



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

Appraisal Stage | Date Prepared/Updated: 04-Mar-2021 | Report No: PIDISDSA29553

**BASIC INFORMATION****A. Basic Project Data**

Country Southern Africa	Project ID P164847	Project Name Southern Africa Trade and Connectivity Project (formerly Nacala Corridor)	Parent Project ID (if any)
Region AFRICA EAST	Estimated Appraisal Date 02-Mar-2021	Estimated Board Date 27-Apr-2021	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Republic of Malawi, Republic of Mozambique	Implementing Agency Ministry of Transport and Communication, Ministry of Transport and Public Works	

Proposed Development Objective(s)

The project development objective is to support Malawi and Mozambique in increasing regional trade coordination, reducing trade costs and time, developing regional value chains, and improving access to infrastructure.

Components

Reduce Trade Costs
Strengthen Regional Coordination and Project Implementation
Strengthen Value Chains for Regional Integration
Strengthen Transport Infrastructure to Improve Market Access

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	380.00
Total Financing	380.00
of which IBRD/IDA	380.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**



International Development Association (IDA)	380.00
IDA Credit	75.00
IDA Grant	305.00

Environmental Assessment Category

A-Full Assessment

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

1. **The Governments of Malawi and Mozambique have requested the World Bank Group (WBG)'s support through the *Southern Africa Trade and Connectivity Project (SATCP)* in increasing regional trade coordination, reducing trade costs and time, developing regional value chains, and improving access to infrastructure.** The agreed response includes investments along the Nacala and Beira Corridors connecting Mozambique to Malawi, and along the Maputo Corridor connecting Mozambique to South Africa through Ponta Do Ouro. Building on the best operational and analytical evidence, the project uses an *infrastructure-plus* approach in design, combining the upgrade of border posts, ICT investments, roads upgrading, as well as targeted trade-related reforms and value chain development to advance regional integration. These joint project investments and activities are expected to lead to substantial economic benefits, including increased regional trade, income growth, job creation, and resilience. Positive economic spillovers should also benefit other countries in the sub-region.¹ In line with the WBG's Crisis Response Approach Paper², the project's areas of support are key for the regional COVID-19 economic response.

2. **Regional integration is a leading priority for countries in Southern Africa, including Mozambique and Malawi.** While increasing intra-regional trade and investment can drive economic diversification and more inclusive growth, the potential of greater integration remains untapped. This is the result of weak trade-related infrastructure, compounded by opaque and unpredictable trade policies, the prevalence of non-tariff barriers and regulatory barriers in services. Regional markets are particularly important outlets for non-traditional exports that tend to be more labor-intensive and therefore important for sectors in which poor people are engaged. Trade within Africa, however, remains very costly. Today, it is often easier for Africans to trade with the rest of the world than with each other. This is due to the neglect of the conditions, policies, and procedures that govern African borders, relative to those demarcating the region from

¹ Improving the efficiency of these corridors can have significant spillovers for other countries, supporting the integration of Zimbabwe, Zambia and the Democratic Republic of the Congo (DRC) through increased investment, trade and job creation and improving their access to the sea.

² World Bank. 2020. *COVID19 Crisis Response Approach Paper*. World Bank.



the rest of the world. The higher costs of regional trade and reduced opportunities for commerce are borne by poor people and women the most.

3. Regional integration can contribute to structural transformation, job creation, and poverty reduction in Eastern and Southern Africa. Yet this potential remains unrealized because of the slow progress made in implementing regional commitments. As a result, the citizens of these countries have seen little in terms of economic gains from integration. This “implementation gap” has several causes. For one, the private sector, often left out of the integration process, has tended to place little pressure governments to move forward with regional commitments. Moreover, there is often a collective action problem stemming from a lack of consensus amongst many countries on how to move in a coordinated manner and governments not wanting to take the lead. This is further compounded by the limited leverage and enforcement capacity of regional economic communities, such as the Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA).

4. Following recent investments, Mozambique has become increasingly important as a transit destination for Malawi and other landlocked countries in the Southern African Development Community (SADC). The Beira and Nacala corridors have benefited from over US\$ 7 billion in private and public investments, including upgrades to over 1,000km of roads, as well as improvements at the ports, construction of new sections of the railway line, and development of logistic hubs. In addition, the recently built US\$ 682 million bridge and road connecting Maputo to South Africa through Ponta do Ouro increases the capacity and reduces travel-times between Mozambique and major South African ports of Durban and Richards Bay.

5. Despite the upgrade of infrastructure, trade flows between Mozambique and Malawi remain limited. While agricultural trade between the two countries has been growing³, the unmet annual bilateral trade potential is estimated at US\$ 32.5 million.⁴ Secondly, there is considerable potential to increase trade along the Beira and Nacala corridors if trade costs⁵ are reduced and inefficiencies addressed.⁶ Although the Beira and Nacala ports are cheaper to reach from Blantyre due to their shorter distance than competitors such as Dar es Salaam or Durban, they still have (i) greater per-km costs⁷; and (ii) higher trade barriers⁸. This suggests high potential to reduce all-in costs that are limiting market shares. Given these increased efficiencies would particularly reduce costs for goods such as fuel, fertilizer, and other agriculture inputs, they would benefit primarily the poor, making the potential for poverty reduction substantial.

6. In addition, the impact of COVID-19 is increasing international trade costs through additional inspections, reduced hours of operation, and initially road and border closures. The pandemic has resulted in supply disruptions, fiscal shortfalls, and capital outflows, accompanied by declines in trade flows and export prices. GDP is expected to

³ Malawi is a growing market for Mozambican producers: agricultural exports to Malawi comprised 1.1 percent of Mozambique’s total agriculture and food exports in 2013. By 2018 it increased to 4.4 percent.

⁴ Based on ITC analysis. Trade potential is calculated based on supply capacities in the exporting country, demand conditions in the destination country, and bilateral linkages between the two.

⁵ As per the Malawi CPSD, transport costs are the highest among countries in the SADC, accounting for up to 56 percent of import costs and 30 percent of export costs.

⁶ In the larger Nacala Corridor Catchment area, the market share by transport corridor for all transit cargo was as follows: Dar es Salaam (42 percent), North-South (35 percent), Beira (11 percent), Nacala (7 percent) and Walvis Bay (6 percent). For Malawi, Nacala’s share of traffic is 14 percent. USAID. 2019. Nacala and Beira Corridor and Port Performance Assessments.

⁷ The average transport cost for a 20-foot container for international flows was 2.11 \$/km for North South to Durban; 2.42 \$/km for Nacala and 3.5 \$/km for Beira. Beira and Nacala were also identified as the two corridors with most potential to reduce costs. AFRIXEXIM Bank. 2020. *Study on the Trade-Carrying Infrastructure Gap in One African Region*. Nathan Consulting.

⁸ These include higher time to trade, poor trade facilitation, high non-tariff barriers, limited regional coordination, limited development of multimodal offerings, poor liner connectivity among others.



decline by 3.5 percent in Malawi and 0.9 percent in Mozambique in 2020. Border closures have also particularly impacted small traders who were restricted from travel and trade in both countries, while border management has become slower and more time consuming as social distancing and remote work were introduced without adequate training and ICT connectivity. In this context, keeping borders safe and open in the short term, and reducing trade costs and strengthening regional trade and investment in the medium term, are essential for the ability of both countries to weather this shock as well as other climate-related events such as cyclones and droughts. Based on extensive consultation with the governments and technical work, the project activities have been re-prioritized allowing for targeted action and greater flexibility as the situation continues to evolve.

7. To better capitalize on recent investments in these corridors and reduce trade costs for wider economic benefits, follow-on coordinated investments are required. As detailed in the World Bank's *Regional Integration and Cooperation Assistance Strategy*⁹, supporting Africa's economic transformation requires addressing gaps in hard and soft infrastructure, as well as supporting the private sector to capitalize on these opportunities. A recent review of corridor projects suggests jointly tackling a range of impediments, including customs reforms, and targeting producers and processors' constraints to leverage the benefits of improved physical connectivity.¹⁰ This can in turn attract additional private investment.

8. Recovery from the current crisis will depend on the ability of the private sector to invest in line with the Jobs and Economic Transformation (JET) agenda. Following Maximizing Finance for Development (MFD) principles, the project response intends to use public resources to mobilize additional private investment in the corridors. There is also potential for upstream IFC engagement to remove barriers to investment and enhance the operating environment for private business. This includes targeted value chains with growth and integration potential, as well as logistics chains such as cold and dry storage facilities for agricultural output.

9. The project benefits from both an extensive foundation in how to effectively support regional integration within low-income contexts using a multisectoral approach, and extensive preparatory work to ensure readiness for implementation. The project's approach is in line with recommendations from a 2019 report¹¹ by the WBG's Independent Evaluation Group (IEG) that emphasize the need for regional integration projects to support the likelihood of achieving wide economic benefits and spillover effects. The project also builds on the countries' shared membership in regional institutions, such as SADC, as well as shared trade reform agendas to strengthen coordination on policy priorities and address gaps in the implementation of regional commitments. Further, the project design draws on over fifteen specifically commissioned studies to assess client needs, determine costs and benefits of different options, and in turn, inform the selected approaches for each activity. Finally, the project has benefited from project preparation facilities to conduct preparatory studies, contract project implementation units, and launch procurement of main activities.

Malawi

10. Malawi is a landlocked low-income country in south-east Africa that borders Mozambique, Tanzania, and Zambia. With approximately 19.2 million people, it is one of the most densely populated countries in Africa. Malawi's

⁹ World Bank. 2018. Supporting Africa's Integration: Regional Integration and Cooperation Strategy FY18-23. World Bank.

¹⁰ Melecky, Martin, Bougna, Xu. 2018. "Transport Corridors and Their Wider Economic Benefits: A Critical Review of the Literature".

¹¹ Independent Evaluation Group. 2019. *Two to Tango: An Evaluation of World Bank Group Support to Fostering Regional Integration*. World Bank.



population is also very young, with around 75 percent of the population under 35 years and a mean age of only 17 years. Growing at approximately 3 percent per year, the country's population is projected to double before 2040.¹²

11. Per capita incomes have risen slowly relative to population growth. GDP per capita has increased at just 1.5 percent over the last two decades. About 81 percent of the poor live in rural areas and are highly vulnerable to climate shocks and environmental degradation. Malawi ranks 125th of 157 in the World Bank's Human Capital Index. High levels of inflation, though declining to single digits in recent years, have been a mainstay of the Malawian economy, resulting in low savings rates and a high cost of borrowing. Labor force participation rate for men is higher at 81 percent, relative to 72 percent for women.¹³ Gender inequality is widespread, with female-led households poorer than male-headed households. This inequality is exacerbated by discriminatory customary laws that affect women's access to resources.

12. Malawi's economy is dominated by agricultural production, concentrated in tobacco and the main staple food crop, maize. Agriculture contributes about 26 percent of GDP and 72 percent of employment, with the vast majority in small-scale farming with low returns.¹⁴ Trade accounts for 65.3 percent of GDP, and 80 percent of export earnings are in agriculture. Tobacco is the most important commodity, making up more than half of exports. Malawi has not been able to significantly expand its export base and terms of trade have dropped since 2016. Foreign Direct Investment (FDI) inflows at 13.5 percent of GDP lag other countries in the region, holding back productivity gains.

13. The new government is actively developing policies to increase agriculture commercialization, including addressing the ad hoc export restrictions for maize and other crops that have been in place for the past several years. One of the first actions of the new government was to enact regulations for the Control of Goods Act (COGA). Application of these regulations, expected in early 2021, will require the government to meet certain requirements to legally justify any import or export controls. Government has also recently expanded input subsidies to smallholder farmers under the new Affordable Inputs Program (AIP), raising concerns over fiscal sustainability and adequate targeting. Regular and evidence-based review of this program will be needed to ensure it is affordably improving the productivity of smallholder farmers.

