



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 22-May-2019 | Report No: PIDISDSC25277



BASIC INFORMATION

A. Basic Project Data

Country Mozambique	Project ID P163989	Project Name Mozambique Urban Development and Decentralization Project	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 31-Jul-2019	Estimated Board Date 14-Nov-2019	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Economy and Finance	Implementing Agency Ministry of State Administration and Public Service	

Proposed Development Objective(s)

To strengthen institutional performance and deliver improved infrastructure and services in participating local entities.

Components

- Component 1. Urban Infrastructure and Service Delivery
- Component 2. Decentralization Policy Reforms and Institutional Development
- Component 3. Project Management
- Component 4: Contingency Emergency Response

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	100.00
Total Financing	100.00
of which IBRD/IDA	100.00
Financing Gap	0.00

DETAILS

World Bank Group Financing



International Development Association (IDA)	100.00
IDA Credit	100.00

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

Mozambique has experienced important political, economic and social changes over the past two decades. With the end of a devastating 15-year civil war in 1992, and the implementation of political and economic reforms, GDP per capita growth has been strong, averaging 4.1% annually (1990-2016). Robust growth was made possible by sound macroeconomic management, several large-scale foreign-investment projects in the extractives sector, political stability and significant donor support.

However, important structural challenges still undermine a sustainable poverty reduction and inclusive growth path. Low commodity prices, climate shocks, and the revelation of previously undisclosed state debts in 2015-2016 led to a sharp decline in GDP growth, strong depreciation of the currency, and heightened levels of inflation. Looking four to five years ahead, planned investments in natural resource extraction should increase public revenues, and accelerate GDP growth again. Yet, capital-intensive megaprojects could also accentuate non-inclusive growth trends. Hence, the challenge will be to maintain macroeconomic stability, while also pursuing economic diversification for inclusive growth through sectors such as agriculture.

Over time growth has become less inclusive. While strong economic growth led to a 16-percentage point decline in the national poverty headcount between 1997 and 2003, but the pace has slowed considerably since then. Whereas the bottom half was the only group that recorded positive consumption growth in the period 2002-2008, the upper half experienced the largest growth in 2008-2014. While poverty has decreased faster in urban areas, reaching 32 percent compared with 48 percentage nationally, urban inequality has increased in cities as consumption growth increased faster in the upper part of the income distribution.

Poverty is concentrated in the rural areas (80 percent of the poor) and in the central and northern regions, and these regional disparities explain the varying responsiveness of poverty reduction to growth. Between 2003 and 2008, poverty rates dropped in the less poor southern region and in urban centers. However, they increased in Zambezia, Sofala, Manica, and Gaza. Niassa, Nampula, Zambezia and Gaza are the provinces with the highest official poverty rates.

Mozambique’s political landscape bears the scars from the 16-year civil war that followed independence from Portugal. The Front for the Liberation of Mozambique (Frelimo) and the Mozambican National Resistance



(Renamo) are still the main political forces in the country, followed by the Mozambique Democratic Movement (MDM). Politics between the main parties becomes confrontational from time to time as stakes for control of political power and resources are high in the country, and even led to renewed violence in 2014-15.

An incomplete post-civil war political settlement is at the heart of the tensions between the former warring parties. The widespread perception political and economic power in the hands of Frelimo elites and supporters has contributed to feelings of marginalization and grievance felt by Renamo elites and its supporters. Linkages between politicians in the ruling party and private companies has created a sense that political connections confer positions of privilege in the private sector which are not available to the opposition. Meanwhile regional disparities in public expenditure and development outcomes reinforce a sense of marginalization by the central government of Renamo-dominated areas. This has bolstered Renamo's calls for decentralization reforms.

The recent debt crisis has highlighted the depth and criticality of the governance challenges facing Mozambique. Governance indicators for Mozambique, including the World Bank Country Policy and Institutional Assessments (CPIA), reflect a gradual decline of government effectiveness, control of corruption, the rule of law and voice and accountability over the past several years. The debt crisis has surfaced many concrete governance challenges, namely around public investment management, debt management and insufficient oversight mechanisms for state-owned enterprises (SOEs). This has also generated a more general crisis of confidence in the government's fiduciary capacity and its ability to responsibly manage natural resource revenues. Perceptions of corruption within the public service are given credence by civil society organizations, which have voiced concerns with regards to the absence of enough public accountability in the use of state revenues. To date, IMF has not resumed its program in Mozambique, and the country is now classified as "fragile" by the World Bank Group.

A relatively fragile political system and disputes over the control of resources continue to pose governance challenges. Recent armed attacks on local public offices and communities in the oil and gas-rich northern province of Cabo Delgado, the murder of politicians (such as the reformist mayor of Nampula, the fourth largest city in the country) and journalists reflect the country's fragility. The very contested 2018 municipal elections exposed these political divisions, which have been compounded by the country's changing political economy with the discovery of significant gas reserves, raising expectations of a windfall, and amplified competition between the rival factions.

The recent breakthrough political agreement between FRELIMO and RENANMO is an important milestone in Mozambique's efforts to ensure stability and opened a window of opportunity to advance the country's longstanding decentralization agenda. The leaders of FRELIMO and RENAMO achieved recently a historic political agreement to end years of low-level arm conflicts and greater share of power. The political agreement was followed by unanimous constitutional reforms of April 2018 towards greater political, administrative and fiscal autonomy for province and the district government. These constitutional changes will be implemented in phases, starting first at provincial level with election of October 2019, and at district level with the 2014 election.

