Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 08/28/2019 | Report No: ESRSC00765
### BASIC INFORMATION

#### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>AFRICA</td>
<td>P170840</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Mozambique Revenue, Expenditure, and Fiscal Decentralization Enhancement and Reform project RE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practice Area (Lead)</td>
<td>Financing Instrument</td>
</tr>
<tr>
<td>Governance</td>
<td>Investment Project Financing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Borrower(s)</th>
<th>Implementing Agency(ies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Economy and Finances</td>
<td>Centro de Desenvolvimento de Sistemas de Informação e Finanças, Autoridade Tributaria</td>
</tr>
</tbody>
</table>

**Proposed Development Objective(s)**

The proposed project development objective (PDO) is to enhance public financial management by strengthening (a) revenue mobilization, (b) expenditure management and control, and (c) fiscal decentralization.

<table>
<thead>
<tr>
<th>Financing (in USD Million)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Cost</td>
<td>16.00</td>
</tr>
</tbody>
</table>

#### B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

#### C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

This MDTF-funded project will provide technical and financial assistance to Government of Mozambique with the objective of boosting domestic revenue mobilization, treasury management and budget planning and execution, and subnational public financial management for improved use of public resources.

#### D. Environmental and Social Overview
D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]
The Project has a national scope and will provide support through two windows. Window 1 (US$17 million) will provide results based financing through disbursement linked indicators (DLIs) to allow for necessary capital and recurrent investments of GoM to address bottlenecks, create incentives for inter-ministerial collaboration, and reward needed reforms within MEF directorates and other relevant PFM institutions. Disbursements on the loan to the government will occur upon verification by an independent agency contracted on a yearly basis by the World Bank. Window 2 (US$5 million) will provide World Bank-executed technical assistance (TA) in the form of policy reviews and guidance; developing and providing training on manuals, templates, and standards; overall capacity building through training, coaching, orientation, peer learning, and on-the-job training; analytical works to inform ongoing reforms; and, support for financial management, human resource management, planning and budgeting, procurement, and monitoring and evaluation (M&E) through trainings and consultancies, as needed. This type of activities are likely to have minimal or no adverse environment and social impacts except for analytical works that will inform ongoing reforms (Policy Review and Reform Guidance) that could bring about indirect environmental impacts.

D.2. Borrower's Institutional Capacity
The "Autoridade Tributaria" and "Centro de Desenvolvimento de Sistemas de Informação e Finanças" are the implementing agencies and both are under the Ministry of Economy and Finance which have prior experience in managing Category C World Bank project. This is however the first time that the MEF will be managing a project under the new Environmental and Social Framework.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Environmental Risk Rating
The project will include no physical works and anticipated risks and impacts related to staff health and safety are expected to be negligible. The technical advisory-related activities will include expenditure primarily on consultancy services, goods, equipment, training, capacity building, etc., which are likely to have minimal or no adverse environment impacts. However, there are minor environmental risks that could stem indirectly from Component 1 and 3 because of the analytical works as outputs of the TA will guide Policy and Legislation Review to strengthen capacity for revenue management and fiscal decentralization. These can unintentionally negatively influence the functioning of Mozambique Public Services and thus affecting key sectors responsible for managing the environment and living natural resources.

Social Risk Rating
The project will benefit tax payers through clarifying and strengthening tax regimes. The strengthening of fiscal control in education and health sectors will make services more efficient and cost effective. The risks are minimal and stem mainly from lack of proper implementation of Grievance Redress Mechanism, Stakeholder consultations and communication. The project needs to ensure that a sufficient funds are allocated to these functions and that they are planned and implemented in a timely and effective manner.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment
ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

Based on the information available to date, it is not expected that the proposed project will require further E&S assessments. Project screening included review of the Project Concept Note, cross-checking expected impacts from similar Public Finance Management projects in country and elsewhere, discussions with task team members, literature review. Risks and impacts related to project activities are anticipated to be negligible. Therefore, consistent with the requirements of ESS1, no further environmental and social assessment has been determined necessary following screening and initial scoping, as the project is likely to have minimal or no adverse environmental or social risks and impacts. Management of project workers will be conducted consistent with the requirements of ESS2.

There may be some potential risks a result of policy outcomes. Efforts to increase domestic resources mobilization are often associated with increased tensions due to budget reduction and tightening of public expenditure that can lead to adverse impacts on the vulnerable and poor. However, the tax policy revision will concern corporate income tax that will not affect the vulnerable. All tax policy reforms will be informed by tax incidence analysis and stakeholder consultations will ensure broad participation through tax consultations with relevant and potential affected tax payers.