14. The COVID-19 pandemic is having a significant economic impact in Malawi, which has already experienced numerous recent shocks. In May 2020, Malawian exports dropped by 42 percent and imports dropped by 27 percent compared to May 2019. Malawi is expecting a contraction of 3.5 percent of GDP in 2020. Vulnerability to the pandemic is high, particularly given the high population density and weak health care systems. The projected increase in poverty ranges from 1.6 percentage points (280,000 people) in the baseline scenario to 4.9 percentage points (880,000 people) in the worst case. The sectors most impacted by the pandemic are transport, tourism, accommodation and food services; wholesale and retail trading; and manufacturing. Increased costs and delays in trade logistics are affecting the flow of goods through the borders. Internal trade blockages, logistics breakdowns, and market distortions that tend to raise maize prices in the lean season are impacting food security, despite the increase in maize production in recent years.¹⁵

15. Following a prolonged governance crisis, Malawi's June 2020 elections have led to a peaceful transition of power. These elections took place after both the High Court and Malawi's Supreme Court annulled the former President's narrow May 2019 election victory. The 2020 elections were an important milestone in strengthening the

¹² National Statistical Office. 2017. *Fourth Integrated Household Survey (IHS 4)*. Government of Malawi.

¹³ Gender Data Portal, World Bank. (accessed August 2, 2020)

¹⁴ World Bank. 2020. *Malawi Economic Monitor*. World Bank.

¹⁵ World Bank. 2020. *Malawi Economic Monitor*. World Bank.



judicial system and democratic consolidation in Malawi. The newly elected government has emphasized the need to focus on improving logistics and rail access¹⁶, and expanding aggregation and export processing.¹⁷

Mozambique

16. Mozambique is a low-income country in Southern Africa with about 29 million people. It has over 2,400km of coastline to the Indian Ocean and favorable natural resources endowments. This includes ample arable land, water, energy, and mineral resources and recently discovered offshore gas. It borders four landlocked countries (eSwatini, Malawi, Zambia, and Zimbabwe) along with Tanzania in the north and South Africa in the south.

17. Following an investment boom that started in the late 1990s, Mozambique's productivity has labor moved into manufacturing and especially services. GDP growth averaged above 8 percent during the post-war recovery until 2014, making Mozambique the fastest growing non-oil economy in Sub-Saharan Africa. FDI inflows were among the largest in Africa. Unsurprisingly, given both its natural resource wealth and its role as a transit hub, Mozambique's trade-to-GDP ratio in 2019 was among the highest in Africa at 112 percent. However, the economy remains dominated by the agriculture sector, which accounts for 25 percent of GDP and employs about 70 percent of the population (90 percent in rural areas). The services sector has generated most of the employment growth since 2002.

18. Despite gains in productivity, Mozambique remains one of the poorest countries in the world. The weak impact that sustained economic growth has had on poverty reflects a pattern of growth driven by capital-intensive and import-dependent sectors, while low-skilled jobs continue to dominate employment. As a result, the poorest people have not benefited extensively from the economic growth.¹⁸

19. In recent years, Mozambique's macroeconomic status has deteriorated. Following the discovery of US\$ 1.4 billion in previously undisclosed public debt in 2016, paired with a fall in private demand, the country entered a painful economic slowdown. MSMEs were the hardest hit as growth in demand fell, costs rose, and access to finance became scarcer.¹⁹ The hidden debt crisis was symptomatic of a general decline in the quality of governance. In 2008, Mozambique's score on the Worldwide Governance Index (WGI) was higher than the regional average for Sub-Saharan Africa. By 2017, the country scored lower than many peer countries in the region.²⁰

20. The country is also becoming more fragile, impacted again by conflict. Since 2017, the Cabo Delgado Province has suffered from violence linked to Islamic-inspired extremist ideology. The first attack happened in October 2017, when insurgents hit several police stations, government officials, and residents in the town of Mocímboa da Praia. Attacks, during which entire villages have been burnt, are becoming more frequent and visible, resulting in hundreds of casualties along with the internal displacement of over 400,000 people.

21. Progress has also been repeatedly disrupted by natural disasters and now the potentially catastrophic impacts of the COVID-19 pandemic. In 2019, cyclones *Idai* and *Kenneth* destroyed physical infrastructure and upended livelihoods, especially among poor people. About 1.7 million people were impacted by *Idai* in the Sofala, Manica, and Zambezia provinces; cyclone *Kenneth* affected around 250,000 people in Cabo Delgado. Both destroyed houses, businesses, and core infrastructure, with losses amounting to US\$3 billion. In 2020, the COVID-19 pandemic is impacting

¹⁶ Vice President Chilima on Rail; Vice President Chilima on the importance of trade and investment.

¹⁷ President HE Lazarus Chakwera. 2020. "State of Nation address to Parliament." YouTube, September 4, 2020, 11:00 a.m.

¹⁸ World Bank. 2016. *Republic of Mozambique: Systematic Country Diagnostic*. World Bank.

¹⁹ World Bank. 2017. *Mozambique Economic Update: A Two-Speed Economy*. World Bank.

²⁰ International Finance Corporation. 2020. *Mozambique Country Private Sector Diagnostic*. International Finance Corporation.



almost all sectors of Mozambique's economy, including delaying gas investments and economic activity in tourism and various services. These unexpected events have laid bare the interconnectedness of the transport system to other sectors and the need to prioritize interventions that strengthen the entire system's resilience to natural disasters.

22. Given the depth of the COVID-19 crisis, Mozambique's already difficult poverty situation is expected to be aggravated further. The negative impacts on income are expected to be felt more in urban and peri-urban areas where social distancing measures and business closures are having the most effect. As such, the pandemic is expected to predominantly affect poor populations in these areas, impacting their sources of income from informal work and self-employment. Mozambique's urban poverty rate is estimated to increase from 29 to at least 31 percent in 2020, pushing an additional 250,000-300,000 urban people into poverty.

23. The pandemic is also likely to exacerbate pre-existing factors of fragility and widen inequalities and imbalances across the country. The spatial distribution of poverty is skewed with poverty almost twice as high in rural centers. The Northern and Central regions continue to lag the Southern regions, with many more people being poor in Niassa (67 percent), Nampula (65 percent) and Zambezia (62 percent) than in Maputo Province (12 percent) and Maputo City (4 percent), the two areas that have seen the largest decline in poverty rates in the past decade. The pandemic could widen these divides, heighten socioeconomic grievances, and sharpen the inequalities and sense of marginalization that have helped to underpin the escalating insurgency in the northern province of Cabo Delgado.



Sectoral and Institutional Context

Current status

24. In recent years, substantial private and public investments took place along the main corridors connecting Mozambique to neighboring countries. The Nacala corridor is one of the largest infrastructure projects in Africa in the past decade. New investment has also flowed to the Beira corridor, including upgrading of ports and transport infrastructure, and commercial agricultural development. The new route from Maputo towards the Eastern coast of South Africa through Ponta do Ouro and Richards Bay was launched in late 2018. These corridors are integral to further developing Mozambique as a reliable logistics and port gateway for the region.

25. These investments are starting to pay off. Road investments are contributing to rapid increases in usage along the Blantyre-Nacala route. The investments in reliability and safety of the Nacala railway and port, as well as extensive marketing efforts by the concession holder CDN-CEAR, are resulting in higher demand. In Beira, liner connectivity has increased at the port and the container throughput has increased from 7.7 million in 2012 to 12.1 million in 2015.²¹ The road along the Beira corridor sees average traffic of 3,000 vehicles per day.²² Container volumes grew until 2017 at an average annual growth rate of 9.4 percent since 1986.

26. However, people living along the corridors are still mostly engaged in subsistence and smallholder farming of food crops, with a very low participation of women in established value chains. Agricultural production is largely of low productivity and rainfed, with some of the lowest yields in cereals in Southern Africa due to both low inputs and poor techniques. While the region has shown yield improvements for some crops including soya and sesame, productivity levels in primary crops such as maize and rice are one fifth of those in South Africa. Only 4 percent of farmers have access to extension services, 5 percent use improved seeds, less than 1 percent use loans for financing, and only 14 percent have information about prices.²³ Moreover, the share of women farmers with access to extension services is half of the men in the same communities. Less than 5 percent of women participate in farmers associations; men have double these rates of participation.²⁴ Post-harvest losses are high due to the lack of consolidation centers close to production points, and poor-quality rural roads that are not well maintained.²⁵

Opportunity

27. Further developing these corridors can lead to strong economic benefits and address underlying causes of fragility. Up to 40 percent of the costs of exporting and importing are trade, transport, and logistics costs. Reducing these costs would substantially improve export competitiveness, increase jobs, and reduce poverty.²⁶ The reduction in import costs would benefit consumers in Malawi and elsewhere in the region, especially smallholder farmers, through access to more reliable and cheaper fuel and fertilizer. Additionally, the development of regional value chains would help increase trade integration and private sector investments. Finally, there is growing opportunity for private sector investment in logistics and storage infrastructure to take advantage of the improvements in the overall transit system.

28. While recent investments in infrastructure have greatly enhanced connectivity, large gaps remain. Roads need to be upgraded with climate-resilient techniques, key economic centers need to be connected, and there is a lack of logistics facilities. Addressing these gaps requires an environment that can attract the private sector. Moreover, increased competitiveness in the Beira and Nacala corridors (and between them and between road and rail) can further take market share from congested ports in Durban and Dar es Salaam, while strengthening the overall logistics backbone. This requires modernizing borders and their management to streamline movement of goods and persons,



strengthening regulatory systems for logistics, and reducing other barriers to trade and coordination.

29. There is substantial potential for increased regional and global trade, especially in agriculture, light manufacturing, and forestry, each of which have the potential to attract private investment. Malawi is seeking to diversify away from tobacco and becoming increasingly competitive in the region on edible oil products. Mozambique's central region is improving its productivity in various agricultural products, contributing to diversification away from the economy's reliance on fossil fuels. Pockets of success include soya and maize, as well as export-oriented crops (sesame, macadamia, sugar, pulses, cotton and cashew). These would in turn benefit from reductions in logistics costs, fewer barriers to trade and improved transit options. These crops are being produced commercially, often because of anchor firms (or "aggregator" models)²⁷. Furthermore, investor survey data²⁸ indicates that 80 and 75 percent of investors in Malawi and Mozambique respectively plan to expand their investments. This presents an opportunity to not only increase efficiency and utilization of the corridors, but also enable them to support the economic transformation of the region.

Constraints

30. Boosting regional trade in these corridors entails removing non-tariff barriers (NTBs) and enacting measures that improve regulatory cooperation, predictability, and transparency. The lack of coordination between Malawi, Mozambique and the remaining countries in the region increases the prevalence of NTBs across multiple sectors. Non-transparent regulations restrict foreign competition and disproportionately affect small firms by increasing uncertainty. Agricultural trade is particularly impacted. In Malawi, the persistence of ad-hoc export bans and export licensing procedures results in significant underinvestment by the private sector in agro-processing.²⁹ There is little sharing of information between sanitary and phytosanitary agencies, no information on reference laboratories across borders for traders, and a lack of mutual recognition of test certificates or the existence of standard operating procedures that guide traders on what is expected. Transport policies and standards are often not harmonized. This includes road user charges, third-party (cross-border) motor insurance schemes, vehicle overland control systems, standards, and cross-border road permits. Lack of enforcement of rules (e.g. overloading) and 'informal' road fees, all increase the cost of trade.

31. Border clearance documentation and procedures are often manual, duplicative and cumbersome while border facilities along the corridors are in poor condition. These facilities are often constrained by cramped office spaces, overcrowded public areas, and a shortage of equipment; rehabilitation of these facilities is even more urgent

²¹ World Bank. 2018. *Port Development and Competition in East & Southern Africa: Prospects and challenges*. World Bank.

²² Selemene. 2019. *A Economia Política do Corredor da Beira: Consolidação de Um Enclave ao Serviço do Hinterland*. Cidade de Maputo: Observatório do Meio Rural.

²³ Mozambique Ministry of Agriculture and Rural Development. (2020). 2020-24 Program.