Sectoral and Institutional Context

Harnessing the benefits of urbanization

Urbanization, if managed well, can accelerate economic growth, poverty reduction, and structural change. By enabling "agglomeration economies", cities can be instrumental in bringing basic infrastructure and services to a larger population and business at a lower unit cost. This in turns leads to faster poverty reduction, higher



productivity, greater incentives for economic diversification and innovation. Density, connectivity and size of cities create more dynamic job markets, helping to match skills with job opportunities only encountered in urban areas. Skills matching will gain much more importance over the next 20 years as the current generation of Mozambican children gets better educated than their parents and more intensively search for jobs that fully reward their skills. Well-functioning cities that nurture and attract skills and enable density-based interactions can help the current and future generations of Mozambican to benefit from economic growth.

Indeed, urban growth has rapidly unfolded in Mozambique with increasing concentration of people and economic activity in urban areas. Mozambique urbanization accelerated significantly in the last 30 years. Both urban migration and high fertility led to a significant increase of the urban population from 7 to 35 percentage during this period. At this rate, the urban population is expected to more than double in the next 25 years, adding more than 11 million people to cities. Preliminary data from the 2018 census shows that some cities have double their population in only 10 years, such as Matola in the Greater Maputo Metropolitan Area. Economic activity concentrates mostly around the largest cities, alongside smaller concentrations of activity in smaller towns and urban areas. The 23 largest cities generate approximately 51.4 percent of the national GDP, and average per capita consumption in cities is more than triple the rural average (\$1,160 versus \$336)¹. The poverty headcount rate is significantly lower in urban areas than in the rest of the country. Poverty levels declined faster in urban areas than rural areas. Between 1996/7 and 2008/9, poverty declined by 24 percentage points in urban areas, compared to 10 percentage points in rural areas². In 20014/15, the poverty headcount rate for cities was 32 percent, compared with 56 percent in rural areas³.

However, the benefits of urbanization have not been equally shared across cities, and among urban dwellers. Urban poverty reduction has concentrated in few large cities that have disproportionately benefitted from economic growth. For instance, the capital city of Maputo had only 2 percentage of poor residents among its 1.1 million inhabitants, while the town of Gorongosa had 84 percentage in 2007/8. The spatial patterns of poverty in the Greater Maputo Area show that poverty rates are higher the farther people are from the central business district. Lack of investments in improving urban infrastructure and based services in peri-urban neighborhood have limited the opportunities of the rural population that moved into cities and low-income families to access better jobs. Urban land and housing have also become unaffordable to most of cities' residents, taken away a substantial share of families' income. When differences in human capital, occupation, and industry are considered, workers' earnings are not significantly higher in urban areas than in rural areas. The lack of a real wage premium indicates that cities are not taking advantage of agglomeration economies to increase production and create the jobs for a young, growing urban population. As a result, Mozambique's cities have become less attractive⁴.

Investments in urban infrastructure and services have not kept the pace with urban growth, affecting particularly the poor who settle in the new urban fingers. With an average of U\$ 8 per capita for capital investments, municipalities are barely able to maintain the urban infrastructure built during colonial times. As a result, completed (full) urban infrastructure is mostly restricted to the old colonial centers and affluent neighborhoods. About 70 percentage of families live in substandard housing conditions located in peri-urban areas or more centrally located and densely populated *bairros* with limited access to urban infrastructure and with precarious land tenure rights. While access to water has improved steadily in urban areas, the greatest challenge

¹ Source: World Bank, Mozambique Urbanization Review, 2017.

² Source: INE Household Welfare Surveys (IOF 1997, 2007).

³ Source: World Bank using IOF 2014/15.

⁴ Source: World Bank, Greater Maputo Urban Poverty and Inclusive Growth (WB 2017)



lies in expanding peri-urban coverage and in improving operational cost recovery. There has been little progress in urban sanitation in the past 30 years. Sanitation networks mainly cover the old colonial city centers. Outside the so called *cidade cimento* (cement city), the reality changes drastically, from toilets connected to a septic tank to unimproved facilities discharging directly on open air. Solid waste collection has been gradually expanding in the largest cities, but coverage is generally not enough to eliminate illegal dumping practices, accumulation of waste in drainage canals, and overflow of containers. Without proper landfills, even the municipal dumpsites posed serious social and environmental hazards as they are not properly licensed nor controlled.

Natural hazards have a significant negative impact both at national and local level, which is likely to increase due to climate change. Mozambique is among the countries with the highest exposure to climate change and disaster risk. Among African countries exposed to risks from multiple weather-related hazards, such as flooding, epidemics, cyclones and drought, Mozambique ranks third (IFRC 2014). The frequency and intensity of climate-related shocks have intensified over the past four decades. Over half of its population is vulnerable to climate-related shocks and the impacts of disasters on the country's budget and economy are sizable. Assets worth approximately 37 percent of GDP are exposed to two or more natural hazards, which translates into 1.1 percent annual average loss in GDP. The high concentration of population and economic activities in coastal areas predisposes the country to large losses in case of extreme weather events. Cyclones and floods pose a threat to the safety of buildings and other physical infrastructure. In the transport sector, over 3,000 kilometers of roads are prone to flooding. River floods and storm surge together cause an estimated US\$ 22 million in damages to these roads per year. Flooding and erosion prevention have received limited attention by municipal councils. Municipal land use plans have yet to incorporate risk mapping and green zoning to improve urban resilience to climate change. Local communities, in particular the urban poor, are often the most affected by climate change as they live in houses built with precarious materials and located in underserved informal settlements prone to recurrent flooding and erosion.

