Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 22-May-2018 | Report No: PIDC145045

BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Parent Project ID (if any)	Program Name
Mozambique	P166437		Mozambique Disaster Risk Management and Resilience Program
Region	Estimated Appraisal Date	Estimated Board Date	Does this operation have an IPF component?
AFRICA	10-Dec-2018	19-Mar-2019	Yes
Financing Instrument	Borrower(s)	Implementing Agency	Practice Area (Lead)
Program-for-Results Financing	Ministry of Economy and Finance	National Institute for Disaster Management (INGC)	Social, Urban, Rural and Resilience Global Practice

Proposed Program Development Objective(s)

The Program Development Objective is to strengthen the capacity of the Government of Mozambique to prepare for and respond to disasters and increase the resilience of key public infrastructure in risk-prone areas.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	113.00
Total Operation Cost	113.00
Total Program Cost	105.00
IPF Component	8.00
Total Financing	113.00
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	80.00
World Bank Lending	80.00

Total Government Contribution	25.00
Total Non-World Bank Group and Non-Client Government Financing	8.00
Trust Funds	8.00

B. Introduction and Context

Country Context

Mozambique has achieved significant economic development since the end of the civil war in 1992, but important challenges remain that have been aggravated by the recent hidden debt crisis. Real annual growth of the Gross Domestic Product (GDP) averaged around 8 percent over the past two decades. Robust growth was made possible by sound macroeconomic management, several large-scale foreign-investment projects in the extractives sector, political stability, and significant donor support. However, falling commodity prices, climate shocks, fiscal tightening and slowdown in foreign direct investments in the aftermath of the USD 1.4 billion hidden-debt disclosure caused economic growth to drop to 4.3 percent and inflation to peak at 26 percent in 2016. While inflation decreased to 7 percent in 2017, growth was expected to dip to 3.1 percent, external debt remained at an unsustainably high level (estimated 83 percent) and the economy remains exposed to external shocks given its dependence on a few commodities for foreign exchange earnings. Potential large revenues from liquefied natural gas (LNG) projects may increase government earnings in the coming years, although this increase is uncertain. Moreover, upcoming elections (local in 2018, general in 2019) could amplify political tensions between the main parties to control resources, which have been compounded by the changing political economy with the discovery of significant LNG reserves in 2009/2010. To date, the IMF has not resumed its program in Mozambique and the country is now classified as being in a “fragile situation” by the World Bank.

While the incidence of poverty has declined, the number of poor people remains high and inequalities are growing. According to the latest official figures, poverty has fell from 52.8 percent in 2002 to 46 percent in 2014. International comparison data (using the US$1.9/day 2011 PPP poverty line) show a similar trend with poverty falling from 78.5 percent to 62.9 percent over the same period. However, the relationship between growth and poverty reduction has weakened due to a transition towards capital-intensive public and private investment projects and fewer people have been benefitting. The recent economic downturn may also have had a negative effective on poverty reduction. Whilst inflationary pressures have subsided, relative food price levels are high and household consumption remains strained.

The impacts of weather-related shocks are felt across most sectors of the economy, undermining the achievement of the WBG twin goals of eliminating extreme poverty and boosting shared prosperity. Mozambique is highly-exposed and vulnerable to natural hazards and climate variability with drought, flooding, and tropical cyclones comprising the most frequent climate shocks, but it also faces seismic risk. The frequency and intensity of climate-related shocks have intensified over the past four decades. Over half of its population is vulnerable to climate-related shocks and the impacts of disasters on the country’s budget and economy are sizable. Assets worth approximately 37 percent of GDP are exposed to two or more natural hazards, which translates into 1.1 percent annual average loss in GDP. On average, 122,000 people are affected by recurring floods in Mozambique. The costs of the 2000 floods were estimated at almost US$ 450 million (or nearly 9% of GDP) and in 2013 the sum exceeded US$ 517 million (both at current values).