²⁴ Boxho, Campos, Montalvao, and Ploen. 2017. *Enhancing Women's Market Access in Agribusiness in Mozambique*. World Bank Publication.

²⁵ USAID. 2019. "Nacala Corridor and Port Performance Assessment" Background paper, Nathan Associates.

²⁶ Ksolli C., Kunaka C. 2016. *Malawi's new connectivity: Paving the way for seamless corridors - A Trade and Logistics Analysis*. Malawi Country Economic Memorandum, Background Paper Series. World Bank.

²⁷ Aggregator models aim to meet the demands of commercial markets by combining smallholders into groups, and by linking the groups and individuals to larger businesses that can provide them with capital and technology packages that allow productivity and employment to increase. There is a growing consensus that aggregator models offer a potential way to resolve the market and coordination failures faced by smallholders.

²⁸ Kantar Public South Africa. (2020). *International Investor Survey in Southern Africa*. Commissioned by the WBG for SATCP.

²⁹ The project builds on current efforts through the Malawi Trade Project and the ongoing "Malawi Growth and Resilience Development Policy Operation" to provide greater transparency to the export restrictions process through the passage and implementation of the *Control of Goods Act*.



because of COVID-19. Frequent power outages also disrupt border-related processing. Lack of inter-agency coordination and delegation has led to more agencies than required at border posts. There is a lack of consistency on tariff classification and valuation, non-acceptance of certificates of origin, and poorly designed procedures. Ideally, the introduction of streamlined and harmonized procedures, risk management principles to reduce inspections, and automation would accompany infrastructure improvements to create modern borders. However, where border posts are being rehabilitated often as one stop border posts, the infrastructure is developed in advance leading to mismatches that impact operational efficiency, and particularly impact agricultural trade.

32. The state of trade-related digital connectivity is a key constraint to the development of the region. To increase the impact from modernizing borders and related procedures, trade-related agencies in both countries need to invest in complementary ICT systems. Modern trade transaction systems enable domestic resource mobilization, provide data for improved governance, and platforms for reducing corruption and revenue leakages while facilitating trade. Automation of trade documentation and procedures is needed to lower transaction costs by enabling data sharing. For Malawi, sharing data with Mozambique would bring significant benefits as data would be captured in the port and transmitted down the line to the point of final clearance.³⁰ The absence of a rail cargo transit system in the Nacala corridor can add up to 12 hours to the journey in Malawi as the railways and the customs authorities are unable to share data electronically, which excludes pre-arrival processing. Finally, developing performance indicators and collecting statistics would help both users and customs officials by reducing information asymmetries.

33. Physical connectivity is also an important constraint to the development of agriculture and production industries and to unleash the wider economic benefits of regional integration while generating impacts at the local level. While the main corridor infrastructure has been built, its condition varies and is impacted among other things by the effects of overloading³¹, the lack of a sustainable asset management strategy leaving roads unrepaired as maintenance funds are rarely prioritized and the devastating effects of climate change. Road safety is another externality that is particularly relevant given the high traffic volumes along these corridors. At the secondary level, roads connecting production areas to the main corridors often lack the required specifications and capacity to enable the development of value chains and fully benefit from the access to international markets. Developing climate resilient, efficient and safe transport infrastructure will underpin sustainable economic development, facilitate trade growth, reduce disruptions from climate events, and encourage diversification into a broader range of goods and services.

34. The regulatory capacity of the transport and logistics sectors is also weak. Users incur indirect costs due to lack of harmonization in the region. In Mozambique, there is no independent regulator for any of the sub-sectors and the competition authority is yet to be fully established despite the passage of the competition law in 2014. Anti-competitive practices include concession awards that do not follow international best practices.³² Updating the Mozambique transport policy, implementing Malawi National Transport Master Plan, establishing sector regulators and harmonizing standards will help prioritize investments, improve concession regulations, and assist in monitoring compliance.

35. Private sector investment is constrained by the high cost of trade, unpredictable business environments, and a lack of access to finance. Addressing the lack of equity and debt markets to increase value added would fill a crucial gap in the regional integration. Risk sharing facilities, concessional financing, guarantees, insurance, and trade finance

³⁰ Ksoll C. & Kunaka C. 2016. *Malawi's new connectivity: Paving the way for seamless corridors - A Trade and Logistics Analysis*. Malawi Country Economic Memorandum, Background Paper Series. World Bank.

⁸ It is estimated that on both corridors 25-35 percent of the roads are overloaded. Source: International Finance Corporation. 2020. *Mozambique Country Private Sector Diagnostic*. International Finance Corporation.

³² International Finance Corporation. 2020. *Mozambique Country Private Sector Diagnostic*. International Finance Corporation.



are all needed. Several firms need financing for inputs. Others are unable to exploit opportunities to develop the commercial infrastructure necessary to expand operations. Finally, finance is needed to reach additional rural producers in Malawi and northern and central Mozambique. Investment in agriculture value chains remain low, rounding at 3.5 percent of the total investment, whilst the share of lending to agriculture has fallen from 6 percent of total credit in 2010 to 4 percent in 2018.³³ Very little of the orientation is towards regional integration. Mitigating these constraints can unlock the considerable potential to develop regional value chains especially in agribusiness.

36. Finally, small-scale traders are severely impacted by current systems and procedures. Cross-border traders, especially women, often lack knowledge about border procedures and are subject to requests for bribes and harassment. Small informal traders handle a significant volume of trade but fall outside official trade statistics. Lack of information among women traders about their rights and responsibilities is also a key issue. Experience in the region suggests that in this context of ambiguous rules, traders provided with information opt to minimize risk by making behavioral changes including to adjust border crossing times.³⁴ Therefore, changing the behavior of border officials may require multiple types of interventions. Some of these interventions include displaying key information at a visible place at customs offices, especially on the rights and obligations of traders; increasing safety measures at the border including cameras; help lines; improving access to information; and implementing simple trade regimes for low-volume shipments.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The project development objective is to support Malawi and Mozambique in increasing regional trade coordination, reducing trade costs and time, developing regional value chains, and improving access to infrastructure.

D. Project Description

37. The project has four components: i) reduce trade costs; ii) improve regional coordination and project implementation; iii) strengthen value chains for regional integration; and iv) strengthen transport infrastructure to improve market access. These components address key gaps and bottlenecks to strengthen the targeted corridors (Nacala, Beira, and Maputo). Jointly the components can address complementary constraints that hinder trade, investment, and economic opportunities. Combining investments in border posts, trade systems, road upgrading, and value chain development in the same spatial locations allows for synergies in coordination and delivery in time. These are critical for successfully delivering poverty reduction impacts in the spatial areas of work. The approach involves selecting infrastructure upgrading in the areas with potential, and work on improving coordination and opportunities for traders, local producers, and medium-sized companies to achieve highest impact.

Component 1: Reduce Trade Costs

³³ FSDMoc. 2016. Analysis of Rural Financial Inclusion. Maputo, Financial Sector Deepening Mozambique. International Finance Corporation. 2020. Mozambique Country Private Sector Diagnostic. International Finance Corporation.

³⁴ World Bank. 2019. Profiting from Parity: Unlocking the Potential of Women's Business in Africa. World Bank.



Component 1 aims to reduce trade costs through trade facilitation by combining regulatory reforms with improvements in automation and border infrastructure.

Subcomponent 1.1. Enabling Digital Trade: Development of Trade ICT Systems

38. This subcomponent will support implementation of paperless trade in Malawi and Mozambique by focusing on automating trade related agencies and enabling data sharing and ICT integration. These interventions will reduce the time and cost to trade, as well as build a trade facilitation system that is resilient to climate, health and other emergencies. In Malawi, the subcomponent will (i) update MRA's customs system (ASYCUDA World) to enhance its capabilities and performance in line with good practices and the ICT infrastructure to support system enhancements including a Disaster Recovery Site (DRS) to build resilience for data storage and business continuity; (ii) support the implementation of Phase II of the single window system³⁵ and (iii) fund an IT system for the Immigration department (the Ministry of Homeland Security), which is currently operating manually.³⁶ In both countries, the subcomponent will (iv) finance backup power supplies for border offices that currently suffer frequent outages; and (v) automate the management of import and export of products for agricultural trade. The subcomponent will also support data sharing and ICT integration between Malawi and Mozambique including to adopt a new electronic cargo tracking system and strengthening data and documentation (certificates and permits) exchange between institutions in Malawi and Mozambique.

39. The project will improve border management by expediting the movement, release, and clearance of goods, including through use of increased ICT to respond to the COVID crisis but also other climate and health emergencies in both countries. The project will provide technical assistance to support business continuity for front line border agencies including instituting flexible conditions and extending border agency hours during and immediately after the COVID crisis. Financing will include funding personal protective equipment (PPE), ICT equipment for remote work and training for safe handling of cargo to reduce spread of the virus. Improving ICT readiness will include strengthening online and telephone appointment management systems and scheduling to limit the physical presence and interaction of logistics workers at buildings, facilities and border crossing points; strengthening non-physical enquiry points; and increasing the available trade-related information on websites.

Subcomponent 1.2. Improving borders and their management

40. The project will finance the rehabilitation of one border post in Malawi and five border posts in Mozambique. The border posts were identified as those with highest traffic potential that were not already being upgraded by other programs. Specifically, this financing includes the expansion and rehabilitation of the following border posts: (i) Muloza, Malawi (to Milange, Mozambique) in the Nacala corridor; (ii) Milange, Mozambique (to Muloza, Malawi in the Nacala Corridor); (iii) Zobue, Mozambique (to Mwanza, Malawi) in the Beira corridor; (iv) Calomue, Mozambique (to Dedza, Malawi) in the Beira corridor; (v) Cassacatiza, Mozambique

³⁵ A single window project is already underway in Malawi with financing from the Southern Africa Trade and Transport Facilitation Project (P145566) and technical assistance from the Malawi Trade Project (IFC 601527). However, current financing under P145566 is insufficient to expand to all border posts.

³⁶ Except at its two international airports.



(to Chanida, Zambia) in the Beira corridor; and (vi) Ponta do Ouro, Mozambique (to Khozy Bay, South Africa) in the Maputo corridor.³⁷

41. The project will finance implementation of the recently developed Coordinated Border Management (CBM) model across Malawi's borders, along with developing, piloting, and implementing a CBM model for Mozambique. This process includes TA to customs agencies in both countries to implement preclearance, risk management, post clearance audit, and authorized economic operators to help reduce the burden of inspections for the private sector while improving compliance and security for government. NTFC secretariats will also be supported in both countries including some provision for technical assistance to assist in WTO TFA implementation. In Malawi, the project will also fund inland examination centers (IEC)³⁸ including their detailed design and construction supervision in Lilongwe and Blantyre and mobile cargo scanners integrated with the customs system to strengthen risk management implementation.

42. To support MSMEs, especially women traders, who have been hit hard during the COVID crisis, the subcomponent will assist in implementing simplified trade regimes and border residency cards in both countries. The project will support the development and implementation of a joint simplified trade regime for selected goods that include simplified declarations and procedures and trader desks between Mozambique and Malawi to reduce trade costs. The subcomponent will also assist immigration departments in both countries to pilot and implement a border residency card,³⁹ a travel document issued to traders living in a certain radius around the borders which will enable easier movement for cross border trade.

43. The project will streamline agricultural trade requirements between Malawi and Mozambique, simplify complex regulatory procedures and reduce border burdens to increase exports and strengthen the development of regional value chains. Working together with Customs, standards and SPS agencies in both countries will (i) identify critical products and cooperate in developing harmonized regulatory frameworks and consistent Standard Operating Procedures for expedited clearance; (ii) develop services that are tailored in a way that is specifically relevant to the needs of small producer and traders and that help with the assembly of certifiable products; (iii) implement risk management to strengthen pest and disease management while reducing the burden of inspections and (iv) cooperate on establishing mutual recognition of SPS and standards procedures for commodities that are produced under equivalent⁴⁰, thereby allowing import clearance controls to be reduced or removed. Consultancies in both countries will fine tune priorities and outline the detailed implementation plan. This support will provide improved market access to enable regional value chain development for established and emerging commodities from both countries including tea, coffee, groundnut, soya, mango and animal products (in Malawi) and fish and fish products, cashew, groundnuts, pulses, sesame, and animal products (in Mozambique) by reducing rejection rates in export markets (to be measured through

³⁷ Recent infrastructure development i.e. the Catembe bridge and the Maputo-Ponta do Ouro bridge have positioned the border as a more direct route to Durban. Reduction in time to travel between Maputo, Mozambique and Richard's Bay, South Africa has been cut by half from 10 to 5 hours. The route can only be used for regional trade if the border post has the necessary conditions to manage traffic of goods.

