Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 08-Dec-2020 | Report No: PIDC28085

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Mozambique	P172350		Mozambique Digital Governance & Economy (P172350)
Region	Estimated Appraisal Date	Estimated Board Date	Practice Area (Lead)
AFRICA EAST	Apr 08, 2021	May 11, 2021	Governance
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Ministry of Science and Technology, Higher and Technical Vocational Education (MCTESTP)	National Institute of Electronic Government (INAGE)	

Proposed Development Objective(s)

To improve citizens' access to selected government services and to foster the growth of domestic digital businesses.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	150.00
Total Financing	150.00
of which IBRD/IDA	150.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	150.00
IDA Grant	150.00

Environmental and Social Risk Classification	Concept Review Decision
Moderate	Track II-The review did authorize the preparation to

continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1.   **Mozambique has experienced a remarkable economic recovery since the civil war ended in 1992 and is at a turning point with the discovery of gas fields off the country's coast**. The Gross Domestic Product (GDP) grew on average by 8 percent in the last two decades, driven in particular by large scale investments in the extractive industry. Non-monetary dimensions of wellbeing also improved during the same period, with the average household enjoying higher access to basic services and owning more assets, such as cellphones.[1] This trajectory was interrupted in 2016 with the discovery of previously undisclosed public debt, amounting to 10 percent of GDP. The crisis brought dramatic consequences on the macroeconomic environment and unsustainably high levels of external debt constrained fiscal space and Government capacity to deliver public services. Although the economy has since stabilized, it remains highly vulnerable to commodity and climate shocks, and political volatility. Two severe cyclones[2] and lower coal production contributed to a downturn in economic growth from 3.4 percent in 2018 to an estimated 2.3 percent in 2019.

2.   **Despite improvements in economic growth, Mozambique is still one of the world's poorest and most unequal countries.** It ranks 180 out of 189 countries in the 2017 Human Development Index (HDI) and 0.54 on the 2014 Gini index. 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 economy is dominated by the agricultural sector, which employs about 75 percent of the population (90 percent in rural areas) and accounts for 25 percent of Mozambique's GDP. While poverty levels have decreased to reach 63 percent of the population in US$ purchasing power parity (PPP) in 2014[3], the absolute number of poor people has increased by 30 percent between 1996 and 2014[4]. There are disparities across provinces and poverty levels run particularly high in northern Mozambique, a region affected by an ongoing insurgency.

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[1] Mozambique Poverty Assessment (April 2018) http://documents.worldbank.org/curated/en/248561541165040969/pdf/Mozambique-Poverty-Assessment-Strong-But-Not-Broadly-Shared-Growth.pdf

[2] Cyclones Idai and Kenneth left nearly 2.2 million Mozambicans in need of humanitarian assistance in 2019

[3] Down from 79 percent in 2002

[4] The number of people living in poverty using the US$1.9 per day 2011 PPP poverty line has increased from 13.26 million in 1996 to 17.12 million in 2014

3.   **Rapid population growth in Mozambique is exerting further pressure on job creation and service delivery.** With one of the highest total fertility rates in Sub-Saharan Africa[5], current demographic trends estimate 500,000 youth will join the labor force every year between 2018 and 2050. [6] Yet, basic service provision is already inadequate. More than half of the people in the country need to walk more than an hour to reach their closest health facility and there are only three doctors per 100,000 people. [7] The literacy rate of youth in the age group of 15-24 years old is currently below 70 percent, affecting their livelihoods and capacity to find employment.

4.   **The COVID-19 crisis, as well as past and possible future shocks, highlight the need for a resilient, efficient and effective Government and private sector**. Within a few days of the first case of COVID-19 being reported in Mozambique, the Government established a stringent set of rules to control mobility. The main immediate impacts to the economy 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. Other sectors impacted include personal services, financial services, construction, transport (e.g. coal from South Africa), and real estate.[8] According to the International Monetary Fund (IMF), real GDP in Mozambique is expected to increase by only 2.2 percent in 2020[9], and Government revenues will likely shrink by 15 percent. This will further limit the public sector's ability to respond to the pandemic, deliver basic services and boost the domestic economy.

