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Report No: PAD4389

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 70.6 MILLION
(US\$100 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MOZAMBIQUE

FOR A

NORTHERN CRISIS RECOVERY PROJECT

April 14, 2021

Urban, Resilience And Land Global Practice
Eastern and Southern Africa Region

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CURRENCY EQUIVALENTS

Exchange Rate Effective March 31, 2021

Currency Unit = New Mozambique Metical (MZN)

MZN 69.06 = US\$1

US\$1 = SDR 0.7056

FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

ADIN	Agency for Integrated Development of the North [<i>Agência do Desenvolvimento Integrado do Norte</i>]
AfDB	African Development Bank
CBM	Central Bank of Mozambique [<i>Banco de Moçambique</i>]
CBO	Community-Based Organization
CERC	Contingency Emergency Response Component
CERF	Central Emergency Response Fund
CPF	Country Partnership Framework
CRW	Crisis Response Window
CSO	Civil Society Organization
DA	Designated Account
DCM	Directorate of Cooperation and Markets
DHS	Domestic Household Survey
DMF	Disaster Management Fund
DRM	Disaster Risk Management
DTM	Displacement Tracking Matrix
ENSSB	National Strategy for Basic Social Security
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESIA	Environment and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESRS	Environmental and Social Risk Summary
FAO	Food and Agriculture Organization of the United Nations
FCV	Fragility Conflict and Violence
FCDO	United Kingdom Foreign, Commonwealth & Development Office
FDI	Foreign Direct Investment
FM	Financial Management
FMS	Financing Management Specialist
FNDS	National Fund for Sustainable Development [<i>Fundo Nacional de Desenvolvimento Sustentável</i>]
FY	Fiscal Year
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GoM	Government of Mozambique
GRM	Grievance Redress Mechanism
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome
ICRC	International Committee of the Red Cross/Crescent Societies
IDA	International Development Association
IDPs	Internally Displaced Persons
IDRS	Integrated Development and Resilience Strategy

IFR	Interim Financial Report
ILO	International Labour Organization
IMF	International Monetary Fund
INAS	National Institute of Social Action [<i>Instituto Nacional de Acção Social</i>]
INE	National Statistics Institute (<i>Instituto Nacional de Estatística</i>)
INGD	National Institute for Disaster Management and Risk Reduction [<i>Instituto Nacional de Gestão e Redução do Risco de Desastres</i>]
INGO	International Non-Governmental Organization
INS	National Institute of Health (<i>Instituto Nacional de Saúde</i>)
IOM	International Organization for Migration
IPF	Investment Project Financing
ISP	Implementation Support Plan
IVA	Independent Verification Agent
LNG	Liquified Natural Gas
M&E	Monitoring and Evaluation
MADER	Ministry of Agriculture and Rural Development [<i>Ministério da Agricultura e Desenvolvimento Rural</i>]
MEF	Ministry of Economy and Finance [<i>Ministério da Economia e Finanças</i>]
MGCAS	Ministry of Gender, Child and Social Action [<i>Ministério do Género, Criança e Acção Social</i>]
MIMAIP	Ministry of the Sea, Inland Waters and Fisheries [<i>Ministério do Mar, Águas Interiores e Pescas</i>]
MINEDH	Ministry of Education and Human Development [<i>Ministério da Educação e Desenvolvimento Humano</i>]
MISAU	Ministry of Health [<i>Ministério da Saúde</i>]
MOPHRH	Ministry of Public Works, Housing and Water Resources [<i>Ministério das Obras Públicas, Habitação e Recursos Hídricos</i>]
MPI	Multi-dimensional Poverty Index
MITA	Ministry of Land and Environment [<i>Ministério da Terra e Ambiente</i>]
NCRP	Northern Crisis Recovery Project
NGO	Non-Governmental Organization
OCHA	United Nations Office for Coordination of Humanitarian Affairs
PAD	Project Appraisal Document
PAPs	Project Affected Persons
PASD	Direct Social Action Programme [<i>Programa Apoio Social Directo</i>]
PASP	Productive Safety Net Program [<i>Programa de Acção Social Produtiva</i>]
PAUS	Social Assistance Services [<i>Programa de Atendimento às Unidades Sociais</i>]
PDNA	Post Disaster Needs Assessment
PDO	Project Development Objective
PIU	Project Implementation Unit
PFM	Public Financial Management
POM	Project Operations Manual
PPSD	Project Procurement Strategy for Development
PRA	Prevention and Resilience Allocation
PSC	Project Steering Committee

PASB	Basic Social Subsidy Programme [<i>Programa de Apoio Social Básico</i>]
RAP	Resettlement Action Plan
REP	Provincial Representation of State
RPBA	Recovery and Peace Building Assessment
RRA	Risk and Resilience Assessment
SEP	Stakeholder Engagement Plan
SORT	Systematic Operations Risk Rating Tool
SPA	<i>Provincial Services of Environment (Serviço Provincial de Ambiente)</i>
SPAE	Provincial Services of Economic Activities [<i>Serviço Provincial de Actividades Económicas</i>]
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
TOU	Technical Operational Unit
TTL	Task Team Leaders
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nation's Children Fund
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
VLD	Voluntary Land Donation
WASH	Water, Sanitation and Hygiene
WB	World Bank
WBG	World Bank Group
WFP	World Food Program
WHO	World Health Organization



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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name		
Mozambique	Northern Crisis Recovery Project		
Project ID	Financing Instrument	Environmental and Social Risk Classification	Process
P176157	Investment Project Financing	High	Urgent Need or Capacity Constraints (FCC)

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
27-Apr-2021	30-Apr-2024
Bank/IFC Collaboration	
No	

Proposed Development Objective(s)

The Project Development Objective is to improve access to basic services and economic opportunities for internally displaced persons and host communities in targeted areas of Northern Mozambique

**Components**

Component Name	Cost (US\$, millions)
Component 1: Building social cohesion and resilience to conflict	9,000,000.00
Component 2: Provision of livelihoods and economic opportunities for IDPs and host communities	28,800,000.00
Component 3: Rehabilitation, construction, and equipment of public infrastructure	55,200,000.00
Component 4: Project implementation, monitoring and evaluation	7,000,000.00

Organizations

Borrower:	Republic of Mozambique / Ministry of Economy and Finance
Implementing Agency:	Ministry of Agriculture and Rural Development (MADER)

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

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

DETAILS**World Bank Group Financing**

International Development Association (IDA)	100.00
IDA Grant	100.00

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Mozambique	0.00	100.00	0.00	100.00
National PBA	0.00	100.00	0.00	100.00



Total	0.00	100.00	0.00	100.00
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Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2021	2022	2023	2024
Annual	3.00	45.00	37.00	15.00
Cumulative	3.00	48.00	85.00	100.00

INSTITUTIONAL DATA**Practice Area (Lead)**

Urban, Resilience and Land

Contributing Practice AreasAgriculture and Food, Education, Fragile, Conflict & Violence,
Health, Nutrition & Population**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● High
8. Stakeholders	● High
9. Other	
10. Overall	● Substantial



COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☐ Yes ☒ No

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

Section I.A.1 of Schedule 2 to the Financing Agreement, the Recipient shall cause FNDS to carry out the project,



under the leadership and oversight of MADER, in accordance with the Financing Agreement, the Subsidiary Agreement, and the Project Operations Manual, and for this purpose, the Recipient shall cause FNDS to maintain at all times during Project implementation, a Project Implementation Unit (PIU), with professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the Association, including a Project coordinator, procurement and financial management specialists, dedicated environmental and social specialists, and a qualified SEA and GVB specialists set forth in the POM.

Sections and Description

Section I.A.2 of Schedule 2 to the Financing Agreement, the Recipient shall, not later than sixty (60) days after the Effective Date, and maintain throughout Project implementation, a Project Steering Committee, with composition, mandate, and resources satisfactory to the Association and detailed in the Project Operational Manual and shall be responsible for: (i) providing strategic guidance and oversight to ensure prompt and efficient implementation of the Project; and (ii) ensuring overall coordination of Project implementation, all in accordance with the provisions of the Project Operational Manual.

Sections and Description

Section I.A.3(a) of Schedule 2 to the Financing Agreement, the Recipient should cause FNDS, not later than 30 days after the Effective Date, to enter into an agreement with UNOPS, under terms and conditions acceptable to the Association ("UNOPS Agreement"), whereby the Recipient will authorize UNOPS to undertake, on behalf of the Recipient, the procurement of eligible goods, works and services under the Project.

Sections and Description

Section I.C.1 of Schedule 2 to the Financing Agreement, The Recipient shall cause FNDS and FNDS shall cause UNOPS to adopt, not later than 30 days after the Effective Date, and thereafter carry out the Project in accordance with a manual acceptable to the Association ("Project Operations Manual or "POM").

Sections and Description

Section I.E.1 of Schedule 2 to the Financing Agreement, the Recipient shall cause FNDS to ensure and FNDS shall cause UNOPS to ensure that the project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.

Sections and Description

Section I.F.(1)(2) of Schedule 2 to the Financing Agreement, the Recipient, shall cause FNDS and FNDS shall cause UNOPS to prepare and furnish to the Association, on an annual basis, and no later than November 30 of each year, an annual work plan and budget, in form and substance satisfactory to the Association, informed by the POM and containing activities proposed for implementation under the Project and milestones to be achieved during the following Fiscal Year. For the first year of Project implementation, not later than three (3) months after the Effectiveness Date, the Recipient shall cause FNDS and FNDS shall cause UNOPS to prepare and furnish to the Association the work plan and budget covering the proposed activities for such first year. Annual work plans and budgets should be endorsed by the Project Steering Committee and approved by the Association

Conditions



Type Effectiveness	Description The Subsidiary Agreement has been executed on behalf of the Recipient and FNDS in accordance with terms and conditions satisfactory to the Association.
Type Disbursement	Description No withdrawal shall be made for payments under Category (3) and (4) unless: (i) the Resettlement Policy Framework and the ESMF or equivalent Framework Guidelines have been approved by the Association and published by the Recipient; and (ii) The UNOPS ESF Capacity Assessment and Building Action Plan has been approved by the Association.



I. STRATEGIC CONTEXT

A. Country Context

- 1. Mozambique has achieved significant economic growth since the end of the civil war in 1992, but important challenges are still affecting the country's short-term growth prospects.** Mozambique grew at more than 7 percent a year between 2002 and 2015, driven by several large-scale foreign investment projects in the extractives sector in the context of political stability and significant donor support. Agriculture grew more slowly, at 5.7 percent, but still represented 23 percent of Gross Domestic Production (GDP) in 2015. However, falling commodity prices, climate shocks, fiscal tightening, and a slowdown in foreign direct investment (FDI) in the aftermath of the US\$1.4 billion hidden-debt disclosure caused economic growth to drop to 4.3 percent and inflation to peak at 26 percent in 2016. When tropical cyclones Idai and Kenneth hit the country in April 2019, growth fell sharply to 2.3 percent due to the supply shock to productive capacity by the end of 2019. Between 2016-2019, growth averaged 3 percent, with GDP per capita contracting by an average of 5 percent, this situation worsened in 2020 due to the economic impact of the Coronavirus (COVID-19) pandemic as real GDP contracted by 1.3 percent.
- 2. The rate of poverty reduction during the 2002-2015 period was uneven across provinces and between urban and rural areas.** As a result of the modest yet sustained per capita growth, monetary poverty declined from 60.3 in 2002/03, to 58.7 percent in 2008/09 and to 48.4 percent in 2014/15.¹ The increased pace of poverty reduction after 2009 showed a relative gain in urban areas due to the lagging agriculture sector and the urban concentration of large, capital-intensive public and private investment projects. Poverty declined by 23.2 percent in urban centers compared to 18.8 percent in rural villages. These urban-rural differences were also observed across provinces, with the highest poverty in the Northern and Central provinces: Niassa (67 percent), Nampula (65 percent), Zambezia (62 percent) and Cabo Delgado (50 percent). A multidimensional poverty index (MPI), using information from the 2017 Census, confirms that the Northern provinces have the highest rates of multidimensional poverty. The 2011 Domestic Household Survey (DHS) confirms that the Northern provinces also have the highest rate of stunting (Figure 1).
- 3. Social vulnerabilities in Mozambique are exacerbated by frequent climate and disaster shocks, which also impact growth and development.** A catastrophe risk modeling study² estimates that Mozambique faces average annual losses of US\$440 million due to floods alone. Emerging international evidence shows that disasters have disproportional impacts on the poor and vulnerable, who are least able to cope with shocks, thereby further driving inequality and poverty in exposed regions.³ A recent analysis of climate shocks and household wellbeing in Mozambique finds that a cyclone, flood or drought event can lead to a 25-30 percent drop in per capita food consumption and 0.4 fewer meals per day per person.⁴ Affected households also cut back on basic non-food expenditures such as education, health care, home repairs and equipment needed for livelihoods. In April 2019, the Northern and Central regions were hit by the tropical cyclones Idai and Kenneth, resulting in widespread damage to infrastructure and affecting more than one million people, causing 602 direct

¹ Based on World Bank estimates using the international poverty line. Estimates based on the national poverty lines show a similar pattern: 52.8, 51.7, and 46.1 percent respectively.

² World Bank. 2018. Financial Protection Against Disaster in Mozambique.

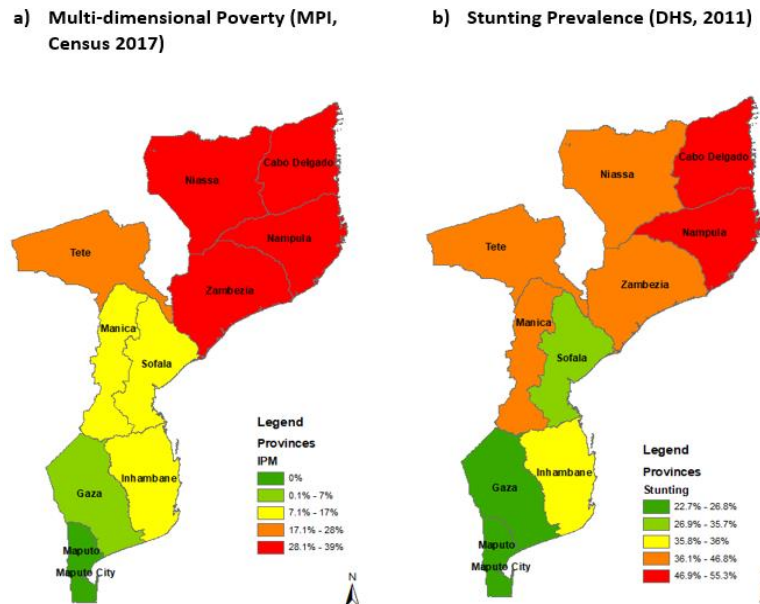
³ Hallegatte et al. 2017. Unbreakable: Building the Resilience of the Poor in the Face of Natural Disasters. World Bank.

⁴ Baez et al. 2018. Extreme Weather and Household Well-being: Evidence from Multiple Shocks in Mozambique. World Bank.



deaths, 1,600 injuries, 6,506 cases of cholera and 14,059 cases of malaria. Hundreds of thousands of people lost their homes and at least 142,000 were still sheltering in 136 displacement sites as of May 2019.⁵

Figure 1. Multidimensional Poverty Index and Stunting Prevalence in Mozambique



4. **The negative effects on consumption from these disasters resulted in a poverty increase of 12 and 17.5 percentage points in two of the three events analyzed.** The provinces most often affected by disasters tend to show higher levels of poverty compared to those least affected. In addition, the public resources allocated ex ante for emergency response and recovery have been significantly lower than the funds needed to cope with catastrophic events. These financial constraints and the resulting need to mobilize ex post resources lead to inefficient response operations and prolonged and uncertain recovery processes, which further exacerbate the negative economic impacts of disasters. Without changes in climate and disaster risk management (DRM) and financing policy, climate change is expected to cause economic damage of between US\$2.3 billion and US\$7.4 billion during the period 2003–2050 (discounted and in 2003 prices).⁶ Therefore, poverty reduction efforts need to incorporate climate resilience.

5. **Women are at a particular disadvantage in accessing economic opportunities and political platforms** due to low levels of education, illiteracy, high maternal health risks, pressure to marry at a young age (half of Mozambican women marry before the age of 18), gender-based violence ((GBV); a third of Mozambican women aged 15-49 years have experienced physical and/or sexual violence), and cultural norms. Traditional gender norms limit women's involvement in the formal economy and hinders protection of women and girls against GBV and sexual abuse imposed by husbands and men at household and community level. Only 46 percent of girls finish primary school and 22 percent finish secondary school, and 56 percent of women are illiterate (77 percent in rural areas). Although women constitute the bulk of the informal and unskilled workforce, especially in agriculture (63 percent), their labor is largely unpaid. Mozambique ranks 142nd out of

⁵ UN/OCHA 2019. Situation Report Number 22 (as of May 20, 2019)

⁶ World Bank. 2010. The Economics of Adaptation to Climate Change – Mozambique.



162 countries on the United Nations Development Program (UNDP) Gender Inequality Index (see section IV.E, “Environmental and Social,” for further details on the gender gap and specific activities in the proposed operation to address gender issues).

6. **The COVID-19 outbreak reached Mozambique just as the country was attempting to recover from two major shocks: the hidden debt crisis and the devastating effects of tropical cyclones Idai and Kenneth.** In 2016, Mozambique’s track record for high growth was disrupted when previously undisclosed external borrowing, amounting to US\$1.3 billion, came to light. The hidden debt crisis hurt investor confidence, increased debt levels, and more than halved the average rate of growth.⁷ In 2019, cyclones Idai and Kenneth caused massive damage to infrastructure and livelihoods,⁸ further lowering growth and negatively impacting the wellbeing of the population. COVID-19 now represents a massive setback that could erase past gains. As of April 6, 2021, COVID 19 has caused 785 deaths and infected 68,292 people.

7. **COVID-19 is dimming the country’s short-term growth prospects and will increase Mozambique’s poverty rate, particularly in urban areas.** Economic activity is declining as social distancing measures and travel restrictions disrupt supply chains and reduce the demand for goods and services. At the same time, lower demand is depressing the price of commodities and slowing the pace of investment in gas and coal, two of the country’s key growth industries. As a result, the economy contracted by 1.3 percent in 2020, down from a pre-COVID forecast of 4.3 percent, with significant downside risks. When the contribution of sizable liquified natural gas (LNG) investments is excluded, the contraction in 2020 is estimated at 1.9 percent. Mozambique is also expected to experience large external and fiscal⁹ financing gaps in 2021, in a context of exposure to external shocks and limited fiscal space. A sizeable number of Mozambicans will fall back into poverty because of the pandemic. The negative impacts on income are expected to be felt relatively more in urban and peri-urban areas, where social distancing measures and business closures are having the greatest impact. The pandemic is expected to predominantly affect poor populations in these areas, impacting their incomes from informal work and self-employment. Mozambique’s urban poverty rate is expected to increase from 29 to at least 31 percent in 2020, pushing an additional 250,000–300,000 urban people into poverty on account of employment and income losses and price increases.¹⁰ Their wellbeing will also be affected by a deterioration of public services. (See Annex 5 for a detailed overview of the pandemic’s impacts in Mozambique.)

B. Situation of Urgent Need of Assistance or Capacity Constraints

8. **Conflict and fragility crisis.** Since October 2017, the Province of Cabo Delgado, one of the poorest in the country,¹¹ has been experiencing an armed insurgency focused on state targets, civilians, and industries. Core grievances that have fueled the conflict include regional imbalances, which have worsened the historical marginalization of the province; exclusion, particularly of youth, from access to power, land and resources; capture of the provincial government by elites; and the reported use of violence to secure the interests of local power brokers. The conflict is also driven by external factors, including the illicit cross-border trade in minerals and natural resources, and support from foreign fighters. However, the province is also the location of considerable investments in infrastructure to support the petroleum, natural gas, and mining industries. Gas

⁷ After averaging 8.4 percent between 2003 and 2015, average GDP growth fell to 3.3 percent between 2016 and 2019.

⁸ Estimated losses and damage from Idai totaled at about US\$3bn and US\$ 2.7bn respectively.

⁹ The COVID-19 shock is expected to contribute to a fiscal gap of 5.5 and 2.5 percent of GDP, respectively in 2020 and 2021.

¹⁰ Under a more severe crisis scenario (assuming a 25 percent decline in consumption), poverty could increase by three times this amount.

¹¹ While the incidence of multidimensional poverty decreased between 2008 and 2014, Cabo Delgado continues to have the highest consumption poverty rate of any Mozambican province.



investments in particular—expected to reach around US\$50 billion in the next 15 years—have been anticipated since 2007 but have only recently started to materialize, with the long delay fueling the perception that the local population is not benefiting from these investments. Such grievances, along with poverty and widespread youth unemployment, are the key drivers of the conflict in Cabo Delgado. (See Annex 2 for further details.)

9. **The crisis in Cabo Delgado rapidly escalated in 2020, leaving an estimated 1.3 million people¹² in urgent need of humanitarian assistance.** Attacks by armed groups expanded geographically and increased in intensity in 2020 (Figure 2), significantly intensifying social risks, especially for women and girls, people with disabilities, older persons and people living with the Acquired Human Immunodeficiency Virus/Acquired Human Immunodeficiency Syndrome (AIDS) and other diseases. Reports of violence against civilians, including killings, beheadings, and kidnappings, increased in 2020. The number of people displaced by the crisis (internally displaced persons, (IDPs)) more than quadrupled from March (more than 110,400) to November 2020 (nearly 530,000)¹³ with children accounting for an estimated 45 percent of the displaced. According to United Nations Office for Coordination of Humanitarian Affairs (OCHA)¹⁴ 90 percent of the displaced are staying in host communities, where already meagre resources are being strained by the growing influxes: in Ibo District, there are now more IDPs than host community members; in Pemba City, with a population of 224,000, more than 100,000 displaced people have arrived over the past year. The remaining 10 percent of displaced people are staying in overcrowded temporary sites, where they have limited access to safe shelter, water, and sanitation.

10. **In addition to the massive surge in forced displacement, the attacks have caused damage to physical infrastructure and disruption of basic services.** By end-February 2020, 76 schools had been destroyed, and by end September 2020, 619 separate conflict incidents had resulted in more than 3,000 deaths and the destruction or closure of more than one-third of Cabo Delgado's 130 health units. Civil servants have fled, and local governments are increasingly being run by the military or police. There are no government services in nine districts,¹⁵ as the entire local public administrations in those districts have relocated to more secure districts, including Pemba Metuge.¹⁶ With tensions rising between IDPs and host communities, there is an urgent need to quickly alleviate the impact of insurgency on the already constrained provision of basic services, infrastructure, livelihoods and job opportunities in those communities in order to prevent new conflicts from emerging.

11. **In the World Bank's fiscal year (FY) 2021, Mozambique was relisted as a *Fragile and Conflict-affected State*¹⁷ due to the ongoing situation in Cabo Delgado.** The conflict is classified as *Medium Intensity*, which indicates that the World Bank Group (WBG), as well as other development partners, should remain engaged during and after the crisis to preserve human capital and key institutions, and to assist the Government in creating development opportunities for IDPs and host communities.

12. **To address the enormous needs associated with the crisis, the Government has launched a comprehensive plan to relocate 70,000 families fleeing violence** to 80 sites in several districts of Cabo Delgado and neighboring provinces. The relocation plan focuses on: (a) the construction of relocation sites,

¹² OCHA/Humanitarian Country Team and Partners (Abridged Version). Dec.2020. This includes IDPs and people already living in poverty.

¹³ The International Organization for Migration (IOM) calculates that 607,000 people in Cabo Delgado have been displaced as of Jan.2021.

¹⁴ Humanitarian Response Plan (Abridged Version). December 2020. OCHA/Humanitarian Country Team and Partners.

¹⁵ The most hard-hit districts in Cabo Delgado province include: Mocimboa da Praia, Quissanga, Macomia, Muidumbe, Mueda, Ibo, Meluco, Palma and Nangade.

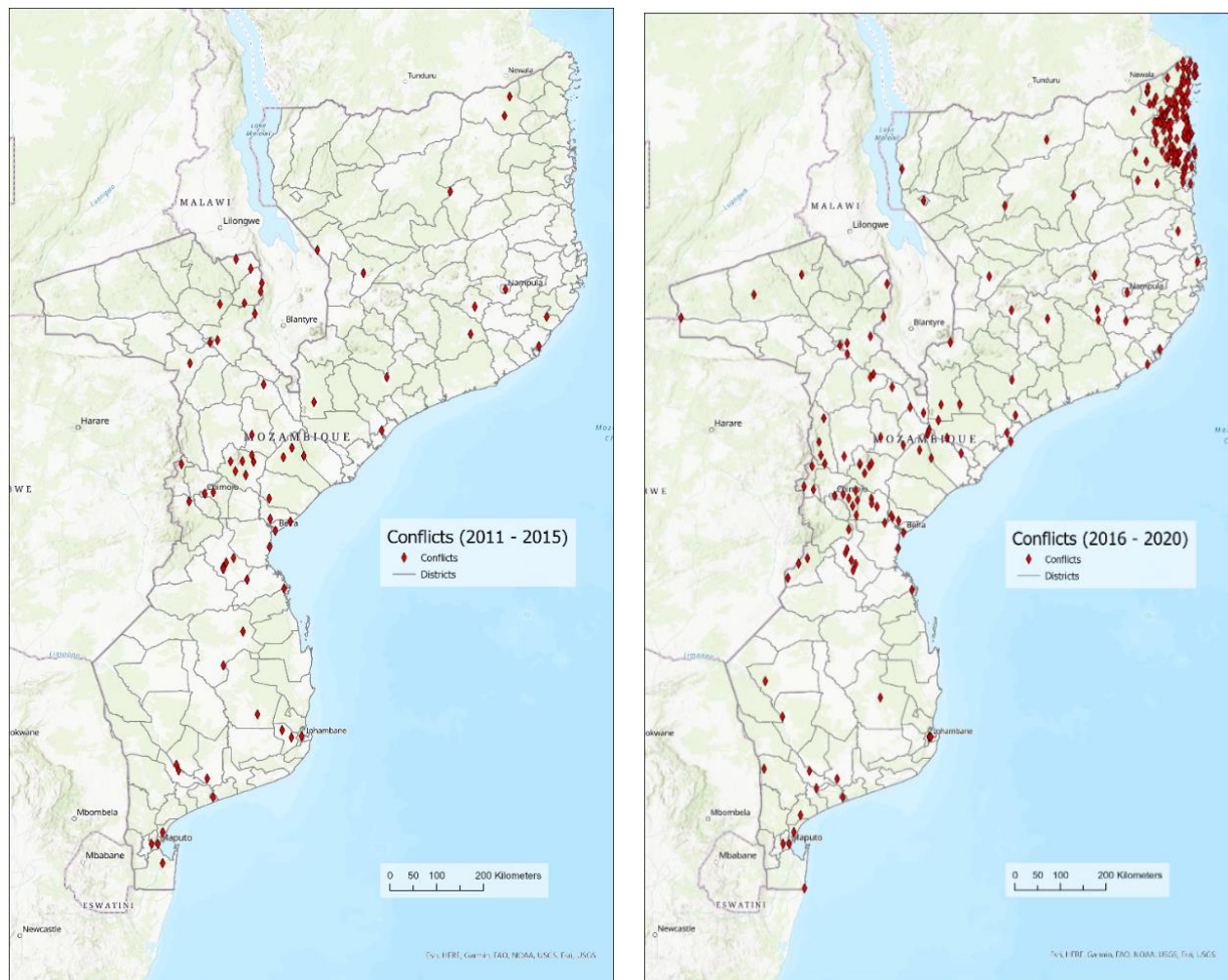
¹⁶ Draft Risk and Resilience Assessment (RRA).

