

**PROJECT INFORMATION DOCUMENT (PID)
ADDITIONAL FINANCING**

Report No.: PIDA20061

Project Name	MZ-Additional Financing for Roads and Bridges Management and Maintenance Program - Ph-2 (AF3) (P150956)
Parent Project Name	Mozambique -Roads and Bridges Management and Maintenance Program - Phase II (P083325)
Region	AFRICA
Country	Mozambique
Sector(s)	Rural and Inter-Urban Roads and Highways (100%)
Theme(s)	Rural services and infrastructure (70%), Infrastructure services for private sector development (30%)
Lending Instrument	Investment Project Financing
Project ID	P150956
Parent Project ID	P083325
Borrower(s)	Ministry of Economy and Finance
Implementing Agency	ROAD FUND (Fundo de Estradas)
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	13-Feb-2015
Date PID Approved/Disclosed	16-Feb-2015
Estimated Date of Appraisal Completion	06-Feb-2015
Estimated Date of Board Approval	22-Apr-2015
Decision	The project was cleared for appraisal on January 30, 2015.

I. Project Context

Country Context

Mozambique is experiencing continuous and increased vulnerability to extreme weather events and longer-term climate change. The country is experiencing long dry spells, severe floods and frequent coastal storms. Future climate scenarios suggest that levels of climatic variability will increase further in the years ahead. The sudden and extreme floods of the Lower Limpopo valley and other areas of southern Mozambique in January 2013 were the worst disaster to hit the country since the floods in 2000. Government of Mozambique responded by announcing a Red Alert on January 22, 2013 and requested the World Bank to undertake a Flood Assessment Mission. The report of the Flood Assessment Mission and subsequent estimates assessed short-term reconstruction needs at approximately US\$403.0 million. It also estimated that the floods would result in GDP growth 1.4 percentage points lower than pre-flood estimates - from 8.4 percent pre-flood, to currently estimated 7 percent for 2013. Inflation is projected to accelerate to 7.1 percent towards the end of the year - two percentage points higher than pre-floods projections.

The vulnerability of the population living around the affected areas was recognized by the Government of Mozambique. In response to the floods in early 2013 that devastated a number of provinces, in particular the Lower Limpopo valley, the Government submitted a revised budget in order to rebuild destroyed infrastructure and thus mitigate the vulnerability of those affected. This additional financing will contribute to financing the revised state budget and therefore will contribute substantially to poverty reduction.

Sectoral and institutional Context

The majority of Gaza's provincial road network is located in the southern area of the province mostly concentrated in the districts of Xai-Xai, Bilene, Chókwe, Guijá, Chibuto and Manjacaze. These areas are in the Limpopo lower basin and thus roads in this part of the network are typically built on embankments. In 2013, flooding impacted at least 18 stretches of paved roads and bridges, including three sections of the main national road (N1). Government estimation of the damages to the road infrastructure from the 2013 floods was about US\$183.0 million, affecting the main road corridors in the province. The impacts of the floods were spread over about 70 percent of the entire province road network, which means 2,200 km of roads, including 30 bridges and culverts, 14 drifts and 62 aqueducts. Many flooded communities remained inaccessible for extended periods following the floods, preventing transport of food and access to other resources. Improved market access for food stuffs, which constitute a substantial share of the household expenditures of poor households, combined with lower transportation costs from the rehabilitation of affected roads, was intended to help control inflation following the 2013 flooding.

The Second Additional Financing (AF2) was approved in order to address immediate- and medium-term reconstruction works following the floods, to establish climate resilient road works, and to establish an Immediate Response Contingency Fund to address future road-related national emergencies. Short-term emergency works financed by the AF2 are substantially complete. This has restored road access to many affected areas. Given the recurrent threat of flooding to Mozambique's road network, the AF2 also financed the development and piloting of national technical design standards for roads, which is currently underway. The proposed Third Additional Financing (AF3) will close the existing financing gap and fund medium-term reconstruction works in the same areas of the Limpopo River basin damaged in the 2013 flooding.

