



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF THE
GREATER MAPUTO WATER SUPPLY EXPANSION PROJECT
APPROVED ON JULY 25, 2013
TO THE
REPUBLIC OF MOZAMBIQUE

WATER GLOBAL PRACTICE

AFRICA EASTERN AND SOUTHERN REGION

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ABBREVIATIONS AND ACRONYMS

AdM	Aguas da Região de Maputo
AURA	Water Regulatory Authority (<i>Autoridade Reguladora de Água</i>), ex CRA
CRA	Water Regulatory Council (<i>Conselho de Regulação de Águas</i>), now AURA
ESMS	Environmental and Social Management System
FIPAG	Water Supply Asset Holding and Investment Fund (<i>Fundo de Investimento e Património do Abastecimento de Água</i>)
FM	Financial Management
GMMA	Greater Maputo Metropolitan Area
GMWSEP	Greater Maputo Water Supply Expansion Project
HDPE	High Density Polyethylene
HC	Household Connection
IDA	International Development Association
IFR	Interim Financial Report
ISR	Implementation Status & Results Report
NWRDP	National Water Resources Development Project
PDO	Project Development Objectives
RF	Result Framework
SDR	Special Drawing Rights
ToR	Terms of Reference
WB	World Bank
WTP	Water Treatment Plant



BASIC DATA

Product Information

Project ID P125120	Financing Instrument Investment Project Financing
Original EA Category Full Assessment (A)	Current EA Category Full Assessment (A)
Approval Date 25-Jul-2013	Current Closing Date 30-Sep-2020

Organizations

Borrower Government of the Republic of Mozambique	Responsible Agency Water Supply Investment Fund (FIPAG),CRA (Water Regulatory Council)
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Project Development Objective (PDO)

Original PDO

The project development objective (PDO) is to increase access to clean water for residents in the Greater Maputo Area.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Commitment	Net Disbursed	Undisbursed
IDA-52900	25-Jul-2013	31-Jan-2014	29-Jul-2014	30-Sep-2020	178.00	118.19	47.57

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. PROJECT STATUS

1. The proposed restructuring is to extend the closing date of the Greater Maputo Water Supply Expansion Project (GMWSE, P125120) by almost one year, from September 30, 2020 to September 24, 2021, to allow the completion of all works needed to achieve the project development objective (PDO). Achieving the PDO would enhance the Mozambican Government's capacity to provide reliable water supply access to the largest urban and most industrialized region of the country, thus contributing to the country's overall socioeconomic development. This would be the second closing date extension for this project, with cumulative extensions totaling just short of 24 months beyond the original closing date. The implementation of works activities was severely affected by the Covid-19 crisis at the beginning of the epidemic (March and April 2020), but has since resumed as of early-May while following Covid-19 protocols (wear of masks, handwashing, etc.).

2. **Project Description.** The Greater Maputo Water Supply Expansion Project consists of investments that will increase the overall water production capacity in the Greater Maputo Metropolitan Area (GMMA) by 25 percent or 60,000 cubic meters, introducing a new water production source (the Corumana Dam¹) to the GMMA as well as extend the distribution network to benefit 100,000 households with access to reliable water supply services. The project is fully financed by IDA through an SDR 118.8 million (US\$ 178 million equivalent at Project approval) credit to the Government of Mozambique and on-lent to the Water Supply Asset Holding and Investment Fund (*Fundo de Investimento e Património do Abastecimento de Água*, FIPAG) in local currency on the same terms and conditions.

3. **Overall progress** towards the achievement of the development objectives (DO) as well as implementation progress (IP) are rated Moderately Unsatisfactory (MU). These ratings were downgraded from Moderately Satisfactory (MS) in the May 2020 Implementation Status and Results (ISR) Report to reflect the works stoppage due to the Covid-19 pandemic. The mission planned for October 2020 will reassess DO and IP ratings in light of the resumption of works and the decision on the proposed closing date extension. In addition to the Covid-19 related work stoppage, the project suffered implementation delays in the procurement process for the Sábie Water Treatment Plant (WTP) which had to be re-launched. Furthermore, investments in the distribution network were delayed because of the drought that affected the GMMA in 2016, 2017 and 2018 resulting in insufficient water to service new connections. The construction of the Sábie WTP, which is scheduled to be completed by the end of March 2021, now allows for a better understanding of the additional volume of water to be injected in the network, and significantly reduces the risk of implementing a distribution network program, including household connections, without a water supply. Lastly, the original project funding was reduced by about US\$15 million (from US\$178 million to US\$163.5 million) due to the Special Drawing Rights (SDR) exchange rate fluctuation. This funding shortfall has not impacted overall implementation as some of the works contracts were below the original cost estimates, particularly for the construction of the Sábie WTP. Disbursements stand at 71.1 percent and commitments represent 84.4 percent of available funding.

