

Document of
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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

IN THE AMOUNT OF SDR 19.9 MILLION
(US\$28 MILLION EQUIVALENT)

AND

ON A RESTRUCTURING OF THE ORIGINAL CREDIT

IN THE AMOUNT OF SDR \$32.6 MILLION
(US\$50 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MOZAMBIQUE

FOR A

MINING AND GAS TECHNICAL ASSISTANCE PROJECT

October 11, 2017

Energy and Extractives Global Practice
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective August 31, 2017)

Currency Unit = New Mozambique Metical (MZN)
 MZN 62.03 = US\$1
 US\$1.41 = SDR 1

FISCAL YEAR
 January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AfDB	African Development Bank
ASM	Artisanal and Small-scale Mining
CBA	Community-based Agreement
CBO	Community-based Organization
CIA	Cumulative Impact Assessment
CPF	Country Partnership Framework
CQS	Selection Based on the Consultants' Qualifications
CS	Consulting Services
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
DC	Direct Contracting
DFID	U.K. Department for International Development
DIPREME	Provincial Directorate of Mineral Resources and Energy (<i>Direcção Provincial dos Recursos Minerais e Energia</i>)
DNGM	National Directorate of Geology and Mining (<i>Direcção Nacional de Geologia e Minas</i>)
DNHC	National Directorate for Hydrocarbons and Fuels (<i>Direcção Nacional de Hidrocarbonetos e Combustíveis</i>)
DPC	Department of Planning and Cooperation
DS	Direct Support
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative (<i>Iniciativa de Transparência na Indústria Extractiva, ITIE</i>)
EMEM	National Exploration and Mining Company (<i>Empresa Moçambicana de Exploração Mineira</i>)
ENH	National Hydrocarbons Company (<i>Empresa Nacional de Hidrocarbonetos</i>)
ESHSS	Environmental, Social, Health, Safety, and Security
ESIA	Environmental and Social Impact Assessment
ESSF	Environmental and Social Screening Form
FDI	Foreign Direct Investment
FID	Final Investment Decision

FLNG	Floating Liquefied Natural Gas
GBP	Pound Sterling
GDP	Gross Domestic Product
GIS	Geographic Information System
GoM	Government of Mozambique
GRM	Grievance Redressal Mechanism
GRS	Grievance Redress Service
HSE	Health, Safety and Environment
IC	Individual Consultant
ICB	International Competitive Bidding
IDA	International Development Association
IGREME	General Inspectorate of MIREME (<i>Inspecção-Geral dos Recursos Minerais e Energia</i>)
INAMAR	Maritime Institute (<i>Instituto Nacional Marítimo</i>)
INAMI	National Institute of Mining (<i>Instituto Nacional de Minas</i>)
INDV	Individual Consultants Selection
INP	National Institute of Petroleum (<i>Instituto Nacional de Petróleo</i>)
IPEME	Small and Medium Enterprise Institute (<i>Instituto de Pequenas e Médias Empresas</i>)
IT	Information Technology
LNG	Liquefied Natural Gas
LSM	Large-scale Mining
M&E	Monitoring and Evaluation
MAGTAP	Mining and Gas Technical Assistance Project
MEF	Ministry of Economy and Finance
MGCAS	Ministry of Gender, Child and Social Action (<i>Ministério de Género, Criança e Ação Social</i>)
MICOA	Ministry of Coordination of Environmental Affairs (<i>Ministério para Coordenação da Ação Ambiental</i>)
MIREM	Ministry of Mineral Resources (<i>Ministério dos Recursos Minerais</i>)
MIREME	Ministry of Mineral Resources and Energy (<i>Ministério dos Recursos Minerais e Energia</i>)
MITADER	Ministry of Land, Environment, and Rural Development (<i>Ministério da Terra, Ambiente e Desenvolvimento Rural</i>)
MRA	Mozambican Revenue Authority
MTR	Midterm Review
MZN	New Mozambique Metical
NCB	National Competitive Bidding
NCS	Non-Consulting Services
NORAD	Norwegian Agency for Development Cooperation
PDO	Project Development Objective
PMU	Project Management Unit
PPA	Project Preparation Advance
QCBS	Quality- and Cost-Based Selection
RFB	Request for Bids

RFP	Request for Proposals
RFQ	Request for Quotations
SDR	Special Drawing Rights
SESA	Strategic Environmental and Social Assessment
SIA	Social Impact Assessment
SMEs	Small and Medium Enterprises
SP	Shopping
SSS	Single-Source Selection
ToR	Terms of Reference
TF	Trust Fund

Regional Vice President:	Makhtar Diop
Country Director:	Mark Lundell
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MOZAMBIQUE
MINING AND GAS TECHNICAL ASSISTANCE ADDITIONAL FINANCING (P161683)

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ADDITIONAL FINANCING DATA SHEET

Mozambique

Mining and Gas Technical Assistance Additional Financing (P161683)

AFRICA

ENERGY AND EXTRACTIVES GLOBAL PRACTICE

Basic Information – Parent									
Parent Project ID:	P129847	Original EA Category:	B - Partial Assessment						
Current Closing Date:	31-May-2020								
Basic Information – Additional Financing (AF)									
Project ID:	P161683	Additional Financing Type (from AUS):	Cost Overrun, Scale Up						
Regional Vice President:	Makhtar Diop	Proposed EA Category:	B - Partial Assessment						
Country Director:	Mark R. Lundell	Expected Effectiveness Date:	30-Nov-2017						
Senior Global Practice Director:	Riccardo Puliti	Expected Closing Date:	31-Dec-2021						
Practice Manager/Manager:	Sheila Khama	Report No:	PAD2301						
Team Leader(s):	Ekaterina Mikhaylova								
Borrower									
Organization Name	Contact	Title	Telephone	Email					
Ministry of Planning and Development									
Project Financing Data - Parent (Mozambique Mining and Gas Technical Assistance Project - P129847) (in US\$, Millions)									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P129847	IDA-51990	Effective	28-Mar-2013	19-Apr-2013	22-Aug-2013	31-May-2020	31-May-2020		
P129847	TF-16113	Effective	27-Jan-2014	27-Jan-2014	27-Jan-2014	30-Nov-2018	30-Nov-2018		
Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P129847	IDA-51990	Effective	US\$	50.00	50.00	0.00	27.82	18.76	55.64
P129847	TF-16113	Effective	US\$	6.77	6.77	0.00	4.99	2.43	73.61

Project Financing Data - Additional Financing (Mining and Gas Technical Assistance Additional Financing - P161683) (in US\$, Millions)				
<input type="checkbox"/>	Loan	<input checked="" type="checkbox"/>	Grant	<input checked="" type="checkbox"/> IDA Grant
<input type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee	<input type="checkbox"/> Other
Total Project Cost:	29.00	Total Bank Financing:	28.00	
Financing Gap:	0.00			
Financing Source – Additional Financing (AF)				Amount
IDA Grant				28.00
Free-standing Co-financing Trust Fund				1.00
Total				29.00
Policy Waivers				
Does the project depart from the CAS in content or in other significant respects?				No
Explanation				
Does the project require any policy waiver(s)?				No
Explanation				
Team Composition				
Bank Staff				
Name	Role	Title	Specialization	Unit
Ekaterina Mikhaylova	Team Leader (ADM Responsible)	Lead Strategy Officer	Team lead/Mining specialist	GEEX1
Antonio Laquene Chamuco	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	Procurement specialist	GGO07
Elvis Teodoro Bernado Langa	Financial Management Specialist	Sr Financial Management Specialist	FM Specialist	GGO26
Angela Maria Lopes Delfino	Team Member	Senior Counsel	Senior Counsel	LEGEN
Arlete Quiteria Comissario Nkamate	Team Member	Program Assistant	Team Assistant	AFCS2
Bakhtiyar Karimov	Team Member	Regional Coordinator	Operations Specialist	GEEX1
Jose C. Janeiro	Team Member	Senior Finance Officer	Finance Officer	WFALA
Maria Do Socorro Alves Da Cunha	Social Safeguards Specialist	Senior Social Development Specialist, Safeguard Policies	Social Safeguards	GSU07

Maria Luisa Ana Esteban Meer	Team Member	Program Assistant			GEEX2
Patrice Philippe Marie Joseph De Martin De Vivies	Team Member	Senior Adviser	Gas/LNG Adviser		GEEDR
Paulo Jorge Temba Sithoe	Environmental Specialist	Environmental Specialist	Environmental Specialist		GEN01
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Mozambique	Quelimane	Zambezia	Yes	Yes	
Mozambique	Tete	Tete Province	Yes	Yes	
Mozambique	Beira	Sofala Province	Yes	Yes	
Mozambique	Lichinga	Niassa Province	Yes	Yes	
Mozambique	Nampula	Nampula Province	Yes	Yes	
Mozambique	Maputo	Maputo Province	Yes	Yes	
Mozambique	Chimoio	Manica Province	Yes	Yes	
Mozambique	Inhambane	Inhambane Province	Yes	Yes	
Mozambique	Xai Xai	Gaza Province	Yes	Yes	
Mozambique	Pemba	Cabo Delgado Province	Yes	Yes	
Mozambique	Maputo	Cidade de Maputo	Yes	Yes	
Institutional Data					
Parent (Mozambique Mining and Gas Technical Assistance Project - P129847)					
Practice Area (Lead)					
Energy & Extractives					
Contributing Practice Areas					
Additional Financing (Mining and Gas Technical Assistance Additional Financing - P161683)					
Practice Area (Lead)					
Energy & Extractives					
Contributing Practice Areas					

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an additional financing (AF) in an amount of SDR 19.9 million (equivalent to US\$28 million) to the Mozambique Mining and Gas Technical Assistance Project (MAGTAP - P129847), Credit #51990. The AF package also includes an additional grant from the U.K. Department for International Development (DFID) in the amount of about US\$1.0 million equivalent¹ to the MAGTAP co-financing grant TF016113 (the original amount of the Recipient Executed part of this co-financing is US\$8.15 million).

2. The proposed additional International Development Association (IDA) and DFID grants were requested by the Government of Mozambique (GoM) dated March 31, 2016 to help finance the costs associated with cost overruns, unfavorable foreign exchange rate movements since project approval, and scaled-up activities to enhance the impact of a well-performing project. The scope of the proposed AF is informed by the Midterm Review (MTR) of MAGTAP, which was completed jointly with the Government in July 2016 (MTR report dated August 26, 2016).

3. The original project was approved by the Board on March 28, 2013 in an amount of SDR 32.6 million. It became effective on August 22, 2013. Implementation performance has been satisfactory with high disbursement rates (about 60 percent of IDA and 67 percent of DFID-funding), and virtually all remaining funds are committed. Out of US\$58 million total financing allocated to MAGTAP, about US\$7.5 million was lost to unfavorable exchange rates, about US\$40 million is committed in signed contracts (of which US\$32.8 million is disbursed), an additional US\$8 million is in advanced stages of procurement, and the balance (about US\$2.5 million) is allocated to training, operating cost, and contingencies. Without additional funding, the project would have to start wrapping up with no room for undertaking some of the originally planned activities or adding any new ones. In addition to the foreign exchange losses, the project had to undergo internal reallocation of funding between the components due to higher-than-expected financing needs required for Component B (Natural Gas Capacity Building and Governance Reform), which resulted in insufficient funding in Components C and D (Cross-cutting Mining/Natural Gas Capacity Building and Reforms; and Cross-sectoral reforms, respectively). Therefore, to continue MAGTAP implementation and ensure that it achieves its developmental objectives, there is a need for AF.

4. The AF will maintain the same Project Development Objective (PDO), Results Framework (with minor modifications to reflect new scope and timelines), and implementation arrangements, including original procurement, financial management, and disbursement arrangements. There will be no changes to key project beneficiaries at the ministry or agency level, but given the merger of the Ministry of Mineral Resources (MIREM) and Ministry of Energy into the Ministry of Mineral Resources and Energy (MIREME) in 2015, additional directorates of MIREME will be expected to participate in the project, namely the National Directorate of Energy and the National Directorate of Fuel and Hydrocarbons. There are no changes to the safeguards classification or

¹ Total expected additional contribution from DFID is GBP 1.5 million. The expected approval by DFID of this contribution is around November 2017. Of this amount, US\$1 million equivalent will be added to the Recipient Executed Trust Fund, and the balance will be added to the corresponding World Bank Executed Trust Fund, which supports technical assistance directly from the World Bank team according to the agreement with the DFID.

instruments. The closing date of the original project will be extended by 19 months through December 31, 2021.

Country and Sector Background

5. Mozambique's economy continues to face challenges of weaker commodity prices, lower demand among trading partners and rising U.S. interest rates, resulting in a continuous slowdown of the country's economic growth. According to the latest Economic Update for Mozambique by the World Bank (July 2017), the country's growth had slowed down in 2016 to 3.8 percent (down from 6.6 percent in 2015), but there were signs of recovery in the first quarter of 2017, which showed growth of 2.9 percent—double of that of the preceding quarter. Improving commodity prices and a recovering coal industry are central to these trends. Strengthened prices for coal, aluminum, and gas; a post El Niño recovery in agriculture; and progress in peace talks between the political parties could boost growth to 4.8 percent in 2017 and toward 7 percent by the end of the decade.

6. Inflation is still high due to increased spending on wages and salaries, although the 2016 budget deficit at about 6 percent of gross domestic product (GDP) was in line with the revised budget law adopted by Parliament in July 2016. Total public debt, mostly denominated in foreign currency, increased to distressed levels in 2016 owing to the addition of previously undisclosed loans worth US\$1.4 billion (10.7 percent of GDP) combined with the impact of exchange rate depreciation. The tightening of the monetary policy since October 2016 has resulted in a rebalancing of the foreign exchange market and an easing of inflation by mid-2017 (though still very high at 18 percent). Moreover, the current account deficit of the balance of payments has been narrowing rapidly, helped by a marked drop in imports and somewhat more stable exports, which are supported by higher global coal prices. As a result, despite limited foreign direct investment (FDI) flows and donor financing, the stock of international reserves has recently started to increase. A stronger exchange rate, easing inflation, and lower credit levels suggest that the monetary policy cycle could begin to loosen as the economy continues to adjust. However, making this transition smoothly will require a coordinated and robust fiscal policy response.

7. The extractives sector has been a pocket of resilience and a driver of the recent improvement in growth. Extractives maintained growth of 16 percent in real terms in 2016. This trend continued in early 2017 with a 41 percent expansion in output driven by sizable FDI inflows and recovering commodity prices.

8. The metical has made considerable gains since the last quarter of 2016 supported by increased export earnings and monetary policy tightening. Mozambique's currency appreciated 28 percent against the U.S. dollar between October 2016 and June 2017 and by almost 29 percent against the main trading currencies over the same period. Increased export earnings due to recovering commodity prices are key to this trend. Headline inflation declined to 18.1 percent in the 12 months to June 2017, down from a peak of 26.3 percent in November 2016. As in previous years, the current account deficit was largely financed by FDI. Net FDI financed approximately three-quarters of the current account deficit in 2016. Megaproject FDI increased by 4 percent in 2016. This contrasts with the rest of the economy, which saw a 32 percent drop in investment driven by a slowdown in real estate, financial services, and construction.

9. Global gas demand has increased over the past decade and is expected to grow rapidly in the future with increased interest in cleaner energy to fuel economic growth. Liquefaction of natural gas into liquefied natural gas (LNG) allows the gas to be transported from producing regions to distant countries. It is expected that global demand for natural gas will increase 2 percent per year between now and 2030, with LNG demand expected to rise at twice that rate at 4–5 percent per year. Between now and 2020, the LNG market might rise by 50 percent, mainly attributable to LNG facilities already under construction or recently completed. In 2016, global LNG demand reached 265 million tons, including an increase in net LNG imports of 17 million tons from a year earlier. At the same time, with a large number of old and new discoveries and increasing stock of natural gas, low oil prices, and ramping up of cheap natural gas production in the United States, the demand for gas is lagging behind the supply, which drives down global prices making many of the new discoveries as well as more complex deposits less economic. While demand is expected to eventually catch up with supply and improve the economics of the sector, competition is fierce and prices will remain low for a while.