5.   **Mozambique showcases great potential for a dynamic digital economy.** Positive regulatory achievements have fostered competition in the telecom market, and mobile broadband penetration has experienced rapid growth in recent years. The increased competition in the information and communication technology (ICT) market allowed an additional 9 million Mozambicans to gain access to mobile broadband.[10] Associated economic benefits are estimated to have reached up to US$370 million, 2.7 percent of total GDP created in Mozambique during the 2012-2019 period.[11] Mozambique has the lowest mobile internet cost in sub-Saharan Africa (US$1.97 per gigabyte)[12], and mobile phone penetration stands at 46 percent of the population[13]. This provides significant opportunities for the provision of multimodal service delivery (hotlines, USSD, SMS). Furthermore, 40.3 percent of registered firms in Mozambique operate with their own website[14], close to 10

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[5] Children aged 0-14 represented more than 45 percent of the population in 2015. The total fertility rate was of 4.9 children per woman in 2018 (World Bank)

[6] World Bank, 2016. *Searching for the demographic dividend in Mozambique: an urgent agenda.*

[7] According to USAID (2019), more than half of the people in the country need to walk more than an hour to reach their closest health facility and there are only three doctors per 100,000 people

[8]World Bank Group. forthcoming. Mozambique Country Private Sector Diagnostic (CPSD).

[9] https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

[10] TeleGeography, 2017.

[11] Implementation Completion Report AFCC2/RI-RCIP3 - Regional Communications Infrastructure Program - Phase 3 (P111432)

[12] Research ICT Africa, Mobile Pricing Index, Q3 2019.

[13] Digital Mozambique 2019 https://www.slideshare.net/DataReportal/digital-2019-mozambique-january-2019-v01

[14] 2018 Enterprise Survey

points above the Sub-Saharan Africa (SSA) average. The United Nations Business-to-Consumer (B2C) e-Commerce Index 2018 placed Mozambique amongst the top ten African countries by proportion of individuals shopping online, with 15 percent of age 15+ making online purchases. Improvements in foundational digital transformation elements, combined with support to start-ups and existing businesses, can help the Mozambican economy harness digital data and new technologies, generate new content, link individuals with markets and with government services, and address the challenges the country is facing on public service delivery and job creation.

6.   **Digital transformation of the state can support greater cost-effectiveness and performance of public service, reduce leakages through automation, and foster more inclusive service delivery.** Central and secure databases, combined with digitalized services, can also support business continuity in times of crisis, while helping social protection programs rapidly target households in need. The domestic digital economy is key to this approach and can generate opportunities for Mozambique's very young population, while also providing cost-effective and innovate technological solutions, adapted to the local market and needs.

Sectoral and Institutional Context

7.   **Mozambique's governance challenges run deep and constrain public sector efficiency.** According to the most recent 2017 data, the Worldwide Governance Indicators (WGI) deteriorated for all six dimensions during the last decade[15]. Government effectiveness and control of corruption, in particular, have shown a significant downward trend on the WGI, from 20 percent in 2008 to 10 percent in 2018. A study estimated the cost of corruption to Mozambique in the period from 2002 to 2014 at around $US4.8 to US$4.9 billion (over 30 percent of 2014 GDP)[16]. This is of particular concern in light of the large potential revenues that could flow to Government from natural gas projects in the years to come. Mismanagement of funds has further constrained the Government's already limited capacity to deliver services and monitor effectiveness of service provision. According to the 2014 WB service delivery indicators, 45 percent of teachers were absent from school during an unannounced visit and teachers scored 27 percent on average in evaluations.

