Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 29-Jun-2021 | Report No: PIDA31008

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Mozambique	P172350	Mozambique Digital Governance & Economy	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
AFRICA EAST	07-Jun-2021	23-Sep-2021	Governance
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministry of Science and Technology (MOST), National Institute of Information and Communication Technologies (INTIC)	National Institute of Electronic Government (INAGE)	

Proposed Development Objective(s)

To increase access to legal identification, digital public services and digital business opportunities.

Components

Building blocks: Analog Reforms and Government Connectivity
Enablers: Identification Systems and Digital Services
Levers: Digital Business Ecosystem
Project Management and Implementation

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

Low

Decision

The review did authorize the team to appraise and negotiate

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 could be at a turning point with the discovery of gas fields off the country's coast**. 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 cell phones.[1] This trajectory was interrupted in 2016 with the discovery of previously undisclosed public debt, amounting to 10 percent of GDP. The ensuing crisis led to unsustainably high levels of external debt, constrained fiscal space, and reduced 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 caused massive damage to infrastructure and livelihoods in 2019[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. **Mozambique remains a fragile country and ongoing violence undermines its post-conflict transition**. An insurgency in the marginalized northern province of Cabo Delgado has rapidly intensified in recent years, with numerous incidents of conflict and fatalities due to both organized violence and civilian targeting. Drivers of conflict include, inter alia, frustrations and grievances among the population

[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

due to lack of political and economic inclusion and uneven state presence.[3] Women and youth, many of whom have low levels of education and skills, are confronted with limited opportunities for formal sector employment or personal advancement. The lack of official identification among vulnerable populations further exacerbates disenfranchisement and exclusion.

3. **The COVID-19 pandemic reached Mozambique at a time of economic slump, following the hidden debt crisis and the climate shocks.** Social distancing and travel restrictions (domestically and globally) are slowing economic activity, while reduced demand and prices of commodities are further slowing the pace of investment in extractives, a key sector for Mozambique. The main immediate impacts to the economy include the postponed 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. As a result, growth is expected to have declined to 1.3 percent in 2020[4], down from a pre-COVID forecast of 4.3 percent, and Government revenues will likely shrink by 15 percent.[5] Mozambique is expected to experience large external and fiscal financing gaps in 2021 in a context characterized by exposure to external shocks and limited fiscal space. This will further limit the public sector's ability to respond to the pandemic, deliver basic services and boost the domestic economy.

4. **Mozambique is already one of the world's poorest and most unequal countries in the world, and rapid population growth is exerting pressure on job creation and service delivery.** 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. While poverty levels decreased to 63 percent in 2014[6], the absolute number of poor people increased by 30 percent between 1996 and 2014. There are disparities across provinces and poverty levels run particularly high in northern Mozambique – which the ongoing insurgency exacerbates, as well as in rural areas, where poverty levels reach 65 percent compared with 34 percent in urban areas.[7] With one of the highest total fertility rates in Sub-Saharan Africa[8], current demographic trends estimate 500,000 youth will join the labor force every year between 2018 and 2050.[9] 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.[10] 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.

5. **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, and the importance of digital technologies to carry out transactions without physical interaction**. Digital transformation can support greater cost-

[3] Eligibility Note for Access to the Prevention and Resilience Allocation for Mozambique (March 2021)
[4] World Bank data
[5] IMF, https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD
[6] Down from 79 percent in 2002 (in US$ purchasing power parity (PPP)).
[7] National Institute of Statistics
[8] The fertility rate was of 4.9 children per woman in 2018 (World Bank)
[9] Searching for the demographic dividend in Mozambique: an urgent agenda, World Bank, 2016.
[10] USAID (2019)

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

Sectoral and Institutional Context

6. **Previous attempts by the Mozambican Government to use digital technologies for improved transparency, accountability, and service delivery (GovTech) have been undermined by the lack of initial attention to the essential building blocks**. In Mozambique, there is an overall low level of connectivity of government entities. While digital services can be provided without access to the Internet (e.g. SMS, voice-based), improved connectivity of civil servants and frontline service providers is required for governments to operate and deliver face-to-face services efficiently and effectively. Yet, to date, limited investments in the Governmental network (GovNet) have been undertaken to increase public sector connectivity. [11] This limitation in investments, combined with a sub-optimal strategy for the allocation of scarce resources and weak network performance, has led to low levels of connectivity across central and local governments.[12] It is thus not uncommon to find Ministries contracting also with other internet service providers due to bandwidth and quality issues associated with GovNet, and civil servants procuring connectivity services themselves to carry out essential duties, while many others ministries, departments, and agencies (MDAs) are not connected at all.