10. Natural gas is one of the key growth sectors in Mozambique, which is already a producer of natural gas from Pande/Temane gas fields. Exploration in the off-shore Rovuma Basin which started in 2010 confirmed massive amounts of gas – well in excess of 100 trillion cubic feet - comparable with Norway. Taking into consideration Mozambique’s economic conditions, the importance of securing the final investment decisions (FIDs) for the development of the Rovuma basin gas fields is significant both in the short term (to address fiscal challenges through forthcoming investments and taxes) and in the long term (to contribute toward future environmental and social sustainability, macroeconomic resilience, and economic growth). The prospects for Mozambique’s gas sector remain sound even under current LNG market conditions, and large associated FDI flows are expected between 2020 and 2025. Gas exports are expected to ramp up from 2021 and contribute to solving the country’s current account deficit problem thereafter. If all projects come to fruition, by 2025, Mozambique could be one of the world’s largest LNG exporters.

11. As one of Mozambique’s main natural resources, natural gas and LNG development are expected to be an important catalyst for economic growth of the country, and LNG exports will enable economic development and stimulate further investment in the national infrastructure. LNG exports will become one of the major sources of revenues to improve the country’s economic situation while domestic use of gas can support industrialization, create jobs, and contribute to the country’s sustainability. Natural gas is also one of the important fuels in power generation in Mozambique.

12. The mining sector in Mozambique is another major sector and includes coal, titanium ores, precious and semiprecious stones, and gold. The mining sector can lead to poverty reduction in the long run through generating revenues and supporting infrastructure development and local economic development and community empowerment. However, despite a number of discoveries and the launch of several major new mines during the last decade, the sector has experienced many difficulties since 2014 because of the global commodity price downturn combined with the high cost of production in Mozambique, the absence of reliable infrastructure, foreign exchange problems (dollarization of projects), and high prices of fuel (due to locked-in fuel import contracts). During that period, Rio Tinto abandoned its major coal project in Benga and all other

coal producers, the largest producer being Vale of Brazil, in Tete had to substantially reduce production.

13. Since 2016, the situation has started to improve with the commissioning of the Nacala railway by Vale mining company. Coal exported in the first quarter of 2017, accounted for 33.4 percent of all exports, and generated revenues of US\$326.1 million, an increase of 200.5 percent over the first quarter of 2016. Production is expected to increase from 8.7 million tonnes in 2016 to 13 million tons in 2017 and 18 million tonnes in 2018. This is a big improvement over recent years; in 2015, exports of coal were just US\$375,000 (11 percent of commodity exports).

14. New activities are seen also in the non-coal sector—after a period of no new developments, several new mines (including gold, iron ore, and graphite) are in various stages of development, with a graphite mine commissioned in May 2017 and a gold processing facility established in 2017 as well. Production of titanium ores continues and new phases are being planned. Since the discovery of diamonds in Gaza Province in 2016, 20 companies have been awarded licenses to prospect.² There is also some positive movement on the development of the Macuse rail line, which will add capacity to the transport of bulk commodities between Tete and Macuse port with the signing of a contract for rail development. The improved management of mineral titles (supported under MAGTAP) will be crucial to move these and new developments into production and to attract a new wave of exploration investment. New investment in exploration is also critical to ensure continued sector growth and replenishment of stock of the available deposits.

15. The artisanal mining sector remains underproductive and prone to illegal activity as well as an important source of environmental and social impacts in rural and remote areas. There is water and soil degradation, use of harmful chemicals, and use of child labor. In comparison to its neighbors (such as Tanzania or South Africa), where a lot more was done to improve the artisanal and small-scale mining (ASM) sector, including allocation of special areas and provision of various services, Mozambique is behind in its handling of the ASM sub-sector. While illegal mining has been criminalized in the Mining Law of 2014, there is no specific training or service to address the underlying problem of the inability to obtain licenses and lack of trust in the system or capacity to enforce the law. As a result, ASM illegality remains widespread. Geological data remain difficult to access, and support from Provincial Directorates for Mineral and Energy Resources (DIPREMEs, *Direcção Provincial dos Recursos Minerais e Energia*) is limited to simple inspection functions. Poor infrastructure access combined with the remoteness of many of the areas mined (for example, in remote border areas in the provinces of Niassa, Cabo Delgado, and Manhica) has led to minerals being smuggled out of the country through neighboring countries. There is a strong need for the GoM to further develop more specialized services for the ASM sector to improve the quality of these operations given their importance in areas that otherwise have limited employment opportunities. Moreover, with the growth of the gold sector and the gemstone sector, the issue of adequately sharing mining areas between large-scale mining (LSM) and ASM is becoming more pronounced.

² Future development of the diamonds sector will depend on the Kimberley Process being fully adopted and enforced in Mozambique. While the process started, it is not yet completed. Until then, only exploration will be possible in the diamond sector.

16. The mining sector is receiving attention from the authorities as a source of revenue and employment, which can help support the economy in the short to medium run (while Rovuma gas will be steering the development more in the long run). Mozambique has hundreds of mines, the majority of which are small and medium scale, which require, but currently lack, supervision and oversight and proper enforcement of regulations.

17. The key donors supporting extractives sector governance reforms are as follows:

- (a) DFID is a current co-financier to MAGTAP and will increase its funding to the project.
- (b) The Government of Norway will continue the provision of parallel funding to gas sector reforms under its Oil for Development program—Norwegian Agency for Development Cooperation (NORAD). MAGTAP fully coordinates with the NORAD program to ensure complementarity.
- (c) The African Development Bank (AfDB) is supporting a power and gas technical assistance project,³ which includes a component focused on the National Hydrocarbons Company (*Empresa Nacional de Hidrocarbonetos*, ENH) capacity building and support to negotiations of the downstream gas use (such as independent power producers) (MAGTAP closely coordinates on support to ENH).
- (d) The German Agency for Technical Cooperation is scaling down its current support to mining and the Extractive Industries Transparency Initiative (EITI) with its current program closing in 2017 but will continue support of governance reforms.
- (e) The German Geological Survey provides technical assistance to the National Directorate of Geology and Mining (DNGM, *Direcção Nacional de Geologia e Minas*).
- (f) The United Nations Development Programme funds an Extractive Industries for Development technical assistance.
- (g) The AfDB is providing, on an as-needed and ad hoc basis, capacity building for negotiations through its African Legal Support Facility.
- (h) The Government of Canada is prioritizing other sectors in Mozambique but will remain supportive on a limited scale of the EITI and Corporate Social Responsibility (CSR).

³ The project Enabling Large Scale Power and Gas Investment (ELSPGI) technical assistance project was approved in 2013 and is currently undergoing MTR and possible restructuring to move it into implementation. The July 2017 AfDB mission undertook a series of consultations with MAGTAP and agreed to manage the ENH component in close collaboration using resources of MAGTAP Project Management Unit (PMU) to manage technical aspects and coordination.

II. Background and Rationale for AF

18. Continued technical support to the GoM to manage its gas and mining sector is even more important to the country's future now than it was at the time of the original project inception in 2012 due to (a) macroeconomic challenges currently faced by Mozambique to which the extractive sector revenue is one of the solutions and (b) continued downturn of the global minerals sector, which affects new frontier countries⁴ and de facto requires host countries to have modern systems and a resilient business environment in place to attract and retain good quality extractives sector investment in the long run. MAGTAP remains critical to support the GoM in (a) moving the current pipeline of LNG projects toward production while ensuring that they provide economic growth and are sustainable in the long run and (b) supporting new investment into its minerals sector—both FDI and local investment in ASM. While increasing investment is a shorter-term target, MAGTAP also includes a range of technical assistance services to improve the sustainability of the extractives sector in the future through a modern legal and regulatory regime and licensing, clearly defined environmental and social standards, improved revenue estimation and collection, higher transparency and accountability, and an improved environment for local economic growth that can be stimulated through the growth of gas and mining industries.

Higher-level Objectives and Strategic Fit

19. MAGTAP was prepared under the Country Partnership Strategy for FY12–FY16⁵ and the Government's Action Plan for Poverty Reduction for 2012–2014. Both strategies identified the potential for natural resources (including mining and gas) as a source of growth and stressed the country's need to maximize social and economic returns from natural resource endowment. MAGTAP was also aligned with the regional integration strategies for Africa, including the African Union Mining Vision 2050 and the Strategy for Regional Infrastructure Development.

20. MAGTAP fits with the new Country Partnership Framework (CPF) for FY17–FY21⁶ which supports the GoM's objectives for growth and poverty reduction as outlined in the Five-Year Plan of the Government for 2015–2019 (*Plano Quinquenal do Governo 2015-2019*, approved by Parliament in April 2015). The new CPF highlights that to reduce poverty and promote inclusion, Mozambique must develop a more diversified and productive economy, which will depend on how effectively natural resource wealth is translated into human, physical, and institutional capital. The CPF also notes that improving links between large investments in the extractive industries and local companies will support diversification and ensure that the benefits of resource revenues are felt more broadly.

21. The new CPF continues to consider gas and mining as key sectors for Mozambique's future growth and development—from generating much needed revenue to alleviating unsustainable

⁴ Current investments in mineral sector are dominated in brown field investments in established mining jurisdictions. There is a growth in production in many countries in Latin America, such as Argentina, Brazil, Peru, in East and Central Asia. At the same time, new frontiers such as Africa lost most of the hard-earned investment after 2012 (just a few examples to name are a sale of alumina smelters in West Africa and of Benga coal mine in Mozambique by Rio Tinto, pull out of Vale from Guinea's Simandou, pull out of interest of Anglo-American from green-field exploration in Mozambique's Tete coal, frozen production in iron ore mines in Sierra Leone).

⁵ Report No. 66813, February 8, 2012

⁶ Report No. 104733-MZ, March 30, 2017

public debt, to generating local economic growth and mitigating negative environmental and social impacts on the ground. Specifically, the CPF program aims to strengthen institutions that are responsible for the management of natural resources through the ongoing MAGTAP and its planned AF (included as part of the CPF). MAGTAP will support negotiations of sustainable agreements for LNG development, including planning for the domestic use of the gas to be produced in Mozambique. The project will also help the Government address the social issues in the extractive industries in an integrated manner.

Original Project

22. The MAGTAP is financed by an IDA credit of SDR 32.6 million (US\$50 million equivalent) approved by the World Bank Board on March 28, 2013, and DFID co-financing of US\$8.15 million equivalent. The project became effective on August 22, 2013. The project original closing date is May 31, 2020. Disbursement rate on the IDA part of the project is 60 percent and on the DFID part of the project 67 percent. Large and unfavorable exchange rate changes since the beginning of the project negatively affected the total amount available to the tune of about US\$7.5 million. Virtually all funds are committed under existing contracts (about US\$40 million out of both sources of funding) and contracts in advanced stages of procurement (about US\$8 million) while about US\$2.5 million has been set aside for training, operating costs, and contingencies.

23. The PDO is “to strengthen the capacity and governance systems of key institutions to manage the mining and hydrocarbon sectors in Mozambique.” MAGTAP has the following five components, each with multiple subcomponents:

- Component A: Mining Governance Capacity Building and Reform
- Component B: Natural Gas Capacity Building and Governance Reform
- Component C: Cross-cutting Mining/Natural Gas Capacity Building and Reforms
- Component D: Cross-Sectoral Reforms
- Component E: Project Management and Coordination

24. MAGTAP is successfully supporting capacity building for the responsible and transparent management of Mozambique’s extractives industry, including, among others, conducting LNG project negotiations, advising on financing options for LNG projects, improving tax administration, strengthening environmental and social practices, performing geodata collection and administration, and facilitating the development of the domestic market for gas and value addition.

25. Overall implementation of MAGTAP is rated Satisfactory, and the project has achieved a number of its core intermediate results (see Section on “MAGTAP Status of Implementation” and Table 1 for details). While progress under the core components (Components A and B—mining and natural gas capacity building and governance, respectively) continues to be in line or ahead of schedule, the restructuring of government ministries over calendar year 2015 led to delays in the delivery of project activities under the reforms on cross-cutting mining/natural gas and cross-sectoral components of the project (Components C and D), particularly the components under the Ministry of Land, Environment, and Rural Development (MITADER, *Ministério da Terra, Ambiente e Desenvolvimento Rural*) and Ministry of Economy and Finance (MEF). Component C

on cross-cutting mining/natural gas capacity building and reforms is catching up after the completion of the Strategic Environmental and Social Assessment (SESA) for mining and gas, which informed a number of activities that are now moving forward (including an update of environmental regulations, development of guidelines for gas and mining Environmental Impact Assessments (EIAs), consultations for the revision of the resettlement regulations, and the proposed upgrade of regulations to include cumulative impact assessments [CIAs]). Component D on cross-sectoral reforms had to be modified to make it more relevant to current circumstances. It shifted focus from general stimulating economic linkages of mining and gas projects to the specific development of domestic gas market conditions and supporting opportunities for small and medium enterprises (SMEs) to support the extractives sector as service and goods providers. Additional details are provided in the following section.

26. Table 1 below summarizes the key results achieved. There has been substantial progress on all key PDO indicators including improved mining licensing processes and public disclosure, the number of mines and gas construction projects subject to annual technical inspections and fiscal controls in line with established standards.

Table 1. Key Results Achieved by MAGTAP (as of September 2017)

Component	Key Results
Component A	<ul style="list-style-type: none"> • Upgrade of the mining cadastre in 2013 and its rollout in provinces; the next upgrade following adoption of new licensing regulations in January 2016 is also completed and new software is in place. Mining cadastre data and maps are available to the public through a web-based portal and have up-to-date information. • Completion of the aerial geophysical surveying of several prospective areas; geophysical data are being readied for public access. • Equipment (included for Kimberley process) and vehicles for field work for DIPREMEs^a and for Department of Geology and Mining delivered and in use. • ASM Development Program Strategy. • Coal Price Benchmark. • Review of EMEM Mandate on Mining Concessions and Institutional Review and Reengineering.
Component B	<ul style="list-style-type: none"> • Passage of the Decree Law for Rovuma Basin in 2014 paving the way for future LNG projects.^b • Completion of negotiations of several agreements for LNG development for Areas I and IV. • The first FID in Area IV (Coral Sul) was achieved in June 2017 and arrangements are in place for future successful FIDs as they get ready. • Skill-based human resources development for ENH. • Acquisition of specialized software for ENH to analyze reservoirs and make projections.

Component	Key Results
Component C	<ul style="list-style-type: none"> • Continued EITI implementation. • All mining and gas contracts are made public in accordance with the transparency provisions of the Mining and Petroleum Laws. • Recruitment of 80 civil servants for most of the provincial offices (DIPREMEs) to support the inspection and licensing functions of MIREME (of which at least 42 already transitioned into the budget of the ministry, remaining 19 are to be absorbed, and 19 left MIREME or have been transferred). • Provision of extensive training for mine inspectors and all project beneficiaries⁷ (close to a 1,000 people received training under the project to date as recorded in MTR). • Completion of the draft SESA for mining and gas (SESA has been presented and approved by the Cabinet of Ministers on October 10, 2017 as a strategy toward improving environmental and social performance of the extractives sector). • Review of Social Action Policy approved by the Council of Ministers and adopted by the responsible ministry that will pave the way to (a) design the gender strategy for the extractive sector and (b) programs and projects to adequately mitigate negative impacts of megaprojects of this sector on vulnerable groups (children, women, and elderly) and benefit populations of mining-affected areas.
Component D	<ul style="list-style-type: none"> • Study of options for SME participation in the provision of services and goods to the extractives industry; recommendations on facilitating this process through IPEME and the Ministry of Industry have been completed and are in the process of being adopted. • Oil spill preparedness plan has been reviewed and updated.