8.   **Access to internet remains low, creating a challenge for digital service delivery.** The internet penetration stands at 17.5 percent[17]. Broadband coverage is limited to provincial capitals and major cities, as well as main corridors of development, while rural areas lag behind. Access remains limited to wealthy individuals and businesses, and high gender and urban-rural divides persist. Smartphone penetration and desktop ownership levels are low, standing only at 7 percent and 2 percent per household, respectively[18]. The

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[15] Worldwide Governance Indicators Databank http://databank.worldbank.org/data/reports.aspx?source=worldwidegovernance-indicators&preview=on
[16] Centro de Integridade Publica and Chr. Michelsen Institute. "The Costs of Corruption to the Mozambican Economy: Why it is important to fight corruption in a climate of fiscal fragility," CMI Report No. 6, December 2016.
[17] ITU, 2017
[18] After Access, 2019

lack of affordability of internet-enabled devices - relative to income levels - is cited by 76 percent of the unconnected as the main reason for not using the internet[19]. While internet data tariffs have significantly decreased due to Mozambique's connection to undersea international links and increased competition in the market, internet remains unaffordable for many given the limited purchasing power[20].

9.   **The Government has yet to make the most of digitalization opportunities and lacks the foundational elements for effective digital transformation**. The number of government services currently being offered by the Government is uncertain, as there is no centralized monitoring of the digital presence of ministries, departments and agencies (MDAs). Only seven platforms that directly support the delivery of services are currently operating.[21] However, most of these systems can be characterized as backend digital systems, aimed at managing internal processes (i.e. designed to support civil servants' handling of service requests that remain in-person and paper-based). Only few government websites provide links to simpler online applications, many of which do not function appropriately. Online payments for public services are uncommon, with payment infrastructure in place accepting some taxes to be paid by card. Mobile payment is not used to pay government services. In addition, a recent study on cybersecurity in Mozambique reveals alarming security failures across both public and private websites, with the Government performing substantially worse than the firms[22]. Government's response capacity to cyber-attacks is extremely limited, and critical data policies and strategies have yet to be finalized[23].

10.   **Responsibility for policy and regulation is fragmented and inefficient for both ICT and entrepreneurship.** The Ministry of Transport and Communications (MTC) is responsible for the telecommunications, postal and broadcasting sectors, and is supported by the respective licensing and regulatory authority[24]. While the MCTESTP has the overall role of promoting and overseeing implementation of the ICT policy and the e-Government strategy, and is supported by the ICT regulator[25] and the national eGovernment Institute[26]. But in practice, there is a consensus among private sector actors that there is not enough clarity on who is regulating what. There is no stated national entrepreneurship policy and no clear protocol with respect to which entity or entities "own" this critical strategic objective. Instead, units such as the

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[19] 2017 After Access survey, a nationally representative ICT access and use survey.

[20] The average price of a 1GB mobile prepaid broadband plan represents 7.2 percent of GNI per capita (ITU, 2017)

[21] i) National System of Civil Registration (SINAREC), ii) Biometric Driving License and Motor Vehicle Registration Systems, iii) Biometric ID Card and Passport System, iv) Integrated System for Property Registration (SIRP), v) Electronic Licensing Systems (e-Bau), and vi) Digital Declaration System, and vii) Digital Taxation System.

[22] Vumo, A. P., Spillner, J., & Köpsell, S. (2017, August). Analysis of Mozambican Websites: How do they protect their users? In 2017 Information Security for South Africa (ISSA) (pp. 90-97). IEEE.

[23] Data protection, open data, and data localization.

[24] Mozambique National Institute of Communications, INCM

[25] Institute National Institute of Information and Communications Technologies (INTIC)

[26] INAGE

Ministry of Science and Technology, Higher and Technical Vocational Education (MCTESTP), Ministry of Youth, Ministry of Finance, and Ministry of Industry and Commerce (MIC), operate quite separately.[27]

11.   **The Government of Mozambique's (GoM) efforts to fight the ongoing COVID-19 pandemic have brought to the forefront the importance of digital tools to carry out transactions without physical interaction.** While digital adoption is critical to support economic and societal transformation and its positive impact on wellbeing in normal times, it is now more beneficial than ever in limiting in-person contact, while facilitating business continuity. However, most government agencies and firms in Mozambique lack adequate access and usage of digital technologies for remote work and digital service provision. COVID-19 official communication and dissemination efforts on prevention and state of emergency measures are hindered by the absence of an integrated digital strategy that unifies official information to be distributed throughout multiple channels, formats and various technologies.

