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Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 17-May-2025 | Report No: PIDIA01420

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BASIC INFORMATION

A. Basic Project Data

Project Beneficiary(ies)	Region	Operation ID	Operation Name
Mozambique	EASTERN AND SOUTHERN AFRICA	P510427	Transport Corridors for Economic Resilience - Mozambique – SOP 2
Financing Instrument	**Estimated Appraisal Date**	**Estimated Approval Date**	**Practice Area (Lead)**
Investment Project Financing (IPF)	16-May-2025	20-Jun-2025	Transport
Borrower(s)	**Implementing Agency**		
Republic of Mozambique	Ministry of Transport and Logistics		

Proposed Development Objective(s)

The PDO of SOP2 is to improve regional transport connectivity, climate resilience, and road safety along the Nacala corridor in Mozambique.

Components

Component 1: Regional transport connectivity along the Nacala corridor
Component 2: Technical assistance program for enhanced logistics and operational efficiency
Component 3: Project management, monitoring and evaluation
Component 4: Contingent Emergency Response Component

PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)?	Yes
Is this project Private Capital Enabling (PCE)?	No

SUMMARY

Total Operation Cost	**123.30**
Total Financing	**123.30**
of which IBRD/IDA	**123.30**
Financing Gap	**0.00**

DETAILS

World Bank Group Financing

International Development Association (IDA)	123.30
of which IDA Recommitted	123.30
IDA Grant	123.30

Environmental And Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

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Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Improved transport connectivity along the main corridors in Eastern and Southern Africa is required for regional integration, growth and employment generation.** Eastern and Southern Africa has vast agricultural potential, natural resources, and a large labor endowment; however intraregional trade is only 23 percent, well below regional aspirations.[1] Weak climate risk management, suboptimal infrastructure, and inefficient logistics services are major impediments to intraregional trade. The African Union and its Regional Economic Communities are committed to regional integration through initiatives such as the African Continental Free Trade Area (AfCFTA), the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC). Optimizing corridor efficiency will support economic diversification, employment generation, trade and foreign investment in agriculture, value-added mining and manufacturing.

2. **Over the past decade, approximately US$ 6.2 billion in investments has transformed the regional transport infrastructure of the Nacala corridor.** In Mozambique, at a cost of US$4.2 billion, this included the privately financed mega-project investment of a coal mine at Moatize, a new section of railway and rehabilitation of the existing railroad, and a new coal terminal at Nacala-A-Velha, a distance of 912 km. In addition, a further US$ 600 million was spent by private sponsors of the Nacala Corridor Project to upgrade rail branch-lines in both Malawi (Nyaka-Mchinji and Nkaya-

[1] World Bank. Project Appraisal Document. Transport Corridors for Economic Resilience (TRACER) (P180801). © World Bank.

Sandama) and Mozambique (Lichinga-Cuamba) to the main rail line. The governments of Malawi and Mozambique have also invested in the Corridor's infrastructure using DFI monies to rehabilitate over 1,000 km of main roads and 350 km of feeder roads at a cost of approximately US$1 billion. This includes three One-Stop-Border-Posts (OSBP) at Mwami/Mchinji (Malawi-Zambia), Mandimba/Chiponde (Mozambique-Malawi) and Milanje/Mulosa, (Mozambique-Malawi).[2] In 2012, the Government of Mozambique and Japan agreed on a US$350 million grant and soft loan package to redevelop Nacala's general cargo port. Although delayed by the COVID-19 pandemic, the port became fully operational by 2023[3].