Note: EMEM = *Empresa Moçambicana de Exploração Mineira* – the National Exploration and Mining Company

a. All inspectorate departments at the provincial directorates equipped with information technology (IT); four provinces received kits for gemstones and gold evaluation.

b. The Decree Law 2014 includes the labor regime, foreign exchange provisions, procurement rules, third-party access rules, rules for the creation of special-purpose entities to be used in the project to facilitate project financing and LNG sales, rules governing accounting and insurance requirements, and the port jurisdiction, among others.

27. MAGTAP is compliant on its Safeguards requirements and is currently rated Moderately Satisfactory on Safeguards due to delays on SESA adoption and launch of its implementation. The rating is expected to improve as soon as implementation is formally launched before the end of the calendar year 2017. The original project has a legal covenant on SESA which is carried on into the Additional Financing and has been partially complied with a delay (SESA has been prepared and validated in a public event) and reached compliance on October 10, 2017 with its adoption by the Council of Ministers. Safeguards sections provide more details.

Status of MAGTAP Components Implementation

28. A brief status by component is provided below.

Component A (Mining Governance Capacity Building and Reform, total of US\$18.85 million, of which IDA US\$17.65 million)

29. Component A aims to support second generation reforms in Mozambique’s mines and mineral sector to optimize sector revenues. The component includes upgrades to mining cadastre systems, geodata collection and interpretation, tendering of mineral assets, reforms and capacity building for ASM, reinforcement of state participation in mining concessions, and transaction

⁷ MIREME and its directorates, DIPREMEs, INP, ENH, MITADER, MGCAS, MEF, MRA and others as applicable.

advisory services for LSM operations and related infrastructure. Activities under Component A remain mostly on schedule, with no major deviation from the original plan at project approval in FY13. With some adjustments to the institutional setup (such as the setup of a new National Institute of Mining [INAMI, *Instituto Nacional de Minas*], and reorganization of the two formerly separate National Directorate of Mining and National Directorate of Geology into one National Directorate of Mining and Geology, and associated changes in responsibilities for implementation of the subcomponents), the component remains fully valid. However, due to the exchange rate losses and higher demand on funds in Component B, some of the activities under Component A have been put aside to address urgent needs related to LNG negotiations. As the preparation of the ASM strategy (which was a precondition for starting activities in the ASM subcomponent) was considerably delayed, the funds that were earmarked for the implementation of the recommendation of the ASM strategy (about US\$1 million) were shifted to other needs, creating a financing gap in this sub-component. The AF Component A will specifically focus on the implementation of the ASM strategy. In addition, as almost no new mining projects moved toward production during the project life-time (as noted in the Sector Background section above, mining sector experienced a downturn since 2014 due to a variety of reasons ranging from globally low commodity prices to the high cost of doing business in Mozambique), there was also less need for transaction advisory services, which resulted in reduction of this allocation by another US\$1 million.

Component B (Natural Gas Capacity and Governance Reform, IDA US\$11.05 million)

30. Component B supports the strengthening of the capacity of selected institutions of the GoM involved in gas sector management and monitoring to allow them to support the sector in a way that is conducive to investment while ensuring sector safeguards and safety standards are met in accordance with international standards. This component provides capacity building and advice to the National Institute of Petroleum (INP, *Instituto Nacional de Petróleo*) and ENH and finances transaction advisory services for the negotiation of gas operations and related infrastructure. Activities under Component B were moving faster than anticipated, and all estimates proved to be lower than actuals. This project component supports LNG project negotiation and develops capacity within ENH and line ministries. It also aims at supporting the Government's effort to boost the economy by developing domestic use of gas. In part, due to international gas market conditions (lower-than-expected demand for LNG in Asia and additional world supply from the United States and Australia), the negotiations were substantially more complex and lengthier than originally planned—negotiations with investors in Rovuma Basin are now past their fourth year while MAGTAP's appraisal assumed that the projects would be negotiated within two years. This component will be receiving considerable AF to support the next phases of negotiations.

31. The appraisal of the original project underestimated the risk of prolonged negotiations and their complexity. After project approval, negotiations were broken into several complex and parallel (and at times overlapping and mutually supporting) streams:

- (a) Passage of the Decree Law for Rovuma Basin Areas I and IV in 2014 to fill in legal and regulatory gaps for LNG development in Mozambique and streamlining the overall permitting and enabling process toward production;

- (b) Preparation and negotiation of agreements for onshore and offshore LNG (the first LNG project reached FID in June 2017, and at least two onshore projects are in the process of negotiations); and
- (c) Domestic gas use including optimal selection of projects, pricing, and regulation (which in part is to be managed under Component D as a cross-sectoral activity).

32. All of this put together increases the need for technical assistance while also increasing the value of the underlying investment. To date, negotiations support to INP has consumed about US\$12 million while marketing and financial advice to ENH has cost about US\$2 million. This expenditure is still efficient and is justified as the underlying investment is up to US\$40 billion and will affect Mozambique's future for centuries to come.

33. The risk of prolonged negotiations is somewhat lower for the AF as underlying laws and regulations are now in place, most of the underlying agreements are already drafted and partially negotiated, and the first Floating LNG (FLNG) project passed FID. A major bottleneck in achieving additional FIDs going forward is likely be in the area of domestic gas for which pricing remains uncertain, and given low petroleum and gas prices, the profit margins are extremely narrow for downstream processing (such as gas to liquids and fertilizers). For Rovuma Basin Areas I and IV, the share of domestic gas is negotiated case by case with only the initial volume coming from the first two LNG trains agreed at this stage (the Petroleum Law of 2014 provides for 25 percent share of domestic gas but this will apply only to new projects outside of Areas 1 and IV). While the Government has already selected several projects following the Call for Bids in 2016, their economic viability depends on both the price of domestic gas, which is currently higher than what investors would want, and the availability of sufficient quantities of gas (current domestic gas allocation from Areas I and IV is lower than cumulative requested volumes for the proposed projects). Thus, MAGTAP AF will focus on domestic gas issues to support the GoM in making informed decisions along with achieving FIDs on the next set of LNG projects in Areas I and IV. Some contingencies are put in place in case of possible cost increases. Given the cross-sectoral nature of domestic gas, domestic gas use related advisory services will be implemented under Component D while Component B will retain support that is required by INP in its role of a gas regulator (that negotiates overall terms and conditions of natural gas projects including share of domestic gas) and ENH in its role as gas aggregator (that will play a role in the sale of the domestic gas).

Component C (Cross-cutting Mining/Natural Gas Capacity Building and reforms, total US\$14.45 million of which US\$9.95 million IDA)

34. Component C's supports the Government's cross-cutting mining and gas reforms to (a) strengthen the institutional and technical capacity of its agencies in revenue management and environmental and social management and (b) improve social accountability of the civil society organizations (CSOs). The component finances legal and regulatory framework enhancement for the mining and gas sectors, supports inspectorate and planning and development functions of MIREME, improves capacity for assessing and reporting on sector revenue, and enhances environmental and social management of the sector and implementation of EITI.

35. The component has been partly behind schedule. MIREME-managed subcomponents on capacity building, equipment, vehicles, general inspectorate of MIREME (IGREME, *Inspecção-Geral dos Recursos Minerais e Energia*), and civil servants support have shown good progress to date and are moving according to, and in some cases ahead of, schedule. Additional funding will be required for capacity building and legal/regulatory advice, especially to support the updating of various pieces of environmental and social regulations as informed by the SESA of mining and gas sectors (supported by MAGTAP). Activities on the environmental and social aspects are considerably behind schedule with only social- and gender-related technical assistance under implementation. The subcomponent on support to the taxation/revenues from the extractives sector is also behind schedule, but a plan has now been agreed with the Mozambican Revenue Authority (MRA) for the next phase. This subcomponent will require additional time to complete as well as some additional funding for SESA follow-up and new activities on the implementation of pilot projects under the CSR Policy and under the social and gender policy pilots in areas affected by the extractive industries.

Component D (Cross-sectoral Reforms (total of US\$2.7 million of which IDA US\$0.8 million)

36. The objective of Component D is to support the strengthening of the GoM's capacity for integrating the mining and gas sectors into its broader economy. The component finances activities aimed at strengthening interministerial coordination and building and strengthening economic links. In addition, Component D supports the setting up and strengthening of a framework for the management of oil spills and emergency response. Component D has been delayed as well, particularly activities on cross-sectoral platforms, local content, and economic links. Activities that were envisaged at the approval of the original MAGTAP were relevant at that time, but with the progress of time, a new approach is needed to focus on more specific topics targeting domestic gas use. This component is being revised to focus on more specific domestic gas issues and more specific local content policies for the mining sector, which will require additional funds for this component. Implementation of domestic gas issues will shift toward INP and ENH as lead entities, but as noted in the narrative of Component B, domestic gas is a cross-sectoral matter and selection of projects and their management will be a joint responsibility of MIREME and INP together with the MEF, the Ministry of Industry, the Ministry of Transport and Communications, and others. SME-related assistance to boost local content will be led by the Ministry of Industry with the SME Institute (IPEME, *Instituto de Pequenas e Médias Empresas*) and will build on the detailed strategy developed under the original project.

Component E (Project Management and Coordination, total of US\$4.9 million, all IDA)

37. Project management is a nontechnical service component, which is designed to provide logistical, coordination, financial management, and procurement support to all project beneficiaries, as well as to support the implementing entity—MIREME—in oversight and reporting. A Project Management Unit (PMU) was set up by MIREME following the appraisal of the original MAGTAP in FY13 and remains in place. Overall, the quality of the project management has been high with an efficient and effective management system. The total cost of this component, however, exceeds estimates that were made at the original project approval time due to more expensive rental arrangements and the project having to engage additional staff due to the high volume of procurement and billing. The expense (10 percent of total amount compared to originally anticipated 8 percent of total) is justified by the need, and additional funds will be

required to carry out these functions through the end of the project (ratio of 10 percent will remain the same for the cumulative total).

Scope of the Proposed Additional Financing

38. The proposed AF is based on the MTR evaluation, which confirmed the continued high relevance of MAGTAP and the need for AF to ensure reforms and capacity building continue to achieve the objectives. The PDO and Results Framework remain relevant and achievable, and the project continues to help the Government improve sector governance and create an enabling environment for mining and gas development. As a consistent continuation and extension of its parent project, the proposed AF will follow the same PDO, the same PDO indicators and components, and the same safeguard category (B - Partial Assessment). The Results Framework for the original project was revised in September 2017 following the MTR. Table 2 provides information on which updates to the Results Framework were already done and which additional updates will be done for the AF (also see Changes to Results Framework). Annex 1 provides a fully revised Results Framework.

39. The AF will retain the same procurement, financial management and disbursement arrangements as the original project. There are no overdue audits for the original credit and project implementation and progress ratings have been consistently satisfactory. Procurement will follow Procurement Guidelines and Guidelines for Selection of Consultants as the original project (waiver has been granted for this project since some contracts will be financed from both sources concurrently). The Project Implementation Manual (PIM) has been prepared and adopted for the original project and updated to add Additional Financing. The revised PIM was approved by the Bank.

40. The project's design is based on outcomes of the World Bank's prior policy dialogue and several analytical studies as well as preparatory work completed by the Government, independently and with World Bank support.

Table 2. Results Framework Revision History

Legend					
		No change			
Bold		Revised indicator or target			
<u>Underline</u>		New indicator			
PDO-level Indicators					
Original		MTR		AF	
<i>Indicator</i>	<i>Target</i>	<i>Indicator</i>	<i>Target</i>	<i>Indicator</i>	<i>Target</i>
Mining Cadastral database and GIS integrated with the land-use databases & accessible on-line for public level information	Yes	Mining Cadastral database and GIS integrated with the land-use databases & accessible on-line for public level information	Yes	Mining Cadastral database and GIS accessible on-line for public level information⁸	Yes
Mines and gas construction projects subject to annual technical inspections in line with established standards	7	Mines construction projects subject to annual technical inspections in line with established standards	At least 5 per year	Mines construction projects subject to annual technical inspections in line with established standards	At least 5 per year 25 (inspections)
		Gas construction projects subject to annual technical inspections in line with established standards	At least 3 per year	Gas construction projects subject to annual technical inspections in line with established standards	At least 3 per year (15 inspections)
Mines and gas operations subject to fiscal controls per year in line with established standards	5	Mines operations subject to fiscal controls per year in line with established standards	At least 10 per year	Mines operations subject to fiscal controls per year in line with established standards	At least 10 per year (30 inspections)
		Gas operations subject to fiscal controls per year in line with established standards	At least 3 per year	Gas operations subject to fiscal controls per year in line with established standards	At least 3 per year (30 inspections)

⁸ Integration with revenue authority system has been removed because this was established as not feasible due to technological incompatibility between the two systems. It was also established that the land cadastre system in Mozambique is substantially behind the mining cadastre in terms of data and usability, and therefore, integration at this stage will also not be feasible but should be anticipated in the future.

Original		MTR		AF	
Indicator	Target	Indicator	Target	Indicator	Target
Regular health and safety and environmental monitoring visits and inspections to mines and gas exploration production sites in line with standards for compliance and monitoring of safety and environmental regulations	Captured partially in indicator 2 above. Not tracked as new regulations for HSE are not yet promulgated	Regular health and safety and environmental monitoring visits and inspections to mines and gas exploration production sites in line with standards for compliance and monitoring of safety and environmental regulations	<u>50</u>	Regular health and safety and environmental monitoring visits and inspections to mines and gas exploration production sites in line with standards for compliance and monitoring of safety and environmental regulations	50
New mining/gas/ infrastructure related contracts negotiated, benefitting from the developed frameworks and procedures	11	New mining/gas/ infrastructure related contracts negotiated, benefitting from the developed frameworks and procedures	5	New mining/gas/ infrastructure related contracts negotiated benefitting from the developed frameworks and procedures	5
				<u>ESIA and SIA guidelines published and disseminated for gas, mining (LSM and ASM) and oil (if under way)</u>	<u>Yes</u>
Direct project beneficiaries	2,390	Direct project beneficiaries	2,390	Direct project beneficiaries	<u>3,500</u>
Of which female beneficiaries	35%	Of which female beneficiaries	35%	Of which female beneficiaries	35%
Component-level Indicators					
Mining Cadastre procedures updated	Yes	Mining Cadastre procedures updated	Yes	Mining Cadastre procedures updated	Yes
Mineral Information System upgraded with new geodata for strategic areas	Yes	Mineral Information System upgraded with new geodata for strategic areas	Yes	Mineral Information System upgraded with new geodata for strategic areas	Yes

Original		MTR		AF	
<i>Indicator</i>	<i>Target</i>	<i>Indicator</i>	<i>Target</i>	<i>Indicator</i>	<i>Target</i>
Number of ASM associations/co-operatives	89	Number of ASM associations/cooperatives	89	Number of ASM associations/cooperatives	50 ⁹
				<u>Number of Artisanal 'Mining Passes' issued and number of Small Scale 'Mining Certificates' issued in accordance with regulations</u>	<u>200</u>
Procedures of tendering and evaluation of mineral assets developed	Yes	Procedures of tendering and evaluation of mineral assets developed	Yes	Procedures of tendering and evaluation of mineral assets developed	Yes
Number of ASMs who have received targeted training (of which female %)	2,000	Number of ASMs who have received targeted training (of which female %)	2,000	Number of ASMs who have received targeted training (of which female %)	2,000
Health and safety and environmental regulations, including standards and monitoring procedures updated	Yes	Health and safety and environmental regulations, including standards and monitoring procedures updated	Yes	Health and safety and environmental regulations, including standards and monitoring procedures updated	Yes
Local law enforcement and judicial personnel trained on mining law and regulations under the project	200	Local law enforcement and judicial personnel trained on mining law and regulations under the project	200	Local law enforcement and judicial personnel trained on mining law and regulations under the project	200

⁹ Target number of ASM Cooperatives has been reduced to be more realistic. Since the original project approval in 2013, there was ongoing unrest in north and central parts of the country where a lot of ASM operations are located. Many ASMs do not have documentation, which will make formation of cooperatives slower than originally anticipated.

