Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

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BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Mozambique	AFRICA EAST	P173518	
Project Name	Rural and Small Towns Water Security Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Water	Investment Project Financing	4/5/2021	9/21/2021
Borrower(s)	Implementing Agency(ies)		

Proposed Development Objective

The objective of the Project is to increase access to sustainably and safely managed water and sanitation services in selected small towns and rural areas of Mozambique.

Financing (in USD Million)	Amount
Total Project Cost	150.00

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

No

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

Country Context

1. Despite outstanding growth in the past 20 years, Mozambique is still one of the world's poorest countries. GDP growth averaged above 8 percent during the post-war recovery until 2014, making Mozambique the fastest growing non-oil economy in Sub-Saharan Africa (SSA). However, the vulnerability of the growth model was exposed in 2016 when a fall in commodity prices, and a fiscal, debt and governance crisis triggered an economic slowdown. Although poverty headcount ratio has been declining , the total number of poor increased since 2000, also because Mozambique has among the highest total fertility rates in SSA. Of a total population of approximately 29 million (2017), nearly 40 percent (11.3 million) are living in poverty, mainly in the Northern regions. Access to basic services is

low: only one in three households has access to safe water, one in ten to sanitation, and one in four to electricity. Mozambique ranks 180 out of 189 countries in the 2017 Human Development Index (HDI).

2. Mozambique's non-inclusive economic development model has been driven by foreign direct investment (FDI) in extractive-led / capital-intensive sectors, with limited linkages to the local economy. The country stood up as one of the largest recipients of FDI inflows in Africa and the extractive sector has been the main driver of economic growth maintaining double-digit output growth per year. Today, the economy is still dominated by the agriculture sector, which accounts for 25 percent of the GDP, and employs about 70 percent of the population (90 percent in rural areas). The services sector has generated most of employment growth in the economy, with almost two thirds of jobs created in the formal economy since 2002. Limited FDI linkages to the local economy hindered the country's ability to reduce inequality, which has increased especially in urban areas. With a Gini coefficient at 0.54 in 2014/2015, Mozambique remains among the most unequal countries in SSA.

3. Economic growth in Mozambique was also recently disrupted by a series of natural disasters, health crisis, and a debt crisis. Two devastating cyclones hit the country in 2019, destroying physical infrastructure, economic activities and taking a toll on human lives. Around 1.7 million of people were affected by the cyclone Idai that hit Sofala, Manica and Zambezia, especially rural and urban poor, while cyclone Kenneth, affected 250,000 people in Cabo Delgado. Both events destroyed and damaged houses, businesses, and core infrastructure with damages and losses amounting to US$3 billion. This happened while the country was still experiencing fiscal constraints triggered by falling commodity prices and the discovery of US$1.4 billion in previously undisclosed public debt, with dramatic consequences on the macroeconomic environment.

4. More recently, the evolving COVID-19 crisis in 2020 can have a large impact on the economy. The main immediate economic impacts include the postponement of the investment decision for one the most important gas projects , cancelation of all tourism bookings, closing of restaurants, shortages in the supply of food items for informal markets with the closing of borders, and a number of disruptions in export-oriented sectors like agribusiness, fisheries, and coal. Unsafe water and sanitation have exacerbated the impacts of the Covid-19 pandemic, particularly in the education sector and prevented school reopening. To support the water sector response to Covid-19, the Government of Mozambique (GoM) has issued instructions to water utilities and service providers to (i) ensure all users remain connected despite payment status; (ii) to delay water bill payments for all consumers under the social tariff; and (iii) to exempt from water payment all users of public and private standpipes. Other sectors impacted include personal services, financial services, construction, transport (eg: coal from South Africa), and real estate.

5. Despite the challenging outlook, Mozambique faces at the same time a unique transformative opportunity upon the discovery of Liquid Natural Gas (LNG) that can make the country the fourth largest exporter of natural gas in the world. The discovery of large off-shore gas reserves in Cabo Delgado province (Palma district) prompted massive FDI that is projected to raise exports and fiscal revenues significantly by the mid-2020s. The development of the LNG projects in Cabo Delgado can generate over US$ 60 billion of direct investment. Mozambique has the chance of creating lasting impact on the economy through the creation of new and better jobs for a wider group of the population. However, the opportunity to leverage on extractives is arriving in the context of social unrest. Since 2017, the northern province of Cabo Delgado has suffered from episodes of violence, linked to Islamic-inspired extremist terrorism. Poverty, unemployment, and lack of education have allowed insurgent leaders to exploit feelings of bitterness and marginalization among local communities. Attacks, during which homes and entire villages have been burnt, and men, women and children killed, have now become common and have displaced at least 250,000 people and caused hundreds of deaths. While the investments have created expectations, the population benefited little so far. Creating opportunities for marginalized communities needs to be a core part of any economic development strategy in these areas.

Sectoral and Institutional Context

6. To achieve SDG 6 by 2030, Mozambique still needs to connect 16.8 million for water and sanitation (and 6.2 million in 4 northern provinces) in next 10 years. Four decades after independence, only half of the population (49 percent) has access to improved water supply, and in rural areas, most people (65 percent) still rely on unimproved water sources and do not have access to any sanitation facility (46 percent) practicing open defecation. Small towns and rural growth centers play a critical role in promoting economic development in Mozambique. As of 2015, small towns represent 15 percent of the total Mozambican population, about 3.8 million people; this proportion is projected to increase to 18 percent (about 6.6 million people) by 2030. Though significant progress has been made in improving water supply services in the larger cities, small towns are still poorly served as more than half of the systems serving those areas are inexistent or obsolete not having benefitted from any intervention since the independence. The average water supply coverage is estimated at 25 percent, with the majority of people relying on semi-functional water supply systems, hand pumps or unsafe sources of water. This is far below the desirable coverage level, and well below even the coverage in rural areas (over 35 percent) and large urban centers (over 80 percent). In Nampula, only 6 out of 20 small towns have their systems fully operational, leaving xyz people without access to safely managed water supply services. In Zambezia, 9 out of 17 systems from small towns are fully operational leaving xyz people without access to safely managed water supply services.

7. Besides being low, access to water and sanitation is also highly inequitable. The gap in access between urban and rural areas is large for both water supply and sanitation. For water supply 65 percent lack an improved service in rural areas against 23 percent in urban areas. Access to improved water supply and sanitation services is also geographically inequitable decreasing towards the north of the country. Lowest access rates for both water supply and sanitation are found in the Northern provinces of Zambezia (water|sanitation: 29.7 percent|25.1 percent), Nampula (40.3 percent|24.1 percent), Niassa (38 percent|26.9 percent) and Cabo Delgado (42.5 percent|23.3 percent). In addition, the gap in access to water supply at national level between the poor (the bottom 40 of the income earners - B40) and the wealthier (the top 60 percent of income earners - T60) in Mozambique is 34 percent. In rural areas, the access between the B40 is as low as 22 percent against 51 percent between the T60.

8. Financing arrangements for water supply in small towns are underdeveloped. Despite Government recognition of sector needs, the financing framework needs to be strengthened. Although under the same delegated management arrangement, AIAS does not benefit from the same capacity to mobilize funds through loans, as its creation decree did not grant the same financial autonomy that was granted to FIPAG as a fund. Therefore, AIAS relies on budget allocations from the central government or on grants from development partners to finance their portfolio of investments. Although recent water supply projects for small towns have included institutional support to secure the sustainability of investments, besides the progress made with engagement of the private sector in operation, a sustainable financial and service delivery model has not yet been developed to attract private investment to build and expand the water supply infrastructure. Scope and framework for private sector participation is not fully developed. Some tested approaches need to be consolidated, and new approaches need assessment (e.g. extend the contract duration beyond the 5 plus 2 years and creation of cluster of contiguous systems for private instead of assignment of isolated systems), and incentives built in to attract private financing and expertise.