The negative impact of these shocks is exacerbated by high levels of poverty and the Government's limited fiscal space to respond effectively to these shocks. Emerging international evidence shows that disaster have disproportional impacts on poor people, who have limited capacity to cope with shocks, further driving inequality and poverty in exposed regions.[1] Recent poverty analysis[2] conducted in Mozambique shows that cyclone, flood or drought can lead to a drop of up to 25-30% in per capita food consumption and that affected households also cut back on expenditures in basic non-food items. For three disaster events analyzed, the negative effects on consumption resulted in an increase in poverty of 12 and 17.5 percentage points. In addition, the public resources allocated ex-ante for emergency response and recovery have systematically been significantly lower than the funds needed to cope with catastrophic events. These financial constraints and need to mobilize ex-post resources result in inefficient response operations and prolonged and uncertain recovery and reconstruction processes, which further exacerbates the negative economic impacts of disasters. Without changes in disaster risk management and financing policy, climate change is expected to cause economic damages of between US$2.3 billion and US$7.4 billion during the period 2003–50 (discounted and in 2003 prices).[3] Mozambique's development process therefore needs to address poverty goals in an inclusive and resilient manner.

Sectoral (or multi-sectoral) and Institutional Context of the Program

Natural hazards have a significant negative impact across key sectors in Mozambique, which is likely to increase due to climate change. An estimated 50,000 public and private buildings across the country are currently exposed to flooding. In the education sector, floods, cyclones and earthquakes affect more than 540 classrooms and over 57,000 pupils, with an economic price tag of US$ 2 million[4]. In 2015 alone, floods in the northern and central regions of Mozambique damaged or destroyed 2,363 classrooms. In the transport sector, over 3,000 kilometers of road are prone to flooding. River floods and storm surge together cause an estimated US$ 22 million damage to these roads per year. In the health sector, annual damage to healthcare facilities are estimated at US $2.5 million. Finally, the agricultural sector is highly vulnerable to drought, which causes an estimated loss of US$20 million per year.

Recognizing the magnitude of climate and other risks, the Government of Mozambique (GoM) has made disaster prevention and mitigation a policy priority. In 1999, the GoM adopted its first Disaster Management Policy (Resolution No. 18/99), introducing proactive measures for disaster risk management (DRM), and established the National Institute for Disaster Management (INGC). The Disaster Management Law (No. 15/2014), adopted in 2014 and complemented by regulations in 2016, pushes for comprehensive DRM embedded into national, sectoral, and local development planning and budgeting. It calls for active engagement of all stakeholders from Government, civil society, private sector, individuals and development partners. The Law also recognizes the need for dedicated financial protection instruments against disasters, paving the way for the establishing a fund to finance disaster response, recovery, and reconstruction. Reducing the vulnerability of the economy, infrastructure, and communities to climate and disaster risks is a key strategic objective of the Government's Five-Year Development Program 2015-2019 (*Programa Quinquenal do Governo 2015-2019*), approved by Parliament in April 2015. The Program recognizes that climate resilience not only mitigates the negative impact of disasters but is also inextricably linked to poverty reduction of populations who are most exposed to such disasters.

To operationalize the DRM policy framework, a Master Plan was adopted in 2006 to emphasize the importance of

[1] World Bank (2017) *Unbreakable: Building the Resilience of the Poor in the Face of Natural Disasters*. Hallegatte et al.
[2] World Bank (2018) *Extreme Weather and Household Well-being: Evidence from Multiple Shocks in Mozambique*. Baez et al.
[3] World Bank (2010). *The Economics of Adaptation to Climate Change – Mozambique*. Arndt, C., Paul Chinowsky, Kenneth Strzepek, and James Thurlow (2012) *Climate Change, Growth and Infrastructure Investment: The Case of Mozambique* - Review of Development Economics, 16(3), 463–475, 2012.
[4] World Bank (2018). *Multi-Hazard Risk Assessment for the Schools Sector in Mozambique.* Draft report, January 5, 2018.

disaster preparedness through the implementation of early warning, information management, communication and capacity for search and rescue. The second Master Plan, adopted in October 2017, sets forth an ambitious DRM program for 2017-2030 to promote Mozambique's resilient development through disaster prevention, preparedness, response, and recovery. It also recognizes the need to mainstream disaster and climate resilience in public investments, territorial planning, and public finance, while building capacity at all levels.