¹⁷ <https://www.worldbank.org/en/topic/fragilityconflictviolence>



infrastructure facilities and basic services, including 70,000 demarcated land plots and housing materials kits, 70,000 latrines, 160 boreholes, 80 water supply sources, and 160 newly equipped health centers and schools; (b) support for productive activity, with a focus on agriculture and fisheries; (c) restoration of 2,160 km of local roads; (d) provision of food assistance and shelter and relief kits; and (e) increased security of families and property. This multi-sectoral plan will cost US\$305.8 million and is expected to cover short and longer-term interventions for IDPs and host community recovery.

Figure 2. Mapping of Conflict Incidents in 2011–15 and 2016–20, Showing Increasing Clustering in the North



Source: Armed Conflict Location and Event Data Project, <https://acleddata.com/cabo-ligado-mozambique-conflict-observatory>

13. **The project will prioritize the most critical needs of IDPs and host communities.** To date, Government authorities and humanitarian agencies have been focusing on the provision of humanitarian assistance to IDPs in temporary sites. Rapid assessments conducted by local governments and humanitarian agencies have been used as the basis for the deployment of food aid, water and sanitation, and temporary shelter. The World Bank, together with several development partners, is supporting the development of a *Recovery and Peace Building Assessment (RPBA)* to inform the implementation of the Government's *Integrated Development and Resilience Strategy for the north*. As part of the RPBA, a geographically focused multi-sector fragility and conflict impact and needs assessment will be conducted to define a strategy to target IDPs and host communities and propose



specific project interventions. The outcomes of this assessment will help refine the Government's plan for IDP and host community's assistance, as well as guide the design and implementation of WBG-financed investment projects in support of the Government's strategy.

14. **The Government has limited fiscal space to support effective recovery from fragility and conflict in the North.** The fiscal deficit was revised to 8.3 percent of GDP in 2020, from 4 percent in the original budget, owing to lower fiscal revenues and high COVID-19-related expenditures, in a context of debt overhang, a growing wage bill associated with an increasing number of public servants and rising military spending. In 2020, Mozambique experienced its first economic contraction in nearly three decades, with growth sharply declining from an average of 7 percent in 2002-2015 to 3 percent in 2016-2019. Real GDP declined by 1.3 percent in 2020, compared to a pre-COVID estimate of 4.3 percent. As external demand falls, domestic lockdown measures disrupt supply chains and depress domestic demand, and additional LNG investments are delayed. The debt-to-GDP ratio is also projected to increase in 2020 due to the balance sheet effect of falling GDP. Furthermore, debt levels are projected to reach 120 percent of GDP in 2020, up from 108 percent of GDP in 2019. Despite uncertainties, the Government expects to resume fiscal consolidation efforts in 2021, with a target of achieving a zero-primary deficit by 2024.

15. **The Government has requested urgent financial assistance.** An official Government request dated December 21, 2020 seeks World Bank support for quick mobilization of financial resources to assist with implementation of the *Integrated Development and Resilience Strategy*. These funds would help the Government alleviate some of the urgent needs of the IDPs and host communities and build its capacity for crisis preparedness and response, as well as for longer-term recovery from fragility and conflict.

16. **The IDP crisis is exacerbating the North's vulnerabilities to climate disasters and the COVID-19 pandemic.** The province of Cabo Delgado, hardest hit by the cyclones, experienced losses and damage representing 34 percent of provincial GDP; and the current insurgency crisis, fueled by the highest rates of poverty and exclusion in Mozambique, has compounded those vulnerabilities. If not addressed, the crisis in the North could destabilize the entire country.

C. Crisis Recovery, Conflict Prevention and Relevance to Higher Level Objectives

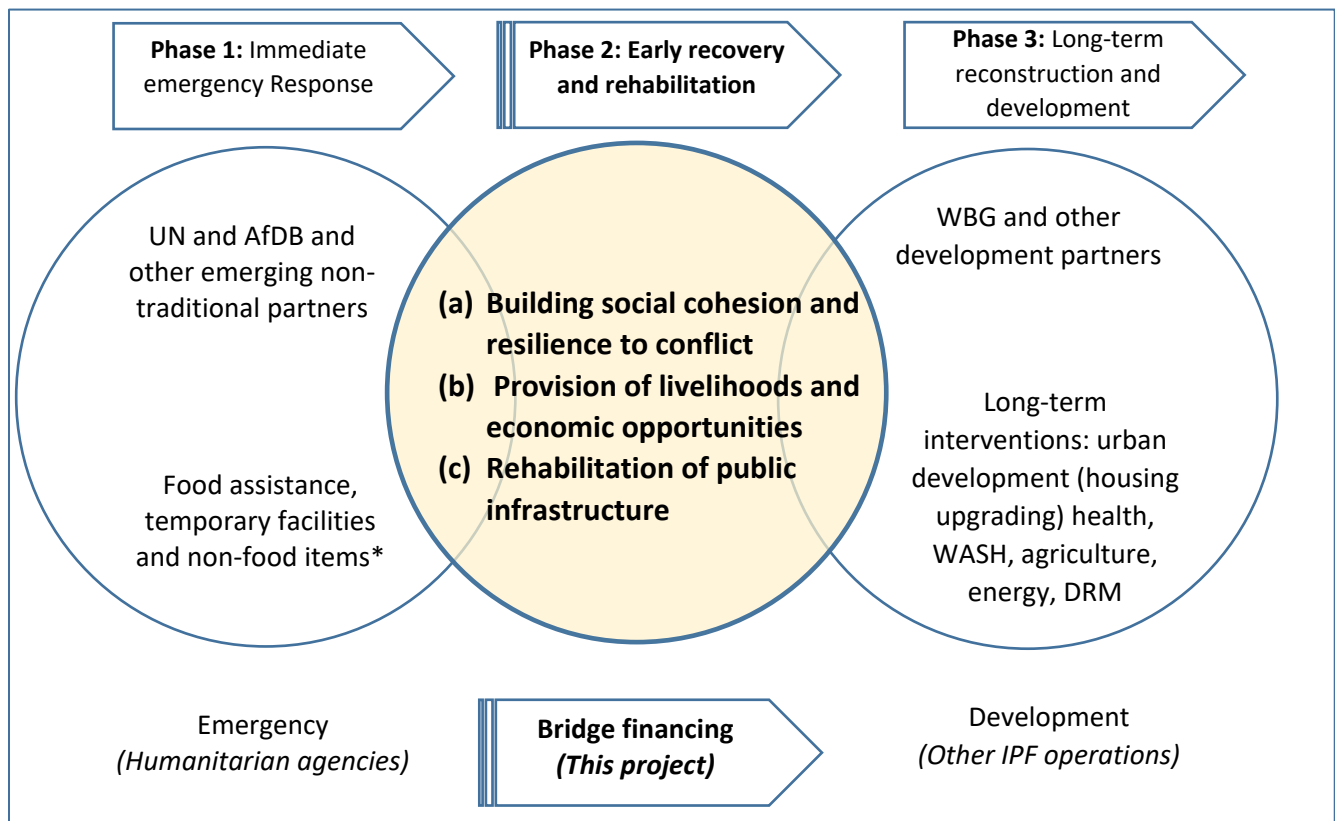
17. **In keeping with World Bank policies on emergency assistance, the proposed project will support activities that have a demonstrated link between relief, recovery, and development.** The proposed operation is processed under paragraph 12 of Section III of the World Bank Investment Project Financing Policy, Projects in Situations of Urgent Need of Assistance or Capacity Constraints. The project will help to preserve human capital and key economic and social institutions in the North while mitigating the medium-term development impacts of the crisis. Based on these principles, the project will be structured to: (a) address immediate aspects of early recovery, including restoration of livelihoods and jobs for IDPs, host communities and, when possible, those remaining in recently liberated conflict zones; (b) build social cohesion and the response capacity of IDPs and local communities; and (c) support medium to longer-term provision of basic services, and development of core infrastructure for water and sanitation, education and health.

18. **This approach will complement other WBG-supported projects, currently under preparation, that will tackle the longer-term social and economic development needs of Northern Mozambique.** Normally, in crisis response, support for IDPs and host communities is delivered in three sequential phases: (a) Humanitarian support; (b) Early recovery and rehabilitation; and (c) Long-term reconstruction and development. However,



given the circumstances of the crisis in Northern Mozambique, especially the fact that the conflict is still active, this project takes the innovative approach of implementing the three phases in parallel. In this way, the project will serve as a *bridge* between emergency and development financing, with a special focus on phase 2 (early recovery and rehabilitation). During phase 1, the project will coordinate with traditional (United Nations-UN, African Development Bank-AfDB) and emerging non-traditional partners involved in humanitarian support (for example: Agha-Khan Foundation, Caritas, OIKOS and other national Non-Governmental Organizations (NGOs) and Community Based Organizations (CBOs)).¹⁸; and during phase 3, with other development partners involved in long-term reconstruction and development. Phase 3 will also include several new Investment Project Financing (IPF) operations (Figure 3).¹⁹

Figure 3. NCRP: From Emergency to Development Interventions



* Non-food items include essential household items such as mattresses, blankets, plastic sheets, containers for water, cooking utensils and hygiene kits.

19. **The proposed operation will support conflict risk mitigation, as defined in the Prevention and Resilience Allocation (PRA) process.** As part of the Government's longer-term efforts to support socioeconomic development in the North, the authorities are preparing an Eligibility Note for the PRA. To support the sustainability of project interventions, existing and proposed Bank operations will be recalibrated, through the PRA process, to allocate more resources towards conflict risk mitigation (see Annex 8). The interventions

¹⁸ See Annex 7 for more details

¹⁹ Northern Mozambique Rural Resilience Project (P174617); Human Capital and Preventing Conflict Escalation in Mozambique (P175298); Urban Upgrading in the North of Mozambique (P175266); and Sustainable Rural Economy Program (P174002).



proposed under this project will focus on immediate needs of IDPs located in safer locations and will be complemented by the recalibration process. Altogether, these interventions will support Government's efforts for enhanced local governance and grievance mechanisms that will contribute to mitigate the escalation of conflict in the selected districts and spillovers to surrounding areas.

20. **The proposed project will also contribute to achieving the World Bank's twin goals, and is in line with its Strategy for Fragility, Conflict and Violence (FCV) 2020-2025.**²⁰ Addressing the challenges of fragility, conflict and violence is critical to achieving the World Bank Group's twin goals of ending extreme poverty and boosting shared prosperity. The conflict is affecting the poor disproportionately, and without focused and urgent attention, vulnerable people are at risk of falling deeper into poverty. Activities under the proposed project will contribute to FCV Pillar 3, *Helping countries transition out of fragility*, by promoting approaches that can renew trust between citizens and the state. It will also contribute to Pillar 4, *Mitigating the spillovers of FCV*, by providing support to the most vulnerable and marginalized communities that are impacted by forced displacement. In addition, the project will support the following high-priority issues highlighted in the FCV strategy: (a) investing in human capital; (b) creating jobs and economic opportunities; and (c) building community resilience and preparedness. All interventions will have a gender lens, in line with the WBG Gender Strategy.²¹

21. **The proposed project is closely aligned with Mozambique's FY17– FY21 Country Partnership Framework (CPF)**²² as revised in the recently concluded **Performance and Learning Review (PLR) that includes adjustments to the CPF for COVID-19**²³. Mozambique's CPF for FY17-21 draws on the 2016 Systematic Country Diagnostic (SCD), which identified three focus areas in support of the twin goals: i.e. (a) promoting diversified growth and enhanced productivity; (b) investing in human capital; (c) enhancing sustainability and resilience. The PLR added an additional objective, Supporting Recovery and Rehabilitation, under this third Focus Area reflecting stepped-up IDA financing to address the impact of cyclones Idai and Kenneth and the COVID-19 pandemic. An SCD update is currently under preparation which is expected to confirm the continued relevance of these three focus areas for Mozambique in the coming years. In line with the WBG Crisis Response Approach to COVID-19²⁴, the proposed project has the overarching goal of creating more resilient communities in Northern Mozambique. Under CPF Focus Area 1, Promoting Diversified Growth and Enhanced Productivity, it contributes mainly to Objective 2 on Increasing Agriculture Growth; and under CPF Focus Area 2, Investing in Human Capital, the project contributes to Objective 6 on Improving Health Service Delivery and to Objective 7 on Improving Access to Water and Sanitation.

22. **This operation is part of an adjusted Country Partnership Framework (CPF) program to help Mozambique manage and respond to the COVID-19 crisis.** The overall World Bank response had a financing package of US\$366 million covering priority needs across four thematic pillars of the WBG COVID-19 Crisis Response Approach: Under Pillar 1 (Saving Lives) the health response draws on US\$40 million mobilized through Contingency Emergency Response Component (CERC) activations as well as US\$4.5 million drawn from other health sector operations of which US\$2 million were allocated from the new Pandemic Emergency Facility (PEF) funding to be disbursed through United Nations partners (United Nations Population Fund, World Food Program, United Nations Children's Fund, and World Health Organization). Additionally, a US\$100 million Vaccine project, the Mozambique COVID-19 Strategic Preparedness and Response Project (P175884) - under preparation, will

²⁰ World Bank Group Strategy for Fragility, Conflict, and Violence 2020–2025.

²¹ World Bank Group Gender Strategy FY16-23 Gender Equality, Poverty Reduction, and Inclusive Growth (Report 102114)

²² Report number: 104733-MZ

²³ Mozambique – Performance and Learning Review of the Country Partnership Strategy IDA/R2020-0117, April 3, 2020.

²⁴ *Saving Lives, Scaling-up Impact and Getting Back on Track*, World Bank Group COVID-19 Crisis Response Approach Paper (June 2020)



provide support for COVID-19 vaccines procurements and delivery. Under Pillar 2 (Protecting Poor and Vulnerable People), the World Bank response includes US\$53.5 million to support phase one of cash transfers to the poorest and most affected households; US\$3.6 million to support the water utility (Water Investment and Assets Fund- FIPAG), to operationalize relief measures for the water sector; and US\$15 million to support water supply and sanitation improvements for safe return to schools. and Under Pillar 3 (Ensuring Sustainable Business Growth and Job Creation), US\$8.9 million are allocated under the Integrated Landscape Management Portfolio supporting agribusiness, conservation areas, and smallholder farmers (see full description in Annex 5).

D. Sectoral and Institutional Context

23. **The attacks have destroyed public infrastructure, displaced public servants, and disrupted access to basic services and the functioning of community-based institutions.** In the districts of Mocimboa da Praia, Macomia, Muidumbe and Quissanga, those most affected by the conflict, 45 schools have been destroyed, another 187 have been closed, and about 30,000 students and 1,600 teachers have been displaced. At least 95,000 students in those districts have no access to education. In the health sector, 38 clinics have been affected, of which 17 have been partially or totally damaged, and 686 health workers have been displaced, leaving 635,000 people without access to primary health care services. In the water sector, seven water supply systems have been destroyed, leaving 52,000 people without access to clean water. In the social protection sector, services have been interrupted in the districts of Mocimboa da Praia, Macomia and Quissanga, affecting 10,400 beneficiaries due to the destruction of local offices of National Institute for Social Action (INAS) and displacement of 35 social protection workers. In the productive sectors, at least 71,630 hectares of crops and 268,185 livestock have been lost, affecting 112,000 household farmers. In fishery, 96 boats, along with fishing equipment, have been damaged beyond repair, cumulatively affecting the food security of 940,000 people. Insurgency attacks have also damaged 44 sports facilities and disrupted the functioning of 93 youth associations as well sports associations and clubs. Annex 6 summarizes the impacts of the crisis in the North by sector as to March 2021.

24. **Emergency response.** To help IDPs and host communities, the Government has put together an integrated response plan, coordinated by the recently created government Agency for Integrated Development of the North (ADIN), under the leadership of the Ministry of Agriculture and Rural Development (MADER), as part of an overall development strategy for northern Mozambique. The overall program includes specific contributions from the following central government ministries, institutions and partners: (a) the Ministry of Public Works, Housing and Water Resources (MOPHRH) will provide water and sanitation; (b) the Ministry of the Sea, Inland Waters and Fishers (MIMAIP) will provide fishing kits and associated training; (c) MADER will provide agriculture kits; (d) the Ministry of Land and Environment (MTA) will provide land allocations to IDPs and compensation to host communities where required; (e) the Ministry of Health (MISAU) will provide health care services; (f) the Ministry of Education and Human Development (MINEDH) will provide education services; (g) the Ministry of Gender, Child and Social Action (MGCAS) will provide social assistance; and (h) the National Institute of Disaster Risk Reduction (INGD) will provide technical support on emergency management. The response will focus on alleviating the impact of the conflict on IDPs, host communities, and, where possible (if the areas are safe), those left behind in the conflict zone.

25. **Mozambique's social protection strategy in response to the IDP crisis.** The country's social protection system is grounded in the National Strategy for Basic Social Security 2016-2024 (ENSSB II), which targets more than 250,000 poor and vulnerable households with investments of US\$17 million. The key objectives of the strategy are to (a) strengthen the consumption and resilience of these households; (b) contribute to the



development of their human capital through improved nutrition and access to health and education services; (c) prevent and respond to the risks of violence, abuse, exploitation, discrimination and exclusion through social services; and (d) develop institutional capacity for the implementation and coordination of the social assistance system. The design and operationalization of ENSSB II is reflected in the Five-Year Government Program 2020-2024 (*Programa Quinquenal do Governo*).

26. **A traditional labor-intensive public works program has been successfully implemented by the National Social Assistance Institute through the Productive Safety Net Program (PASP)**, a public works program that targets poor households in which one or more adults are able to work but face limited employment opportunities. This program was launched in 2011 and further supported by the World Bank-financed Social Protection Project (P129524). As for December 2020, the PASP has reached 121,000 urban and rural households. The types of public works have evolved significantly over the years, from simple cleaning of streets, sewage canals and beachfronts to rehabilitation of roads, maintenance of schools and clinics, and natural resource conservation and management. Since this cash-for-work program is being implemented in the same areas as the proposed project, the activities of the two operations will be harmonized. Moreover, the PASP will be scaled up in the Northern provinces under the Investing in Human Capital and Preventing Conflict Escalation in Mozambique Project (P175298), currently under preparation, which will follow the same program parameters (beneficiary selection, cash transfer values) as the PASP.

27. **Ongoing World Bank response to disasters.** In order to strengthen the Government's capacity to finance and prepare for disaster response, and to increase the climate resilience of vulnerable education infrastructure in risk-prone areas, on March 19, 2019 the World Bank approved a total amount of US\$96 million for the Mozambique Disaster Risk Management and Resilience Program (P166437), which includes resources for capitalization of the National Disaster Management Fund (DMF). As of April 2021, the World Bank has disbursed approximately US\$21 million under the program, of which US\$18.2 million went directly into the DMF to support emergency preparedness and response operations after the cyclones, as well as for the response to the ongoing humanitarian crisis in the North.²⁵ The remaining US\$2.8 million is being used for capacity building of the DMF. In addition, a US\$9.7 million CERC was activated under the ongoing Mozambique Land Administration Project (P164551)²⁶ to help restore agricultural activity of IDPs and host communities in the provinces of Cabo Delgado and Nampula through the provision of 30,000 agriculture kits. This proposed Northern Crisis Recovery Project, through its focus on service provision, livelihood restoration and building social cohesion, will serve as a *bridge* between the Bank's emergency response and longer-term development objectives in the North, and will complement humanitarian efforts by the UN and other development partners.

²⁵ As of October 2020, the National Institute for Disaster Management Risk Reduction (INGD) spent US\$5.3 million for emergency/crisis response in the North (Cabo Delgado and Nampula), of which US\$4.0 million was allocated for the response to Idai and Kenneth, and US\$1.2 million for IDP support. Nearly all of the support (US\$5.1 million) went to Cabo Delgado.

²⁶ The CERC Immediate Response Mechanism (IRM) was activated on December 14, 2020.



II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement and Indicators

28. **The Project Development Objective** is to improve access to basic services and economic opportunities for internally displaced persons and host communities in targeted areas of Northern Mozambique. **Results will be measured using the following PDO indicators:**

- a. Number of beneficiaries with access to basic services and public infrastructure.
- b. Number of beneficiaries with improved access to livelihood support (percentage of which are women).
- c. Percentage of beneficiaries satisfied with project activities towards increased social cohesion (percentage of which are women).

B. Project Components

29. **The project is designed as an emergency response to the ongoing humanitarian assistance and a bridge to longer-term social and economic development.** Ongoing humanitarian support is being provided by traditional humanitarian actors focusing on immediate life-saving interventions targeting IDPs in temporary sites. Project activities will help magnify the impact of these interventions while facilitating the return to normality through support to civic engagement, livelihoods, and social and economic opportunities for both IDPs and host communities. In addition, mid-term interventions are designed to facilitate the transition of IDPs and host communities towards longer-term social and economic development opportunities to be provided by the pipeline of World Bank programs for the North, as well as by Government commitments under the PRA and RPBA process.

Component 1: Building social cohesion and resilience to conflict (US\$9 million equivalent)

30. **This component will finance activities required to foster institutions and processes that promote stability,** cohesion and peaceful coexistence among different social groups and host communities while enhancing trust and confidence between society and state institutions. Activities will include, inter alia: (a) support to community-based institutions; and (b) provision of social services to vulnerable households and individuals.

Subcomponent 1.1. Strengthening the capacity of community-based institutions (US\$5 million)

31. **This subcomponent will strengthen the capacity of community-based institutions** such as CBOs, peacebuilding committees, local associations, and local leaders to advance social cohesion and rebuild trust between society and the state.

32. **Specific activities under this subcomponent include, inter alia:** mapping of community-based organizations and leadership structures; revitalization of youth associations; creation and training of community-based child protection committees; revitalization and support of women's associations; and creation of volunteer associations in areas such arts, sports, dance and tournaments and other healing activities.



33. **The creation of these community-based institutions and participatory spaces** will help promote voluntary participation, gender equity, fair treatment and full exercise of citizen rights and liberties as pathways for shaping citizenship values, collective work and protection of women, children, youth and vulnerable groups.

Subcomponent 1.2. Provision of social services for vulnerable households and individuals (US\$4 million)

34. **Activities under this subcomponent will support the resilience of individuals and households** made vulnerable as a result of the conflict, through the provision of services such as mental health and psychosocial counseling to IDPs, especially women and children. The subcomponent will also support assistance to survivors of GBV as well as orphans and child-headed households. Qualified national and international NGOs will be contracted to provide these services. Finally, the subcomponent will support the identification, registration, and documentation of IDPs as well as the development and operation of a digital platform managed by the International Organization for Migration (IOM) to track IDPs' access to these services.

Component 2: Provision of livelihood and economic opportunities for IDPs and host communities (US\$28.8 million equivalent)

35. **This component will support, inter alia:** (a) provision of livelihood support through cash-for-work programs for youth and women, as well as agriculture and fishery inputs; (b) support job creation through the provision of kits for micro and small business development; and (c) training on professional skills, entrepreneurship and business management.

Subcomponent 2.1. Provision of support for the carrying out of livelihood recovery activities for IDPs and for host communities (US\$21.8 million)

36. **This subcomponent will finance livelihood recovery activities for IDPs and host communities.** Specific activities will include: (a) cash-for-work programs targeting, in particular, youth and female heads of households; and (b) provision of inputs for farmers, fishing communities and fisher associations.

37. **The cash-for-work programs will provide short-term income assistance to vulnerable households.** Beneficiaries will be selected based on vulnerability criteria aligned with those used in the PASP. The cash-for-work program will be implemented by an UN agency or by an NGO or CBO that will be competitively selected following contracting of the United Nations Office for Project Services (UNOPS) and fulfillment of disbursement conditions. FNDS will establish an agreement with the selected agency acceptable to the World Bank. The cash-for-work program will be subject to independent audit. The detailed functioning of the program, including eligibility criteria for beneficiaries and selection of the implementing agency, will be detailed in the Project Operations Manual (POM) not later than 30 days after Project effectiveness date.

38. **The provision of seeds and other agricultural inputs will use existing good practices in the sector,** including the organization of agriculture fairs in pre-identified sites, participation of pre-selected providers/dealers, and distribution of electronic vouchers to ensure that beneficiaries can choose the inputs that meet their needs and priorities. District authorities in targeted safe districts will provide extension services to farmers through the existing extension services network.

39. **Inputs to fisheries will target established fishing associations** operating along the coast and open sea, fishermen and women engaged in aquaculture and pisciculture, and vendors of fishery products. The project will



also support (a) the rapid assessment of fishery resources; (b) revitalization of community fishing councils, including integration of displaced fishers into local fishing centers; and (c) training of fishing associations and their members and local government staff on sustainable management of fishery resources.

Subcomponent 2.2. Supporting jobs creation and professional skills development (US\$7 million)

40. This subcomponent will support activities focused on generating temporary employment opportunities and boosting the professional skills of IDPs and host communities, with an emphasis on youth and women.

41. Activities supporting temporary employment will include, inter alia: (a) recruitment of local labor²⁷ for the provision of the basic services financed under Component 3; and (b) participation of IDPs and host community members in the implementation of social, health, education, sanitation and hygiene campaigns at the community level.

42. To support professional skills development, the project will finance, inter alia: (a) the construction of agriculture and poultry incubators in Balama, Chiúre, Montepuez and Pemba; (b) training of youth in small business management through the employment centers of Pemba and Balama; (c) professional training of youth, and the provision of tool kits for self-employment in different vocational specialties; (d) training of youth in construction and related basic construction skills; (e) training and hiring of IDPs and host community members for outreach activities related to public health and education; and (f) tailored skills development approaches for girls not in school. To ensure better spatial coverage of beneficiaries, the delivery of training will include mobile training approaches.

Component 3: Rehabilitation, construction, and equipment of public infrastructure (US\$55.2 million equivalent)

43. This component will finance, inter alia: (a) rehabilitation and construction of priority infrastructure needed to provide basic services; (b) rehabilitation and construction of education and health facilities; and (c) construction of community infrastructure and provision of amenities designed to support IDPs and host communities. The construction will use DRM and climate-resilient criteria to reduce the vulnerability of IDPs and host communities to hazards such as cyclones and floods. These criteria will include (i) safer locations (avoiding disaster-prone areas), and (ii) the use of construction designs and materials adapted to relevant natural hazards.

Subcomponent 3.1. Provision of support for site planning and basic services in relocation sites (US\$16.22 million)

44. The Government has identified 20 potential relocation sites (see next section on geographical targeting) and has started a gradual relocation of families. It is expected that in the coming months, up to 20,000 families will be relocated from temporary sites and host communities to relocation sites. To this end, the project will support the planning of proposed relocation sites and will finance priority infrastructure identified for these sites such as access roads, water supply and sanitation. The subcomponent will prioritize the water, sanitation and hygiene (WASH) sector, including the promotion of sanitation and hygiene education campaigns.

²⁷ This temporary employment is different from the cash-for-work program under Component 1. That program uses the principles of existing social safety net programs based on vulnerability criteria, whereas the temporary employment under subcomponent 2.2 focuses on minimal qualification/skills requirements for the operation, management and/or maintenance of works.



Subcomponent 3.2. Provision of medium-term durable solutions in relocation sites and poorly served host communities (US\$31.18 million)

45. **The proposed project will focus on the provision of medium-term durable solutions in relocation sites and poorly served host communities, including the restoration of health services in locations with higher concentrations of IDPs and incidence of disease.** Priority will be given to the rehabilitation and/or expansion of existing health and education facilities that serve both IDPs and host communities. New and durable infrastructure will be built only in relocation sites with an increased and sustained demand for these services over the medium and long term. The POM will identify the facilities to be expanded and the criteria for selecting new infrastructure. The Government will mobilize the necessary staff to ensure provision of education and health services in the new and rehabilitated facilities.

Subcomponent 3.3. Provision of support for the rehabilitation, construction, and equipment of community infrastructure (US\$7.8 million)

46. **This subcomponent will finance the construction of small community infrastructure** required to underpin the critical activities under components 1 and 2 in relocation sites and host communities. Under this subcomponent, the project will also provide basic equipment to ensure the functionality of these facilities.