3. **Mozambique is endowed with rich natural resources but faces substantial development challenges.** It remains one of the poorest countries in the world - ranking 182 out of 193 in the 2023 Human Development Index. 54 percent of the population is unable to afford a nutritious diet and 37 percent of children under five suffer from stunting.[4] Rural poverty is particularly high at 72 percent. Inadequate transport connectivity has contributed to widening geographic inequality within the country. Poverty is disproportionate in the north. For instance, about 81 percent of the population of Nampula, through which the Nacala corridor passes, live below the poverty line.[5]

4. **The agricultural sector dominates economic activity in both Mozambique and Malawi,** with 24.8 percent of Gross Domestic Product (GDP) for Mozambique, and 28.1 percent of GDP for Malawi in 2016. Mozambique has approximately 36 million hectares of arable land,[6] while Malawi has approximately 4 million hectares of arable land. The economic impact of climate change on Mozambique is profound, with average annual losses estimated at US$440 million due to floods.[7] At the same time, El Niño-induced drought of 2024 severely affected agricultural production in many provinces. Limited access to irrigation, lack of adequate agricultural infrastructure for food crop processing and inadequate transport infrastructure impacts the sector.[8] Agriculture productivity is low and hampered by high transport costs that account for 30 to 40 percent of food distribution costs, making it harder for subsistence farmers to access markets. Most people in both countries along the Nacala corridor are employed in the agriculture/agribusiness sector with the majority being smallholder farmers engaged in subsistence farming, although production of cash crops is slowly taking off.

5. **Nacala corridor is one of the six key agricultural development corridors for Mozambique**, as presented in the *Plano Estratégico para o Desenvolvimento do Sector Agrário* (PEDSA) 2023-2030, which outlines the strategic plan for agricultural development. These corridors are envisioned to enhance value chains and encourage farmers to access commercial markets. Each corridor has a specific product focus , with the overall aim of boosting agricultural commerce and development in these targeted areas. The northern regions, including Nampula and Niassa, have immense potential for agricultural production, national food security and employment generation given their fertile soils. In the Nampula and Niassa provinces[9], there is strong agricultural potential in crops such as pigeon peas, cashew nuts, sesame seeds, and

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[2] USAID/Mozambique SPEED Project, Update of the USAID 2018 Nacala Corridor Assessment, December 2024
[3] https://www2.jica.go.jp/yen_loan/pdf/en/6550/20150612.pdf

[4] World Food Program. 2024. Mozambique Country Brief
[5] The Country Partnership Framework (CPF) for Mozambique FY23-27. (Report No: 176672-MX)
[6] Nova, Yara; Rosário Rui. 2022. Observatório do Meio Rural. Modelos de desenvolvimento agrário em Moçambique
[7] UN Women. 2024. "Cross-Border Analysis of the Gendered Impacts of Climate Induced Hazards in Malawi, Mozambique and Zimbabwe"
[8] TechnoServe. "Stop Food Loss: FTF Premier, OHOLO Pro, and MeTL Partnership to Minimize Food Losses in the Nacala Corridor." TechnoServe Blog. Accessed on February 21, 2025 https://www.technoserve.org/blog/stop-food-loss-ftf-premier-oholo-pro-and-metl-partnership-to-minimize-food-losses-in-the-nacala-corridor/
[9] In the Nampula province, the areas of Rapale–Mecuburi and Nampula–Corane produce over 23,000 tonnes of maize, rice, and pigeon peas. Similarly, in Niassa province, the areas of Cuamba–Insaca and Cuamba–Metarica yield more than 62,000 tonnes of maize, rice, and pigeon peas.

cotton. Yet only a fraction of the land is utilized efficiently due to constraints in infrastructure, access to inputs, and inadequate policy frameworks. Farmers are not able to fully access regional markets due to poor road infrastructure while the lack of investment in tertiary roads hinders last mile connectivity.