Original		MTR		AF	
Indicator	Target	Indicator	Target	Indicator	Target
				<u>Number of geological blocks surveyed and number of sheets mapped, of which publicly disclosed and available</u>	<u>3/100%</u> <u>30/100%</u>
Number of studies assessing economic and financial feasibility for development of gas infrastructure carried out	5	Number of studies assessing economic and financial feasibility for development of gas infrastructure carried out	5	Number of studies assessing economic and financial feasibility for development of gas infrastructure carried out	5
				<u>Emergency response procedures for INP developed</u>	<u>Yes</u>
Staff of gas sector management institutions trained through MAGTAP to manage, regulate and monitor gas sector	140	Staff of gas sector management institutions trained through MAGTAP to manage, regulate and monitor gas sector	60 (revised in view of NORAD direct support)	Staff of gas sector management institutions trained through MAGTAP to manage, regulate and monitor gas sector	100
Tools and mechanisms to attract financing for the State participation in place	Yes	Tools and mechanisms to attract financing for the State participation in place	Yes	Tools and mechanisms to attract financing for the State participation in place	Yes
Pemba Regional Office equipped and operational to undertake health and safety, and environmental inspections of gas field operations	Yes	Pemba Regional Office equipped and operational to undertake health and safety, and environmental inspections of gas field operations	Yes	Pemba Regional Office equipped and operational to undertake health and safety, and environmental inspections of gas field operations	Yes

Original		MTR		AF	
Indicator	Target	Indicator	Target	Indicator	Target
Computerized Environmental Management Information System developed	Yes	Computerized Environmental Management Information System developed	Yes	<u>Computerized Environmental and Social Management Information System developed</u>	Yes
Results of Strategic Environmental and Social Assessment publicly disclosed by GoM in papers and through workshops and public outreach	Yes	Results of Strategic Environmental and Social Assessment publicly disclosed by GoM in papers and through workshops and public outreach	Yes	Results of Strategic Environmental and Social Assessment publicly disclosed by GoM in papers and through workshops and public outreach	Yes
				<u>SESA Action Plan implementation is tracked continuously by the Recipient with engagement of stakeholders through public consultation process and feedback mechanism.</u>	<u>Yes</u>
				<u>Number of pilot CIA data collection and analyses completed and capacity building action plans under implementation</u>	<u>2</u>
Annual disclosure of reports on extractive industries revenues and revenue allocation at national level	5	Annual disclosure of reports on extractive industries revenues and revenue allocation at national level	7	Annual disclosure of reports on extractive industries revenues and revenue allocation at national level	8
Provincial Directorates of Mineral Resources equipped & capable to monitor and inspect mining & exploration operations in their jurisdictions	10	Provincial Directorates of Mineral Resources equipped & capable to monitor and inspect mining & exploration operations in their jurisdictions	10	Provincial Directorates of Mineral Resources equipped & capable to monitor and inspect mining & exploration operations in their jurisdictions	10

Original		MTR		AF	
Indicator	Target	Indicator	Target	Indicator	Target
Number of CSO/CBOs trained on transparency monitoring across the extractive sector value chain	50	Number of CSO/CBOs trained on transparency monitoring across the extractive sector value chain	50	Number of CSO/CBOs trained on transparency monitoring across the extractive sector value chain	50
				<u>Gender-focused strategy specific to mining formulated</u>	<u>Yes</u>
				<u>Total number of community pilots implemented in extractives areas and lessons learned made public</u>	<u>3</u>
Strategies and policies for strengthening linkages of mines and gas production with national economy developed	Yes	Number of studies completed and recommendations adopted to stimulate linkages between mining and gas projects and Mozambican economy	2	Number of studies with specific recommendations completed and adopted to stimulate linkages between mining and gas projects and Mozambican economy	2
Number of bankable business plans developed under the project related to local industry participation in provision of local goods and services to extractive industry	2	Sector specific regulations and action plan for local content developed and adopted¹⁰	Yes	Sector specific regulations and action plan for local content developed and adopted	Yes
				<u>Number of SMEs participating in tenders and providing goods and services to gas and mining operations</u>	<u>20</u>

¹⁰ While MAGTAP supports local content agenda such as (a) developing a business plan for ENH Logistica as a vehicle to carry the Government's share in infrastructure and other related to gas sector development and (b) assessment of local content options for SMEs, at MTR, it was agreed that MAGTAP is unlikely to be able to meaningfully undertake other activities given the economic situation and factors outside of MIREME's control. The indicator was, therefore, revised following the MTR.

Original		MTR		AF	
Indicator	Target	Indicator	Target	Indicator	Target
Standards & procedures for oil & gas contingency planning & emergency preparations developed	Yes	Standards & procedures for oil & gas contingency planning & emergency preparations developed	Yes	Standards & procedures for oil & gas contingency planning & emergency preparations developed	Yes

Note: ESIA = Environmental and Social Impact Assessment; GIS = Geographic Information System; SIA = Social Impact Assessment.

Safeguards

41. MAGTAP safeguards arrangements included the preparation of a SESA for the mining and gas sectors in Mozambique. The Terms of Reference (ToR) for SESA were disclosed in November 2013 as part of the project appraisal. The SESA team was led by the MIREM, which was superseded by the MIREME after the ministry merged with the Ministry of Energy in early 2015 post elections; in collaboration with the Ministry of Coordination of Environmental Affairs (MICOA, *Ministério para Coordenação da Acção Social*), which was superseded by the MITADER post elections. Due to the delays, first with the selection of the consultants to carry out the SESA and later with the reorganization of the responsible ministries, the original date for SESA delivery was formally amended from February 28, 2015 (in the original Financing Agreement) to December 31, 2016 (amendment to the Financing Agreement of September 16, 2016).

42. The draft SESA was submitted to MIREME in late December 2016, after the first round of comments it was revised in April 2017 and following second round of revisions based on the World Bank's and other stakeholders' comments finalized in August 2017. A validation workshop took place in Maputo on August 17, 2017 and included representatives of the Government agencies, companies, and civil society. The draft SESA was accepted by stakeholders and the Action Plan was endorsed. This SESA, including an Action Plan for its implementation, was approved by the Council of Ministers on October 10, 2017. The SESA Action Plan aims to improve the national policy with respect to management of the environmental, social, health, safety, and security (ESHSS) aspects of the sector.

43. A summary of recommendations of SESA is provided in Table 3. Activities that will be supported under MAGTAP as part of SESA follow-up are highlighted in the table in bold. MAGTAP AF will build on the lessons learned from the parent project, which includes improving coordination across stakeholders, and provide additional support to address the inadequate capacity of both the Government's agencies and the PMU to review SESA and other key documents (Environmental and Social Screening Form [ESSF], ESHSS, guidelines, Action Plan). The AF will finance the implementation of key recommendations of SESA.

44. To support the implementation of SESA recommendations (update of legal and regulatory framework, development of various methodologies, and data collection) and other activities that involve safeguards (pilots that are included in Subcomponent C8 of the project and gender programs), the PMU will engage an environmental/social safeguards specialist who will support coordination of these activities along with the mining and gas specialists already in place in the

PMU. The World Bank will continue to rely on the Maputo-based safeguards team to review and oversee SESA follow-up activities, including review and clearance on relevant ToR and outputs. In addition, the World Bank’s project team will request support from technical experts and regional safeguards advisers’ office on as-needed basis for key documents review and advice.

Table 3. SESA Recommendations^a

Sector	Higher Priority	MAGTAP Response	Lower Priority	MAGTAP Response
Gas	<ul style="list-style-type: none"> • Limited capacity to deliver local content and compete for employment opportunities • Limited job creation • Damage to alternative livelihoods • Growing requirement for involuntary resettlement and limited capacity of consultants and the Government to deliver consistently high-quality resettlement plans • Centralization of community development efforts (not benefitting rural communities) 	<ul style="list-style-type: none"> • Develop sector-specific local content regulations and guidelines (both gas and LSM) • SME support (gas and LSM) • Revision/update of Resettlement Regulations and Guidelines and related capacity building (all sectors) • Development of model Community-based Agreements (CBAs) and build capacity to negotiate those (gas and LSM) • Implement CSR Policy (as pilots) in selected affected areas (gas and LSM) 	<ul style="list-style-type: none"> • Social and economic impacts arising from project delays (for example, FIDs) • Mismatched community expectations and benefits delivered by extractive industry • Development of a dual economy—those who benefit and those who do not (from extractive industry operations) • Absence of sector-specific ESIA guidelines, including management and closure plans • Land degradation • Lack of capacity to define and address cumulative issues and impacts, including acquisition of quality strategic baseline data • Disempowerment of women • Government investment in extractive industry limits investment in infrastructure projects • Limited national and regional training facilities and capacity • Absence of embedded gender aspects in the legal framework • Incomplete legal framework • Limited coordination, integration, and capacity • Limited enforcement capacity 	<ul style="list-style-type: none"> • CBAs work and pilots • Update of EIA/SIA guidelines (gas and LSM) • Develop CIA methodologies, baseline data, and resources at regional level (all sectors) • SESA Action Plan support for regulatory and institutional improvements • Gender study and mainstreaming
LSM	<ul style="list-style-type: none"> • Lack of capacity to define and address cumulative issues and impacts, including acquisition of quality strategic baseline data 	<ul style="list-style-type: none"> • Develop CIA guidelines and practices, data collection (all sectors), and pilot test at the regional level 	<ul style="list-style-type: none"> • Limited capacity to deliver local content and compete for employment opportunities • Damage to, or elimination of, alternative livelihoods • Land degradation • Disempowerment of women 	<ul style="list-style-type: none"> • Sector-specific local content regulations • SME support • Update to legal framework

Sector	Higher Priority	MAGTAP Response	Lower Priority	MAGTAP Response
	<ul style="list-style-type: none"> • Limited job creation • Mismatched community expectations and benefits delivered by extractive industry • Growing requirement for involuntary resettlement and limited capacity of consultants and the Government to deliver consistently high-quality resettlement plans 	<ul style="list-style-type: none"> • CBAs and pilots • Resettlement Regulations update and capacity building 	<ul style="list-style-type: none"> • Incomplete legal framework • Limited enforcement capacity • Health and safety of workers • Health and safety of communities 	<ul style="list-style-type: none"> • Capacity building of inspectors and law enforcement • Health and safety regulations and guidelines
ASM	<ul style="list-style-type: none"> • High level of informality • Child labor • Land degradation 	<ul style="list-style-type: none"> • ASM strategy implementation, including support to forming cooperatives and extension services 	<ul style="list-style-type: none"> • Lack of investment in capacity building and training • Use of mercury in gold recovery • High costs for studies and plans • Poor environmental sanitation • Land conflicts • Insecure access to land (to address this, the mining regulation could follow the Mining Law and create a legal system that attributes rights and obligations for the ASM sector, including the tax regime) • Loss of human lives due to landslides • Nonexistence of prospecting and research of minerals • Deforestation of vegetation and destruction of fauna • Market access • Occurrence of communicable diseases (HIV, diarrhea, tuberculosis, and so on) • Criminality and smuggling • Social conflicts • Weak revenue contribution of the sector • Concentration of illegal emigrants • Children leaving school to undertake ASM 	<ul style="list-style-type: none"> • Extension services, analysis of geodata, and making it available • SIA requirements • Pilots supporting gender and social action • Screening guidelines

Source: Strategic Environmental and Social Assessment of Mining and Gas Sectors in Mozambique, by Cardno and Ozmosis, June 2017.

Note: a. Priorities to be supported through MAGTAP are highlighted in bold.

III. Proposed Changes

Summary of Proposed Changes	
The proposed additional IDA and DFID grants were requested by the GoM to help finance the costs associated with cost overrun, unfavorable foreign exchange rate since project approval, which further decreased financing, and scaled-up activities to enhance the impact of a well-performing project. The scope of the proposed AF is informed by the MTR of MAGTAP, which was completed jointly with the Government in July 2016 (MTR report dated August 26, 2016).	
Change in Implementing Agency	Yes [] No [X]
Change in Project's Development Objectives	Yes [] No [X]
Change in Results Framework	Yes [X] No []
Change in Safeguard Policies Triggered	Yes [] No [X]
Change of EA category	Yes [] No [X]
Other Changes to Safeguards	Yes [] No [X]
Change in Legal Covenants	Yes [] No [X]
Change in Loan Closing Date(s)	Yes [X] No []
Cancellations Proposed	Yes [] No [X]
Change in Disbursement Arrangements	Yes [] No [X]
Reallocation between Disbursement Categories	Yes [X] No []
Change in Disbursement Estimates	Yes [X] No []
Change to Components and Cost	Yes [X] No []
Change in Institutional Arrangements	Yes [] No [X]
Change in Financial Management	Yes [] No [X]
Change in Procurement	Yes [] No [X]
Change in Implementation Schedule	Yes [X] No []
Other Change(s)	Yes [] No [X]
Development Objective/Results	
Project's Development Objectives	
Original PDO	
The proposed Project Development Objective is to strengthen the capacity and governance systems of key institutions to manage the mining and hydrocarbon sectors in Mozambique.	
Change in Results Framework	
Explanation:	

Eight new indicators are added to reflect additional activities on CSR/CBA pilot activities, EIA/SIA regulations, strengthening of environmental and social requirements for ASM, geodata dissemination, and development of emergency procedures by INP. Although the number of indicators is high, these are needed to better monitor the performance of this technical assistance project and most do not require extensive data collection efforts.

An indicator on mining cadastre integration with other systems was revised to remove integration with revenue authority system because this was established as not feasible due to technological incompatibility between the two systems. It was also established that the land cadastre system in Mozambique is substantially behind the mining cadastre in terms of data and usability, and therefore, integration at this stage will also not be feasible but should be anticipated in the future.