9. A dynamic private sector offers good perspectives to improve the management of water supply and sanitation systems, including scattered sources. Due to the absence of investments from the Government, private actors started to invest in some towns, mainly in peri-urban and rural space, to supply water to the population, although not always regulated and licensed by competent authorities. Private water providers have invested almost 40 million USD in the construction of 1830 private water supply systems, serving nearly 1.8 million people through household connections in Mozambique and directly employing 2640 people. In small size towns (under the responsibility of AIAS), the operation and maintenance of water facilities have been successful delegated to private operators for more than 10 years; In September 2019, on the 130 systems (at national level) under the mandate of AIAS, 89 are un-operational

due to the absence investments for its maintenance since the country's independence in 1975, but on the 41 operational, 32 are operated (or on the way to be) by private operators (around 80%). Mozambique has now a long experience of private sector involvement in water services which is now expanded to operation and management of rural systems. The fact that in 10 years of AIAS mandate (between 2009 and 2019) only 41 systems were rehabilitated and delegated to private or public management strengthens the need for reforms to improve the enabling environment for a more active private sector investment and contribution to reach the universal access in small towns.

10. Delegated systems for private management in small towns struggle to reach its financial sustainability and to get all people inside their service area connected. The last annual regulation report for 2018 pointed for the fact that all systems serving small towns do not comply with at least 3 out of 9 indicators monitored. The critical indicator with the lowest performance is the coverage rate, on average 25 percent, being below the 60 percent reference value. This depicts the difficult that is faced by the operators of the system to extend the services to cover the population in their service areas. This low performance is linked to a poor performance in another critical indicator which is the ability to cover operational costs, with 7 out of 16 systems not being able to comply with it, although the collection rate was satisfactory (above 75 percent for the big majority). For non-revenue water indicator, 9 out of 16 systems were found to be above the 30 percent threshold. The average supply 13 hours was above the reference value of 8 hours with only 2 out of 16 systems not complying with it.

11. Mobilized investments channeled to rural water supply and sanitation are not enough to revert the low access to safely managed water supply and sanitation services. The Action Plan for the Implementation of the Sustainable Development Goals 2015-2030 for the water supply and sanitation sub-sector specifies that an annual investment around 278 million USD are needed to reach the Sustainable Development Goal (SDG) six - achieve universal and equitable access to safe and affordable drinking water for all, and to achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations by 2030. Two important Government initiatives were conceived to respond to this challenge, the National Program for Water Supply and Sanitation in Rural Areas (PRONASAR), and the presidential flagship program PRAVIDA (Water for Life).

a. PRONASAR: the second PRONASAR was approved for implementation between 2019 and 2030 (following the first program implemented between 2010 and 2018), aiming to support the achievement of the universal access Sustainable Development Goal, with a total estimated investment of nearly USD 1.2 billion for both rural water supply and sanitation. The PRONASAR is structured in two main components. First, the water supply component includes actions to: (i) increase service coverage and the range of technological options, (ii) improve planning and monitoring, (iii) expend the management options, and (iv) strengthen the role of the local governments. The sanitation component contemplates: (i) increase the coverage and promote the end of open defecation, (ii) improve the institutional framework and strengthen institutions, (iii) strengthen the role of the local government, and (iv) develop options to promote local investment in sanitation. Actions of this program will be supported by a joint fund with inputs from the Mozambican Government, bilateral and multilateral agencies.

b. PRAVIDA: the Government of Mozambique (GoM) allocated 80 million USD from capital gains from transaction of gas titles for investments in water supply infrastructure in the urban and rural space. However, different from PRONASAR, there is no solid project document from a sector wide discussion and published in the Republic's Gazette for this initiative, being shaped as a list of discrete investments in selected infrastructures and implemented mainly in the Built, Design and Transfer model.

12. Reliability of water supply systems has been impacted by the infrastructure deficit, limited water availability at the source, climate change and variability. Existing water supply systems have service limited due to reduced capacity to secure water in the source. This situation has prevented the extension of service to the universe of

customers and consequently reduce the rentability of the systems. Prolonged drought periods associated with climate variability, and to some extent by climate change has contributed to exacerbate problems of water scarcity at the source. Therefore, investments are needed to secure water in the source, upgrade the existing or build the planned key production, treatment and distribution infrastructure in parallel with enhancements in service models. Special attention should be devoted to adequate solutions to provide services focused on humanitarian response to the internal displaced population (IDP) from Cabo Delgado province which are moving south to Nampula and Zambezia provinces.

13. Despite different challenges, there is a good momentum for investment in water supply and sanitation service improvement and infrastructure development. The GoM has developed a consistent program for investments in water supply and sanitation in the rural space, PRONASAR, and the Small Towns Investment Plan (PESA). The first PRAVIDA has signaled the GoM readiness to allocate resources for investments in water infrastructure when available. These investments in infrastructure development create an opportunity for complementarity with the Bank joining the on-going efforts focusing additional resources on improving operational and management of infrastructures, advance service delivery models and secure sustainability, aiming the delivery of safely managed water supply and sanitation services, particularly in the rural space and in small towns. To better identify and address the bottlenecks which prevents the fast development of the sectors towards the reach of the SDG, the Bank is developing a Policy, Institutional and Regulations (PIR) review and a Public Expenditure Review (PER) of the Mozambican water sector. Other development partners have expressed their interest to support a joint effort to improve service and sustainability of the systems in complementarity with investments in infrastructures in Nampula and Zambezia provinces, identified by the GoM as priority areas, such as UNICEF which is exploring innovative financing approaches (ongoing feasibility assessments) and USAID which is supporting AIAS to improve contracts to enable private investment.

Relationship to CPF

14. The proposed project would contribute directly to the Country Partnership Framework's (CPF) for FY17– FY21 overall objective of supporting more inclusive growth. The CPF recognizes the risks to human development when access to essential basic services is neither equitable nor sustainable and part of the CPF's Focus Area 2, Investing in Human Capital. The CPF explicitly prioritizes reducing the incidence of water and sanitation-related diseases by providing improved access to water and sanitation services to an additional 1.1 million people living in peri-urban areas and small towns (Objective 7). By providing access to improved water supply and sanitation services the Project will improve conditions for hygienization, therefore reduce the prevalence of unhygienic environmental conditions in areas that contribute to high rates of child stunting, trigger perennial cholera epidemics and chronic diarrhea outbreaks, and high child mortality. Thus, by addressing the drivers of public health risks, the project will directly contribute to improving the health service delivery and status (Objective 6) of the poor living in small towns and rural space. The project will equally support Focus Area 1, specifically the strategic objective of improving the business environment for job creation (Objective 3) by developing enabling water infrastructure that will contribute to promote a diversified growth and enhanced productivity in small towns which are transitional centers of growth.

15. The Project will be calibrated to increase outcome and impact on the ground to mitigate the fragility context. The World Bank is preparing a Prevention and Resilience Allocation (PRA) eligibility note for Mozambique; this PRA will provide additional financing to the Government to take proactive measures against escalating conflict and violence. As the Project will be implemented in an area becoming increasingly fragile from the conflict in Cabo Delgado, with a lot of displacements and movement of many communities.