7. **Opportunities for improved service delivery have also been hampered by the lack of capacity to manage and coordinate digital transformation.** As the international experience shows, leveraging technology for public service delivery requires good governance arrangements, combined with a strong institutional capacity to design, implement, procure, and coordinate digital efforts across government. Doing so within a robust cybersecurity and data protection framework is also essential. In Mozambique, the absence or limited nature of such arrangements and capacity has led to a situation that can be described as fragmented, inefficient, costly, and vulnerable to cyber threats. MDAs often procure technological goods and services without the expertise for doing so, and without taking user-centricity into account, leading to costly acquisitions that fail to deliver the expected results. The situation is aggravated by the absence of minimal monitoring systems, and government is unable to provide estimates of its digital presence online, currently deployed systems, or public spending. Finally, the absence of an operational interoperability framework leads to wasteful duplication of efforts related to data collection and storage, software development and licensing.

[11] Managed by the National Institute of e-Government (INAGE).
[12] To date, connectivity expenditures have been conducted exclusively through the national SOE TMCel, with no backup channel available, affecting the cost and quality of connectivity services. There are frequent downtimes, some lasting up to a few days. At present, the government struggles to assess the state of connectivity of public institutions.

8. **The current cybersecurity and data protection legal and institutional frameworks are also incomplete and ineffective.** While cybercrime is addressed in existing legislation, coverage for cybersecurity[13] is insufficient, and there is no general data protection law, though relevant provisions are dispersed across the legal framework.[14] In addition, enforcement of these protections in the digital environment remains limited at best. A cybersecurity study in Mozambique reveals alarming security failures across both public and private websites, with the government performing substantially worse than firms, even though the former hosts more sensitive data than the latter.[15] Mozambique has a Computer Emergency Response Team (MZ-CERT) to handle aspects related to information security and promote the security culture, but capacity is weak. There is currently no regulatory mandate to handle data protection.

9. **Public and private sector capacity is further hindered by complex and inefficient policy, regulations, and practices, as well as overlapping roles and mandates.** 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 (INCM). The Ministry of Science Technology (MOST) has the overall role of promoting and overseeing the implementation of the ICT policy and the e-Government strategy and is supported by the ICT regulator (INTIC) and the national eGovernment Institute (INAGE). However, stakeholders agree there is not enough clarity on the different regulatory roles. The development of the digital economy ecosystem is constrained by the lack of relevant national policy, and no clear ownership of the strategic objectives, which leads to a counterproductive fragmentation of efforts to support the sector.

10. **Sixty percent of the population lacks official identification further restricting access to, and efficient delivery of, public services and exacerbating disenfranchisement.[16]** In addition, there are significant regional variations between urban and rural areas according to the 2017 census, and a considerable gender gap: half of women do not have an identity card, compared with 34 percent of men.[17] This robs poorer and more vulnerable segments of the population, including women, from the right to legal identity, and prevents them from accessing schooling, and later in life financial services, pensions, formal jobs, entitlement claims and property transactions. These self-reinforcing constraints constitute a sizeable barrier for unregistered populations to climb out of poverty. They also deprive citizens of basic rights such as voting and standing for election as well as the ability to demand accountability of subnational and local government and leading to a weakening of the social contract between the state and its citizens. As shown by the ID4D assessment carried out in-country, the Mozambican identification system is fragmented, lacks a proper service delivery infrastructure, and is prone to security risks and human errors. Barriers to access official identification are legal (e.g. requirements for late registration),

[13] Cybersecurity involves the definition and protection of critical information infrastructure, the roles and mandates of cybersecurity agencies and the overall governance structure.
[14] Including the Constitution of Mozambique, the Civil Code, the Labour Law and other laws.
[15] 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.
[16] According to official administrative data, only 40 percent of the eligible population has access to ID.
[17] 2017 Global Findex

transactional (e.g. time, distance, complex procedures) as well as financial (e.g. payments for registration and for the issuance of credentials), affecting particularly citizens living in remote areas. This creates significant barriers to unique, timely, and secure identification.