The GoM has also taken various steps to increase financial protection against disasters, but funding gaps for disaster response, recovery, and reconstruction remain significant. Until recently, the Annual Contingency Plan was the only ex-ante financial instrument for disasters response and its capacity was limited to respond to small-to-medium sized events. For the financing of emergency response to larger events and post-disaster recovery and reconstruction, the GoM has been relying on ex-post instruments, such as adhoc budget reallocations and mobilization of donations or loans from the donor community that are usually slow to materialize and remain insufficient to cover post-disaster recovery needs. Recognizing this challenge, the GoM has approved the creation of the national Disaster Management Fund (*Fundo de Gestão de Calamidades* - DMF) in July 2017 and is working towards its operationalization in 2018. Moreover, the GoM has completed a diagnostic on financial protection against disasters, engaged in a dialog on sovereign catastrophe insurance with the African Risk Capacity (ARC), and carried out insurance pilots in the agriculture sector. According to the diagnostic, the resource deficit for post-disaster reconstruction in 2013 and 2014 was at least MZN 8 billion (US$ 132 million), corresponding to 70 percent of loss and damages.

Despite significant improvements in DRM, key challenges also persist in institutional and technical capacity to prepare for and respond to disasters and to reduce existing and future risks. Since the establishment of INGC in 1999, its institutional structure, staff, and equipment has been consolidated and it has achieved commendable improvements in emergency response, including the engagement of and coordination between relevant ministries and agencies through the Technical Council for Disaster Risk Management (*Conselho Técnico de Gestão de Calamidades,* CTGC), and, as needed, the National Emergency Operations Center (*Centro Nacional de Operações de Emergência* - CENOE). Yet, INGC continues to face capacity constraints, particularly at the province and district levels, and division of labor vis-à-vis sectors, especially in the transition from emergency response to post-disaster recovery and reconstruction, can be further improved. Moreover, the low capacity of some sectors involved in post-disaster recovery and reconstruction to effectively and timely execute their budget allocations is another challenge, often induced by the obstacles inherent to lengthy procurement processes. In 2013 and 2014, the overall execution of funds allocated to post-disaster recovery and response only reached 29 percent. Although the GoM has made progress in designing new construction standards for key public infrastructure (i.e. schools, roads), actions to reduce existing (through, for example, the retrofitting of public infrastructure) and future risks (through the systematic inclusion of resilient standards in the planning and construction of public infrastructure) have been limited.

Relationship to CAS/CPF

The proposed Program is in line with the Mozambique Country Partnership Framework (CPF) for FY17-21 and will particularly contribute to the third focus area on Enhancing Sustainability and Resilience. By supporting key improvements in disaster risk management and financial protection, the Program will help reduce key fiscal and institutional risks to the sustainability of growth and poverty reduction in Mozambique. It will also be instrumental to achieving CPF objective 11 on improving management of climate risk and natural resources. Reforms to strengthen Mozambique's disaster risk financing framework, including the operationalization of the recently established Disaster Management Fund and mobilization of sovereign risk insurance, will help mitigate the negative impact of disasters. It is also anticipated that the Program will support putting in place mechanisms to scale up the delivery of social assistance to the poor and the vulnerable in emergency situations, thereby helping to avert recourse to negative coping strategies when hit by disaster that further entrench poverty and set back progress in poverty reduction. In this sense, the Program would also contribute to CPF objective 9 on extending coverage of social protection and labor programs. Moreover, the Program will contribute to objectives under focus area two on Investing in Human Capital by increasing resilience of key public infrastructure for continuous provision of education and water supply. The PforR is also expected to establish synergies with other ongoing and planned Bank-financed operation on emergency resilient recovery, water resources management, urban development and decentralization, as well as social protection.

Rationale for Bank Engagement and Choice of Financing Instrument

The World Bank is well positioned to support the GoM in implementing an integrated DRM and DRF approach. The proposed operation builds on a longstanding policy dialog with the GoM and extensive non-lending technical assistance on DRM, to INGC and the Ministry of Economy and Finance (MEF) in particular. The technical assistance supported the GoM's efforts to better manage climate and disaster risks, contributing to: the strengthening of the national DRM framework, including the development of the second DRM Master Plan and establishment of the Disaster Management Fund; an analysis of the fiscal impact of past disasters and current financial protection against disasters in Mozambique; capacity strengthening for use and management of geospatial disaster risk information; methodological approach to mainstream DRM into district development plans; elaboration of a DRM training manual for local DRM committees; and the development, adoption, and implementation of an IDA Immediate Response Mechanism (IRM) for Mozambique. Moreover, the Bank has been providing technical assistance to the GoM to support the integration of risk considerations into school construction processes and investments to strengthen the resilience of school buildings, contributing to: improved quality of hazard and exposure information (including a new set of maps for all major perils and return periods produced by GFDRR); estimation of annual damages for school infrastructure; identification of retrofitting options for winds and floods; and a policy note with recommendations on options for safer schools.