³⁸ An IEC is a legally established Customs and border agency examination facility that enables to open, unpack, mark, weigh, unload any container or goods presented for import or export, at a designated location away from the prescribed land borders and airports.

³⁹ Border Resident Cards are a viable means of regulating local border traffic without compromising the security and integrity of the borders and still comply with the immigration rules of the two countries. The implementation of Border Resident Cards is encouraged in the SADC Protocol on the Facilitation of Movement of Persons and the African Union Free Movement Protocol (AUFMP).

⁴⁰ Under Article 4 of the SPS Agreement, members shall accept the SPS measures of other members as equivalent, even if these measures differ from their own or from those used by other members trading in the same product, if the exporting member objectively demonstrates to the importing member that its measures achieve the importing member's appropriate level of SPS protection.



surveys and evaluations) and by improving the recognition of testing and certification. This improved market access will in turn support the emergence of new market opportunities for small farmers and traders and help develop regional value chains.

Subcomponent 1.3. Strengthening trade and connectivity institutional capacity

44. The project will help transport ministries in both countries, and the Public Private Partnership Commission (PPPC) in Malawi, to improve institutional capacity and strategies for the better development of the transport, connectivity, and logistics sectors. In Malawi, technical assistance will be provided to the Ministry of Transport and Public Works (MoTPW) to (i) help setup the rail and marine regulator, develop appropriate legislation for the sector, and support feasibility studies; and (ii) support the implementation of the National Transport Master Plan by updating the road map for implementation, identification and development of priority projects which includes determining investment needs, building capacity and finalizing the institutional mechanism for governance. This support will be provided through technical assistance, consultancies, training, as well as purchase of required equipment and software. Technical assistance will also be provided to the PPPC in Malawi to expand expertise in key sectors to attract additional PPPs and to conduct feasibility studies for international bus terminals and border markets for small traders. In Mozambique, support will be provided for the establishment of a ports and railways regulator through technical assistance, consultancies, training and purchase of required equipment and software. The project will also support the Ministry of Transport (MTC) in (i) crafting a national logistics strategy that provides a holistic national view for logistics and transport development; (ii) preparation of ports master plan; (iii) development of a civil aviation master plan; and (iv) capacity building including through a technical advisor and an assessment of the current Strategy for the Integrated Development of Transport Systems. These strategies have been identified as critical to orient policy for regional integration in consultations with the private sector, IFC and other development partners.

Component 2: Strengthen Regional Coordination and Project Implementation

45. To strengthen regional coordination, the project will provide support to the existing Nacala Development Corridor Tripartite Committee (NDCTC).⁴¹ The governments of Malawi, Mozambique and Zambia formed the NDCTC to strengthen corridor operations and foster regional development through its organs at the Ministerial, PS/Director and technical expert levels. The project will provide financing for an interim secretariat and two meetings of the NDCTC each year for 6 years, as well as support to the National Trade Facilitation Committees (NTFC). The activities related to the Beira corridor included in the project are part of the NDCTC agenda given that both the Nacala and Beira corridors are part of one logistics system with some overlap in agendas, geographies, and economic catchment areas in Malawi and Mozambique. The Ponta do Ouro border post is part of the Maputo Development Corridor and will be coordinated through the Corridors Working Group (CWG) under the NTFC.

⁴¹ The Nacala Development Corridor (NDC) was originally established in 2000 between Malawi and Mozambique who were joined by Zambia in 2003. The NDC was influenced by the SADC Protocol on Trade (1996) and the SADC Protocol on Transport, Communications and Meteorology (1998). In 2013-2017, after the rehabilitation and construction of new rail infrastructure there was an amendment to the 2000 Corridor agreement to incorporate the concessionaires and financiers in the decision-making process of the NDC organization for improvement of transport and trade operations. The NDCTC has been tasked in revitalizing the corridor.



46. This component will support the NDCTC tripartite process to reduce barriers to trade and investment.
Project activities will:

- (i) **Develop and implement pandemic/climate-related responses to ensure adequate trade flows between the countries.** The COVID-19 pandemic and the Idai and Kenneth cyclones have highlighted the need for the corridors to have operational mechanisms to keep trade (particularly for essential food and medicine) flowing. Government agencies will identify priority products for special handling and tax treatment, support efforts with SADC to adopt Standard Operating Procedures, and train staff to implement them.
- (i) **Remove non-tariff barriers, facilitate trade, and develop value chains between the corridor countries.** Trade regulations and procedures will be streamlined and harmonized through consultancies and technical assistance. This includes assessing, monitoring, and mitigating NTBs, and reducing roadblocks and checkpoints. The project will assist the Ministries of Agriculture and Bureaus of Standards on agreements and implementation of harmonization, equivalence and mutual recognition of standards, tests and certificates for commonly traded commodities across the corridor. The project will also support the development of an agreed upon simplified trade regime applicable in the corridor for small traders, mostly women. Finally, corridor countries will jointly identify value chains with regional potential. Countries will identify crosscutting issues that constrain their development and develop a joint policy and investment action plan to stimulate their development.
- (ii) **Implement improved transport, transit, logistics and immigration procedures.** In the transport area, project activities will support the harmonization of key transport related policies, laws, regulations and standards across borders (for instance in terms of speed management across the corridor, vehicle standards, fuel efficiency standards, low carbon considerations, enforcement of load control) in line with both The Tripartite Road Transport Agreement (TRTA)⁴² and the Tripartite Transport & Transit Facilitation Program (TTTFP). The project will support operational improvements in logistics systems, faster turnaround time at destination, increased automation of borders, and increased transit visibility through cargo tracking. Streamlined immigration procedures that encourage trade and tourism will also be implemented.
- (iii) **Establish a corridor measurement and monitoring system.** The NDCTC will identify corridor performance measures to capture and sign agreements for sources of raw data. Collecting, analyzing and publishing data on time and cost performance, transport operations including road accidents and fatality, border operations and trade volumes, and climate indicators will be critical to understanding shortcomings and to measuring corridor improvements. Designing the analytical system and developing the software will be a major component. Once developed, a website will be essential for data dissemination. Printed materials with updated data and analyses of corridor operations will also be prepared.
- (iv) **Implement the Corridor Trip Monitoring System.** The SADC is in the process of piloting their vehicle/cargo tracking information system within neighboring countries. Once ready, the system will play a major role in monitoring trip progress, making data available to all corridor management institutions and providing a tool towards introduction of SMART corridors. As a result of COVID-19, the system has further been enhanced to provide features to maintain record of driver and crew compliance to medical requirements (e.g. COVID test certification) and thus facilitate management of

⁴² TRTA guarantees effective transport services and transit, a competitive road transport industry, fair competition and public safety. It lays down rules about permits, registration and licensing, mutual recognition of driver's licenses, third party insurance and other issues.



safe transit in cross border transport operations. The project will finance its implementation through technical assistance, training and procurement of equipment including ICT and PDAs.

47. The component will also finance the operations and staffing for the Project Implementation Units (PIU) within MoTPW in Malawi and MTC in Mozambique. The PIUs will support the ministries in the daily management and implementation of the project in non-infrastructure related activities. In both Malawi and Mozambique, the infrastructure works in components 1 and 4, including rehabilitation of border posts, will be managed by the national roads' agencies. At the road's authority in both countries' specific specialist positions⁴³ will be procured to provide additional capacity while others will be managed by the existing staff at the institutions.

48. This component will finance the implementation of environmental and social safeguards as well as the development, operation, and maintenance of a grievance redress mechanism (GRM) that will allow potential beneficiaries, the wider public, and other stakeholders to raise grievances, as well as respond to those complaints. This will include avenues to report and refer beneficiaries in cases of GBV. The PIU will have regional presence in the areas of focus of the project including on safeguards. The component will also finance steering committees that involve the main counterparts in each country. Activities under this component will support monitoring and evaluation (M&E) efforts including the design and implementation of the Geo-Enabling Initiative for Monitoring and Supervision (GEMS). This component will fund the collection of project data, gender analysis, and sector-based surveys to assess progress against project indicators, as needed. This will include the development of spatial information tools will be developed to monitor civil works projects in areas vulnerable to flood and storms. If possible, the project will also finance a rigorous impact evaluation to better measure the impact of key initiatives. All activities and data collection will be gender disaggregated.

49. Communications and stakeholder coordination activities during the project will also be financed by this component and managed by the PIU. These will include (i) development of a comprehensive communication strategy for each project target area, as well as the preparation of all communication materials and, where appropriate, the organization of awareness raising events; and, (ii) coordination of stakeholder involvement in project activities. Emphasis will be given to the participation of women in these activities, as part of the efforts to address the gender inequality gaps. Relevant sectorial ministries, regional development agencies, and subnational governments will be key implementing support counterparts.

50. A stakeholder engagement plan has been developed by respective implementing agencies to facilitate inclusive project design considerations and necessary feedback mechanisms that can continuously inform project implementation accountabilities. To ensure a beneficiary-oriented design approach, project preparation entailed a series of workshops and dialogues between beneficiaries, including users of the corridors (traders) and other the private sector interests, public officials, trade and transport agencies and other relevant stakeholders. During these consultations, participants deliberated the challenges they face when carrying out trade-related activities and the possible solutions required. These informed the design of specific project components, for example, the design component 3. Furthermore, during implementation. the project will continue to actively engage and increase transparency through the following citizen engagement measures: (i) frequent multi-stakeholder dialogues and in-field consultations; (ii) development of a corridor performance

⁴³ At ANE social and environmental specialists and at Malawi's RA social, environmental and procurement specialists will be financed.



measurement tool that will generate publicly available targets that capture users' assessments of corridor improvements; (iii) implementing agencies participation in GEMS; and (iv) bolstering implementing agency capacity through third party monitoring to manage respective GRM systems, including handling of complaints and confidential, survivor-centered approach pathways as and when required. Additionally, throughout the project, stakeholders and citizens will be kept well informed and will be able to submit their feedback, suggestions and/or complaints using digitized tools to improve the activities envisaged under the project.

Component 3: Strengthen Value Chains for Regional Integration

51. Component 3 aims to improve the productivity and market opportunities for the private sector, smallholders, and cross-border traders along specific value chains through a regional integration approach.

The activities under component 3 are strong contributors to leverage in time and spatial location on the *infrastructure-plus* approach and have an impact on regional integration. The component's interventions support the economic recovery from the COVID-19 crisis and improve resiliency against future shocks, including those related to climate change. Despite the existing interventions in the two countries supporting agribusiness, none of these has this focus of supporting cross-border traders, producers and firms in developing a regional lens and integration to their development. This component can help generate private sector investment including with the support of IFC. The areas with strongest potential for private are agribusiness and upstream transport/logistic services for building regional markets.