11. **The fragmented identification infrastructure is also major roadblock for the interoperability of systems and simplification of services.** Functional (sectoral) registers each use their own identification number to track individuals and businesses. This further impedes the use of a unique identification number shared across the government, ultimately undermining interoperability efforts and leading to duplication, inefficiency, and fraudulent enrolment to various benefits and services. This is also a deterrent to government applying the "once-only" principle to service delivery[18] and the implementation of end-to-end digital services, generating significant time and cost savings for the government, citizens, and businesses.

12. **The absence of these three core elements – secure connectivity, institutional capacity, and identification systems – impact the state's capacity to mobilize revenues, monitor expenditures, and deliver services.** For instance, despite generous funding throughout the years, the tax authorities have been unable to digitalize the declaration and payments of taxes, and the government still does not have a fully operating integrated financial management system. Critical issues, such as difficulties paying civil servants via mobile money during the COVID-19 crisis, recent financial fraud within government or the limited capacity to respond to a global increase in cybercrime on digital financial systems, can be attributed, in great part, to the very basic framework that governs digital government programs and investments.[19] Most digital initiatives are either abandoned half-way through, or malfunctioning. These shortcomings also affect non-Internet users on a regular basis: the expression "the system is down" has become part of Mozambicans' vernacular, referring to over-the-counter services that cannot be rendered due to systems' problems.

13. **These systemic issues undermine the prospects for improving the business environment.** The absence of a performing digital government systems creates unnecessary costs to businesses that must go through cumbersome processes which take time and resources, a burden that unevenly affect SMEs the most. For instance, registering a firm in Mozambique requires at least nine different processes, each of them involving multiple steps and often requiring repeated hard copy documentation throughout the process. Also, as shown by a recent IMF study, the poor digitalization of services negatively impacts foreign direct investment inflows, hampering economic growth and jobs creation.[20]

14. **International good practice shows that the public sector can be an important vector for spurring innovation and domestic digital businesses, mainly through two mechanisms**. First, through public procurement as a demand-side policy instrument, improving the access of local firms to GovTech

[18] This principle ensures that citizens provide standard information and documentation to the government only once and eliminates duplicate functional registries.
[19] See, for instance, https://www.jornalnoticias.co.mz/index.php/capital/maputo/99047-tribunal-de-maputo-le-hoje-sentenca-sobre-desvios-no-cedsif
[20] See Al-Sadiq, M. A. J. (2021). The Role of E-Government in Promoting Foreign Direct Investment Inflows. International Monetary Fund.

contracts[21] and, second, through the promotion of open standards, open data, and open source software, allowing the private sector to build services upon existing public infrastructure. In Mozambique, antiquated procurement practices, unequal competition and the absence of open standards, open data and open software policies tend to crowd-out, rather than support, private sector opportunities

15. **The environment for start-up of digital businesses, competencies to build a digital ecosystem and financing to kick-start a digital economy is extremely challenging.**[22] A shallow labor market[23] combined with weak technical capacity and coordination leads to programs that compete for the same limited pool rather than promoting the growth of digital businesses and entry of new players. The lack of overarching policy has also led, for instance, to CEDSIF – an SOE whose formal mandate is the development of national financial management systems, to sell services across government, thereby reducing private sector opportunities. Government solutions however tend to favor costly proprietary solutions and "gated data" models that inhibit innovation and public sector transparency. Finally, there is little in the way of financing beyond grants, and digital businesses struggle to navigate the "Valley of Death"[24] by relying on bootstrapping alone.

16. **Women are at a disadvantage when taking business opportunities**. While 54 percent of informal firms are female owned, only 17 percent of the formal enterprises with at least five workers have majority female ownership.[25] The figures are even lower in the northern provinces of Mozambique. Women-owned/managed enterprises are more likely to be concentrated in commerce and personal services, with limited participation in the ICT sector. Social norms with regards to accessing productive resources make it more difficult for women to take advantage of new business opportunities linked to the digital sector.

