funding. A change of ownership in early 2018 led to a re-evaluation of the viability of activities, one result of which was the cancellation of significant baby corn out-grower activities, including in the area where the MAAP program was implemented. The final year HHS and Firm Survey will take place in early 2019 rather than at mid-year, and the third PIP will not be disbursed.

Based on a July 2017 Evaluation Plan, MAAP evaluates the performance of aggregator schemes that are increasing the number of contracted growers or intensifying the production of existing such growers. This entails an economic and financial evaluation to quantify the direct and indirect jobs impacts, an assessment of the financial and economic sustainability of the schemes, and an analysis of relevant value chains of involved commodities particularly to identify transaction costs that affect the attractiveness of contract farming systems to aggregators and the involved growers.

The MAAP evaluation program has two parts: an ex ante or baseline evaluation (2017), and midterm (2018) and final (2019) evaluations. Two important points about evaluation activities are, first, there are no 'control' aggregators that did not receive funding, and second, there is limited valid generalization of analysis of data over a range of aggregators or their related treatment and comparison household samples. A main reason for the absence of control aggregators is the small number of eligible aggregators from which the MAAP participants were selected, plus the considerable variation in aggregator business models (which is also the reason for the limited generalization of firm or household data across aggregators).

The ex-ante evaluation uses two sources of data. One is the application made by the firms that successfully applied for inclusion in MAAP. These applications present the firms' ex ante expected investments and outcomes over the two years of the MAAP pilot. The second source is data from the Household Survey (HHS) of sampled households for each participating firm.

The HHS samples cover "treatment" and "comparison" groups. These were surveyed in late 2017, so covering production in the 2016/17 season for seasonal rainfed production or production during 2017 for commodities that are produced year-round. With respect to production by and for MAAP aggregators, cotton, maize, sesame and sugar are seasonal commodities, while baby corn, chickens, chili and goats are year-round. The same samples, less attrition, were surveyed with the same questionnaire (adjusted as needed for clarity in the light of experience) as for the baseline survey in mid-2018 to provide data for the first year of MAAP program implementation and for this mid-term evaluation report. The survey will be repeated, again with the same questionnaire, in mid-2019 for the final evaluation. The samples for each firm are indicated in Annex Table 2 below, along with participation numbers in 2017 and 2018.

Participation in the household survey generally has been strong. Attrition is often caused by members of the randomly selected original sample not being available for interview. Once an individual selected for interview in one year is not available, they are not interviewed in subsequent years.

Overall, the MAAP evaluation program is on schedule. The three reports of the ex-ante baseline survey were issued in 2018. Survey work for the midterm evaluation was done in August-September 2018; the report will be issued in February 2019. The final MAAP evaluation report is scheduled for December 2019. In addition, summary case studies of participating firms were prepared of the MAAP baseline situation in late 2017. These have been updated in summary form for 2017/18 and will be updated for 2018/19.

Participant Incentive Payments have been made as scheduled, other than for the case of Plexus noted above. About 12% of the \$850,000 allocated for PIPs will not be required due to the withdrawal of Plexus and Vanduzi. Payments against deliveries to the Program Manager are being made as foreseen.

3.2 Biscate evaluation

Background and research questions: Let's Work is interested in exploring the potential of private sector initiatives to improve the functioning of the labor market for informal services, resulting in better job outcomes in terms of volume of work, productivity and earnings. Internet-based models have high potential to allow workers, firms and consumers to interact in new ways by overcoming informational asymmetries and contractual uncertainties – that might undermine both demand and supply of household services – with the potential to raise demand, productivity and earnings and increase the volume of work in this sector. Biscate is an example of such developments. The platform's owner, UX, has agreed to cooperate in the evaluation study with Let's Work. The study aims to quantify the impact for service providers and for service users, as follows:

- For service providers who join the platform: (i) whether they increase their earnings/contracts overall, and (ii) whether those who receive better scores (rating system) and feedback in the platform get more contracts and increase their earnings more than those who get worse feedback.
- For service users who use the platform: (i) whether households that use the platform increase their total demand of such services (contracting more services compared to what they were consuming before;) (ii) whether Biscate users are more satisfied with the outcomes, (compared to previous satisfaction).

Methodology: The proposed evaluation methodology uses a quasi-experimental design and an observational cohort study (OCS), to evaluate different components of the initiative. Observational cohort studies (OCS) follow a group – or “cohort” – of people with defined characteristics to measure outcomes resulting from different exposures to a condition, treatment, program, event and/or set of experiences.