47. **Activities to be financed include, inter alia:** (a) the construction of resilient and improved community markets; (b) provision of multipurpose community centers and safe spaces serving youth, women and children to accommodate activities under Component 1; (c) construction, equipment and management of multipurpose sport sites for youth; and (d) construction of livelihoods support infrastructure such as small dikes, ponds and water retention tanks needed for micro-irrigation systems.

48. **All community infrastructure will be designed to meet the needs of specific targeted groups, including people with disabilities.** Inclusive and gender-balanced users' committees will be established to ensure equitable and peaceful access and utilization of these facilities by IDPs and host communities. The users' committees will also ensure participation of local communities in the operation and maintenance of these facilities. Infrastructure to be constructed in remote areas will be equipped with solar systems to provide access to electricity to users and surrounding communities, as well as public lighting.

49. **IDPs and host community members will be contracted as temporary workers to support the management of community infrastructure.** To ensure alignment with its intended purpose and to balance the expectations and needs of beneficiaries, temporary workers will be selected from among the targeted groups. The criteria for selection of temporary workers will be detailed in the POM.

Component 4: Project implementation, monitoring and evaluation (US\$7.0 million equivalent)

50. **This component will finance the technical capacity for strengthening** of FNDS and local governments for project implementation, financial management, procurement, compliance with social and environmental standards, reporting and monitoring and evaluation (M&E).



Subcomponent 4.1. Provision of support and technical assistance (US\$7 million)

51. **This subcomponent will provide overall support and technical assistance for implementation of project activities,** financial and procurement activities, environmental and social standards, citizen engagement, preparation of progress reports, and monitoring and evaluation. It will also provide support to the Project Steering Committee (PSC),²⁸ and will support ADIN in leading the multi-institutional platform of organizations working with IDPs and host communities. Under this subcomponent, the project will also provide training and capacity building activities to local government staff, for effective monitoring and evaluation of project activities and for close monitoring of water and sanitation services provided by service providers.

52. **To expedite implementation of project activities and manage procurement and environmental and social issues at the central and local levels, strong technical assistance will be required.** This subcomponent will finance the contracting of UNOPS) to provide overall support to FNDS in the design and implementation of procurement activities, management of contracts and tracking of the delivery of goods and services procured at central and local levels. UNOPS will also provide the oversight and training required to build the capacity of FNDS and local authorities to actively monitor and evaluate activities implemented through local institutions, as described in Section III, Implementation Arrangements. All UNOPS activities will be required to adhere to the Environmental and Social Framework (ESF) and all project Environmental and Social (E&S) instruments.

53. **UNOPS will also provide technical support to ADIN and FNDS to enhance their capacity for emergency response.** In coordination with FNDS's Center of Excellence, UNOPS will provide training to key staff involved in the implementation of emergency operations in the areas of financial management, procurement, M&E, and environmental and social oversight. In addition, UNOPS will provide support for review and verification of compliance of retroactive financing expenditures with the agreed eligibility criteria. This support will be provided to both FNDS and ADIN.

54. **This subcomponent will also strengthen the capacity of local agencies for** (a) implementation, coordination and reporting of project activities supported by those local agencies; and (b) monitoring of activities implemented by third parties, with a focus on environmental and social standards and citizen engagement, including use of the Grievance Redress Mechanism (GRM) and other beneficiary feedback mechanisms.

55. Table 1 summarizes the allocation of resources of the proposed Project by Components and Subcomponents.

Table 1. Allocation of grant funding by project components and subcomponents.

Components and Subcomponents	Allocation (in US\$ million)
Component 1: Building social cohesion and resilience to conflict	9
<i>Subcomponent 1.1. Strengthening the capacity of community-based institutions</i>	5
<i>Subcomponent 1.2. Provision of social services for vulnerable households and individuals</i>	4

²⁸ The PSC will provide strategic guidance for project implementation and will be composed of senior staff from relevant ministries and agencies, including provincial bodies.



Components and Subcomponents	Allocation (in US\$ million)
Component 2: Provision of livelihoods and economic opportunities for IDPs and host communities	28.8
<i>Subcomponent 2.1. Provision of support for the carrying out of livelihood recovery activities for IDPs and for host communities</i>	21.8
<i>Subcomponent 2.2. Supporting temporary jobs creation and professional skills development</i>	7.0
Component 3: Rehabilitation, Construction, and Equipment of Public Infrastructure	55.2
<i>Subcomponent 3.1. Provision of support for site planning and basic services in relocation sites</i>	16.22
<i>Sub-component 3.2. Provision of medium-term durable solutions in relocation sites and poorly served host communities</i>	31.18
<i>Subcomponent 3.3. Provision of support for the rehabilitation, construction, and equipment of community infrastructure</i>	7.8
Component 4: Project Implementation, Monitoring and Evaluation	7.0
<i>Subcomponent 4.1. Provision of support and technical assistance</i>	7.0
TOTAL Funding	100

C. Geographic Targeting

56. **The project will target only those districts in Cabo Delgado that are safe and accessible and have a high number of IDPs.** The northernmost districts of Macomia, Mocimboa da Praia, Quissanga, Palma and Muidumbe are currently inaccessible, while Ibo, Mueda and Nangade are accessible but only under heavy protection. Only the southern and western districts of Cabo Delgado (Ancuabe, Balama, Chiure, Mecufi, Meluco, Metuge, Montepuez, Namuno and Pemba) remain safe and accessible as of March 23, 2021. However, this can easily change, as the situation on the ground is volatile.

57. **The Province of Cabo Delgado is on the front line of IDP crisis response.** Most IDPs (90.7 percent) and almost all the displaced public servants have relocated within the province, while an increasing number of IDPs are seeking refuge in the provinces of Nampula (8.9 percent) and Niassa (less than 1 percent). More recently, a small number of IDPs have moved southwards, to the central provinces of Zambezia (1,084) and Sofala (134). Safer districts of Cabo Delgado have also been hosting public servants relocated from inaccessible and unsafe districts. In addition, safer districts operate as hubs for the provision of emergency supplies and services to people left behind in unsafe and inaccessible districts. Facing the pressure of insurgency, the Government of Cabo Delgado is implementing a local level IDP Crisis Response Plan, aimed at providing humanitarian assistance to IDPs in temporary sites and host communities, while preparing the necessary conditions for their transfer to planned relocation sites. This provincial plan is part of Government's Integrated Development and Resilience Strategy for the north.



58. **Project interventions will target safer districts hosting the largest number of IDPs.** Table 2 presents a preliminary list of 20 proposed relocation sites located in Cabo Delgado.²⁹ The final selection will be based on the following criteria: (a) the site is free of land tenure issues; (b) it is a planned site (the relocation is taking place an orderly way); (c) each site will hold about 1,000 families; (d) at least 100 families have already been relocated to the site and are in urgent need of assistance; and (e) the site is not in an area of active armed conflict. (The map in Annex 9 shows the locations of existing and planned relocation). As indicated before, host communities adjacent to relocation sites will also be targeted by project interventions.

Table 2: Preliminary List of Relocation Sites

District	Locality	Name of the relocation site
Metuge	Nacuta	Cuaia
	Nacuta	Saul
	Nanlia	Ntokota
	Nacuta	Pulo
	Mieze Sede	Liberdade
	Metuge Sede	Ngalane
Ancuabe	Salaue	Nankumi
	Nanjua	Marocane
Chiúre	Meculane Sede	Marrupa
	Meculane Sede	Meculane
	Chiúre Velho	Chiúre-velho
Namuno	Milipone	Quiriquele
Balama	Sivaca	Impire
Montepuez	Mapupulo Sede	Mapupulo
	Nacate	Nicuapa
Meluco	Meluco Sede	Minapo
	Sitate	Sitate
	Muaguide Sede	Mariria
	Minhanha	Minhanha sede
	Mitambo	Mitambo sede

D. Project Beneficiaries

59. **Proposed activities will target IDPs and host communities near relocation sites in safer districts of Northern Mozambique.** As of February 2020, the conflict and violence in Cabo Delgado have caused the displacement of about 688,476 people of which 625,728 people were identified in Cabo Delgado, while an additional 64,259 IDPs were identified in Nampula, 1,159 in Zambezia, 935 in Niassa, and 170 in Sofala. Project interventions will benefit IDPs and host communities in selected urban, peri-urban, and rural areas where basic services and livelihoods are under pressure from the influx of IDPs. In total, an estimated one million beneficiaries will be targeted by project activities, of whom 600,000 will be IDPs and 400,000 will be members of host communities.

²⁹ Project activities will be expanded, as needed, to the other Northern provinces of Niassa and Nampula in accordance with the Government's strategy/plan for IDP crisis response in Northern Mozambique.



Box 1: Supporting IDPs and host communities

IDPs received at temporary sites are provided with food aid, shelter (tents) and tarpaulins by the Government and humanitarian agencies. However, most sites lack adequate water and sanitation services.

Other IDPs are received by host families, most of whom are already impoverished. These IDPs receive only limited humanitarian support, so their wellbeing largely depends on the resources of host families. In some cases, IDPs and host families may compete for access to jobs and livelihood support, which could create tensions and conflict.

Both IDPs at temporary sites and those with host families remain in situ until transferred to a *relocation site* on Government-owned land, where houses will be built with semi-durable materials and water, electricity and sanitation services will be provided. Relocation sites will be located close to human settlements and integrated into the municipal service grids, and a plot of land for housing and self-consumption agriculture will be provided to each IDP family.

In the short term, the project will focus on improving the provision of health support, water and sanitation in the temporary collective sites where the IDPs are received and attended. The project will also support livelihoods restoration for both IDPs and host communities and will provide durable community infrastructure and health and education infrastructure in selected relocation sites. Targeting and eligibility criteria for the final selection of beneficiaries and activities will be defined in the POM.

E. Retroactive Financing

60. **The project will use retroactive financing to a maximum of SDR495,000 (US\$704.968 equivalent) to expedite the delivery of support to IDPs and host communities.** By adopting retroactive financing and associated flexible procurement processes, the project will ensure that critical goods and services are quickly mobilized and delivered.

61. **Expenditures to be financed by retroactive financing must be consistent with three eligibility criteria:** (a) the expenditures shall be relevant to the Project Development Objective (PDO); (b) the goods or services shall have been procured in a manner consistent with the Bank's procurement regulations; and (c) the expenditures shall cause low environmental and social risks and impacts and be aligned with the Bank's environmental and social standards. A list of eligible expenditure is presented in Annex 3.

62. **The retroactive financing will reimburse the delivery of goods and services needed to support the immediate and short-term recovery needs of IDPs in temporary and relocation sites and in host communities.** These include the provision of drinking water and sanitation services; the promotion of sanitation and hygiene education campaigns; and the provision of primary health care services at the community level. It will also facilitate the provision of site planning, equipment and services, and agriculture inputs and fishery kits to restore the productive capacity of farmer and fisher households.

63. **The expenditures shall focus only on goods and services provided by relevant Government agencies, UN agencies and NGOs, and be clearly targeted to temporary and relocation sites and selected host communities.** No civil works, regardless their size, will be eligible for retroactive financing. To prevent social risks



and impacts, expenditures that require previous definition and consensus on eligibility criteria and targeting of beneficiaries will not be financed. The expenditures must be relevant to sectors involved in IDP crisis response and have low environmental and social risks and impacts that can be mitigated or compensated to endure alignment with the requirements of the Bank's environmental and social standards. Expenditures related to land acquisition to allocate to IDPs are not eligible for retroactive financing.

F. Results Chain

64. **The project will help strengthen the Government's capacity to address the short, medium, and long-term dimensions of the crisis** and improve social cohesion and resilience to conflict. This will be achieved through the implementation and management of the project's livelihood and economic activities; services (basic water and sanitation); facilities (health clinics, schools); and community infrastructure (public lighting, meeting places).



Figure 4. Theory of Change

	Activities	Outputs	Immediate outcomes	Intermediate outcomes	PDO Outcomes	PDO
Component 1	Development and implementation of electronic IDP registration and tracking platform	IDPs registry and profiling	# of IDPs provided with ID cards	Increased number of IDPs reached by services delivery tracking platform	Increased social cohesion and resilience to conflict	The Project Development Objective is to improve access to basic services and economic opportunities for internally displaced persons and host communities in targeted areas of Northern Mozambique
	Provision of mental health and psychological counseling to IDPs victims of violence, GBV and sexual abuse	Mental health and psychological counseling services provided to victims	% of victims of violence, GBV an sexual abuse covered by counselling services	Increased number of victims seeking counseling services		
	Establishment and training of community-based peace building committees	# of Community-based peace building committees created and trained	# of IDPs and host community members integrated in peace building committees	Increased participation and voice of IDPs and host communities in peace building spaces		
Component 2	Provision of employment and cash-for-work programs for youth and women	# of job opportunities created	# of youth and women benefiting from job opportunities	Increased participation of youth and women in off-farm income generating activities	Increased number of people with access to livelihoods and economic opportunities	
	Provision of agriculture and fisheries inputs	Tons of seeds and # of kits distributed	# of farmers and fisherman covered	Improved food security of IDPs and host communities		
	Provision of skills development and vocation training	# of vocational training courses delivered	# of IDPs covered by vocational training courses	Improved work and occupational skills		
Component 3	Provision of water and sanitation services	# of water sources constructed/Latrine slabs distributed	# of households covered by water and sanitation services	Increased use of water and sanitation services	Increased number of people with access to basic services and public infrastructure	
	Rehabilitation or construction of education and health infrastructure	# of health units/ classrooms built/rehabilitated	# people covered by health and education infrastructure	Increased used of health and education infrastructure		
	Construction of community infrastructures and amenities	# of community infrastructure and amenities constructed	# people covered by community infrastructure	Increased use of community infrastructure and amenities		



G. Rationale for Bank Involvement and Role of Partners

65. **In June 2020, OCHA and humanitarian partners launched a Rapid Response Plan³⁰ to address the humanitarian crisis in Cabo Delgado.** The Rapid Response Plan sought US\$35.5 million to finance immediate lifesaving and life-sustaining assistance and protection services for IDPs and host communities. By November 2020, around US\$23 million had been mobilized through the Central Emergency Response Fund (CERF) and other contributions from the international community. In December 2020, the Rapid Response Plan was replaced by a new US\$254 million Humanitarian Response Plan to Support the North, including not only immediate response activities but also short-term recovery.

66. **The funding gap for the Humanitarian Response Plan is substantial.** In its official request for support, the Government of Mozambique indicated that an immediate multi-sector response and recovery plan in the amount of US\$305.8 million is needed for the recovery of IDPs and host communities. This US\$100 million World Bank supported project is a critical component of the international response to the crisis and has the potential to attract additional resources from other partners.

67. **Traditional UN agencies and international and local NGOs are currently working in the North.** The Bank has established contact and coordination mechanisms with many of these agencies to inform the design of the proposed project and carried out a consultative process with relevant actors. The table in Annex 7 summarizes the results of the consultations and how they are linked with or influence project components.

68. **The World Bank has provided extensive support to Mozambique during the early phases of recovery from recent emergencies.** Only days after the landfall of Cyclone Idai, in March 2019, the World Bank Board of Executive Directors approved the first-ever IDA Disaster Risk Management and Resilience Program (P166437) for Mozambique. One aspect of the Program was the development and capitalization of a national DRM fund, which has since become a key pillar in the Government's humanitarian response to the IDP crisis in the North. Moreover, the US\$9.7 million CERC activated in 2020 under the ongoing Mozambique Land Administration Project (P164551) is providing additional support for the IDP crisis. The World Bank- financed Cyclones Idai and Kenneth Emergency Recovery and Resilience Project (P171040), has been instrumental in providing support for the COVID-19 pandemic through its CERC. Finally, the proposed operation builds upon decades of WBG experience with multiple IDP crises, including the Temporarily Displaced Persons Emergency Recovery Project (P154278) in Pakistan (FY16) and the Emergency Multi-Sector Rohingya Crisis Response Project (P167762) in Bangladesh (FY18). The lessons learned from those experiences are discussed in the following section.

H. Lessons Learned and Reflected in the Project Design

69. **Early engagement, flexibility and effective coordination are critical to mitigating the short and medium-term impacts of a crisis.** While there are considerable risks in engaging in an unfolding emergency, the risks of inaction could be even greater. Mozambique is still in the early stages of an evolving IDP crisis that could become prolonged. WBG engagement can help to mitigate some of the risks facing the forcibly displaced and their host communities, by working in partnership with UN agencies and NGOs to put in place a development response that can help to stabilize the situation over the longer term. The project design uses a selective approach, focusing on activities that support Government priorities and that can realistically be carried out in the current

³⁰ OCHA, Mozambique Situation Report, last updated October 30, 2020.



environment. The flexible design allows for adjustments, in consultation with the Government and key partners, as the situation evolves.

70. **Any engagement should aim to mitigate tensions between IDPs and host communities.** To reduce tensions, the proposed project includes activities aimed at increasing the self-reliance of IDPs by reducing their dependence on humanitarian aid and assistance. Another key lesson is the necessity of improved communication between groups to enhance social cohesion; thus, the proposed project includes, under subcomponent 1.1 on community-based organizations, activities aimed at fostering communication and cooperation between IDPs and host communities.

71. **World Bank experience with crisis response has demonstrated the importance of a multi-sectoral recovery approach, implemented in close collaboration with province-level agencies.** The systematic planning involved in holistic, multi-sectoral recovery interventions, including DRM, social protection, water, health and education, fosters coordination among the different actors involved, defines clear roles and responsibilities, and allows for the establishment of a comprehensive monitoring mechanism. Coordination with province-level agencies will ensure that the project supports activities where the needs are greatest.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

72. **The project will be implemented by FNDS under the leadership and oversight of MADER.** FNDS will be responsible for operational management and coordination, while technical oversight will be provided by MADER's Directorate of Cooperation and Markets (DCM). The roles and responsibilities of FNDS and DCM will be established in the POM not later than 30 days after Project effectiveness date.

73. **The Project Steering Committee (PSC) will be responsible for:** (a) providing overall policy guidance and decision making on all issues relating to the project; (b) facilitating coordination among the relevant agencies; (c) reviewing and approving annual work and expenditure plans; and (d) assessing risks with the potential for strategic impact, and identifying solutions. The Steering Committee will meet at least twice a year. All meetings will be held at the provincial level. The PSC will be chaired by MADER and consist of the Provincial Governor and the Secretary of State of Cabo Delgado; representatives of the Provincial Council and the State Representation of Nampula and Niassa Provinces; ADIN; and international and local NGOs and CBOs involved in IDP support. FNDS and entities providing implementation support and technical assistance to the project will participate as permanent observers. ADIN will serve also as the Secretariat of the PSC.

74. **FNDS will provide overall project coordination, financial management and M&E, with the assistance of an experienced Project Coordinator and Financial Management Specialist.** The Project Coordinator will serve as the liaison among FNDS, national and provincial government and service providers, including the UN agencies. The Coordinator will have overall responsibility for project planning and coordination with MADER, ADIN, provincial authorities, and other relevant sector institutions. Through the Project Coordinator, FNDS will lead the preparation of annual work plans, semi-annual progress reports, and all other key implementation documents, in consultation with MADER, provincial authorities and relevant central government agencies. With support from the Financial Management Specialist, the Financial Management department of FNDS will be responsible for financial management of all project proceeds, including for activities implemented with the support of UNOPS,



the project's Implementing Partner. FNDS will also provide logistical support, as needed, to the provincial technical teams. The project will use the existing M&E systems and capacities at FNDS for data and information management, reporting and M&E, including reporting on GRM. A project specific GRM will be jointly designed by FNDS and UNOPS and will be fully operational within the first three months after Project effectiveness date. Until the project specific GRM is in place, the existing GRM at FNDS will be made available and disseminated to project-affected and interested parties.

75. **UNOPS will provide implementation support to FNDS and ADIN**, including for procurement management, preparation of detailed designs and tender documents, supervision of works and contract management, and delivery of works, goods and services by contractors to their end uses. UNOPS will also support the management of and compliance with environmental and social requirements and the setting up and management of the GRM at the community level, in accordance with the ESF and other project requirements. Further, UNOPS will support FNDS preparing the POM describing the roles and responsibilities of ADIN, MADER, the Project Steering Committee and provincial authorities, in line with the project's technical, administrative, financial, procurement, and M&E arrangements, and its environmental and social standards, as detailed in the Financing Agreement and in the Environmental and Social Commitment Plan (ESCP) and other E&S instruments. UNOPS will deploy local staff to be based in Pemba for day-to-day implementation of project activities.

76. **Other UN agencies and experienced international and national NGOs and local CBOs will be hired by UNOPS and FNDS as needed, based on their areas of expertise.** Such NGOs and CBOs will provide support to the implementation of activities under Component 1 and Component 2, and the management of community infrastructure under Component 3. All NGOs and CBOs hired under the project will establish their duty stations in Pemba.

77. **At the provincial level, the Secretary of State will be responsible for political leadership and oversight of the project and will chair the Project Coordination Group (PCG).** The PCG will comprise one representative each from the Provincial Services of Economic Activities (SPA), the Provincial Services of Environment (SPA), ADIN, FNDS, INGD, the Provincial Council, and the Provincial Commission for Social Support and Reconstruction. Pemba based technical specialists attached to these agencies will participate as permanent observers. This approach will strengthen authority at the provincial level and support the decentralization process in the North of Mozambique.

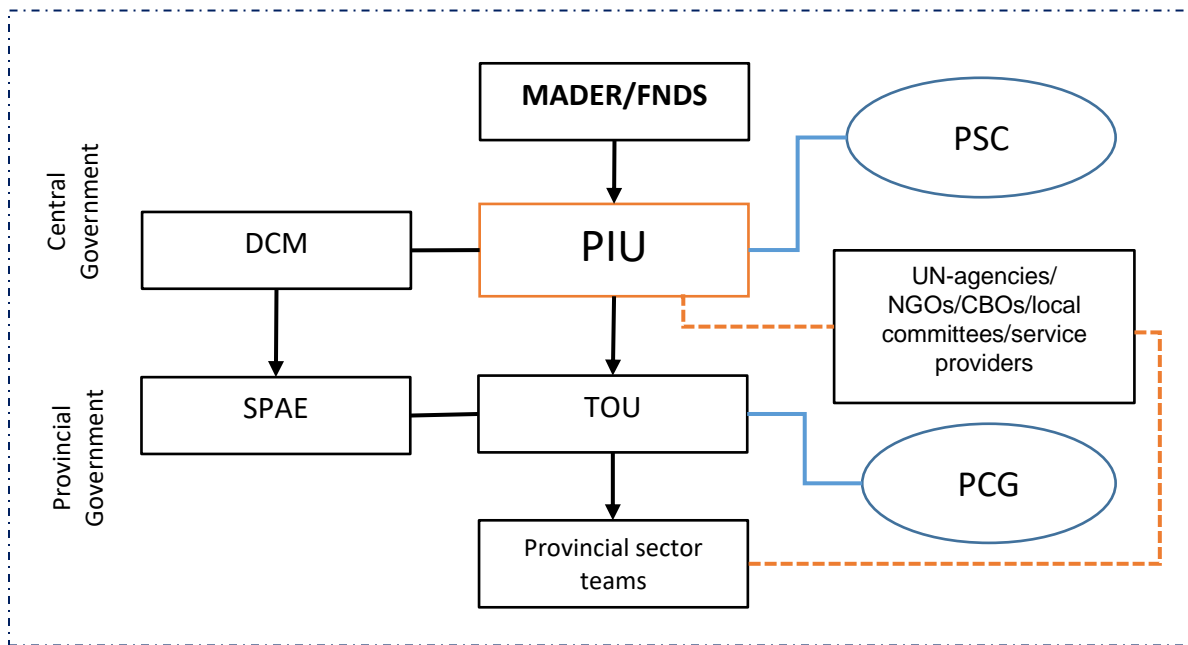
78. **The Provincial Services of Economic Activity (*Serviços Provinciais de Atividades Económicas*, SPAE)** will be responsible for providing implementation support and monitoring of project activities under Component 1 and subcomponents 2.1 and 3.1. SPAE will provide technical guidance to the provincial Technical Operational Unit (TOU).

79. **The Technical Operational Unit (TOU)** will comprise technical staff from the Provincial Council and the province-level entities directly responsible for implementation support and monitoring. The TOU will be responsible for planning the provision of logistical and operational support required by provincial technical teams under Component 1; the distribution of agriculture and fisheries inputs and kits under Component 2, and the planning of relocation sites and communal agricultural spaces under Component 3. The TOU will also be responsible for monitoring professional skills development under Component 2 and the provision and maintenance of public services and infrastructure under Component 3. The TOU will ensure that these activities comply with social and environmental requirements, including citizen engagement and effective functioning of the GRM.



80. **IDPs and host communities will participate in project planning, implementation, monitoring and evaluation**, and will be responsible for the creation and management of community organizations and spaces for participation. They will also participate in the construction and daily management of community infrastructure. Communities are expected to participate in planning project activities that meet their needs and give feedback on their level of satisfaction with the services and infrastructure provided by the project. Independent NGOs and/or CBOs will act as third-party monitors of project activities. Figure 5 depicts the proposed institutional and implementation arrangements for the Project.

Figure 5: Institutional and Implementation Arrangements for the NCRP



B. Readiness for Implementation

81. **The proposed operation is well advanced toward meeting implementation readiness requirements within 60 days after World Board approval.** The Government's interest in using UNOPS as Implementing Partner to speed up implementation was confirmed during the appraisal mission of February 18-24, 2021. To this end, Terms of reference (TOR) for contracting UNOPS have already been drafted and reviewed by the World Bank. A formal communication dated March 31 was sent to UNOPS to formalize the Government's intention. To accelerate the contracting of service providers, existing resilient design standards for construction of health units, classrooms and water supply sources will be used in the preparation of bidding documents and tendering processes.

82. **The project will adopt flexible approaches to meet the readiness requirements.** UNOPS will use its internal financial and technical capacities to facilitate the preparation of all documents required for readiness, including advanced preparation of the POM, the environmental guidelines/ESMF, the Resettlement Policy Framework (RPF), the Environmental and Social Impact Assessments (ESIA) and Environmental and Social



Management Plans (ESMP) for the proposed 20 relocation sites to inform the bidding documents, and wherever needed, Resettlement Action Plans (RAPs) prior the commencement of works in accordance with the RPF.

83. **FNDS is advancing the preparation of the Resettlement Policy Framework (RPF) and the Land Tenure and Land Use screening of selected relocation sites.** Both processes are being implemented as part of the CERC activation of the Land Administration Project (P164551). In the case of the RPF, FNDS has prepared a first draft, which is currently being reviewed by the World Bank. In addition, the tender process for contracting a local NGO to act as an independent third party in evaluating selected relocation sites will be launched by end of April 2021. Both processes shall be completed and approved by the World Bank prior to disbursement of subcomponent 2.1 and component 3.

C. Results Monitoring and Evaluation Arrangements

84. **FNDS, through its Planning and Monitoring Department and with technical support from UNOPS, will be responsible for overall project Monitoring and Evaluation (M&E),** based on its experience with implementing other World Bank-funded projects. UNOPS will develop and maintain a dedicated M&E system for the project, including an electronic/digital M&E platform, which will be operated and populated by an M&E Specialist to be hired by UNOPS and based in Pemba. The project M&E system will be designed to ensure that it receives and processes, in a timely manner, beneficiary feedback on access to and quality of public services and infrastructure delivered by the project. The system will be linked to the existing M&E system at FNDS.

85. **The M&E system will prioritize consultation with communities, UN agencies, development partners and national and local government institutions directly involved in project implementation.** Using this information, the M&E Specialist will be responsible for responsible for (a) collecting, consolidating and reporting project performance data (including physical and financial management progress); and (b) providing periodic information on the indicators included in the Project Results Framework, and progress toward outcomes. UNOPS will conduct regular surveys to collect information and feedback of beneficiaries regarding their level of satisfaction with the services and infrastructure delivered by the project; to this end, third party monitoring NGOs or CBOs will be hired.