17. **Despite these challenges, Mozambique showcases great potential for a dynamic digital transformation, bolstered by recent advances.** Regulatory reforms have fostered competition in the telecom market, and mobile broadband penetration has experienced rapid growth in recent years, reaching 30 percent in 2020.[26] Associated economic benefits are estimated to have reached up to US$370 million, 2.7 percent of total GDP generated in Mozambique during the 2012-2019 period.[27] Internet data tariffs are trending downward, due to Mozambique's connection to two international undersea links and increased competition in the market, although affordability still remains a challenge given low purchasing power[28]. Mobile phone penetration stands at 46 percent of the population[29], which provides significant

[21] See, for instance, Saastamoinen, J., Reijonen, H., & Tammi, T. (2018). Should SMEs pursue public procurement to improve innovative performance? Technovation, 69, 2-14., and https://www.oecd-opsi.org/innovations/new-standard-for-engaging-sme-participation-in-open-public-contracts/
[22] The SeedStars Index ranks Mozambique second ecosystem to last and performing nearly twice as low as South Africa.
[23] Advanced IT skilled talent is limited (19,000 university graduates annually and just 4 percent of total annual graduates at higher education level are from engineering and industry studies). MOST, 2017. Report on higher education groups as a scientific area all Engineering, Industry, Construction, and Agriculture graduates.
[24] The "valley of death" is a common term in the start-up world, referring to the difficulty of covering the negative cash flow in the early stages of a start-up, before their new product or service is bringing in revenue from customers.
[25] WBG staff using Enterprise Survey data (2018).
[26] "Unique" mobile-broadband subscriptions per 100 inhabitants, GSMA.
[27] Implementation Completion Report AFCC2/RI-RCIP3 - Regional Communications Infrastructure Program - Phase 3 (P111432)
[28] Cable.co.uk, 2021
[29] Digital Mozambique 2019 https://www.slideshare.net/DataReportal/digital-2019-mozambique-january-2019-v01

opportunities for the provision of multimodal service delivery (hotlines, USSD, SMS), particularly relevant for most citizens who lack access to smart devices and the Internet.

18. **The COVID-19 Pandemic has accelerated firms' and governments' needs to become digital.** Digital infrastructure and digitally enabled services and applications have become essential to ensure the government's and the private sector business continuity during the COVID-19 pandemic. The pandemic has shown how the digital economy is a critical partner for governments, businesses, and society during times of social distancing. In 2021, the global market of IT services is projected to grow 6 percent and the evidence shows that at the height of the lockdown, 25 percent of the Sub-Saharan Africa SMEs had accelerated the use of digital technologies and increased investments in digital solutions. Due to the COVID-19 the global retail eCommerce in 2020 grew 16.5%, reaching USD 190.8 billion.[30] In Africa, Jumia reports a 40 percent increase in active users in 2020.[31]

19. **The potential of Mozambique's broader digital private sector can be showcased by the proportion of individuals shopping online** (15 percent of age 15+ make online purchases), placing Mozambique among the top 10 African countries on the 2018 United Nations B2C e-Commerce Index. Digital Financial Services (DFS) are emerging, including Fintech solutions and open Application Programming Interfaces (APIs) for Mobile Money[32] and eCommerce platforms, that can further facilitate the payment for online purchases. Creating a nurturing ecosystem for digital businesses and supporting the security and trust of their transactions will help foster the digital economy, which in turn will help support the development of digital solutions to local development challenges.

20. **The recent creation within the Ministry of Science and Technology (MOST) of INAGE[33], an agency whose mandate is similar to modern digital government units, is a significant first step towards government-wide digital transformation**. However, constraints include existing organizational arrangements, lack of internet-era digital kills, coordination capacity, and inadequate political and financial support. Understanding the need to draw from experiences that build on foundational approaches to GovTech, INAGE has already started a collaboration with the Government of Moldova on issues pertaining to interoperability, payments, notification, and cloud computing. The launch of the *Identity for All Program* by President Nyusi in 2020 gives a new impetus for expanding access to official identification to citizens, while constituting a major building block for the interoperability of government systems.

[30] eMarketer, May 2020. Data on eCommerce covers Middle East and Africa *https://www.emarketer.com/content/global-ecommerce-2020*

[31] Largest eCommerce marketplace in Africa, it covers 14 countries of the continent with its marketplace solution and 16 more with a Jumia Classified only approach. *https://investor.jumia.com*

[32] Mobile money facilitates digital commerce transactions payments, especially for those in remote areas where users have limited access to banks. 21.9 percent of the population aged 15+ have a mobile money account in Mozambique (compared to 8.9 percent that have a credit card) with a gender gap in online transactions of 8.1 percent of women compared to 11 percent of men.

[33] INAGE's key attributions include: i) coordinating the implementation of ICT activities, in collaboration with public and private sectors, as well as civil society; ii) managing the government interoperability platform; iii) implementing and managing the government's data centres and associated services; and iv) promoting innovation and modernization of the public administration as a whole.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

To increase access to official identification, digital public services and digital business opportunities.