4. **Component A - Investment in Water Supply Network System (US\$111 million).** Construction of the Sábie WTP started on December 26, 2018, and progress stands at 75.6 percent completed. The works were interrupted from mid-March till the end of April 2020, due to the Covid-19 crisis, as the contractor and supervision engineer were reluctant to continue working without proper safety protocols in place. Works resumed with a reduced number of workers in May and June, but have since progressively returned to normal workforce levels as restrictions lifted and safety Covid-19 protocols were put in place (wear of masks, handwashing, etc.). For this contract, an addendum has been signed for the construction of an energy sub-station to supply electricity to the WTP, and a new addendum is under negotiation to cover costs related to rock excavation beyond what was envisaged in the contract. However, these two addendums remain within the global budget for the project and do not impact the completion date of the works. The construction of the 95 km water transmission pipeline has been successfully

¹ A World Bank funded project, the National Water Resources Development Project (P107350), closed in June 30, 2020, with the development objective of strengthening the development and management of national water resources and increase the yield of the Corumana Dam to provide a more secure water supply for the Greater Maputo Metropolitan Area (GMMA).



completed and tested in September 2019, but on December 26, 2019, a small section of this transmission pipeline along the Incomati Bridge collapsed during the water pumping tests of the compact WTP (financed by FIPAG), with no injuries or fatalities. A temporary solution has been implemented, with the installation of a High Density PolyEthylene (HDPE) pipeline (630 of diameter) already constructed on the left side of the bridge, from Sábiè to Moamba, which enables the conveyance of safe water produced by the compact WTP financed by FIPAG and already running. In addition, a second pipeline, supported on pillars along the river or constructed beneath the riverbed, and constructed in parallel to the HDPE pipe, will be proposed and implemented under the existing works contract as a complementary solution, once a final design is adopted.

5. Component B - Investment in Water Supply Distribution System (US\$33.5 million). Construction of 300 km of secondary and tertiary distribution network is progressing well, with 78 percent of the works completed, and with final completion expected by December 2020. To date, Aguas da Região de Maputo (AdM) has installed 47,533 out of the 100,000 targets for new connections to the existing system; these connections have mostly benefited the peri-urban residents covered by the Maxaquene, Laulane and Matola distribution centers. For the remaining (around) 52,500 HCs, (i) a bid has been launched for the supply of 40,000 meters and connection accessories (material for HC); on this total, 32,500 HCs will be installed by AdM and also sub-contractors and 7,500 units will be kept in stock, and in addition (ii) the construction of 20,000 HCs was included in an addendum to an on-going works contract.

6. Component C - Technical Assistance to FIPAG (US\$16 million). This component finances consultancy services and technical assistance for the design and supervision of works, as well as safeguards implementation. There are three main consultants currently supervising the water supply production, transmission and distribution works. These services are providing technical due diligence and assisting FIPAG with quality controls and environmental and social compliance for the various works packages. FIPAG submitted for review to the WB the ToRs for the preparation of a second phase of the Greater Maputo program to increase the amount of water available to the GMMA and to improve access to safe water.

7. Component D - Capacity Building and Operational Support to Water Regulatory Council² - US\$4.5 million. Through this component, the Water Regulatory Authority (AURA) is undertaking various studies and technical assistance services to support the development of regulatory services. Extensive training has been provided to AURA staff on tariff reviews and structuring. A tariff review was carried out in 2018, which granted FIPAG an average 22 percent tariff increase across the country.

8. Fiduciary. The overall Financial Management (FM) risk remains Moderate, and the FM performance rating is Satisfactory. The project has no overdue audit reports or outstanding audit issues. The project's overall procurement performance is Satisfactory and the current arrangements will be retained throughout the extended period.

9. Safeguards. Overall, the project environmental and social safeguards performance is Moderately Satisfactory and the risk remains Moderate. To improve safeguards performance, FIPAG is establishing an Environmental and Social Management System (ESMS) to systematically monitor and report safeguards compliance. As such, the project is gradually improving compliance with safeguards policies and applicable national regulations, notably labor influx, Health and Safety, waste management, having secured all environmental permits legally required for the works. The project has since systematically reported the safeguards performance.

10. Project Outcomes. To date, the project has benefited 251,925 people (out of a target of 560,000) with access to improved water sources. The project has not yet made progress on increasing the capacity of the water system (target is 60,000 m³/day). The extension of the closing date will allow for the satisfactory achievement of these outcomes.

B. RATIONALE FOR RESTRUCTURING

11. The primary reason for the restructuring is to extend the project closing date by around 12 months from September 30, 2020 to September 24, 2021, to take into account the impact of the Covid-19 crisis on the implementation of this Project. This would allow for the full completion and commissioning of (i) the Sábie WTP, including a Technical Assistance to FIPAG and AdM to operate and maintain the WTP for a duration of six months after the taking over certificate to enable a smooth transfer

² ex Conselho de Regulação de Águas – CRA, recently changed to Water Regulatory Authority, Autoridade Reguladora de Água – AURA, through the Decree 08/2019 of February 18, 2019



of the Operation and Maintenance to AdM, once trained on this new water treatment process, and (ii) the distribution networks and household connections that are critical to achieving the project objectives. Completion of the project activities are critical to improving resilience and water security for the GMMA which, in addition to rapid population growth, has been under extreme pressure due to consecutive droughts. Furthermore, the Covid-19 crisis has exacerbated the need for safe water for basic hygiene in the GMMA.