86. **The M&E Specialist will also provide support and capacity building to the province-level TOU to ensure accurate and timely data collection and reporting** by provincial sector teams and service providers, which will feed into the project M&E system in FNDS. The TOU will monitor and report on compliance with E&S standards, particularly the implementation of locally led processes, with a focus on IDP and host community engagement in community-based institutions and dialogue spaces, including GRM and conflict resolution mechanisms related to natural resources, land use and basic services. UNOPS and TOU will jointly conduct regular monitoring visits to all outsourced activities to monitor the accuracy of the data collected from the field. Under the supervision of the Planning and Monitoring Department of FNDS, and in collaboration with the UNOPS M&E Specialist, the Project Coordinator will prepare semi-annual progress reports throughout project implementation. Similar exercises will be conducted by the TOU at the provincial level under the supervision of SPAE, to ensure that these reports provide the necessary and timely information needed for the quality assurance reports prepared by the PIU.



D. Sustainability

87. **The proposed operation is fully aligned with ongoing efforts to address the pressing needs of IDPs and host communities.** It also reflects the recalibration of the World Bank portfolio and Government priorities to focus on conflict prevention and resilience in Northern Mozambique through investment in peacebuilding and development interventions—the two basic elements for sustainability.

88. **Specifically, this project constitutes the initial step toward a systematic series of Bank interventions aiming at preventing the escalation of conflict.** The project is designed to address some of the root causes of fragility identified by the RRA — in particular, exclusion and lack of access to basic services and resources — through supporting institutions to deliver public infrastructure and economic opportunities for marginalized communities. The project also includes longer-term peacebuilding and development interventions in the context of the recalibration of the World Bank portfolio and the ongoing process for accessing the resources of the PRA. The project will also lay the foundation for supporting the Government’s commitment to implement an Integrated Development and Resilience Strategy to address the drivers of fragility in the Northern Mozambique.

89. **All interventions under the proposed project will be linked with existing and proposed WBG projects for the North of Mozambique.** The project interventions emphasize the establishment of community-based institutions and capacity strengthening of local governments as essential for building social cohesion, resilience, and peace between IDPs and host communities, and between these groups and state institutions. Under the PRA, the project will develop linkages and synergies with several other long-term investments, as shown in Annex 8. The project will also strengthen the capacity of institutions to foster beneficiary ownership of decision making, accountability and collective action for early detection and resolution of grievances, and thereby prevent the emergence of a new cycle of violence in targeted areas. Technical assistance (TA) to be funded under Component 1 will provide the necessary expertise for achieving these goals.

90. **The investments proposed under Component 2 on livelihoods and economic opportunities will enable equitable access to resources and services** that IDPs and host communities need to restore their lives. Investments under Component 3 on public infrastructure will include a combination of temporary and durable infrastructure to address immediate and short-term needs for water and sanitation for IDPs in temporary and relocation sites, and resilience standards to reduce the vulnerabilities of host communities to natural disasters. Moreover, the installation of solar panels on all infrastructure at off-grid sites will open new labor market opportunities and provide climate Co-Benefits by reducing the use of fossil fuels and reducing emissions from deforestation and the use of firewood for fuel and indoor illumination. In addition, the knowledge and skills acquired by project beneficiaries through their participation in project activities will expand their possibilities to participate in and influence the design and implementation of future development projects.

91. **IDPs and community members will be recruited and trained in the provision of community-based services such as health care and management of community infrastructure,** while service providers, including local NGOs, will provide the necessary support for operation and maintenance of basic services for the duration of the project. The capacities and experience gained by all beneficiaries will help to create a consensus on how to access development opportunities to address the root causes and drivers of fragility, conflict, and violence.



IV. PROJECT APPRAISAL SUMMARY

A. Technical Analysis

92. **The conflict has caused the destruction of critical infrastructure and disrupted livelihoods and basic services.** Education, health, water supply, housing and local administration infrastructure have been destroyed in the coastal districts of Cabo Delgado. Economic activities and social protection programs have been paralyzed. Civil servants and populations have abandoned unsafe districts and found refuge in temporary sites and host communities in the southern districts of Cabo Delgado and the nearby provinces of Niassa, Nampula and Zambézia, increasing pressure on already constrained infrastructure, services and resources in host communities. The establishment of functional institutions and spaces for building social cohesion is essential for the peaceful resolution of grievances and collective action to prevent the eruption of conflicts between IDPs and host communities; and the restoration of infrastructure, livelihoods and services is essential for the rapid recovery of affected populations.

93. **Project interventions will take place in already established or planned relocation sites and adjacent host communities.** Using its limited resources and existing site planning techniques developed by the MITA, and with support from development partners, the Government has advanced toward establishing relocation sites in rural areas. The project will build on this experience and expand the Government's capacity to expedite the planning of the 20 proposed relocation sites in line with the requirements of the RPF. Additional measures will be implemented, as needed, to ensure that impacts are addressed in line with Environmental and Social Standard 5 (ESS5) principles on land acquisition, land use and involuntary resettlement.

94. **The implementation of peacebuilding and social cohesion activities will take stock of existing practices,** including the creation of peacebuilding clubs by NGOs in central Mozambique, which have been functioning successfully since 2014; and the experience of national NGOs and CBO networks with community engagement and the protection of women's and children's rights across the country. The peacebuilding and social cohesion activities will also draw on the results of the ongoing World Food Program (WFP), IDP digital registration pilot to expand the Displaced Tracking Matrix (DTM), operated by IOM.

95. **Construction or rehabilitation of public infrastructure will use existing design standards for schools, health centers, water supply and small irrigation systems and community infrastructure.** Most of these designs standards have been successfully tested under the Emergency Resilience Recovery Project (P156559). The project will build on these designs and existing knowledge in each sector to expedite the tendering process and contract execution, with involvement of experienced national and international contractors.

96. **Project interventions will be climate and disaster resilient.** Resilient technical designs will be used for the rehabilitation and construction of dikes and for education, health, and WASH infrastructure. To this end, the project will benefit from the experience of the Mozambique Emergency Resilience Recovery Project (P156559) to ensure that rehabilitated and constructed infrastructure is resilient to flooding, droughts and localized strong winds. The experience of the Mozambique Cyclone Idai and Kenneth Emergency Recovery and Resilience Project (P171040) will inform the construction of housing using mixed materials to ensure resilience to heavy rains and localized strong winds.

B. Economic Analysis

97. **An economic analysis was undertaken to assess the economic feasibility of all proposed project interventions.** The analysis grouped the interventions according to three project components: (a) building social cohesion and resilience to conflict; (b) providing livelihoods and economic opportunities for IDPs and host communities; and (c) providing access to basic services and public infrastructure. The detailed economic analysis is presented in Annex 4.

98. **Due to the urgent nature of this operation,** a preliminary quantitative analysis was conducted for interventions in the WASH, health, and education sectors, as well as for investments in markets and other community spaces. For interventions in other sectors, a qualitative analysis of the benefits was carried out.

99. **The economic analysis for interventions in the five selected sectors presented in Table 4 suggests that the proposed interventions are economically feasible across all subprojects under consideration.** The unit costs of the subprojects are based on similar projects in the country, or in the region if national data are not available. Costs include implementation, monitoring and evaluation (Component 4). The analysis relies on the Net Present Value (NPV) of the costs and benefits to assess the net returns accruing from the implementation of the subprojects. The analysis relied on the following assumptions:

- Valuation of costs and benefits, based on market and shadow prices,
- Appraisal period of 20 years,³¹ and
- Discount rate of six percent.

100. **The results of the economic analysis show an overall NPV of US\$104.75 million and a benefit-cost ratio (BCR) of 2.83 for the project.** Both the NPV and BCR quantify positive benefits to the affected households, showing that the project is economically viable by conservative estimates. Regardless of the chosen discount rate (6 percent), the NPV and the BCR illustrate that the project's impact will be beneficial and significant. Results for the overall project are presented in Table 3, and results for each of the assessed components are summarized in Table 4.

Table 3: Summary of Estimated Cost-Benefit Analysis Result, Overall Project

	Overall Project		
Discount rate	0%	6%	10%
Costs	68.45	57.21	52.45
Benefits	272.47	161.95	122.08
Benefit-Cost Ratio	3.98	2.83	2.33
Net Present Value	204.02	104.75	69.64

Note: Costs, benefits, and NPV are presented in US\$ million.

³¹ The appraisal period is 20 years for investments in the WASH, health and education sectors, and 10 years for investments in community infrastructure such as markets and community spaces.



Table 4: Summary of Estimated Cost-Benefit Analysis Result per Component

Components	3.1 WASH			3.2.1 Health			3.2.2 Education			3.3.1 Markets			3.3.2 Community Spaces		
Discount rate	0%	6%	10%	0%	6%	10%	0%	6%	10%	0%	6%	10%	0%	6%	10%
Costs	18.69	15.96	14.79	25.20	19.62	17.44	19.43	17.09	15.99	1.55	1.32	1.21	3.58	3.21	3.01
Benefits	41.35	28.23	23.39	103.36	59.33	43.68	109.69	61.75	44.80	7.63	5.20	4.12	10.45	7.44	6.09
BCR	2.21	1.77	1.58	4.10	3.02	2.50	5.65	3.61	2.80	6.08	3.87	2.91	6.87	4.23	3.08
NPV	22.65	9.79	0.32	78.16	32.42	21.24	90.26	33.43	28.81	4.93	3.93	3.40	2.92	2.32	2.02
IRR	65.55%			39.46%			35.54%			58.06%			42.01%		

Note: Costs, benefits, and NPV are presented in US\$ million.

C. Fiduciary

Financial Management

101. **The overall financial management (FM) arrangements were assessed to be adequate, with substantial residual risk.** The assessment was conducted to evaluate whether the project meets the Bank's minimum FM requirements, as stated in the *Directives and Policy for IPF*. The assessment was conducted at FNDS, the implementing agency that shall be responsible of financial management arrangements. The assessment complied with the *Bank Guidance on FM in World Bank IPF Operations*, issued on February 28, 2017. The assessment found acceptable financial management arrangements at FNDS, which were established when the agency was implementing other World Bank-financed operations. FNDS is currently implementing four ongoing World Bank-financed operations.³² However, some financial management weaknesses were identified: (a) there has been a significant delay in the implementation of an accounting software package; and (b) there is a need to strengthen capacity at the agency's Financial Department and Internal Audit Unit. In addition, there is risk that FNDS will not be able to properly discharge its FM responsibilities due to the increased number of World Bank-financed operations for which it is responsible. To mitigate this risk, FNDS will hire, for the proposed project, a dedicated FM specialist.

102. **The following actions should be implemented by FNDS, within 60 days of project effectiveness, to ensure the adequacy of its FM arrangements:** (a) develop a section on FM procedures to be included in the POM; (b) recruit an additional Financial Management Specialist for the project; and (c) complete implementation of the accounting software package.

103. **The following project FM arrangements have been agreed upon:** The project funds, expenditures, and resources will be accounted for using the existing accounting packages, and cash basis will be used for financial reporting. The financial and administrative procedures to be used for the project will be documented in the POM. The IDA funds will be disbursed on a transaction basis (statements of expenditures) using the following methods: (a) reimbursement, (b) advances, (c) direct payments, and (d) special commitments. FNDS will prepare quarterly unaudited interim financial reports (IFRs) and will provide such reports to the World Bank within 45 days of the end of each calendar quarter. The project financial statements will be audited annually by

³² Mozambique Land Administration Project – Terra Segura (P164551); Agriculture and Natural Resources Landscape Management Project (P168940); Agriculture and Natural Resources Landscape Management Project (P149620). Mozambique Forest Investment Project (P160033).



the Administrative Tribunal (the country's supreme audit institution), and the audit report together with a separate Management Letter will be submitted to the World Bank no later than six months after the end of each fiscal year.

104. **To expedite the implementation of project activities, the Government will directly engage the United UNOPS**, which will serve as Implementing Partner for the project. UNOPS will be contracted using a standard template plus any needed protocols to ensure commitment to comply with the ESF. The World Bank will ensure that the Reporting and Fraud and Corruption Prevention requirements of the standard agreements are in place. UNOPS will conduct agreed activities and submit quarterly reports on the utilization of advances to FNDS. The content and format of the report will be agreed with the Government. It may include description of activities undertaken, equipment and goods purchased, with details of quantity and value, cumulative data, funds balance and disbursement plan.

Procurement

105. **Procurement arrangements and capacity.** FNDS has adequate capacity for day-to-day management of the project, including qualified capacity in procurement in a manner satisfactory to the World Bank. This will allow implementation to begin soon after the project becomes effective. Additional implementation support will be provided by UNOPS, and other UN agencies already on the ground to further support Government efforts. The World Bank will carefully monitor the procurement process and provide support and guidance as required.

106. **Procedures.** Procurement for the proposed operation will be carried out in accordance with the *World Bank Procurement Regulations for IPF Borrowers* (dated November 2020 and amended over time) and the provisions of the Financing Agreement. Furthermore, the *Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants* (dated October 15, 2006 and revised in January 2011 and July 2016) will apply. In view of the emergency nature of the project, the procurement section of the POM will provide for streamlined procedures for the procurement of goods, works and services, including consultants' services.

107. **Country practices.** Payments to foreign providers may cause delays in the procurement of goods and services, as has occurred during other projects. In addition, the requirements of the Attorney General's Office and the Administrative Tribunal for the legal vetting of contracts may lead to signing delays after the contracts are awarded. It is imperative that these delays are considered in planning activities. Furthermore, for contracts with a foreign supplier/consultant, clearance is needed from the Ministry of Economy and Finance (*Repartição de Assuntos Jurídicos e Contratos*, MEF) and the Central Bank (*Banco de Moçambique*) before payments abroad can be authorized. These risks are portfolio wide and will be regularly monitored.

108. **Project Procurement Strategy for Development (PPSD).** A PPCSD was prepared by FNDS and reviewed by the World Bank. The outcome of the PPCSD is the Procurement Plan, which will also follow the relevant aspects for procurement described in the Procurement section of the POM. This will guide the PIU in carrying out procurement in accordance with World Bank Procurement Regulations.

109. **Procurement risk is considered High.** While the envisaged activities are not expected to be complex, security challenges may deter the participation of qualified market players. This risk rating may be revised throughout implementation, as deemed appropriate.



D. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

E. Environmental and Social

Environmental issues

110. **The environmental risk rating is considered High, due mainly to the potential adverse impacts from construction and operation of infrastructure** for basic services in water and sanitation, health, education and social protection.

111. **Key environmental risks and impacts stemming from Component 1** are associated with the transmission of communicable diseases (COVID-19) that could arise through IDP registration and public gatherings for capacity building workshops and trainings.

112. **Under Component 2, the provision of agriculture and fisheries inputs will lead to habitat loss** through land clearing and natural resource harvesting, community work and related risks of injuries and accidents. This component will also provide kits for micro and small business development, for which no significant risks to natural habitats and health and safety are anticipated.

113. **Under Component 3, key environmental risks and impacts associated with civil works** include disturbance or degradation of soil, vegetation, marine and coastal habitats and wildlife; contamination of soil and water bodies from wastewater; pollution from the use of fossil fuel-based machinery and equipment; nuisance and road traffic safety issues; and occupational health and safety concerns related to the use of construction equipment, vehicles and machinery by contracted and community workers.

114. **Other activities under Component 2** (training on entrepreneurship and business management) and Component 4 (strengthening the fiduciary and environmental and social standards) are mostly technical assistance and capacity building activities, which have more diffuse and induced impacts, often playing out over the longer term.

115. **Military personnel or police will not be used to protect project personnel and assets**, as project activities will only be implemented in areas where there is no active conflict.

116. **The environmental risk rating also takes into account the varying capacities of the multiple implementing partners** and direct third-party implementation institutions to manage potential risks, particularly under the new ESF requirements, with which FNDS has no prior experience, although UNOPS has experience applying the ESF elsewhere but not in Mozambique.



117. **To mitigate the project's potential environmental risks and impacts, the Borrower will conduct environmental and social screening for subprojects and activities to be developed in the 20 relocation sites** in accordance with the ESF, and prepare site-specific ESIAs/ESMPs that include provisions for waste management, emergency response, occupational and community health and safety issues, and for screening out critical natural habitats and protecting other natural habitats. The ESIAs/ESMPs will be consistent with the ESSs considered relevant to the project; namely, ESS1, ESS2, ESS3, ESS4, ESS5, ESS6, ESS8 and ESS10. A regional ESIA will also be conducted during project implementation and in coordination with other projects in the region, in order (a) identify and mitigate cumulative environmental impacts; (b) assess and improve institutional capacity, including security arrangements; (c) ensure a consistent and well-adapted approach to IDP and host community land issues; (d) use a systematic social assessment to ensure inclusion of vulnerable groups; (e) refine and capitalize on commonalities and efficiencies for overarching issues, such as labor and influx management, gender-based violence and emergency preparedness.

Social issues

118. **The social risk rating of the project is High.** While project activities are expected to have positive social and economic impacts and foster a resilient recovery, there are also potential social risks: (a) some interventions may involve land acquisition and resettlement; (b) some interventions will require recruitment of labor from outside the project area, which could increase the risks of conflict with the local community and gender-based violence; (c) there is a risk of elite capture or conflict if targeting of program beneficiaries is not carefully planned in consultation with IDPs and host communities; (d) there is a risk that armed conflict could reach the project areas; (d) there is a risk of the spread of COVID-19 during IDP registration, public consultations, civil works and gatherings. In addition, the contextual risk of armed conflict in the region may lead to a further influx of IDPs and to changes in risk rating.

119. **Under Component 2, the provision of cash-for-work programs for youth and women,** agriculture and fisheries inputs and kits for micro and small business development will require appropriate measures to ensure that beneficiaries are targeted in a transparent and equitable manner and with clear selection criteria to prevent elite capture and conflict. Training on entrepreneurship and business management and cash-for-work programs also pose a risk of GBV and infectious diseases such as COVID-19. These risks will be mitigated by preparation and implementation of the project's GBV/SEA Action Plan and COVID-19 Prevention Plan.

120. **Under Component 3, while most of the labor force is expected to be recruited locally,** the risks associated with a possible influx of labor will need to be carefully managed. These risks include the health and safety of workers and management of worker camps, and gender-based violence. These risks will be mitigated by implementation of the GBV/SEA Action Plan and a Labor Management Plan.

121. **The project will follow a community-centered approach to planning and implementing activities.** To this end, community institutions will be strengthened through training and support and will serve as the channel for consultations and feedback on project activities. The existing Stakeholder Engagement Plan will be further developed. A robust Grievance Redress Mechanism will be established to address complaints in a transparent and prompt manner.

122. **As the coordinating entity, FNDS will ensure UNOPS adheres to the ESF.** FNDS will also ensure the commitment of UNOPS and other implementing agencies to manage social risk, undertake reporting on E&S aspects and provide technical advice in accordance with the ESCP.



Land acquisition issues

123. **Infrastructure rehabilitation and construction are expected to lead to some land acquisition and possible livelihood loss.** Likewise, the provision of agricultural land to IDPs could impact livelihoods of local communities and lead to some land acquisition and resettlement.

124. **An environmental and social screening will be conducted in each relocation site to document the land acquisition process and verify its compliance with World Bank standards** prior to land demarcation and allocation to IDPs or other activities requiring land use change. In all cases, FNDS and the World Bank will ensure that all project land-based interventions take place only in areas confirmed as free of land conflicts. Wherever necessary, an appropriate mitigation instrument will be prepared, and compensation paid by the Government to the parties for loss of land provided to or acquired by Government for IDPs. The criteria for screening and guidelines for compensation will be set out in the Project RPF prior to disbursement for activities under Subcomponent 2.1 and Component 3. The criteria should be aligned with the principles of ESS5, including those for voluntary land donation; i.e., (a) the donor has right to donate and no other rights are affected without agreement; (b) land users, particularly if vulnerable, agree and have any losses compensated; (c) vulnerable project-affected persons and households are not adversely affected without mitigation; (d) the process is participatory; (e) the process is valid under local law; (f) donors understand that they have the option to refuse to donate; (e) benefits agreed to are documented and have timed implementation arrangements. The screening should indicate whether the community land was demarcated and ensure that the process included the community and a full understanding of the donation process.

Climate Co-Benefits

125. **The northern coastal areas of Mozambique are frequently exposed to floods and cyclones,** as well as temperature increases, changes in rainfall and sea level rise, which are having a cumulative and devastating impact on the population and public services and infrastructure.

126. **All infrastructure to be built under Component 3 will be disaster and climate resilient** to reduce the vulnerability of IDPs and host communities to climate-related hazards. The resilience approach will be based on two main criteria: (a) safer location (avoiding disaster-prone areas), and (b) safer construction (using designs and materials adapted to relevant natural hazards).

127. **In addition, the installation of solar panels on all infrastructure and its use for all services at off-grid sites** will open new labor market opportunities, reduce the use of fuel fossil, and may stimulate the widespread adoption of solar energy by local communities. Solar energy will also contribute to reducing emissions from deforestation and from the use of firewood for indoor illumination.



Gender issues

128. **Based on consultations with local NGOs and CBOs³³** currently working with IDPs and host communities in Cabo Delgado, the following gender issues were assessed as relevant for the proposed project: (a) limited access to education by girl children and teenagers; (b) illiteracy of women and girls; (c) high fertility rates, especially among teenagers; and (d) limited agency and voice of women and girls.

129. **Early marriage and early pregnancy, especially in teenage girls,³⁴ compromises girls' education**, leading to higher levels of illiteracy in women. According to the 2017 census data of the National Statistics Institute (INE)³⁵ illiteracy is higher for women (49.4 percent) than for men (27.2 percent) and this gap is even higher in rural areas (62.4 percent for women and 36.7 percent for men). Local CBOs indicate that, as having many children is a source of pride for men, many husbands resist allowing their wives to access family planning programs.

130. **One-third of women in Mozambique have reported experiencing violence, reflecting entrenched gender inequalities in society.³⁶** According to the World Bank Gender Strategy 2016-2023, the lack of voice and agency, especially after a disaster or a violence crisis, is a key factor driving inequality. In Northern Mozambique, polygamous marriages³⁷ are common and negatively impact women's participation in public spaces because polygamy reinforces male control over women in the community. The lack of female-friendly public areas exacerbates this situation. According to local CBOs, leaders in Northern Mozambique are predominantly men, which means that women and girls are more dependent on their husbands at times of crisis, reducing their recovery options.

131. **Physical and psychological violence against IDP women are perceived by local CBOs as a serious threat to resilient recovery;** if not addressed, the vulnerability of the women will increase, jeopardizing social cohesion. Particularly in relocation sites, local NGOs noted the following gender-related issues: (a) limited or male-dependent access to land ownership; (b) lack of public lighting, which increases insecurity for women and girls; (c) lack of privacy in health clinics; (d) limited access to professional/vocational training and small business activities to generate income; and (e) lack of knowledge concerning finance and the use of banking systems.

132. **To address gender inequities, all project activities will have a gender lens and will be measured through specific gender indicators:** (a) under subcomponent 1.1, the creation of local committees for social cohesion and peacebuilding will prioritize the effective participation of women, including in positions of leadership; (b) under subcomponent 1.2, the provision of psychosocial support will include gender-sensitive

³³ A workshop was conducted on February 22 in the city of Pemba, followed by consultations with the following participating organizations working with IDPs in Cabo Delgado: (a) Christian Council of Mozambique - Cabo Delgado (CCM-CD); (b) Wiwanana Foundation; (c) Association of Women and Girls Protection (PROMURA); (d) Women, Law and Development Association (MULEIDE); (e) Environment Association (AMA); (f) KULIMA foundation, (g) Community Development Foundation (FDC); (h) Islamic Council of Mozambique (CISLAMO), and (i) the Association for Women and Girls (DJUMULA).

³⁴ According to data from the Demographic and Health Survey (DHS), 56 per cent of women aged 20-24 were married by the age of 18 in rural areas, compared with 36 percent in cities. Marriage before age 18 was found to be particularly high in the provinces of Niassa, Cabo Delgado and Manica. In Niassa, almost one quarter of women (24 percent) are married by the age of 15.

³⁵ INE census, 2017

³⁶ CARE Rapid Gender Analysis: A Commitment to Addressing Gender and Protection Issues in Cyclone- and Flood-Affected Malawi, Mozambique and Zimbabwe. 2019: <https://reliefweb.int/sites/reliefweb.int/files/resources/Regional-RGA-Cyclone-Idai-29032019.pdf>

³⁷ Polygamy is prohibited by the Family Law of 2004 but is still common and can contribute to psychological, economic, and physical abuse of women and girls. CARE Rapid Gender Analysis, *ibid*.



counselling activities and a GBV *Referral Pathway mechanism*³⁸; (c) under subcomponent 2.1, the provision of livelihoods will prioritize female-headed households and teenage mothers; (d) under subcomponent 2.2, at least 50 percent of all beneficiaries of vocational training programs will be women, and the selection of programs will consider activities that can support income generation of women. In this same subcomponent, the literacy programs will include sessions exclusively for women and girls; (e) under Component 3, at least 50 percent of the local workforce for the construction of basic infrastructure will be women, including in cash-for-work programs; and (f) under Component 4, the project will support local NGOs and CBOs to provide training and assistance for women in the process of land acquisition. Finally, the project will create a tailored channel for gender-based grievances under the GRM and will provide training for its use by female IPDs.

Citizen engagement

133. **Project implementation will build on strong citizen engagement principles.** For Component 1, NGOs and CBOs will be hired to implement social cohesion activities and enhance processes of community engagement that are gender and conflict-risk sensitive. The project as a whole will use existing community leadership and national NGO and CBO networks to ensure that communities are consulted at all stages of the subproject cycle: identification, design, implementation, quality assurance and impact evaluation. Community participation will be facilitated through information boards, local meetings and other forms of locally appropriate communication. The GRM³⁹ will enable communities to provide formal feedback on overall project governance. FNDS and UNOPS will ensure that all (100 percent) complaints received on project-related activities are timely addressed, in addition, a specific GRM indicator has been included in the Result Framework⁴⁰. It is also expected that these activities will generate evidence on how to improve citizen engagement in local service delivery. The key outcome will be knowledge and experience on how to effectively promote constructive partnership between citizens and the state in Northern Mozambique. Citizens will participate in validating needs, assessing awareness of service delivery, monitoring satisfaction with service usage, and providing feedback on process and output. To this end, the Project Steering Committee will include representatives of CBOs. The project GRM will be a key vehicle for this aspect of engagement. Evidence generated through multiple avenues of citizen engagement will contribute to better service delivery during current and future interventions.

Borrower's institutional capacity

134. **The project will be implemented by FNDS,** which will be responsible for overall coordination, financial management and M&E, with support of its implementing partner (UNOPS), provincial authorities, national NGOs, and local NGOs and CBOs. FNDS has experience with implementing and supervising social and environmental aspects of Bank projects in Mozambique, including the Agriculture and Natural Resources Landscape Management Project (P149620); the Forest Investment Project (P160033); the Conservation Areas for Biodiversity and Development Project – Phase 2 (P166802); and the Zambezia Emissions Reductions Payment Project (P164524).

135. **FNDS has competitively selected qualified Environmental and Social Specialists for these projects** (four at the central level and six at the provincial level, including one in Nampula and one in Cabo Delgado) who are

³⁸ The project will provide a mechanism for women and girls to safely report cases of GBV and apply for care services. Women and girls will be informed about the GBV *Referral Pathway mechanism* either directly through the GBV case manager or from other stakeholders who may have access in the field. The pathway will be also integrated with the GRM.

³⁹ As defined in the ESCP, the GRM should be operational within the first 3 months of project effectiveness.

⁴⁰ Beneficiaries that report that their project-related grievances or proposals were addressed (Percentage)



familiar with World Bank guidelines and procedures on environmental and social risk management. Although FNDS has no prior experience managing projects under the World Bank's Environmental and Social Framework (ESF), it is currently preparing two projects using the ESF – the Sustainable Rural Economy Program (P174002) and the Northern Mozambique Rural Resilience Project (P174635). The project will therefore provide technical assistance and training in E&S risk management in the context of FCV, not only within FNDS but also for local partners and other stakeholders. The training will include topics such as environmental and social standards, occupational and community health and safety, emergency preparedness and response, GBV risk mitigation, and preparation and implementation of ESMPs and RAPs. Additionally, the project will rely on multiple central agencies to support project implementation at the provincial level: MITA; MISAU; MGCAS; MOPHRH; the Ministry of Sea, Inland Waters and Fisheries (MIMAIP); and INGD.