Compliance

Covenants - Additional Financing (Mining and Gas Technical Assistance Additional Financing - P161683)

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
IDA	Article IV, 4.02 of the Financing Agreement the AF.	The project will have AF to co-financing agreement effective.	31-July-2018	<input type="checkbox"/>		New
IDA	Article 4.01 (a) (i) of the Financing Agreement of the AF.	The project may be suspended based on act or omission in the management or operations of the Recipient's mining or hydrocarbon sectors, a failure on the part of the Recipient in the Recipient's territory, to (i) apply sound social and environmental standards and practices and (ii) uphold appropriate standards of good governance		<input checked="" type="checkbox"/>	Continuous	New
IDA	Schedule 2, Section V, A of the Financing Agreement of the AF.	The Recipient undertakes to carry out the Project in accordance with internationally recognized standards and guidelines for		<input checked="" type="checkbox"/>	Continuous	New

		extractive industries transparency, including those of the EITI.			
Conditions					
Source of Fund	Name			Type	
IDA	Manual for Pilot Programs developed and adopted. Schedule 2, Section IV, A (b)			Disbursement	
Description of Condition					
Notwithstanding the provisions of paragraph 1 above, no withdrawal shall be made for the payment under Category (2) unless the recipient has submitted evidence, satisfactory to the Association, that the pilot projects manual has been prepared and adopted in a manner satisfactory to the Association pursuant to Section I.D of this Schedule in the Financing Agreement.					
Source Of Fund	Name		Type		
IDA	SESA Action Plan Adoption. Article V, 5.01		Effectiveness		
Description of Condition					
The Recipient shall carry out a SESA of the Recipient's mining and gas sector under TORs satisfactory to IDA, and shall prepare, disclose and adopt an action plan in accordance with the TORs satisfactory to the Association, which shall identify such regulatory instruments, as necessary for management of the mining and gas sector on environmentally and socially sustainable bases.					
Risk					
Risk Category				Rating (H, S, M, L)	
1. Political and Governance				Substantial	
2. Macroeconomic				Substantial	
3. Sector Strategies and Policies				Moderate	
4. Technical Design of Project or Program				Moderate	
5. Institutional Capacity for Implementation and Sustainability				Moderate	
6. Fiduciary				Low	
7. Environment and Social				Moderate	
8. Stakeholders				Moderate	
9. Other					
OVERALL				Moderate	
Finance					
Loan Closing Date - Additional Financing (Mining and Gas Technical Assistance Additional Financing - P161683)					
Source of Fund			Proposed Additional Financing Loan Closing Date		
Free-standing Single Purpose Trust Fund			31-Dec-2021		

IDA Grant		31-Dec-2021								
Loan Closing Date(s) - Parent (Mozambique Mining and Gas Technical Assistance Project - P129847)										
Explanation: The closing dates of all financing sources will be harmonized to simplify management for the Recipient. The proposed extension of the original project is by a year and a half; the extension of the DFID trust fund (TF) is needed to match the IDA date and to accommodate the new proposed TF financing. There are no overdue audits for the original project and all audits were unqualified.										
Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)					
IDA-51990	Effective	31-May-2020	31-May-2020	31-Dec-2021						
TF-16113	Effective	30-Nov-2018	30-Nov-2018	31-Dec-2021	30-Nov-2018					
Change in Disbursement Estimates (including all sources of Financing)										
Explanation: The project will continue for an additional year. The annual disbursement estimates are therefore adjusted to add an additional year, and incorporate addition IDA grant and DFID co-financing.										
Expected Disbursements (in USD Million) (including all Sources of Financing)										
Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Annual	2.00	6.00	7.00	12.00	12.00	13.00	12.20	12.00	7.00	4.00
Cumulative	2.00	8.00	15.00	27.00	39.00	52.00	64.20	76.20	83.20	87.20
Allocations - Additional Financing (Mining and Gas Technical Assistance Additional Financing - P161683)										
Source of Fund	Currency	Category of Expenditure	Allocation				Disbursement %(Type Total)			
			Proposed				Proposed			
Free-Standing CO-financing grant	GBP		1,000,000.00				100.00			
		Total:	1,000,000.00							
IDA	US\$		28,000,000.00				100.00			
		Total:	28,000,000.00							
Reallocation between Disbursement Categories										
Explanation: The project will retain the same financial management and disbursement arrangements as the original project. The original disbursement categories are being revised as follows: (a) Category 2 is increased by SDR 150,000 by reallocating part of the balance from the project preparation advance (PPA) refinancing category										

(based on actual amount disbursed about SDR 270,108); (b) the remaining balance of PPA category is moved to Category 1; (c) the percentage eligible for World Bank financing under Category 1 has been revised to 33 percent in view of the overlap of eligible categories between the original credit and AF (corresponding category in the AF will show 67 percent eligible for World Bank financing); (d) allocation of financing to eligible parts of the project will change as follows: “Category 1: Works, non-consulting services, Goods, Consultants' Services, Training, Workshops and Study tours, and Operating Costs under Part A(i), A(iii), A(iv), A(v), A(vi), A(vii), B, C(i), C(ii), C(iv)(b), C(v), C(vi), C(vii), D(iii), and E of the Project.”

For the DFID Co-financing Trust Fund, the allocation of financing to eligible subcomponents has also changed. The new definition for Category 1 will be as follows: “Works, non-consulting services, Goods, Consultants' Services, Training, Workshops and Study tours, and Operating Costs under Part A(ii), C(iii), D(i), and D(ii) of the Project.”

Ln/Cr/TF	Currency	Current Category of Expenditure	Allocation		Disbursement % (Type Total)	
			Current	Proposed	Current	Proposed
TF-16113	GBP	WKS, NCS, GDS, CS, TRG, WSP & ST TR, OPC	5,209,000.00	5,209,000.00	100.00	100.00
TF-16113		Designated Account	0.00	0.00	0.00	0.00
		Total:	5,209,000.00	5,209,000.00		
IDA-51990	SDR	WKS, NCS, GDS, CS, TRG, WSP & ST TR, OPC	29,992,000.00	31,527,892.00	100.00	33.00
IDA-51990		SALARY SUPPORT PART C(iv)(a)	652,000.00	802,000.00	100.00	100.00
IDA-51990		Project Preparation Advance Refinancing	1,956,000.00	270,108.00	0.00	0.00
IDA-51990		Designated Account	0.00	0.00	0.00	0.00
IDA-51990		Designated Account	0.00	0.00	0.00	0.00
		Total:	32,600,000.00	32,600,000.00		

Components

Change to Components and Cost

Explanation:

The proposed AF is based on the MTR evaluation, which confirmed the continued high relevance of MAGTAP and the need for AF to ensure reforms and capacity building continue to achieve the objectives. The components will remain the same, and the AF will run in parallel with the original project. The activities to be supported under AF are detailed in the following paragraphs and details are provided in Annex 1 (Detailed Project Description). Amounts by component provided below are referring to the Additional Financing only.

Component A (Mining Governance Capacity Building and Reform US\$6.3 mln). The AF will increase allocation for existing Subcomponents A3, A5, A6, and A7 for the following activities: (a) implement the

ASM strategy that was developed under the original project, including extension services, advice on obtaining licenses and formalizing the projects, advice on setting up cooperatives, testing of services, and support on improving environmental and social performance of ASM; (b) finance additional high-altitude surveying of Blocks 8 and 8A and geological mapping at 1:50,000 scale on Blocks 8 and 8A; (c) develop methodology and codification for assessment of mineral reserves; (d) provide transaction advisory services for mining contracts negotiations; and (e) support implementation of the recommendations of strategy to improve capacity of the national mining company (EMEM) based on the business plan developed under the original MAGTAP.

Component B (Natural Gas Capacity Building and Governance Reform, US\$10.6 million). The AF will increase allocation of existing Subcomponents B1, B2, B3, and B4. Specifically, it will (a) support domestic gas agenda, including setting up appropriate capacity, structure for domestic gas policy (as a follow up to Gas Master Plan, which was adopted in 2014), and update to roles and responsibilities for domestic gas regulation and oversight; (b) assess demand for petroleum products domestically in Mozambique and provide training to INP, ENH, and National Directorate of Hydrocarbons (DNHC, *Direcção Nacional de Hidrocarbonetos e Combustíveis*) on gas and fuels sector issues in accordance with their capacity-building plans; (c) support development of the emergency procedures for INP particularly in line with the SESA recommendations in coordination with Maritime Institute INAMAR, *Instituto Nacional de Marítimo*) and MITADER; (d) finance the second phase of technical assistance supporting INP's review of Field Development Plans; (e) continue advice on technical, legal, financial, and marketing areas to ENH, including updating its strategy and mandate and continue building its capacity to become a full partner and participate in critical decisions related to its investment; and (f) finance LNG Transaction Advisory services for INP.

Component C (Cross-cutting Mining/Natural Gas Capacity Building and Reforms, US\$7 million). The AF will increase allocation for the existing Subcomponents C1, C3, C4(b), C5, C6, and C7 for the following activities: (a) continue supporting the development of mining and gas legal and regulatory framework, in particular updating various sector-specific environmental and social regulations and guidelines according to the recommendations of SESA; (b) provide additional training to IGREME, INP, and MITADER to build up the inspection capacity and quality; (c) update Institutional Functional Review of MIREME and provide additional training, goods, and equipment along with its recommendations; (d) support technical capacity building to staff of the MRA's Natural Resource Unit, regional staff assigned to monitoring and auditing gas and mining projects and Customs Offices on gas and mining audit, taxation, and technical aspects; (e) set up procedures and build the Government's capacity (MITADER, MIREME, INP, and DIPREMEs) to screen projects for environmental and social impacts and review and assess EIAs and SIAs; (f) support defining regulations and guidance on CIAs, including developing methodology and collecting regional-level data; (g) develop formats and procedures for CBAs and mechanisms for grievance redressal mechanisms (GRMs); and (h) continue supporting EITI and other activities targeting to improve transparency and accountability of the extractives sector to the public.

The AF adds a new Subcomponent C8 as follows: implement pilot activities in extractives-affected areas. The pilots will be developed in accordance with the manual (which will be subject to prior approval by the World Bank and will be a condition of disbursements for this subcomponent) and will target one or more of the following broad objectives: test methodology and approaches to mainstream policy on CSR in extractive sector, develop CBAs and improve capacity to negotiate such agreements in affected communities, and test approaches to operationalize policies on gender and social action in the communities.

Component D (Cross-sectoral Reforms, US\$0.1 million IDA and \$1 million DFID). The AF will increase allocations for the existing Subcomponents D1 and D2 as follows: (a) support building a cross-sectoral platform for domestic gas issues; (b) support development of an operational model and plan for links center for oil, gas, and mining industry; and (c) support harmonization of procurement procedures in extractives

industry for local suppliers and develop guidelines for SMEs to be able to bid and participate in procurement.

Component E (Project Management and Coordination, US\$3.2 million). The AF will provide additional funding for a growing project with an additional period of implementation. Given substantial scale-up of components related to environmental and social aspects of mining and gas, the PMU will hire an environmental and social specialist to strengthen SESA follow-up and mainstreaming of ESHSS issues in sector governance.

The Current Cost column in the table below is IDA only (it does not include DFID co-financing, which was approved after IDA approval). The Proposed Cost includes original IDA (US\$50 million equivalent), DFID co-financing (US\$8.2 million equivalent approved in FY13), additional IDA Grant (US\$28.0 million), and expected additional DFID Co-financing Grant (US\$1.0 million).

Current Component Name	Proposed Component Name	Current Cost (US\$, millions)	Proposed Cost (US\$, millions)	Action
Component A: Mining Governance Capacity Building and Reform	Component A: Mining Governance Capacity Building and Reform	17.65	20.40	Revised
Component B: Natural Gas Capacity Building and Governance Reform	Component B: Natural Gas Capacity Building and Governance Reform	11.05	30.62	Revised
Component C: Cross-cutting Mining/ Natural Gas Capacity Building and Reforms	Component C: Cross-cutting Mining/ Natural Gas Capacity Building and Reforms	9.95	19.90	Revised
Component D: Cross-sectoral Reforms	Component D: Cross-sectoral Reforms	0.80	3.75	Revised
Component E: Project Management and Coordination	Component E: Project Management and Coordination	4.90	8.99	Revised
PPA Refinancing	PPA Refinancing	3.00	0.60	Revised
Contingencies	Contingencies	2.65	2.94	Revised
	Total:	50.00	87.20	

Other Change(s)

Change in Implementation Schedule

Explanation:

The project completion date has been extended to December 31, 2021 (19 months extension) to accommodate scaled-up activities.

IV. Appraisal Summary

Economic and Financial Analysis

Explanation:

Overall, there is no significant change in the economic and financial analysis. An update largely relates to the current difficult macro situation in Mozambique.

The continued technical support to the GoM to manage its gas and mining sector is even more important to the country's future now than it was at the original project inception in 2012 due to (a) macroeconomic challenges currently faced by Mozambique to which extractive sector revenue is one of the solutions while the state of the market makes natural gas projects moving toward production in a sustainable manner challenging and (b) continued downturn of the global minerals sector, which impacts 'new frontier' countries and de facto requires host countries to have modern systems and resilient business environment in place to attract and retain good quality extractives sector investment in the long run. MAGTAP remains critical to support the GoM in (a) moving the current pipeline of LNG projects toward production while ensuring that they provide economic growth and are sustainable in the long run and (b) supporting new investment into its minerals sector—both FDI and local investment to improve ASM output. While increasing investment and expediting production launch is a shorter-term target, MAGTAP supports a range of technical assistance services to improve sustainability of the extractives sector in the future through modern legal and regulatory regime and licensing, clearly defined environmental and social standards, improved revenue estimation and collection, higher transparency and accountability, as well as an improved environment for local economic growth that can be stimulated through growth of gas and mining industries.

Taking into consideration the country's economic conditions, the importance of securing the FIDs for the development of the Rovuma Basin gas fields is significant in both the short term (to address fiscal challenges through forthcoming investments and taxes) and long term (to contribute toward future environmental and social sustainability and macroeconomic resilience and economic growth). The prospects for Mozambique's gas sector remain sound even under current LNG market conditions, and large associated FDI flows are expected between 2020 and 2025. Gas exports are expected to ramp up from 2021 and contribute to solving the country's current account deficit problem thereafter. If all projects come to fruition, by 2025, Mozambique could be one of the world's largest LNG exporters.

According to the World Bank's Economic Outlook for Mozambique of July 2017, the Mozambican economy remains fragile. After a sharp slowdown in growth in 2016, the first quarter of 2017 shows signs of improvement driven by the extractive sector. GDP growth picked up to 2.9 percent in the first three months of 2017 (year on year) after slowing to 1.1 percent in the last quarter of 2016 but remains below recent levels. A large share of this improvement comes as Mozambique's recovering coal industry overcomes several structural problems. Extractives maintained 16 percent output growth in 2016. This trend continued in early 2017 with a 41 percent expansion in output, making extractives the driver of the pick-up in first quarter GDP growth. Sizable FDI inflows and recovering commodity price were behind this.

Mozambique's gas production prospects shape expectations for a recovery in growth by 2018. In the meantime, existing megaprojects (including Sasol, MOZAL, Moma, and Rovuma Basin Areas I and IV) are showing resilience and may benefit from a boost in the near term from an improving outlook for key commodity prices. Earnings from coal exports have risen due to a significant boost from the completion of the Moatize - Nacala-a-Velha railway. Electricity, heavy sands, and gas exports are also on the increase.

While Rovuma Basin development is still behind schedule, other megaprojects continue to advance with activities such as the launch of Sasol’s new drilling campaign in Inhambane, bolstering investment in the second quarter of 2016, and continued investments in coal production. As a result, megaproject FDI is registering a 25 percent increase in 2016 (while non-megaproject FDI was decreasing due to low investor confidence).

The development of LNG is behind schedule as compared to the original appraisal, but natural gas in Mozambique remains high on the investors’ list. According to recent Goldman Sachs analysis of how the top 450 oil and gas projects play out globally, Mozambique (together with Senegal and Mauritania) is in the lower part of the projected LNG cost curve. With the first LNG FID taking place in June 2017 (Coral South FLNG by ENI in Block IV), Mozambique remains hopeful to translate its gas reserves into revenues.

Rationale for use of public funding. The revenues generated by the development of the new LNG sector will only benefit the country and the population of Mozambique if sector management, transparency, and accountability are improved. With the first FID for an LNG project now in place, it will be important to support progressing of the next (more complex) on-shore LNG development projects and supporting monitoring of the existing projects. Domestic gas remains a major issue, and supporting the Government in making well-informed decision will affect the next 40+ years of development of Mozambique. Relatively modest technical assistance support from MAGTAP can support generating billions of revenues in the future and the development of new economic sectors (through access to domestic gas).

While the mining sector has experienced a downturn over the last several years, since 2016, the situation started to improve with the commissioning of the Nacala rail line. Coal exported in the first quarter of 2017 accounted for 33.4 percent of all exports and generated revenues of US\$326.1 million, an increase of 200.5 percent over the first quarter of 2016. Production is forecasted to increase from 8.7 million tonnes in 2016 to 13 million tons in 2017 and 18 million tonnes in 2018. This is a big improvement from the situation of the earlier years—in 2015, exports of coal were just US\$375,000 (11 percent of commodity exports).

New activities are seen also in non-coal sector where several new mines (including gold, iron ore, and graphite) are in various stages of development, with a graphite mine commissioned in May 2017 and a processing facility for alluvial gold with targeted capacity of 2.64 million tons per year being established. Production of titanium ores continues and new phases are being planned. Since discovery of diamonds in Gaza Province in 2016, 20 companies have been awarded licenses to prospect.

More attention is needed to improve tax administration and license management to further increase sector contribution to the economy. Transparency over the management of extractives sector will continue to help attracting investment and generate benefits in the long run.

