



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 17-Oct-2021 | Report No: PIDA29310

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

Country Mozambique	Project ID P173640	Project Name Social Protection and Economic Resilience Project	Parent Project ID (if any)
Region AFRICA EAST	Estimated Appraisal Date 30-Sep-2021	Estimated Board Date 16-Dec-2021	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Economy and Finance	Implementing Agency National Social Protection Institute (INAS), Ministry of Gender, Children and Social Protection	

Proposed Development Objective(s)

The Project Development Objective is to improve the effectiveness and efficiency of the social protection system.

Components

Strengthening Core Operational and Administrative Capacity
 Improving efficiency and effectiveness of Social Protection programs
 Shock Responsive Social Protection
 Contingent Emergency Response

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

Total Project Cost	167.50
Total Financing	167.50
of which IBRD/IDA	126.50
Financing Gap	0.00

DETAILS**World Bank Group Financing**



International Development Association (IDA)	126.50
IDA Grant	126.50

Non-World Bank Group Financing

Trust Funds	41.00
Strengthening Mozambique's Social Protection System MDTF	41.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)



B. Introduction and Context



Country Context

Poverty reduction in the last decades also shows increasing gaps across provinces and between urban and rural areas.

As a result of the sustained yet modest per capita growth, monetary poverty declined from 60.3 percent in 2002/03, to 58.7 percent in 2008/09 and further 48.4 percent in 2014/15. The faster poverty reduction observed between 2009 and 2015 also shows a relative gain in urban areas due to the lagging agricultural sector and the urban concentration of large, capital intensive public and private investment projects: poverty declined faster in urban centers (23.2 percent) than in rural villages (18.8 percent).

Key human capital outcomes lag behind comparable countries in the region and restrict the productivity growth potential. Mozambique's HCI shows that a child born in Mozambique today will be 36 percent as productive when she grows up as she could be if she enjoyed complete education and full health (World Bank, 2018c), ranking Mozambique as 148 out of 157 countries on the World Bank Human Capital Index and only above a few fragile and conflict affected countries.¹

These low human capital endowments are associated with low coverage of essential social services delivery. While there are significant gaps in basic infrastructure like sanitation (only 33 percent nationally) and access to clean drinking water (56 percent) (Census 2017), sectoral services also show important gaps. According to the National Health Institute (INS), in 2015 only about 25 percent of children in the North.

Mozambique is also highly vulnerable to extreme climate events: it ranks third among African countries most exposed to multiple weather-related hazards. Mozambique has had an average loss of 1.1 percent of the GDP during the last 50 years due to natural hazards. On average households experiencing a cyclone, flood, or drought leads to a drop of up to 25–30 percent in their per capita food consumption and around 0.4 fewer meals per day per person (Baez et al, 2019). Poverty increased by 12 and 17.5 percentage points in two of the three events analyzed. Human capital accumulation, as measured by school participation and morbidity, is disrupted. Furthermore, when facing shocks households are seen to follow risk-coping strategies, such as increasing child labor or selling productive assets, which entail partial protection in the aftermath of the shock but come at the cost of lower income growth in the future (Baez et al, 2019; Bowen et al, 2020).

The COVID-19 crisis worsened the social and economic vulnerability among the poor. Since the beginning of the pandemic the number of confirmed COVID-19 cases has risen to 129,039 (as of August 5, 2021) and a total of 394,000 people have received at least one-dose of vaccine (as of August 5, 2021), equivalent to an estimated of 1.2 percent of the population (Reuters Aug 5, 2021). The State of Emergency in place since March 30, 2020 was transitioned to a State of Public Calamity on September 7, 2020. The new status preserves many of the COVID-19 prevention measures with gradual resumption of social and economic activities in coordination with health authorities. The negative impacts on livelihoods are expected to be seen relatively more in urban and peri-urban areas where social distancing measures and business closures are having most effect. The pandemic is expected to predominantly affect poor urban populations, impacting their sources of income from informal work and self-employment.

Moreover, the country is experiencing a conflict and fragility crisis, exacerbating the historical development imbalances that characterize Northern Mozambique. The crisis has significantly escalated in the past few years, especially affecting the provinces of Cabo Delgado, Nampula, and Niassa. The conflict has caused damage to physical infrastructure and disruption of basic services, leading to a massive surge in forced displacement impacting the



livelihoods and human capital investments among families, and further deteriorating the already critically weak food security, access to services, fragile livelihoods, and health in the region.

