I. Introduction and Context

Country Context

Despite rapid economic growth in the past two decades, over half of Mozambique's population today is still poor and highly vulnerable. Economic growth in the country averaged 7.5 percent per year between 1992 and 2009, but progress in poverty reduction, particularly over the last few years, was substantially lower. Although poverty incidence went down from 70 percent in 1997 to 60 percent in 2003, more than half of Mozambicans still lived in poverty in 2009. Poverty is predominantly rural, with 65 percent of the population there being poor (about 9.1 million people) compared with almost 40 percent in urban areas (about 3.2 million people). Poverty is also unevenly spread across the country, reaching 58 and 69 percent respectively in rural areas of the country's north and central regions in 2008/09, and about 14 percent in the urban areas of the south in the same year. Estimates using the last two Household Budget Surveys (IOFs) suggest that most of the reduction in poverty in Mozambique was in the urban areas. A large share of the population is close to the poverty line, making these groups vulnerable to small variation in income, and transient poverty very significant in the presence of shocks. The Government of Mozambique (GoM) faces the challenge of addressing different poverty dynamics in rural and urban areas, with a majority of the population highly vulnerable to shocks.

Food insecurity is high and exacerbated by the country's vulnerability to shocks, which tend to
reduce consumption, deplete assets and reduce investments in human capital. It is estimated that over 50 percent of the population is food-insecure and almost half of the children less than 5 are chronically malnourished. Efforts to address food insecurity are further complicated by the country's vulnerability to shocks such as increases in food prices and natural disasters (droughts, cyclones, floods). In the event of a shock, exposed households often resort to negative coping mechanisms, including asset depletion and withdrawing children from school which not only have short term impacts on consumption but, more importantly, long-term impacts in human and physical capital. According to data from IOF 08/09, the most important shocks at household level in the previous five years were increases in food prices (reported by 36.5 percent of the households); followed by drought (19.8 percent) and idiosyncratic shocks such as death of a household member (10.8 percent) or illness (8.1 percent). Recent assessments show that the food and fuel crises had a significant impact on household consumption, which is estimated to have decreased by more than 7 percent; the impact is estimated to have been considerably higher in urban areas (more than 11 percent for the poorest 60 percent of the population) compared with rural (less than 4 percent). The IOF 08/09 shows that poorer households were relatively more affected than richer households by agricultural pests, drought, cyclones, floods and low producer prices.

Slow progress in poverty reduction and significant levels of vulnerability point out to the need of a social safety net system to protect the poorest during predictable and unpredictable shocks. The current situation of the urban and rural poor and the evidence regarding impact of shocks suggest the need to design and implement counter-cyclical interventions to help poor households to copy with the impact of shocks and avoid permanent losses in human capital. In this context, a labor-intensive public works program may offer a temporary but predictable source of income for the most vulnerable while at the same time. At the same time this intervention will serve as a further step in the process to consolidate a comprehensive social safety net.

**Sectoral and Institutional Context**

Mozambique has developed numerous social protection programs, mainly in the area of social assistance, but many of these are small and coverage is low. A recent safety net assessment identified about 40 different social protection programs implemented by a wide range of central government agencies. The main social assistance programs included interventions for people who cannot work, such as the former PSA which provided a regular cash transfer for the elderly, disabled, and chronically ill adults, the Direct Social Support Program (PASD), and other social assistance programs. The Ministries of Education and Health implement several initiatives to increase the utilization of education and health services, including the elimination of fees, school feeding interventions, and nutrition programs for HIV/AIDS-affected groups. Finally, multilateral and bilateral donors also finance social protection programs not only through government agencies but also through NGOs (e.g. the European Union through Save the Children) or local authorities (e.g., Municipality of Maputo).