The evaluation has used an OCS to observe the target population (a sample of Biscate users – both workers and households). This approach facilitates the analysis of causality because data-gathering follows the sequence of events; and can examine multiple outcomes at the same time. The proposed approach had taken account of two well-known difficulties in the non-randomized evaluation of this sort of program: crowding-out/general equilibrium effects and endogeneity of program participation.

A first analysis of the population produced descriptive statistics of the overall population in the platform. A sample of the population, both for workers and for clients, subsequently permits performing the analysis described in the methodology section. Data collection is performed through the use of surveys with recall questions to measure the variables of interest.

Status and next steps: Data collection started on January 2017 following the recruitment of the enumerator and the sample selection. Sampling for workers has been conducted based on a stratified random sampling of the overall population, by occupation and by province. The weights for sampling workers and clients were computed weekly, according to the characteristics of the population (which also changes weekly due to new workers' and clients' registrations). Sampling for clients has followed a randomized sample.

Two groups of workers and one group of clients have been interviewed twice and the analyses of the baseline and follow up data have been done. Two different methodologies were used to evaluate Biscate's impact: (i) t-tests comparing the differences between the means of the two periods (first follow-up interviews and baseline interviews) for each variable of interest; (ii) a regression analysis, in which first differences of the variables of interest were regressed on the variable of interest– exposure to the platform - and on independent variables relating to worker characteristics.

While the total number of services declined (decrease of the average number of services provided) between periods (significant at 1% level), marginal profits significantly increased (also at 1% level). The increase in marginal profits was associated with the fact that on average total revenues increased more than total costs, as opposed to an increase in the number of hours worked. This may indicate an increased efficiency that could be attributable to the use of the platform.

The OLS estimation confirms the insights from the t-tests regarding the impacts on the total number of services, whereas the regression results for other variables of interest have outcomes that contrast with the inferences from the paired t-tests. The regression results show evidence of negative effects from exposure to the platform while the paired t-tests run previously suggested positive effects. This is compatible with a view that positive effects in the variables concerned other than more jobs came from something other than exposure to the platform. Total profits of services provided, number of services provided, total duration of services provided, and total revenue of services provided (significant at different levels but all significant up to 10% level) all decreased with exposure to the platform, *ceteris paribus*. No evidence of Biscate's impact on the marginal profits and on the total costs incurred was found.

While these initial results may suggest that Biscate does not appear to have a clear positive impact on total services and profits of participants (and may even have a negative one on balance), there is one further aspect that needs to be addressed. To isolate Biscate's impact on total services offered, profits, and costs there is a need to control for an overall decline in the domestic demand for services over the period of analysis. It is clear that Mozambique has experienced a drastic economic downturn beginning in 2016 due to the debt crisis. This has heavily impacted the internal demand for services and goods. The economy went from a growth rate of 7.0% in 2010-2015 to 3.8% in 2016, decreasing ever since to 3.5% in 2018. Trade and services have shrunk to 2.6 percent of GDP from 4.7 percent; transportation and communication 2.7 percent from 3.1 percent; manufacturing, 2.5 percent from 3.2 percent.

The progress report scheduled to be updated by March 2019 will integrate this analysis in the overall assessment of Biscate impact. On the macro side, we will control for GDP growth, value added of services to GDP, and try to incorporate some business cycle indicators to captures employment response to upturns/downturns. Finally, since disaggregated data on women is available, it is possible to see gender differences among workers, and decompose the gender gap in employment by using an Oaxaca-Blinder decomposition method. Next steps also include working on a set of questions (selected out of the questionnaires) for a new round that can be channeled through the Biscate system by messaging or through the platform without the cost of using numerators.

Component 4: Communications and Knowledge Management.

The Communications and Knowledge Management component group activities were designed to maximize the program's impact on programs and policies relevant to the jobs agenda. These include: dialogue with stakeholders and government around policy issues on which the program is working and communications activities to disseminate Let's Work outputs through diverse media. These activities are coordinated through "knowledge platforms" to showcase findings linked to the program's activities and outputs.

The stakeholder dialogue was initiated in FY16 through a round table workshop held in November 2015 with private sector actors. The workshop brought together 40 selected participants from large and small private sector firms, the Government, and development organizations to discuss practical interventions that can help deepen domestic linkages between large firms and smaller domestic enterprises in the agribusiness, forestry, and construction sectors. The aim was to allow key stakeholders in the three sectors to contribute ideas towards the development of priority actions that have the potential to create jobs and/or improve productivity in the private sector.

As detailed in the discussion of Value Chain analytical work, during FY17 and FY18, LWP contracted experts to lead policy dialogue with private sector actors and the Government in each of the value chains where the program is focusing: agribusiness, forestry, and construction. This has been done in close coordination with the WBG teams working on projects in these areas. The result has been that LWP has started to build effective alliances to put forward and negotiate policy changes that will correct priority constraints to improving jobs outcomes and to the development of high potential sectors, such as plantation forestry and pigeon pea.