Land and housing have become increasingly unaffordable to most city dwellers. Land was nationalized after independence guaranteeing tenure security for social (housing) and economic (livelihood/economic activities) purposes based on customary rights, good faith, or land use right titles (DUATs). After the 1990's decentralization reforms, municipalities became responsible for land management within their administrative boundaries. However, they have very limited capacity in territorial planning and land management functions. Most municipalities are far behind with the required territorial planning instruments (*Plano Geral de Urbanizacao - PGU, Planos Pormenores - PPs*). Municipal land cadasters are outdated, opaque, and unorganized as most municipalities still use old colonial era land registration (*livro tompo*) and have not enacted land management bylaws to increase transparency and rule-based practices. Acquiring or regularizing urban land is a tedious and costly process that involves as many as 103 steps over several years. All this create a serious bottleneck in the supply of formal urban land, increasing land prices beyond affordability levels for most urban dwellers. Moreover, without the recognition that land has a market value, municipalities cannot estimate the real market value of urban land to calculate land-based taxes, such as property tax (*IPRA*) and transaction tax (*IASISA*), which has the potential to become the main financing instruments for urban infrastructure investments.

Incremental Decentralization

The recent constitutional change will broaden decentralization. Decentralization reforms initiated in 1997 favored a gradual approach and created a limited number of municipalities (currently 53, in urban areas) and Local Organs of the State (provinces and districts) as deconcentrated entities. Municipalities have fiscal and administrative autonomy and elect their local representatives for the municipal assembly and their mayor.



Provinces and districts, as well as sub-district levels (administrative posts and localities), have no fiscal or administrative autonomy, and serve as extensions of the central state. With the recent constitutional change, the country is taking a step forward. In the upcoming October 2019 elections, the governors (currently appointed) and the provincial assembly will be elected for the first time, while in 2024 it will be the turn of district heads and assemblies; which should imply greater fiscal and administrative decentralization. All this will require significant efforts and resources to draft the necessary legislations, new intergovernmental fiscal arrangements and to strengthen institutional capacity to fulfil new mandates.

However, there are numerous challenges to the implementation of the decentralization reform. Decentralization implementation has been slow and, by some account, the impact on service delivery has been marginal.

A 2012 decentralization strategy, a comprehensive legal and regulatory framework and a decentralization interministerial working group (*Grupo Interministerial de Descentralizacao -GIDE-*) have guided and steered the decentralization process; though, all these mechanisms should be revised and revamped in line of the 2018’s Constitutional changes.

The current assignment of service delivery responsibilities lacks clarity and expenditure is strongly concentrated within the central government. Legislation assigns overlapping functions to provinces, districts and municipalities (s. Table 1). This generally results in inefficient and unaccountable service provision. Provinces along the years have assumed an important role in term of territorial development and monitoring of the implementation of sectoral policies. They also are being considered as a prospective “capacity hub” to assist both districts and municipalities⁵. Approximately 63 percent of all spending remains at the central level, compared with 35 percent at the deconcentrated level, and the small remainder at the municipal level⁶. The large share of central government spending can be explained by the fact that capital expenditure continues to be undertaken directly by line ministries. Around 90 percent of public investment from 2009 to 2016 was undertaken by central entities⁷. District expenditures are largely deconcentrated recurrent expenditures, mainly salaries, with wide variations between the levels of deconcentration in each sector (the education sector has the largest degree of deconcentrated expenditures on salaries and recurrent spending).

TABLE 1. DIVISION OF SERVICE RESPONSIBILITIES AND AUTHORITIES AMONG LEVELS OF GOVERNMENT AND PRIVATE SECTOR

Public Service	Policy and Supervision	Implementation and Provision
Education	CG	CG, P, D, M
Health	CG	CG, P, D, M
Transportation and communications	CG	CG, D, M
Infrastructure	CG	CG, P, D, M
Basic Sanitation	CG	P, D, M
Energy	CG	SEE
Water Supply	CG	P, D, M, SEE, PS
Culture, leisure time and sports	CG	CG, P, D, M
Social action	CG	CG, P, D, M
Environment management	CG	CG, P, D, M

Source: Law 8/2003 and Law n° 1/2008.

CG – Central Government; P – Provincial Government; D – District; M – Municipality, SEE – business owned by State; PS – private sector

Source: USAID 2010

⁵ CESO/MEF May 2017

⁶ 2016 BOOST database

⁷ 2016 BOOST database



There is no proper system of intergovernmental fiscal transfers in place, but rather a collection of Programs that were adopted incrementally aiming at assisting deconcentrated and decentralized entities to provide services. Overall there are multiple centers of gravity for funding of service delivery, the share and distribution of funding is ambiguous and unclear, and the predictability of the overall fiscal transfers system is a challenge. Provinces receive the bulk of their financing through a grant for financing provincial and district-level expenditures. In principle, this transfer is allocated based on population size and poverty rates and designed to cover recurrent operational costs of the provincial and district offices (i.e. salaries and some goods and services), and occasional investments, at the discretion of the provincial governor. However, a recent analysis⁸ on the application of the formula showed that it was not being applied. Districts receive two programs for capital expenditures – the District Development Fund (*Fundo Distrital de Desenvolvimento*, FDD) and the District Infrastructure Fund (*Fundo de Infraestruturas Distritais*, FID) –. The FDD and FID, combined, accounted for only 9.8% of total district expenditures in 2015, however they also amount to nearly all capital spending at the district level. The total allocation for both the FDD and the FID is defined during the budgeting process. Furthermore, the transfers to districts for both the FID and the FDD do not appear to be made according to the specified formula. Municipalities receive a block and general purpose grant (Municipal Compensation Fund - *Fundo de Compensação Autárquica*) and a capital grant (Municipal Initiatives Fund - *Fundo de Investimento de Iniciativa Autárquica*) and an allocation for urban poverty reduction (Strategic Program for Urban Poverty Reduction - *Programa Estratégico para Redução da Pobreza Urbana*).⁹ PERPU is a program limited to municipalities that are provincial capitals which receive an annual MZN 140 million (US\$2.2 million) allocation to be disbursed as loans to financially underserved vulnerable individuals (youth, women, general enterprising people, and disabled people). Central transfers account for up to 63% of total municipal expenditures, although data on total municipal revenues and expenditures is limited, as they are not linked to e-SISTAFE.¹⁰ The grants to municipalities are not always allocated exactly according to the formulas specified in the laws or policies. An additional challenge is that the total amount transferred to municipalities is a fixed percent of national tax receipts, which did not change with the increased number in municipalities¹¹. The ‘system’ has simply not kept up with the reality of new structures of government. Finally, the fiscal crisis of 2016 and 2017 aggravated the predictability of the transfers, for example, districts reported receiving regular allocations, however the funding was not available through e-SISTAFE for them to use.