6. **Non-tariff measures (NTMs) and poor management of key agricultural value chains are barriers to trade along the Nacala corridor.**[2] While trade flows along the Nacala Corridor have grown significantly due to public and private investments over recent years, the corridor faces high per-kilometer transport costs, with an estimate of US$2.42/km for Nacala[10], and significant non-tariff barriers. Road freight costs are affected by delays and time variability at border points, weight stations are often not working and subject to informal fees, and intermodal transfers subject to time variability and delays. The rail sector, excluding coal transport, suffers from relatively low demand and costs driven higher by wagons running empty on the return journey. Since 2008, foreign investors have proposed large-scale agriculture and forestry investments within the catchment area of the Nacala corridor basin. Most investments target forest plantations and development of commercial farms that cultivate crops like maize, soybeans, and oilseeds. These significant investments in infrastructure and agricultural/forestry development have been supported by ongoing efforts to improve trade facilitation. One example is the repeal of the mandatory use of the Terminal de Exportação Especial de Nacala (TEEN) for exports from Mozambique, effective since 2017, which was viewed by private stakeholders as an impediment to trade. However, along the Nacala corridor, the only bonded facilities for containerized cargo are the Nacala port and TEEN facility. Most exporters have no option but to continue to use TEEN facility for which they still must pay high fees. Investment is needed in agricultural supply chain logistics centers (storage facilities and consolidation centers) along the Nacala corridor.

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Sectoral and Institutional Context

7. **The Ministry of Transport and Logistics (MTL) is responsible for transport policy and regulation and oversees road, rail, sea, and air transport**. The National Roads Administration (ANE) manages the road network, while the Road Fund (FE) administers financial resources for road maintenance and infrastructure development. The Mozambique Ports and Railways Company (CFM) oversees the operations and maintenance of the country's railway and port systems, ensuring efficient connectivity to landlocked neighboring countries. The National Institute of Road Transport (INATRO) handles road safety and traffic management. The Mozambique Railway and Port Institute (IFEPOM) is intended to develop an appropriate regulatory framework for infrastructure. The Institute for Maritime Transport (ITRANSMAR) is responsible for supervising and regulating maritime, river and lake transport, and maritime signaling activities in port areas. Mozambique Civil Aviation Institute (IACM) is Mozambique's civil aviation regulator, overseeing safety, licensing, and compliance with international standards.

8. **The railway network plays a crucial role in the country's domestic and regional trade network and has contributed to an increase in cargo volumes over the past decade.** Mozambique's railway network spans approximately 2,500 km and is divided into three major systems i.e., South, Central, and North. It is envisioned to reduce the reliance on roads and enhance multimodality.[11] The northern system is part of the Nacala Logistics Corridor, a 1,600 km multimodal transport corridor connecting the Port of Nacala to the coal-rich region of Moatize in Tete Province, traversing Malawi and extending into eastern Zambia. The 912 km railway line from Moatize to Nacala-à-Velha, partly crossing Malawi, is managed by the Nacala Logistics alliance — composed of Corredor de Desenvolvimento do Norte (CDN), Corredor

[10] AFRIXEXIM Bank. 2020. Study on the Trade-Carrying Infrastructure Gap in One African Region. Nathan Consulting.
[11] WFP. Logistics Cluster 2025 Digital Logistics Capacity Assessments Mozambique

Logístico Integrado de Nacala (CLN), Central East African Railways (CEAR), and Vulcan Logistics Limited (VLL).[12] The railway network is also vulnerable to climate impacts including floods, cyclones and extreme heat. Flooding of the Shire Reiver in Malawi in 2017 caused major damage to the Nacala railway which connects the mining areas of Tete in Mozambique to the port of Nacala.

9. **The regulatory framework for transport and logistics services in Mozambique has not kept up with recent sector developments.** A study carried out under the SATCP to support the national logistics strategy highlights that governance of the logistics sector is marked by institutional fragmentation and overlapping responsibilities among ministries, public agencies, and corridor authorities. Despite ongoing reforms and substantial investments, the logistics sector grapples with numerous challenges, including insufficient maintenance funding, limited rural accessibility, outdated institutional mandates, and inadequate data availability. Tackling these issues requires continuous public investment and the mobilization of private resources, effective public-private partnerships, and enhanced cross-border coordination.