V. GRIEVANCE REDRESS SERVICES

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

VI. KEY RISKS

137. **The overall risk for the project is Substantial.**

138. **Political and governance (Substantial).** The 2019 elections were largely calm and peaceful. However, tensions across political interests remain, compounding the challenges of implementing project activities at both the province and district levels. The project will minimize the political and governance risks by setting up the necessary mechanisms to coordination across levels of government. Consultations with authorities at the different levels and with specialized entities such as ADIN have been carried out to ascertain the adequacy of these mitigation measures.

139. **Technical design of the project (Substantial).** The technical design of the project is rated Substantial, considering that the interventions, although not technically complex, will be implemented in an extremely fragile context. There is also a risk emanating from the uncertainty about the duration of the relocation. International experiences indicate that relocation could last for two-three years, which will strain infrastructure and services for host populations. Therefore, the project includes site planning consistent with prolonged settlement of IDPs in relocation sites as well as balanced investment in infrastructure and services in host communities.



140. **Institutional capacity for implementation and sustainability (Substantial).** The presence of many players working in the North poses a risk that FNDS may not be able to coordinate the complex institutional setup. The engagement of UNOPS as Implementing Partner will help mitigate the risk of low institutional capacity while coordination and FM and M&E capacities of FNDS will be strengthened. There is also a risk that the dynamics of the conflict may make it difficult to integrate the voices of IDPs in project design and implementation. To mitigate this risk, it has been agreed that the Project Steering Committee will comprise not only government entities but also CBOs and NGOs working with the IDPs.

141. **Stakeholder risk (High).** There is also a risk of inadequate coordination within and across humanitarian, recovery and development-focused interventions, particularly since humanitarian and recovery operations may continue for most of the project's timeframe (2021-2024). The project therefore proposes to provide strategic and operational support to MADER, acting as oversight and coordination agent across both humanitarian and recovery operations, while advancing a longer-term, integrated approach to infrastructure development and service provision across multiple sectors.

142. **Environment and social (High).** There is a high likelihood that environmental and social risks could adversely affect the achievement of project objectives or the sustainability of results. Key social risks include (a) the security of project operations and associated workers; (b) exclusion of vulnerable and marginalized IDPs and host community members from project benefits; (c) selection bias and elite capture, and diversion of project benefits to less vulnerable individuals and locations; (d) poor access by beneficiaries to meaningful community engagements; (e) sexual exploitation, sexual harassment and other forms of GBV; (f) difficulty monitoring social harm; and, (g) a risk of radicalization and violence, as well as conflicts between IDPs and host communities. To mitigate these risks, all social and environmental risk mitigation measures will be detailed in the appropriate ESF instruments. Strong coordination mechanisms, consultations and participatory approaches will also contribute to mitigating these risks. Residual risks will be managed through proactive and continuous supervision and close dialogue with the central and provincial governments.

143. **Fiduciary risk (substantial).** Residual Financial Management (FM) risk is assessed as Substantial, and Procurement residual risk is assessed as high due to capacity issues related with the increased number of World Bank-financed operations being implemented by FNDS in addition to the available capacity, the country context, weak Public Financial Management (PFM) capacities, and the decentralized nature of the project. To mitigate this risk, the following measures will be implemented: (a) include FM and Procurement procedures acceptable to the World Bank in the POM within 30 days of project effectiveness, (b) recruit a project Financing Management Specialist (FMS) and strengthen capacity to support project implementation, including additional resources in procurement within FNDS, and (c) complete the implementation of a fully operations accounting software package.



VI. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Mozambique

Northern Crisis Recovery Project

Project Development Objectives(s)

The Project Development Objective is to improve access to basic services and economic opportunities for internally displaced persons and host communities in targeted areas of Northern Mozambique

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Increased number of people with access to basic services and infrastructure						
Number of beneficiaries with access to basic services and public infrastructure. (Number)		0.00	50,000.00	250,000.00	300,000.00	324,000.00
Increased number of people with access to livelihoods and economic opportunities						
Number of beneficiaries with improved access to livelihoods support (Number)		0.00	4,500.00	12,000.00	20,000.00	33,000.00
Percentage of which are women (Percentage)		0.00	60.00	60.00	60.00	60.00
Increased social cohesion and resilience to conflict						
Percentage of beneficiaries satisfied with project activities		0.00	0.00	65.00	70.00	75.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
towards increased social cohesion (Percentage)						
Percentage of female beneficiaries satisfied with project activities towards increased social cohesion (Percentage)		0.00	0.00	65.00	65.00	65.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Component 1: Building social cohesion and resilience to conflict						
Number of IDPs provided with identification cards (Number)		0.00	0.00	120,000.00	320,000.00	360,000.00
Number of community-based peacebuilding committees created and trained (Number)		0.00	9.00	18.00	32.00	40.00
Percentage of which led by women (Percentage)		0.00	35.00	40.00	45.00	50.00
Number of beneficiaries integrating community-based peacebuilding committees (Number)		0.00	80.00	350.00	650.00	800.00
Percentage of cases of violence, GBV and sexual abuse addressed through the Referral Pathway Mechanism (Percentage)		0.00	80.00	90.00	100.00	100.00
Number of trauma victims who		0.00	600 - 1,200	1,200 - 1,900	1,900 - 3,500	3,500 - 5,000



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
have received psychosocial service/support from community programs (Text)						
Component 2: Provision of livelihoods and economic opportunities for IDPs and host communities						
Number of IDPs and members of host communities benefiting from cash-for-work programs (Number)	0.00	1,500.00	8,000.00	10,000.00	12,000.00	
Of which women and youth (Text)	0.00	600 - 3,000	3,000 - 4,500	4,500 - 6,000	6,000 - 8,000	
Number of households benefiting from agricultural inputs (Number)	0.00	8,000.00	28,000.00	60,000.00	72,000.00	
Of which female-headed households (Text)	0.00	1,500 - 7,000	7,000 - 8,200	8,200 - 15,000	15,000 - 35,000	
Number of IDPs and host community members that complete vocational training courses (Number)	0.00	2,500.00	9,000.00	12,500.00	14,500.00	
Percentage of which completed by women and youth (Percentage)	0.00	50.00	50.00	60.00	70.00	
Completion rate of literacy training completed by girls and women (Percentage)	0.00	50.00	65.00	75.00	80.00	
Component 3: Rehabilitation of public infrastructure						
Number of water sources rehabilitated or constructed (Number)	0.00	0.00	25.00	40.00	43.00	
Number of improved latrines build (Number)	0.00	2,500.00	12,000.00	18,000.00	20,000.00	
Number of classrooms rehabilitated or constructed and	0.00	0.00	325.00	750.00	800.00	



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
equipped. (Number)						
Number of health units constructed, rehabilitated / expanded and equipped (Number)		0.00	0.00	6.00	8.00	10.00
Number of toilets constructed (Number)		0.00	75.00	120.00	220.00	240.00
Number of community infrastructure and amenities constructed (Number)		0.00	20.00	110.00	320.00	360.00
Percentage of relocation sites equipped with women's friendly spaces (Percentage)		0.00	0.00	80.00	90.00	100.00
Component 4: Project management and oversight						
Number of government officials trained in crisis recovery management skills (Number)		0.00	50.00	170.00	220.00	250.00
Beneficiaries that report that their project-related grievances or proposals were addressed (Percentage)		0.00	55.00	70.00	75.00	75.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of beneficiaries with access to basic services and public infrastructure.	This indicator will monitor the number of project	Semi-annually	Monitoring and	The data will be collected in each	PIU



	beneficiaries provided with access to basic services (water, sanitation, electricity) and public infrastructure (health and education infrastructure and amenities).		evaluation system	relocation site and added to the data base	
Number of beneficiaries with improved access to livelihoods support	This indicator measures the number of beneficiaries who have received project support to improve their livelihood opportunities through restoring immediate access to productive assets, including farmers who have received agricultural inputs as well as non-farmers who are provided trading commodities and/or skill training.	Bi-annual	Project reports	The PIU will register the number of people benefiting from livelihoods support, including IDP's and hosing communities	PIU
Percentage of which are women	At least 60% of beneficiaries with improved access to livelihood support will be women.	Biannual	Project's reports	All livelihood support activities will include a gender registration, the percentage of women will be calculated every six months.	PIU
Percentage of beneficiaries satisfied with project activities towards increased social cohesion	This indicator will capture the level of satisfaction of IPDs and host communities in reference to social	Bi-annual	Survey	A survey will be applied to a representative sample of beneficiaries, including women.	PIU



	cohesion and resilience to conflict as a proxy of increased trust amongst communities and between different population groups. Activities contributing to social cohesion include, but are not limited to; financing social cohesion initiatives, setup of peace groups, provision of community-based psychosocial support, and the strengthening of existing community mobilization and citizen engagement mechanisms.			Satisfaction is defined as calcification of 4 or 5 on a scale of 5, the survey will be applied in both, IDPs and host communities every 6 months and its results will provide insights on project performance.	
Percentage of female beneficiaries satisfied with project activities towards increased social cohesion	There will be several activities under component 1 targeting women and girls, this indicator will ask específicately on those activities. The goal is to get a minimum of 65 percent of satisfaction among this targeted group of beneficiaries.	Bi-annual	Survey	A survey will be implemented every six months to a representative sample of women and girls; satisfaction is defined as level 4 or 5 on a 5 scale.	PIU



Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of IDPs provided with identification cards	Under component 1, a registration process will be implemented, providing ID cards to IDPs hosted in temporary and relocation sites.	Annual	Project report	The registration process will commence by the first year of project implementation and will extend until project completion.	PIU
Number of community-based peacebuilding committees created and trained	This indicator will assess the creation and functioning of peacebuilding committees in both IDPs and host communities	Yearly, initiated during the second year of project implementation	Project's reports	A peace-building committee is considered "created" when a formal communication (minutes) is issued, indicating the objective, responsibilities and members.	PIU
Percentage of which led by women	At least half of the peacebuilding committees will be led by women, this will increase their voice and provide balance when addressing issues that especially affect women and girls	Annually, starting in the second year of project implementation	Project's reports	It is considered "led by women" when the leader of the committee is female, or when the majority of the board is composed by female members.	PIU
Number of beneficiaries integrating community-based peacebuilding	This indicator will assess the number of beneficiaries that	Annually, starting on	Project reports	Each committee will record in minutes they	PIU



committees	will actively participate in community - based peacebuilding committees	year 2		activity, the indicator will follow up on those records every year	
Percentage of cases of violence, GBV and sexual abuse addressed through the Referral Pathway Mechanism	This indicator will assess the proper use of the Referral Pathway Mechanism that will be implemented by the project as part of the GRM to attend cases of violence against women and girls, GB, and sexual abuse (for women and children).	Bi-annually	Project reports	Once established, the mechanism will report every six months, the particularities of the cases identified and followed up in a coordinated way by a multi-sectorial GVB prevention response and verified accordingly.	PIU, supported by an specialized NGO
Number of trauma victims who have received psychosocial service/support from community programs	This indicator will be revised during project implementation, the estimation of 3,500 - 5,000 is based on a similar project (Multi-Sectoral Crisis Recovery Project for North Eastern Nigeria - P157891)	Bi-annual	Project reports	There will be an assessment of psychological needs performed on each relocation site. The number of expected attendees will be revised once this assessment is completed.	PIU
Number of IDPs and members of host communities benefiting from cash-for-work programs	Persons engaged in cash-for-work to restore infrastructure and	Bi-annual	Project reports	Information on cash transfers will be monitored and	PIU



	conditional cash transfers			systematized on a daily basis	
Of which women and youth	This sub-indicator will assess the number of women-led households benefiting from cash for work programs, and also youth (defined as persons under the age of 18)	Bi-annual	Project reports	A registry system will be designed to report the number of female-headed households benefitting from project activities.	PIU
Number of households benefiting from agricultural inputs	This indicator will capture the number of farming households benefiting from agricultural inputs.	Bi-annual	Project reports	This indicator will capture the number of farming households benefiting from agricultural inputs.	PIU
Of which female-headed households	This indicator will assess the number of female-headed farming households benefiting from agricultural inputs	Bi-annual	Project reports	This indicator will assess the number of female-headed farming households benefiting from agricultural inputs	PIU
Number of IDPs and host community members that complete vocational training courses	This indicator will assess the extent to which the project succeeded with vocational programs for IDPs and host communities	Bi-annual	Project report	Each vocational activity will register the active participation, meaning not only the assistance but the completion of each training module.	PIU
Percentage of which completed by women and youth	This indicator will assess the success of the project in getting women and youth	Bi-annual	Project reports	The completion means that the beneficiary has finished the full cycle of	PIU



	benefiting from the project to completion of their vocational training.			vocational training. Youth is defined by beneficiaries less than 18 years old.	
Completion rate of literacy training completed by girls and women	This indicator will evaluate the success of the project regarding the completion of literacy programs by women and girls, as a strategy to reduce the gender gap.	Bi-annual	Project reports	The training program in literacy will be designed in a way that women can participate. The completion rate refers to the number of women and girls that successfully completed the training, meaning they will be able to read and write at least on a basic level.	PIU supported by NGO
Number of water sources rehabilitated or constructed	This indicator will assess the expected results of the project, in terms of water supply systems.	Bi-annual	Project reports	This indicator will assess the expected results of the project, in terms of water supply systems.	PIU
Number of improved latrines build	This indicator will assess the number of improved latrine.	Bi-annual	Project documents	This indicator will assess the number of improved latrine.	PIU
Number of classrooms rehabilitated or constructed and equipped.	This indicator will assess the number of education services restored, which means the number of	Bi-annually	Project reports	This indicator will assess the number of education services restored, which means	PIU



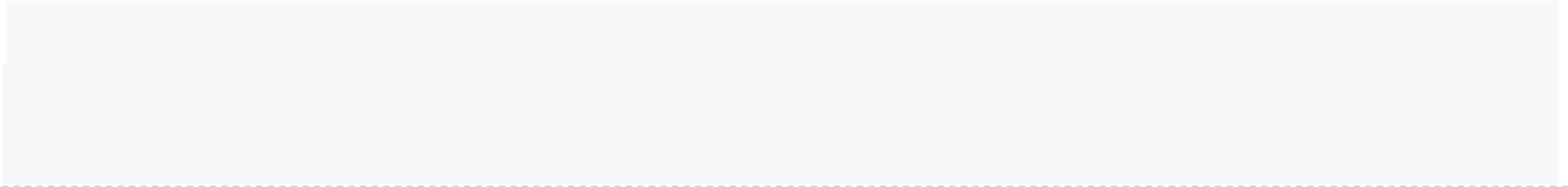
	locations / settlements where children can resume or start formal education, this will include not only the physical construction of classrooms, but also the allocation of teachers. The indicator will inform both: temporal or permanent recovery of educational services benefiting IDP's and host communities.			the number of locations / settlements where children can resume or start formal education, this will include not only the physical construction of classrooms, but also the allocation of teachers. The indicator will inform both: temporal or permanent recovery of educational services benefiting IDP's and host communities.	
Number of health units constructed, rehabilitated / expanded and equipped	This indicator will assess the recovery of health services for both, IDP's and host communities. It may include temporal or permanent recovery in relocation settlements or municipalities (host communities). Each unit will be supplied with medical supplies or equipment for restoring operation.	Bi-annually	Project reports	This indicator will assess the recovery of health services for both, IDP's and host communities. It may include temporal or permanent recovery in relocation settlements or municipalities (host communities).	PIU
Number of toilets constructed	This indicator will assess the number of toilets (for men and women) to be	Bi-annual	Project reports	The data will be collected and verified from	PIU



	constructed or rehabilitated in schools			contractor reports	
Number of community infrastructure and amenities constructed	This indicator will assess the provision of all public infrastructure and amenities provided by the project	Bi-annual	Project reports	This indicator will be composed of (i) administrative blocks for schools (20 units), (ii) facilities for training youth and adults (40 units); (iii) existing secondary schools expanded to accommodate students living on nearby relocation sites (2 units); (iv) libraries and computing rooms for selected schools (20 units), houses for teachers (200 units); and other community amenities and sports fields (80 units).	PIU
Percentage of relocation sites equipped with women's friendly spaces	By the end of the project, all relocation sites attended by the project will be equipped with a women-friendly space, as a strategy to reduce the gender gap.	Bi-annual	Project reports	A women-friendly space is defined as a public building (communal saloon type) that will be provided with desks, chairs, and solar electricity and will be commissioned to	PIU with support of NGO



				peace-building committees to host formal and informal meetings addressing gender issues. The location of this species will be closer to the playground for children.	
Number of government officials trained in crisis recovery management skills	This indicator will evaluate the number of provincial and national level government officials who have received skill training related to crisis recovery management topics, such as IDPs emergency response, monitoring, transparency and accountability, grievance redress mechanisms, etc.	Annual	Project reports	Registry of training activities.	PIU
Beneficiaries that report that their project-related grievances or proposals were addressed	The GRM will be available for project related complaints within 3 months of project approval, this indicator will inform the use of this mechanism and also track the responses provided by the government to the beneficiaries or interested actors.	Bi-annually	Project reports and ONG reports	The GRM will be designed to collect and systematize beneficiaries complaints, and also to track Government response in accordance with Banks standards.	PIU





ANNEX 1: Implementation Support Plan

COUNTRY: Mozambique

Mozambique: Northern Crisis Recovery Project (NCRP)

1.1. **The World Bank's implementation support strategy for the proposed project** has been developed based on the nature of the project, its risk profile, the capacity of FNDS and partners, and the lessons learned from past World Bank operations working with IPDs.

1.2. **Implementation support will be provided by the Bank to enhance client capacity for smooth project implementation, including compliance with World Bank fiduciary and safeguards requirements.** The core team will include procurement, finance management, and social and environmental specialists. If security conditions and COVID-19 protocols allow for field visits, the World Bank will undertake periodic missions throughout the project's implementation as required. Experience under previous emergency operations has shown that, given the sensitive and challenging nature of such projects, specific World Bank responsibilities involve higher than normal supervision and support, including the transfer of knowledge gained in similar operations.

1.3. **The PIU will be responsible for operationalizing the Results Frameworks and results monitoring system.** FNDS will be responsible for the overall M&E of the project, by maintaining an overall project-level results monitoring system to issue semi-annual updates on the overall project implementation to all concerned parties. FNDS shall also establish a data collection system and carry out community-level surveys on a periodic basis to record baseline data in line with indicators included in the project Results Framework. The data collected shall be used for updating baselines, presenting progress, and targeting indicator values for all subcomponents. FNDS should also produce semi-annual progress reports to be delivered to the World Bank.

1.4. **UNOPS will ensure day-to-day fully operation, including timely data collection and management for project activities.** Supervision and monitoring roles will be divided according to the work performed and specific results being achieved and then relayed to the PIU for consolidation. Implementation monitoring will also form the basis for the payment system for contractors for work completed.

1.5. **Implementation support will generally entail both routine and ad hoc quality checks at various stages of implementation.** Periodic monitoring will include process reviews/audits, reporting of outputs, and maintaining updated records. This will include the following: (a) social and environmental monitoring, (b) regular quality supervision and certification, (c) periodic physical progress and process monitoring and third-party quality audits, and (d) results M&E.

1.6. **The Results Framework will be publicly disclosed and made accessible to the local communities benefiting from the project.** The M&E-related data and information should be geo-coded, to the extent possible, and made available in an open source and open data management system. Every effort should be made to disclose information that is accessible to and comprehensible by the local population.

1.7. **As needed, remote sensing and geospatial analytics will be leveraged to complement field-based data collection.** To leverage these tools most effectively, geospatial capabilities will be integrated and



applied to various elements of project implementation, including (a) geographic targeting, (b) dynamic security monitoring and progressive prioritization, and (c) implementation supervision and coordination with partners.

1.8. The project will include a flexible approach that allows resource reallocation to avoid risks of disruption and/or destruction of project investments because of security reasons. Given all project interventions will be carried out in moderate- to high-risk security environments, a dynamic monitoring of the project's security environment is crucial to allow for quick responses to changing conditions and to help make rapid adjustments of geographic project if necessary. While conflict sensitivity will be provided by adopting a bottom-up approach led by the province-level authorities and informed by community consultations, this can be complemented by top-down information provided by UN-agencies.

1.9. Changes in the nature of the crisis as well as progress in the implementation of the project or other issues might require a review of the Results Framework. As certain interventions prove to be successful or less successful, the NCRP implementation should be adapted accordingly. In this regard, the project's intermediate results could be reviewed every 12 months. The overall review will be conducted by FNDS, together with UNOPS in consultation with beneficiaries.

1.10. The project will enhance social accountability and citizen engagement by introducing citizen feedback mechanisms and through the project as a mechanism of M&E. Such feedback mechanisms will enhance citizen engagement in decision making and will ensure that citizen feedback is considered in the project design and implementation. Also, the project will emphasize the dissemination of project-related information to project beneficiaries and will also open mechanisms to address their grievances and complaints through established GRMs.

1.11. The following Implementation Support Plan reflects the preliminary estimates of the skill requirements, timing, and resource requirements over the life of the project.

Table A1.1: Implementation Support Plan

Time	Focus	Skills Needed	Partner Role
First 0-12 months	<ul style="list-style-type: none"> Project launch Initialization of Project components FM systems functioning effectively Procurement practice Monitor implementation of Project activities 	<ul style="list-style-type: none"> Team Leads FM, Procurement Specialists and/or Consultants S&E Specialist and/or Consultants Agriculture, DRM, Water Resources, energy and WASH, Health, Education Specialist/s and/or Consultants 	<ul style="list-style-type: none"> PIU to prepare project launch Operationalization of the POM Contracting of public infrastructure component Prepare comprehensive Project progress and results monitoring reports in advance of each mission Update implementation and procurement plans routinely Organize field visits (if security permits)
12-24 months	<ul style="list-style-type: none"> Monitor implementation of Project activities - 	<ul style="list-style-type: none"> Team Leads 	<ul style="list-style-type: none"> In addition to be above, focus on medium term recovery component



Time	Focus	Skills Needed	Partner Role
	with focus on early recovery and medium-term recovery <ul style="list-style-type: none"> • FM, Procurement, E&S • Mid-term Review 	<ul style="list-style-type: none"> • FM, Procurement Specialists and/or Consultants • E&S Specialist and/or Consultants Agriculture, DRM, Water Resources, energy and WASH, Health, Education Specialist/s and/or Consultants	<ul style="list-style-type: none"> • prepare Mid-term Review (MTR) of the Project
24-36 months	<ul style="list-style-type: none"> • Monitor implementation of Project activities - with focus on medium term recovery • FM, Procurement, E&S • Project Closing and Implementation Completion and Results Report - ICR 	<ul style="list-style-type: none"> • Team Leads • FM, Procurement Specialists and/or Consultants • E&Ss Specialist and/or Consultants • Agriculture, DRM, Water Resources, energy and WASH, Health, Education Specialist/s and/or Consultants 	<ul style="list-style-type: none"> • In addition to the above, facilitate Project Closing & Implementation Completion and Results Report (ICR) preparation

Financial Management

1.12. **A Financial Management Assessment was undertaken to evaluate the adequacy of the proposed project financial management arrangements.** The assessment was conducted at the FNDS; the agency that will be responsible of financial management arrangements of this proposed project. The Assessment was carried out in accordance with the Directives and Policy for IPF and the Bank Guidance on FM in World Bank IPF Operations issued on February 28, 2017.

1.13. **The overall FM was assessed to be adequate, and the risk rating was assessed as Substantial due to country fiduciary risk, capacity issues in the country, and the increased number of World Bank-financed operations being implemented by FNDS.** The agreed financial management arrangements are adequate to provide, with reasonable assurance, accurate and timely information on the status of the proposed project. However, to further strengthen the FM arrangements, the following FM actions will be implemented: (a) develop and adopt Project Operations Manual including the section on the FM procedures; (b) recruit a project FMS; and (c) complete the implementation of accounting software package. The World Bank shall closely monitor the implementation of the action plan.

1.14. FM risk assessment and mitigation measures:



Table A1.2: FM risk assessment and mitigation measures

Risk factors/Description of Risk	Risk Rating	Risk Mitigating Measures Incorporated into the Project Design	Conditions of Negotiations, Board or Effectiveness (Yes or No)	Residual Risk Rating
Inherent Risk:				
Country level: Shortage of human resources, limited capacities for key FM functions, and overall weak public finance management control environment may negatively impact the implementation of the proposed project expenditures.	H	The Government is committed to implement further reforms of the country's PFM with support from the World Bank and other development partners. The World Bank has several initiatives and projects under preparation that will strengthen the FM systems.	No	S
Entity level: FNDS has experience in handling FM matters of World Bank-financed project, however the fact that FNDS is handling several projects poses a risk as this could jeopardize its ability to perform well for all projects	S	The financial staff has experience in handling Bank-financed operations. The FNDS FM capacity will be strengthened by recruitment of additional three accountants and the FNDS internal audit unit will be also strengthened by recruitment of additional two auditors	No	S
Project level: Project design relatively complex since it involves emergency activities at community level	H	Clearly defined funds flow, accountability, and reporting procedures in the POM Frequent World Bank FM implementation support.	Yes. Develop and adopt the POM, not later than 30 days after the Effective Date.	S
Control Risk:				
Budgeting: FNDS may not be able to produce realistic and comprehensive budget due capacity constraint and nature of the project	S	The POM including FM procedures will be developed. Core staff involved in the budget preparation will be trained. Participatory governance should be applied. The World Bank will review the draft budget as well the IFR and provide comments.	Yes. Develop and adopt the POM not later than 30 days after the Effective Date.	S
Accounting: Project funds, expenditures, and resources are not properly recorded since FNDS is accounting for increased projects and may be	S	FNDS will make use of the automated accounting package to account for project funds, expenditures, and resources, which is currently in use by the ongoing operation. In so doing the	No	S



Risk factors/Description of Risk	Risk Rating	Risk Mitigating Measures Incorporated into the Project Design	Conditions of Negotiations, Board or Effectiveness (Yes or No)	Residual Risk Rating
confused in handling record of the project transactions		accounting packages will be customized for separately record of project transactions and production of financial reports. FNDS capacity will be strengthened by appointment of additional project accountants.		
Internal control: Non-compliance with key project internal control procedures due to weak internal control environment and oversight mechanisms in the country.	S	<p>The project will follow the procedures documented in the <i>Manual de Administração Financeira</i> (MAF), which has been designed to mitigate internal control risk, and those to be documented in the POM. The POM will include the process of approval of progress certificates and processing of payments.</p> <p>The internal audit department at FNDS will conduct internal audit. In addition, the Internal audit unit of FNDS will be strengthened by recruitment of additional two auditors</p>	Yes. Develop and adopt the POM not later than 30 days after the Effective Date.	S
Funds flow: Delays to release funds to finance project activities as this is an emergency operation.	S	The disbursement arrangements will be documented in the POM. Lower minimum threshold for the use of direct payments and reimbursement method of disbursement will be applied.	No	M
<p>Financial reporting: FNDS may fail to produce timely the project financial reports due to nature and coverage of the project.</p> <p>Large number of parties and transactions involved. Numerous small-value contracts.</p>	H	<p>FNDS will use automated accounting software to account for project funds, expenditures, and resources.</p> <p>FNDS has experience in producing reports for project implemented at local level.</p>	No	S



Risk factors/Description of Risk	Risk Rating	Risk Mitigating Measures Incorporated into the Project Design	Conditions of Negotiations, Board or Effectiveness (Yes or No)	Residual Risk Rating
Auditing: Delays in submission of audit reports and delays in implementing the recommendations of the Management Letter.	S	FNDS has been submitting audit reports of ongoing project on time. The World Bank will monitor audit submission compliance and ensure implementation of Management Letter recommendations. Draft Audit ToR will be reviewed by the World Bank and discussed with The Administrative Tribunal. The ToR will emphasize the needs for physical verification.	No	S
Governance and Accountability: Possibility of corrupt practices, including bribes, abuse of administrative and political as this is an emergency project.	H	Project FM arrangements (including annually audit of project accounts and World Bank FM supervision including review of transactions and asset verification) designed to mitigate the fiduciary risks in addition to the implementing agencies overall internal control systems. Citizen engagements, including beneficiary feedback. To be developed in PM	No	S
OVERALL FM RISK	S			S

Note: H = High, S = Substantial, M = Moderate.