The vast majority of tax revenue is channeled to central levels. Internally generated income constitutes just 2.5 percent of provincial revenue and 0.4 percent of district revenue¹². Districts collect a small amount of own-source revenue from commercial fees and leases on public markets. These revenues are limited, however, and only amount to 0.37% of total district spending, with limited scope for expansion¹³. The municipal taxes are collected from a variety of municipal-level sources. These taxes include a poll tax, property tax, vehicle tax, property transaction tax, business tax, as well as non-tax revenues from fees and licensing. However, the central government defines the municipal taxes’ base and rate and municipalities have discretion only on rates for the

⁸ Analysis of the Budget Allocation Criteria used by the Government of Mozambique - An Analysis of the Territorial Allocation - , UNICEF, 2016

⁹ Municipalities are also partially responsible for the implementation of the Roads Fund (*Fundus Estradas*), however, while the procurement and administration has been partially decentralized, the roads fund is managed by a separate spending unit code (UGB) under the Ministry of Public Works at the central level of government, and not by individual municipalities

¹⁰ Municipalities are not linked to e-sistafe. However, previous estimates have suggested that own-source revenue accounts for 37% of municipal expenditures

¹¹ In 2013 the number of municipalities increased from 33 to 53

¹² An analysis of tax revenues in Mozambique, World Bank, 2014

¹³ Presentation to the World Bank, Weimer, 2016



poll tax and fees and licensing rates. The pool and property taxes are the main sources of revenues though the property tax's potential is not fully exploited because of an incomplete and updated cadaster.

Public financial management at deconcentrated and decentralized level is a work in progress. There is little coordination between the central government, provinces, districts and municipalities in formulating the plans and budget. The planning and budgeting at subnational level is not adequately reflected in the national plans and annual budget, given that the temporal budget cycle is the same for all levels of government. This process is further hampered by the separation between the planning and the budgeting functions resulting in two distinct documents. Provinces and districts¹⁴ execute their budgets through the integrated financial management system (e-Sistafe) while the municipalities do not dispose of such system but most of them have acquired off the shelves financial applications covering different part of the expenditure chain. Procurement procedures and capacities are lacking at subnational level. There is no professionalization of the procurement function and not all municipalities have a Procurement Unit - *Unidade Funcional de Supervisão das Aquisições* (UFSA) in their organizational structure.

Internal and external controls of public expenditure are weak at decentralized levels, and mechanisms for public participation and accountability are often superficial. Municipalities do not dispose of an internal control organ, ignoring their legal obligations. There is no clear and unified format and reporting line for the submission of municipal activity and budget execution reports. The central government does not consolidate and analyze the reports to monitor municipal's performance. Moreover, the Supreme Audit Court - the Tribunal Administrativo (TA) - does not dispose of adequate human and financial capacities to undertake regular audit visits to districts and municipalities and though, for example districts of Zambezia and Niassa Provinces have been last audited in 2013. There are various forums for direct participation at local level (starting with the Local Councils), although their composition, representativeness and capacity are generally considered low.

Finally, the workforce composition, the high mobility of functionaries, poor implementation of the system to monitor civil servants' performance and capacity gaps in municipalities create missed opportunities for revenue generation, service delivery, territorial planning, and land management.

The Government has asked the World Bank to help design a program for decentralization and urban development, in close coordination with other development partners. The intended impact is to strengthen the capacity of central government entities to steer the decentralization reform and strengthen the institutional capacity of decentralized entities to improve infrastructure and basic local services. In light of the current stage in the implementation of the decentralization reforms, GoM attention to an overall regional balance, the Country Partnership Framework between the WBG and Mozambique, and other donors' projects, most of the project's financing will target the municipalities in Niassa, Zambezia and Gaza, while it will focus also in building the institutional capacity of these provinces and their respective districts.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

To strengthen institutional performance to deliver improved infrastructure and services in participating local entities.

¹⁴ Not all the districts have access to e-sistafe. Approximately, 87 percent of beneficiary management units -*Unidade Gestora Executora* (UGE)- out of 1525 are using e-sistafe



Key Results

PDO Level Indicators

- Number of direct beneficiaries with improved access to basic infrastructure and services
- Increased annual performance score of participating municipalities

D. Project Description

The proposed project will have three components: Component 1 – Urban Infrastructure and Services Delivery (US\$ 85 Million); Component 2 – Decentralization Policy Reforms and Institutional Strengthening (US\$ 10 Million); and Component 3 – Project Management (US\$ 5 Million).