52. The component will finance upstream investments to generate private sector participation and capacity building for main actors in the targeted value chains through a regional integration lens. The upstream investments and the technical assistance under this component is customized to address the gaps that are critical for developing value chains in the targeted corridors. The project will:

- (i) **Support public upstream investment including through feasibility studies, bidding documents, and small works that can generate conditions for private-sector investment through a regional integration lens.** The investments to be pursued will typically lead to a PPP model of build-and-operate targeted infrastructures, including logistic centers, warehousing, and wholesale markets that can serve the regional markets. The location and range of the first set of upstream investments has been identified in project preparation.
- (ii) **Capacity building to small-scale cross-border traders in organization, as well as management of inventories.** Since women constitute a larger proportion of small-scale cross-border traders, interventions will also seek to reduce harassment risks for women traders following the recommendations from recent empirical studies.
- (iii) **Capacity building to small-scale producers, emerging farmers, and firms.** For small-scale producers and emerging farmers, the component will focus on their organization and in price information, through a regional lens, building on experiences in developing Agriculture Service Centers, cooperative development, and outreach. It will not replace and will coordinate with existing national efforts on agribusiness development. It will focus on opportunities for regional integration. For lead firms in targeted value chains, the component will provide technical assistance to improve their management capacity to serve multiple markets. In Malawi and Mozambique, the (agribusiness) companies' technical and management capabilities, financial knowledge, information about



regulations, capacity to manage productive relationships with local communities, and comply with safeguards, lag the standards in nearby countries such as Zambia, Zimbabwe, and South Africa.

- (iv) **Technical assistance to improve access to finance, including through value chains financing.** The project will provide technical assistance to banks and microfinance institutions to develop innovative financial solutions that can support potential opportunities for regional integration. The component will provide capacity building in developing agriculture insurance, fintech solutions to agribusiness, ways of improving credit scoring mechanisms, support for long-term finance, integrating gender in their operations, and financing through value chains with the objective of supporting those operating in the corridors. These activities were identified under the demand and supply assessment conducted in project preparation. Such financial sector solutions are currently not available at scale. Financial institutions can, however, introduce them following this technical assistance.

53. In addition to supply-side interventions, the component will fund demand-driven risk-sharing solutions, as follows: (i) matching grants to aggregate market players and smallholders/firms with a regional integration and export orientation approach; and (ii) innovation grants in value chains with a regional integration lens. The objective is to increase access to markets for local producers in selected value chains along the targeted corridors through improved capacity, productivity, quality standards, logistics, typically in partnerships with lead firms. The financing provided under this component will support equipment, trainings, and irrigation/warehousing systems.⁴⁴ The grants will include technical assistance to producers to ensure a level playing field with lead firms during implementation of subprojects.

54. The following value chains are expected to be priority for this project given their incidence and potential, as well as their current level of regional integration and export potential: soya, maize, poultry, sugar, pulses, groundnuts, coffee, tea, macadamia, cotton, cashew, and fruits and vegetables.

55. The matching grants program will expand to regional development the experience in Mozambique on implementing successfully programs that support medium-size firms in working together with smallholders. The matching grants are planned to be in the range of US\$50,000-US\$500,000 requiring that a minimum of 50 percent of the benefits are transferred to the smallholders through equipment, capacity building, and irrigation/warehousing systems. The proposals have higher chance of selection the larger the private sector contribution but follow a flexible range as per the best evidence of what works with matching grant programs. The selection involves Investment Committees comprising private and public sector members, among a number of other features that ensure transparency and fair allocation of the funds available. Experienced independent teams (one in each country) are being used to help manage the risk-sharing solutions. The support includes fund management, technical expertise, consulting services to help develop proposals, financial management support, and safeguards instruments to be developed with subprojects. All the details of the design are to be described in the matching grants operations manual. Using the best criteria from successful programs in the countries, the selection criteria follows objective and quantifiable criteria, including a combination of technical viability, financial viability, regional integration lens (products with potential for selling regionally), market orientation, safeguard compliance, value addition, impacts, and not creating distortions in the market. All implementation of

⁴⁴ In addition to the direct support to agribusiness, the component will seek to expand these risk sharing solutions to proposals in complementary areas along the corridors, especially to drive new capital investment on logistics development towards regional integration. This may include, *inter alia*, support for establishing logistics cold chains (including in the Beira Corridor through linkages to airfreight); upgrading silos and assign warehousing management contracts (leveraging on public infrastructure that is underused); expanding financial services to improve logistics; developing tourism-related value chains in connection to opportunities in the Ponta do Ouro corridor; and developing aggregation points including dry ports connected to transport and port infrastructure.



the matching grants will be required to apply climate resilient standards. Participating farmers' organizations will be required to have a 50 percent share of women participation.

56. Similarly, the planned innovation grants build on the experience in the countries in developing these programs successfully. The innovative grants build among others on the experience in Malawi under the UNDP-led Malawi Innovation Challenge Fund (MICF) and the Growth Accelerator to support through a competitive process proposal that support innovation. The component will focus on innovations that can expand regional development including through the development of new processes, high-productivity practices with the objective of reaching new regional markets, new market access solutions, digital platforms, among others. All implementation of the innovation grants will be required to apply climate resilient standards. All the details of the design are to be described in the operations manual. The innovation grants will leverage on similar teams of fund management and technical assistance than the matching grants. The selection will follow a business competition approach with an independent jury with multiple members scoring anonymized proposals using standard criteria including technical viability, financial viability, regional integration lens, market orientation, and safeguard compliance.

57. Proposals with a significant gender lens strategy will score higher in the selection processes for both the matching grants and the innovation grants. While women are highly present in agriculture production in both Malawi and northern/central Mozambique⁴⁵, female-headed households have typically lower yields⁴⁶ and lower access to inputs. In a recent study in the region, female-headed households are estimated to sell 28 percent of the value of their production, while male-headed households sell 45 percent of the value of their production, implying a gender gap of 17 percentage points associated with women having lower production of market-oriented crops. The project will seek to reduce this gender gap by integrating women in the regional value chains supported. This component will monitor the gender disaggregated results, and in particular the reduction of the identified gender gap in share of production sold.

Component 4: Strengthen Transport Infrastructure to Improve Market Access

Subcomponent 4.1: Roads

58. The main objective of this subcomponent is to upgrade key roads in areas with increased economic activity along the Nacala corridor. The component will finance upgrade, rehabilitation and maintenance of key corridor roads and anchors to economic centers in selected districts/provinces in both Malawi and Mozambique. This will include design studies and supervision activities.

59. In Mozambique, the project has identified priority roads in the Nacala Corridor (see Table [Error! Reference source not found.](#)). A tool developed by the World Bank in partnership with the roads agency (ANE) was used to prioritize these investments. The tool used a set of criteria to determine what types of roads are crucial for enabling more trade on the corridor, including: distance to aggregation centers, economic activity, existing road projects, proximity to potential agriculture, the poverty rate of adjacent districts, and the degree of

⁴⁵ Over 60% of the agricultural workforce is female, and more than 80 percent of the female workforce is in agriculture. (HD Indicators, 2020).

⁴⁶ The gender gap in agriculture yields between female and male-headed households is estimated at 27 percent in the region of focus of the project. Boxho, Campos, Montalvao, and Ploen. 2017. *Enhancing Women's Market Access in Agribusiness in Mozambique*. World Bank.



flood risk. The prioritization tool also increased the weighting of economic indicators with potential for trade and incorporated estimated traffic forecasts and potential for agricultural growth in the targeted value chains.

Table 1: Priority roads identified in Mozambique

Nr	Priority Roads identified in Mozambique						
	Roads Rehabilitated	Road Number	District	Province	Km	Type of Pavement	Type of Contract
1	Rapale - Mecuburi	(R696-8006), (R696-8163)	Rapale/Mecuburi	Nampula	55	DBST, LVSR	OPRC/PBMC
2	Connection to Iapala	(R1170)	Ribauè	Nampula	38	Gravel	OPRC/PBMC
3	Namialo - Imala	(R1156-8893), (R1156-8894)	Meconta/Muecate	Nampula	55	Gravel	OPRC/PBMC
4	Nampula - Corrane	(R687-T8090), (R686-T8123), (R686-T8122)	Nampula City/Meconta	Nampula	51	DBST	OPRC/PBMC
5	Cuamba - Metarica	(R360)	Cuamba/Metarica	Niassa	67	DBST	OPRC/PBMC
6	Cuamba - Insaca	(R720-T1012), (R720-T1013)	Cuamba/Mecanhelas	Niassa	86	LVSR, DBST	OPRC/PBMC
	TOTAL				352		

60. Upgrading of roads in Mozambique will be based on paving solutions as per the SPADE analysis. The project applied a Systematic Paving Decision (SPADE) model, which is a multicriteria analysis based on socioeconomic and engineering factors to decide on the type of paving solutions to be implemented. The project will adopt the Performance Based Contracting (PBC) approach to implement the upgrading and maintenance works in Malawi and Mozambique. Under the PBC approach, the contractor is responsible for final designs (an incentive to innovate), executing the initial upgrading works to bring the road to the desired standard and then maintain the asset over the contracted period to ensure agreed performance standards. The approach shifts the planning and delivery risks from the owner to the contractor as the owner's specifications focus on what is to be achieved rather than how to achieve it.

61. In Malawi, the roads authority intends to develop a road asset management strategy, including a comprehensive and prioritized road maintenance and rehabilitation plan, in which investments shall be prioritized through a multicriteria analysis system or tool based on strategic, social, economic, technical, environmental, climate resilience, poverty aspects and agricultural production potential. In consultation with the Roads Authority (RA), the component will support development of a spatial tool for road prioritization that considers the network criticality, daily traffic, poverty rate in adjacent districts, proximity to potential agriculture cluster, and location of agri-businesses and that is line with the NTMP. In particular, the RA has conducted road and traffic surveys that will be used for building this prioritization tool. A climate vulnerability assessment would also contribute to the development of the road asset management strategy.

62. Road assets in Malawi will be enhanced by climate resilient design guidance, as well as consideration of any trenching, ducting and utility access for potential fiber optic installations. Consultant services will be engaged by RA to finalize feasibility and detailed engineering design studies including preparation of the associated environmental and social impact instruments, as well as bidding documents, and supervision services. The subcomponent will also finance workshops and trainings expected to sensitize construction industry practitioners on PBC for upgrading and maintenance, including potential South-South learning opportunities within Africa to demonstrate new approaches to asset management. Attention will also focus on national expectations and regional industry commitments to better manage environmental and social risks by elevating ownership of environmental, social, health and safety performance in the preparation of bids and in the execution of civil works. They will also serve to further deepen on-going development of effective GRMs that are grounded in cogent mitigation strategies for handling of GBV/sexual exploitation.



63. Finally, the sub-component will also finance a third-party monitoring firm in both countries to monitor environmental and social compliance including on SEA/GBV, citizen engagement and also selected indicators. In Malawi, this firm will report to the MoTPW.

Subcomponent 4.2: Improve Road Safety

64. The project will help to improve road safety along the corridors. Both Malawi and Mozambique face large numbers of annual road fatalities, with the cost of deaths and injuries amounting to 10% of GDP annually.⁴⁷ Ensuring smooth operation of the targeted corridors as such must include investments to improve road safety.

65. The following activities are designed to promote cross-country and regional synergies:

- (i) **Safer Road Users: Safe School Program.** As a regionally focused, corridor initiative, the project intends to conduct a pilot of an iRAP Star Rating for Schools (SR4S) program in both Malawi and Mozambique. The objective of this initiative would be to assess the participating school's risks and bring the iRAP star rating at least 3 stars (where 1 is the least safe and 5 is the safest school) by addressing the problematic areas through physical improvements (speed humps; pedestrian crossings; speed management traffic signs; etc.) at school locations, which will be accompanied by road safety education and awareness campaigns
- (ii) **Safer Vehicles and Safer Road Users.** The Transport Sector Plan for the SADC Regional Infrastructure Development Master Plan (2012) calls upon Member States to effectuate coordinated traffic control and enforcement programs for overloading control, speed management, driver alcohol abuse, and vehicle safety and documentation. Project activities are designed to facilitate implementation of SADC policies for road and corridor management. A subcomponent will finance (i) construction of a semi-permanent weighbridge station along the Nacala Corridor in Liwonde, Machinga (Malawi) to screen the goods vehicles with regards to overloading; and (ii) procurement of a multi deck scale for a new weighbridge station between Mwanza and Blantyre (as part of the plans for relocation of the current Mwanza Border) to facilitate a once off weighing of the vehicles at a station. Targeted enforcement campaigns along the corridor will aim to ensure corridor speed limits are maintained. Four double cabin vehicles and 10 new speed cameras (increasing DRTSS total inventory to 33 cameras) will be procured for DRTSS, which will be used to patrol the corridor. DRTSS officer training on road traffic and safety management enforcement will also be undertaken before and throughout campaigns to curb unsafe driver behavior.
- (iii) **Collection of crash data following African Road Safety Observatory (ARSO) endorsed minimum datasets and data sources.** The project will support the collection and reporting of up to 25 indicators as endorsed by the ARSO member states. The project will finance production and printing of new crash reporting templates; IT equipment (computers and printers) for the police to consolidate the data received; training of police officers and hospital staff on the new reporting template, and the definition of indicators. DRTSS is in the process of deploying the Data for Road Incident Visualization, Evaluation and Reporting (DRIVER) platform, which is designed to capture the ARSO data requirements that will facilitate Malawi's accident and fatality reporting.