FM action plan.

1.15. In summary, to mitigate FM risks, the following measures will be taken:

Table A1.3: Summary of FM risk mitigation measures

No.	Action	Responsibility	Completion date
1	Develop and adopt the Project Operations Manual including FM procedures	FNDS	No later than 30 days after the Effective date
2	Preparation of Audit TOR	FNDS	Within one month after effectiveness
3	Customize the accounting packages to maintain separate records and ledge accounts for the proposed project.	FNDS	Within two months after effectiveness
4	Recruitment of additional project FMS	FNDS	Within two months after effectiveness



Financial Management Arrangements.

1.16. **Budgeting.** Budget preparation and monitoring budget execution will follow national procedures and those to be documented in the POM. FNDS will prepare annual budgets based on the annual work plans and the approved procurement plans. It is expected that the agency will prepare annual budgets that cover activities proposed to be carried out in each fiscal year. FNDS will be responsible for producing variance analysis reports comparing planned with actual expenditures on a quarterly basis. These quarterly variance analysis reports will be part of the IFRs that will be submitted to the World Bank on quarterly basis.

1.17. **Staffing.** The FNDS will be responsible for fiduciary aspects of the project. FNDS finance staff has acceptable skills and experiences to handle FM and Disbursement matters of the World Bank-financed operations. The head of FNDS Finance Department is responsible for supervision and guidance of all the projects FMS and Accountants of World Bank-financed operation. Current FMS has acceptable qualification and experience in handling FM and Disbursement of World Bank-financed operations. However, the FNDS FM capacity needs to be strengthened by recruitment of one additional project FMS to ensure adequate FM staffing for the ongoing and in the increased number of World Bank-financed operations in preparation.

1.18. **Internal Control.** Internal controls system and procedures of the project will be based on national procedures, defined in the Manual de Administração Financeira (MAF) and the POM. FNDS has internal audit unit and this should include in their annual plans audit of the project operations. The internal audit reports should be submitted twice a year. However, the FNDS internal audit unit capacity needs to be strengthened by recruitment of two additional auditors. The project may also be subject to the review of the General Inspectorate of Finance (*Inspeção Geral das Finanças*, IGF) based at the Ministry of Economy and Finance. The Bank FM team will also conduct regular supervision through desk review and field visits (that include expenditures and asset reviews) to ensure that the implementing agencies are maintaining adequate systems of internal controls and key procedures are complied with. However, the COVID-19 may negatively impact the implementation support of the project. Under these circumstances, the World Bank will provide remote support to the project through internet solutions and phone calls. The project will use the World Bank New Procurement Framework (NPF). The Project Procurement Strategy for Development (PPSD) was prepared by FNDS and approved by the World Bank, the Procurement Plan is being prepared in collaboration with the World Bank.

1.19. **Accounting.** FNDS will account for all project funds, expenditures, and resources using the existing accounting packages, which are adequate as it can produce reliable financial reports required to monitor and manage effectively the progress of the project and being used by other Bank-financed operations. The accounting packages will be customized to maintain separate records and ledger accounts for the proposed project and allow preparation of project specific financial reports. FNDS should ensure that an approved accounting package is fully operational throughout project implementation and it is capable of producing relevant and timely financial information of the project.

1.20. **Financial reporting.** FNDS is producing acceptable quarterly IFR for the ongoing operations. It will prepare separate quarterly IFRs for the project in form and content satisfactory to the World Bank, which will be submitted to the World Bank within 45 days after the end of the quarter to which they relate. These reports will cover all activities of the project. The formats will be similar to those currently in use for ongoing projects. The preparation and submission of IFR may be delayed due to the COVID-19 as some activities will be implemented at provincial level. However, the implementing agency will make use of internet solutions

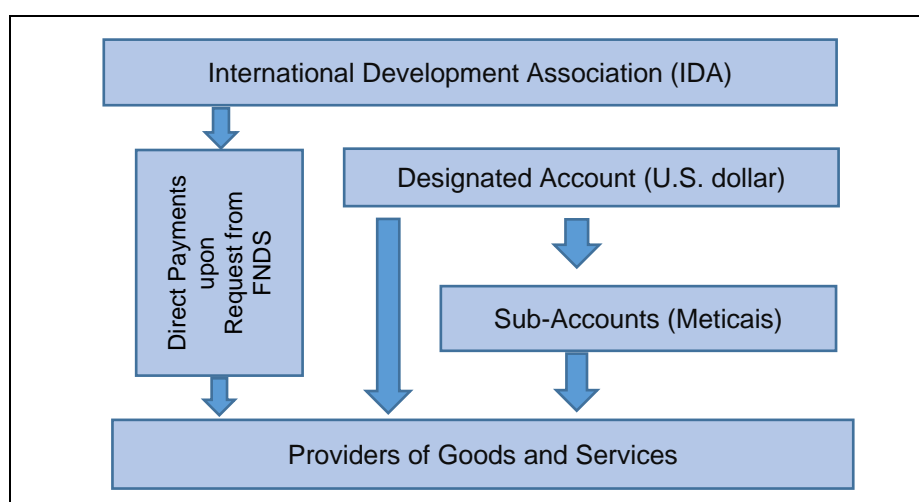


to mitigate this challenge. At the end of each fiscal year, the agency will also produce separate annual project financial statements (PFS) in accordance Financial Reporting under Cash Basis of Accounting. In addition, the PFS's components will be outlined in the terms of reference for audit of this proposed project.

Disbursement

1.21. **Funds flow.** A Designated Account (DA) in US dollars will be opened at the Bank of Mozambique (Central Bank) to receive funds from IDA. Payments of eligible project expenditures will be made from the DAs to contractors, suppliers, consultants, and small grants. All payments to local suppliers and consultants will be made strictly in local currency in compliance with Mozambique exchange control rules and regulations. The figure below shows funds flow mechanism for the project activities.

Figure A1.1: Funds flow



1.22. **Disbursement arrangements.** Disbursements of IDA funds will be done on a transaction basis. An initial advance to be indicated in the Disbursement and Financial Information Letter will be made into each Designated Accounts upon the effectiveness of the Financing Agreement.

1.23. **The option of disbursing the IDA funds through direct payment, reimbursement, and special commitment will also be available.** To facilitate the payments of contractors, suppliers, and consultants a lower minimum threshold for the use of direct payment and reimbursement methods of disbursement will be applied for this operation. The Bank will issue the Disbursement Letter and Financial Information Letter which will specify the additional instructions for withdrawal of the proceeds of the IPF.

1.24. **Auditing.** The Administrative Tribunal (the country's supreme audit institution) is mandated to audit all government funds, including donors-financed projects. As such, the project financial statements will be audited by the Tribunal in accordance with International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI). The terms of reference for audit will explicitly requires the auditors to conduct physical verification. These will be prepared and discussed with the Administrative Tribunal within one month after the project effectiveness. The audit report together with Management Letter will be submitted to the Bank within six months after the financial year-end.



1.25. **Implementation support plan.** Based on the current overall FM risk of this operation, the project will be supervised twice a year. In addition to desk-based reviews, the FM will perform field visit to ensure that Project's FM arrangements operate as intended. The World Bank will provide remote support to the project through internet solutions and phone calls during this time of COVID-19 pandemic.

Procurement.

1.26. **Applicable procedures.** Procurement will be carried out in accordance with the 'World Bank Procurement Regulations for IPF Borrowers', dated November 2020 and as amended over time, and the provisions stipulated in the Financing Agreement. Moreover, the 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, and revised in January 2011 and July 2016, will apply.

1.27. **The PPSD was prepared by FNDS.** The World Bank reviewed the PPSD and found it adequate for the project. The PPSD reviewed the key contracts to be financed for the initial period of 18 months and recommended the most suitable approach to implement a fit-for-purpose procurement, achieving value for money with efficiency. The outcome of the PPSD is the initial Procurement Plan, which will be finalized not later than 30 days after Project effectiveness date.

Procurement arrangements

1.28. **The Procurement activities for the project will be managed by the FNDS, an entity established under the Ministry of Agriculture and Rural Development (MADER).** The Agency has substantial exposure to World Bank fiduciary requirements as it is managing at present four Operations. The available capacity is considered adequate for the day-to-day management of the future project, which includes the availability of qualified capacity in procurement, in a manner satisfactory to the Bank, after FNDS has recently recruited an international procurement consultant. The available capacity will allow an advancement of implementation from the early stage.

1.29. UNOPS will provide support to for the implementation of the project. The Government confirmed its intention to seek support from UNOPS, to build on their unique expertise in operating under similar environment. Other UN Agencies such as WFP, IOM, UNICEF and WHO, which are already established on the ground, are likely to be engaged to further support government efforts (see Annex 7 for details on the activities implemented by UN agencies in response to the IDP crisis in Northern Mozambique).

1.30. **World Bank Support and additional implementation arrangements.** The World Bank, as part of the Implementation Support, will carefully monitor the implementation of the project and provide support and guidance, as required, throughout its implementation as well as changes in the implementation arrangements, if deemed appropriate. FNDS will produce, within 30 days of Project Effectiveness, a Project Operations Manual which will include a section on procurement, the Procurement Manual. The Procurement Manual will detail the applicable procurement arrangements for the project and help the PIU and Project beneficiaries to carry out procurement in accordance with the World Bank Procurement Regulations, in addition to provide a clear division of roles throughout the procurement processing and management. The Manual will contain streamlined procedure for the procurement of goods, works and services, as well as consultants' service, commensurate with the emergency nature of the project. The



World Bank will continue to offer support to ensure adequate and timely implementation of agreed activities and will encourage FNDS to leverage the use of technology while limitations are being imposed by COVID-19, through promoting streaming of opening of bids and proposals and the possibility of submission of bids/proposals through electronic means.

1.31. **Procedures for the selection of consultants.** Quality- and Cost-Based Selection will be the main method for the selection of consulting firms, including assessment of status of fisheries resources, design of rehabilitation measures for school and health facilities; design of dikes, design of rehabilitation of water supply systems and sanitation facilities, among others. Occasionally, consulting services may be procured through Selection Based on the Consultants' Qualification and Least-Cost Selection procedures, whenever its complexity and cost of the assignments justify the adoption of such methods in accordance with the PPSD.

1.32. **Procedures for goods and non-consulting services.** Goods and non-consulting services will be procured as recommended by the PPSD, with the Request for Bids as the main method, including for the procurement of vehicles, information technology equipment, ambulances, motorbikes, supply of school desks, outreach and communication services, housing and solid waste management services, diseases prevention campaigns, among others. The Mozambique Procurement Regulation (Decree 5/2016 of March 8, 2016) can be used under the project as it has been assessed and meets generally the World Bank core procurement principles. International competition is not anticipated.

1.33. **Procedures for Works.** Works will be procured as per the procedures recommended by the PPSD, with the Request for Bids as the main method, including for the procurement of the construction protection dikes and ponds, rehabilitation and expansion of water supply systems and sanitation facilities; rehabilitation of education and health infrastructure, construction of classrooms and houses for teachers, among others. The Mozambique Procurement Regulation (Decree 5/2016 of March 8, 2016) can be used under the project as it has been accessed and meets generally the World Bank core procurement principles. International competition is not anticipated.

1.34. **Use of Technology.** With the limitations being imposed by COVID-19 and with the aim of fostering competition, FNDS and the Bank will assess the use of virtual tools (such as Skype, Zoom, Webex) to increase the participation of bidders in bid opening and pre-bid meetings or site visits, as required, and allow the electronic submission (e-mail) of Bid/Proposals

1.35. **Procurement Plan.** FNDS will develop a Procurement Plan covering for at least the first 18 months of project implementation, as informed by the PPSD, and be agreed between the recipient and the World Bank. Furthermore, the Plan will be finalized not later than 30 days after Project effectiveness date and will be updated from time to time to guide the implementation of procurable components of the project. The processing of these activities will be done in real time through the World Bank's tracking system—Systematic Tracking of Exchanges in Procurement (STEP).

1.36. **Review by the World Bank of procurement decisions.** Table A1.4. indicates the initial values for prior review by the World Bank. All activities estimated to cost below these amounts shall be treated as post review and will be reviewed by the World Bank during implementation support missions under a post procurement review exercise. Direct Contracting/Single-Source Selection will be subject to prior review only for contracts estimated to cost equal to or more than the amounts indicated in table below. The World



Bank may, from time to time, review the amounts, based on the performance of the implementing agencies.

Table A1.4: Value thresholds for prior review

Procurement Type	Prior Review (US\$)
Works	5,000,000
Goods and non-consulting services	1,500,000
Consulting Services (Firms)	500,000
Individual consultants	200,000

1.37. **Assessment of national procedures.** The Mozambique Procurement Regulation, approved by Decree 5/2016 of March 8/2016, has been assessed, as required under the World Bank's Procurement Framework. The assessment indicated that the country's regulations are generally consistent with international best practice for the following reasons: (a) there is adequate advertising in national media; (b) the procurement is generally open to eligible firms from any country; (c) contract documents have an appropriate allocation of responsibilities, risks, and liabilities; (d) there is publication of contract award information in local newspapers of wide circulation; (e) the national regulations do not preclude the World Bank from its rights to review procurement documentation and activities under the financing; (f) there is an acceptable complaints mechanism; and (g) there is maintenance of records of the procurement process.

1.38. **Bidding process.** The Request for Bids/Request for Proposals document shall require that bidders/proposers present a signed acceptance at the time of bidding, to be incorporated in any resulting contracts, confirming application of, and compliance with, the World Bank's Anti-Corruption Guidelines, including without limitation the World Bank's right to sanction and the World Bank's inspection and audit rights.

1.39. **Use of local procedures.** With the incorporation of the above provision, the Mozambique Procurement Regulation will be acceptable to be used under those procurements not subject to the World Bank's prior review, as per the thresholds indicated in the above Table or any updates indicated by the World Bank in the Procurement Plan that has been created in STEP.

1.40. **Project risks affecting procurement.** While there is capacity to implement the proposed project, there are risks that may impact implementation of the project and these are summarized below, including the proposed mitigation measures:

Table A1.5: Procurement risk assessment and mitigation measures

Risk Description	Risk Rating	Description of Mitigation	Residual Risk
Availability of qualified personnel to support Procurement implementation	High	FNDS to ensure that qualified personnel, under terms satisfactory to the World Bank are recruited to support the procurement function. This arrangement should be retained throughout the life of the project.	Substantial



Risk Description	Risk Rating	Description of Mitigation	Residual Risk
		<p>FNDS to engage with experienced UN Agencies such UNOPS, WFP, UNICEF, WHO, etc., to facilitate project implementation.</p> <p>The Bank procurement team will work closely with FNDS to enhance the available capacity, through hand on support, as required.</p>	
Lengthy internal procurement reviewing process that may cause project implementation delays. Country procedures for payments abroad may also affect performance of procurement.	Substantial	While these are portfolio wide issues, the adoption of sound operational procedures for project implementation, with responsibilities and timelines requirements for procurement activities, will reduce the impact.	Substantial
Limited participation of bidders due to COVID-19 and the security situation in the Northern region.	High	FNDS to assess use of technology/on-line tools (pre-bid meetings, bid openings, bid submissions, negotiations) to minimize disruption due to the limitations imposed by COVID-19.	High
Weak capacity to effectively and timely monitor Works' Contracts.	High	<p>FNDS to ensure that adequate contract monitoring measures are in place, to enable timely implementation, reduce the likelihood of delays and cost variations.</p> <p>UNOPS engagement should also contain clear metrics to provide FNDS with monitoring outcomes of the implementation on the ground.</p>	High

1.41. **The overall procurement risk associated with the project is High.**



ANNEX 2: Drivers of Conflict in Cabo Delgado Province

2.1. **Drivers are cross-cutting and multidimensional**, and can be understood as marking the interplay of the historical and geographical dimensions of fragility, the nature of the political arrangements in place, and the tensions and grievances that derive from this interaction and that accumulate in the arenas. The Mozambique Risk and Resilience Assessment (October 2020 - P172327), presented the following analysis of key drivers of fragility in norther Mozambique.

2.2. **Driver 1: The nature of the political settlement established since independence has excluded large parts of the population from access to power and resources and deepened horizontal inequalities and regional imbalances.** The non-conclusive outcome of the civil war resulted in a political stalemate between the ruling party and the opposition and has shaped a narrow political settlement, which excludes opposition parties from the socioeconomic and political benefits of peace, despite their having a social base and political representation, in the process reinforcing and deepening regional divides. The absence of comprehensive national reconciliation and transitional justice measures in the wake of conflict and slow resolution over the fate of former combatants, has compounded feelings of unfairness and injustice that this exclusion engenders, and perpetuates the use of violence as a form of dispute resolution.

2.3. **Driver 2: The complex regional politics that informed the uneven development of Mozambique have been compounded in the post-independence era by uneven state presence and service delivery along a North-South divide.** Skewed distribution of public resources and perceptions of unfairness and inequality in the delivery of basic services along this geographic divide is accentuated by rapid population growth in the Northern and Central regions, resulting in a sharpening of regional imbalances and deepened perceptions of marginalization and exclusion in relation to the central government. In combination with perceptions of suspicion of electoral fraud in opposition strongholds that reinforce a sense of exclusion from political power and access to resources, this has challenged the ideal of national unity and heightened a sense of identity along regional lines.

2.4. **Driver 3: A historical sense of neglect and “otherness” along a North-South divide, compounded by socio-economic grievances and exacerbated by exclusion from and competition for access to land and resources, is driving fragility in Cabo Delgado.** More recently, violent conflict is being stoked by allegations of heavy-handed approaches by the security forces, the prospect of the local population not reaping the benefits of extractive resources in the form of jobs or improved services, particularly impacting the youth, and the capture of a local state to the exclusion of other stakeholders.

2.5. **Driver 4: Disconnected from the previous generation’s experiences of conflict and party allegiance, the youth remain in a socioeconomic status of “waithood,” denied of opportunities for economic betterment, education, political voice, and the transition to adulthood.** They are excluded from the benefits of the country’s resource wealth in the form of employment or improved basic services, and without connections and access to credit and technical know-how, have little hope of forging an entrepreneurial path. These factors combine to push them into urban centers in search of opportunities, where they often eke out a living on the margins in poorly-serviced informal settlements, or provide fertile ground for recruitment into extremist groups, for co-opting into the illicit economy, or for joining criminal gangs.



2.6. Driver 5: Rapid population growth, environmental degradation, and the impacts of climate change and natural hazards have placed additional stress on natural resources, with large parts of the population relying on land, forests, minerals, and fishing for sourced of livelihood. This has contributed to unsustainable practices and is compounded by poor enforcement of governance structures, weak management of the resource base, and dysfunctional justice and security institutions, all of which contributes to competition for resources and can stoke violent conflict.



ANNEX 3: Positive List of Goods and Services Eligible for Retroactive Financing

Areas of Intervention	Activity	Detail	Response Institution	Administrative support institution
A. GOODS				
Health equipment				
Health	Acquisition of vehicles	Acquisition of ambulances	FNDS	MISAU
		Acquisition of pick-up vehicles	FNDS	MISAU
		Acquisition of moto-ambulances for relocation sites	FNDS	MISAU
Public services				
Water supply and sanitation	Provision of water and sanitation services	Acquisition and installation of water tanks (10m3)	FNDS	DNAAS/ MOPHRH
		Installation of handwashing points	FNDS	DNAAS/ MOPHRH
		Acquisition and installation of toilets equipped with biodigesters	FNDS	DNAAS/ MOPHRH
		Provision of slabs for latrines	FNDS	
Agriculture and fisheries	Restoration of livelihoods	Acquisition and distribution of seeds	FNDS	MADER
		Acquisition and distribution of agriculture inputs	FNDS	MADER
		Acquisition and distribution of fishery kits	FNDS	MIMAIP
Sites and services	Sites planning	Provision of sites planning equipment	FNDS	MITA
B. SERVICES				
People				
Project readiness	Individual consultants, UN-Agencies, NGOs, and firms.	Support the preparation of E&S documents, POM, procurement plans and others, as required for project readiness	FNDS	UNOPS
Health	Staffing	Hiring and training of health workers	FNDS	MISAU
Public services				
Water supply and sanitation	Provision of water and sanitation services	Daily provision of water for six months	FNDS	DNAAS/ MOPHRH
Economy				
Agriculture and fisheries	Restoration of livelihoods	Rapid assessment of status of fisheries resources in Pemba bay and nearby districts	FNDS	MIMAIP
Sites and services				
Sites and services	Sites planning	Provision of sites planning services	FNDS	MITA



ANNEX 4: Economic Analysis

4.1. **An economic analysis was undertaken to assess the economic feasibility of the proposed interventions.** The analysis assessed the interventions according to the project components: (a) building social cohesion and resilience to conflict; (b) providing livelihoods and economic opportunities for IDPs and host communities; and (c) providing access to basic services and public infrastructure.

4.2. **Due to the urgent nature of this operation, the following section presents a simplified and preliminary economic analysis of the project.** A preliminary quantitative analysis was conducted for component 3, including interventions in the WASH, health, and education sectors, as well as investments in markets and community spaces. For the interventions in other sectors, a qualitative analysis of the benefits was carried out.

4.3. **The economic analysis for interventions in the five selected sectors presented in table A4.2 suggests that the proposed interventions are economically feasible across all sub-projects under consideration.** Where national data are not available, the unit costs of the sub-projects are based on similar projects in the country or the region. Costs include project implementation, monitoring, and evaluation (component 4). The analysis relies on the Net Present Value (NPV) of the costs and benefits to assess the net returns accruing from the implementation of the proposed sub-projects. The following assumptions were made as part of the economic analysis:

- Valuation of costs and benefits, based on market and shadow prices,
- Appraisal period of 20 years,⁴¹ and
- Discount rate of six percent.

4.4. **The results of the economic analysis show an overall NPV of US\$104.75 million and Benefit-Cost-Ratio (BCF) of 2.83 for the project.** Both the NPV and BCR quantify positive benefits to the affected households, showing that the project is economically viable by conservative estimates. Regardless of the chosen discount rate (6 percent), the NPV and the BCR illustrate that the project's impact will be beneficial and significant. Results for the overall project are presented in Table A4.1 and results for each of the assessed components are summarized in Table A4.2.

Table A.1: Summary Table of Estimated Cost-Benefit Analysis Result Overall Project

	Overall Project		
Discount rate	0%	6%	10%
Costs	68.45	57.21	52.45
Benefits	272.47	161.95	122.08
Benefit-Cost-Ratio	3.98	2.83	2.33
Net-Present-Value	204.02	104.75	69.64

Note: Costs, benefits, and NPV are presented in US\$ million.

⁴¹ The appraisal period is 20 years for investments in the WASH, health, and education sectors, while it is 10 years for investments in community infrastructure such as markets and community spaces.



Table A.2: Summary Table of Estimated Cost-Benefit Analysis Result per Component

Components	3.1 WASH			3.2.1 Health			3.2.2 Education			3.3.1 Markets			3.3.2 Community Spaces		
Discount rate	0%	6%	10%	0%	6%	10%	0%	6%	10%	0%	6%	10%	0%	6%	10%
Costs	18.69	15.96	14.79	25.20	19.62	17.44	19.43	17.09	15.99	1.55	1.32	1.21	3.58	3.21	3.01
Benefits	41.35	28.23	23.39	103.36	59.33	43.68	109.69	61.75	44.80	7.63	5.20	4.12	10.45	7.44	6.09
BCR	2.21	1.77	1.58	4.10	3.02	2.50	5.65	3.61	2.80	6.08	3.87	2.91	6.87	4.23	3.08
NPV	22.65	9.79	0.32	78.16	32.42	21.24	90.26	33.43	28.81	4.93	3.93	3.40	2.92	2.32	2.02
IRR	65.55%			39.46%			35.54%			58.06%			42.01%		

Note: Costs, benefits, and NPV are presented in US\$ million.

Component 1: Building social cohesion and resilience to conflict

Subcomponent 1.1. Strengthening the capacity of community-based institutions

4.5. **The activities of Subcomponent 1.1, which are expected to cost US\$5 million, promote stability, cohesion and peaceful cohabitation among different social groups and host communities.** The subcomponent addresses the humanitarian and security crisis which communities in Northern Mozambique are facing through activities such as mapping of community-based organizations and leadership structures; revitalization of youth associations; creation and training of community-based child protection committees; revitalization and support of women's associations; and creation of volunteer associations in areas such as arts, sports, dance and tournaments, among other healing activities for IDPs. The interventions are expected to benefit about 36,600 IDPs in temporary sites, 45,000 IDPs in relocation sites, and 476,200 host family members.

4.6. **Building social cohesion will be critical in a situation of internal displacement, coupled with instability, poverty, and food insecurity.** A lack of perspectives, limited access to education, and high rates of unemployment provide a ripe recruiting ground for insurgent groups. Vivid community-based organizations and youth associations play a key role in generating options for personal growth and a feeling of belonging to the community, which can absorb discontent, prevent uprising, and eliminate the basis for recruitment intents of insurgent groups.

4.7. **Past operations have shown that communication between IDPs and host communities is important to prevent the emergence of an additional, local layer to regional conflicts.** The intervention will create spaces of exchange based on principles of a deliberative democracy. By providing channels for people to voice their grievances and engage in participatory community development initiatives, this subcomponent will cushion social tensions.

Subcomponent 1.2. Provision of social services for vulnerable households and individuals

4.8. **This subcomponent finances the contracting of national and international NGOs and community-based organizations** to support the strategic and operational planning and management of daily activities aimed at building cohesion, resilience, and peace between IDPs and host communities with US\$4 million. Activities that are supported include mental health and psychosocial counselling to IDPs, especially women and children; targeted assistance to survivors of GBV, and assistance to orphans and child-headed



households. The subcomponent will also support the identification, registration, and documentation of IDPs as well as the development and operation of a digital platform to track access of these services by IDPs.

4.9. These activities are expected to bring twofold benefits: Firstly, the approach fosters mental health and consequent wellbeing of IDPs, which have shown to be critical factors for personal development and growth. Secondly, the involvement of national NGOs and CBOs creates local job opportunities, which foster local and national economic growth. NGOs and CBOs will also support the oversight and management of community infrastructure, using participatory planning, monitoring, and evaluation of poverty-reduction initiatives which have proven beneficial for other projects in the country.

Component 2: Provision of livelihood and economic opportunities for IDPs and host communities

Subcomponent 2.1. Provision of support for the carrying out of livelihood recovery activities for IDPs and for host communities

4.10. This subcomponent will finance the provision of immediate basic services livelihood support activities for IDPs and for host families. Specific activities will include:

- a. **Cash-for-work programs:** The cash-for-works programs will provide a grant of MZN 3,000 to 30,000 beneficiaries. The costs are estimated at US\$1.5 million. Ensuring that the beneficiaries' basic needs are met, the grants will reduce poverty and lower food insecurity. The temporary financial support will enable the beneficiaries to develop their skills and, hence, increase their professional opportunities and future income. By covering the beneficiaries' livelihood, the program will lower the conflict potential between IDPs and host families, which will have a positive effect on mid- to long-term regional economic growth.
- b. **Provision of seeds and agricultural tools:** The project will provide 70,000 households with 4,227 tons of seeds (maize, beans, peanuts, and sesame of an expected value of US\$12.5 million) and agricultural tools (hoes, katanas, and axes of an expected value of US\$1.8 million). Assuming an average household size of 5 people, the interventions are expected to benefit 361,310 people. Agriculture, forestry, and fishing account for 26 percent of Mozambique's Gross Domestic Product (GDP).⁴² 63 percent of the population live in rural areas,⁴³ relying on agriculture as their main source of food, income, and employment.⁴⁴ The intervention will enhance food security and revitalize the rural economy. Benefits are expected from increased production and productivity of food crops, boosting effects on the agricultural industry, and a rise in employment and income for rural communities. A lack of data prohibited the monetary quantification of the expected benefits from the viewpoint of project participants (financial analysis) and from the standpoint of the national economy (economic analysis) at the preparatory stage of the project.
- c. **Provision of fishing kits:** The Project will finance the provision of fishing kits of a value of US\$6.0 million to 200 fishermen's and fisherwomen's associations. The intervention is expected to benefit 10,000 people. Benefits are expected in terms of (i) increased income through improved fish catch as a result of better fishing practice and fishing of larger volumes and/or more expensive fish (financial analysis)

⁴² World Bank (2019): Agriculture, forestry, and fishing, value added (percentage of GDP)

⁴³ World Bank (2019): Rural population (percentage of total population).