Key Results

21. The main outcomes of the project will be: (i) improved service delivery for governments and citizens in selected areas, and (ii) increased number of digital businesses, contributing to job creation and income growth.

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

a. Number of eligible individuals in possession of identification credentials,
b. Number of users benefiting from newly streamlined/digitalized public services,
c. Number of supported firms offering new and/or enhanced digital tools in support to the GovTech ecosystem.

23. In addition, the project will focus its attention on delivering and measuring achievement of results on a set of priority areas that will be chosen based on their relevance, demand, and strategic importance to the project's PDO as well as their implementation feasibility.

D. Project Description

24. **The project is an Investment Project Financing (IPF) of a proposed amount of USD 150 million.** The amount will be allocated as 80 percent (US$120 million) to investments and 20 percent to TA and capacity building. The Project Implementation Steering Committee will be anchored at the Ministry of Science and Technology, and it will involve the Ministries of Interior, Finance, and Justice. Further enforcement and oversight of digital standards following a whole-of-government approach will be facilitated by an 'Inter-Ministerial Digital Spending Controls Committee' anchored at the Ministry of Finance. The project is expected to last five years, as of effectiveness. The project scope is focused on absolute priorities with sufficient resources allocated to effectively achieve impactful results. All within the necessary complexity of whole-of-government approaches and reinforced by strong complementarity of the components.

25. **The proposed project is structured around four mutually reinforcing components that support:** (1) *building blocks*: increasing institutional capacity and laying the foundations for improved, secure government connectivity (2) *enablers*: developing unified identification management system and digital services, (3) *levers*: development of capabilities of the digital private sector to take advantage of digital business opportunities, and (4) project management. For instance, the development of a unified identification system and digital services (component 2) are dependent upon the Government's connectivity and institutional capacity (component 1). Conversely, fully reaping the benefits of a capable

and connected Government (component 1) is only possible if all the citizens in the country are properly identified and basic data and systems are in place for planning, budgeting and delivering services (component 2). In a similar vein, the development of the digital businesses (component 3) provides an ecosystem that favors the cost-efficient and secure procurement of digital goods and services (component 1 and 2), while promoting local digital SMEs and start-ups. Effective project management (component 4) ensures the necessary coordination and change-management processes are carried out in a timely and effective manner. The objectives of each of the components and their respective activities are described below:

Component 1 – Building blocks: Analog Reforms and Government Connectivity (US$ 45 million)

26. **This component will focus on two critical aspects of digital transformation, that is, analog foundations (institutional capacity), and government connectivity.** The objectives are to: (i) strengthen the Government's capacity to implement digital transformation efforts across the country, and (ii) increase public sector connectivity to strengthen its capacity for the decentralized delivery of services.

Subcomponent 1.1: Analog Reforms (US$ 32 million)

27. **This sub-component will strengthen the Government's institutional capacity to leverage technologies to improve the delivery of services**. It will leverage INAGE's recent creation to boost the public sector's capacity to deliver digital services, as well as INTIC´s regulatory function. This effort starts with the establishment of institutional capacity of INAGE and INTIC to deliver on their mandates with resources to plan, design, implement, procure, coordinate, and monitor digital efforts across government. To support long-term and government-wide enforcement of standards and procedures for the acquisition of digital goods and services, this component will also support the establishment of an 'Inter-Ministerial Digital Spending Control Committee', to be anchored at the Ministry of Economy and Finance. Activities will include support to: (i) targeted capacity building of staff and in-sourcing of skills, (ii) development of norms and standards pertaining to design, implementation, procurement and maintenance of digital goods, services, and workforce (iii), development and operationalization of prioritization criteria for digital goods and services, and (iv) legal reforms pertaining to data protection and digital certification.

Subcomponent 1.2: Government Connectivity (US$ 13 million)

28. **This sub-component will include the targeted purchase of broadband connectivity services for specific MDAs, while strengthening the government's capacity to provide connectivity and cybersecurity services.** The sub-component will support the purchase of digital services for specific use cases directly relevant to the project activities, such as civil registration and identification. The sub-component will also lay the groundwork for increasing the geographic reach, capacity, reliability, and security of the Government's internal digital network (GovNet). Activities will include support to: (i) mapping and assessment of connectivity needs and demand modelling, (ii) acquisition of project specific connectivity needs following market-based approaches, (iii) legal reforms pertaining to cybersecurity and cybercrime, (iv) capacity building on cybersecurity and cybercrime.