12.   **For the GoM, the digital economy (also called the Information Society) is a key priority**. The National Broadband Strategy was adopted in 2017, the Information Society Policy of Mozambique was updated in 2018, reiterating the importance of ICT for broader socio-economic benefits. The recent creation of the National eGovernment Institute (INAGE), as the entity whose mandate resembles that of modern digital government units, is an opportunity for renewed impetus for government-wide digital transformation, with adequate capacity building and resources. In March 2020, the re-elected President Filipe Nyusi announced a new flagship initiative: the *Identity for All Movement*, which aims to reach 80 percent of the Mozambican population by 2024.

13.   **The Government has made efforts to expand ICT services to rural areas and redress market failures through a Universal Access Service Fund (USAF) since 2007.** Funded by operators' contributions, it aims to implement projects to expand voice/SMS and internet access in under-served areas. The fund is in the process of drafting its new strategy, to reflect a more holistic approach to the digital economy ecosystem, that will tackle infrastructure, but also other dimensions needed to ensure connectivity, like digital skills, handsets, and local content development. Although the fund was moderately active in the years following its creation, the pace of investments has recently increased. A contract was awarded to Movitel in 2019 to connect 30 additional locations to 3G, and communal access to broadband is being expanded through community access centers (Community Multimedia Centers Program under the MCTEST) or digital plazas (funded by the USAF).

14.   **The existing policy framework provides the scope for digital transformation and expansion of the digital economy.** The 2018 Information Society Strategy Plan is a 10-year policy that aims to provide the vision, mission, objectives, and framework for ICT to become an economic and social vehicle for Mozambicans to improve their livelihoods. It is divided in seven strategic pillars[28], and comprises a total of 120 initiatives, which need further prioritization. The 2012 to 2025 Public Administration Reform and Development Strategy (CIRAP) calls for a comprehensive modernization of service provision, notably through the reengineering of critical

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[27] For example the Maluana technology park, which was built in collaboration with MOST and Huawei, is viewed by many as a government project that does not serve the needs of the business and entrepreneurial sector.

[I] Industry, trade and services, tourism, education, health and agriculture.

processes and automation of service provision. In its implementation, Mozambique committed to achieving progress in international indicators, including Doing Business, United Nations (UN) eGovernment Survey, and Corruption Perception Index. The MCTESTP has presented a roadmap for the digitalization of key public services, which has prioritized: civil registration and ID management; passport and drivers' licenses; the unique tax identifier; business registration and licensing; and the taxpayer register.

15.   **Government has already attempted to introduce digitalization to facilitate access to services, albeit with some difficulties.** For the past six years, the MIC, jointly with the INAGE, has worked on an Electronic Licensing Systems (e-Bau), a one-stop shop for new businesses. However, e-BAU hasn't yet managed to integrate (back and front-end) most licensing and registration processes required by firms. The MIC has developed a new Business Environment Improvement Action Plan (2019-2022) which foresees to advance a series of reforms based on legal changes and the provision of digital platforms.

16.   **Amid the COVID-19 pandemic crisis, the GoM has embraced digital technologies for supporting information sharing, data collection and analytics.** The National Institute of Health (INS) launched a COVID-19 dedicated website to facilitate dissemination of critical information. Further technologies and channels are being leveraged to maximize outreach, including social media (WhatsApp, Facebook), call centers, SMS, and radio. INAGE has also prepared a digital government contingency plan to support public sector business continuity for critical functions and facilitate home-based work for public officials.

Relationship to CPF

17.   **The proposed operation is fully aligned with the World Bank's ongoing Country Partnership Framework (CPF) for FY17– FY21.** In particular, it will directly support the strategic objective of "Improving the Business Environment for Job Creation" by addressing some of the bottlenecks currently faced specially by SMEs, such as access to capital, bureaucracy in various government processes, as well as other inefficiencies that are hindering the private sector opportunities to grow and become sustainable, especially new ventures. The project would also directly support the strategic objective of "Enhancing the Skills Base", by improving both government and private sector capacity with regards to eGovernment, digital services, entrepreneurship, and financing instruments. Finally, the project would also directly support the strategic objective of "Increasing Accountability and Transparency of Government Institutions", by improving the information provided to citizens and businesses, while simplifying and digitalizing core public services. In this regard, promoting inclusive growth requires legal identity for all to ensure that no one is left behind in the country's development process. Building on a unique identifier number, the country will develop an interoperable government database, allowing multiple and disparate institution databases to freely and securely exchange and reuse data between their respective systems. This will help, in the long run, reduce administrative burden for users and improve service delivery and the business environment.