16. The proposed project is aligned with the Bank's twin goals of ending extreme poverty and promoting shared prosperity. Reliable and affordable sources of clean water and sanitation are an essential precondition for a healthy population and robust economic activity, especially in the Mozambique's context of high WASH-related disease rates

and constrained economic activity. The project will reduce exposure to unsafe drinking water, sanitation and hygiene, and lay the technical and institutional foundation for a sustainable future service expansion. This is expected to reduce poverty and boost shared prosperity by reducing health-related cos ts (direct treatment costs and indirect costs through missed work), reduce negative impacts associated with lower school attendance due to water- and hygiene-related tasks, and improve economic activity both of businesses and in private homes due to better access to water and sanitation.

17. The project also supports the Government Five Year Development Plan (PQG) 2020-2024, approved by the Parliament. A new Government took office in February 2020, after general elections. The new administration adopted a PQG with a strong emphasis on rural development through the promotion of productive activities in rural areas, and a focus on the central and northern part of the country, particularly in agriculture, forestry, fisheries and tourism. The Government program and medium-term strategy is articulated around three priorities: (i) human capital development and social justice; (ii) boosting economic growth, productivity and job creation; and (iii) strengthening sustainable management of natural resources and the environment. The project will support all three priorities and more specifically the strategic objective 10 of promoting the development of economic, social and administration infrastructures which includes multiple actions to improve access to water supply and sanitation infrastructures. Furthermore, the project will be able to support the realization of the President's flagship initiative PRAVIDA and will also contribute to the implementation of the PRONASAR 2019-2030 which aims to improve access to improved water and sanitation infrastructure in rural area.

Proposed Project Development Objective(s) and Key Results

18. The objective of the Project is to increase access to safely managed water and sanitation services in selected small towns and rural areas of Mozambique.

19. The main outcomes of the project will be: (i) increased access to safely managed water services, and (ii) increased access to safely managed sanitation services in selected areas.

20. Successful achievement of the PDO above will be measured with the following proposed key results indicators:

a. Number of people provided with access to safely managed water supply services under the project (disaggregated by male and female) [CORE INDICATOR];

b. Number of people provided with access to safely managed sanitation facilities under the project (disaggregated by male and female) [CORE INDICATOR].

Project Concept

21. The project will address the need for a paradigm shift in the implementation approach of water supply and sanitation in rural areas and small towns. As countries strive to meet SDGs by 2030, recent evidence suggests that sustainably achieving universal access to basic water and sanitation services will require a renewed emphasis on how to ensure inclusive and affordable last mile service delivery at scale for those who need it the most rather than focusing on discrete investments in infrastructure as a starting point. Therefore, the Project, from the beginning, will address the bottlenecks which prevent the scaling up of the service and the rapid post-investment collapse of infrastructures, dedicating part of the resources to drive through needed reforms that will improve the sustainability of water supply and sanitation infrastructure. Therefore, priority will be given to a reform package with potential to scale up the service towards the achievement of the SDG6, the project will seek to derisk the enabling environment for private sector investment and develop more attractive contract models. To increase the financial sustainability, the project will explore the best options to create packages of contiguous systems of different sizes to reduce operational costs and enable cross-subsidies between systems. To improve the service delivery the project will strengthen the role of the local authorities and support the consolidation of the regulatory role in small towns and its extension to rural areas.

22. The reform package will be accompanied by a package of infrastructure investments in all the supply chain that are critical for technical sustainability and quality of services to be provided. For selected locations of interventions, to prove the viability of proposed models and reforms, the project will invest in infrastructures, starting from securing water in the source to downstream distribution getting households and key public infrastructure connected. Investments in water supply and sanitation infrastructure are critical to boost the sustainability of systems and services which are not viable due to inexistent or dysfunctional infrastructure. It will also contribute to strengthen resilience of water infrastructure and improve management of water resources by investing in essential hydromet equipment that can improve early warning and reduce the negative impacts of climate change and variability on the systems.

23. The project will contribute to the expansion of access to safely managed water and sanitation services in the Provinces of Nampula and Zambezia; together, these two Provinces have 39% of the country's population but have so far the lowest access rates to water and sanitation , and also have the highest poverty prevalence rates of the country. Poverty prevalence rates were estimated in 65% for Nampula and 62% for Zambezia in 2015, being for that year the provinces with highest rates and number of poor populations in the country. The decision of investing on these two provinces responds to the original Government's request, dated from February 6, 2017. Focusing first on these two provinces, given the scale of investments needed, will avoid dilution of resources and will increase impact, but can be expanded later to other two northern provinces, Niassa and Cabo Delgado, and to the whole country. This project will be designed to have the greatest impact on the ground, to be implemented in a fast-track mode (e.g. advance with designs during the reform phase, turnkey contract options for rural systems and scattered sources, and by creating packages of systems for bids), and to offer the best value for money in order also to be a pilot vehicle which could be replicated and scaled-up for future projects. Nampula and Zambezia are also buffer zones for the instability problem that is affecting Cabo Delgado province. As these provinces are receiving an increasing number of internal displaced it is important to ensure that they can access basic service such as water and sanitation.

24. The choice of the locations of intervention will be defined during preparation based on the following criteria: equity, access rate to water and sanitation, poverty, prevalence of water related disease, malnutrition index, girls attendance in schools and other potential indicators with available disaggregated data to lower administrative levels.

25. The project is an Inve stment Project Financing (IPF) with Performance Based Conditions (PBC) of a proposed amount of USD 150 million. The project is expected to last 5 years as of the WBG Board approval date. The project instrument envisioned for the delivery of this project, IPF-PBC, will ensure that before the start of physical works, the enabling environment for sustainability, delivery of safely managed services and to increase the engagement of the private sector in operation and maintenance is in place. The amount will be dedicated to: (i) support strategic reforms and institutional strengthening, (ii) develop attractive models for investment, maintenance and operation of water supply and sanitation infrastructure, and (iii) investments in infrastructure to make intervened systems both technical and financially feasible and sustainable.

26. To achieve the PDO, the project will finance four components:

Component 1 – Foundations for Sustainability and Institutional Support (US$ 20 millions)

27. This component will focus on improving the enabling environment to enable sustainable water supply and sanitation services to citizens. The assessment of the current institutional framework and the way to make it evolve for the water sector to meet SDG 6 will be based, among others, on the following studies currently financed by the WB: (i) a Public Expenditure Review (PER) of the Water Sector, and (ii) an evaluation of the sector's Policies, Institutions and Regulations (PIR).

28. This component will support key activities linked to Performance Based Conditions, including:

a. Technical assistance to support the refinement of the legal and institutional framework towards more sustainable water supply and sanitation services in small towns and rural areas.

b. Creation an enabling environment for the development of the private sector, both in investments, and operation and maintenance. This can include the extension of the duration of the operation contracts, the design of cluster/packages of systems to make them more financial attractive, forms of contracts (Design/Build/Operate), etc.
c. Improvement of the role of the regulatory agency, AURA, to extend its regulatory role to rural areas and its consolidation in small towns. It will also cover the reviews of contract models, tariff models and form of subsidies for low-income customers, aiming to improve inclusive access to sustainable water supply and sanitation services.
d. Performance based financing for private investment to improve access to water and sanitation services.
e. Establishment of monitoring systems for service quality at provincial level – service delivery agreements between provincial governments and service providers (private and communities).

29. An Independent Verification Agent (IVA) will be recruited to evaluate if the PBCs are met; a Results Verification Report (based on paper audit, physical inspection, phone calls to test the accuracy and quality of results claimed) will be produced and used to determine the amount of the eligible disbursement to be made based on the results achieved.

30. This component will also provide Technical Assistance (TA), goods, operational support, capacity building and training of the different implementing agencies to support overall project management and coordination, and to prepare and plan the present and future package of investments (feasibility and design studies).