Component 2 – Enablers: Identification Systems and Digital Services (US$ 70 million)

29. **This component seeks to develop the infrastructure for the delivery of legal identity and service delivery.** The objectives are to: (i) facilitate and secure access to civil registration and civil identification services for all citizens; and (ii) provide the technological underpinnings to support streamlined access to public services and benefits, as well as digital transformation efforts. The main beneficiaries of this component will be citizens, and stakeholders in charge of civil registration and civil identification, and public and private organizations relying on identity credentials for the provision of digital services.

Subcomponent 2.1: Civil Registration and Identification (US$ 58 million)

30. **This sub-component will support the Ministry of Justice and the Ministry of Interior in modernizing and expanding legal identity coverage throughout the country, while operationalizing interoperability of databases.** Birth registration coverage and access to the identity card will be increased, with special focus on rural areas, women, and internally displaced people (IDPs). The roll-out of a unique identification number (UIN), notably through interoperable civil registry and civil identification databases, will help facilitate access to legal identification, while paving the way for platforms (e.g. interoperability, authentication) under component 2.2, contributing to reducing administrative burdens in service delivery. Activities will include support to: (i) design and implementation of a national strategic plan for the "Identity for All" presidential initiative, (ii) organizational reform of the Nacional Civil Identification Department, (iii) simplification of business processes at central and local government levels, (iv) expansion of technological infrastructure for the secured digitalization of civil registration and civil identification databases and services, (v) enhancement of service delivery capacities and training for civil registration and civil identification departments and staff, (vi) co-funding of ID emission, (vii) digitization of paper-based registration records into the Civil Registration system (e-SIRCEV), (viii) acquisition of software and hardware (e.g. computers, printers) for civil registration and civil identification facilities across the country, (ix) logistics for mobile civil registration and civil identification services.

Subcomponent 2.2: Digital Government Services (US$ 12 million)

31. **This sub-component will build the underlining infrastructure for a single information and services platform, while enhancing opportunities for citizen engagement and accountability.** This sub-component will support the development of a single platform to provide information and services to citizens and businesses. To make the platform available to the largest number and citizens who do not have access to the Internet, the platform will adopt multi-channel solutions (e.g. voice, web) and accessibility standards that are iteratively improved based on rigorous user experience testing. To enhance transparency and accountability, data on services provided will be published online (e.g. number, delays, responsiveness rate), and will be complemented by data collected through a proactive citizen engagement mechanism, whereby citizens are contacted through a variety of means (e.g. online, via SMS) to provide feedback on the quality of services just received. Activities will include support to: (i) user research for prototyping of information and services platform, (ii) agile and iterative development of the platform (e.g. alfa, beta versions), (iii) purchase of voice and SMS services for multi-channel platform, and (iv) design and roll-out of proactive citizen feedback mechanism.

Component 3 – Levers: Digital Business Ecosystem (US$ 30 million)

32. **This component will foster the growth of the Govtech ecosystem by supporting digital SMEs to take advantage of business opportunities that digitalization efforts will create, particularly those that will emerge through component 2 activities.**[34] This will help catalyze the expansion of the GovTech ecosystem to foster the public digital transformation agenda by boosting the capacity and pipeline of the local digital business ecosystem (the "supply side") to provide digital technology services for public goods (the "demand side").[35] The component will follow a twin-track focus: (i) strengthening the digital business ecosystem capabilities in support of innovative Govtech solutions and business models; and (ii) supporting entry and growth of digital businesses that can provide digital services and technologies to support government operations, service delivery and transparency.[36]

Subcomponent 3.1 – Digital Business Ecosystem Capabilities ($15M)

33. **Stronger firm capabilities are needed among digital businesses to develop solutions for the delivery of public services with business models that allow sustainability and growth.** To enhance digital firm capabilities, the project will support Entrepreneurship Support Organizations (ESOs) to deliver quality business development trainings for the development of the local digital business ecosystem. The project will identify existing business support capabilities and assess how these meet market needs, and then design a capacity building program for ESOs tailored to Govtech business models.37 To boost demand by private sector firms, trainings will be also provided to Mozambican MSMEs to take advantage of Govtech tools available (for example online business licensing), including those rolled out through component 2.