Sectoral and Institutional Context

Mozambique’s social protection strategy is aimed at addressing poverty and consumption resilience, human capital, social risks, and institutional capacity. The social protection system is grounded on the National Strategy for Basic Social Security 2016-2024 (ENSSB II) targeting the poorest and most vulnerable population. The key objectives are to “(i) strengthen their consumption level and resilience; (ii) contribute to the development of their human capital through improved nutrition and access to health and education services; (iii) prevent and respond to the risks of violence, abuse, exploitation, discrimination and exclusion through social services; and (iv) develop institutional capacity for the implementation and coordination of the social assistance system.”

The GoM has three key safety nets programs with still limited coverage. The National Social Protection Institute (INAS), under the policy guidance of the Ministry of Gender, Children and Social Protection (MGCAS), implements several social protection programs. The three programs with larger coverage vary in terms of benefits received (Government of Mozambique, 2018), duration, and target population. Overall, INAS covered 595,000 households with regular programs in 2019, equivalent to 20 percent of the poor households, which is below the target proposed by the PQG 2020-2024 of 28 percent of the population living under the poverty line. An additional 120,000 households were covered by emergency social assistance during 2019. The key programs are Basic Social Assistance (PSSB), Productive Social Assistance (PASP), and the Direct Social Assistance for Emergency Response (PASD-PE).

The current social protection coverage is still below the planned targets and requires a strategic expansion to ensure the poorest households are included. This implies carefully analyzing the vulnerabilities of different socioeconomic groups (children, women, youth), and expanding specific programs to provide a pathway out of poverty. The effectiveness of social protection in supporting human capital development and economic inclusion requires complementary interventions from other sectors. This multisectoral principle is explicit in the ENSSB II and is critical in addressing specific objectives such as reduction of children malnutrition or economic empowerment of women.

The GoM allocates about 2.4 percent of government budget (0.9 percent of GDP) to the social protection sector. However, the full implementation of the planned ENSSB II for a 5-year period requires about US\$270 million, equivalent to 3.9 percent of government budget, and 1.3 percent of GDP. It is estimated that full implementation of the ENSSB II could reduce poverty incidence by 7.5 percent at a cost of 2.2 percent of GDP. To reduce the uncertainty of social protection budget it is critical to establish a multi-year budget to facilitate operational planning of the sector and, especially, ensure regular service delivery and payments to beneficiaries. The expected positive fiscal space provides an opportunity to enhance the impact of social protection through increased financing and efficiency.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Project Development Objective (PDO) is to improve the effectiveness and efficiency of the social protection system.

¹ Including CAR, Chad, South Sudan, Niger, Mali, Liberia, and Nigeria.



Key Results

The Project Development Objective (PDO) is to improve the effectiveness and efficiency of the social protection system. Improvements in social protection effectiveness are reflected in the increased impact of project activities on dimensions like food security or financial inclusion. The improvements in social protection efficiency are reflected on the allocative efficiency gains due to better targeting in specific programs like PSSB and in the gains from improved delivery of benefits through digital payments.

The proposed project addresses the critical challenges described before, and indicators are organized along the core objectives. First, PDO indicators that reflect *effectiveness* of social protection system are:

- Beneficiary households with food consumption score above "poor level" (Percentage).
- Financial inclusion of female social protection beneficiaries (Number)
- Beneficiaries under the Direct Social Assistance Program for COVID-19 (Number).

Second, PDO indicators of *efficiency* are:

- PSSB Beneficiaries supported by the Project in the lowest 2 quintiles of the income distribution (Percentage).
- Beneficiaries receiving social protection transfers through digital payments (Percentage).

D. Project Description

The proposed project brings together key social protection programs in Mozambique to maximize their synergies and enhance their impact on human capital and economic inclusion. Component 1 would support the operational and administrative capacity of INAS and MCGAS to analyze, design, and implement social protection programs. Component 2, would support (i) Basic Social Assistance to further enhance human capital development by expanding the coverage of social assistance with a focus on poor families with children; as well as (ii) the productive social assistance program to expand income generation opportunities among the poor and vulnerable and to those exiting emergency support. Component 3, would finance shock responsive social protection programs like PASD-PE to support families affected by disasters, including conflict; and establish a contingent financing for slow onset emergencies.

Component 1. Strengthening Core Operational and Administrative Capacity. This component would address key challenges to support implementation of the different components of the project. Key areas for strengthening include (i) policy planning and analysis at the central level in MGCAS; (ii) strengthened operational processes at INAs; (iii) enhanced capacity of implementation at the local level.