Component 2 – Rehabilitation, Construction, and Operation and Management of Water Supply Infrastructure (US$ 100 millions)

31. Investments under this component will include the development of priority infrastructure to increase service coverage and improve operational efficiency of the water distribution systems; this component will support the following key activities:

a. Secured water sources to enable the expansion of the system to serve the complete universe of potential consumers in target areas and reduce their vulnerability to climate change impacts and fluctuations.
b. Water Supply Systems in Small Towns including transport from the source, treatment and distribution.
c. Rural Water Supply Infrastructure from small rural systems to scattered sources.
d. Extension of water supply services to fragile communities including IDP from the Cabo Delgado province.

32. This Component will be designed so that parts of investments are linked to successful achievement of Performance-Based Conditions (PBC) defined under component 1.

33. This component will also finance extension and strengthening of the hydrological and meteorological (hydro-met) services to improve the production and delivery of weather, water, and climate information. These efforts will provide the foundation to produce different types of forecasts and disseminate early warnings, which are used to support decision-making and actions to improve water management in the source, prevent human loss, as well as enhance productivity of key sectors of the economy such as agriculture and transport.

Component 3 –Sanitation Improvements (US$ 30 millions)

34. This component will support increasing access to safely managed sanitation services in targeted small towns and rural areas through investments, promotion campaigns and development of financing packages and incentive for families to improve their sanitation facility, and also public facilities and particularly school and health centers. The component will finance the design, construction, and supervision of sanitation infrastructure in selected small towns, with focus on the way the facilities will be managed and operated, exploring PPP arrangements.

35. This component will support the following key activities:

a. On-site and public sanitation facilities for small towns and rural areas including;
b. Village or town wide sanitation services improvement;
c. Development of communication campaigns for behavior change and financing mechanisms to support families to improve their sanitation facilities;

d. Development of sanitation facilities for public centers (schools, and health centers).

The use of Performance-Based Conditions (PBC) will also be explored in this component.

Component 4 – Contingent Emergency Response (US$ 0)

36. Investments under this component will strengthen Borrower's emergency preparedness and response and can be activated in case of occurrence of a natural disaster would affect the country, of part of it, like in 2019 to respond to the cyclones Idai and Keneth, or to a crisis like COVID-19.

Cross cutting areas

37. Climate Change. Mozambique is vulnerable to climate variability, notably through its effects on agricultural productivity and food security, forest production, water resources, health and exposure to natural disasters. Of particular relevance to this project is the potential impact of climate change on rainfall, with a predicted overall increase, but also more erratic precipitation. Extreme events “such as storms, floods and drought are likely to occur more often” and water resource availability could significantly affect infrastructure performance as well as the socio-economic and health situation of beneficiary populations. The project will carry out a climate change screening to assess these risks in greater detail and identify specific mitigation measures as required.

38. Gender. Women are particularly affected by lack of access to basic services and typically most burdened by household related service shortfalls, such as lack of water. Improving access to basic services such as water supply will benefit women by enhancing sanitary conditions and improving productivity with particular benefits stemming from reduced water fetching time. Gender sensitive actions to be taken under the project include (a) ensuring women’s participation in all aspects of the project; (b) use of gender-sensitive approaches and methods including public information events targeted at women; (c) collection and monitoring of gender-disaggregated data on project beneficiaries; (d) assessing the scale of women and female headed beneficiaries from project interventions; and (e) time impacts on women who receive water and sanitation services. In that perspective, a gender analysis will be carried out to (i) identify gender gaps that are relevant to the project; (ii) suggest actions that can be incorporated into the project design and activities; and (iii) propose monitoring indicators to measure the progress of narrowing the gender gaps throughout project implementation.

39. A citizen engagement and feedback process will be established by the project to ensure that any complaints about the project or the performance of the supported utilities can be effectively addressed. This process includes not only dedicated public consultation events, but improved operational customer complaint systems, to be supported under project capacity building. A standardized system of Grievance Redress Mechanism (GRM) will be instituted in key agencies (AURA, AIAS and DNAAS). This will be an automated system that allows complaints to be recorded and forwarded to the relevant department in time for them to be addressed. A Citizen’s Charter will be developed in consultation with beneficiaries to ensure that agencies are committed to provide a basic level of service to all customers. Additionally, the GRM will be available to the public. Under the latter, communities and individuals who believe that they are adversely affected by the project may submit complaints to the Bank’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project-affected communities and individuals may submit their complaint to the Bank’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of Bank noncompliance with its policies and procedures. A citizen engagement indicator will be integrated in the project’s results framework.

40. Job creation. The construction of new infrastructures, both in water and sanitation sector, to be mainly operated by private operators will enable the professionalization of many informal activities, and the creation of jobs of which could benefit youth and women. Access to improved water services will be an enabling factor for small industries to establish in small towns and increase job opportunities and local productivity.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The objective of the project is to improve water and sanitation service provision in two provinces of Mozambique namely Nampula and Zambezia. Nampula province is located in northeastern Mozambique and is the most populated province in Mozambique with a population of 5.75 million. Zambezia province is in the central coastal region of Mozambique and located south-west of Nampula province. It is the second most populated provinces in Mozambique with a total population of 5 million. Agriculture is the main activity in both provinces and accounts for 70 percent of employment in rural areas. Only an estimated 49 percent of the population Mozambique has access to improved water supply of which most people in rural areas rely on unimproved water sources and little access to sanitation facilities. Populations in the Northern regions such as in Nampula and Zambezia are considered to live in poverty with only one in three households having access to safe water and only one in ten to adequate sanitation.

Predominant rivers in the two provinces include the Zambezi river which drains the Zambezia province, the Lingonha river which separates Numpula from Zambezia province, and the Malema and the Meluli rivers which flows through the Nampula province in a southeasterly direction towards the Indian Ocean. Under Component 2; water will be abstracted from nearby surface water resources or from underground by means of drilling boreholes which may potentially have an impact on other water users such as agriculture and mining activities in the project area and will therefore need to be investigated further. Proposed investments under Component 3 will support construction of fecal sludge treatment facilities and transfer stations to improve sanitation service delivery under a Public Private Partnership (PPP) arrangement. It should be noted that the structure of the PPP has not yet been defined. However, it is anticipated that the PPP will most likely involve small local private companies to undertake the operational and maintenance at the sanitation facilities. It is anticipated that the PPP agreement will include a performance component including E&S performance; linked to penalties to ensure operations and management of the fecal treatment facilities do not cause any public health issues in the communities.

The project activities will take place regional, however at the concept stage of the project, exact locations and detailed scope of the proposed interventions are not yet known. As a next step the Bank will work with the Borrower to define the locations and level of interventions needed based on the following criteria namely; equity, access rate to water and sanitation, poverty levels, prevalence of water related diseases, malnutrition index, school attendance by girls etc. It should be noted that all planning and strategic documents produced as part of the project components to be financed will incorporate proportionately to the entailed environmental and social risks specific provisions in accordance with the World Bank Environmental and Social Standards.

The security situation in Cabo Delgado will be analyzed in a Security Risk Assessment (SRA) and possibly a Security Management Plan (SMP) will be prepared subject to confirmation through the SRA. This Assessment and Plan will present means for delivery of activities in the context of the security situation and also provide inputs for the selection of areas for interventions.