In addition to technical assistance and piloting new disaster financing instruments approaches in Mozambique, the World Bank has also been providing investment financing support relevant for DRM. Notably, the World Bank has been supporting resilient recovery of critical infrastructure in Mozambique under the Emergency Resilient Recovery Project (P156559). Bank support has also been provided to enhance spatial data for flood risk management (P149629) and the Transforming Hydro-Meteorological Services Project (P131049) continues to support the GoM to strengthen hydrological and meteorological information services to deliver reliable and timely climate information for DRM and other purposes.

Considering the Bank's involvement to date through significant upstream analytical and technical assistance work that culminated in the new DRM Master Plan, it is now a logical next step to support the GoM in the implementation of its new DRM program. This is reflected in the official request by the GoM, dated February 19, 2018, to begin the preparation for a new lending project in this respect. Building on previous engagements, the proposed operation will support the GoM to strengthen three key areas of their new DRM program: (i) consolidating financial protection against disasters, particularly the operationalization and capitalization of the Disaster Management Fund and enabling placement of sovereign risk insurance; (ii) improving capacity for disaster preparedness, response, and recovery; and (iii) building resilience in public investments in priority sectors, such as education and water supply.

The proposed operation will be financed through a hybrid of Program-for-Results (PforR) and Investment Project Financing (IPF) instruments. The PforR has been identified as the most suitable instrument for financing most of the operation for several reasons. First, it will allow the Bank to support the most strategic aspects of Mozambique's DRM reform agenda, such as the operationalization of the recently created Disaster Management Fund and the definition of a more comprehensive strategy for financial protection against disasters. Second, by disbursing against key results, the PforR is an effective instrument to provide incentives for achieving key strategic outcomes envisaged in the Government's DRM program and further strengthen coordination between the MEF, INGC, line ministries and other key agencies involved in DRM, maintaining a results orientation throughout the engagement. The PforR will also help reinforce ownership and sustainability. Finally, the PforR approach allows to strengthen existing country systems, which will be an important element under the proposed operation. To this end, the operation will be complemented by a small IPF window to provide targeted technical assistance and capacity building to INGC and other government institutions involved in the implementation of the new Program, enhancing overall operation management, effectiveness and impact. This will be an innovative application of the PforR instrument, combined with an IPF window for capacity building, as the instrument has only been used once before to strengthen a government's DRM program[5].

The Program will be financed through an IDA grant in the amount of US$ 80 million, a potential grant from the InsuResilience Initiative in the amount of US$ 8 million, and contributions from the GoM in the amount of US$ 25 million. Financing from bilateral donors (i.e. DFID) will be explored during project preparation.

C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

Program Development Objective(s)

The Program Development Objective is to strengthen the capacity of the Government of Mozambique to prepare for and respond to disasters and increase the resilience of key public infrastructure in risk-prone areas.

PDO Level Results Indicators

The key anticipated PDO-level results indicators for the PforR operation are:

- Increased government access to rapid post-disaster finance through an operational disaster management fund and sovereign risk insurance;
- Improved government capacity for disaster preparedness, response, and recovery at national and sub-national level;
- Improved capacities of local communities to prepare for disaster events;
- Number of people benefitting from more resilient public infrastructure.

D. Program Description

PforR Program Boundary

The proposed PforR Program (the "Program") will support Mozambique's DRM program as constituted by its National Disaster Risk Reduction Master Plan 2017-2030 (the "program"). The program aims to reduce disaster risk, the loss of human life and critical infrastructures, as well as avoid the emergence of new disaster risks by increasing the resilience of people and infrastructure to climate and other natural and man-made hazards. To this end, it has five strategic results areas: (i) Improving the understanding of risk at all levels; (ii) Strengthening DRM governance and public and private participation in disaster risk reduction; (iii) Mainstreaming DRM in public investment and territorial planning, and consolidating financial protection against disaster; (iv) Strengthening disaster preparedness, response and recovery; and (v) Building partnerships with national organizations and the international cooperation. Over the past years, the GoM has made considerable progress in key areas included under the new program.