10. **Beira and Nacala cities are crucial hubs in the national logistics and regional integration network**. However, these cities face challenges due to uneven and poorly coordinated logistics development. Despite having a deepwater port, Nacala is underutilized because of limited urban industrial activities, internal connectivity issues (particularly the weak N13 road and rail links along the Nacala Corridor), and insufficient urban planning geared towards freight. Moreover, logistics challenges, inadequate rural connectivity, and fragmented value chain integration impede the efficiency and inclusiveness of trade and supply chain activities along the Nacala corridor. Producers and traders face some of the highest logistics costs in the region due to limited economies of scale, and weak institutional capacity in logistics planning and oversight. Outside of coal, rail demand is limited and expensive, as there is little return freight.

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C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

11. The PDO of SOP2 is to improve regional transport connectivity, climate resilience, and road safety along the Nacala corridor in Mozambique.

Key Results

Objective 1: to improve regional transport connectivity along the Nacala Corridor in Mozambique

- Direct users that benefit from improved access to sustainable transport infrastructure and services (number, corporate scorecard)
- Travel time for agricultural products (sugar export) between Blantyre (Malawi) to Nacala (Mozambique) (hours) (indicator aligned with TRACER SOP1)
- Mozambique Logistics KPIs published by the Nacala Development Corridor Management Committee (Yes/No) (indicator aligned with SATCP)

Objective 2: to improve climate resilience along the Nacala Corridor in Mozambique

- People benefiting from the climate resilient infrastructure (number) (indicator aligned with TRACER SOP1, corporate scorecard)

Objective 3: to improve road safety along the Nacala Corridor in Mozambique

[12] https://nacalalogistics.com/quem-somos/ , and Inception Report for the National Logistics Strategy for Mozambique, IdeaConsult, April 2025

- Reduction in number of fatalities at targeted sections on the Nacala Corridor in Mozambique (number) (indicator aligned with TRACER SOP1)

D. Project Description

12. **TRACER SOP 2 will contribute to Mozambique's regional trade facilitation and market integration agenda,** which aims to expand commercial opportunities for small-scale farmers and increase the country's participation in regional and global value chains. The project will support regional transport connectivity along the Nacala corridor by combining physical measures with a comprehensive technical assistance program package to enhance the national logistics system. It will have a strong emphasis on resilience, digitalization, and upstream logistics policy and regulatory framework review. The components are detailed below.

13. **Component 1: Enhancing regional transport connectivity along the Nacala corridor (US$ 113.8 million IDA equivalent).** This component will finance civil works activities that improve the condition, climate resilience and safety of the Nacala road corridor and its secondary network. The roads to be upgraded will improve connectivity to economic centers along the corridor and enable value-chain development particularly in the agricultural sector. All interventions will be built to climate resilient standards[13] and reflect road safety recommendations from the safety audits and iRAP assessments.

(a) **Sub-component 1.1. Improving transport connectivity to support agricultural production chains in the Nacala corridor basin (US$ 88.8 million IDA equivalent).** This sub-component will finance civil works for the upgrade to climate-resilient standards of selected secondary roads to support agricultural production chains and enable year-round connectivity to economic centers along the Mozambican section of the Nacala Corridor. The sub-component will also finance civil works supervision, technical audits (including environmental and social safeguards audits), financing of Resettlement Action Plan (RAP) implementation (including payment of compensation costs), and skill development for women in construction. The selected roads to be rehabilitated are: (i) R696: between Rapale and Mecuburi (57.26 km); and (ii) N360: between Cuamba and Metarica (67.00 km). These targeted roads were identified and prioritized under the SATCP project based on a tool developed by the World Bank in partnership with ANE. The rehabilitation of the road segment between Cuamba and Metarica also allows for the completion of N360 rehabilitation, considering that AfDB is rehabilitating the segment between Metarica and Marrupa, thus providing year-round connectivity between Marrupa and Cuamba in the face of poor network redundancy. A final road safety audit will be conducted to ensure that they adequately address the needs of vulnerable road users, including pedestrians and two-wheelers (e.g., provision of sidewalks and pedestrian crossings and of solar-powered streetlighting near communities).