18.   **The project also supports the Government Five Year Development Plan (PQG) 2020-2024, approved by the new Parliament.** 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. Furthermore, the project will be able to support the realization of the President's flagship initiative *Identity for All Movement*. The project will also contribute to the implementation of the MIC's Business Environment Improvement Action Plan (2019-2022) on the improved provision of information and procedures through digital platforms.

19.   **The project will contribute the implementation of the AU Digital Transformation Strategy (DTS) 2020-2030, adopted by the 33rd Annual Africa Union Summit in Addis Ababa on February 10th, 2020.** The project supports activities across the four main pillars of the AU DTS (especially Enabling Environment, Policy and Regulation; and Digital Innovation and Entrepreneurship), as well as the critical sectors (mainly Digital Government, Digital Industry) and most crosscutting areas (i.e. Digital ID, Digital content and applications, cyber security, privacy and personal data protection and emerging technologies). Moreover, the project is part of the operationalization of the *DE4A initiative.*

20.   **The project will contribute to ongoing World Bank activities and engagement in Mozambique.** By improving the overall government capacity to operate digitally in a secure and robust manner, the business environment, the skills base, and access to legal identity and identity verification processes, the project will benefit and inform other operations, particularly in sectors working on social benefits, such as social protection or universal access to health care. It will also support progress on improved business climate activities through enhanced business registration, identification of taxpayers and improved information management.

21.   **The project is aligned with the Sustainable Development Goals (SDGs)**. It will directly contribute to the achievement of the SDG 8 (Decent Work and Economic Growth), which aims to promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services. The project will also contribute to SDG 9 (Industry, Innovation and Infrastructure), which calls to increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets. Finally, the project will also contribute to SDG 16.9 (Peace and Justice Strong Institutions), which aims to provide legal identity, including universal birth registration for all by 2030. Provision of legal identity also contributes to the monitoring and achievement of other development goals such as access to education and jobs, paving the way toward economic growth.

C. Proposed Development Objective(s)

To improve citizens' access to selected government services and to foster the growth of domestic digital

businesses.

Key Results (From PCN)

22.   Successful achievement of the PDO above will be measured with the following outcome level indicators:

     a. Increased number of citizens with upgraded national identity card;
     b. Number of users benefiting from newly streamlined and/or digitalized services Government;
     c. Improved enabling environment for private sector led investments in digital firms
     d. Increased number of digital firms with enhanced business models supported by the project (with disaggregated target for women entrepreneurs);
     e. Increased number of firms accessing markets online (with a disaggregated target for women-led firms).

D. Concept Description

23.   **The project is an Investment Project Financing of a proposed amount of USD 150 million.** The amount will be allocated as 80 percent (US$120 million) to investments and capacity building (traditional investment project financing (IPF)[29], and 20 percent (US$30 million) channeled as results-based financing through performance-based conditions (PBCs). As a cross-sectoral transformational project, it will leverage high-level leadership (e.g. the CIRAP) and implementation within the MCTESTP in close coordination with relevant MDAs (e.g. MTC, Ministry of Justice, MIC, Ministry of Interior). The project is expected to last five years as of the WBG Board approval date.

Component 1 – Enabling Foundations (US$30 millions)

24.   This component will focus on the critical policies, access, capacity and institutional coordination required to support the development of the digital government and economy. Activities will include: i) policy reforms to enable digital services and economy; ii) technical assistance for better targeting of digital inclusion interventions; iii) design and implementation of capacity building programs that meet the demand of public and private sectors; iv) design and implementation of institutional mechanisms for coordination and financing of digital activities across government.