34. **The project will help mature local digital businesses for and eased access to contracts**. In close collaboration with INAGE, INTIC, and industry stakeholders the project will deliver capacity building activities and events to raise awareness on government demand and to prepare domestic digital firms to access, become qualified, and submit high quality proposals to procurement opportunities. Trainings will also equip local technology providers to comply with those digital standards the government will streamline including through components 1 and 2 (i.e. data protection, interoperability, digital certifications, cybersecurity).

[34] GovTech is defined as the use of technology to support government operations, service delivery and transparency. It is a mechanism for whole of government public sector modernization that places the citizen at the center of the reform (World Bank 2020).
[35] In synergy to the support of the digital business Govtech ecosystem, component 2 will provide capacity building to the government in agile methodologies for innovative public procurement.
[36] Digital businesses in a digital economy can be divided into two distinct categories, each with their characteristics: 1) digital start-ups: early-stage ventures that create new digital solutions or business models as part of their core products or services, and 2) established digital businesses: mainly large platform-based and data-driven firms that have passed the initial start-up stage, having acquired suppliers, contractors, and consumers rapidly. (Diagnostic Digital Economy for Africa Country Diagnostic Tool and Guidelines for Task Teams, June 2020).
[37] This builds on the Kenya Industry and Entrepreneurship Project (KIEP) and the assessment and capacity building programs will be tailored to the Govtech ecosystem.

Subcomponent 3.2 – Digital Business Pipeline ($15M)

35. **A healthy pipeline of innovative and quality businesses serves as a critical element to enable the government to adopt digital technologies, creating positive spillover effects to the rest of the economy.** To foster the entry and growth of businesses that develop novel solutions for Govtech tools, the project will (i) organize Govtech business competitions, and (ii) provide financial (Govtech SME grants) and non-financial support to businesses that develop solutions in support to government-led digitalization initiatives. To further encourage public sector innovation and leverage the use of public open data, competitions will be launched in collaboration with sectoral agencies that will benefit from novel solutions (particularly in connection to component 2). Competitions will serve as entry points for digital SMEs to access ESO support for necessary financial and business development support (e.g. use of innovative digital business models, improved access to markets). The provision of Govtech SME Grants ($8 million window) to competitively selected businesses (through competitions) will support commercialization and market access efforts (such as customer testing).[38]

Component 4 – Project Management and Implementation Capacity (US$ 5 million)

36. 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.

37. **The project will leverage the existing Project Implementation Unit (PIU) within the Ministry of Science and Technology, currently implementing the MozSkills Project (P167054).** This will generate economies of scale, reduce transaction costs with project management, and ensure better synergy between the projects, notably in overlapping areas of development (e.g. digital services, capacity-building). The PIU will manage and implement the project. This subcomponent will support the corresponding operating costs and necessary complementary investments related to project management, such as fiduciary and M&E management, provision of IT materials, and office equipment. Additional technical assistance will be provided in sectoral areas (e.g. ID, GovTech) on an as-needed basis,[39] thus allowing for flexibility and agility during project implementation. Independent Implementing Partners (IP) will be recruited from the private sector to support the implementation of select technical activities. The PIU 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. These will be designed to foster awareness around digitalization and help reduce behavioral resistance.

[38] Half of the grant will consist of vouchers that recipients will redeem for ESO services, which fundamental role is to provide expert advice on legal, financial management, market access, among others. Grant window amounts will be up to $50,000, will target 100 digital businesses and its oversight will be led by an IP. Project implementation documents will define the rules for business competitions and grants (for example, external due diligence).

[39] Needs for first 18 months of the project have already been identified, budgeted for, and Terms of Reference are currently being elaborated.

Component 5: Contingent Emergency Response Component (CERC) (US$0 million equivalent)

38. This zero-budget component will establish a disaster contingency fund that could be triggered in the event of a disaster, through formal declaration of a national emergency, or upon a formal request by Government. This can include a response to communicable diseases, such as the COVID-19 pandemic. In the event of such a disaster, funds from the unallocated expenditure category or from other project components could be reallocated to finance emergency response expenditures to meet emergency needs. This component will therefore support the emergency preparedness and response capacity to address the impacts of any natural hazards, such as drought floods, or cyclones. This also includes the financing of post-disaster critical emergency goods, or emergency recovery and associated services, as well as targeted provision of post-disaster support to affected households and individuals.