COMPONENT 1. URBAN INFRASTRUCTURE AND SERVICES DELIVERY (US\$ 85 Million). The overall objective of this component is to improve access and sustainability of urban infrastructure and services delivery in participating municipalities. The component will be structured in three sub-components: (i) Municipal Performance Grants (US\$ 46 million); (ii) Maximizing Finance for Urban Development (US\$ 32 million); and (iii) Technical Assistance on Basic Infrastructure and Service Delivery (US\$ 7 million).

COMPONENT 2. DECENTRALIZATION POLICY REFORMS AND INSTITUTIONAL DEVELOPMENT (US\$ 10 Million). The objective of this component is to improve resources, performance and accountability of municipalities, provinces and districts by (i) improving policies and as needed legal and regulatory framework on fiscal decentralization and human resources, and (ii) improving core public sector management functions at provincial, municipal and district level. The component will be structured in two sub-components: (i) support to the overall leadership of the decentralization reform process; and (ii) institutional strengthening of local entities in public sector and financial management.

COMPONENT 3: PROJECT MANAGEMENT (US\$ 5 million). This component will finance the cross-cutting project preparation and management costs, including technical studies undertaken during project preparation, project implementation unit staff and operational costs, as well as project communication, project monitoring and evaluation. The PIU will be responsible for the overall project management functions across all components. At central level, the team will be composed of a PIU coordinator, a financial management specialist, a procurement specialist, an accountant, a monitoring and evaluation specialist, a social safeguards specialist, and an environmental safeguards specialist. The PIU at central level will be assisted by the relevant line ministries and agencies. The PIU will set up provincial teams of experts in each of the 3 provinces, composed of a coordinator, a procurement and financial officer, an engineer responsible for reviewing sub-project plans, design and execution in accordance to engineering quality standards, a social safeguard, and environmentally safeguards specialist. The PIU at provincial level will be assisted by the provincial government departments.

E. Implementation

Institutional and Implementation Arrangements

The overall project implementation will be coordinated by MAEFP, which has the mandate to support municipalities and to support decentralization policies reforms. The project will also be implemented in close collaboration with key ministries that have specific mandates relevant to the project objectives and activities, including MEF (intergovernmental fiscal arrangements and local public finance management), MOPHRH



(urbanization and basic infrastructure), and MITADER (territorial planning, land and environmental management).

The Project Implementation Unit has also been established with PPA funds, which will be responsible for the overall project implementation, monitoring and reporting across all components. The PIU is composed by a Coordinator, a Financial Management Specialist and an accountant, a Procurement Specialist, a Monitoring and Evaluation Specialist, a Social Safeguards Specialist, and an Environmental Safeguards Specialist. Senior advisors have been appointed for each of the four ministries (MEF, MAEFP, MOPHRH, and MITADER) to ensure quality and smooth coordination between the PIU and different TA activities for each of the ministries. During implementation, provincial PIUs will be established in each of the 3 provinces composed of a coordinator, procurement and financial officer, social and environmental safeguards experts, and civil engineers. With exception of the Municipal Performance Grants, and the Maximizing Finance for Urban Development, all components resources and contracts will be managed directly by the PIU. Municipalities will each manage and report on the use of their allocation of capital investments and institutional strengthening based on approved annual plans.

A Steering Committee (PSC) will be established after the project is approved to provide overall policy guidance and project supervision. The Project Steering Committee will be chaired by the Permanent Secretary (PS) of MAEFP, and it will be also composed by the PS of MEF, MOPHRH, and MITADER. The PIU will be assisted by the PCG, and it will report directly to the PSC. The Project will be under the guidance of the inter-ministerial committees, particularly the Decentralization Inter-Ministerial Group (GIDE).

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

Mozambique comprises almost 800 thousand sq. km., with variable physiographic conditions, and is divided into two topographical regions: To the north of the Zambezi river, a narrow coastline and bordering plateau slope upward into hills and a series of rugged highlands punctuated by scattered mountains. South of the Zambezi River, the lowlands are much wider with scattered hills and mountains along its borders with South Africa, Swaziland and Zambia. The Project involves capacity building at national level and construction works in selected municipalities in three provinces. Component 1 municipal performance grants will finance activities mainly in pre-selected areas. Component 2 will provide capacity building activities to the participating municipalities and districts, and supports national decentralization and urban development reforms. Consequently, it is necessary to consider the main environmental physiognomies of the entire country. In general, the likely environmental and social impacts are expected to be minor given the low mechanized road works that will be involved, the labor influx during construction will be small and the regulatory reforms under TA components will bring potential downstream social impacts that will be assessed and addressed.



G. Environmental and Social Safeguards Specialists on the Team

Salma Omar, Social Specialist

Clarisse Torrens Borges Dall Acqua, Environmental Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>The project comprises, mostly, institutional strengthening activities, (at different levels of government), and construction and maintenance of small urban infrastructure works. Consequently, OP 4.01 is triggered to address the potential environmental and social impacts, mainly due to the anticipated civil works under component 1. The project comprises, (i) institutional strengthening activities, (at different levels of government), and (ii) construction and maintenance of small urban infrastructure works. The technical assistance activities have been screened and limited to the ones that may not result in significant environmental implications going forward. Only Component 1 contains activities that may cause direct environmental impacts, but it is restricted to construction and maintenance of small scale urban infrastructures.</p> <p>The Project is classified as Category B, as the potential environmental and social impacts are expected to be limited in scope and localized. The basic infrastructure and services interventions, (to be funded by the municipal performance grants), would encompass only small works, such as paving and restoration of local roads, and construction of small bridges, pedestrian pathways, small water supply and sanitation systems, small drainage and sanitation systems, improvements in solid waste management, and local markets and public spaces. At the Municipalities level, works with potential environmental and social impacts (classified as category A by World Bank OP 4.01) will not be carried out. The ESMF includes eligibility criteria and</p>



screening procedures to ensure that any category A subprojects are excluded.

