



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 24-Aug-2020 | Report No: PIDA29713

**BASIC INFORMATION****A. Basic Project Data**

Country Mozambique	Project ID P174294	Project Name COVID-19 Response Additional Financing	Parent Project ID (if any) P171040
Parent Project Name Mozambique: Cyclone Idai & Kenneth Emergency Recovery and Resilience Project	Region AFRICA EAST	Estimated Appraisal Date 07-Sep-2020	Estimated Board Date 30-Sep-2020
Practice Area (Lead) Urban, Resilience and Land	Financing Instrument Investment Project Financing	Borrower(s) Ministry of Economy and Finance	Implementing Agency Water and Sanitation Infrastructure Administration (AIAS), Post-Cyclone Idai Reconstruction Office (GREPOC), Ministry of Health (MISAU), National Social Assistance Institute (INAS)

Proposed Development Objective(s) Parent

The Project Development Objective is to support the recovery of public and private infrastructure and livelihoods while strengthening climate resilience in the areas most affected by Cyclones Idai and Kenneth.

Proposed Development Objective(s) Additional Financing

The Project Development Objective is (a) to support the recovery of public and private infrastructure and livelihoods; (b) to strengthen climate resilience in the areas most affected by Cyclones Idai and Kenneth; and (c) to provide immediate and effective response to an eligible crisis or emergency

Components

Recovery and Reconstruction of cyclone-affected areas
Building Climate Resilience
Project Implementation, Monitoring and Evaluation
Contingent Emergency Response Component (CERC)

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



Total Project Cost	73.50
Total Financing	73.50
of which IBRD/IDA	73.50
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	73.50
IDA Grant	73.50

Environmental and Social Risk Classification

High

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Mozambique is facing a health and economic emergency due to COVID-19.** The first case of this deadly disease, which was declared as pandemic by the World Health Organization on March 11, 2020, was registered in Mozambique on March 22, 2020. The total number of confirmed cases and fatalities are estimated at 2,411 and 16, respectively, as of August 12, 2020. On March 30, the President of the Republic of Mozambique declared a State of Emergency, which was renewed three times, imposing limitations on movements within the country and border entries. On August 5, the President announced a new State of Emergency until September 6, 2020.

2. **The negative impacts of the COVID-19 pandemic in Mozambique are compounded by various factors.** The Government has a limited ability to respond to COVID-19, as the country is still recovering from two major cyclones in 2019, which affected more than 1.5 million people and caused about 650 fatalities as well as estimated recovery and reconstruction costs of US\$3.2 billion. People living in temporary shelters are highly vulnerable to natural hazards and climate shocks and to fast contagion with SARS-CoV-2 in crowded accommodations. Poverty, a high degree of informality, and lack of health insurance increase the burden of the pandemic on low-income groups. 91.8 percent of the population live from less than US\$5.50 per day and need to work to secure their livelihood, also in an emergency situation, and cannot afford health care. Mozambique's health expenditure per capita of current US\$21.07 is the second lowest worldwide, which leads to understaffed medical personnel and a lack of equipment. On March 23, 2020, the Minister of Economy and Finance asked partners for US\$700 million to respond to



the pandemic. Strengthening the capacities of Mozambique's public health system will be important for adequate prevention and case management in response of COVID-19.

3. **COVID-19 is expected to have a negative socioeconomic impact across social layers, but the burden will be particularly high for the poor and those affected by climate-related disasters.** Simulations of a 25 percent reduction of the consumption in Mozambique show an 11 percent increase in urban poverty due to COVID-19, from 32 to 43 percent. The current social protection programs implemented by the National Social Assistance Institute (INAS) in urban areas only covers 9% of the poor in urban and peri-urban areas (around 90,000 households). The expansion of social safety nets to protect the poor and vulnerable, including women, is crucial to mitigate the negative socioeconomic effects of COVID-19.

4. **The Government of Mozambique requested the activation of the IRM and reallocation of US\$73.5 million to the CERC of the CERRP to finance critical parts of the COVID-19 Preparedness and Response Plan in Health and Social Protection on April 2, 2020.** A Contingent Emergency Response Implementation Plan (CERIP) was subsequently submitted to present the emergency activities to be financed under the IRM and proposed implementation arrangements. The IRM activation was approved by the World Bank on April 9, 2020.

Sectoral and Institutional Context

5. **The Cyclone Idai and Kenneth Emergency Recovery and Resilience Project (CERRP) (P171040) (Grant No. D519-MZ) was designed to support the resilient reconstruction and recovery of affected areas and build resilience to future climate disasters.** The Project Development Objective is "to support the recovery of public and private infrastructure and livelihoods while strengthening climate resilience in the areas most affected by Cyclones Idai and Kenneth." The original project is funded by US\$130 million IDA through the Crisis Response Window (CRW) with an additional US\$60 million in expected co-financing from The Netherlands and US\$20 million in expected co-financing from Germany. The project was approved on September 30, 2019, became effective on December 3, 2019, and will close on September 30, 2024.