⁴⁴ International Fund for Agricultural Development (IFAD) (2021).



as well as (ii) regional economic growth through a fish market and (iii) fish stock recovery due to more sustainable fishing practices thanks to improved fishing equipment that better protects natural resources (economic analysis).

Subcomponent 2.2. Supporting temporary jobs creation and professional skills development

4.11. Costs in the amount of US\$7 million of this subcomponent cover: (a) the recruitment of local labor for provision of basic services under Component 3; (b) facilitation of the participation of IDPs and host community members in the implementation of social, health and sanitation, education and hygiene campaigns at the community level; (c) the construction of agriculture and poultry incubators in Balama, Chiúre, Montepuez and Pemba; (d) professional training of youth, and the provision of tool kits for self-employment in different vocational specialties, (e) training of youth in construction and related basic construction skills; (f) training and hiring of IDPs and host community members for outreach activities related to public health and education; and (g) tailored skills development approaches for girls not in school.

4.12. Benefits from ensuring equitable access to jobs and professional training opportunities for IDPs and members of host communities, including disadvantages youth, are multifaceted. Generating employment opportunities and boosting professional skills of IDPs and members of host communities is important to reduce poverty and improve wellbeing. Early action to improve professional opportunities of youth have a large potential to create positive medium-term to long-term effects on economic development in Cabo Delgado. Increased professional opportunities and perspectives of economic development for youth are likely to deprive insurgent groups their basis for the recruitment of young members. Participatory communication campaigns have proven as an effective approach to increase awareness for health risks and generate benefits from avoided illness.

Component 3: Rehabilitation, construction, and equipment of public infrastructure

Subcomponent 3.1. Provision of support for site planning and basic services in relocation sites

4.13. Costs for short-term interventions in WASH in the amount of US\$2.8 million are expected in year one of the project. They will cover urgent needs through (a) provision and installation of 140 water tanks of 10,000 liters each and 100 collective hand-washing points; (b) daily provision of 1,400m³ of water for a period of six months; and (c) acquisition and installation of 100 collective toilets equipped with biodigesters. The annual cost of operations and maintenance of the short-term facilities (with an expected lifetime of three years) is estimated at US\$23,689 for year 1, as a proportionate share of the US\$100,000 of the total operations and maintenance costs for the interventions in WASH. In year 2 and 3, operations and maintenance of the short-term facilities are estimated at US\$2.21 million each, with the provision of water accounting for a major part of the cost. The short-term investment is expected to serve 36,628 IDPs in temporary sites and 44,955 IDPs in relocation sites.

4.14. Costs for medium-term interventions in the amount of US\$6.7 million are expected to incur in year 2 (75 percent) and year 3 (25 percent). They will cover (a) the construction of 40 multipurpose boreholes equipped with solar panels and (b) provision of 20,000 latrine slabs for IDPs families in relocation sites, and they will be accompanied by (c) provision of sanitation services management, and (d) sanitation and hygiene education campaigns. The subcomponent also includes the expansion of three water supply systems in Acuabe, Chiure, and Montepuez with an estimated cost of US\$2.10 million. Annual operations and



maintenance costs of US\$180,000 are considered after completion of the construction works from year 4 onwards. The annual cost of operations and maintenance of the medium-term facilities is estimated at US\$180,000 from year 4 onwards, which translates to US\$1,80 per beneficiary. The medium-term investments are expected to benefit 20,000 households with an average size of five people in relocation sites, a total of 100,000 beneficiaries.

4.15. **Benefits from the short-term interventions** in WASH are expected in year 1 (50 percent) and years 2 and 3 (100 percent). Benefits consist of: (i) Reduced mortality due to improved access to WASH services, (ii) reduced childhood malnutrition, and (iii) reduced GBV.

- **Reduced mortality due to improved access to WASH services.** It is assumed that the risk of mortality attributed to unsafe sanitation and lack of hygiene – 7 percent – is reduced by 30 percent which, combined with a value of a statistical life (VSL) of US\$27,002⁴⁵ and a sub-project effectiveness rate of 10 percent, would lead to annual benefits of US\$4.63 million.
- **Reduced childhood malnutrition.** The prevalence of stunting in Mozambique among children under five years is estimated at 42 percent.⁴⁶ The share is likely to be higher in Northern Mozambique. Worldwide, each day, 2,195 children die from diarrhea – that is than from AIDS, malaria, and measles together. Diarrheal diseases account for one in nine child deaths, making diarrhea the second largest cause of death among children under the age of five globally.⁴⁷ Improved WASH services reduce the risk of diarrhea and malnutrition. The annual value of prevented malnutrition per child is projected at US\$20, combined with a share of children under 15 years of the total population of 47 percent⁴⁸ and an assumed project effectiveness of 30 percent, annual benefits amount to US\$0.32 million.
- **Reduced GBV.** Among the almost 530,000 IDPs in Mozambique, 126,000 are of reproductive age and 15,000 are pregnant. 747 pregnant women are expected to experience life-threatening complications while giving birth in the next three months and up to 2,530 women and girls could seek care in response to sexual violence.⁴⁹ The annual value of reduced GBV per woman is projected at US\$100, combined with a share of women among all IDPs of 50 percent, and an assumed effectiveness rate of 10 percent, annual benefits amount to US\$0.41 million.

4.16. **Benefits from the medium-term interventions** in WASH are expected to start materializing after the completion of construction of boreholes and latrines in year 3 (75 percent) and increase to 100 percent from year 4 onwards. Most activities are expected to benefit 100,000 IDPs in temporary sites and relocation sites, while the expansion of three water supply systems in Acuabe, Chiure, and Montepuez will benefit 15,000 people. Benefits consist of: (a) avoided costs from mortality due to unsafe water, unsafe sanitation, and lack of hygiene; (b) value of time saved in accessing drinking water; and (c) saved expenditures on water purchases.

⁴⁵ Robinson, L. et al. 2019. Reference Case Guidelines for Benefit-Cost Analysis in Global Health and Development.

⁴⁶ World Bank 2015. Prevalence of stunting, height for age (% of children under 5).

⁴⁷ Liu, L. et al. 2012. Child Health Epidemiology Reference Group of WHO and UNICEF. Global, Regional, and National Causes of Child Mortality: An Updated Systematic Analysis for 2010 with Time Trends since 2000. External Lancet 379 (9832), 2151-61.

⁴⁸ INE 2017. Apresentação dos Resultados Definitivos do VI Recenseamento Geral da População e Habitação 2017, p.17.

⁴⁹ UNFPA 2021. Meeting the urgent needs of vulnerable women and girls and those displaced by violence in Cabo Delgado – joint UN mission.



- **Avoided costs from mortality due to unsafe water, unsafe sanitation, and lack of hygiene.** The mortality rate attributed to lacking access to proper WASH services is 27.6 in 100,000 people.⁵⁰ The use of national data constitutes a conservative assumption, as WASH services are likely to be worse in relocation sites. It is assumed that the intervention will reduce the mortality rate by 30 percent, which combined with a VSL of US\$27,002, and an effectiveness rate of 30 percent, leads to annual benefits of US\$0.67 million from the interventions in temporary and relocation sites. Annual benefits from the three water supply systems in Acube, Chiure, and Montepuez amount to US\$0.10 million.
- **Value of time saved to access drinking water.** It is assumed that a household saves on average 4.5 hours per week accessing water, or 234 hours per year, which combined with an opportunity cost of US\$0.24 per hour (deducted from a GNI of US\$490 and an average working day of eight hours) and a total of 20,000 benefiting households would lead to annual benefits of US\$1.10 million. Annual benefits from the three water supply systems amount to US\$0.17 million.
- **Saved expenditures on water purchases.** It is assumed that each household will save US\$10 per year by reducing their water purchases, which would lead to annual benefits of US\$0.20 million plus US\$0.03 million from the three water supply systems.

The NPV of the investments in water supply systems and sanitation facilities is estimated at US\$9.79 million and the IRR is estimated at 65.55 percent.

4.17. **Costs for site planning of relocation sites are budgeted with US\$300,000.** The intervention will support the Government in the site planning of proposed relocation sites (one plot of 20m x 40m per family) and agriculture (1.5 ha per family) to IDPs. The Government intends to assist 20,000 IDP families in the construction of housing with local materials.

4.18. **Indirect benefits.** Benefits from living in a home rather than in a temporary shelter generate increased individual welfare (which could be measured as avoided costs of living in a temporary shelter) and positive impacts on health (which could be measured as avoided health-related costs incurring from living in a temporary shelter). Benefits from accessing agricultural land result in prevented health impacts of malnutrition and improved individual incomes.

4.19. **The site planning in line with the manual of basic spatial planning techniques is expected to foster sustainable settlement practices in all relocation sites and adjacent host communities.** Training of local staff and community members will promote a coordinated resettlement process and enhance the sustainable use of natural resources such as wood and other construction materials.

Subcomponent 3.2. Provision of medium-term durable solutions in relocation sites and poorly served host communities

4.20. **Costs** for procurement of 10 ambulances, 10 pick-up vehicles, and 20 motorbikes, construction, and equipment of 20 health units, and acquisition and allocation of medication is estimated at US\$13.64 million. Hiring and training of 476 health workers, also financed under this subcomponent, is excluded from the economic analysis due to the shorter appraisal period compared to the other investments covered by this subcomponent. Procurement of vehicles is expected to happen in year 1. Costs for the construction and

⁵⁰ World Bank 2016. Mortality rate attributed to unsafe water, unsafe sanitation and lack of hygiene (per 100,000 population).



equipment of health units are expected to incur in year 2 (75 percent) and year 3 (25 percent) of the project. Costs for medication are expected to occur in year 1 to year 3 (33 percent per year). The project covers operating costs in the amount of US\$200,000, which incur from year 1 to year 3 (33 percent per year). The annual cost of operations and maintenance of the health units and vehicles is estimated at US\$0.61 million from year 4 onwards.

4.21. **Benefits** of improved access to health care units and availability of vehicles are assessed as (i) value of reduced maternal mortality and (ii) value of prevented non-communicable disease (NCD)-related deaths. Benefits are factored in at 9 percent in year 2 and 77 percent in year 3, assuming benefits to materialize with a time lag of one year after the respective expenditures. The investment is expected to serve 343,904 IDPs.

- **Value of reduced maternal mortality.** It is assumed that 205 maternal lives would be saved, which combined with a value of statistical life of US\$27,002⁵¹ and a sub-project effectiveness rate of 20 percent, would lead to annual benefits of US\$1.11 million.
- **Value of prevented NCD-related deaths.** It is assumed that the risk of NCD-related deaths would be reduced by 20 percent, which combined with a statistical life of US\$27,002, would amount to annual benefits of US\$4.51 million.

4.22. **Benefits of medication** are accounted for as reduction in health issues resulting from a lack of medication.

- **Reduced health issues resulting from a lack of medication.** It is assumed that without the intervention people without access to medication would face negative effects on human health. This intervention will contribute to reducing diseases due to a lack of medication in the without-project scenario. Cost-benefit analysis in the health sector is often based on the reduction in disability-adjusted life years (DALY) associated with the cases of diseases the intervention could avert. DALY measures the number of years lost due to ill-health, disability, or early death due to disease. National estimations of DALY⁵² are used in tuberculosis and it is assumed that the intervention will avoid 2 percent of the beneficiaries from tuberculosis contagion (68,781 people) and prevent on average 0.04 DALY per person. The estimated benefits of the project on health are evaluated based on the number of DALY that could be saved per person due to the intervention. The acquisition and allocation of medication would avert at least 2,968 DALY, which costed at the level of gross national income of US\$490 per capita⁵³, equals an annual value of US\$1.45 million.

4.23. **The NPV of the investments in improved access to health care is estimated at US\$32.42 million** and the IRR is estimated at 39.46 percent.

4.24. **Costs of rehabilitation and construction of resilient education infrastructure:** For resilient rehabilitation or construction of 252 classrooms for primary education in relocation sites, rehabilitation of two secondary schools in Marire (in Ancuabe District) and Chiure (in Chiure District), construction of 40 classrooms for youth and adults in relocation sites, 240 toilets, 10 library buildings, acquisition of 10 school

⁵¹ Robinson, L. et al. 2019. Reference Case Guidelines for Benefit-Cost Analysis in Global Health and Development.

⁵² Institute for Health Metrics and Evaluation.

⁵³ World Bank 2019. GNI per capita, Atlas method (current US\$)



kits for these libraries and 8,500 desks as well as construction of 20 administrative blocks in relocation sites, a total of US\$23.46 million is estimated. The construction of 140 houses for teachers is excluded from the quantitative economic analysis, as expected benefits for students are indirect. 75 percent of the investment costs are expected to incur in year 2 and 25 percent in year 3 of the project. The project covers operating costs in the amount of US\$290,000, which incur from year 1 to year 3 (33 percent per year). The annual cost of operations and maintenance of the education infrastructure is estimated at US\$153,500 from year 4 onwards. The annual cost per classrooms in primary schools is included with US\$200, while the annual cost per classroom for youth and adults in the relocation sites is included with US\$400. The investment is expected to serve 44,439 students.

4.25. **Benefits** of improved education infrastructure are considered as (a) savings from education through reduced drop out from school; (b) avoided costs from child mortality through literacy of female beneficiaries; and (c) avoided damage from floods and cyclones.

- **Savings from education through reduced drop out from school.** It is assumed that the interventions will reduce school dropping by 40 percent (with a national baseline of 58 percent of students not completing primary school⁵⁴). Further it is assumed that school enrollment enhances future wages by 12.4 percent⁵⁵, which combined with a GNI per capita of US\$490⁵⁶ leads to annual savings of US\$1.08 million.
- **Avoided costs from child mortality.** The valuation of benefits is based on the Theory of Human Capital and associated empirical evidence to demonstrate substantial economic private returns to education. According to the theory, education enhances individual worker productivity which translates to higher earnings.⁵⁷ Studies on rates of return to education in Mozambique show that investing in primary education is profitable and that improving completion of primary school can have a direct effect on individual wages.⁵⁸ Although the IRR from investments in primary education has decreased over recent years,⁵⁹ the effect of primary education on wages is expected to remain positive.

4.26. **In Mozambique, analphabetism is on average 39 percent, with higher rates in rural areas** (50.7 percent), and especially high rates among rural women (62.4 percent).⁶⁰ It is assumed that increased literacy among the female beneficiaries will reduce the expected number of infant deaths⁶¹ by 10 percent (with a baseline infant mortality rate of 54.8 in 1000 births⁶²), which combined with an average number of 5.2 children per women⁶³ and a statistical value of life of US\$27,002,⁶⁴ leads to avoided costs from child

⁵⁴ World Bank 2018. Persistence to Last Grade of Primary, Total (% of Cohort).

⁵⁵ Cho, Y. and Feda K. 2015. Skills and Employment in Mozambique: Implications for Education and Training Policies. World Bank

⁵⁶ World Bank 2019. GNI per Capita, Atlas Method (Current US\$).

⁵⁷ Becker, G. S. 2009. *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*. Univ. of Chicago Press.

⁵⁸ Montenegro, C. E. and H.A. Patrinos 2014. Comparable Estimates of Returns to Schooling around the World. World Bank.

⁵⁹ Jones, S., T.P. Sohnesen and N. Trifkovic 2018. The Evolution of Private Returns to Education During Post-Conflict Transformation: Evidence from Mozambique (No. 2018/143). WIDER Working Paper.

⁶⁰ INE 2017. *Apresentação dos Resultados Definitivos do VI Recenseamento Geral da População e Habitação*.

⁶¹ Jain, G., and V. Bisen (2012). Female Literacy and Its Relevance with Maternal and Infant Mortality Rates. *International Journal of Management*.

⁶² World Bank 2019. Mortality rate, infant (per 1,000 live births).

⁶³ INE 2017. *Apresentação dos Resultados Definitivos do VI Recenseamento Geral da População e Habitação*.

⁶⁴ Robinson, L. et al. 2019. Reference Case Guidelines for Benefit-Cost Analysis in Global Health and Development.



mortality of US\$4.27 million.

- **Avoided damages from floods and cyclones.** Calculations are based on annual expected losses of US\$2,509 per classroom and US\$0.83 million for all 329 constructed and rehabilitated classrooms.⁶⁵

4.27. The NPV of the investments in improved education infrastructure and equipment is US\$33.43 million and the IRR is estimated at 35.54 percent.

Subcomponent 3.3. Provision of support for the rehabilitation, construction, and equipment of community infrastructure

4.28. With a cost in the amount of US\$7.80 million, this subcomponent will cover the construction of infrastructure needed for the critical activities under components 1 and 2 in relocation sites and host communities. The quantitative cost benefit analysis of this subcomponent excludes the construction of transit and integrated attention centers for victims of conflict, violence, and abuse, as expected indirect benefits are difficult to measure. The construction of livelihoods support infrastructure such as dikes, ponds, and water retention tanks for micro-irrigation systems, with an estimated cost of US\$3 million, is also excluded from the quantitative economic analysis.

4.29. Community markets. The cost for the construction of 20 community markets, is estimated at US\$1 million and will incur in year 2 (75 percent) and year 3 (25 percent). The project covers operating costs in the amount of US\$21,277, which incur from year 1 to year 3 (33 percent per year). The annual cost of operations and maintenance of the community markets is estimated at US\$50,000 from year 4 onwards. The markets are expected to serve 2,000 vendors.

4.30. Benefits of the markets are factored in as increased tax revenues. An appraisal period of 10 years is assumed for community markets.

- **Increased tax revenues.** It is assumed that 40 percent of the 2,000 vendors (that is 800 vendors) will be lifted out of informality and pay a simplified tax for small contributors, which is an annual fix amount of MZN 75,000 (equivalent to US\$1,017). In the first year after registration as a business, a 50 percent tax reduction applies, in line with Law No. 5/2009 of January 12, Article 5.⁶⁶ The tax revenues from 800 vendors amount to US\$0.81 million.

4.31. The NPV of the investments in markets is US\$3.93 million and the IRR is estimated at 58.06 percent.

4.32. Rehabilitation, construction, and equipment of community spaces. The costs for the construction, equipment, and management of 20 children-friendly spaces, 20 women-friendly spaces, 20 open centers for adolescents and youth, and 20 multipurpose sports sites are estimated at US\$2.90 million. The project covers operating costs in the amount of US\$61,702, which incur from year 1 to year 3 (33 percent per year). The annual cost of operations and maintenance of the 80 spaces is estimated at US\$56,000 from year 4 onwards, which is equivalent to annual costs per space of US\$700. The investment is expected to serve

⁶⁵ Deltares 2018. Multi-Hazard Risk Assessment for the Schools Sector in Mozambique, p. 70.

⁶⁶ Autoridade Tributária de Moçambique 2014. Imposto Simplificado para Pequenos Contribuintes (ISPC). Decreto 14/2009.



80,000 beneficiaries.

4.33. **Benefits** of community spaces include (i) savings from education through reduced dropouts from school, (ii) reduced GBV, and (iii) improved livability. Inclusive and gender-balanced users committees will be established to ensure equitable and peaceful access and utilization of these facilities by IDPs and host communities.

- **Savings from education through reduced dropouts from school:** Sports and community spaces designed for children, adolescents, and youth increase access to and participation in social activities. Evidence from a comprehensive literature review has shown that sport can have a positive impact on children's lives, by improving outcomes in learning, skills development, safety, and empowerment. While the body of research on how sport can promote higher educational outcomes is limited, pilot projects have shown that education-focused sports for development programs – which could be organized by NGOs on the sport sites financed under this project – can improve educational outcomes. Sport has the potential to improve students' efforts, attendance, and enjoyment in school as well as their social behavior, which are critical factors for a positive teaching and learning environment.

It is assumed that the interventions will reduce school dropping by 40 percent (with a national baseline of 58 percent of students not completing primary school⁶⁷). Further it is assumed that school enrollment enhances future wages by 12.4 percent⁶⁸, which combined with a GNI per capita of US\$490⁶⁹ leads to annual savings of US\$0.018 million.

- **Reduced GBV.** Safe spaces help reduce gender-based violence. The women-friendly spaces will provide a space for conversations in an environment of confidence. The annual value of reduced GBV per women is projected at US\$100, combined with the number of beneficiaries of 500 and an effectiveness rate of 80 percent, annual benefits amount to US\$0.04 million.
- **Improved livability.** Social activities in community spaces and at sport sites improve the livability of the beneficiaries. They have proven to promote empowerment, social inclusion, and community connections.⁷⁰ These factors are considered to improve wellbeing and the perceived livability in relocation sites. Assuming an annual value of improved livability of US\$80 per beneficiary, combined with the number of 7,500 beneficiaries, total annual benefits are equal to US\$0.60 million.
- **Increased security.** Public lighting from solar panels will be installed at community spaces constructed in remote areas, which is expected to increase the sense of security among the beneficiaries. Assuming an annual value of increased security of US\$20 per beneficiary, combined with the number of 7,500 beneficiaries, total annual benefits are equal to US\$0.15 million.

4.34. **The NPV of the investments in community spaces is US\$2.32 million and the IRR is estimated at 42.01 percent.**

⁶⁷ World Bank 2018: Persistence to Last Grade of Primary, Total (% of Cohort).

⁶⁸ Cho, Y. and Feda K. 2015. Skills and Employment in Mozambique: Implications for Education and Training Policies. World Bank

⁶⁹ World Bank 2019. GNI per Capita, Atlas Method (Current US\$).

⁷⁰ UNICEF Office of Research – Innocenti 2019. Getting into the Game: Understanding the Evidence for Child-focused Sport for Development.



ANNEX 5: Country Program in Response to COVID-19

Impact of the COVID-19 pandemic on the country and Government response

5.1. **The Trajectory of COVID-19 in Mozambique:** Mozambique registered its first case on March 22, 2020. As of April 8, 2021, the number of people tested stands at 493,153, of which 68,506 (13.8 percent) have tested positive. Of grave concern has been the high increase in the rate of new positive tests which reached above 30 percent over the period of January 7 to April 8, 2021. Over this three-month period, 48,505 people tested positive – a five-fold increase over the previous peak since the first case was diagnosed. This has been linked to the relaxation of the COVID-19 preventive measures over the festive season, when people disregarded the rules on social distancing, on avoiding crowds, and on wearing masks.

5.2. **All 10 provinces in Mozambique have seen cases with most of them centered around Maputo city (41.3 percent of the total).** Although hospitalizations (3,218) and mortality (789) (as of April 8, 2021), remain low, the rates for both have recently been increasing. According to the National Institute of Health (INS), the number of people infected by the index case is high, which suggests a fast spread of the epidemic. After an initial and relatively flat peak in September 2020, Mozambique is, as of February 2021, amid a second and much sharper peak with more than 1100 cases registered in one day (February 3, 2021).

5.3. **Transmission Channels:** The Mozambican economy faces significant repercussions of the COVID-19 pandemic, eliminating hopes of a growth recovery following Tropical Cyclones Idai and Kenneth in 2019. Spillovers from the global economic downturn and restrictions to domestic movement affected economic activity most notably through the following transmission channels:

- a) **Trade.** Reduced global demand and lower commodity prices resulted in a decline in goods exports of 26 percent in the first ten months of 2020 (year-on-year). This mainly reflects: (i) the concentration of Mozambique's export markets (together, the European Union, South Africa and India accounted for almost two thirds of exports in 2019), and (ii) the country's reliance on commodities (coal and aluminum account for 60 percent of overall exports). Coal exports are particularly vulnerable as steel producers across the world cut production due to lower demand, and stock piling becomes unsustainable. Supply chains for Mozambique's imports are also expected to be affected, particularly as mobility restrictions remain in place in neighboring South Africa, as well as other key import markets such as China.
- b) **Investments in the extractives industry.** Lower oil prices are affecting investments in the LNG industry. Two out of three LNG projects that were in development are proceeding, but the third, which was still at pre-final investment decision stage has been postponed. Expected investments in the coal industry have also been delayed due to lower prices and global demand and LNG project financing flows are set to narrow. Overall, the extractives industry is expected to have contracted by 12 percent in 2020, having already seen a negative growth of 1 percent in 2019.
- c) **Social distancing and travel restrictions.** Accounting together for almost a quarter of Mozambique's economic output, the hospitality, transport, retail, and real-estate sectors have felt the brunt of lower domestic and external demand. Reduced movement, especially in urban areas, and the drop in international travel is already evident in short term private sector activity indicators such as Purchasing Manager's Index (PMI), which fell to a historic low in July 2020. Some improvement has been recorded in business sentiment during the last months of 2020 with the



PMI recovering steadily, reflecting the partial relaxation of COVID-19 containment measures. Private services output contracted by 3 and 5 percent in the second and third quarters of 2020, respectively, owing to lockdown measures and supply disruptions.

5.4. The impact of the pandemic has been broader than indicated by the growth outlook, which relies to a large extent on the contributions of LNG investments to the economy. The expected poverty impact of COVID-19 is significant as jobs and income opportunities, especially for urban and peri-urban population, and for women, decline. The impact on jobs has been significant. Preliminary results from a rapid phone survey amongst the urban population suggest that, by June 2020, roughly 24 percent of interviewed individuals working prior to the outbreak were no longer employed. Many cited the closure of business in response to the pandemic as the cause. Moreover, over 60 percent of interviewed households indicated that revenues from family-owned business have declined when compared to same period of 2019. However, by December 2020, there was a slight recovery in employment, reflecting the relaxation of confinement measures. The percentage of interviewed individuals working prior to the outbreak and who were no longer employed had declined to 11 percent.

5.5. Reduced short-term growth prospects of Mozambique. In 2020, Mozambique experienced its first economic contraction in nearly three decades as external demand fell, domestic lockdown measures disrupted supply chains and depressed domestic demand, and LNG investments were delayed. Real GDP declined by 1.3 percent in 2020 from 2.3 percent growth in 2019. Recovery is anticipated to be slower than expected. Growth is projected at 1.7 percent in 2021, down from the pre-COVID estimate of 5 percent, given the slow roll-out of the COVID-19 vaccine, rising virus cases and deaths, and tightened containment measures. Nevertheless, recovery is anticipated to begin in 2021, albeit from a low base, with growth expected to reach 4.2 percent in 2022. However, much depends on the path of the pandemic and the outlook is subject to significant downside risks. Downside risks include rising COVID cases and escalation of insurgency in the North which could pose additional challenges for the development of LNG facilities. Mozambique is also expected to experience large external and fiscal financing gaps in 2020 and 2021 in a context characterized by exposure to external shocks and limited fiscal space.