D. 2. Borrower's Institutional Capacity

The project will be implemented by the Ministry of Public Works, Housing and Water Resources (MOPHRH) through National Directorate for Water Supply and Sanitation (DNAAS) and Water and Sanitation Infrastructures Administration (AIAS). Both institutions are currently co-sharing the implementation of the Mozambique Urban Sanitation Project (MZ- Urban and Sanitation Project - P161777), a Category A project, and their Environmental and Social (E&S) performance was rated as Satisfactory in the latest two ISRs. AIAS has also implemented the Cities and

Climate Change Project (P123201), a World Bank financed operation, where AIAS faced several challenges related to E&S safeguards issues, resulting in less than desired E&S performance and outstanding E&S issues at closing of the project, mainly in Beira. Furthermore, the Bank had previously identified the need to strengthen the E&S capacity at AIAS. The AIAS's E&S unit consists of limited and geographically fragmented resources, who currently oversee all projects across the country. AIAS therefore relies on the services of external service providers to support the preparation and supervision of key environmental and social project instruments. On the other hand, the strengthening of E&S capacity at DNASS will be more complex as it will require the capacitation of Provincial and District Governments who are in charge of planning and implementation at the local level. In order to strengthen institutional capacity in both DNAAS and AIAS; specific capacity building support will be provided throughout the lifecycle of the project to ensure the preparation of the relevant instruments, documentation and management plans, as set out in the ESCP, and the adequate implementation and monitoring thereof. Additionally assistance will be provided to identify capacity strengthening gaps in both DNAAS and AIAS to ensure that the project interventions in all components complies with the World Bank ESF requirements. Parallelly, a long-term capacity building program, supported under Component 1; aimed at creating and establishing an integrated Environmental and Social Management Systems (ESMS); for water sector activities under AIAS; as part of this project. During the preparation of the ESMF detailed procedures and standards as well as an ideal structure for an effective E&S risk management consistent with ESSs and good international industry practices (GIIP) will be further defined, but it will aim to address: quality, environmental and social management and occupational, health and safety (OHS) aspects during water and sanitation projects, similarly to the E&S management system set out in the International Standards Organization (ISO) 14001:2015 and ISO 9001:2015 (Quality Management). The timeline to prepare, carry out training and adopt the ESMS will be also included in the ESCP. The Bank's involvement in the project may therefore allow for an opportunity to expand and develop the AIAS internal E&S resources and procedures by building on and adding value to what is already in place and working well and include: improvement of current policies, procedures, management and monitoring programmes, enhancement of reporting and continuous improvement capacity, as well as training and capacity building (and support with recruitment where required) of both DNAAS and AIAS's management personnel, and in particular E&S team, to ensure they are able manage the system even beyond project closure.

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

A. Environmental and Social Risk Classification (ESRC) Substantial

Environmental Risk Rating Substantial

The project environmental risk rating is Substantial at this stage, based on the project's anticipated environmental risk and impacts in consideration of the Borrower's fragmented and challenging implementation arrangements and commitments. The scale of the project is national, although the exact geographic locations and its sensitivities or the magnitude of interventions needed are not yet known. Anticipated environmental impacts and risks typically associated with small to medium scale civil works (Components 2 and 3) are expected to be moderate to substantial and occur mainly during the construction phase and may lead to loss of vegetation or sensitive habitats, soil erosion and degradation, soil and surface water pollution, dust and noise emissions, impact on water usage, generation and disposal of construction waste, occupational health and safety concerns to contracted workers as well as community health and safety risks caused by public nuisance and increased road traffic. If not adequately managed, the operation and maintenance of the water infrastructures to be financed under Component 2 may lead to an increase in pressure on water usage in the project area deterioration water quality , uncontrolled water leakages in the distribution

network that could pose public health concerns. Anticipated risks and impacts related to location, construction and operation of fecal sludge treatment facilities (Component 3) are expected to be from moderate to substantial and may lead to (i) deterioration of sensitive habitats, community health and safety risks as a result of disposal and management of sludge during operations, (ii) management of waste during the construction phase, (iii) occupational health and safety issues to contracted workers, (iv) nuisances related to air and noise and odor emissions. Lack of proper operations and maintenance of the fecal treatment facilities and transfer stations could lead to contamination of surface water resources and land due to accidental release of fecal sludge or spills, this in turn may lead to public health issues and nuisances due to odor emissions. The rehabilitation of existing water and sanitation infrastructure under both Components 2 and 3 are likely to have the same impacts and risks unlike construction of new facilities, but to a lesser extent, and can therefore be seen as having a moderate to low risk as it will take place at existing facilities and within an existing right-of-way (ROW). Furthermore, common risks across all project components include health risks due to COVID-19 pandemic that are expected in crowded situations during civil works. Proposed policy and regulatory reforms under the TA activities (Component 1) may lead to moderate downstream environmental risks when implemented through future investments that will require adequate assessment of environmental implications once detailed scope of such reforms is known. These impacts are mostly temporary, predictable, site specific and of a readily manageable. The detailed scope and nature of the proposed subprojects have not been fully defined. Similarly, activities to address emergency response (component 4) due to natural disaster events, may have a moderate to substantial risk, depending on the type and extend of the natural disaster event. Since the extend and severity of the potential natural disaster can not be predicted, measures will be incorporated in the Borrower's ESMF and emergency action plan to adequately assess and address risks and impacts associated with natural disasters when these arise. The risk related to the borrower capacity is considered to be moderate to substantial, due to the current geographically fragmented and with limited resources overseeing various existing projects, its previous performance under the World Bank Safeguards and due to the PIU not having previous experience with the implementing projects under the new ESF.

Social Risk Rating Substantial

The project Social Risk rating is classified as Substantial after considering the expected land acquisition under the Component 2, that may cause physical and economic displacement of Project Affected People (PAP) disturbance of community health and safety with and labor influx, pressure for the natural resources, community health system, sources of water and natural resources, elite capture of project benefits, Sexual Harassment (SH), GBV/SEA risks, taking into account the capacity of the sectoral implementing agencies (AIAS, DNAAS, DNGRH and FIPAG) to manage social, GBV/SEA/SH and Violence Against Children (VAC) risks. MOPHRH (PIUs) has limited experience in implementing ESF projects and has very limited capacity and experience to monitor GBV/SEA/SH/VAC risks and impacts. Other risk is related to selection criteria of project areas and beneficiaries, considering the socio-cultural norms in different regions of the country (i.e., "matrilineal communities" in the northern part of the country). Aspects of vulnerability, disability and inclusion and poverty should be considered as critical in the selection process under the Component 3. The Project will ensure that social assessment is guided by World Bank's Directive on Addressing Risks and Impacts on GBV assessment will be conducted based on planned activities, and the results of the assessment presented as an annex to the PAD. An overall GBV action plan should be included in the ESMF with provisions for additional assessment and mitigation measures at the subproject level. The plan would include the basic Code of Conduct, mapping of resources, awareness measures and procedures for further assessment at the subproject level. Given the rural nature of the projects, the unknown size of the infrastructure and the possible use of worker camps the GBV action plan and PIU staff should be in place as early as possible. The implementation of specific activities such as promoting access to improved sanitation facilities for households (under Component 3) should consider systemic,

knowledge and sociological risks. Systemic risks relate to the water and sanitation services' ability to regularly provide safe water at affordable prices for the vulnerable households. Since the project will specifically focus in supporting access to services (demand), the risk is on the ability of the service to address the demand. The knowledge risk is linked to persisting low demand for improved sanitation services in project targeted provinces, especially in small towns and rural areas. The sociological risks are associated to cultural and social practices that ultimately do not encourage safe sanitation and adherence to water and sanitation services. While major mitigation measures are clearly identified, a more systematic approach to community mobilization and participation is paramount to address risks of service adherence and knowledge. The project will consider the potential adverse social impacts of the Project in small towns and rural areas, which could result from imbalanced power dynamics between service providers and project beneficiaries' vulnerable households, elders and child headed households. The proposed project activities will require substantial efforts to ensure stakeholder engagement and regular community awareness interventions supported by adequate mitigation measures to address several factors outside the control of the Project with potential significant adverse impacts on the social performance and outcomes of the Project. The security risk is a pre-existing condition due to the militancy in Cabo Delgado province, with consequent large number of refugees settling in Project proposed areas, Nampula province. However, the risk of conflict can be increased by the project unless potential beneficiaries are identified in a transparent manner based on an assessment of marginalization and exclusion that could sideline potential beneficiaries.