The TA activities may result in environmental and social implications going forward. Downstream social and environmental effects are expected from technical assistance activities related to institutional strengthening of diverse institutions, (e.g. MEF, MAEPF, MITADER, provincial, municipal and district administrations), preparation of investment plans and territorial planning instruments, as well as modernizing municipal land cadasters. According to the World Bank's Interim Guidelines on the Application of Safeguard Policies to Technical Assistance (TA) Activities in Bank-Financed Projects and Trust Funds Administered by the Bank, the proposed activities would encompass three different types of TA. Most proposed activities would be classified as Type 1 (Strengthening client capacity), including the capacity building activities at the MEF, the training on infrastructure planning and design, the training to strengthen the capacity of MITADER at national and provincial levels to support municipal and district level on territorial planning, environmental management, and municipal land cadaster. These do not have potential adverse environmental and social implications or risks and could be classified as environmental Category C, but their terms of reference should encompass the relevant capabilities for environmental and social management.

The project also includes Type 2 activities, (Assisting in formulation of policies, programs, plans, strategies or legal frameworks etc.) that may have, or not, significant downstream impacts. The Project would include TA Type 2 activities that may have some social and environmental implications, such as the support to overall decentralization reform by MAEFP. The reform would include the design and draft of changes to the legal and regulatory framework, with potential social implications. Some activities related to Component 1C, (which aims to improve territorial planning, land cadaster, and environmental management at municipal level), could be classified as Type 3 TA activities. The preparation of land use plans, and local ordinances (posturas), among other land planning and



management instruments, may also have social and environmental implications.

TA Activities judged as TA Type 2 and 3 are usually classified as environmental Category B or C, depending on the existence of future environmental or social implications. The TA activities described above may have limited potential environmental and social effects, consistent with the project proposed classification, Category B. Important to note that the preparation of feasibility studies and/or technical designs, funded by the project, would be limited to the small works to be funded by municipal and district performance grants and would cover the relevant environmental and social aspects of designing and managing such works. TAs for formulation of land use and management plans should include the preparation of a SESA for the target area.

The areas of direct intervention, as well the precise scope of the TA activities, have not been fully defined yet. Under these circumstances the preparation of an Environmental and Social Management Framework and a Resettlement Policy Framework is the proper environmental and social safeguards instruments. The ESMF, already prepared by the borrower, includes procedures for screening and excluding any intervention that could cause significant social or environmental impacts, and the proper environmental and social management guidelines for the construction works. As part of the ESMF, certain types of infrastructure were included in a negative list, including infrastructure items that are very likely to have a significant negative social or environmental impact. The ESMF includes provisions related to social impacts other than those related to land acquisition, including: (i) stakeholder engagement; (ii) gender sensitivity; (iii) non-discrimination and equitable treatment of vulnerable groups including universal access in local infrastructure; (iv) community and worker health and safety including contractors' code of conduct; (v) access to grievance redress mechanisms.

This policy would not be triggered, as the proposed project does not include Bank financing for private sector. The responsibilities for identifying, assessing and managing environmental and social risks and

Performance Standards for Private Sector Activities OP/BP 4.03

No



		impacts will be fully owned and operate by the public sector.
Natural Habitats OP/BP 4.04	Yes	<p>OP/BP 4.04 on Natural Habitats was triggered, because the Project would encompass diverse infrastructure construction works that may interfere with natural habitats. Additionally, land planning activities may have effects on the conservation and management of natural habitats.</p> <p>No significant conversion or degradation of critical natural habitats are expected (and will be screened out), and the Mozambican Legislation has proper instruments to license any activity that could result in the conversion or degradation of natural habitats. The ESMF includes clear guidance for sub-projects and TA activities that could cause direct and indirect impacts on natural vegetation and habitats.</p>
Forests OP/BP 4.36	Yes	<p>This policy would be triggered, as a precautionary measure, as some activities under the proposed Project may have potential interference on forests natural habitats. The project is not expected to finance forest management activities or activities aimed at the direct use of forest resources, leading to deforestation or forest degradation. However, interventions related to the construction and rehabilitation of local roads, construction of small pipelines conducive to water transport, which will be supported by the project can have eventual direct impacts on forests, requiring a detailed analysis of the subproject specific alternatives, definition of minimization measures and compensation.</p> <p>Nevertheless, the Project would not include activities that require commercial forest harvesting; or utilization of natural forests formations or plantation. The ESMF would consider the requirements of OB/BP4.36 whenever restoration activities are being planned, and should be planned and executed in such a way to minimize or prevent negative impacts on natural vegetation areas.</p>
Pest Management OP 4.09	No	<p>This policy is not being triggered because the proposed Project will not support the purchase or increased use of pesticides and other agricultural chemicals and defined under the policy. The proposed Project will not include any support for agriculture land use which would promote pest management.</p>