The project is not directly linked with IFC investments in the sector but there is a benefit to IFC and MIGA future investment through improved legal and regulatory frameworks for minerals and natural gas and strengthened government’s capacity to issue licenses and oversee the extractives sector in general.

Technical Analysis

Explanation:

There are no changes to the technical appraisal. The project approach remains relevant. MAGTAP will support Mozambique as it elaborates the frameworks for sustainable development and will further increase the Government’s credibility in terms of its ability to facilitate complex megaprojects for the benefit of multiple sectors of the economy. At the national level, the project will enhance the capacity of the Government to (a) engage and negotiate with the private sector on an informed basis and within a context of improved legal and regulatory frameworks; (b) enhance the institutional and human skills to manage the

technical, environmental, and social aspects of the mining and gas sectors; (c) enable improved flows of revenue and strengthen revenue management; and (d) enable conditions for value addition and integration of the mining and gas sectors. Capacity building of CSOs and more systematized access to sector information to be devised through the project are expected to contribute to its sustainability. Extensive revenues that would accrue to the Government from the new and better integrated megaprojects will provide impetus and resources for the Government to continually improve capacities and sector management.

Social Analysis

Explanation:

Overall, social issues remain unchanged but have been further defined as part of the outcomes of the SESA, which identified the priority issues listed in Table 2 in the Background section. These issues pertain to activities and projects in the gas and mining sectors, and their management is, therefore, targeted for MAGTAP support.

The original project was expected to update resettlement regulations (thus triggering OP/BP 4.12). This work was delayed compared to the original project implementation schedule due to the restructuring of the responsible ministry. The dialogue on the needed revisions was successfully relaunched in 2016 with the new team. No changes to the approach to this support are envisaged, and updates to the regulations are expected to be completed in 2017. Once the regulatory updates are completed, additional capacity building will be supported by the AF for MITADER and its provincial and district counterparts as part of support under Components A and B.

SESA follow-up activities will be undertaken with support from the AF, including specific gap analysis of the regulatory and institutional framework to implement the ESHSS screens for gas and mining and the Action Plan recommended by the SESA, resulting in regulatory improvements, guidelines, and action plans for capacity building (one for oil and gas and one for mining) to be implemented over time and mainstreamed under Components A and B including transactional advisory services. Regulatory improvements in addition to technical aspects to improve sector regulations will include measures to addressing environmental and social risk management in all phases of the project cycle, including enforcement and monitoring frameworks. The AF will also provide support in more specific areas such as (a) enhancing the scope and social impact focus of the sector ESIA Guidelines; (b) a CIA pilot (not project specific but targeting regional-level data collection and methodology) to generate methods, guidelines, lessons, and databases for similar studies in the same region and other regions; (c) CSR pilots (focusing on design, technical assistance, and monitoring of CSR implementation) to support the process of negotiating and implementing community agreements and other tools to improve impact of CSR and community development (this will include gender specific approach where possible and applicable); (d) continuing support for involuntary resettlement regulation and management initiated under the original financing and supporting mainstreaming and improved intersectoral coordination in implementation.

No works or resettlements will be required for these pilots, with MAGTAP focusing on technical assistance, training, and capacity building. Support will be provided to setting up of proper GRM. Selection, assessment, and management criteria will be established in a manual for pilot projects to be approved by the World Bank before the execution of this subcomponent.

Environmental Analysis

Explanation:

The legal framework for environmental management is relatively well developed in Mozambique, and efforts are being made to strengthen implementation and enforcement capacity. The Environment Law is the basis for environmental regulations and applies to all public and private activities with potentially significant

environmental impacts. MITADER and its predecessor ministry (MICOA) have led the creation of environmental law (Law 20/97) and recently the EIA regulation (Decree 54/2015 of December 31, which replaced Decrees 45/2004 and 42/2008) with World Bank technical support. The regulation introduced a new categorization of activities for the purposes of the EIA (A+, A, B, and C). Category A+ activities (for example, complex LSM and oil and gas operations) were introduced due to their technical complexity, location, and/or irreversibility and the magnitude of their possible impacts, which deserve not only a high level of social and environmental monitoring, but also the involvement of experts in the EIA procedures. The 2015 regulation also introduced three-phase licensing system (provisional, installation, and operational); deeper reference to socioeconomic conditions including reference to vulnerable groups; mandatory climate risk screening for all Category A and B projects; improved guidance on assessment of cumulative impacts; and a more robust public participatory process. The regulations also introduced the concept of the independent reviewers for the evaluation of EIA reports. The decree also calls for biodiversity offsets to be applied in Category A+ projects where activities are located in High Conservation Value Areas; in areas where activities may have irreversible environmental impacts; where activities are located in or near protected areas; when reefs or corals and primal sand dunes, mangroves, wetlands, and sea grass may be affected; in areas of unique scenery; and in native forests and areas with animal/vegetable species, habitats, and ecosystems that are threatened of becoming extinct. The decree further requires characterization of the baseline environmental and social situation, including a qualitative assessment of the ecosystem services provided, and the identification of vulnerability to effects of climate change.

It is important to note, however, that petroleum and mining projects are regulated by sector-specific environmental decrees as well as by the more general Decree 54/2015. The latter decree includes classification of mining and oil and gas activities but it also states that the oil and mining sector is governed by 'specific regulation'. As the general Decree does not repeal the specific decrees for mining and petroleum, this results in uncertainty of which decree applies to projects in these sectors. Two misalignments between the decrees have attracted most attention thus far: (a) significant differences in fees for environmental licensing and (b) differences in terms of how projects should be classified (A+, A, B, and so on), which in turn governs what type of EIA process should be applied. These issues will be further assessed during the ongoing preparation of the environmental guidelines for mining activities and petroleum operations.

The regulatory framework of concern in this project is rather comprehensive. There are, however, still some gaps and issues where regulations are missing. These include, for example, standards for noise, riverine disposals, acid drainage, radioactive and harmful substances management, and deep sea drilling and how to assess impacts on cultural issues and aspects.

The 2015–2016 reorganization of MITADER and MIREME and other affiliated entities has led to some uncertainty about roles and responsibilities of institutions. Under a specific component (Subcomponent C3) of the parent project, a SESA and a set of four environmental guidelines for mining activities (artisanal and large-scale) and oil operations (onshore and offshore) were prepared as tools to provide concrete guidance and advisory to strengthen ESHSS, including regulatory reforms to mitigate impacts arising from the mining and gas sectors in Mozambique.

In terms of safeguards, the AF is classified as Category B, like the original project, and the SESA will serve as the safeguard instrument that aimed to identify and provide guidance on the framework to address the potential downstream impacts from the activities supported by the technical assistance. The original project had a considerable delay on delivering SESA due to procurement delays later followed by delays in decision making, in part resulting from the Government reorganization of 2015 and weak client capacity to address SESA preparation requirements. A formal amendment to the Financing Agreement was processed in October 2016 to extend the SESA delivery date to December 31, 2016. The final SESA including

recommendations and action plan were extensively reviewed by the Government and the World Bank and has been presented for World Bank clearance in early August 2017, a validation workshop took place on August 17, 2017, in Maputo where stakeholders from the Government agencies, industry, and civil society have discussed the draft and endorsed it going forward. On October 10, 2017, the final SESA was approved by the Council of Ministers to legally ensure implementation of the recommendations going forward.

Under SESA, a comprehensive ESSF was prepared. The ESSF includes sector-level environmental and social management and monitoring plan that set out generically applicable mitigation and enhancement measures, with integrated ESHSS guidelines for each sector. As a first step, the client is preparing EIA Guidelines for the Mining Activities and Oil Operations (Onshore and Offshore) as tools to provide concrete guidance and advisory to strengthen client’s technical capacity in ESHSS, including regulatory reforms to mitigate impacts arising from the mining and gas sectors in Mozambique.

To support SESA implementation, the Government is establishing a multidisciplinary, multi-agency, working group for the SESA Action Plan implementation/coordination (“SESA Working Group”) which will convene meetings regularly to seek project beneficiaries feedback regarding progress, challenges and follow up actions. The Working Group (with support of the PMU Environmental and Social Safeguards Specialist – see para below) will manage stakeholder engagement for MIREME with respect to safeguards by: (i) preparing and distributing information on the implementation of the SESA action plan and other activities concerning environmental and social aspects of mining and gas through appropriate channels; (ii) conducting public information sessions on the SESA action plans to seek communities and stakeholders feedback and, as needed, other tasks under other activities financed under MAGTAP with the environmental and social dimensions, in coordination with the relevant agencies at least twice a year; and (iii) assisting the PMU and the participating agencies in handling questions and complaints related to the implementation of the SESA action plans and related environmental and social matter.

The MAGTAP PMU will hire a dedicated environmental and social specialist to support the Client in implementing the SESA action plan, which provided useful recommendations for policy and regulatory updates, reforms, and adjustments to ESHSS standards and guidelines, including proposals for new systems, guidelines, and frameworks. The technical work and advisory services in environmental and social area will be provided by firms and individual consultants under ToRs to be approved by the World Bank. The safeguards specialist will work along with the technical experts already in place at the PMU (gas and mining specialists). Their role will be to help prepare ToR, ensure proper coordination and collaboration between responsible government agencies, ensure adherence to the World Bank’s guidelines, and support obtaining clearances both from the Government and the World Bank. The PMU’s safeguards specialist will review and provide comments on all project outputs that are relevant to safeguards compliance. Additional safeguards’ advisers will be considered based on the need.

The World Bank team will provide technical support directly to the Client as needed—both through the Maputo-based safeguards specialists’ team and through the Regional Safeguards Adviser’s office. Technical experts will be engaged where necessary to ensure quality of advice.

Risk

Explanation:

The original MAGTAP had a Substantial risk rating at effectiveness. Stakeholder risk remains Moderate, and country and sector risks remain Substantial as well.

Political and governance risk. Given the uncertainty regarding the country’s engagement in EITI—one of the tools to monitor and enhance sectoral governance—the political and governance risk remains Substantial. Mitigating measures include continued dialogue on EITI and support through MAGTAP to

achieve key milestones.

Macroeconomic risk. Macroeconomic risk has increased and is Substantial in Mozambique as a whole. Macro risks affect the Government's capacity to attract investment to develop its resources and to support its share of gas development, which can affect MAGTAP results to some degree. These risks are outside of MAGTAP control and will be monitored closely, and some adjustments may be required to advice provided under the project.

Technical risk. The risk of possible prolonged negotiations for future LNG projects exists but this risk is now lower than in the original project due to the existence of Decree Law of 2014, recent achievement of FID for the Coral South FLNG, and many input agreements already drafted and partially negotiated. Nevertheless, MAGTAP will maintain a contingency for possible cost or quantity increases to support gas sector negotiations.

Implementation capacity risk. This risk can be lowered from Substantial to Moderate, given the project track record and good implementation capacity of the PMU.

Project design risk. This risk can also be lowered to Moderate given the project track record.

The overall risk rating, therefore, is considered Moderate.

V. World Bank Grievance Redress

45. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Revised Results Framework and Monitoring Indicators

Project Development Objectives

Original Project Development Objective - Parent:

The proposed project development objective is to strengthen the capacity and governance systems of key institutions to manage the mining and hydrocarbon sectors in Mozambique.

Proposed Project Development Objective - Additional Financing (AF):

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Mining Cadastral database and GIS accessible on-line for public level information	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	01-May-2013	01-Mar-2017	31-Dec-2021
				Comment			
No Change	Mines and gas construction projects subject to annual technical inspections in line with established standards.	<input type="checkbox"/>	Number	Value	0.00	10.00	25.00
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
No Change	Mines construction projects subject to annual technical inspections in line with established standards	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	5.00	15.00
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
No Change	Gas construction projects subject to annual technical inspections in line with established standards	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	5.00	10.00
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Mines and gas operations subject to fiscal controls per year in line with established standards	<input type="checkbox"/>	Number	Value	0.00	7.00	25.00
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
No Change	Mines operations subject to fiscal controls per year in line with established standards	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	5.00	15.00
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
No Change	Gas operations subject to fiscal controls per year in line with established standards	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	2.00	10.00
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
No Change	New mining/gas/infrastructure related contracts negotiated, benefitting from the developed frameworks and procedures	<input type="checkbox"/>	Number	Value	0.00	3.00	5.00
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
New	Regular health and safety and environmental monitoring visits and inspections to mines and gas exploration production sites in line with standards for compliance and monitoring of safety and environmental regulations	<input type="checkbox"/>	Number	Value	0	0	50
				Date	17-Jul-2017	17-Jul-2017	31-Dec-2021
				Comment	Not tracked as new regulations for HSE are not yet promulgated		
New	ESIA and SIA guidelines published and disseminated for gas mining (LSM and ASM) and oil (if under way)	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	17-Jul-2017	17-Jul-2017	31-Dec-2021
				Comment			
Revised	Direct project beneficiaries	<input type="checkbox"/>	Number	Value	0.00	1,400.00	3,500.00
				Date	01-May-2013	01-Mar-2017	31-Dec-2021
				Comment			

Status	Indicator Name	Corportate	Unit of Measure		Baseline	Actual/Current	End Target
No Change	Female beneficiaries	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	46.00	35.00
Intermediate Results Indicators							
No Change	Mining Cadastre procedures updated	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
No Change	Mineral Information System upgraded with new geodata for strategic areas	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
Revised	Number of ASM associations/cooperatives	<input type="checkbox"/>	Number	Value	63.00	0.00	50.00
				Date	05-Nov-2012	01-Mar-2017	31-Dec-2021
				Comment			
New	Number of Artisanal 'Mining Passes' issued and number of Small Scale 'Mining Certificates' issued in accordance with regulations	<input type="checkbox"/>	Number	Value	0.00		200.00
				Date	06-Sept-2017		31-Dec-2021
				Comment			
No Change	Procedures of tendering and evaluation of mineral assets developed	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
No Change	Number of ASMs who have received targeted training (of which female %)	<input type="checkbox"/>	Number	Value	0.00	0.00	2,000.00
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			

Status	Indicator Name	Corportate	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Health and safety and environmental regulations, including standards and monitoring procedures updated	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
No Change	Local law enforcement and judicial personnel trained on mining law and regulations under the project	<input type="checkbox"/>	Number	Value	0.00	2.00	200.00
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
New	Number of geological blocks surveyed and number of sheets mapped of which publicly disclosed and available	<input type="checkbox"/>	Text	Value	1 geological block surveyed and zero sheets mapped		33/100%
				Date	06-Sept-2017		31-Dec-2021
				Comment			
New	Number of blocks surveyed of which publicly disclosed and available	<input type="checkbox"/>	Text Sub Type Breakdown	Value	1 block surveyed		3/100%
				Date	06-Sept-2017		31-Dec-2021
				Comment	Airborne geophysical survey block 7 work		Additional block 8 and 8A will be surveyed
New	Number of sheets mapped of which publicly disclosed and available	<input type="checkbox"/>	Text Sub Type Breakdown	Value	Zero		30/100%
				Date	06-Sept-2017		31-Dec-2021
				Comment			25 sheets geological mapping scale 1:50 000 5 sheets geological mapping scale 1:250 000

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Number of studies assessing economic and financial feasibility for development of gas infrastructure carried out	<input type="checkbox"/>	Number	Value	0.00	1.00	5.00
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
New	Emergency response procedures for INP developed	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	06-Sept-2017		31-Dec-2021
				Comment			
Revised	Staff of gas sector management institutions trained through MAGTAP to manage, regulate and monitor gas sector	<input type="checkbox"/>	Number	Value	0.00	19.00	100.00
				Date	01-May-2013	01-Mar-2017	31-Dec-2021
				Comment			
No Change	Tools and mechanisms to attract financing for the State participation are in place	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
No Change	Pemba Regional Office equipped and operational to undertake health and safety, and environmental inspections of gas field operations	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
Revised	Computerized Environmental and Social Management Information System developed	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	01-May-2013	01-Mar-2017	31-Dec-2021
				Comment			
No Change	Results of Strategic Environmental and Social Assessment publicly disclosed by GoM in papers and through workshops and public outreach	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	01-May-2013	01-Mar-2017	31-Dec-2016
				Comment			