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

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

This standard is relevant as the investments under Component 2 and 3 are likely to involve small to medium scale civil works to establish or improve water and sanitation services. Investments to be financed under Component 2 and 3, are likely to lead to loss of vegetation, soil erosion and degradation, soil and surface water pollution, dust and noise emissions, impact on water usage and quality, generation and disposal of construction waste, occupational health and safety concerns to contracted workers and community health and safety risks caused by public nuisance, increase in road traffic. Since activities are anticipated to be significant users of water, a detailed water balance assessment will be undertaken at an early stage at each sub-project level to minimize impacts on other water users within the immediate and surrounding areas. Lack of maintenance and improper operations of water infrastructure may lead to community health and safety concerns such as diseases from stagnated water due to water leaks. An E&S compliance audit will be undertaken; during the initiation phase; at each facility identified for rehabilitation to determine its current compliance with the World Bank ESF requirements and areas which requires strengthening. Actions to be taken to close gaps between the facilities current E&S performance and those required by the ESF will be included in the ESCP and will form part of the ESMP. Potential social impacts and risks are expected including economic impacts on PAP and temporary or permanent land acquisition. The Borrower will develop a stand-alone Resettlement Policy Framework (RPF) that will include the procedures and approaches for land acquisition and will provide guidance for preparation of site-specific Resettlement Action Plans (RAP) or Abbreviated Resettlement Action Plans (ARAP) as required before civil works commence on specific sub-projects consistent with ESS5. In addition, health risks associated with the spread of COVID-19 pandemic is likely to be a common risk across all project components. The likelihood of additional risks and impacts will be assessed once more information on the components and the scale of interventions needed become available. The investment under Component 3 includes

specific focus on provision of sanitation facilities at public areas such as schools and health care facilities which is anticipated to have a positive impact on school attendance particularly for girls and will positively contribute to improved service delivery at health care and public centers. Notwithstanding, there are some social risks associated with it. This relates to issues of exclusion and sustainability of the activity. The provision of improved sanitation should be well handled by the implementing agencies adapted to cultural norms and social practices in Nampula and Zambezia. Meaningful consultation on this aspect will equally play a significant role in shaping the course of the activity and mitigate associated risks. Both DNASS and AIAS E&S capacity have been established under the implementation of previous WB funded projects (including Environmental specialist and Social specialist), however their ability to cover project areas along the country is still limited and fragmented and is likely to present significant implementing challenges given the nature of the project's potential environmental and social risks and impacts in particular those related with GBV/SEA/SH and VAC, considering the fact that no GBV capacity to monitor such risk is currently available at the implementing agencies. In order to aim to strengthen institutional capacity within both DNAAS and AIAS; specific capacity building support will be provided (Component 1) throughout the lifecycle of the project to ensure adequate preparation and implementation of the relevant instruments, documentation and management plans. Funding for recovery in the event of a CERC due to natural disasters are included under Component 4. Even though activities to be financed under Component 4 will need to be of similar nature and complexity of those supported by the project if no emergency even has occurred; risks and impacts of natural disasters can not be predetermined or assessed until it has occurred. The borrower will be responsible for preparing the relevant instruments for the CERC with technical advice from the Bank as set out in the CERC ESMF. In order to manage environmental and social risks associated with the project; the borrower, will need to develop an Environmental and Social Management Framework (ESMF); during the project preparation phase; to be disclosed prior to project appraisal. The ESMF will provide an overview of the project and its components, the applicable legislative and regulatory frameworks and policies, an overview of the baseline conditions and a summary of key anticipated environmental and social impacts. It will further provide mitigation and monitoring measures and a screening tool for assessing and classifying impacts at sub-project level and will provide guidance for the preparation of a sub-project level environmental and social impact assessments and preparation of sub-project specific Environmental and Social Management Plans (ESMPs), sub-level project specific Occupational Health and Safety (OHS) plans, Community Health and Safety (CHSP), Traffic Management Plan (TMP), Labor Management Plan (LMP) and Chance find plans during the implementation phase. The borrower will develop a CERC ESMF and emergency action plan which make provision for the Bank to assist the borrower in identifying, the need and level of environmental and social assessments required, E&S instruments to be prepared, reviewed and approved in the event of an activity being triggered under Component 4. An Environmental and Social Commitments Plan (ESCP) setting out the environmental and social commitments for the project will be developed by the borrower. The ESCP will include aspects such as the need for an environmental and social assessment and a project specific ESMP and OHS Plan for each sub-project, which will be developed in consultation with stakeholders, and approved and disclosed by the Bank. TA activities aimed at promoting regular and policy reforms in the water and sanitation sector are classified as Type 2 activities. Hence, the borrower will draft Terms of References (ToR) to ensure that the proposed reforms include adequate assessment of environmental and social implications and that the advice provided through the TA for addressing those implications is consistent with the ESF. Due to the increasing insurgency attacks to civilians in Cabo Delgado and the vulnerability that this cause to local communities, a Security Risk Assessment (SRA) and Social Impact Assessment (SIA) and Security Management Plan needs to be prepared by the Borrower. The SIA and SRA/SMP, which the scope will cover All Project areas to help selecting the areas of intervention and determine the level of security required for the project workers, assets, and activities. Since the

number of refugees is occurring in potential project areas with implications in Projects beneficiaries, the preparation of the security management will ensure greater attention to the refugee influx and areas of greater security concern. The preparation of SIA, SRA/SMP will be part of the ESMF.

Areas where "Use of Borrower Framework" is being considered:

The project will be implemented in accordance with requirements of the ESF Environmental and Social Standards (ESSs) and in accordance with applicable national and state level regulatory and legal requirements.

ESS10 Stakeholder Engagement and Information Disclosure

Water and sanitation service projects require a systematic and intensive engagement of stakeholders at an early stage of the project and through it's implementation guided by the World Bank's Directive on Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups . Since the site and project selection will play a major role in ensuring equitable access and avoiding elite capture, the stakeholder mapping and outreach should be included from the earliest stages of the Project and in the design of SEP, to ensure the project is designed and implemented effectively and successfully. The borrower will undertake and prepare a Stakeholder Engagement Plan (SEP) at the project preparation stage. The SEP will map out the various stakeholders and set out a strategy on how they will be engaged throughout the life cycle of the project; how and what project information will be shared at the different levels; how stakeholder concerns and feedback will be considered during the project design and implementation phases and how the project intends managing grievances through the implementation of a project Grievance Readiness Mechanism (GRM). The SEP should allow for meaningful consultation in a participatory manner and should be tailored to ensure involvement of disadvantaged and vulnerable groups in the communities, including specific provisions for the use of local language and information methods and communication technics appropriate to the level of literacy of the stakeholders (particularly beneficiaries) and take advantage of focus groups consultation with women and youth. The SEP will outline means of consultation, especially in a COVID-19 situation in line with World Bank guidance and GoM's policies. The SEP to be presented at appraisal will need to contain evidences of extensive early engagement including outreach to vulnerable groups and specific strategies to achieve and maintain engagement of disadvantaged and vulnerable groups. The SEP forms an important part of the project and will be disclosed alongside the ESMF, RPF and the ESCP prior to project appraisal.