Physical Cultural Resources OP/BP 4.11	Yes	This policy would be triggered on a precautionary basis, as there is no indication, so far, that the Project works may interfere with known cultural resources. However, the nature and scope of civil works, located in numerous locations, may result in interference with historical and/or paleontological sites. The ESMF will include procedures for screening any known cultural property in the Project areas and to incorporate the necessary procedures if culturally significant resources are discovered during the Project implementation. These procedures would be defined in accordance with OP 4.11.
Indigenous Peoples OP/BP 4.10	No	Not applicable, because there are no indigenous peoples communities in the country as defined by the policy.
Involuntary Resettlement OP/BP 4.12	Yes	<p>The components of the Program that may cause social impacts related to resettlement and potential loss of livelihoods are: (i) Component 1 - Urban Infrastructure and Services Delivery. Component 1 has potential direct impacts since it provides for the improvement of the provision of basic infrastructure and services at the district and municipal levels. The Project could transfer resources directly to municipalities and districts to invest in some areas in infrastructure and basic services - such as: construction or rehabilitation of access roads, drainage ditches, community sewage collection systems, small water supply systems. water, municipal markets, as well as the acquisition of equipment necessary for the maintenance of solid waste management (containers, solid waste transport trucks, etc.).</p> <p>Component 1 also provides support for strengthening the capacity of municipalities on territorial planning, municipal environmental management, municipal land cadaster, which may have social and environmental implications, leading to future social and environmental risks and impacts. TA for these activities needs to include provisions to ensure that the respective products are consistent with OP 4.12.</p> <p>The Program at this time has not yet defined its scope of works / interventions to be carried out, but the design and eligibility criteria will ensure that subprojects selected will be rehabilitate or build</p>



small scale infrastructure with low magnitude impacts. The Project is classified as Category B because the possible environmental impacts are limited in scope and localized.

As the specific works to be supported by the proposed operation will only be identified during implementation (each year participating municipalities and districts will submit proposed lists of works to be funded through the annual performance grants), potential adverse impacts related to involuntary resettlement can not be fully assessed before project approval. As such, the Government has prepared a Resettlement Policy Framework (RPF) that will identify the types of potential resettlement and livelihood impacts and recommended compensation/mitigation measures for the main types of interventions that can be funded under the Program.

For each future intervention to be undertaken involving involuntary resettlement or economic displacement, a Resettlement Action Plan (RAP) or Abbreviated RAP (ARAP) will be prepared together with the engineering projects during the implementation phase of the Program, with due consultation of affected families. For cases involving only economic impacts (i.e. no physical displacement and fewer than 10 PAPs) Compensation Plans (CP) or agreements will be provided for in the RPF, ensuring that impact assessment, consultation and eligibility and compensation criteria comply with OP 4.12. Each prepared RAP/ARAP/CP will be sent to the Bank for review and approval before the associated civil works contract is signed. The RPF will include the institutional arrangements and budget provisions needed for its implementation.

TA activities for institutional strengthening or land use planning will include provisions for consistency with OP 4.12 where applicable.

Safety of Dams OP/BP 4.37

No

The construction, rehabilitation and use of existing dams, categorized as large dams by OP 4.37, would not be eligible for funding by the program. Additionally, any type of intervention in flooding control structures (e.g. long dykes) with potential for significant downstream impacts will not be eligible for funding either.



Projects on International Waterways OP/BP 7.50	No	No civil works within a river that is classified as an International Waterway (under OP7.50, International Waterways) or a tributary to such a river will be eligible for funding.
Projects in Disputed Areas OP/BP 7.60	No	Not applicable, because the activities financed by the Project would not be located in disputed areas.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The infrastructure interventions will be restricted to small works such as local roads, pedestrian pathways, small water systems, and small sanitation systems. The technical assistance activities have been screened and limited to the ones that may not result in significant environmental implications going forward. Component 1 involves activities that may cause direct environmental impacts, but it is restricted to small scale infrastructure construction works. Component 1 also focus on institutional strengthening, looking to enhance the performance of selected municipalities and districts to deliver basic infrastructure and services and to improve territorial planning, land administration and environmental management. This component may not cause direct environmental impacts but could result in environmental and social implications going forward, entailing risks and potentially inducing adverse impacts. Component 2 will support on improving performance and accountability of municipalities and districts by improving policies and as needed legal and regulatory framework on fiscal decentralization and human resources and improving core public sector management functions and district level with no direct environmental implications.

Some of the associated negative environmental and social impacts include land clearance for local road and small bridges constructions, water abstraction on downstream users from water supply systems investments, loss of wetland habitat as a result of the small storm water drainage and erosion control systems needed, point and non-point pollution of water sources, soil disturbance and siltation, acquisition of land for development of local markets and public spaces, potential water and land-use related conflicts due to regulatory reforms financed under the project aimed at improving land, environmental management and territorial planning at municipal level. The project will not support opening up of new roads but rather concentrate on improving existing access roads. Most of these impacts are minor or of low-intensity, site-specific and thus relatively easy to manage, with participation of local government entities. At the Municipalities level, works with potential environmental and social impacts (classified as category A by World Bank OP 4.01) will not be supported.

The ESMF includes eligibility criteria and screening procedures to ensure that any Category A subprojects are excluded. The project also involves Type 2 activities (assisting in formulation of policies, programs, plans, strategies or legal frameworkd, etc.), that may have, or not, significant downstream impacts. The project would include TA Type 2 activities that may have some social and environmental implications, such as the support to overall decentralization and urban development reforms. The reforms would include the design and draft of changes to the legal and regulatory framework in land administration, environmental management and territorial planning, with potential social implications such land water use rights, loss of access to land or assess or livelihoods. The extent and sensitive of such implications will be further assessed and necessary provisions will be included during the implementation of the ESMF. In addition, TAs for fomulation of land use and management plans should include the preparation of a SESA for the target areas.