[5] Morocco Integrated DRM and Resilience Program (P144539)

Understanding of hazards, exposure, and risk in Mozambique has been improved over the past years through several activities. With support from the Bank, the GoM has acquired and processed high-resolution spatial and topographic data (through LiDAR[6] survey) for two of the most critical river basins in Mozambique (Limpopo and Zambezi) that is currently being integrated into hydrological and hydraulic models to improve flood risk maps. It also has obtained new hazard and exposure maps for all major perils (produced by GFDRR), as well as nation-wide exposure data for school infrastructure. Moreover, in partnership with the World Bank, INGC has revived the Mozambican GeoNode portal, a geospatial data repository complemented by a contingency planning tool.

Regarding DRM mainstreaming in public investment, territorial planning and public finance, the GoM took an important first step towards financial protection against disasters with the establishment of the Disaster Management Fund. The DMF is a dedicated account managed by INGC with two objectives: (i) to support the needs of several organs and entities involved in DRM, and (ii) to finance preparedness, response, and post-disaster recovery and reconstruction activities. The DMF is expected to receive annual budget allocations of at least 0.1% of the State budget, which is expected to increase the availability and predictability of resources for emergency response and make room for financing recovery and possibly reconstruction activities. The GoM has started elaborating the regulations that will make the DMF operational. Per the decree establishing the DMF, it will be authorized to contract sovereign risk transfer instruments which could eventually provide an important backstop to the fund in the event of a large disaster. In this regard, the GoM has been interacting with ARC on and off since 2014 around potential drought and/or cyclone insurance. This dialogue is still ongoing. The GoM has also made some progress on the mainstreaming of DRM into sectorial and territorial planning, including the approval of a decree requiring that new public buildings comply with resilient design standards and environmental requirements, preparing methodological guidelines for the elaboration of urban planning instruments that require the consideration of disaster risk, and adopting a methodology to mainstream DRM in district planning processes.

Regarding strengthening disaster preparedness, response, and recovery, the GoM has made critical progress with the creation of the National Emergency Operations Center (CENOE) and its declinations at decentralized level (COE), complemented by the National Civil Protection Unit (*Unidade Nacional de Protecção Civil* – UNAPROC). Recognizing the role of communities as often the first responders to disaster events, the establishment of a network of DRM committees at local level (*Comitês Locais de Gestão do Risco de Calamidades* – CLGRC), composed of volunteers, has been fundamental to empower community members in the face of disasters.

The boundaries of the proposed Program are defined in terms of: (i) the Program duration/timeframe; and (ii) the Program area and activities supported. In terms of timeframe, the Program will support the initial phases (5 years) of the overall government program. As such, it will support system and process building for integrated risk management under the government program, as well as critical institutional and financial reforms. In terms of areas and activities, the Program will focus on: (i) supporting the GoM to operationalize the DMF and put in place a more comprehensive disaster risk financing strategy, including the placement of sovereign catastrophe insurance instruments; (ii) strengthening capacity for disaster preparedness, response, and recovery; and (iii) assisting the Government in building resilience in public investments in priority sectors in hazard-prone areas. Specifically, the operation will support the government program along the following priorities:

Pillar 1: Improving financial protection against disasters. This pillar will support the GoM to improve its financial protection against disasters through: (i) the capitalization and operationalization of the national Disaster Management Fund; and (ii) by enabling the placement of sovereign catastrophe insurance coverage for cyclones and/or drought with

[6] Light Detection and Ranging (LiDAR) surveys are conducted to create Digital Elevation Models (DEM), which are critical inputs into the development of flood management plans, for example.

capital or insurance markets.