(b) **Sub-component 1.2. Enhancing climate resilience along the Nacala corridor (US$ 13 million IDA equivalent).** This sub-component will finance technical assistance and targeted civil works to reduce the vulnerability of the Nacala Corridor to climate induced shocks. A preliminary climate risk screening and rapid stress test developed by the Global Center on Adaptation (GCA)[14] identified several sections along the Nacala corridor as vulnerable hotspots, as confirmed by the recent damage due to Cyclone Jude in 2025. A detailed climate vulnerability

[13] Climate-resilient standards consider current and projected climate conditions and address extreme heat conditions, flood risks, more intense rainfall events, strong wind, and include the deployment of engineering, hybrid and the use of Nature Based Solutions (NBS). The initial design proposal was to upgrade the selected roads to a gravel standard costing an estimated US$6 million for upgrading 102km. The revised proposal using a build-back-better approach, including using a double bitumen surface treatment to respond to high precipitation levels and high traffic volumes, costing an estimated US$66.46 million for upgrading 124.26km. The build-back-better approach aims to achieve higher climate resilience, durability and lower maintenance costs.

[14] National Infrastructure Rapid Stress Test and Climate Adaptation Policy Decision. Mozambique. GCA. November 2024.

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assessment will be financed through this sub-component which will prioritize the road sections and the definition of climate resilient interventions. Targeted resilience measures will be deployed to address exposure along the corridor ensuring that investments not only strengthen the resilience of assets but also enhance the resilience of the transport network at systems level, assessing links between production fields, markets and communities. Interventions are likely to include slope protection, improved drainage, culverts and bridge protection works and the use of nature-based solutions. Interventions shall also consider climate-informed routine maintenance and monitoring regimes and procedures, including emergency and contingency response plans, to ensure continued serviceability of the corridor under future climate scenarios. A review of existing maintenance contracts used by ANE will also be undertaken with the possibility of financing climate-informed maintenance works where appropriate (e.g., more frequent inspections and regular spot improvements). This review will define adequate performance indicators to be added into future PPP contracts or operations and maintenance (O&M) procedures in support of climate resilience and sustainability of assets. This sub-component will also finance site supervision and other relevant studies.

(c) **Sub-component 1.3. Enhancing road safety along the Nacala corridor (US$ 12 million IDA equivalent).** Activities under this sub-component will complement the interventions of the SATCP in Malawi and Mozambique as a regionally focused, corridor initiative. This sub-component aims to enhance road safety along the Nacala Corridor through a combination of infrastructure, digital, and institutional measures, building on iRAP assessments, road safety audits, and stakeholder consultations. It will finance the development of an integrated speed management plan for the Nacala corridor, incorporating cost-effective engineering measures such as well-designed speed humps, roundabouts, raised platform crossings and gateway treatments to manage speed and enhance safety. It will also pilot a post emergency crash response building on the Safer Roads for Socio-Economic Integration Project (SRSEI), pilot a digital platform for crash and road condition reporting, and digital traffic monitoring for vehicle overloading amongst other measures as appropriate. Drawing on lessons learnt from the Integrated Feeder Roads Development Project (IFRDP), the sub-component will deploy targeted measures to enhance pedestrian and non-motorized traffic safety such as the aforementioned vehicle speed control measures and pedestrian crossings. It will also implement recommendations from the pilot of the iRAP Star Rating for Schools (SR4S) program financed under the SATCP. Additionally, the sub-component will finance safety interventions at targeted crash locations identified by traffic police along the Nacala corridor in Mozambique based on assessments prepared under the SATCP. This sub-component will also finance civil works, site supervision and other relevant studies for the implementation of roads safety measures. The sub-component will also support feasibility studies for development of the SMART corridor concept, like the TRACER SOP 1 in Zambia.