Subcomponent 1.1: Foundational Frameworks

25.   This subcomponent will support the reform of foundational regulatory and institutional frameworks to: i) ensure the effective coordination and financing of digital interventions across government, through the establishment of a financing facility instrument. This facility will coordinate strategies, leverage resources from the project and other stakeholders[30], provide large scale cross-cutting institutional setup and public-private skills

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[29] This includes institutional support both as hardware and capacity building.
[30] Including development partners, private sector and philanthropies

development programs, and ensure solutions are tied to actual market needs and realities; ii) generate trust in digital development, including through data protection, cybersecurity, intellectual property rights, and .mz domain; iii) support the emergence and expansion of a robust market for early stage financing for startups and SMEs; and iv)support reforms for identification .

Subcomponent 1.2: Digital Access and Capacity

26. Activities in this subcomponent will aim at improving the government capacity to design innovative solutions and strategic interventions to promote digital inclusion. It will support building staff capacity on project management, including M&E, and on new technologies. This subcomponent will support a large-scale digital capacity development program to ensure availability of digital talent needed to realize Mozambique´s digital economic transformation[31]. Training and certification programs will support skills development for public and private sector and to create a sustainable pipeline of digital talent that will mitigate digital brain drain. Emphasis will be given to train women and youth, and especially from outside Maputo. Skills development and certification will include four sets of competencies: (i) technical; (ii) soft skills, such as communication, negotiation, and innovation; (iii) English skills; and (iv) freelancing and online talent platform use.

Component 2 – Digital Government (US$ 75 million)

27. This component will focus on improving the Government's capacity to deliver services to citizens and businesses in sectors of primary interest, including health and education. The services will be prioritized following criteria such as usage, impact, and short-term feasibility. [32] The delivery of these services will be underpinned by the building blocks of digital platforms, including identification, interoperability, payments and cloud. Project interventions will improve the way services are delivered especially for underserved populations.

Subcomponent 2.1: Government Platforms

28. This subcomponent seeks to address the shortfalls and inefficiencies of Government's back-end platforms, providing the technological underpinnings to support streamlined access to public services and benefits.[33] The objectives are to: (i) facilitate and secure access to civil registration services and legal identity for citizens; and (ii) build the institutional and technological backbone for the delivery of services that are faster, cheaper, and better.

29. Concerning identification systems, and drawing on results of an ongoing identification assessment, this sub-component will address the main bottlenecks for inclusive identification systems. It will support activities such as (i) simplification and digitalization of identification processes across central and local government levels (ii) funding of software, hardware and connectivity for central and local governments, and (iii) mass outreach

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[31] This skills development program follows the success of WBG projects implemented in Mexico, Nicaragua, and Eastern Caribbean States.

[32] Although largely ignored in development programs, the most uncontroversial evidence concerning the success of digital projects is their short-term feasibility and their modularity, i.e. smaller components of a digital service can be delivered regularly (Standish 2015).

[33] Such as health, education, social protection, microfinance, payroll, pension funds, tax administration and voter registries.

campaigns promoting access to legal identification. Furthermore, this component will support investments in the technology required (e.g. software, middleware and hardware) for the core back-end functions of digital government, which includes interoperability, authentication, signature, payment and notification. The establishment of this technological infrastructure will be accompanied by technical assistance to strengthen the institutional capacity to manage these services, including organizational processes,

Subcomponent 2.2: Digital Services

30.   This subcomponent will address and improve front-end digital issues that lead to poor outcomes in service delivery to citizens and businesses. The objectives are to: (i) mainstream a user-centric approach to service delivery in government, thereby improving efficiency and citizen satisfaction; and (ii) increase the coverage and quality of public services offered through multiple channels (web, phone and in-person). Priority will be given to services that benefit the largest number of citizens, with a focus on vulnerable groups. The component will support priority sectors (e.g. health, education), and privilege solutions that *do not* require Internet connectivity, such as voice-based telemedicine and teacher training.[34] The project will also support the implementation of the MIC's *Business Environment Improvement Action Plan* (2019-2021) on the improved provision of information and services for firms. To facilitate business entry and operation, activities will streamline and digitalize procedures required to register a business; and obtain licenses, permits and approvals.[35]

Component 3 – Digital Economy (US$ 45 million)

31.   This pillar will focus on digital economy private sector development, with an increasing contribution to private sector-led investments, and firm and job creation.