DLI 1: Capitalization and operationalization of the national Disaster Management Fund

Under this DLI, the GoM will draft and adopt comprehensive regulations which will govern the operation of the DMF, with technical assistance from the World Bank. These will include financial management procedures and resource access procedures, which will outline operational rules for requesting resources from the DMF; for allocating such resources to requesting entities; for their execution (including the social and environmental procedures to be followed); and for accounting for them. The regulations will also include provision for replenishment of the fund, should its resources be exhausted in any given year due to unexpectedly high needs. In addition to the regulations, the establishment of standard operating procedures for loss and damage assessments will be supported to guide the amounts to be disbursed for disaster response and recovery from the DMF. It is also envisioned that the regulations include a mechanism to enable the Fund to channel resources through scalable safety nets. Under this DLI, it is anticipated that disbursements will be linked to the official adoption of acceptable regulations for the DMF, the annual budget allocation of at least 0.1 percent of the State budget (IDA disbursement will be an additional amount for the initial capitalization of the fund), and the full implementation of any actions recommended by yearly external audits.

DLI 2: Placement of sovereign catastrophe insurance coverage for cyclone and/or drought with capital or insurance market, in accordance with national Disaster Risk Finance Strategy

A phased approach will be adopted to achieve this objective. First, GoM will prepare and adopt a national Disaster Risk Finance (NDRF) strategy, detailing the strategic priorities of the MEF for financing disaster response. Next, an assessment of potential insurance industry standard risk models will be carried out to ascertain their relevance and alignment with the strategic priorities of the GoM for financing disaster response, particularly with regards to developing a sovereign risk transfer product. Then, the GoM is expected to undertake a technical exercise with technical assistance from the World Bank to: (i) review risk transfer products offered by the market and ascertain their adequacy given the Mozambican context and the GoM's policy objectives; and/or (ii) design a sovereign risk transfer product which aligns with the NDRF strategy. Final disbursements under this DLI will be made against the GoM procuring the risk transfer product from the capital or insurance markets.

Pillar 2: Strengthening National Capacity for Disaster Preparedness, Response and Recovery. The new DRM program stresses the need for improving access to accurate information and early warning for local communities, and capacity development for preparedness, response, and recovery planning. This pillar will support the GoM, particularly INGC, to improve capacity, systems, standards, and procedures for emergency management at the national and local levels.

DLI 3: Number of functioning local DRM committees

At the local level, Local Committees for Disaster Risk Management (CLGRC) play a key role in community preparedness and early response to disasters. It is envisioned that a DLI will be linked to the strengthening of existing CLGRCs and the establishment of new CLGRCs in priority hazard-prone areas. The local DRM Committees will be operationalized with necessary equipment and training. In addition, they will be supported in preparing annual emergency response plans, based on updated hazard maps, and in conducting regular disaster simulations.

DLI 4: Number of people covered by functioning flood and cyclone early warning systems

At the national level, it is proposed that one DLI will be linked to the strengthening of early warning systems. Early warning systems for flooding and cyclones exist in Mozambique, but are limited in their accuracy, institutional integration, and communication across stakeholders and administrative levels, particularly regarding last-mile connectivity to people at risk. The Program will support INGC, INAM and DNGRH in further enhancing the production of actionable early warning information and in effectively disseminating accurate warnings for preparedness and early response at the district and community levels.

DLI 5: National post-disaster recovery and reconstruction frameworks adopted and enforced

A second DLI at the national level will focus on the strengthening of the post-disaster recovery and reconstruction frameworks. Following a more structural approach for post-disaster recovery and reconstruction has the potential to drastically improve the speed and effectiveness of these activities. In line with the government program, this pillar will support the GoM to develop, adopt, and implement appropriate frameworks for recovery and reconstruction across sectors and levels of government. This will include the improvement of methodologies and establishment of standard operating procedures for loss and damage assessments, which will also be used to guide the amounts to be disbursed from the DMF for disaster recovery.

Pillar 3: Building Resilience in Public Investment. This pillar will support selected sector ministries to increase resilience of key public infrastructure in priority hazard-prone areas in Mozambique, which are often damaged, destroyed, or rendered temporally inoperable due to adverse hydro-meteorological events. Based on a first screening of several sector investment programs, the education, water supply, and roads sectors have been identified as potential priority sectors to be supported under this pillar. It is proposed that DLIs would be linked to number of output units of more resilient public infrastructure provided. They would address both increasing the resilience of existing at-risk infrastructure (e.g. through targeted retrofitting) as well as mainstreaming climate and disaster risk considerations into the construction of new infrastructure, including the development and improvement of construction standards and building codes where necessary. Potential DLIs under consideration include: *Number of resilient classrooms in cyclone-prone areas retrofitted or constructed to revised building standard, Number of resilient water supply systems retrofitted or constructed in drought-prone urban and rural areas*, and *Number of bridges and culverts retrofitted to withstand floods*. The public investments to be included under the Program will be selected during preparation considering the findings from more detailed technical assessments, potential socio-environmental implications, capacity of relevant sector ministry, implementation readiness, and availability of resources.