6. **The CERRP has been effective for over 8 months and is rated Satisfactory for Progress towards achievement of the PDO.** As of August 5, 2020, the Project has disbursed US\$47.37 million from the IDA grant (IDA D519-MZ), ahead of disbursement schedule, of which US\$35.81 million for the COVID-19 emergency response under the CERC. As per the latest Implementation Status Report (ISR) of May 2020, overall implementation progress, progress on Component 1 and 3, Procurement and Project Management have been rated Moderately Satisfactory due to implementation delays under Component 1. Implementation progress under Component 2 and 4, as well as Financial Management and Monitoring and Evaluation are rated Satisfactory.

7. **Component 4 of the CERRP is a no-cost Contingent Emergency Response Component (CERC) that was included to be able to provide immediate response to an eligible crisis or emergency.** From its design, the CERC can help respond to crises by financing emergency expenditures, recover damaged infrastructure, ensure business continuity, and enable early rehabilitation. In parallel, following an adverse event that causes a major disaster, the Government of Mozambique (GoM) may request the Bank to channel resources from this component into an Immediate Response Mechanism (IRM).



8. **The CERC-financed activities in response to the COVID-19 pandemic cover activities in Health (US\$20 million) and Social Protection (US\$53.5 million).** The costs of the COVID-19 Preparedness and Response Plan for the health sector is estimated at US\$260.7 million (March 2020-March 2021). The Government has allocated MZN1,050 million (approximately US\$15.0 million equivalent) and development partners had made available US\$48.3 million for the Plan as of August 2020. The Bank has been requested to provide US\$20 million to cover the financing gap to support urgent health sector needs and gaps. In Social Protection, the Government requested support to expand existing social assistance programs to more than 990,000 people over the next 6 months as well as provision of complementary assistance for an initial emergency phase of 3 months. The total cost of these measures is estimated at US\$ 235 million of which the additional financing to be provided by the Bank through the CERC will cover US\$ 53.5 million. An additional US\$ 22 million from the U.K. Department for International Development (DFID) and Sweden will be available under the SP Multi-Donor Trust Fund. With these combined funds, the GoM will be able to expand the social protection programs to 280,000 new households and cover the complementary assistance for the emergency phase of 3 months. Other development partners are expected to assist in further closing the financing gap.

C. Proposed Development Objective(s)

Original PDO

The Project Development Objective is to support the recovery of public and private infrastructure and livelihoods while strengthening climate resilience in the areas most affected by Cyclones Idai and Kenneth.

Current PDO

The Project Development Objective is (a) to support the recovery of public and private infrastructure and livelihoods; (b) to strengthen climate resilience in the areas most affected by Cyclones Idai and Kenneth; and (c) to provide immediate and effective response to an eligible crisis or emergency.

Key Results

9. **The Results Framework will be revised to measure results related to the COVID-19 response activities implemented under the CERC.** Two PDO indicators and 3 intermediate result indicators related to the COVID-19 response activities will be incorporated in the project as part of the Additional Financing.

Additional PDO indicators of the Project:

1. Direct Beneficiaries of the shock response social protection program (PASD-PE pandemics) (Number) and: Of which women (Percentage)
2. Number of tests conducted nationwide for SARS-CoV-2 (Number)

10. **The Project has been effective for over 8 months and is rated Satisfactory for Progress towards achievement of the PDO.** As of August 5, 2020, the Project has disbursed US\$47.37 million from the IDA grant (IDA D519-MZ), ahead of disbursement schedule, of which US\$35.81 million for the COVID-19 emergency response under the CERC. As per the latest Implementation Status Report (ISR) of May 2020, overall implementation progress, progress on Component 1 and 3, Procurement and Project Management have been rated Moderately Satisfactory due to implementation delays under Component 1.



Implementation progress under Component 2 and 4, as well as Financial Management and Monitoring and Evaluation are rated Satisfactory.

D. Project Description

11. **This Additional Financing (AF) in an amount of US\$73.5 million to the Cyclone Idai and Kenneth Emergency Recovery and Resilience Project (CERRP) (P171040) (Grant No. D519-MZ) is to fill the financing gap created by triggering the CERC related to Covid-19 support.** The Government requested the activation of the IDA Immediate Response Mechanism (IRM) on April 2, 2020, to support the immediate emergency response in health and social protection, through a reallocation of US\$ 73.5 million to the CERC of the CERRP. The IRM activation was approved by the World Bank on April 9, 2020. The AF formalizes the reallocation of finances between disbursement categories of the original IDA D519-MZ and allocation of the AF. The reallocation has the objective to replenish the IRM activation by allocating US\$ 73.5 million to Category 7.

12. **This AF will support the replenishment of the Project to ensure originally planned activities under the Project would be financed and implemented.** Through this AF, financing will be provided back to the components that were used to finance the Covid-19 emergency response interventions under the CERC, thus ensuring the PDO would be achieved by the end of the current Project despite the crisis. The proposed restoration of funding will provide the resources to resume and carry out the activities originally envisaged under the project. More specifically, the resources will be used to restore and rehabilitate housing, public infrastructure and private sector activity, as well as providing financial support to repairing and strengthening coastal protection and inland flood protection infrastructure in Beira. The building back better approach of the CERRP will support livelihoods and improve safety standards to reduce the impact of future climate and weather event in Mozambique. The AF will furthermore ensure that confirmed co-financing in the amount of US\$60 million from the Netherlands and US\$20 million from Germany will be leveraged under Component 2 of CERRP.