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
New	SESA Action Plan implementation is tracked continuously by the Recipient with engagement of stakeholders through public consultation process and feedback mechanism.	<input type="checkbox"/>	Yes/no	Value	No	No	Yes
				Date	10-Oct-2017	10-Oct-2017	31-Dec-2021
				Comment	SESA action plan adopted		Continuous reporting to take place during the project life-time
New	Number of pilot CIA data collection and analyses completed and capacity building action plans under implementation	<input type="checkbox"/>	Number	Value	0.00		2.00
				Date	06-Sept-2017		31-Dec-2021
				Comment			
Revised	Annual disclosure of reports on extractive industries revenues and revenue allocation at national level	<input type="checkbox"/>	Number	Value	0.00	5.00	8.00
				Date	01-May-2013	01-Mar-2017	31-Dec-2021
				Comment			
No Change	Provincial Directorates of Mineral Resources equipped & capable to monitor and inspect mining & exploration operations in their jurisdictions	<input type="checkbox"/>	Number	Value	1.00	1.00	10.00
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
No Change	Number of CSO/CBOs trained on transparency monitoring across the extractive sector value chain	<input type="checkbox"/>	Number	Value	0.00	0.00	50.00
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
New	Gender-focused strategy specific to mining formulated	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	06-Sept-2017		31-Dec-2021
				Comment			

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
New	Total number of community pilots implemented in extractives areas and lessons learned made public	<input type="checkbox"/>	Number	Value	0.00		3.00
				Date	06-Sept-2017		31-Dec-2021
				Comment			
Revised	Number of studies with specific recommendations completed and adopted to stimulate linkages between mining and gas projects and Mozambican economy	<input type="checkbox"/>	Number	Value	0.00	0.00	2.00
				Date	01-May-2013	01-Mar-2017	31-Dec-2021
				Comment			
No Change	Sector specific regulations and action plan for local content developed and adopted	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			
New	Number of SMEs participating in tenders and providing goods and services to gas and mining operations	<input type="checkbox"/>	Number	Value	0.00		20.00
				Date	06-Sept-2017		31-Dec-2021
				Comment			
No Change	Standards & procedures for oil & gas contingency planning & emergency preparations developed	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	01-May-2013	01-Mar-2017	31-May-2020
				Comment			

Annex 2: Detailed Project Description

Scope for the AF

1. As a consistent continuation and extension of its parent project, the proposed AF will follow the same PDO, PDO indicators, and components as well as the same safeguard category (B - partial assessment). Table 2.1 provides breakdown between the original project and the proposed AF, which comprises an additional IDA credit of US\$28 million and an additional DFID Co-financing Trust Fund of US\$1.0 million equivalent.

Table 2.1. The Proposed AF (by Component and Source of AF) in US\$, millions

Component	Original Project Costs	Revised Project Costs	AF (IDA)	AF (DFID TF)	Grand Total
Component A: Mining Governance Capacity Building and Reform	18.9	14.1	6.3	—	20.40
Component B: Natural Gas Capacity Building and Governance Reform	11	20	10.6	—	30.62
Component C: Cross-cutting Mining/ Natural Gas Capacity Building and Reforms	14.5	12.9	7.0	—	19.90
Component D: Cross-sectoral Reforms	2.7	2.7	0.1	1.0	3.75
Component E: Project Management and Coordination	4.9	5.8	3.2	—	8.99
PPA	3	0.6			0.60
Contingencies/Unallocated	3.2	2.1	0.79	0.05	2.94
TOTAL	58.2	58.2	28.00	1.00	87.20

2. The description of the activities is provided in the following paragraphs. The wording is preserved to match the Financing Agreement (that is, it combines the Original MAGTAP and the AF) with activities that will continue to be supported by the AF and highlighted in *italics* and new activities *underlined and italicized*. Explanations of the AF scope are provided in [brackets].

Component A: Mining Governance Capacity Building and Reform (total AF cost, US\$6.3 million, all IDA)

3. Support second generation reforms in the recipient’s mines and minerals sector to optimize sector revenues and economic benefits, including through the following:

- (a) **Mining cadastre.** Updating the cadastral procedures and integrating the mining cadastral database and GIS with other systems and land use databases, including updating and building capacity of the central cadastre office in Maputo and provincial mining cadastre offices
- (b) **Mineral assets evaluation and tendering.** Setting up detailed procedures for mineral assets assessments and tendering procedures, including criteria for selecting appropriate targets for tendering
- (c) **Improving the Government's capacity to manage ASM.** *Increasing formalization of the ASM sector and improving recipient's capacity to provide services to ASM, including services to improve standards and efficiency of the ASM operations*

[The AF will implement the ASM strategy that was developed under the original project. This will include extension services, advice on obtaining licenses and formalizing the projects, advice on setting up cooperatives, testing services, and support on improving environmental and social performance of ASM.]

- (d) **Capacity building of technical departments of MIREME.** Reinforcing the MIREME's function of reviewing and reporting on activities by license holders and their compliance with the agreed work plans
- (e) **Geodata acquisition, interpretation, and promotion.** *(a) Carrying out of airborne geophysical and geochemical surveys of the selected strategic mineral resource rich areas; processing and interpretation of geophysical, geochemical, and geological data; geomapping; and upgrading of the recipient's mineral information system, library, seismic stations, coreshed, and geological and environmental laboratories and (b) developing a methodology and codification for the assessment of mineral reserves*

[The original project has completed countrywide aerial surveying (in 2015), and maps are now being made available to the industry together with interpretation data. Geological mapping campaign is in procurement and will be started in 2017 along with geochemical surveying of selected areas. The AF will finance additional high-altitude surveying of Blocks 8 and 8A and geological mapping at 1:50,000 scale on Blocks 8 and 8A. The airborne geophysical data can provide valuable input in mineral exploration for the identification of likely potential rich areas of mineral deposits, and selected blocks are identified through the surveys that were completed in 2015 under the original project. The AF will finance geological mapping of 22 sheets at 1:50,000 scale, covering Lurio and Mamala Belts. This geological mapping in the scale of increasing detail aims at a better understanding of the processes of formation of mineral deposits, allowing to define, with greater precision, the existence of mineral resources. The surveying of Blocks 8 and 8A will complement existing maps of northern Mozambique.

The AF will also support the development of a mineral reserve codification system and standards for Mozambique. The codification will be based on international standards that will be adjusted for the Mozambican context and regulation.]

- (f) ***Reinforcing state participation in mining concessions. Defining EMEM's mandate and functions and building its capacity to assess and manage the risks associated with its participation in mining concessions in accordance with its mandate***

[The original project has supported the development of the business plan for EMEM, which is now undergoing review and adoption by the company and the Government. The business plan identified several areas that will benefit EMEM's performance and contribution to the mining industry in Mozambique. This will include the undertaking of scoping of mining activity and investment opportunities for EMEM and development of a marketing plan for minerals for EMEM's share of projects. The latter will be potentially of importance to artisanal and small-scale miners who will be able to receive EMEM support. The AF will also include specific targeted training for EMEM to support the implementation of the business plan.]

- (g) ***Transaction advisory services for negotiations of LSM operations and related infrastructure. Provision of technical and legal advice to the recipient's representatives through the review of feasibility studies for mining and infrastructure development plans and the drafting of mining and ancillary infrastructure development agreements***

[The AF will include advisory services to new or ongoing negotiations in the mining sector. As interest in minerals sector remains not fully known at this time, MIREME will be entering into a framework arrangement with a consulting firm that will be able to support them in negotiations when and where needed.]

Component B: Natural Gas Capacity Building and Governance Reform (total AF cost, US\$10.6 million, all IDA)

4. Support to strengthen the capacity of the recipient's major institutions engaged in the development and governance of the gas sector to allow them to execute their mandates in a way that is conducive to investments while ensuring that safeguards and safety standards are met in accordance with international standards, including through the following:

- (a) ***Strengthening MIREME's capacity to support governance reform. (a) Assisting in the formulation and implementation of policy decisions, and in the preparation for investment decisions, to support the recipient's vision for the development of its gas sector; (b) updating gas upstream, midstream, and downstream policies; and (c) building MIREME's capacity for assessing and structuring potential public-private partnership arrangements for gas infrastructure***

[The AF will support the domestic gas agenda, including setting up appropriate capacity, structure for domestic gas policy (as a follow-up to the Gas Master Plan which was adopted in 2014), update to roles and responsibilities for domestic gas regulation and oversight, and domestic gas aggregator function. The MIREME through the DNHC will assess the demand for petroleum products domestically in Mozambique and will provide training to the INP, ENH, and DNHC on gas and fuels sector issues in accordance with their capacity-building plans.]

- (b) ***Capacity building and governance reform support for the INP. Improving the INP's capacity to manage the core functions within its mandate, including (a)***

equipping and building capacity in INP's office in the city of Pemba; (b) developing emergency procedures and response notification system for INP; and (c) providing technical advisory services to review plans of development of gas and LNG

[The AF will support the development of the emergency procedures for the INP particularly in line with the SESA recommendations. The INP will receive specific technical assistance to build procedures, guidance, and capacity to manage emergency response along with other agencies including INAMAR and MITADER. The AF will finance the second phase of technical assistance supporting INP's review of field development plans. The advice will include support to the INP team to ensure, among other things, quality and compliance with international norms and the World Bank's guidelines on ESHSS considerations.]

- (c) **Capacity building and technical support for ENH.** *Enhancing the performance of ENH's principal function of managing the state participation in upstream developments*

[In view of the ENH's role in the development of Areas I and IV, it will require continued advice on technical, legal, financial, and marketing areas. The ENH will update its strategy and mandate and will continue building its capacity to become a full partner and participate in critical decisions related to its investment.]

- (d) **Transaction advisory services for negotiating gas operations and related infrastructure.** *Provision of technical, legal, economic, and financial advice to the recipient's representatives, including review of feasibility studies, productions plans, and infrastructure development plans and drafting and reviewing of gas and ancillary infrastructure agreements*

[The AF will continue financing transaction advisory services for Areas I and IV. With the completion of the FID for the first LNG project by the ENH, the AF will focus on continued support for negotiations of onshore projects. The project will strengthen the capacity-building aspect of this advice to build skills with the Government entities and the ENH and will be consistent with the World Bank's safeguards.]

Component C: Cross-cutting Mining/Natural Gas Capacity Building and Reforms (total AF cost, US\$7.0 million, of which all IDA)

5. Support the recipient's cross-cutting mining and gas reforms to (a) strengthen the institutional and technical capacity of its agencies in revenue management and environmental and social management and (b) improve social accountability of its CSOs, including through the following:

- (a) **Legal and regulatory framework for mining and hydrocarbons.** *(a) Updating the mining law and related supporting mining regulations, as may be required from time to time during the implementation of the project; (b) drafting petroleum regulations and updating petroleum legislation as may be required from time to time during the implementation of the project; and (c) preparing sector-specific health and safety and environmental regulations and guidelines*

[The AF will continue supporting the development of mining and gas legal and regulatory framework. Most of the support is expected in updating various sector-specific environmental and social regulations and guidelines according to the recommendations of SESA.]

- (b) **Support to the General Inspectorate, Health and Safety, and Regulatory Enforcement.** *(a) Developing operational standards and procedures for mining and petroleum projects' inspections and monitoring; (b) building staff capacity for regular monitoring and inspections using appropriate equipment; (c) strengthening the regulatory health and safety compliance enforcement mechanisms for efficient application of the mining and petroleum law and regulations; and (d) developing internal audit functions*

[The original project will continue supporting IGREME, INP, and MITADER to build up the inspection capacity and quality; the AF will provide the additional budget for training. Given the scope and number of inspectors, the training budget needs to be able to cover these costs including site visits and study tours.]

- (c) **Support to the National Directorate of Planning and Development of MIREME, including** *(a) developing a communications and outreach strategy and (b) building staff capacity and providing equipment for the monitoring and evaluation (M&E) of the implementation of mining and petroleum legislation and policies and planning of concessions and activities by the MIREME and its agencies*

[AF will provide support to update institutional functional review of the MIREME (to update it to the new structure adopted in 2016) and provide additional training. This subcomponent was funded under DFID in the original project, but due to the lack of DFID grant, funding will also be supported under IDA AF.]

- (d) **Strengthening and establishment of staff positions, capacity, and infrastructure in the MIREME and its agencies, including through the** *(a) Provision of transitional salary support for additional civil servant staff positions to be created in the MIREME based on the outcomes of the MIREME's and INP's functional diagnosis and (b) upgrading of IT and physical infrastructure at MIREME's central and key provincial offices including in new agencies or departments to be established within the MIREME for the purpose of this subparagraph during implementation of the project.*

[The original project already provided extensive support to planning and development functions of the MIREME. It supported hiring new civil servant positions in provinces and in Maputo to support new functions and increased capacity. Out of 80 positions, 42 are already mainstreamed into the regular budget. This support will continue in the original project for an additional two years. The AF will provide additional equipment and furniture.]

- (e) **Revenue generation and management.** *Implementation of the technical support plan for the MEF and the MRA*

[The MRA with the support of consultants engaged by the World Bank in 2015–2016 has completed a strategic planning exercise for its functions in the natural resource area. Based on the

recommendations, a capacity-building program has been agreed for the MRA. The AF will support technical capacity building to the staff of the Natural Resource Unit and regional staff assigned to monitoring and auditing gas and mining projects and Customs Offices on gas and mining audit, taxation, and technical aspects.]

- (f) **Enhancing environmental and social management of mining and natural gas industries through** *(a) Carrying out and implementing SESA for mining and gas sectors; (b) updating relevant regulations that affect the sector, including involuntary resettlement and CIAs; (c) increasing recipient's capacity to manage EIAs and SIAs and to address disputes and grievances; (d) setting up robust monitoring systems for EIAs and SIAs; and (e) developing and implementing a gender-focused strategy specific to mining*

[This subcomponent will receive additional resources in view of the completion and adoption of SESA in 2017 (before AF), which helps specify the needs for technical assistance and capacity building in this area. Specifically, it will focus on setting up procedures and building the Government's capacity (MITADER, MIREME, INP, and DIPREMEs) to screen projects for environmental and social impacts and review and assess EIAs and SIAs. The project will support defining regulations and guidance on CIAs, which will be a requirement for all industry projects. It will support developing a methodology and will help collect and structure regional-level data (with an objective to help the first CIAs that will be undertaken by the industry). The project will support the development of formats and procedures for CBAs and mechanisms for GRMs. This component will work closely with CSOs on the ground to ensure contribution from the affected communities.]

- (g) **Support for the implementation of the EITI and building capacity of CSOs by supporting the EITI Secretariat including through the** *(a) Production of reports and publications to increase transparency; (b) carrying out of training and provision of targeted technical assistance to increase civil society and industry's understanding of the extractive industries challenges and to inform their involvement in the governance of the extractive industries sector; and (c) supporting mainstreaming of transparency and reporting activities in the extractive sector*

[The AF will continue supporting EITI and other activities targeting to improve transparency and accountability of the extractives sector to the public. Building on the experience of implementing EITI over the past seven years in Mozambique, it will support the institutionalization of transparency and disclosure within the Government's structure. The AF will support streamlining reporting and reducing the cost of the reports while improving efficiency of reporting and making it as current as possible.]

- (h) **Implement pilot activities in extractives affected areas.** *The pilots will be developed in accordance with the manual and will target one or more of the following broad objectives: test methodology and approaches to mainstream 2015 Policy on Corporate Social Responsibility (CSR) in extractive sector, set up grievance redressal mechanisms, setup capacity to negotiate and monitor community based agreements in affected communities, test approaches to operationalize policies on gender and social action in the affected communities.*

[The pilots will be selected, managed, and monitored under a specific ‘Pilot Projects’ Manual’, which will be designed jointly by responsible entities: MIREME, INP, MITADER, MGCAS, and DIPREMEs, with contributions from CSOs. The manual will be a condition of disbursement for this subcomponent and will be subject to the World Bank’s prior approval including clearance by the safeguards team.]