B.2. Specific Risks and Impacts

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

ESS2 Labor and Working Conditions

ESS2 is relevant to this project.
Small and medium scale construction activities (Components 2 and 3) will require the recruitment and employment of direct, contracted and community workers. To ensure fair labor practices and health and safety of workers during the construction and operational phases of the project, the borrower need to take into consideration the Mozambican Labor Laws and the Bank's standards concerning labor conditions and Occupational Health and Safety.

The borrower will ensure to include, in its ESMF, measures for the identification and mitigation of project Occupational Health and Safety risks associated with the construction, rehabilitation, operation and maintenance

aspects to be financed under Component 2 and 3 in line with the World Bank Group Environmental, Health and Safety guidelines. The ESMF will provide guidance for the development of sub-level project specific ESMPs, Contractor ESMP and OHSP. The borrower will prepare a Labor Management Plan (LMP) that will detail how workers, including project workers from the implementing agencies, are going to be managed throughout the project cycle. The LMP will also include guidelines for a worker's GRM for all type of workers.

The Project will need to also ensure that Labor Management Procedures (LMP) are in place and are consistent with the provisions of the World Bank's ESS2, which identify that all contractors and sub-contractors must ensure that there is no forced or child labor employed during construction. The LMP will be prepared as part of the ESMF and include provisions to ensure fair wages in line with local legislation and provide contractual hiring of workers (both male and female), adequate payment for overwork and other measures. If a Labor Camp is established for construction purposes, the facility must follow guidelines established by the Project to ensure safe and hygienic living conditions. Labor Management Procedures and a labor GRM will need to be developed as part of overall safeguards instruments. The LMP will guide the production and implementation of Labor Management Plans for specific sub-projects including specification of responsibilities at sub-project implementation stage by all stakeholders to address labor management requirements. The LMP forms an important part of the project and will be disclosed alongside the ESMF and the ESCP prior to project appraisal.

ESS3 Resource Efficiency and Pollution Prevention and Management

ESS3 is relevant to the project. During the operational phase, under Component 2, water will be abstracted from nearby surface water resources or from underground by means of drilling boreholes which may potentially have an impact on other water users in the project area and water quality. In addition, a lack of maintenance and poor operations of the water infrastructure may further lead to a deterioration in water quality and water wastage due to leaks. The operation of fecal sludge treatment plants and transfer stations will require water input to function and will therefore put additional strain on water usages in the project area and may potentially lead to surface water and land contamination; if not properly operated and maintained; due to fecal sludge spillage or releases into nearby watercourse or land.In addition to the impact on water usage, there may be a need for opening of borrow-pits and quarries from which construction materials maybe sourced during the construction of the activities financed under Component 2 and 3. The project is likely to use electricity both during the construction and operational phase of the project. During construction electricity usage is mainly associated with the construction camp, whereas during operational phase it will likely be used to operate water pumps, small administrative/ maintenance buildings and operations of the sludge treatment facilities. Since the design is not yet known, the water, construction material and energy needs for the project is not yet known and is not anticipated to be of a significant scale. Notwithstanding, proposed project investments are expected to generate low GHG emissions as the emissions from the fecal treatment plants are not expected to be significant..

Activities from the small to medium scale civil works that are likely to cause pollution include (i) oil and fuel spills from construction vehicles and equipment; (ii) dust and vehicle emissions, noise and vibrations from construction vehicles; and (iii) storage and use of hazardous substances during construction. Waste will be generated from both the construction and rehabilitation activities under both Components. Potentially hazardous waste, such as asbestos containing building materials and pipes, may be generated during the rehabilitation of water and sanitation infrastructure. The management and operational activities financed under Component 3 is likely to generate

screenings and fecal sludge and wastewater which will require adequate treatment and disposal to prevent pollution and public health concerns.

Design information related to proposed surface and groundwater abstraction under the project are not yet known. However, due to the national scale of the project it is anticipated that the project is a significant user as water. Therefore a detailed water balance study will be initiated once the water needs at each sub-project level are known, and will aim to identify all potential water users within the sub-project vicinity that may be negatively affected as wel as provide measures for periodic monitoring and reporting on water uses.

Since details of the proposed investments are not yet known, the ESMF will specifically include identification and assessment of water use appropriate to the level of design information that will be available to ascertain the magnitude of project risks, including providing criteria and procedures to ensure that direct, indirect and cumulative impact of water use on communities is adequately investigated. Similarly, the ESMF will make provision of the identification and assessment of the potential impacts and risks associated with the sludge treatment facilities, and ensure adequate mitigation are incorporated in the designs once developed. Sub-project specific ESMPs will provide measures for addressing soil and water pollution, dust and noise emission, management of hazardous and non-hazardous waste and closure of borrow-pits and quarries during the construction phase. At operational and maintenance stage, the sub-project specific ESMPs will be updated, and additional management plans drafted; to make adequate provision for the mitigation of potential environmental and social impacts associated with the operations and maintenance of the water and sludge treatment facilities.

ESS4 Community Health and Safety

ESS4 is considered relevant to the Project. The overall effective implementation of this project should benefit community health.

Since the project will take place in a community settings, the borrower is required to undertake an assessment of the risk and impacts of the project on the health and safety of the project affected communities. Risk and impacts on the community could relate to the design and safety of infrastructure, traffic and road safety during construction, security and emergency situations, and community exposure to nuisance and public health issues. It is not yet known whether the investments of new water storage infrastructure financed under Component 2 will include the construction of small dams. Nevertheless, the borrower will need to ensure that the structure is designed and constructed by competent professionals so as not to pose a safety risk to adjacent communities. Similar, the design and construction of the new fecal sludge treatment plant and transfer stations, under Component 3 should adopt the same approach. The maintenance and operations of the water and sanitation infrastructure under Component 2 and 3 may have a direct and indirect impact on community health if not managed properly. Poor water quality supplied to the community could lead to outbreaks of cholera, diarrhea and typhoid which could be harmful and potentially fatal to vulnerable individuals especially the elderly, persons with immune compromise and young children. Leaks from poorly maintained infrastructure can lead to stagnant water which become a breeding ground for mosquitoes that transmit diseases such as malaria and dengue fever.

The construction and rehabilitation aspects will require the movement of construction equipment and materials through communities resulting in possible road and pedestrian accidents. The borrower will develop a sub-level

project specific Traffic Management Plan (TMP) as part of the ESMP to mitigate and manage vehicle-pedestrian interactions. Vibration from construction vehicles and activities, and the potential need for blasting, may result in damage to houses, businesses and existing public infrastructure in the community. Earthworks, including trenching for installation of water pipelines, will be required and is likely to take place within the communities. Open excavations and trenches may pose a community safety concern, resulting in serious injuries or fatalities from community members and especially children falling into open excavations and trenches if access is not adequately prevented and managed. As with many construction projects, the project may result in an influx of workers and contractors from outside of the community which may result in conflict situations and potential health issues. Influx of workers, including contracted workers or job seekers, could add to the potential introduction and spread of communicable diseases and COVID-19 within the community if not managed.
A SEA/GBV risk assessment will be conducted during program preparation. Relevant mitigation measures to address these risks (e.g. integrating Codes of Conduct with SEA/GBV-related protections into community consultations and mapping activities to identify potential service providers, and establishment of GRM with procedures and channels to enable safe, confidential and ethical reporting of GBV incidents) under an overall GBV action plan that will be included in the ESMF with provisions for additional assessment and mitigation measures at the subproject level. The plan would include the basic Code of Conduct, mapping of resources, awareness measures and procedures for further assessment at the subproject level. Given the rural nature of the projects, the unknown size of the infrastructure and the possible use of worker camps the GBV action plan and PIU staff should be in place as early as possible.