5.6. Primary deficit widening. The primary deficit is expected to widen to 4.9 percent of GDP in 2020, up from a pre-COVID-19 forecast of 1.1 percent, reflecting lower revenue collection and an increase in COVID-19-related spending in the second half of the year. Revenue collection declined as demand declined and COVID-19 tax relief measures for firms took effect. On the expenditure side, implementation of COVID-response measures, estimated at 2.2 percent of GDP, pushed total spending to 33 percent of GDP, from 30 percent in 2019. Overall, the COVID-19 shock is expected to contribute to a fiscal gap of 3.6 and 2.5 percent of GDP in 2020 and 2021. The risks to this outlook are on the downside since a more prolonged crisis could add further fiscal pressures. This occurs in an already constrained fiscal context characterized by low revenue collection, a high public debt burden and a growing wage bill, affording little fiscal space for Mozambique to confront these costs. To help close the fiscal gap, Mozambique is relying on the bilateral debt relief initiative, donor budget support, and draw-down of saving from past capital gains receipts. The GoM continued to protect priority social expenditures despite the significant budgetary pressures from the global pandemic.

5.7. Falling Back into poverty: 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 relatively more in urban and peri-urban areas where social distancing measures and business closures



are having 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, on account of employment and income losses, price increases and a deterioration of public services.

5.8. Simulations of the potential short-term effects of the ongoing COVID-19 outbreak on employment and income hint at potentially high increases in poverty. As of 2020 (pre COVID-19), projected poverty rate was estimated to be 43.8 percent of the population (50.7 percent in rural areas and 29 percent in urban centers) and were expected to be the hardest hit by the outbreak through a drop in income, price effects and disruptions to service delivery. Urban low-income households are particularly vulnerable since most earn their income through self-employment in the informal economy. A scenario that assumes a cumulative drop in consumption of 25 percent among households with at least one worker in the "at-most-risk" sectors would increase urban poverty by 6.7 percentage points (from 29 to 35.7 percent), corresponding to nearly 700,000 extra poor in addition to the 3.2 million urban individuals that already are in a condition of poverty. In rural areas, the same scenario would push up the rural poverty rate from 50.7 percent to 52.9 percent (2.2 percentage points), equivalent to nearly 450,000 extra poor individuals⁷¹.

5.9. Exacerbating pre-existing factors of fragility and widening inequalities and imbalances across the country. The spatial distribution of poverty is skewed – with poverty almost twice as high in rural areas in comparison with urban centers - and growing inequality between rural and urban areas. 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.

5.10. Impact on Human Capital (Health and Education). The COVID-19 pandemic created major challenges. Nearly 15,000 schools, 178,00 teachers, and over 8.5 million students at all levels of education were affected by school closures since March 2020 and this is projected to result in significant losses in enrollment and learning, including the loss of 0.7 years of schooling adjusted for learning, bringing down the effective years of basic education that students achieve during their lifetime to 3.7 years; and 20 percent of the Mozambican children never returning to formal education. Exclusion and inequality will likely be exacerbated as already marginalized vulnerable groups – girls, the poor, and persons with disabilities – are more adversely affected by the school closures. Even with schools reopening in 2021 as currently planned by the Government, Mozambique will need support to attract learners (especially adolescent girls) back to school, ensure a safe and sanitary environment in all schools, come up with remediating measures to catch up with a loss of learning, and continue strengthening distance learning to offer a more flexible modality for students not returning to schools that can be scalable and implemented quickly in the cases of emergency.

5.11. An important impact of COVID-19 on the health sector has been the high rate of infection among health staff. To date, 1,759 or 3 per cent of the total workforce in the country have been infected, with 32 per cent of those from Maputo City. Government has restricted attendance to clinical care for aged doctors

⁷¹ World Bank staff estimates based on simulated poverty rates under urban and rural scenarios, 2020.



and nurses to reduce the risk of infection. Overall, this translates in reduced availability of staff to deliver care, particularly in areas most hit by the pandemic putting additional burden on the health workforce, who are already overworked due to the general scarcity of health professionals, and whose levels of anxiety and fear are significant and requiring adequate measures to ensure their mental health and well-being. Another important impact is reduction in the provision of other essential services on account of resources being shifted to control the pandemic and manage cases, and on limited use of service by patients who fear being infected in health facilities. Between March and April 2020, the vaccination coverage may have been reduced by 30 per cent. Similarly, during the same period, a reduction in notification of tuberculosis cases was reported by the National Tuberculosis Control Program. It is believed that patients with chronic conditions and those on Anti-Retroviral treatment may have not presented themselves for follow up regularly due to fear of COVID-19 infection or misunderstanding of messages on social distancing and avoidance of crowded spaces.

5.12. Debt implications. Mozambique's debt assessment is unchanged relative to the last Debt Sustainability Analysis (DSA). External and total public debt are projected at around 103 and 120 percent of GDP in 2020, respectively. While the distress rating is due to the unresolved arrears to Brazil, debt is deemed sustainable in a forward-looking sense considering that, to a large extent, future borrowing and government guarantees reflect state participation in the sizable LNG developments. Participation in the Debt Service Suspension Initiative (DSSI) and its extension would provide debt service relief in 2020 and the first half of 2021, thus flattening the projected sharp deterioration in debt liquidity indicators due to the COVID-19 pandemic. Participation in the DSSI between October and December 2020 was estimated to have provided a relief amounting to 0.6 percent of GDP (or 2 percent of fiscal revenue). Debt service levels remain substantially high. External and public debt service-to-revenue ratios were projected at 13 and 48 percent, respectively, by the end of 2020. The authorities' strong commitment to implement fiscal consolidation and a prudent borrowing strategy and the coming on-stream of the LNG projects are expected to put public debt indicators on a downward trajectory over the medium term.

5.13. Financing needs. In order to respond to the potential effect of the pandemic, the Mozambique government elaborated a US\$700 million plan to be funded by development partners and composed of health (prevention and treatment - US\$100 million), budget support (US\$200 million), social protection (US\$240 million) and small businesses support (US\$160 million) measures. As of December 2020, donor disbursements to Mozambique for COVID-19 totaled US\$594.2 million (about 4 percent of GDP). Of this amount, US\$309 million were from the International Monetary Fund, US\$40 million from the African Development Bank, US\$142 million from the World Bank and the rest (US\$103.2 million) from other donors.

5.14. The financing needs in the social sectors are expected to be as follows: The first phase of the COVID-19 cash transfer scheme, costing US\$79 million, has been 50 percent disbursed as of January 27, 2020. The cost of Phase 2 cash transfers to finish payments to urban and peri urban beneficiaries is approximately US\$140 million. Health financing needs, to cover gaps in the COVID-19 Preparedness and Response Plan (PRP) and its forward-look adjustment in the context of the second peak, and including the recently elaborated greater Maputo Response Plan, estimated at US\$120 million. An external financing gap of 6 percent of GDP is anticipated in 2020, which should be financed by donor budget support, DSSI, and savings from past capital gains receipts and reserve drawdowns.



Government response

5.15. Since the global outbreak, Government has taken important steps to prevent and respond to a COVID-19 outbreak, including a declaration of a State of Emergency (SE) by the President first on April 1, 2020 that was extended three times up to September 6, 2020. Since September 7, 2020, Mozambique has been in a State of Public Health Calamity (SPHC), with a red alert (which is used in cases where there is an elevated threat that could turn into a public disaster). Key features of the SPHC include:

- a) **The GoM initiated its response program at an early stage of the global pandemic in recognition of the severe impact that the COVID-19 crisis could have on lives and livelihoods.** The GoM's response to date has sought to save lives through measures to limit the spread of the virus amongst the population, a public health response program to test and treat patients, and by ensuring continued access to water to promote sanitization. The authorities are also protecting livelihoods by widening access to social safety nets and providing support to firms and the banking sector.
- b) **Mozambique initiated a state of emergency and commenced implementing measures to limit the spread of the virus when the number of confirmed cases was below ten.** Measures include a ban on all public gatherings, the closure of all schools and universities, passenger limits on public transport and the requirement to wear masks in public places. Entertainment venues have been closed whilst shops, markets and restaurants are required to comply with social distancing rules. Several borders with neighboring Eswatini and South Africa are closed, although the main trade route, Ressano Garcia, remains open for goods, supplies and cargo. All international passenger flights, to and from Mozambique, were suspended in May 2020. As of September 15, 2020, Mozambique's air space was reopened on a reciprocal basis with six countries offering flights to the country (Portugal, Turkey, Qatar, Ethiopia, Kenya, and South Africa). A negative COVID-19 result, performed in the country of origin in the 72 hours prior to travel, has been set as prerequisite for entry in the country, as well as a 10-day quarantine period followed by an additional test. Mozambique has also restarted the issuance of entry visas and has set up an online platform for requests, with the aim of facilitating processing. Recent increase in cases in South Africa, Malawi and Zimbabwe are further impacting the subregion, with additional controls being put in place at borders as of early January 2021.
- c) **The health sector is implementing a COVID-19 response program that has quickly raised testing capacity and is increasing access to medicines and equipment, whilst improving treatment capacity.** The health authorities established multiple testing centers in the capital (where the first cases were detected) and is creating testing facilities in other parts of the country. Efforts are being made to trace and test contacts of confirmed cases to limit the spread of the virus. Treatment facilities have also been improved and a public communication campaign has been launched to provide health advice and regular updates on testing levels/confirmed cases. To complement the health sector response, the authorities introduced measures to ensure continued access to water, irrespective of bill payment status, and reduced water cost for low-income groups to promote good hygiene practices. The purchase of soap was exempted from value added tax (VAT) payment until the end of 2020.
- d) **An expansion of social protection programs is underway to support the livelihoods of the most vulnerable amongst the population.** This includes a significant expansion in urban areas where social distancing measures are having the largest impact on incomes. Overall, the number of beneficiaries is set to increase from 700,000 currently to 1,690,000 households. Innovations in the targeting program are being introduced to rapidly identify beneficiaries through spatial poverty mapping and to expedite access to transfers by using mobile money transfers.
- e) **The Government's response also seeks to safeguard livelihoods by providing support to SMEs and to**



ensure that the banking sector has sufficient liquidity to support the private sector. A set of fiscal measures are being implemented to support the private sector, especially small firms. Tax burden relief is being provided by postponing income and corporate tax payments due from small firms to 2021. A 10 percent reduction of the electricity tariff for commercial customers in the agriculture, hotel and restaurant services gives additional cash flow relief to sectors that are particularly severely hit. A temporary suspension of commissions on mobile money transfers and increased transaction limits will also benefit small and informal firms, 70 percent of whom use mobile money. This package is supplemented by a credit line for micro firms currently under preparation by the authorities.

- f) **The Central Bank eased lending reference rates and facilitated access of importers to foreign exchange (forex) loans.** It has also taken steps to increase liquidity by lowering reserve requirements for forex and local currency loans by providing a US\$500 million credit line to the banking sector. Furthermore, the Central Bank has relaxed prudential requirements for loan restructuring for firms affected by COVID-19, before they become due, by waiving additional provisioning requirements.

5.16. In summary, the Government's COVID-19 measures to support households and firms implemented in 2020 included:

- Simplification of import procedures for medicines and medical equipment.
- Increased surveillance, testing and case management capacity, including infection prevention and control measures in health facilities and laboratories.
- Initiation of protocol development for continuity of essential services.
- Public communication campaign for prevention and test/detection updates.
- Continued supply of water to households irrespective of payment status, delayed payment of water bills and exemption of payment for low consumption users. Social Protection Measures
- Expansion of the number of beneficiaries of social protection programs from 700,000 to 1,690,000 households.
- Simplifying ID requirements for mobile money transfers to social protection beneficiaries.
- Establishing a fuel price stabilization fund and allocating savings to the COVID-19 response.
- Suspension of VAT on soap, oil, and sugar until end 2020.
- Monitoring of market prices to curb opportunistic pricing.
- 10 percent reduction in electricity tariffs for businesses and 50 percent for low-income households during the state of emergency. Measures to support firms.
- Postponement of income and corporate tax payments for small firms (turnover less than MZN 2.5 million) until 2021.
- 10 percent reduction of electricity tariff for agricultural businesses, restaurants, and hotels.
- US\$160 million credit line for micro businesses (in preparation).
- Suspension of mobile money commission fees and increase in mobile money transaction limits for three months.
- Cut in the policy interest rate from 12.75 to 10.25 percent.
- Reduction of the reserve requirement for local currency from 13 to 11.5 percent and for foreign currency loans from 36 to 34.5 percent.
- US\$500 million forex credit line to commercial banks.
- Removal of specific provisioning requirements for forex lending to importers.
- Facilitating the restructuring of credits for COVID-19 affected firms if needed before payments become due.



- Temporary requirement to convert 30 percent of export proceeds to local currency

WBG support for responding to the crisis

5.17. This operation is part of an adjusted CPF program to help Mozambique manage and respond to the COVID-19 crisis⁷². The COVID-19 response is articulated as follows: The health response under Pillar 1 (Saving Lives) draws on US\$40 million mobilized through CERC activations as well as US\$4.5 million drawn from other health sector operations and US\$2 million of new Pandemic Emergency Facility (PEF) funding to be disbursed through United Nations partners (United Nations Population Fund, World Food Program, United Nations Children’s Fund, and World Health Organization). See Table A5.1. Additionally, a US\$100million Vaccine project, the Mozambique COVID-19 Strategic Preparedness and Response Project (P175884) - under preparation, will provide support for COVID-19 vaccines procurements and delivery. Under Pillar 2 (Protecting Poor and Vulnerable People), the World Bank response includes US\$53.5 million to support phase one of cash transfers to the poorest and most affected households; US\$3.6 million to support the water utility (FIPAG⁷³), to operationalize relief measures for the water sector; and US\$15 million to support water supply and sanitation improvements for safe return to schools. Under Pillar 3 (Ensuring Sustainable Business Growth and Job Creation), US\$8.9 million under the Integrated Landscape Management Portfolio are supporting agribusiness, conservation areas, and smallholder farmers. The Power Efficiency and Reliability Improvement Project (P158249) is being restructured with savings achieved from the project to allocate US\$30.6 million for the Government’s electricity support program to support most vulnerable customers and also to ensure for hospital and educational centers to continue operating without further hurting the revenues of the national electricity utility. Under Pillar 4 (Strengthening Policies, Institutions and Investments for Rebuilding Better), the Mozambique Urban Development and Decentralization Project (P163989) and the Maputo Urban Transformation Project (P171449), which were approved respectively in June and December 2020, are supporting municipalities in preparing and implementing their respective Municipal Action Plans for COVID-19 response to enhance municipal capacity to identify, monitor, and track infections and expand municipal services to assist the most vulnerable populations. In Maputo, which is at the epicenter of the COVID-19 crisis, the Urban Transformation Project will focus on rapid deployment of small-scale, low-cost, and scalable urban solutions to reduce COVID-19 community transmission in hotspot areas of the city. This will be combined with simple urban infrastructure investments that are labor intensive to help mitigate the economic impacts of COVID-19 in Maputo City, such as rehabilitation of open spaces, local roads, and alleys. Project resources diverted from ongoing projects to COVID-19 response will be replenished through additional financing operations that are being presented for Board approval in FY21.

Table A5.1. World Bank COVID-19 Support

Areas of Intervention	Cost
	(US\$, millions)
Pillar I: Saving Lives	
Health (including COVID-19 Strategic Preparedness and Response Project under preparation)	144.5
-of which from PEF	2.0

⁷² Mozambique – Performance and Learning Review of the Country Partnership Strategy IDA/R2020-0117, April 3, 2020

⁷³ Fundo de Investimento e Património do Abastecimento de Água



Areas of Intervention	Cost
Pillar 2: Protecting Poor and Vulnerable People	
Social protection	53.5
Water and sanitation	18.6
Education support	1.3
Pillar 3: Ensuring Sustainable Business Growth and Job Creation	
SME support	12.8
Electricity payment relief for social tariff and hospitals health and education public centers	20
Pillar 4: Strengthening Policies, Institutions and Investments for Rebuilding Better	
Policy reforms to mitigate impact and build resilience	100.0
Support to cities and municipalities	20.0
Total	366.8

Selectivity, complementarity, partnerships

5.18. The World Bank is coordinating closely with development partners on the overall COVID-19 response. The World Bank is leading (along with WHO, UNICEF, USAID, and ProSaude) the COVID-19 Core group overseeing the overall coordination from the partner side. The World Bank also is a member of the Social Protection COVID-19 Technical Assistance Group (along with Sweden, UNICEF, ILO, WFP, and the United Kingdom Foreign, Commonwealth & Development Office - FCDO). Finally, the World Bank leads the Education COVID-10 Response Group (along with UNICEF and MEPT).

5.19. The Work Bank support is also closely coordinated with development partners with regards to budget support. The IMF approved an emergency support to Mozambique through a Rapid Credit Facility (RCF) operation on April 24, 2020. The RCF allows the Government to disburse upward of US\$309 million to helps bolster foreign exchange reserves and, together with the World Bank's funds, reduce the fiscal financing gap. The World Bank budget support also reinforces the IMF's agreement with the Government on strict transparency and accountability measures regarding expenditures related to the COVID-19 response. The African Development Bank (AfDB) and European Union (EU) are also preparing budget support operations. AfDB's operation of US\$40 million is aimed at supporting actions and reforms related to the health response, supporting businesses and employment with a focus on agriculture, and supporting social protection.

5.20. Finally, cooperation and articulation of Donor response is being carried through via a high level crisis response group made up of the key donors (incl AfDB, IMF, WB, Canada, UK , Ireland, US, EU and Netherlands) that meet on a monthly basis with top Government officials (at the level of the Minister of Finance and other ministers or equivalent for sectoral issues) to take stock of development, highlight key priority issues for support by the donor community and plan for follow up activities/coordination.



ANNEX 6: Preliminary Impact Assessment, Crisis in Northern Mozambique

Sector	Impacts as recorded by Jan 2021	Effects and implications
Education	<ul style="list-style-type: none"> 45 schools, 27 administrative blocs and 2,325 school desks destroyed in the districts of Mocimboa da Praia, Macomia, Palma, Nangade, Quissanga, Muidumbe and Mueda. 29,951 students and 1.560 teachers displaced. Representations of MNEDH totally or partially destroyed in the districts of Muidumbe, Quissanga, Macomia. Assassination of 6 teachers in Muidumbe (3), Nangade (2) and Macomia (1) 	<ul style="list-style-type: none"> All teachers and 6,651 students that were displaced (by the destruction of schools) have been integrated in other schools located in safer districts. 187 schools were abandoned., affecting 95,090 students and 1866 teachers. Disruption of education services in in districts hardly affected by the conflict.
Health	<ul style="list-style-type: none"> 38 health units affected (27 partially or totally damaged and 11 units closed) in districts of Quissanga, Mocimboa da Praia, Muidumbe and Macomia 686 health workers displaced and integrated in health units in safer districts Destruction or theft of health equipment, medical material, medicines, and other consumables 	<ul style="list-style-type: none"> Isolation of districts of Macomia, Mocimboa da Praia, Quissanga, Muidumbe) and limited accessibility of districts of Ibo, Mueda, Nangade e Palma 635,297 people lack access to health services Disruption of provision of reference services and limited control on incidence of diarrhea, family planning, hygienic birth delivery and prevention of post-delivery bleeding
Water and Sanitation	<ul style="list-style-type: none"> 7 water supply systems damaged the districts of Quissanga (1), Macomia (2) and Muidumbe (3). 	<ul style="list-style-type: none"> 52,000 people lack access to safer drinking water Increased pressure and damage to water sources in host communities. Deficient provision of water and sanitation in host areas and relocation sites 2,207 cases of cholera and 40 deaths reported in Cabo Delgado
Social protection	<ul style="list-style-type: none"> Destruction of delegation of INAS and the Open Center in Mocimboa da Praia and local representation of MGCAS in Palma, Muidumbe, Mueda, including vehicles and equipment Displacement of 35 social protection sector workers and beneficiaries of social protection programs 	<ul style="list-style-type: none"> Interruption of provision of social protection programs (PSSB, PASD and PAUS⁷⁴) affecting 10,407 beneficiaries (PSSB-6,759; PASD-3,611; and PAUS-45) Increased in number of people requiring social protection

⁷⁴ PSSB: Basic Social Subsidy Program (*Programa Apoio Social Básico*); PASD: Direct Social Action Program (*Programa Apoio Social Directo*); and PAUS: Social Assistance Services (*Programa de Atendimento às Unidades Sociais*).



Sector	Impacts as recorded by Jan 2021	Effects and implications
Agriculture and fisheries	<ul style="list-style-type: none"> • Destruction of 71,630 ha of crops and 268,185 livestock • Destruction of 96 boats, fishing gears and equipment • Displacement of 112,000 smallholder farmers households 	<ul style="list-style-type: none"> • Loss of agricultural production (241,498 tons) • Loss of fishery production (20,021 tons) • Both agriculture and fisheries affecting 112,000 household • 940,800 IDPs and host families affected by food insecurity • Increased pressure and potential overexploitation of fisheries resources in host communities
Land, housing waste management	<ul style="list-style-type: none"> • Loss of land of IDPs in districts of origin • Destruction of houses and property of IDPs in districts of origins • Disruption of waste management services 	<ul style="list-style-type: none"> • Increase demand and pressure for land for housing and agriculture in host areas • Increased demand and pressure on natural resources for extraction of construction materials for 105,000 IDPs families • Deficient provision of waste management services in host community and relocation sites
Labor and youth	<ul style="list-style-type: none"> • Disruption local businesses and livelihoods • Massive displacement of youth • Recruitment of youth to join insurgency groups • Disruption of functioning of 93 youth associations (54 economic associations, 17 cultural associations, 12 sports associations and 10 social associations) 	<ul style="list-style-type: none"> • Loss of jobs and increasing unemployment • Disruption of youth cohesion affecting 1,491 members of youth associations • Increased unsatisfaction and frustration of youth • Increased demand and pressure on existing professional training centers
Sports	<ul style="list-style-type: none"> • 44 sports facilities damaged mostly in Mocimboa da Praia (16), Macomia (12) and Muidumbe (7). • Disruption of functioning of sports associations and clubs 	<ul style="list-style-type: none"> • Disruption of practice of sports, including competitions • Limited access to collective socialization spaces for children, adolescents and youth in host communities and relocation sites • Likely increase in social exclusion and trauma, drugs, and abuse in conflict in host communities and relocation sites

Source: Consultations with sectors, January 2021.



ANNEX 7: Development partners working with IDPs and host communities

Agency / Organization name	Type	Activities	Linkages with the NCRP
International Organization for Migration (IOM)	UN Agency	Registration of IDPs using the Displacement Tracking Matrix (DTM) and peace building through peace clubs	Lessons learned will be used in Component 1 for electronic registration and tracking of support to IDPs and peacebuilding activities
		Land demarcation, provision of temporary shelter and other humanitarian support to IDPs	Synergies and coordination for livelihoods and services delivery under Components 2 and 3
United Nations International Children's Emergency Fund (UNICEF)	UN Agency	Provision of school tents and water supply in relocations sites	UNICEF will provide temporary schools in all relocation sites and technical collaboration on water supply aligned with Component 3.
World Health Organization (WHO)	UN Agency	Provision of technical support to health sector and hospital tents	OMS will be provided temporary tents and mobile brigades for primary health care in line with Component 3
World Food Program (WFP)	UN Agency	Provision of food aid and livelihoods support to IDPs	Potential to use WFP approaches and capacity for implementation of cash for work programs under Component 2.
Food and Agriculture Organization (FAO)	UN Agency	Technical support and provision of agriculture inputs using electronic vouchers	Potential to use FAO approaches and capacity for delivery of inputs for agriculture and fisheries under Component 2.
Instituto OIKOS	International NGO	Provision of shelter and professional skills in small construction works to IDPs	Potential to use OIKOS model and capacities for mobilization and targeting of youth and women in the delivery of professional skills development programs under Component 2.
Woman, Law and Development (MULEIDE)	National NGO	Provision of support on GBV, Legal assistance and psychosocial support for victims of violence	Potential for using capacity and experience of MULEIDE to tackle GBV, sexual violation and empowerment of women, under Component 1.
Mozambique Christian Council-CCM	National NGO	Psychosocial support and livelihoods support to IDPs	Potential of engaging CCM in psychosocial support and peacebuilding activities under Component 1



Agency / Organization name	Type	Activities	Linkages with the NCRP
Mozambique Islamic Council - CISLAMO	National NGO	Humanitarian support to IDPS	Potential of engaging CISLAMO in psychosocial support and peacebuilding activities under Component 1
Woman and Girls Protection Association (PROMURA)	National NGO	Capacity building on GBV, legal assistance, and creation of community committees.	Potential for engaging PROMURA in creation and management of peace clubs and other community-based organizations and empowerment of women and girls under Component 1.
Community Development Foundation -FDC	National NGO	GBV, Psychosocial support, sexual and reproductive rights for women and adolescents, protection of children rights	Potential of engaging FDC in empowerment of women and girls and protection of children rights activities under Component 1
KULIMA	National NGO	Water and sanitation	Potential of engaging KULIMA experience and capacities for monitoring of provision of basic services under Component 1
		Protection of children's rights	Potential of engaging KULIMA in management of children friendly spaces under Component 1
Environment Association - AMA	National NGO	Livelihoods support to IDPs	Potential for engaging AMA in social and environmental monitoring
WIWANANA Foundation	National NGO	GBV, women rights, and sexual rights of youth and adolescents	Potential of engaging WIWANANA in the management of woman friendly spaces under Component 1



ANNEX 8: Linkages Between NCRP and World Bank Portfolio

NCRP components	World Bank portfolio	Status	Linkages
Component 1: Building social cohesion and resilience to conflict	Mozambique Land Administration project – MozLand (P164551)	Active	Support scale up the consultative process
	Cyclone Emergency and Resilience Project (P171040)	Active	Support targeting of beneficiaries through households' surveys
	Mozambique Conservation Areas for Biodiversity and Development – MozBio Phase 2 (P166802)	Active	Support peacebuilding collaboration
	The Mozambique Digital Governance and Economy project (P172350)	Pipeline	Facilitation of access to legal identification
	Urban Upgrading in the North of Mozambique (P175266)	Board in FY22	Support the establishment of spaces for peaceful contestation and increase citizen engagement in the North
Component 2. Provision of livelihoods and economic opportunities for IDPs and hosting communities	Mozambique Social Protection Project (P129524)	Active	Scale up support to vulnerable populations in Northern Mozambique
	Mozambique Land Administration Project – MozLand (P164551).	Active	emergency support to IDPs and host communities
	Improvement of Skills Development in Mozambique (P167054)	Pending effectiveness	Support skills development for youth and girls
	Economic Linkages for Diversification (P171664),	Board in May 2021	Strengthening economic linkages from the extractives sectors to the private sector, with a focus on women, youth, and IDPs
	Social Protection and Economic Resilience Project (P173640)	Board in June 2021	Scale up support to vulnerable populations in Northern Mozambique
	Investing in Human Capital and Preventing Conflict Escalation in Mozambique (P175298)	Pipeline	Scale up support to vulnerable populations in Northern Mozambique
	The Northern Mozambique Rural Resilience Project (P174617)	Board in June 2021	Build resilience of vulnerable populations through the sustainable management of natural resources and support to livelihood opportunities



NCRP components	World Bank portfolio	Status	Linkages
Component 3: Rehabilitation of public infrastructure	Mozambique Energy for All (P165453)	Active	Boost energy access in Cabo Delgado
	Water Services and Institutional Support project (P149377)	Active	Boost access to water services in Cabo Delgado
	Moz Primary Health Care strengthening Program (P163541)	Active	Support provision of primary health care services
	Improving Learning and Empowering Girls in Mozambique (P172657)	Board in March 2021	Improve access to education for girls
	Urban Upgrading in the North of Mozambique (P175266)	Board in FY22	Support provision of basic infrastructure, housing, and land tenure security in the North
	Investing in Human Capital and Preventing Conflict Escalation in Mozambique (P175298)	Board in FY22	Provision of quality social services in in conflict-affected and at-risk areas in the North
	PFM for Improved Service Delivery (P173178),	Pipeline	enhance public service delivery and respond more effectively to citizen needs
Component 4: Project management and oversight	Mozambique Forest Investment Project – MozFIP (P160033)	Active	Support capacity building of ADIN, expansion of activities in the buffer zone surrounding active conflict in the North

Source: Eligibility note for access to the PRA for Mozambique , March 2021.



ANNEX 9: Existing and Planned Relocation and Temporary Sites