12. Another reason for the closing date extension is that this project is one of two closely interrelated projects in the World Bank portfolio aimed at supplying safe water to the GMMA. The other project is the National Water Resources Development Project (NWRD, P107350), which financed the rehabilitation of the Corumana dam, the water from which will be treated and distributed within the GMMA through this project. The NWRD Project closed on June 30, 2020, and the GMWSE Project is financing the activities of the dam safety and environmental and social specialists who are part of the Corumana Dam’s panel of experts. The financing is eligible as per the Financing Agreement of the GMWSE Project, and hence the extension of the closing date would help ensure continued compliance with dam safety during the first year of the dam impoundment once the rehabilitation of the dam gates is completed.

13. The Ministry of Economy and Finance issued a letter on September 10, 2020 requesting a restructuring of the project to extend its closing date by almost one year. The Government has expressed concerns that if the Project closes as planned on September 30, 2020, there would be no available funds within the government budget to complete the works. Furthermore, with the current Covid-19 pandemic, the Government has made it a priority to ensure the continuity of water services delivery and this Project would contribute to this objective once completed.

II. DESCRIPTION OF PROPOSED CHANGES

14. **Results Framework.** The indicators and targets of the Result Framework (RF) will not change as they are achievable with the new closing date. However, the dates for achieving the targets will change to align with the new project closing date.

15. **Extension of closing date.** The proposed restructuring seeks to extend the project's closing date by around 12 months from September 30, 2020 to September 24, 2021, to allow for the completion of the Sábie WTP and associated distribution network, therefore achieving the project development objective and outcomes.

16. **Disbursement Estimates.** The disbursement estimates schedule has been revised accordingly to take into account the new proposed closing date.

17. **Implementation Schedule.** Based on the Task Team’s assessment, the risk of not completing the works by the revised closing date is low and the Project Development Objective (PDO) is achievable within the extended period. The implementing agencies have prepared a plan acceptable to the Bank to complete all activities by the revised closing date, it includes:

- (a) the construction of the WTP with a normal workforce size as of July, with a completion date scheduled for March 31, 2021, followed by six months of Technical Assistance to operate the WTP;
- (b) the implementation by AdM of the Household Connections (HCs) program, currently at a monthly rate of around 2,000 HCs, will be accelerated through the contracting of additional sub-contractors to complete the remaining 52,500 connections by September 2021.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	



Loan Closing Date(s)	✓	
Disbursement Estimates	✓	
Implementation Schedule	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)



LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-52900	Effective	30-Sep-2019	30-Sep-2020	24-Sep-2021	24-Jan-2022

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2014	0.00	0.00
2015	2,772,138.67	1,990,195.87
2016	40,239,368.13	14,673,904.28
2017	15,608,522.54	34,490,122.77
2018	12,571,138.51	15,659,334.07
2019	37,076,448.67	22,347,410.05
2020	40,000,000.00	23,171,687.14
2021	16,732,383.48	45,175,349.82
2022	0.00	6,000,000.00



Results framework

COUNTRY: Mozambique

Greater Maputo Water Supply Expansion Project

Project Development Objectives(s)

The project development objective (PDO) is to increase access to clean water for residents in the Greater Maputo Area.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	End Target
Increase access to clean water for residents in the Greater Maputo Area			
Direct project beneficiaries (Number)		0.00	560,000.00
Female beneficiaries (Percentage)		50.00	50.00
Number of people in urban areas provided with access to Improved Water Sources under the project (Number)		0.00	560,000.00
Increased capacity of the water system (Cubic Meter(m3))		0.00	60,000.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Component A: Investment in Water Supply Network System			
Component A: Installation of conveyance pipelines from Corumana Dam to Maputo (Kilometers)		0.00	93.00
Component A: Installation of water treatment plant with 60,000 m3/day capacity (Percentage)		0.00	100.00



Indicator Name	PBC	Baseline	End Target
Component B: Investment in Water Supply Distribution System			
New piped household water connections that are resulting from the project intervention (Number)		0.00	100,000.00
Component B: Kilometers of water supply network laid under the project and operational (cumulative) (Kilometers)		0.00	300.00
Component C: Technical Assistance to FIPAG			
Component C: Water utilities supported by the project (number) (Number)		1.00	1.00
Component C: Supervision of implementation of EMPs and RAPs (Text)		Supervision not contracted	EMP and RAP supervision completed
Component C: Supervision of works (Text)		Supervision not contracted	Supervision concluded



The World Bank

Greater Maputo Water Supply Expansion Project (P125120)