Project Context:

The proposed Additional Financing is the third additional financing to this project. The original project was a credit of US\$100 million which was approved on May 23, 2007 and declared effective on October 5, 2007. The first additional financing (AF1) was approved in April 2011 in the amount of US\$41 million and the second additional financing, AF2, was approved in December 2013 in the amount of US\$110.15. Funding available at the time of AF2 was inadequate to cover the full costs of emergency related works in Gaza province, leaving a significant financing gap (then estimated in an amount of US\$73.6 million). Funding under AF2 focused on short-term works to re-establish connectivity. The short term emergency works are substantially complete and have restored connectivity over 621 kilometers of road network in Gaza. The proposed AF3 would fill a financing gap for the costs associated with the medium-term emergency related works. No activities are proposed to be added to the project at this time. In addition, it is proposed to extend the project's closing date by 12 months from December 31, 2016 to December 31, 2017, to allow the completion of medium-term works funded by this additional financing.

The main purposes of the Project restructuring are to: (a) fill the financing gap for emergency related works in Limpopo River Basin; and (b) extend the project closing date to allow completion of works financed by this AF3.

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

The primary objective of the overall Roads and Bridges Management and Maintenance Program (RBMMP), is to stimulate growth and contribute to poverty reduction through improved road infrastructure, better sector policies, and enhanced roads sector management. More specifically by (i) improving the coverage and conditions of roads and bridges in the territory of the Recipient; (ii) strengthening the Recipient's institutional capacity to manage and administer the road sector; (iii) establishing financing mechanisms for road maintenance; (iv) promoting the use of local resources in roads construction and management; and (v) improving road transport safety.

The project development objective of this phase of the APL is to improve access of the population to all-season roads through maintenance, rehabilitation and upgrading of the classified road network. The indicators to assess the achievement of the PDO are (i) the percentage of classified roads in good and fair condition, and (ii) the percentage of the rural population within 2 km of an all-season road. Intermediate outcomes have been defined as follows: (a) improved road sector management capacity; (b) enhanced execution of the road maintenance program; and (c) timely and cost-effective implementation of the IDA financed rehabilitation and upgrading of sections of the National Road N1.

B. Proposed Project Development Objectives – Additional Financing (AF)

The project development objective of this phase of the APL is to improve access of the population to all-season roads through maintenance, rehabilitation and upgrading of the classified road network.

III. Project Description

Component Name

Overhead Costs

Comments (optional)

Administrative costs for implementing agencies, capacity building, and other enhancements to the road sector.

Component Name

Maintenance of the Road Network

Comments (optional)

Maintenance of roads and bridges.

Component Name

Investments

Comments (optional)

Civil works and consulting services for road and bridge construction and rehabilitation.

Component Name

Emergency Related Works in Limpopo River Basin

Comments (optional)

Restoration of road access and medium-term reconstruction selected roads damaged or destroyed by the Limpopo River basin flood events of 2013.

Component Name

Pilot Program for Climate Resilient Rural Road Infrastructure

Comments (optional)

Development of national technical design standards and specifications for climate resilient roads and piloting of climate resilient road designs.

Component Name

Immediate Response Contingency Fund

Comments (optional)

An immediate response mechanism to facilitate rapid access to financing for disaster response in the event of a national disaster.

IV. Financing (in USD Million)

Total Project Cost:	76.10	Total Bank Financing:	73.60
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			2.50
International Development Association (IDA)			73.60
Total			76.10

V. Implementation

Currently, the overall achievement of the PDO for RBMMP2 is Satisfactory. As of the end of 2014, the Key Project Indicator (KPI) 1, the percentage of the classified roads in good and fair condition was 68 percent, the target value. KPI 1 is impacted largely by the damages sustained by the road network in Gaza province and dropped from 72 percent in December 2012 to 66 percent in the following year. The KPI 2, the percentage of the rural population within 2 kilometers of an all-season classified road, is 32.7 percent (against final target of 43.2 percent in 2016). All three major civil works components have been completed. Except for preparatory studies for the next phase of APL, all other project activities, including the new activities added upon project restructuring in October 2012, were substantially completed by December 31, 2013. The preparatory studies were impacted by the disturbed security situation in Sofala & Inhambane province. However, with the normalization of the situation in the second half of 2014, the related consulting services have restarted. Overall, the Project Implementation Progress is rated as Moderately Satisfactory.