2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The project comprises, mostly, institutional strengthening activities, (at different levels of government), and construction and maintenance of small urban infrastructure works. Component 1 contains activities that may cause direct environmental impacts, but it is restricted to construction and maintenance of small scale urban infrastructures. Component 1 would also encompass institutional strengthening, looking to enhance the performance of selected municipalities and districts to deliver basic infrastructure and services, to improve territorial planning, land administration and environmental management. The capacity building activities may not cause direct environmental and social impacts, but could result in environmental and social implications going forward, entailing risks and potentially inducing adverse impacts. Component 2 will support on improving performance and accountability of municipalities and districts by improving policies and as needed legal and regulatory framework on fiscal decentralization and human resources and improving core public sector management functions at municipal and district level, with no direct environmental implication.

The project is classified as Category B, as the potential environmental impacts are limited in scope and localized. The local infrastructure interventions (to be funded by the municipal and district performance grants), would encompass small scale works, such as paving and rehabilitation of local roads, and construction of small bridges, pedestrian pathways, small water supply and sanitation systems, local markets and public spaces. The TA activities may result in environmental and social implications going forward that would require due safeguards consideration. Hence, an ESMF has been prepared by the borrower to address the likely project impacts.

It's not anticipated that the project will lead to significant land acquisition or restrictions on access to sources of livelihood. However, given that the project will intervene in urban infrastructure and services delivery in municipalities targeted by the project, the World Bank policy OP/BP 4.12 on Involuntary Resettlement was triggered. The project will finance activities associated with the construction and rehabilitation of small-scale infrastructure, such as local roads, pedestrian pathways, small water systems, and small sanitation systems, etc. that could require involuntary land acquisition resulting in physical impacts on people and/or loss of assets, means of livelihoods of resources. The PIU prepared a Resettlement Policy Framework (RPF) to deal with these issues and develop adequate compensation/mitigation measures. The RPF was adequately consulted in the 4 provinces targeted by the project and in Maputo and will be disclosed both in-country and by the Bank prior to appraisal. It includes detailed guidance for the preparation of site-specific Resettlement Action Plans (RAP) or Abbreviated Resettlement Action Plans (ARAPs) that will guide the PIU during preparation and implementation.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The areas of direct intervention, as well the precise scope of the TA activities, have not been fully defined yet. Under these circumstances, the team considered that the preparation of an Environmental and Social Management Framework (ESMF) and a Resettlement Policy Framework (RPF) would be the proper environmental and social safeguard instruments. The ESMF includes procedures for screening and excluding any intervention that could cause significant social and environmental impacts, and the proper environmental and social management guidelines for the construction works and technical assistance activities.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

Mozambique has a well-developed environmental and social legislation, including the national environmental law, which defines that all public and private activities that may cause significant environmental impacts should be subject to proper environmental licensing, including environmental assessment studies to identify possible impacts, as well management plans, aiming to minimize and mitigate the foreseen impacts. The Country also has legal requirements for public consultations, including public hearings with participation of the affected population to validate



environmental and social impacts studies.

Additionally, the Government of Mozambique has a long experience in implementing Bank-financed projects, as well as projects funded by other donors that follow analogous safeguard policies. MAEFP will be the main implementing agency, but the program may involve many other entities, subordinated to the Ministry of Finance (MEF), Ministry of Public Works and Water Resources (MOPHRH), and Ministry of Land, Environment and Rural Development (MITADER). MAEFP has a sound experience in managing environmental and social safeguard aspects of projects with similar characteristics (municipal performance Grants for small works), as it was in charge of the Cities and Climate Change Project, which also supported construction works in diverse municipalities. Most agencies subordinated to MOPHRH, such as ANE, AIAS, DNGRH, and DNAAS, have considerable experience with Bank safeguard requirements, and are currently implementing projects funded by the Bank, with dedicated safeguard staff. However, the capacity of the other entities involved in the project are variable, as some are under-staffed for environmental and social management, demanding support for improving their environmental management systems.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The ESMF and RPF would be consulted before Appraisal. Five Public Consultation meetings were organized from 16 to 19 August 2019, one in each province targeted by the project (Gaza, Sofala, Zambezia and Niassa) and one in Maputo. Feedback received during the consultation process has been incorporated in the ESMF and RPF as appropriate. These consultations were held with the participation of representatives from the civil society, NGOs, academia, and local community leaders. These consultations covered the preliminary findings of the social and environmental assessment as well as the identification and assessment of potential risks, impacts and benefits derived from project activities as well as the proposed measures to avoid, minimize, compensate and/or mitigate adverse impacts. All comments and suggestions received were registered and included as an Annex of these instruments.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
25-Feb-2019	15-Mar-2019	

"In country" Disclosure

Mozambique
13-Mar-2019

Comments

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure
-----------------------------	-----------------------------------



25-Feb-2019

15-Mar-2019

"In country" Disclosure

Mozambique

13-Mar-2019

Comments

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP/BP 4.04 - Natural Habitats

Would the project result in any significant conversion or degradation of critical natural habitats?

No

If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?

NA

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?

Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes



OP/BP 4.36 - Forests

Has the sector-wide analysis of policy and institutional issues and constraints been carried out?

NA

Does the project design include satisfactory measures to overcome these constraints?

NA

Does the project finance commercial harvesting, and if so, does it include provisions for certification system?

Yes

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT

World Bank

Andre Herzog
Sr Urban Spec.

Nicoletta Feruglio



Senior Public Sector Specialist

Borrower/Client/Recipient

Ministry of Economy and Finance
Momad Piaraly Juthl
Director
mpjutha@gmail.com

Implementing Agencies

Ministry of State Administration and Public Service
Mario Omia
Director
marioomia2015@yahoo.com.br

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Andre Herzog Nicoletta Feruglio
----------------------	------------------------------------

Approved By

Safeguards Advisor:		
Practice Manager/Manager:	Meskerem Brhane	22-May-2019
Country Director:	Carolin Geginat	25-May-2019