The project will support the Treasury’s financial programming and cash flow planning to ensure that budget cuts will not occur along the budget execution. The Project will also establish a Treasury’s Committee to ensure that, in case of cash shortfalls, budget priorities such as health and education are prioritized.

Areas where “Use of Borrower Framework” is being considered:
The Borrower’s E&S framework will not be applied.

ESS10 Stakeholder Engagement and Information Disclosure

This standard is relevant.

Although the project is expected to cause no environmental impacts, there are minor environmental risks that could stem indirectly from Component 1 and 3 because of the analytical works that will guide Policy and Legislation Review in order to strengthen the capacity for revenue management and fiscal decentralization. For instance, if the consultations and stakeholder engagement process with the wider-public (private sector, NGOs, provincial and district institutions, etc.) are not considered carefully throughout the project, then unintendedly these reforms can negatively affect key sectors responsible for managing the environment and living natural resources. As a mitigation measure the Borrower will conduct stakeholder mapping and analysis and prepare a Stakeholder Engagement Plan (SEP). The Borrower will prepare and disclose a brief SEP that details the proposed stakeholder engagement activities during implementation and the grievance redress mechanism prior to appraisal. The Borrower will seek stakeholder feedback and opportunities for proposed future engagement, ensuring that all consultations are inclusive and accessible (both in format and location) and through channels that are suitable in the local context. The Borrower will provide stakeholders with timely, relevant, understandable and accessible information, and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation. If major changes are made to the SEP, a revised SEP should be publicly disclosed. The Borrower will engage in meaningful consultations with all stakeholders throughout the project-life cycle, paying attention to the inclusion of
vulnerable and disadvantaged groups (the elderly, persons with disabilities, etc.) and marginalized institutions (private sector, academics, etc.). A Communication Plan will be developed and implemented as part of the Stakeholder Engagement Plan. The project will strengthen GRM at two levels. Firstly, existing Grievance Redress System available to tax payers will be evaluated and strengthened. This will benefit tax payers to seek effective, transparent and timely redress of any complaints. Secondly, the Project will establish its own GRM. A comprehensive grievance and redress mechanism (GRM) will be designed, developed and maintained by the implementing agencies. The GRM will enable stakeholders to channel concerns, questions, and complaints from stakeholders and respond to issues related to a broad range of project implementation issues.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions
The project will ensure that staff hired for technical assistance will be provided with good working conditions in line with local laws and consistent with ESS2.

This Standard is relevant.

ESS3 Resource Efficiency and Pollution Prevention and Management
The project will require limited demand of resources (e.g. energy and water) for its functioning and is expected to generate minimal or no gas emissions, liquid effluents and solid waste to contaminate the environment.

This Standard is relevant.

ESS4 Community Health and Safety
The project will not involve any physical investment or civil works that could impact on the environment and indirectly affect the Community Health and Safety.

This Standard is deemed not relevant at this time.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement
No physical works of any nature will be supported by the project. Technical advice is also not related to land use or resettlement issues. There are no risks associated with ESS5 in this project.

This Standard is deemed not relevant at this time.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources
The nature of the project does not involve physical intervention (e.g. land clearing, resource use) that could negatively affect the biodiversity or living natural resources.

This Standard is deemed not relevant at this time.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities
The project activities are not expected to have impacts on IP/SSAHUTLCs.

This Standard is deemed not relevant at this time.

ESS8 Cultural Heritage
The project does not include any technical advice or impacts on cultural heritage.

This Standard is deemed not relevant at this time.

ESS9 Financial Intermediaries
The project does not involve Financial Intermediaries.

This Standard is not relevant.

C. Legal Operational Policies that Apply

| OP 7.50 Projects on International Waterways | No |
| OP 7.60 Projects in Disputed Areas | No |

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?

Financing Partners
There are no foreseeable financing partners

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:
A Stakeholder Engagement Plan including a communication plan will be prepared by appraisal. The design of Grievance Redress mechanism will be completed by appraisal.
Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):
Timeline for operationalizing GRM
Time line for implementation of Stakeholder Engagement Plan

C. Timing
Tentative target date for preparing the Appraisal Stage ESRS 01-Sep-2019

IV. CONTACT POINTS

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Implementing Agency(ies)
Implementing Agency: Centro de Desenvolvimento de Sistemas de Informação e Finanças
Implementing Agency: Autoridade Tributaria

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s): Nicoletta Feruglio
Practice Manager (ENR/Social) Africa Eshogba Olojoba Recommended on 12-Aug-2019 at 18:06:10 EDT