During FY18, LWP has also contracted a development communications and policy change agency (Anima) to develop the program's policy change strategy and organize the corresponding communication activities and knowledge platform events. It will also manage website content, blogs and social media engagement during the period from June 2018 to June 2019. The first event organized by Anima and aimed at disseminating the findings of the program to relevant government and private sector stakeholders was the Jobs Diagnostic launch in August 2018. The event successfully gathered almost 100 participants from the government, the donors' community, the private sector. The event received a very good media coverage including all the main national newspapers (Notícias, O País), TV (TVM, STV, RTP Africa) and radio (Radio Indico). STV and O País interviewed the TTL of LWP and published the interviews after the event. All the media who attended the event published an article about the Report launch¹⁰.

The knowledge platforms have been conceived to present the program's activities and findings and to ensure that those findings are made available and disseminated, so that the lessons from the Mozambique country pilot feed into the learning process of the global LWP alliance. During FY17, the first Knowledge Platform event had been organized to present the rationale of the MAAP pilot (as described in the past LW program review) with a high level of participation from aggregator companies and interested donors and government offices. Following that, the LWP has established along the past FY a solid and positive working relationship with MASA (and in particular DPCI) that concretized in the realization of two other knowledge platforms around the themes linked to Value Chains and smallholder inclusion. During FY18 two additional knowledge platforms were organized with the help of Anima and in collaboration with DPCI.

The second technical meeting of the Agricultural Policy Research Platform (knowledge platform), led by MASA, had the objective of creating an environment of dialogue between the various actors in the

¹⁰ See for example: Notícias: <http://www.jornalnoticias.co.mz/index.php/economia/80835-para-garantir-a-inclusao-pais-precisa-de-gerar-empregos-de-qualidade>
O País: <http://opais.sapo.mz/-banco-mundial-considera-que-aposta-no-gas-pode-ser-arriscada>

agricultural sector and to share research results on the performance of the sector. This can serve as an element promoting more evidence-based agricultural policies. The event occurred in October at the Campus of the Eduardo Mondlane University to allow students to take part. This Knowledge Platform was attended by 85 people, and the LWP-IGC pigeon pea study was presented. The presentation concluded with very clear policy recommendations, focused on improving the information environment on statistics (production, prices, exports) and dialogue with private sector. There were many relevant questions and supportive comments, including from the Minister's advisor, Mr Mucavele. Furthermore, during the visit of IGC country director, the Permanent Secretary of MASA, Mr Canhembe started the meeting with a message from the Minister, who was in Cabo Delgado for the launch of the new agricultural season, expressing appreciation and gratitude for the pigeon pea work.

The third technical meeting of the Agricultural Policy Research Platform, occurred on November 2018 at the Conference Room of the Meliã Maputo Sky Hotel, in Maputo. This event was well attended - by more than 100 participants - and the debate was open and constructive. During this platform a joint LWP Mozambique and World Bank Agricultural GP team member presented the World Bank sesame value chain results.

The LWP associated Knowledge Platforms are becoming bigger in terms of audience and interest and fora for both LWP and MASA to openly discuss policy options. Creating the space for policy dialogue in the rural sector (MASA, MITADER, MIC) is fundamental to many programs. The Agricultural Policy Platform established through Let's Work is proving to be an excellent mechanism to engage the relevant stakeholders, as shown by high attendance rates from a wide diversity of government, private sector, development partner, research, and CSO organizations. Indeed, for this upcoming year, other partners have expressed their interest in joining the platform. For example, DIME is entering into a partnership with the EU that aims to promote evidence-based policy making in the agricultural sector in Mozambique, as part of the upcoming EU Rural Competitiveness Program (PROMOVE-Agribiz). The primary channels for knowledge generation will be based on impact evaluations of the project components covering thematic areas that are relevant to the LWP.

Next steps. Other communication and policy change activities are foreseen for 2019. In particular, the LWP intends to organize a donors' field visit to aggregators under the MAAP, which is the largest activity funded by Mozambique LWP. The field visit will allow Let's Work's partners to see at first-hand how aggregator schemes function in differing agribusiness value chains and to better understand their potential and the constraints that they need to overcome.

The LWP is also foreseeing the production of two videos to showcase the findings of the MAAP Pilot and the Biscate evaluation studies. It is expected that the videos will highlight success stories of beneficiaries and show how they relate to the programs' activities.

A concluding event to disseminate knowledge around the evaluation findings of the MAAP is foreseen for December 2019.