14. Component 2: Technical assistance program for enhanced logistics and operational efficiency (US$ 6 million IDA equivalent). This component will finance a comprehensive technical assistance program to enable the full regional potential of the Nacala transport corridor, other national strategic logistics infrastructure assets, and address some of the institutional constraints to regional trade and operational efficiency. The activities will facilitate lower transport costs and shorter end-to-end travel times through improved logistics and corridor coordination activities.

(a) **Sub-component 2.1 Enabling multimodality and consolidation hubs (US$ 3.0 million IDA equivalent).** This sub-component will finance technical assistance to undertake the preparatory work for interventions that improve multimodality and encourage private sector participation in logistics operations at national level. The following activities will be supported:

i. **Preparatory studies exploring multimodality options along the Nacala corridor.** Poor connectivity to major economic and production centers makes it difficult to export agricultural and agro-processing products. In

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addition, the primary rail/port corridor's economic potential is still not fully achieved since its efficiency is contingent on the quality of the logistics centers it can collect production/goods from and the last mile roadway system that should link these centers to future agriculture and industrial zones. This activity will finance technical assistance and prefeasibility studies for improving multimodal connections (hubs, stops, tolls) and consolidation hubs along the Nacala corridor enabling future freight modal shift towards rail transport. Technical assistance studies will include among others : (i) a corridor performance assessment, to provide detailed understanding for the current corridor operations, traffic levels, costs, and overall performance. including compared to its peers, and consultations with the supply chain in manufacturing, agriculture and mining, (ii) a corridor impact assessment, to assess the broader economic impacts of investments on the Nacala corridor, such as increased trade, jobs, food security, etc., (iii) consultancy services for assessment of the logistics for private sector warehousing, markets or other logistics needs for Nampula city, (iv) consultancy services to develop a more efficient system for the delivery and pick-up of imports in Nacala Port, (v) other sector studies and preparatory works as relevant (technical engineering studies, preparation of safeguards instruments, workshops for consultation with the industry etc.) . The project also plans to go beyond studies to ensure tangible impact during implementation through practical engagement. The project will include pilot interventions to engage the private sector in logistics and value-chain development along the corridor e.g., at secondary road junctions with the main corridor, at rural hubs where small-scale logistics platforms, or basic intermodal stops can be developed in partnership with agribusinesses, cooperatives, and transport providers. The project will support forums and road shows to bring together municipalities, agricultural producers, and logistics firms to identify investment opportunities in first-mile / last-mile transport, storage, and cold chain services. Local firms could also be invited to apply for financing. The interventions will be designed in close coordination with the NDCTC and local government actors to ensure alignment with spatial development planning and trade facilitation agendas. Climate considerations will be included in prefeasibility studies such as provisions for energy efficient operations, the enhancement of drainage systems to accommodate higher rainwater runoff and building design features. Similar studies as relevant will be considered for the Beira corridor.

ii. **Complementary assessments and upstream technical support for PPPs and concession options.** To encourage private sector participation in the logistics operations at national level, this subcomponent will complement IFC efforts to support Government in the identification and set up of PPPs and concession options. The component will finance as needed technical support (transaction advisory activities would be outside the scope of this project) and upstream assessments to identify financial and operational options for structuring concession/PPP packages along the Nacala corridor (e.g. including the port of Nacala, airports, railways and logistics services), Beira corridor or other national strategic infrastructure assets. In addition, the technical assistance will include support for the Integrated Logistic Corridors Infrastructure working group under the MTL, and will also finance dedicated specialists, including (i) a senior logistics officer, (ii) a senior economist, (iii) an infrastructure specialist, and (iv) senior competitivity and PPP specialist.