Major social assistance programs are fragmented, have low coverage, and are not well targeted. According to the Social Safety Net Assessment, major social protection programs, which are mainly implemented by the National Institute for Social Action (INAS), have low coverage relative to the number of individuals at risk and there are major gaps in the groups reached by the interventions. The assessment reveals that there is fragmentation and duplication of programs, generosity is inconsistent, and there is weak institutional capacity to implement and monitor. An area where there is significant scope for improvement is targeting. Social insurance programs and subsidies are generally non pro-poor or relatively neutral. Particularly large expenditures, such as the general
subsidies for fuel and electricity are particularly regressive. As new resources are made available for existing and new safety net programs in the country, it becomes imperative to establish effective mechanisms to allocate scarce funds vis-à-vis the existing needs for social protection coverage. Given the challenges that a flat distribution of poverty along consumption quintiles present for targeting social expenditures to the poorest, a combination of techniques involving geographical, community and household level methods might be needed.

The Government has made significant progress in setting institutional and implementation arrangements for social protection, but additional efforts are needed. Recent legislation and policies around social protection (see next section) have contributed to the identification of clear institutional responsibilities in the area of social protection in Mozambique both at central level (Ministries and central government agencies), and between central and local levels (district and municipalities). However, there is significant scope for improving coordination at central level (given the number of actors involved in the implementation of social protection programs) as well as for building institutional capacity to formulate and implement interventions at both levels.

Relationship to CAS
The proposed project is directly related to the Mozambique Country Partnership Strategy (FY12-FY15), discussed by the Board on April 3, 2012. The proposed project is one of the IDA operations to support Pillar II: Vulnerability and Resilience, itself aligned with the Government’s Poverty reduction strategy (PARP II). Specifically, the project would directly contribute to the two objectives of this pillar (Mitigate the impacts of climate change and extreme weather events; and, reduce vulnerability to shocks). The proposed project would achieve these goals by contributing to government efforts to make operational the Productive Social Action program. Moreover, the proposed operation would contribute to support policy actions for climate change adaptation and disaster risk reduction planned by the GoM in the context of the Bank-supported First Climate Change Development Policy Operation.

II. Proposed Development Objective(s)
Proposed Development Objective(s) (From PCN)
The project development objective is to create and consolidate a social safety net to support extremely poor and vulnerable households to smooth consumption while helping them to deal with climatic and other shocks.

Key Results (From PCN)
Expected key results include the following:
(a) Direct Beneficiaries
   (i) Participation in labor intensive public works (disaggregated by gender and urban/rural)
   (ii) Participation in additional activities to facilitate access to income generating opportunities
(b) Benefits reaching the poorest quintile of the population
(c) Proportion of beneficiaries registered in the Registry of Beneficiaries and identified through the agreed targeting tools and process

III. Preliminary Description
Concept Description
To support government to consolidate a social safety net system, the proposed project would have two main components: (i) institutional strengthening and capacity building to support the
consolidation of the National Basic Social Protection Strategy; and (ii) labor-intensive public works to support the Productive Social Action Program, implemented both in rural and urban areas throughout the country.

Component 1: Institutional strengthening and capacity building to support the consolidation of the National Basic Social Protection Strategy (US$10 million). The specific objective of this component is to increase the capacity of central and local governments to: (i) implement, monitor and evaluate a national basic social protection strategy as an integrated and permanent safety net system, rather than a collection of uncoordinated programs; and (ii) make operational the labor-intensive public works as part of the productive social action program. The component will consist of two subcomponents.

Component 2: Labor-intensive Public Works (US$40 million). The specific objective of this component is to provide the poorest and most vulnerable households in rural and urban areas with timely and predictable supplemental income through their participation in labor-intensive public works activities. Public works activities will be labor-intensive, with a high percentage of the costs going to the cash transfers to beneficiary households. The costs structure of PW activities should guarantee that a wide range of high quality public works activities is implemented, while permitting that the largest possible number of poor households participates in the program.

IV. Safeguard Policies that might apply

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V. Tentative financing

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VI. Contact point

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