Legal Operational Policies

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

Summary of Assessment of Environmental and Social Risks and Impacts

The environmental risk rating of this project is considered 'low' as the potential adverse risks and impacts on environment are likely to be minimal or negligible. The project will not support any civil works or construction. Under Component 1, the development of digital government and economy will be promoted mainly through technical assistance activities that have diffuse and induced impacts, often playing out over a longer term: policy reforms and institutional design of mechanisms (Type 2), and capacity building and training (Type 3). Under Component 2, minimal environmental risks are foreseen related to the installation of new or upgrade digital infrastructures, such as the replacement or purchase of new ICT are not expected to exceed the minimal threshold for management of e-Waste management issues. However, a simple Code of Practices for such works as well for e-Waste has been prepared. Under Component 3, Digital Economy, mainly technical assistance will be provided to (i) create a private-sector led funding mechanisms to catalyze the financing ecosystem for early stage ventures and to (ii) fostering SMEs capabilities in using platforms to access to markets. However, activities of these companies are beyond the scope of application of the ESF, so no adverse impacts are expected to stem from this component.

The project has moderate social risks. No further social assessment is required. A Stakeholder Engagement Plan (including the design of a GRM) and a Communication Strategy has been prepared. A SEA risk assessment has been undertaken and further analysis and recommendations will be in place within the first three months of the project. A COVID-19 protocol has been prepared to mitigate risks of spreading the disease through face-to-face trainings. Labor Management Procedures are in place to ensure that the requirements of ESS2 and local laws are adhered to.

E. Implementation

Institutional and Implementation Arrangements

39. **The Project will leverage an already existing Project Implementation Unit (PIU) within the Ministry of Science and Technology.** The PIU is currently responsible for the administration, monitoring and evaluation, and fiduciary responsibilities for the implementation of the Project MozSkills (P167054). As such, the Ministry already has strong experience in successful WB project implementation and dialogue with various project stakeholders that required constant follow-up, which will be critical to the success of this operation. Importantly, the PIU already has experience in managing more than one project, having in the past managed one educational project and the Digital Development Project MEGCIP. Additional key Ministries and government agencies will be involved in the coordination and implementation of project interventions, as relevant. The sectoral/technical support required for achievement of key performance indicators will be provided by the sectoral Ministries themselves and complemented by technical assistance in different areas (e.g. ID, digital government) on an as-needed basis, thus allowing for an agile and adaptive approach to project implementation. The needs for the initial 18 months of the project have already been identified, budgeted for and key terms of reference have been elaborated.

40. **The Project's Implementation Steering Committee will be anchored at the Ministry of Science and Technology.** This Steering Committee will help resolve issues that may require high-level coordination and that pertain to project activities, as it includes all decision-makers representing key project stakeholder, including the MOST, Ministry of Interior, Ministry of Justice, and Ministry of Finance. Working groups may be created at the request of the Project Steering Committee to provide technical and strategic guidance as required. The PIU will be staffed with dedicated technical, management and fiduciary staff for the project. The PIU coordinator will report directly and regularly to the Project Steering Committee, including on key performance indicators.

41. **To ensure further and government-wide enforcement of standards and procedures, the project will facilitate the creation of an 'Inter-ministerial Digital Spending Controls Committee'.** This inter-ministerial committee will be anchored at the Ministry of Finance, a Ministry with cross-sectoral vocation and capacity to align expenditures government-wide. The core function of this Committee will be to ensure that procedures and standards (e.g. agile development, interoperability) to be developed are enforced government-wide, avoiding common challenges in digital government efforts such as costs overrun, redundant acquisitions, and failure to conform to interoperability and data protection requirements.

CONTACT POINT

World Bank

Tiago Carneiro Peixoto
Senior Governance Specialist

Eva Clemente Miranda
Private Sector Specialist

Borrower/Client/Recipient

Ministry of Science and Technology (MOST)
Constantino Sotomane
ICT National Director
Constantino.Sotomane@mctestp.gov.mz

National Institute of Information and Communication Technologies (INTIC)

Implementing Agencies

National Institute of Electronic Government (INAGE)
Sergio Mapsanganhe
Deputy Director
sergio.mapsanganhe@gov.mz

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

APPROVAL

Task Team Leader(s):	Tiago Carneiro Peixoto Eva Clemente Miranda

Approved By

Practice Manager/Manager:		
Country Director:	Idah Z. Pswarayi-Riddihough	29-Jun-2021