⁴⁷ World Bank. 2019. *Guide for Road Safety Opportunities and Challenges: Low- and Middle-Income Countries Country Profiles*. World Bank.



66. Country-specific road safety initiatives will include:

- (i) **Safer Roads and Mobility: Black Spots Improvement Program in Mozambique.** The project will finance a black spot improvement program along the Nacala corridor in Mozambique where the traffic police have identified eight black spots with a high concentration of crashes. The project will undertake an IRAP assessment of the entire Nacala corridor and support the Traffic Police, INATTEP, the Ministry of Public Works, and ANE with prioritization and costing of these black spots, and preparation of detailed designs, execution of improvement works for a selected number of priority black spots, as well as technical supervision.
- (ii) **Road Safety Management and Institutional Capacity Building. Development of a National Road Safety Strategy and an Action Plan.** In Mozambique, the project will support the Government with the preparation of the new National Road Safety Strategy and as well as a Road Safety Action plan to accompany the strategy. These policy documents should be developed with Safe System approach at its core.
- (iii) **The project will invest in the professional development and training of key road safety stakeholders in Mozambique and Malawi.** It is suggested to focus the professional development on the Safe System approach to road safety, road safety audit; data collection protocol; data analysis system; black spot identification, design of remedial measures and commercial driver training programs.
- (iv) **Safer Vehicles: Vehicle inspection.** In Mozambique, the project will finance a comprehensive assessment of vehicle inspection systems and stations. This assessment has been prioritized by SADC at the regional level and would help the government of Mozambique understand the links between vehicle safety and environmental sustainability, particularly regarding emissions and fuel consumption, as part of a wider climate change agenda. The assessment would include three parts: 1) periodic, ongoing inspection of in-use vehicles; 2) certification systems for first use of a vehicle within the country; and 3) training/capacity/institutional development needs to develop and/or strengthen these systems. This assessment will also review and develop recommendations on a scrapping process for out-of-use vehicles, spare parts, and tires. It is common in Mozambique to reuse spare parts and tires above and beyond the duration of their functional useful life; this compromises vehicle safety in a major way.
- (v) **Safer Speeds.** In Mozambique, the project will finance the development of an integrated speed management plan for the Nacala corridor based on the road safety audit/IRAP assessment to be conducted. The plan will include low-cost infrastructure changes (including lower speed limits supported by engineering to bring speeds down; well-designed speed humps and roundabouts; raised platform crossings, gateway treatments, other measures as appropriate) where necessary, dedicated police enforcement; combined with public promotional campaigns related to the consequences of enforcement. The project will also finance an assessment of Mozambique's readiness to introduce speed cameras and address any issues this process identifies in order to introduce speed cameras broadly around the country and dedicate the net fine revenue to road safety.
- (vi) **Preparation of future road safety projects.** In Mozambique, this sub-component will finance preparation of future road safety projects, including IRAP assessments of other corridors, development of a post-crash response pilot; introduction of a graduated driver licensing system, preparation of black spot improvement programs in other corridors, etc)



E. Implementation

67. PIUs were established in both countries within the Ministries of Transport and the respective Road Authorities. (RA). The RA and Ministry of Transport in Mozambique have experience in implementing World Bank-financed projects. In both countries, the Road Authorities are responsible for the implementation of infrastructure (roads, border posts, and inland examination centers), while the Ministries of Transport are responsible for fiduciary arrangements related to the non-infrastructure components of the project. The Road Fund in Malawi and the MTC in Mozambique operate a Designated Account (DA) for the preparation activities of the project. The PIUs in the RA are operational, building on existing projects. The PIUs in the Ministries of Transport require at least a coordinator, a social safeguards specialist, an environmental safeguards specialist, a procurement specialist, a financial management specialist, M&E specialist, and technical experts. The Ministries of Transport are experienced in working with multiple agencies supporting the oversight of individual activities and they will setup technical oversight committees with designated lead agencies for the project. In component 3, the project includes further technical advisory teams comprised of program manager, technical lead, financial management specialist, safeguards specialist, and communications specialist. The oversight in component 3 will be completed through the government agencies in value chain development. The section on “Risks for Institutional Capacity for Implementation and Sustainability” discusses the capacity of the implementation units and measures to strengthen it.

68. In Malawi, both the Roads Authority and the MoTPW are members of the Corridor Transport Development Management Committee (CTDMC), an interagency working group for transport, logistics, and corridor development. The CTDMC has been established under the National Trade Facilitation Committee (NTFC). The NTFC is a 20-member body comprising public, private and civil society institutions related to trade facilitation that was established in 2015. CTDMC members include key stakeholders who impact policy, procedures and investments along the corridors including the Ministry of Agriculture, the Immigration Department, the Malawi Bureau of Standards, Malawi Police, the rail concessionaire (CEAR) and key private sector associations.

69. In Mozambique, both the roads agency (ANE) and the MTC are members of the Corridor Working Group (CWG), which is an interagency working group that will provide institutional oversight on project implementation. The CWG was established under the NTFC in 2017 and is comprised of public and private stakeholders related to trade facilitation. The Ponta do Ouro border post development will also be coordinated by the CWG.

70. The Project Operations Manuals articulate the coordination process between the PIUs, project officers, and technical focal points in the national technical committees, as well as the frequency of meetings of the technical committees. The organization of regular meetings between the beneficiary institutions, PIUs, and the Technical Committees will be necessary to ensure effective information sharing among beneficiaries. These arrangements will also be complemented by periodic workshops and regional level activities to foster coordination and sharing of lessons/experiences between the various stakeholders. Operations manuals are being further updated guide the institutional and implementation arrangements.



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

The project activities are located in three targeted corridors in Malawi and Mozambique. These are the (i) Nacala Corridor, a trading route whose point of entry and exit is the Nacala port in Mozambique and the central part of Mozambique with landlocked Malawi and Zambia; (ii) the Beira Corridor, a trading route whose point of entry and exit is the Beira Port in Mozambique and connecting Malawi, Zimbabwe and Zambia; and (iii) Ponta D'Ouro, specifically, a border post that will connect Maputo with Richard's Bay and Durban. In Malawi the project will be implemented along the main north-south and east-west road corridors in the country – although the exact location of specific interventions is not yet known. Other components of the project will be implemented in Mulanje (Muloza OSBP) and Blantyre (Inland Examination Centre). Malawi is highly vulnerable to the impacts of climate change. Most of Malawi's economy and livelihoods are directly dependent on rainfed agriculture. Malawi has 14 protected areas within the southern part of the country where the project may be active however only one, the Namizimu Forest Reserve (between Mangochi and Chipondi) may be impacted (were this road to be selected for rehabilitation) where the M3 road skirts its very southern-most border route. Generally, outside of protected areas natural habitats have converted to small-scale agriculture plots or have been severely degraded through repeated removals of biomass for wood fuel and charcoal production so that few remnant habitats remain intact. Current environmental issues in the project area are deforestation; land degradation; soil erosion; water pollution from agricultural runoff, sewage, industrial wastes. In Mozambique, the project will be implemented in five provinces namely Maputo, Tete, Zambezia, Nampula, and Niassa. The country is exposed to extreme climate-related events, with floods, cyclones, and droughts being the most frequent threats. The natural ecosystem within the project area is the terrestrial ecosystem (Tete and Milange) and the coastal ecosystem for Ponta do Ouro. The rural population accounts for 70% of the total and is highly dependent on the direct use of the country's natural resources. Each of the project's targeted provinces has a gazetted protected area. Part of the project will be established close to the National Reserve. Current environmental issues include uncontrolled forest fires, conversion of forest land use to grazing and illegal hunting.

G. Environmental and Social Safeguards Specialists on the Team

Salma Omar, Social Specialist
Ian Munro Gray, Environmental Specialist
Paulo Jorge Temba Sithoe, Environmental Specialist
Eden Gabriel Vieira Dava, Social Specialist
Violette Mwikali Wambua, Social Specialist
Nicholas Stephen Zmijewski, Environmental Specialist
Patricia Ndazona Nayeja, Social Specialist



SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>The SATCP will trigger this policy due to a range of activities with E&S risks including: Component 1.1 Enabling Digital Trade: Back-up power supply, supply of ICT hardware and data storage; Component 1.2 Improving borders and their management: expansion and rehabilitation of 6 border posts, strengthen pest and disease management capabilities and regional laboratories diagnostics capacities; construct inland examination centers in Lilongwe and Blantyre; Subcomponent 1.3 TA and feasibility studies for international bus terminals and border markets for small traders operating in the Nacala and Beira corridors, national transport planning, support to regulators and value chain analysis; Component 2: Strengthen Regional Coordination and Project Implementation largely looks at coordination measures but may also include strategic analyses and planning; Component 3.1: Value chains development including matching grants to market players and smallholders/firms, seed capital investments, and technical assistance to value chain players; Component 4.1 Rehabilitation of roads; Component 4.2: Improve Road Safety including black-spots.</p> <p>Initial appraisal of the proposed activities under the SATCP has been classified as Category A under OP 4.01. The exact location, scope and scale of all sub-project investments are not known at this stage. The key activities include the following risks:</p> <p>Component 1 and Component 4 include civil works will possibly generate negative externalities such as: soil erosion and siltation, loss of trees, pollution to surface and ground water resources, soil erosion, dust emissions and wastes, occupational and community health and safety, influx of labour/population inflows associated with risks of GBV/SEA/SH, spread of HIV, sexually transmitted and communicable diseases etc.</p> <p>Laboratory strengthening has risks surrounding OHS and the handling of disease vectors as well as OHS and public health risks associated with the handling of potentially infectious or harmful laboratory waste.</p>



ICT hardware provision may result in disposal of obsolete ICT equipment, increased energy use, air pollution and noise (depending on power source used) and OHS issues as well as data security concerns.

The value chains development support does not yet have details of proposed interventions that will be eligible for support, however it is expected that the project will adopt the approach used for the existing AGCOM project (P158434) which has developed a manual for the identification of supportable intervention which includes the process for screening activities for environmental and social risks (including the use of permissible and excluded activity lists) as part of the application process and requiring the preparation of safeguards instruments as necessary. This may include support for equipment, trainings, and irrigation/warehousing systems which may include civil works possibly generating negative externalities such as: soil erosion and siltation, loss of trees, pollution to surface and ground water resources, soil erosion, dust emissions and wastes, occupational and community health and safety, influx of labour/population inflows associated with risks of GBV/SEA/SH, spread of HIV, sexually transmitted and communicable diseases etc.