13. **The proposed changes under this AF and restructuring cover:** (1) a change to the Project Development Objective (PDO) to reflect COVID-19 response activities; (2) changes in components and costs; (3) changes to implementation arrangements; (4) update of the Results Framework to introduce new monitoring indicators and project targets related to the COVID-19 activities financed under the CERC; and (5) reallocation of funds between disbursement categories in the original IDA grant.

14. **Project and components costs.** The project will maintain the existing four components and all original subcomponents. The Project Restructuring will formalize the reallocation of US\$73.5 million from Component 1 (disbursement category 1) and Component 2 (category 5) to Component 4 (Contingency Emergency Response Component, category 7) and will replenish that same amount back to the original Components.

Table 1: Project components and cost before and after Additional Financing

Components	Parent Project	Parent Project after CERC Restructuring (US\$ millions)	Proposed AF (US\$, millions)	Parent Project and AF (US\$, millions)



C1 Recovery and Reconstruction of Cyclone-affected Areas	80	69.5 (-33.5)	33.5	80
<i>C1.1 Housing</i>	42	42 (-23)	23	42
<i>C1.2 Public Infrastructure</i>	16	16	-	16
<i>C1.3 Private Sector Recovery</i>	22	22	-	22
<i>C1.3a Matching Grants</i>	5	5	-	5
<i>C1.3b Credit line</i>	15	4.5 (-10.5)	10.5	15
<i>C1.3c TA on implementation & design</i>	2	2	-	2
C2 Climate Resilience	123	3	40	123
<i>IDA financing</i>	43	3 (-40)	40	43
<i>Co-financing from the Netherlands ¹</i>	60	0 (-60)		60
<i>Co-financing from Germany ³</i>	20	0 (-20)		20
C3 Project Implementation, Monitoring and Evaluation	7	7 (no change)	-	7
C4 CERC	0	73.5 (+73.5)	-	73.5
Total	210	130	73.5	283.5
<i>Of which IDA financing</i>	130	130	73.5	203.5
<i>Of which co-financing by the Netherlands</i>	60	-	-	60
<i>Of which co-financing by Germany (to be confirmed)</i>	20	-	-	20

Legal Operational Policies

Triggered?

Projects on International Waterways OP 7.50

Projects in Disputed Areas OP 7.60

Summary of Assessment of Environmental and Social Risks and Impacts

¹ Co-financing from the Netherlands and from Germany can be leveraged if the IDA resources reallocated to the CERC will be replenished.



E. Implementation

Institutional and Implementation Arrangements

15. An IRM Operations Manual (IRM-OM) governs the activation and use of funds through the IRM mechanism.

The IRM has been activated three times in Mozambique, in response to El Niño drought in 2016, Cyclone Idai in 2019, and now for COVID-19 in 2020. Covering the implementation of all CERCs in the IDA portfolio, the IRM-OM enables consistency among the implementation arrangement of different CERCs. On April 11, 2016 the World Bank approved the IRM-OM, which was subsequently adopted by the GoM. The IRM-OM has been updated annually to reflect any amendments in the respective Financing Agreements between IDA and GoM, relevant WB and GoM guidelines, and the updated list of active projects with CERCs. It was updated specifically in April 2020 to incorporate COVID-19 response.

16. The implementation arrangements of the parent project will be revised to accommodate the implementation of the COVID-19 emergency response activities in Health and Social Protection.

The National Directorate for Monitoring and Evaluation of the MEF will be the IRM Coordination Authority, responsible for coordinating the implementation of the COVID-19 emergency activities under the IRM, in close coordination with the Ministry of Health (MISAU) and the National Social Assistance Institute (INAS) under the Ministry of Gender, Children and Social Assistance (MGCAS). Existing Project Implementation Units (PIUs) under World Bank financed projects in MISAU and INAS will act as the IRM Special Implementation Units (IRM-SIU), and will be responsible for fiduciary management and implementation of their respective activities, as described in the Contingent Emergency Response Implementation Plan (CERIP). Health related activities are implemented by the MISAU-Project Implementation Unit (which supports the management of the Southern Africa Tuberculosis and Health Systems Support Project [P155658] and the Mozambique Primary Health Care Strengthening Program [P163541]) and the social protection activities by the INAS-Project Implementation Unit (which implements the Social Protection Project [P129524]). The two PIUs will be fully responsible for the activities included in CERRP through the reallocation of resources to the CERC and as covered in this AF.

17. Safeguards. The activities to be financed through this additional financing remain covered by the existing safeguards instruments prepared for the parent project and the CERC Environment and Social Management Framework (ESMF) adopted in April 2020.

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