The borrower will ensure that the ESMF makes provision for addressing labor influx, engagement of a reputable security company and implementation of a project code of conduct. The borrower will put in place measures to prevent the spread of infectious and communicable diseases including COVID-19 in line with the WHO guidelines, by developing a pandemic management plan as part of the ESMF. The sub-project specific ESMP will address impacts and risks related community health and safety, and the development of a Community Health and Safety Plan as part of the Contractor ESMP. Since the need for small dams are not yet known, the Borrower ESMF, will make provision for exclusion criteria for any large or high-risk dams, and will provide guidelines for the construction and management of small dam to ensure all safety precautions have been considered as well as guidelines on assessing the conditions of any existing dams which will form part of the project. The borrower will ensure that a reputable and competent professional(s) is appointed to undertake the assessment of existing structures and the design and construction of new structures; such as new dams; to ensure all necessary safety precautions are considered in the design or improvement of existing structures. The borrower will ensure that a detailed dam safety assessment or recommendations for improvement report are generated for each new and existing dam.
Moreover, the Nampula and Zambezia provinces are receiving large numbers of refugees due to the increasing insurgency attacks to civilians in Cabo Delgado and the vulnerability that this cause to local communities, a Security Risk Assessment (SRA) will be prepared by the Borrower and possibly a Security Management Plan as well (subject to confirmation through the SRA) to help selecting the areas of intervention and determine the level of security required for the project workers, assets, and activities as well as identifying mitigation measure to avoid or minimize risks and impacts posed by these security arrangements to those within and outside the project site. Since the number of refugees is incurring in potential project areas with implications in Projects beneficiaries, the preparation of the SRA and potential SMP will be part of the ESMF.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The ESS5 is relevant as the construction and rehabilitation of water supply and sanitation infrastructure in rural and small towns works could involve land acquisition impacts resulting in physical or economic displacement of Project Affected People (PAP). Potential social impacts and risks are expected including economic impacts on PAP and temporary or permanent land acquisition, restriction of access to land or natural resources causing livelihoods impacts. The Borrower will develop a stand-alone Process Framework (PF) as part of the Resettlement Policy Framework (RPF) that will include the procedures and approaches for land acquisition, restriction of aceess to natural resources, the application of the creation of Partial Protection Zones (PPZs), under the Mozambican Land Law to the infrastructures newly build or expanded under the Project, and will provide guidance for preparation of site-specific Resettlement Action Plans (RAP) or Abbreviated Resettlement Action Plans (ARAP) as required before civil works commence on specific sub-projects. Resettlement Action Plans (RAPs) will be prepared, consulted upon, cleared by the Bank and implemented prior to commencement of any construction and/or land acquisition. The RPF and PF will be included in the ESCP and be prepared and disclosed by project appraisal.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

At this stage the locations of the sub-level projects, and the nature of the biodiversity and its sensitivity within each project area, is not yet known. Three areas classified as Important Bird and Biodiversity Areas (IBA) occurs in Zambezia of which one; Mount Namuli; is classified as an IBA and Area of Zero Extinction (AZE). The areas are Mount Mabu located near Tacuane town, Mount Namuli located between Giurue and Lioma town and Mount Namuli which are not located near any small towns. Only one area, namely Netia; located near Monapo town is classified as an IBA in Nampula province. Since the IBAs are predominantly located in mountainous areas it is not likely to be affected by the proposed project, however the borrower ESMF will make provision for the exclusion of these known areas. Small to medium scale construction is likely to include site clearance for construction purposes, the establishment of the contractors camp, material laydown area and earth works consisting of excavations and trenching which may lead to potential habitat degradation and soil disturbance leading to the introduction of alien and invasive plant species. The rehabilitation of infrastructure is less likely to have an impact on any sensitive biodiversity as it will take place within existing facilities, but is expected to include some degree of earth works to replace existing pipeline supply and therefore the site clearance and soil disturbance is likely to result in the establishment of alien and invasive plant species. If the Project activities result in any proposed restrictions to existing land or natural resource uses which could cause livelihood impacts, or which would restrict local community access to provisioning ecosystem services, these will be identified during the screening and adequate mitigation and management measures will be included in the sub-level project specific ESMPs. The ESMF will include criteria and procedures to allow for screening of any sensitive ecosystems and services; and will make provision for the exclusion of areas of important biodiversity or sensitivities; during sub-project site selection phase, to ensure that the investments are designed and implemented in ways that ensure avoidance of impacts to protected or sensitive areas or critical habitats. The sub-level project specific ESMP shall make provision for the management of alien invasive species during construction and shall address the need for a biodiversity management plan should the screening exercise identify the need for such plan.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

There are no known Indigenous Peoples/Sub-Saharan African Historically Undeserved Traditional Local Communities in the project area.

ESS8 Cultural Heritage

The investments include aspects such as site clearing, and earth works that could have an impact on tangible and intangible cultural heritage features located within the project footprint and underground. The project includes the rehabilitation of existing water and sanitation infrastructure, under Component 2 and 3, which is not less likely to have an impact on any tangible or intangible cultural heritage as it will within existing facilities and within existing right-of-way. As the locations of the project, and the likelihood of occurrence of cultural heritages features are not yet known; The ESMF will make provision to conduct cultural heritage assessment and management plans, if necessary, followed by screening and avoidance of potential cultural heritage sites in each sub-project and the development of a "chance find" procedures. The "Chance find" procedure will form part of the sub-project specific ESMP and will address potential impacts of civil works on tangible and intangible cultural heritage sites consistent with ESS8.

ESS9 Financial Intermediaries

The involvement of Financial intermediaries is not anticipated.

C. Legal Operational Policies that Apply

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

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered? No

Financing Partners

At this point there is no financing partners

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

Actions to be completed prior to Bank Board Approval:

Actions to be completed prior to Bank Board Approval:
The relevant Environmental and Social instruments that need to be prepared, approved and disclosed before project appraisal are the

(i) Environmental and Social Management Framework (ESMF), including Labour Management Procedure (LMP), Security Management Plan and inclusion of key elements of security assessment and arrangement (SMP) and SEA/GBV Action Plan

(ii) Resettlement Policy Framework (RPF) including a Process Framework (PF);

(iii) Stakeholder Engagement Plan (SEP) for the entire project, and;
(iv) A draft Environmental and Social Commitment Plan (ESCP).

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

The draft ESCP should contain the following as a minimum:
(i) ESMF, RPF/PF and SEP finalized and disclosed prior to Bank Board approval;
(ii) Terms of Reference for the TA activities reviewed and approved by Bank;
(iii) Prepare the relevant environmental and social assessment for each sub-project in line with the requirements as set out in the ESMF, including a detailed water balance at each of the locations once identified.
(iv) Prepare site specific ESMP including Waste Management Plans, Traffic Management Plans and contractors H&S Plans, and;
(v) Prepare site specific RAP/ARAPs (if needed).

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS 15-Mar-2021

IV. CONTACT POINTS

World Bank

Contact:	Pierre Francois-Xavier Boulenger	Title:	Senior Water Supply and Sanitation Specialist
Telephone No:	5333+2335 / 258-21-482335	Email:	pboulenger@worldbank.org

Borrower/Client/Recipient

Implementing Agency(ies)

V. FOR MORE INFORMATION CONTACT

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

VI. APPROVAL

Task Team Leader(s):	Pierre Francois-Xavier Boulenger
Safeguards Advisor ESSA	Peter Leonard (SAESSA) Cleared on 11-Nov-2020 at 14:01:9 GMT-05:00