All strategic assessments and TA will have to ensure that terms of reference for studies etc. are prepared, and the outputs of any assessments and TA are conducted in a manner acceptable to the World Bank and duly incorporate and take into consideration the requirements of the World Bank Safeguards. A set of two ESMFs for each country have be prepared which provide the criteria and procedures for screening subproject investments and guide the preparation of site-specific environmental and social management plans. The ESMFs also address the institutional capacity of the implementing agencies and provide measures for capacity building along with an estimate of the budget needed for the implementation of the ESMFs. It is already assumed that an ESIA will be required for all roading works. As the Muloza Border Post has been transferred from another project safeguards instruments (ESIA/ESMP, ARAP) were



already under prepared, consulted upon and disclosed in-country. For other sub-components screening will be undertaken in line with the requirements of the ESMFs and the appropriate safeguards instruments developed in advance of any activities to identify and manage risks and impacts. In addition, the World Bank Group Environmental, Health and Safety Guidelines are applicable to the project, with the following specific guidelines to be adopted and utilized by the contractors and other project implementers: General EHS Guidelines, Environmental: Wastewater and Ambient Water Quality, Hazardous Materials Management, Waste Management; Agribusiness/Food Production: Annual Crop Production, Perennial Crop Production; Construction and Decommissioning: Environment, Occupational Health and Safety, Community Health and Safety; Infrastructure: Toll Roads; Community Health and Safety: Traffic Safety. Given the nature of the proposed interventions the anticipated scale of potential adverse environmental or social impacts on human populations are expected to be site-specific, few if any of them are considered irreversible and, mitigation measures can be expected to be designed to address the impacts.

Performance Standards for Private Sector Activities OP/BP 4.03

No

Not triggered by this operation.

Natural Habitats OP/BP 4.04

Yes

In Malawi the project is not expected to involve the significant conversion or degradation of critical natural habitats, and civil works are expected to be sited on lands already converted e.g. rehab/upgrading road, border posts and inland examination centers. Value chain finance is not expected to be offered to proposals which involve significant conversion or degrade of natural habitats. While the civil works may necessitate the removal of vegetation this is not expected in critical natural habitats or areas of high conservation value and can be addressed through compliance with Environmental Assessment OP/BP 4.01. However sub-project screening will ensure any potential risks which may materialize are identified and addressed appropriately. In Mozambique, specifically, the proposed subproject for Ponta do Ouro Border Post upgrading, will significantly increase traffic along the



road to Maputo city; Customs Authority expects traffic increase around 400%. This traffic towards Maputo city will cross Maputo Special Reserve (REM), a Conservation Area that is natural habitat for larger herbivores and provides a migration Corridor for Elephants (and antelopes), from Southern areas of Mozambique to South African Conservation Areas. During Operational Phase of the Project, but also during Construction Phase, the indirect impact from drivers/traffic increase will impose a risk of accidents with large fauna and a risk of large fauna's natural migration corridor disturbance, due to high traffic increase. OP 4.04 is triggered to adequately manage these Project impacts and risks on Critical Natural Habitat; the ESMFs have built upon the existing conservation area management plans, proposing additional measures to address such risks.

Forests OP/BP 4.36

No

The project is not expected to have impacts on the health and quality of forests. Value chain finance is not expected to be offered to proposals which may impact health and quality of forests. While the civils works may necessitate the removal of individual trees this is not anticipated in a forest setting and can be addressed through compliance with Environmental Assessment OP/BP 4.01.

Pest Management OP 4.09

Yes

While the range of interventions to be considered within the support for value chains development in Component 3 are not yet identified the possibility exists that this may include the support for primary producers of commodities which may well include support for improving production of agricultural products. These activities may include the support for the use of pesticides and fertilizers. Similarly, there may be instances where support for supply chain actors involved in processing, storing or transforming agricultural commodities may include the use of pesticides and chemicals. A Pest Management Plan (PMP) will be required. However until details of the agricultural commodities, locations of use, target pest and diseases, range of pesticide and non-pesticide options become available general guidance on pesticide waste management as well as details of preparing the PMP were included in the two ESMFs. APMP must be



		developed and in place in advance of the provision of support to value chain actors in Component 3.
Physical Cultural Resources OP/BP 4.11	Yes	As not all sites are identified it is not possible to categorically identify the presence or otherwise of PCR in the project area. While there are no indications that the project may be located in PCR hotspots the project may trigger this policy if contractors during rehabilitation and reconstruction of public infrastructure discover archeological sites, historical sites, remains and objects, including graveyards and/or individual graves. The project has prepared Chance Find Procedures as part of the ESMF to guide Contractors in the identification and proper management of physical cultural properties in case they are found.
Indigenous Peoples OP/BP 4.10	No	This OP/BP is not triggered as in both Malawi and Mozambique there are no groups that meet the criteria for OP/BP 4.10.
Involuntary Resettlement OP/BP 4.12	Yes	Given that the project will entail civil works, such as rural roads, border facilities, inland examination centers, etc, and the fact that these are yet to be defined in terms of location, and also considering these works could potentially entail land acquisition, and impacts on private assets, OP4.12 is triggered and a framework approach will be taken. Resettlement Policy Framework (RPF) was prepared, consulted and disclosed inc-country (December 10-21, 2020) and at the Bank's website (December 23, 2020) and prior to appraisal. Sub-project specific RAPs/ARAPs will also be prepared based on subproject final site selection and designs. In Mozambique the Upgrading and rehabilitation of identified trade connectors (rural roads) will potentially require land for temporary or permanent use hence economic and physical and economic displacement of households could be expected. Potential risks associated with this intervention include loss of access, loss of assets, and loss of income sources or means of livelihoods- whether or not affected people are moved to another location. Under the preparation of Mozambique rural roads rehabilitation and upgrading, the rural roads section were already selected in Nampula and Niassa provinces, and footprints/locations are already known; thus six (6) ARAPs were already prepared,



consulted upon, reviewed by the WB and final drafts will be disclosed (December 2020) and presented by appraisal.

Safety of Dams OP/BP 4.37	No	The Project does not involve dams.
Projects on International Waterways OP/BP 7.50	No	The Project does not involve activities on international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The Project does not involve activities on international waterways.

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 main safeguards issues arise from road works, civil construction works of buildings and trade-related infrastructure, animal health and biosafety laboratory strengthening, support for value chain development and TA for feasibility studies for additional trade infrastructure. Except from the Mulosa Border Post, Niassa and Nampula provinces upgrading roads, which already has ESIAs/ESMPs and (A)RAPs prepared, none of the other activities have their locations identified nor their designs finalized. Identifying all site and design specific safeguard issues is therefore not possible at this stage. However, for the road works no new roads are expected but rather existing roads will be identified and upgraded. This is expected to be largely within the bounds of the existing established road reserve boundaries. The main negative impacts will largely occur during construction and rehabilitation works for roads, facilities and building sand will include: a) soil erosion and degradation as well as fauna and flora disturbance leading to loss of habitats due land clearance in preparation for civil works; b) public nuisance from dust and noise due to earth movements and construction works; b) land degradation due to use/increase of quarries and borrow pits for materials sourcing; c) waste generation, including hazardous and non-hazardous substances during civil works; d) soil and water contamination from oil and lubricants spillage; e) loss of access, assets and livelihoods resulting from the taking of land; f) since the project will take place in a community settings, the borrower is required to undertake an assessment of the risk and impacts of the project on the health and safety of the project affected communities; risks and impacts on the community could relate to the design and safety of infrastructure, traffic and road safety during construction, security and emergency situations and community exposure to nuisance and public health issues; g) occupational health and safety risks to workers mainly during civil works; h) influx of labour/population inflows as the sub projects may cause increased migration and will attract an external labour force with associated risks such as GBV/SEA/SH, spread of HIV, sexually transmitted and communicable diseases etc.; and k) possible disturbance of physical and cultural resources due to earth movements, excavations, quarrying and impounding. These are likely to be aggravated by any cumulative and the transboundary nature and scope of some of the project's interventions. The contextual risk for GBV in Malawi is similar or higher than that of other Sub-Saharan Africa countries. According to the National Plan of Action to Combat Gender-Based Violence in Malawi 2014 – 2020, GBV, and specifically violence against women and girls is prevalent and deeply entrenched in Malawi. In the case of Mozambique even if there is an institutional framework to prevent and respond to GBV, such as laws on domestic and sexual violence, and the prevalence of intimate partner violence and sexual violence are lower than regional average, other indicators are worrisome such as high levels of child marriage, trafficking and presence of peace keeping missions (derived from internal conflict and affected natural disasters) Taking into consideration these contextual issues, a GBV risk



assessment of the project was undertaken in accordance to the World Bank's Good Practice Note 2018. An initial screening of the labor influx profile of the project deemed it high and based on that and other factors, the project has been assessed to have a substantial risk of GBV/SEA/SH due to the prevalence of drivers such as high levels of poverty, rural context of the project, the low rates of help seeking on SEA/SH, social acceptance of at least one reason for spousal abuse, high levels of child marriage and project cross-boundary activities. GBV risks and mitigation measures have been incorporated in the ESMF, including the need for capacity enhancement of the implementing agency and codes of conduct for contractors. The Client will ensure that an area specific assessment of GBV/SEA/SH risks is undertaken within subsequent project ESIAs/ESMPs and that prevention and response measures are put in place including provision of an external GBV Service Provider; a clear and defined referral pathway; definition of GBV/SEA/SH requirements and expectations in contractor bid documents such as contractual sanctions and the use of a code of conduct which addresses GBV; preparation and implementation of contractor Environmental and Social Management Plans (CESMPs) with labor influx management and camp management as well as GBV/SEA action plans; and availability of an effective grievance redress mechanism (GRM) with multiple channels to initiate complaints including GBV/SEA/SH related grievances.

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

The proposed activities under the SATCP has been classified as Category A under OP 4.01 due largely to the proposed road works in Component 4. The scope of activities and potential scale of impacts for the proposed project and their impacts have been rated as substantial for both environmental and social risk. However, risks do not seem to be irreversible and impacts can be readily designed and compensated. The exact details of specific sub-project investments are, in general, not known at this stage, however most interventions and the interventions with highest potential impact are expected to be located within the existing road reserve boundary, or within the footprint of existing facilities, or on public land. The most pressing risks arise from the involvement of civil works (rehabilitations, construction works) of public infrastructure. Civil works will possibly generate negative externalities such as: soil erosion and siltation, loss of trees, pollution to surface and ground water resources, dust emissions and wastes. However, none of these interventions are novel within the WB, or within Malawi and Mozambique, and the possible prevention, mitigation and/or compensation measures are also well known and have a track record of being implementable.

As a result, a set of two ESMFs for each country were prepared to provide the criteria and procedures for screening subproject investments and guide the preparation of site-specific environmental and social management plans. The Muloza Border Post has been transferred from another project and already has a suite of safeguards instruments (ESIA/ESMP, RAP). Border Posts, examination centers, value chain and road safety investments in Mozambique were covered under an ESMF, whereas subprojects screening will be undertaken in line with the requirements embedded in it (either an ESIA, ESMP or (A)RAP which were developed, consulted upon and disclosed prior to appraisal. On the other hand, for the road upgrading in Nampula and Niassa provinces, as locations are already known, site-specific ESIA and ESMPs were equally prepared, consulted upon and publicly disclosed prior to appraisal to provide appropriate guidance for detailed environmental and social risk management for implementers. Overall, the following instruments have already been prepared: Component 1 Reduce Trade Costs - Muloza One Stop Border Post ESMP. Component 2 Strengthen Regional Coordination and Support Project Implementation –Component 3 Value Chains Development – ESMF with general guidance Pesticide waste management and preparation of PMP. Component 4; Strengthen transport infrastructure to improve market access – an ESIA/ESMP for Niassa and a set of four ESMPs for Nampula. In all instruments, the World Bank Group Environmental, Health and Safety Guidelines that are applicable to the project were used, with the following specific guidelines to be adopted and utilized by the contractors and other project implementers: For other sub-components screening will be undertaken in line with the requirements of the ESMFs and the appropriate safeguards instruments developed in advance of any activities to identify and manage risks and



impacts. In addition, the World Bank Group Environmental, Health and Safety Guidelines are applicable to the project, with the following specific guidelines to be adopted and utilized by the contractors and other project implementers: General EHS Guidelines, Environmental: Wastewater and Ambient Water Quality, Hazardous Materials Management, Waste Management; Agribusiness/Food Production: Annual Crop Production, Perennial Crop Production; Construction and Decommissioning: Environment, Occupational Health and Safety, Community Health and Safety; Infrastructure: Toll Roads; Community Health and Safety: Traffic Safety. Given the nature of the proposed interventions the anticipated scale of potential adverse environmental or social impacts on human populations are expected to be site-specific, few if any of them are considered irreversible and mitigation measures can be expected to be readily designed to address the impacts.