(b) **Sub-component 2.2. Enabling regional coordination (US$ 3.0 million IDA equivalent).** Activities under this sub-component are continuing the interventions of the SATCP in Malawi and Mozambique as a regionally focused, corridor initiative. To strengthen regional coordination, the project will provide support: (i) *to the NDCTC*: The governments of Malawi, Mozambique and Zambia formed the NDCTC to strengthen corridor operations and foster regional development through its organs at the Ministerial, Permanent Secretary/Director and technical expert levels. The project will provide support for operational expenses of the NDCTC, as well as support to the National Trade Facilitation Committees (NTFC) and the corridor working groups under them. The activities related to the Beira corridor included in the project are part of the NDCTC agenda given that both the Nacala

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and Beira corridors are part of one logistics system and overlap in agendas, geographies, and economic catchment areas. (ii) *for the scale-up and implementation of the corridor measurement and monitoring system developed under the SATCP, including for the implementation of the corridor trip monitoring system***.** The NDCTC identified corridor performance measures to capture and sign agreements for sources of raw data. Collecting, analyzing, and publishing data on time and cost performance, transport operations including road accidents and fatality, border operations and trade volumes, and climate indicators are critical to understanding shortcomings and to measuring corridor improvements.

15. **Component 3. Project management, monitoring and evaluation (US$ 3.5 million IDA equivalent)**. This will include incremental administrative costs for project management to ensure project implementation, and all activities associated with citizen engagement, program monitoring and evaluation (M&E), impact evaluation (IE) and third-party monitoring firm to monitor environmental and social compliance including on SEA/GBV, citizen engagement, technical compliance, and selected indicators.

16. **Component 4: Contingent Emergency Response Component (CERC) (US$ 0.0 million).** This zero-dollar component allows the GoM to quickly reallocate project funds for emergency response and reconstruction during an eligible crisis. Implementation follows an approved CERC Manual, ensuring alignment with environmental and social standards, as well as the Paris Agreement principles of the project.

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

Summary of Screening of Environmental and Social Risks and Impacts

17. **The environmental risk is rated as Substantial** considering that (i) the project will finance small to large-scale works to upgrade 124 km of road segments (N360 and R696) to climate-resilient standards and to enhance climate resilience and road safety along the Nacala Corridor, however these works not expected to interfere with areas of high value or sensitivity, (ii) the environmental risks and impacts potentially generated by the planned works and TA activities are expected to range from low to substantial and mitigated with readily available and reliable measures, (iii) the Borrower is committed and building its capacity to manage EHS risks and impacts in a manner consistent with ESF, but presents relevant capacity gaps related to OHS management, as borne out by its track record and performance implementing current WB projects, and (iv) the absence of relevant contextual factors that can exacerbate the project's environmental risks and impacts. The potential adverse environmental risks and impacts associated with the civil works planned under Component 1 include (i) soil erosion, (ii) environmental pollution (mainly related to accidental contamination, dust and noise emissions), (iii) health and safety (H&S) risks for workers and communities, and (iv) biodiversity loss and interference with natural habitats (limited to vegetation clearing and wildlife mortality during construction and maintenance). These risks and impacts are expected to be moderate (for enhancing climate resilience and road safety works) to substantial (for works to upgrade N360 and R696), primarily site-specific, temporary, reversible and manageable through readily available and cost-effective mitigation measures. The project will also finance TA activities Type-1 (including a climate vulnerability

assessment to prioritize the road sections and define climate resilient interventions under Sub-component 1.2; an integrated speed management plan for the Nacala corridor to inform the road safety physical interventions and feasibility studies for the development of the SMART corridor concept under Sub-component 1.3; preparatory studies exploring multimodality options and assessments and upstream technical support for PPPs and concession options along Nacala corridor under Sub-component 2.1) and Type-3 (capacity building). The anticipated downstream environmental risks of the TA Type-1 are expected to range from moderate to substantial, while for TA Type-3 the expected risks are considered low. All TA activities will be conducted according to ToR that are acceptable to the Bank and consistent with the relevant provisions of the ESF. Additionally, these activities will be screened against an exclusion list to ensure that the project does not finance any activities expected to have high adverse environmental downstream implications.