Subcomponent 3.1: Digital firms

32.   The first objective of this subcomponent is to stimulate the growth of digital entrepreneurs and digital SMEs by addressing critical ecosystem constraints. These include foundational constrains (e.g. an adverse legal, and regulatory environment for digital firms, and absence of a coordinated government strategy with respect to entrepreneurship), and the lack of investment ready companies. This subcomponent will support the structuring of early-stage finance ecosystem to enable seed funding mechanisms that can catalyze the financing needs for early stage ventures. Through a firm support program, the project will (i) support companies' capabilities to raise capital, (ii) set up women-specific digital entrepreneurship programs, and (iii) increase the pipeline of firms that are investment ready over the short to medium term. This intervention would consist of

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[34] Following standard good practice, the final selection of services is done through a user needs assessment, which employs quantitative and qualitative data to shed light on users' needs, with a focus on the most disadvantaged citizens.

[35] The team has already started a study on main bottlenecks for business registration, identifying main bottlenecks and the required simplification procedures.

four elements: seed funding, an associated acceleration program, women entrepreneurship, and development of rules-based early-stage financing mechanisms.

33.   This subcomponent also aims to develop the digital industry in Mozambique with the objective of creating jobs, including Information Technology Enabled Services (ITES) that require a low and medium level of education (i.e. Call Centers, Business Processes Outsourcing (BPO), Animation), and more complex profile jobs in Information Technology (IT) and Knowledge Processes Outsourcing (KPO). To do so, policy, institutional and advisory support will be provided to attract private sector investments in this labor-intense sector. This will include support to the analysis of options and the design business models for placing Mozambique as a BPO/KPO destination.

Subcomponent 3.2: Digital for firms

34.   This sub-component seeks to maximize access to markets by Mozambican sellers by improving the conditions for inclusive usage of online platforms. Online stores and marketplaces are some of the most commonly used platforms in Mozambique and a growing number of local companies advertise online. To mitigate the binding constraints for the development of e-commerce in Mozambique this sub-component will develop a national addressing system that reduces delivery failure rates, thereby bolstering consumer trust and reducing logistical delivery costs. Activities will focus on fostering SMEs capabilities, with a dedicated focus on women-led businesses, in using platforms to access to markets, such as ecommerce, procurement, and microwork platforms. In parallel to the roll out of the addressing system, the project will finance training programs on the use of social media to market products and services online by local SMEs, with a focus on women retailers.[36] To ease shipping of products sold online, the project will provide TA to assess options and capabilities for eCommerce logistics in Mozambique, including the National Postal Agency.

Component 4 – Project management and implementation capacity (US$ 5 million)

35.   The main objectives of this component are to reinforce project implementation capacity, support operating costs related to project management and provide equipment for project management. Effective project management ensures the necessary coordination and change-management processes are carried out in a timely and effective manner.

36.   **The project will support the set-up of a Project Implementation Unit (PIU) within MCTESTP.** The PIU will be dedicated to the management and implementation of the project in close collaboration with key implementing MDAs (e.g. MTC, Ministry of Justice, MIC). This subcomponent will support the operating costs and necessary investments related to project management including consultant recruitment for technical support, fiduciary and M&E management, provision of IT materials, office equipment and office rehabilitation work for the project implementation unit. To foster awareness and reduce behavioral resistances, the project

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[36] This will follow the experiences of Ghana and Tabao Villages in China.

management will be responsible for developing and implementing a change management plan across MDAs, and a strategy for communication and information-sharing for citizens, firms and public institutions.

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

Summary of Screening of Environmental and Social Risks and Impacts

Note to Task Teams: This summary section is downloaded from the PCN data sheet and is editable. It should match the text provided by E&S specialist. If it is revised after the initial download the task team must manually update the summary in this section. *Please delete this note when finalizing the document.*

Note: To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document. *Please delete this note when finalizing the document.*

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APPROVAL

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Approved By

Country Director:	Idah Z. Pswarayi-Riddihough	09-Dec-2020