Component D: Cross-sectoral Reforms (total cost US\$1.1 million, of which US\$1.0 million DFID).

6. Support to strengthen the recipient’s capacity in integrating the mining and gas sector into its broader economy, including through the following:

- (a) **Strengthening the recipient’s cross-sectoral platform.** *Provision of technical advisory services to enable it to make better informed decisions on the integration of large mining and gas projects into its broader economy*

[While at the setup of MAGTAP, the cross-sectoral platform was largely envisaged to coordinate infrastructure that can be of shared use, the AF will more specifically target building such a platform for domestic gas issues. While regulatory responsibilities are with the INP/MIREME, there is a need to improve coordination with ministries that are involved in the selection of projects, provision of licenses to the domestic gas produces, regulation, and tariffs. The AF will support workshops and seminars and capacity-building activities that will promote and support the domestic gas agenda.]

- (b) **Strengthening upward and downward economic links of mines and gas production.** *Carrying out of studies, developing policies, and provision of transaction advisory services to optimize the economic value derived from the development of natural resources by creating an environment in which the industry serves as a springboard for additional economic activities.*

[The original project completed an SME scoping and planning study (2017) to support SMEs providing services and goods to the extractives industry. The AF will support further development of local procurement policies and regulations (industry specific) and will build on the recommendations of the SME study and will support the development of an operational model and plan for a link center for oil, gas, and mining industry. The AF will also support the harmonization of procurement procedures in the extractives industry for local suppliers and develop guidelines for SMEs to be able to bid and participate in procurement.]

- (c) **Framework for oil spill preparedness and response capacity.** Support the design of preparedness plans and procedures for potential hydrocarbon spills in deep waters posing large operational and environmental risks, including building capacity of the recipient’s relevant staff, coastal zone communities, and CSOs active in the coastal areas, and provision of equipment to be in place in case of an emergency.

Component E: Project Management and Coordination (total cost, US\$3.2 million, all IDA)

7. *Support the MIREME in managing and coordinating the project and building its procurement, financial management, safeguards management, and M&E capacity through the provision of technical advisory services, training, acquisition of goods, and operating costs*

[The AF will provide additional budget to the PMU in view of the extension of the project timeline and additional activities.]

Table 2.2. Summary of Financing Arrangements by Financier

Project Components and Subcomponents	Original Subcomponents Financed by		AF and Restructuring Subcomponents Financed by	
	DFID	IDA	DFID	IDA
A. Mining Governance Capacity Building and Reform				
A1: Mining Cadastre		X		X
A2: Mineral Assets Evaluation and Tendering	X		X	
A3: Improving Government's Capacity to Manage ASM		X		X
A4: Capacity Building of Technical Departments of MIREM	X			X
A5: Geodata Acquisition, Interpretation and Promotion		X		X
A6: Reinforcing State Participation in Mining Concessions		X		X
A7: Transaction Advisory Services for Negotiations of Large-Scale Mining Operations and Related Infrastructure		X		X
B. Natural Gas Capacity Building and Governance Reform				
B1: Strengthening MIREME's Capacity to Support Governance Reform		X		X
B2: Capacity Building and Governance Reform Support for the INP		X		X
B3: Capacity Building and Technical Support for the ENH		X		X
B4: Transaction Advisory Services for Negotiating Gas Operations and Related Infrastructure		X		X
C. Cross-cutting Mining/Natural Gas Capacity Building and Reforms				
C1: Legal and Regulatory Framework for Mining and Hydrocarbons	X			X
C2: Support to General Inspectorate, Health and Safety, and Regulatory Enforcement		X		X
C3: Support to National Directorate of Planning and Development of MIREM	X		X	
C4: Strengthen and Establishment of Staff Positions, Capacity and Infrastructure in MIREM and its Agencies		X		X
C5: Revenue Generation and Management	X			X
C6: Enhancing Environmental and Social Management of Mining and Natural Gas Industries		X		X
C7: Support for Implementation of the EITI and Building Capacity of Civil Society Organizations	X			X
C8: CSR Pilots				X
D. Cross-sectoral Reforms				
D1: Strengthening the Recipient's Cross Sector Platform	X		X	
D2: Strengthening Upward and Downward Economic Linkages of Mining and Gas production	X		X	
D3: Framework for Oil Spill Preparedness and Response Capacity		X		X
E. Project Management and Coordination		X		X
PPA		X		X

Annex 3: Procurement Plan for MAGTAP and the AF (US\$, Millions)

Contract Information									
Contract Reference	Source of Funds	Name of Contract	Beneficiary	Type: Goods/Works/CS	Procurement method	Review Threshold: Post/Prior	RFP/Bid Date	AF	
								IDA	DFID
COMPONENT A									
SUBCOMPONENT A3									
		ASM Institutional Strengthening & Alignment	DNGM	CS	QCBS	Post	December 2017	0.35	—
C211-A3		ASM Strengthening of Miners' Associations & Cooperatives	DNGM	CS	QCBS	Post	March 2017	0.45	—
C212-A3		ASM Implementation of Extension Services Program	DNGM	CS	QCBS	Prior	June 2017	1.70	—
Train-A3		Training for INAMI	INAMI					0.20	—
Train-A3		Training for DNGM	DNGM					0.30	—
	IDA	TOTAL A3						3.00	—
SUBCOMPONENT A5									
C215-A5		Preparation of a Code for Estimation of Mineral Reserves	DNGM	CS	QCBS	Post	November 2017	0.20	—
NC201-A5		Airborne Geophysical Survey Blocks 8 and 8A	INAMI	NCS	ICB (RFB)	Post	December 2017	1.70	—
	IDA	TOTAL A5						1.90	—
SUBCOMPONENT A6									
C216-A6		EMEM - National Survey of Mining Activity	EMEM	CS	CQS	Post	October 2017	0.15	—
C218-A6		EMEM - Elaboration of Marketing Plan for Minerals	EMEM	CS	IC	Post	December 2017	0.15	—
TR		Training for EMEM	EMEM	CS	IC	Post	December 2017	0.10	—
	IDA	TOTAL A6						0.40	—
SUBCOMPONENT A7									
C214-A7		Transaction Advisory Services for Mining & Related Infrastructure	DNGM	CS	QCBS	Prior	December 2017	1.00	—
	IDA	TOTAL A7						1.00	—
TOTAL COMPONENT A								6.30	—

Contract Information									
Contract Reference	Source of Funds	Name of Contract	Beneficiary	Type: Goods/Works/CS	Procurement method	Review Threshold: Post/Prior	RFP/Bid Date	AF	
								IDA	DFID
COMPONENT B									
SUBCOMPONENT B1									
C204-B1		Assess the Demand of Petroleum Products in Mozambique	DNHC	CS	QCBS	Post	November 2017	0.30	—
Train-B1		Training for INP	INP					0.20	—
Train-B1		Training for ENH	ENH					0.50	—
	IDA	TOTAL B1						1.00	—
SUBCOMPONENT B2									
C205-B2		Audit and the Area I and Area IV Exploration and Pre-Development Recovered Costs and Training	INP	CS	QCBS	Post	December 2017	0.60	—
C206-B2		Develop a New HSE Regulation for Oil and Gas	INP	CS	QCBS	Post	December 2017	0.40	—
C207-B2		Emergency Procedures	INP	CS	QCBS	Post	December 2017	0.15	—
C226-B2		Response Notification Procedures System	INP	CS	QCBS	Post	December 2017	0.15	—
C227-B2		Review & Evaluation of LNG Project Development Plan - <i>Prosperidade/Mamba</i>	INP	CS	SSS	Post	June 2018	0.40	—
	IDA	TOTAL B2						1.70	—
SUBCOMPONENT B3									
C200-B3		Financial Service Arranger for ENH	ENH	CS	QCBS	Prior	September 2017	1.00	—
C202-B3		Financial Service Arranger for ENH Phase II	ENH	CS	QCBS	Prior	October 2017	1.00	—
C203-B3		Legal Consultant for ENH	ENH	CS	QCBS	Prior	December 2017	0.60	—
C228-B3		Strategic Plan for ENH	ENH	CS	QCBS	Prior	June 2018	0.20	—
G204-B3		Software Skill Based (Competency Model)	ENH	Goods	DC (DS)	Prior	September 2017	0.12	—
	IDA	TOTAL B3						2.92	—
SUBCOMPONENT B4									
C201-B4		LNG Transaction Assistance for Areas I and IV	INP	CS	QCBS	Prior	September 2017	5.00	—

Contract Information									
Contract Reference	Source of Funds	Name of Contract	Beneficiary	Type: Goods/Works/CS	Procurement method	Review Threshold: Post/Prior	RFP/Bid Date	AF	
								IDA	DFID
	IDA	TOTAL B4						5.00	—
TOTAL COMPONENT B								10.62	—
COMPONENT C									
SUBCOMPONENT C1									
C213-C1		Revision and Updating of Health and Safety Activities (Decree 6/2006)	DNGM	CS	QCBS	Post	November 2017	0.25	—
C208-C1		Local Content Policies and Regulations for Mining, Oil, and Petroleum	DPC	CS	QCBS	Post	June 2017	0.35	—
C219-C1		Legal and Regulatory Framework for Mining and Hydrocarbons	Legal Department	CS	QCBS	Post	January 2018	0.30	—
	IDA	TOTAL C1						0.90	—
SUBCOMPONENT C2									
C71/C24		Guidelines and Procedures Manual for Auditing Mining Inspectors	IGREME	CS	INDV	Post	July 2017	0.10	—
Train-C2		Training for DNHC	DNHC					0.20	—
Train-C2		Training for IGREME, MITADER, INP (Inspections Issue)	IGREME, MITADER, INP					0.50	—
	IDA	TOTAL C2						0.80	—
SUBCOMPONENT C3									
C225 - C3		Update of Institutional and Functional Management Review of MIREME	MIREME					—	—
Train-C3		Training for DPC	DPC					—	—
Train-C3		Training for DNHC	DNHC					—	—
Train-C3		Training for Communication and Image Department	MIREME					—	—
Train-C3		Training for INAMAR	INAMAR					—	—
	DFID	TOTAL C3						—	—
SUBCOMPONENT C4									
G200-C43		IT Equipment for MIREME	DPC, HR, Communications, DNGM, Legal	Goods	NCB (RFB)	Post	September 2017	0.20	—

Contract Information										
Contract Reference	Source of Funds	Name of Contract	Beneficiary	Type: Goods/Works/CS	Procurement method	Review Threshold: Post/Prior	RFP/Bid Date	AF		
								IDA	DFID	
G201-C43		Furniture for MIREME	MIREME	Goods	SP (RFQ)	Post	September 2017	0.05	—	
G202-C4		IT Infrastructure for MIREME	MIREME	Goods	NCB (RFB)	Post	May 2017	0.70	—	
G203-C43		Vehicles for MIREME	MIREME	Goods	NCB (RFB)	Post	October 2017	0.15	—	
C225 - C4		Update of Institutional and Functional Management Review of MIREME	MIREME					0.25	—	
Train-C4		Training for DPC	DPC					0.20	—	
Train-C4		Training for Communication and Image Department	MIREME					0.10	—	
C220-C4		Assessment and Design of MIREME IT Infrastructure	DPC	CS	IC	Post	October 2017	0.05	—	
	IDA	TOTAL C4							1.70	—
SUBCOMPONENT C5										
Train-C5		Training for MEF	MEF					0.15	—	
Train-C5		Training for MRA	MRA					0.30	—	
	IDA	TOTAL C5							0.45	—
SUBCOMPONENT C6										
Train-C6		Training for MITADER	MITADER					0.20	—	
C222-C6		Evaluation of the Implementation of CSR in Extractive Industry	MIREME	CS	IC	Post	November 2017	0.10	—	
C229-C6		CBA Model	MIREME	CS	QCBS	Post	February 2018	0.15	—	
C230-C6		Preparation of Cumulative Impact Assessment Guidelines and Procedures and Data Collection	MITADER	CS	QCBS	Post	June 2018	0.50	—	
C209-C6		Study on Women and Children's Participation in Artisanal Mining in Mozambique	MGCAS	CS	QCBS	Post	December 2017	0.30	—	
		Regulation Update for HSE	MITADER/ MIREME					0.20	—	
	IDA	TOTAL C6							1.45	—
SUBCOMPONENT C7										
		ITIEM Report	ITIEM					0.20	—	
		ITIEM Mainstreaming	ITIEM					0.30	—	
		ITIEM Salaries	ITIEM					0.60	—	

Contract Information									
Contract Reference	Source of Funds	Name of Contract	Beneficiary	Type: Goods/Works/CS	Procurement method	Review Threshold: Post/Prior	RFP/Bid Date	AF	
								IDA	DFID
	IDA	TOTAL C7						1.10	—
SUBCOMPONENT C8									
		CSR and Gender Pilots - NGOs	DIPREMES					0.60	—
	IDA	TOTAL C8						0.60	—
TOTAL COMPONENT C								7.00	—
COMPONENT D									
SUBCOMPONENT D1									
		Domestic Gas Workshops and Conferences	MIREME/INP					—	0.20
		Cross-sectoral Coordination for Mining and Gas Local Content	MIREME/INP					—	0.10
	DFID	TOTAL D1						—	0.30
SUBCOMPONENT D2									
C208-D2		Local Content Policies and Regulations for Mining, Oil and Petroleum	DPC	CS	QCBS	Post	June 2017	—	—
C221-D2		Definition of Poles/Clusters in Extractive Sector	DPC	CS	IC	Post	December 2017	—	0.15
C223-D2		Develop the Operational Model and Implementation Plan for Link Center for Oil, Gas, and Mining Industry	IPEME	CS	QCBS	Post	November 2017	—	0.30
C224-D2		Harmonization of Procurement Procedures in Extractive Industry and Develop a Guideline for SME	IPEME	CS	IC	Post	October 2017	—	0.20
	DFID	TOTAL D2						—	0.65
SUBCOMPONENT D3									
		Training for INAMAR	INAMAR					0.10	—
	IDA	TOTAL D3						0.10	—
TOTAL COMPONENT D								0.10	0.95
COMPONENT E									
C231-E1		Environmental Consultant	PMU	CS	INDV	Post	August 2017	0.08	—
		M&E Consultant	PMU	CS	INDV	Post	July 2019	0.07	—
E1.0		PMU Consultants	PMU					2.10	—
E2.0		PMU Equipment	PMU					0.20	—

Contract Information									
Contract Reference	Source of Funds	Name of Contract	Beneficiary	Type: Goods/Works/CS	Procurement method	Review Threshold: Post/Prior	RFP/Bid Date	AF	
								IDA	DFID
E3.0		Project M&E, Consultations, and Public Communications	PMU					0.10	—
E4.0		Administrative Operating Costs	PMU					0.50	—
E5.0		Training - Steering Committee, Focal Points Meetings, Coordination, and PMU	PMU					0.14	—
TOTAL COMPONENT E								3.19	—
TOTAL OF COMPONENTS								27.21	0.95
UNALLOCATED								0.79	0.05
GRAND TOTAL								28.00	1.00

Note: CQS = Selection Based on the Consultants' Qualifications; CS = Consulting Services; DC = Direct Contracting; DPC = Department of Planning and Cooperation; DS = Direct Support; HSE = Health, Safety and Environment; IC = Individual Consultant; ICB = International Competitive Bidding; INDV = Individual Consultant; ITIEM = EITI (*Iniciativa da Transparencia de Industria Extractiva*); NCB = National Competitive Bidding; NCS = Non-Consulting Services; QCBS = Quality- and Cost-Based Selection; RFB = Request for Bids; RFP = Request for Proposal; RFQ = Request for Quotations; SP = Shopping; SSS = Single-Source Selection.

MAP