18. **The social risk rating of the project is assessed as Substantial** due to significant adverse social risks and impacts, particularly as a result of the upgrade, rehabilitation and maintenance works under Component 1, especially in remote and rural areas. These include (i) involuntary resettlement resulting from interventions such as land acquisition, land-use restrictions, impacts on livelihoods, and civil works (including embankment protection, drainage and culverts), for the two selected roads in Nampula and Niassa, within the Corridor of Impact established under the Right of Way, which have the potential to generate some degree of physical and economic displacement during civil works, as well as access restrictions; (ii) community health and safety risks, including increased sexual exploitation and abuse, and sexual harassment (SEA/SH) risks, mostly caused by the expected labor influx, particularly near construction camps, even though most of the labor force is planned to be recruited from local areas, in addition to the potential spread of communicable diseases; (iii) labor related-risks, including those related to working conditions, occupational hazards associated to work in FCV settings, and the risk of child labor among primary suppliers and service providers (i.e., quarries); (iv) risks associated with exclusion, discrimination, and inequal opportunities for labor (especially for women and youth) and elite capture of other project benefits, especially in a context characterized by challenges in ensuring meaningful stakeholder engagement and participation, mainly for vulnerable and disadvantaged groups. While project activities will not take place directly in the active-conflict areas of the country, like the Cabo Delgado province, there is a risk of spillover effects of the conflict in the North part of the country due and a high number of Internally Displaced Persons (IDPs) among the local population in the Nampula and Niassa provinces. These risks, along with the downstream risks of the Technical Assistance to be provided by the Project, are not expected to have a risk profile greater than Substantial, even though this may change depending on the changing nature of the context in which the Project is implemented, and could be adjusted as needed, following an adaptive management approach to the management of E&S risks.

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E. Implementation

Institutional and Implementation Arrangements

19. **The project will be implemented by the MTL, through the Project Management Unit (PMU) based in Maputo and a decentralized Project Implementation Unit (PIU) based in Nampula**. Both the PMU and PIU are to be established and are part of a larger institutional reorganization process of MTL in line with Government plans for interventions in the transport sector. The new structure will include consultants mobilized under the Integrated Feeder Road Development Project (P158231, IFRDP) and Southern Africa Trade and Connectivity Project (P164847; SATCP) and reassigned to similar positions under the PMU and PIU. The implementation arrangements of the TRACER SOP2 will factor in the lessons learned

from the implementation of the ongoing SATCP, IFRDP, and the Safer Roads for Socio-Economic Integration Project (P174639, SRSEI).

a. ***The PMU in Maputo will be responsible for coordination of all transport projects implemented by the MTL***, and will centralize the oversight functions for financial management, procurement and monitoring and evaluation, environmental and social risk management (ESRM) for all projects, including for the TRACER SOP2. Regarding the Terms of Reference (ToRs) for PMU specialists, MTL has made significant progress in preparing the ToRs for the PMU specialists, including (i) the Portfolio Coordinator, Deputy Portfolio Coordinator, Senior Civil Engineer Monitoring and Evaluation Officer, Strategic Advisor, Communication Officer and Executive Support and Coordination Officer, which will be funded under the SRSEI, and (ii) technical specialists such as the Financial Manager, Procurement Specialist, which will be funded under the proposed TRACER SOP 2 Project.

b. ***Day-to-day implementation will be delegated to the project specific PIUs that will report to the PMU***. The TRACER SOP2 PIU **in Nampula** will be staffed with a mix of local specialists and personnel already hired under the SATCP that will be reassigned for this project. The TRACER SOP2 PIU **in Nampula** will include the following specialists: a Project Coordinator, a Road Safety Officer, an Environmental Specialist, a Social Specialist, a Sexual Exploitation and Abuse and Sexual Harassment (SEA/SH) Specialist, a Health and Safety Specialist, an Administrative Officer, and a Procurement Assistant. Two additional specialists will be deployed **in Niassa,** namely one Environmental, Health and Safety (EHS) officer and one Social/SEA/SH Officer.

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CONTACT POINT

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