Pillar 4: Technical Assistance. This pillar will be implemented under an IPF modality to help strengthen the fiduciary, socio-environmental, and institutional capacity of INGC and other government institutions involved in the implementation of the Program. It will also allow the GoM, through INGC, to mobilize specialized expertise and technical assistance to accompany the elaboration and/or revision of regulations, strategies, frameworks, and methodologies, and support the delivery of anticipated results under the Program. The specific activities to be supported under this Pillar will be defined in more detail during preparation based on the findings of the technical, fiduciary, and socio-environmental management assessments.

E. Initial Environmental and Social Screening

The proposed Program is considered adequate for PforR financing. The Program would include a series of activities that may have indirect and limited social and environmental impacts, such as the operationalization of the national Disaster Management Fund and strengthening capacity for disaster preparedness, response, and recovery, which include drafting of policies, strategies, and/or regulations. In contrast, the activities to build resilience into public investments, as well as disaster response and recovery activities that will eventually be funded through the DMF may cause direct adverse environmental and social impacts. These risks will be mitigated during preparation and through Program design. First, the types of resilience-building activities to be supported under Pillar 3 are being selected based on environmental and social risk screening during preparation and those likely to have significant negative social or environmental impacts (such as the construction of dykes along river basins) will be excluded from the Program. Second, the Technical Assistance pillar will include specific activities to strengthen and support the implementation of social and environmental management systems in the involved agencies, especially in INGC and as part of the regulations for the new DMF, to ensure that potential social and environmental impacts will be adequately addressed.

While it is not anticipated that the Program will finance any activities with resettlement impacts or land acquisition, disaster preparedness and mitigation as well as early recovery activities performed by INGC may require temporary or permanent relocation of people affected by disasters. INGC's capacity to deal with these issues is limited and the Mozambican Resettlement Framework (Land Law, Regulations for the Resettlement Process Resulting from Economic Activities, The Territorial Planning Legal Framework, etc.) does not adequately respond to this typology of resettlement. Therefore, the Program will provide technical assistance at the Policy level to ensure formulation of improved resettlement regulations, as well as adequate capacity building of INGC and DINOTER/MITADER to support the implementation of this type of resettlement activities.

A combination of PforR and IPF (TA pillar) is being considered for the proposed program, demanding different environmental assessment instruments. For the PforR results areas, an Environmental and Social Systems Assessment (ESSA) will be carried out during preparation to assess the implementing agencies existing systems and organizational capacity for managing environmental and social risks. The team is already started reviewing the environmental and social institutional capacity of the proposed implementation agencies, existing regulations and policies, and their legal and practical applicability at the program level. The findings of this assessment will inform the final Program design and key measures to improve environmental and social risk management will be incorporated into the Program Action Plan and may also be reflected in the results framework and/or DLIs. The elaboration of the ESSA will further provide a platform to engage Program stakeholders in consultations regarding environmental and social aspects. A Scoping Paper and the Draft TORs for safeguards instruments to be prepared during the implementation of the Technical Assistance component under IPF modality will be formulated prior to appraisal.

Mozambique shows a well-developed environmental legislation, including the national environmental law. This law defines that all public and private activities with the potential to influence environmental components should be preceded by an environmental assessment to identify possible impacts, as well as their mitigation, a process that culminates in environmental licensing. Additionally, the country has well defined procedures for public hearings.

However, the capacity of government institutions to manage social and environmental risks vary. Some sectors and levels of government may be under-staffed and under-funded to handle more complex environmental and social issues. The preliminary assessment of the prospective implementing agencies indicated that it would be necessary to improve the environmental and social systems, including procedures and processes of socio-environmental management, related mainly to health and safety of workers and communities, land rights and loss of access to natural resources.

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