Lessons Learned

As discussed in the first and in the second annual programmatic reviews, the design of the LWP reflects the lessons learned from many WBG and IFC programs worldwide. Specifically, there is a need to develop coherent policies and programs at the level of value chains and regions with high potential for jobs. This calls for a cross-cutting approach to improving jobs outcomes in Mozambique in specific sectors, value chains, and locations. Rather than putting forward laundry lists of all the possible policy reforms that might seem to make sense, but are not likely to be viable, the LWP program is working to identify binding

constraints in sectors and regions that have been shown to have high jobs potential, so that a viable set of policy reforms and public investment proposals can be derived and advised.

The proposed work plan outlined in this document for 2019 takes into account some important lessons learned during the first and second years of implementation of the Mozambique LWP Country Pilot, including:

(a) the importance of coordination with the Government to avoid tensions with the agendas of the relevant line ministries (such as the MITESS agenda around the NEP, and the Ministry of Finance's agenda on macro-fiscal management). The team has continued meeting with director-level counterparts in MITESS, MEF and MASA during each mission and the in-country team is liaising on a day-to-day basis;

(b) the importance of close coordination with WBG teams working on themes that are relevant to the jobs agenda, such as agriculture and rural development, private sector development issues, and labor market regulation issues. LWP multi-sector approach has started to get attention from other sector teams as they recognize its value, key questions looked at, rigorous analysis, and high-quality studies. These are becoming useful tools for domestic stakeholders and others' project work. The LWP contributions have been acknowledged by different teams including: (i) the World Bank's Social Protection team, which has incorporated the main findings of the JD and of the Biscate study in the preparation of the new Demographic Dividend Project; (ii) the World Bank's Agricultural team that is collaborating on the dissemination of knowledge and the MAAP findings are being incorporated into the new Non-Lending Technical Assistance to MASA; (iii) the analytical work of the World Bank's FCI teams that are incorporating main findings from the JD; (iv) the MTI -IFC investment climate project is also using the LWP extended team to provide inputs to punctual law revisions (such as the labor law) in the context of the business environment reforms assistance; (v) the Bank's Poverty team in its work on the Rural Income Diagnostic. The LWP team has been re-structured to ensure strong liaison with each of these groups and during FY18 our relationships with the Bank's teams in Maputo have been further strengthened;

(c) the importance of engaging Let's Work partners and other development agencies to motivate the buy-in that is needed for the mobilization of complementary funding to scale up jobs initiatives. Examples during FY18 included LWP's work with the FCI team on investment climate and private sector development, with the Social Protection team on the youth agenda, with the FIP team on the plantation forest sector; coordination with the ILO on labor issues and VC studies; and coordination with all DfID's programs such as MUVA, JOBA, etc.

Work program

As detailed in the work program in annex, the team will focus during 2019 in the finalization of the main LWP analytical deliverables, and the dissemination activities. In particular, the VC studies that are finalized will be disseminated at the MASA agricultural platforms along the year, to be able to clearly push forward the policy recommendations they formulate. The MAAP study will also be another important outcome of the LWP that will synthesize the main findings from the evaluation on aggregators models: the Mid-term evaluation report is expected to be ready in March while the final Report will be ready in November. A final event will follow to disseminate the main findings.

Two studies on firm jobs growth potential and on youth jobs aspirations will be contracted and carried out during the year, with the objective to have the final reports by August 2019. Both studies will be useful not only to inform the World Bank project on the Demographic Dividend in Mozambique, but also for the work of several LWP partners in the area of youth employment and private sector development.

Other communication activities are expected to take place during 2019 – as outlined in the section on communication – to channel the main takeaways of LWP research in Mozambique, including the videos and the knowledge platforms/conferences with institutional partners, donors and the private sector.

Last, as outlined in the section about the Jobs Strategy, many of the findings of the program will be integrated in a Jobs Strategy document that will be discussed with the main counterparts in the government and delivered by December 219.

Proposed risk rating: Moderate.

The successful advance of the program during FY18 has done much to mitigate the risks that were identified at the start of the program and in the second programmatic review. During 2019 the team will continue to ensure adequate technical support from within the World Bank’s Jobs Group and from the Social Protection, FCI and the Agriculture Global Practices. Staff from these GPs will continue to form part of the Let’s Work enlarged team.

The risks arising from the deterioration of the macroeconomic situation due to the crisis of undeclared sovereign debts and from the delicate political situation (including the recent resurgence of armed conflict in far northern Mozambique), remain significant, and are clearly relevant to the LWP program, since they could undermine the investment climate in the short to medium term, which in turn will make it more difficult to promote private sector led job creation. These risks and opportunities will be addressed at the level of the WBG’s country dialogue and the LWP team will liaise closely with the CMU to ensure consistency in messages.