Due to Ponta do Ouro Border Post upgrading, indirect and cumulative impacts on natural habitats are expected due to significant traffic increase along Maputo Special Reserve conservation area, in Mozambique. Other project risks are related with the accidents/fatalities due to interactions with large herbivores (such as elephants) are expected, therefore OP/BP4.04 is triggered. The ESMF includes detailed guidance to address likely impacts on natural habitats or CAs around the project areas. Moreover, particularly under Component 3, through value chain support to agricultural sector, there is potential to indirectly increase usage and storage of pesticides by farmers and owing to that OP/BP4.09 is also triggered. However until details of the agricultural commodities, locations of use, target pest and diseases, range of pesticide and non-pesticide options become available general guidance on pesticide waste management as well as details of preparing the PMP were included in the two ESMFs.

Likewise, since the project will entail civil works, such as rural roads, border facilities, inland examination centers, etc. and the fact that these are yet to be defined in terms of location, and also considering these works could potentially entail land acquisition, and impacts on private assets, OP4.12 is triggered and a framework approach was taken. Resettlement Policy Framework (RPF) was prepared, consulted and disclosed (December 11- 21, 2020 for Malawi and Mozambique) prior to appraisal and sub-project specific RAPs/ARAPs will be prepared during sub-project preparation based on subproject final site selection and design. In Mozambique the Upgrading and rehabilitation of identified trade connectors (rural roads) will potentially require land for temporary or permanent use hence economic and physical and economic displacement of households could be expected. Potential risks associated with this intervention include loss of access, loss of assets, and loss of income sources or means of livelihoods- whether or not affected people are moved to another location. Under the preparation of Mozambique rural roads rehabilitation and upgrading, the rural roads section were already selected in Nampula and Niassa provinces, and footprints/locations are already known; thus six (6) ARAPs are already under preparation and these were consulted upon, reviewed by the WB and final drafts will be presented by appraisal.

As the project is strategic and regional nature with large scale interventions the potential for indirect and long term impacts from regional and cumulative impacts perspective exists particularly in terms of use of resources and pollution, community health and safety and biodiversity. As a result of the project being added to impacts from other relevant past, present and reasonably foreseeable developments as well as unplanned but predictable activities enabled by the project that may occur later or at a different location. Cumulative impacts can result from individually minor but collectively significant activities taking place over a period of time. Regional and cumulative impacts will be considered including those recognized as important on the basis of scientific concerns and/or reflect the concerns of project-affected parties. The potential regional and cumulative impacts will be determined in an integrated way, all relevant direct, indirect and cumulative environmental and social risks and impacts throughout the project life cycle.

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

Strengthening intra-regional trade and economic linkages is strategically important to advance private sector-led growth in Southern Africa. The Beira and Nacala corridors connect the central part of Mozambique with Malawi,



Zimbabwe, Zambia and, by extension, Botswana and the Democratic Republic of the Congo (DRC) – all of which are landlocked countries. These two corridors are integral to developing Mozambique as a reliable gateway for trade and investment. For the Southern and Central regions of Malawi, these two corridors represent the shortest routes to the sea and have the potential to be significantly cheaper than alternative regional corridor routes. They are hence critical for reducing the cost of accessing regional and global markets. Increased competition between ports and corridors can also bring down prices while increasing the resilience of the trade and transport network to shocks. Further connecting the southern Africa corridors to the main cities, including through the Ponta Do Ouro route that links Maputo to Durban, can significantly reduce transit costs. The identification of intervention-specific alternative approaches including specific site selection, intervention design, technology selection, construction techniques and phasing, and operating and maintenance procedures will be part of the design processes for these sub-components where environmental and social issues will be addressed through the specific safeguards instruments to be prepared. While general guidance on pesticide waste management as well as details of preparing the PMP were included in the two ESMFs, a Pest Management Plan (PMP) will be required in advance of the provision of support to value chain actors in Component 3.

On the other hand, Contractors will be required to comply with the contents of the applicable safeguards instruments relevant for their sub-project work. This will be included in the documentation as a general condition in addition to specific requirements relevant to the contract contents. In addition compliance with WBG ESHS will be specified as a contract condition. Where sub-contracting is expected the procurement documents will confirm the need for compliance. When supervising engineers are contracted their responsibilities regarding the supervision, management and reporting of safeguards issues will be detailed in the procurement documentation.

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.

Social and environmental safeguards issues for individual subprojects will be managed through the provisions and mitigation measures provided in the ESMFs, prepared consistent with applicable Malawian and Mozambican laws respectively and World Bank Safeguards Policies. In addition, the World Bank Group Environmental, Health and Safety Guidelines are applicable to the project, with the following specific guidelines to be adopted and utilized by the contractors and other project implementers: general, occupational health and safety, community health and safety, waste management facilities. In line with Environmental Assessment OP 4.01, respective Governments have prepared ESMFs to guide the mainstreaming of environmental and social planning for the Project. The ESMFs provide screening procedures for typical anticipated environmental and social impacts for all Project activities and the preparation of Environment and Social Impact Assessments / Environmental and Social Management Plans. The screening process has been prepared in alignment to the requirements of the OP 4.01 Environmental Assessment and will complement the respective National Environmental Policy and Guidelines for Environmental Impact Assessment (EIA) in Malawi (1997) and Mozambique (1990) which require environmental and social screening for developments projects. The environmental and social screening process consists of four steps: i) review of environmental and social impacts checklist for projects; ii) screening of impacts from the subprojects and sites; iii) assignment of environmental categories; and iv) preparation, review and approval of an environmental and social action plan. The screening process will be carried out using a screening form to be attached in the respective ESMFs.

Awareness on Environmental and Social Mitigation Measures. The ESMFs also outline provisions for the awareness/orientation sessions for environmental and social training aimed at contractors of civil works, staff from Roads Authority and local district councils. Appropriate training will cover areas such as: screening of projects, policy and legal framework on environment and construction, disposal of solid and liquid waste from premises, measures to prevent the spread of HIV, sexually transmitted and communicable diseases, measures to raise awareness on and



prevent GBV/SEA/SH and prepare appropriate referral pathways for survivors. Environmental and social rules for contractors will be incorporated within construction bids and contracts to enhance obligations on contractors.

As subprojects in the operations are largely undefined, an RPF consistent with Malawi laws and World Bank Safeguard Policy OP.4.12, has been prepared to clarify the principles, legal and institutional procedures for land acquisition and resettlement to be applied to individual investments. With regard to project activities structured as a purchase of services from private sector providers and where such private providers undertake any new investments in infrastructure and related civil works in order to provide these services, they will be expected to use the RPF to guide their own policy on resettlement and thereby conform to national laws and policies as well as international best practices.

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

Public and stakeholder consultations with relevant institutions and beneficiaries are an important component in the project planning process of the Southern Africa Trade and Connectivity Project (SATCP). Stakeholder consultations should be carried out during planning, screening, and during the environmental and social assessment to identify key environmental and social issues and determine how the concerns of all parties will be addressed.

Public consultation methods in Malawi included press conferences, information notices, brochures/flyers, interviews, questionnaires and polls, open houses, community meetings, advisory committees, and public hearings. In terms of Malawi's EIA process, public consultation and participation should be undertaken during (i) the preparation of the EIA terms of reference; (ii) the carrying out of an EIA; (iii) Government review of an EIA report; and (iv) the preparation of environmental terms and conditions for approval. Both the ESMF, ESMP and RPF have been prepared through public consultations and participation involving communities in the proposed project areas, Local Leaders, District Council Officials, and key Government institutions. The stakeholders consulted raised their concerns and made recommendations on several issues that included land acquisition before the implementation of the project; Occupational Safety and Health Issues and employment opportunities. The draft ESMF has been disclosed on RA website in December 10, 2020. The purpose of disclosure of the ESMF was to collect feedback, comments, and suggestion from different stakeholders, including project affected and interested parties. Subsequent safeguards documents for specific subprojects under the SATC project were disclosed both in Country (Malawi-RA website) on December 11, 2020 and at the World Bank website on December 23, 2020. Copies of these documents and this ESMF were made available to the public on accessible locations in English and local languages through the District Councils and in the same manner, the subproject safeguards instruments and the ESMF results would be communicated to the various stakeholders, including community members, interested and affected people.

The consultation process for Mozambique was constrained by COVID 19 pandemic restrictions all over the world. Hence, the process adopted a mixed option for consultation. The Bank and the Government of Mozambique recommended that the consultation process for this project was to be done using also remote and virtual system, in order to minimize the disease contamination. In this regards the consultation process was done using the following communication strategies. Parallely, consultants conducting site-specific E&S studies for the Project, under Component 4.1 rehabilitation/upgrade of roads in Niassa and Nampula provinces, in similar period with the elaboration of the RPF and ESMF (road subcomponent) have done further public consultation to comply with WB and National requirements for at least two rounds of public consultations for Category A projects. All draft instruments (ESMF, RPF, ESIA, ESMP) were previously disclosed locally (September 15, 2020) and also shared with all stakeholders ahead of the public meetings in a language that stakeholders and PAPs understand. The safeguards documents subsequently reviewed and cleared by the Bank and disclosed in-country and ANE's website on December 21, 2020 and at the Bank's website later the same date.



The project will establish a project level GRM, with multiple channels, to facilitate individuals and communities to voice/express general complaints, queries, and concerns including those not necessarily related to safeguards (OP.4.12 on involuntary resettlement). In addition, the country-specific RAPs/ARAPs will outline procedures through which Project Affected Persons (PAPs) and communities will systematically raise grievances and concerns specifically related to land acquisition, resettlement, and compensation and how these will be effectively resolved and monitored. The proposed project GRM will take into consideration the established community and local-level feedback systems as an entry point, for which the traditional and local leaders will play an important role in receiving and directing complaints for resolution. A dedicated office will ensure that all complaints received are logged, written and treated with confidentiality, transparency and accountability. PAPs will be given an opportunity to present their grievances in local languages, with support from the project and to translate if necessary. In addition, if PAPs and communities disagree with the grievance resolution in the outlined stages, the GRM will provide an opportunity to escalate to subsequent levels such as district administrations, PIUs and finally the courts. As part of a citizen engagement process, the project level GRM will provide a framework for complaints tracking, response, resolution within the stipulated response times, thus closing the feedback loop. The project will put in place a communication strategy that will elaborate relevant and acceptable communications methodologies with citizens including women, youth and vulnerable groups, throughout the life of the project as well as information sharing and feedback techniques about all aspects of the project throughout construction.

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
01-May-2020	21-Dec-2020	01-Apr-2021

"In country" Disclosure

Malawi

10-Dec-2020

Comments

The documents are available at Malawi-RA website

Mozambique

21-Dec-2020

Comments

The documents were disclosed at ANE's website

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure
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01-May-2020

23-Dec-2020

"In country" Disclosure

Malawi

10-Dec-2020

Comments

The documents are available at Malawi-RA website

Mozambique

21-Dec-2020

Comments

The documents are available at ANE website

Pest Management Plan

Was the document disclosed prior to appraisal?

No

Date of receipt by the Bank

Date of submission for disclosure

"In country" Disclosure

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

The ESMF, ESIA/ESMP, RPF and ARAP were consulted upon with keys stakeholders in May 2020 in Malawi and August-October 2020 in Mozambique and were disclosed in both countries in December 11-21, 2020, as well as on the World Bank external website in December 21-23, 2020. Stand alone PMPs will only be prepared and available for disclosure once the agricultural commodities involved, locations of use, target pest and diseases, range of pesticide and non-pesticide options available are known and must be in place in advance of the provision of support to value chain actors in Component 3.

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?

Yes

OP 4.09 - Pest Management

Does the EA adequately address the pest management issues?

Yes

Is a separate PMP required?

No

If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

Yes

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

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

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APPROVAL

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