The emergency works under AF2 were divided into two categories: (a) immediate emergency works to restore basic connectivity along selected flood damaged roads in Gaza Province ahead of the rainy season, and (b) medium-term rehabilitation works that will be implemented using Design Build Transfer (DBT) methodology. All immediate emergency works undertaken under Part D (a) of the Project for reestablishing connectivity are substantially complete and the DFID/GFDRR grant is fully disbursed. Due to steep foreign exchange fluctuation that resulted in about 7 percent decrease in the dollar value of funding, the GFDRR grant amount was supplemented with funding from GoM. The immediate emergency works resulted in 621 km of restored road connectivity. Overall, the physical progress of the works is 95 percent.

The PPCR, part of the Climate Investment Funds (CIF), supported the following two AF2 activities: (i) preparation of National Design and Construction Standards for the classified paved and unpaved

road network to ensure that future design, construction, and maintenance standards enhance the climate resilience of road investments country wide; and, (ii) piloting of improved road designs for unclassified roads and development of improved local arrangements for their maintenance – also with the objective of building longer-term resilience to climatic risks. Currently, procurement of services for these two activities is ongoing, albeit at a slower pace than planned.

One of the roads included in the RBMMP2, Xai-Xai Chissibuca road, implemented under a traditional input type of contracting, had experienced premature cracking of the road pavement. The premature cracking of the pavement on this road was not attributed to extreme weather activity in the region. The matter was investigated through an exhaustive independent technical and contractual audit, in order to determine the influence of the cracks on the pavement residual life, responsibility of involved parties, and determine a required remedial action. The technical and contractual Audit report by the independent Auditor was received in August 2013. The Audit has determined that the contractor and the supervising engineer were directly responsible for the observed defects. Currently, the GoM is in a discussion with the responsible parties so that the road will be repaired and brought to the planned quality, enabling the country to receive the value for money paid for rehabilitation of this important national road.

The Financial Management and Procurement performance rating is Moderately Satisfactory due to the delays in the submission of audit reports and observed inconsistencies in processing procurement transactions and challenges related to improving financial management of the Road Fund (RF). Although an Action Plan for improved financial management is under implementation, challenges still remain and the RF would benefit from additional qualified staff. Key components of the action plan include capacity building for RF’s accountants throughout the country and completion of the customization of the integrated financial management system. The RF is working with the financial management system supplier to implement customization improvements. There are no overdue audits for this project or Interim Financial Reports (IFRs) from the implementing agency.

The project does not have any unresolved environmental and/or social safeguards issues. The environmental and social safeguards performance under the original project was rated Satisfactory in the most recent Implementation Status and Results (ISR) report dated December 8, 2014. The RBMMP2 is a Category B Project. The three safeguard OP/BPs triggered in the original project, 4.01, 4.11, and 4.12, were all rated as Satisfactory in ISR sequence 15, archived on December 8, 2014. The updated Environmental and Social Impact Assessment (ESIA) of May 2013 will guide the preparation of Environmental and Social Management Plans (ESMP) for each sub-project of the emergency-related civil works. A Resettlement Policy Framework (RPF) for the project is available. Resettlement Action Plan (RAP) for the N1 road between Jardim and Benfica under the original project was prepared and disclosed in 2006. External auditors had noted a successful resettlement process. However, for the project activities under AF3, RAPs are unlikely to be prepared as there will be no land acquisition leading to involuntary resettlement or restrictions of access to resources or livelihoods.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x

Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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