Component 2. Improving effectiveness and efficiency of Social Protection programs. This component will support the scale up of the Basic and Social Assistance Program (PSSB) with a focus on families with children under 2 years of age, and the strengthening of the Productive Social Assistance Program to enhance economic empowerment of the poor and vulnerable. The PSSB is the bedrock of the ENSSB II and will provide poor and vulnerable families with a package of benefits and services intended to support minimum consumption needs, critical human capital investments through access to social services. To this end, the proposed package will include delivery of cash transfers and complementary activities in the form of information sessions with a focus on improving nutrition-related outcomes. This component would also support the objective of economic autonomy among vulnerable households – especially among women- the first pillar of the Mozambican ENSSB II. The ENSSB II stressed activities to enhance economic autonomy of poor and vulnerable households, especially among priority groups such as female headed households and vulnerable youth. This component will support the strengthening of the Productive Social Assistance Program to achieve this goal, through two PASP



activities: (i) implementation of productive Public Works subprojects that facilitate labor force participation in community activities and services, and (ii) support to activities to increase income generation capacity (ADIGR subprojects) to promote acquisition of productive skills.

Component 3. Shock-responsive Social Protection. This component aims to strengthen the capacity of the social protection system to timely respond to emergencies through improved financing mechanisms to support social assistance interventions to protect the human capital and productive capacity among the target population.

Component 4. Contingent Emergency Response. This component aims to strengthen the capacity of the social protection system to timely respond to shocks through improved financing mechanisms to protect the human capital and productive capacity among the target population. This CERC will allow for rapid reallocation of project proceeds in the event of a natural or man-made disaster or crisis that has caused or is likely to imminently cause a major adverse economic and/or social impact (e.g. violence or displaced population).

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 the project is considered 'Substantial' mainly due to the potential adverse risks and impacts from labor intensive public works (PASP - Productive Social Action Program) and urban and rural economic inclusion activities (ADIGR - Support for the Development of Income Generation Initiatives) under Component 2 that may affect negatively the surrounding physical environment and people. Key environmental risks and impacts are associated with the civil works interventions including occupational and community health and safety concerns related to natural (venomous and poisonous wildlife), physical (injuries from using working tools and equipment) and chemical hazards (handling of solid waste and sewage); waste generation, water body contamination and soil pollution (debris from civil works and sewage sludge from cleaning drainage channels); vegetation clearance and fauna disturbance; uncontrolled spillages of fuel, oil and lubricants; emission of dust and generation of noise and vibration, etc. The urban and rural economic inclusion (ADIGR - Support for the Development of Income Generation Initiatives) activities are also expected to generate similar type of risks and impacts stemming from the seed capital for productive assets in urban areas and agricultural financing in rural areas, for example, occupational health and safety concerns resulting from machinery and equipment use or pollution resulting from use of pesticides. The social risk rating of the project is considered Substantial. ESF instruments prepared by INAS determined the following potential social risks and impacts: (i) relatively moderate ESS5 risks and impacts (as described in subsequent sections below) related to Component 2 activities; (ii) moderate GBV/SEA risks (also confirmed through GBV/SEAH Screening Tool), associated with minor small-scale works and refurbishment activities linked to Component 2, and possibly, to CERC Component as well; (iii) engagement with local communities and other relevant stakeholders (including with most vulnerable and disadvantaged groups, as well as populations affected by conflict in the north of Mozambique) and ensuring their



genuine participation in decision-making processes of the project; (iv) potential risk of elite capture of the project benefits and challenges in ensuring equitable access to project benefits including in relation to cash transfer activities; (v) given the project nationwide approach, there is a challenging contextual environment and baseline conditions in the north of the country due to conflict, as well as associated security risks, all of which may create a risk of unequal geographical distribution of social benefits; (vi) the project will also face social (and environmental) risks related to transmission of communicable diseases, e.g., COVID-19.

E. Implementation

Institutional and Implementation Arrangements

The Ministry of Gender, Children and Social Protection is responsible for the implementation of the Project and supported by INAS as a Project implementation partner. MGCAS has the social protection policy leadership while most of the operational responsibility lies on INAS. The Project will have a Project Coordinator appointed by MGCAS responsible for: (i) supervision of Project implementation activities, (ii) lead the coordination with INAS in the preparation of the Project Annual Workplans and Budgets and their approval by MGCAS; (iii) coordinating a Project Support Team that will provide technical assistance and direct support to MGCAS and INAS during implementation; and, (iv) submission of consolidated Project implementation and Fiduciary reports to the World Bank. MGCAS will be directly responsible for implementation of some activities under Component 1, with dedicated procurement and financial management staff and a MGCAS-specific Designated Account. To support implementation of project activities a Project Support Team will be established in MGCAS and will be responsible for the provision of technical assistance to MGCAS and INAS structures in the preparation of Project Annual Workplans and Budgets, implementation of Project activities, capacity building on implementation of procurement and financial managements activities, and on monitoring and reporting on project activities, among others.

INAS is the implementation partner responsible for carrying out operational activities under Subcomponents 1.2, 1.3, and Components 2 and 3. INAS leads the operational implementation of the Project as stated in the INAS normative. INAS is responsible for preparing Project Annual Workplans and Budgets, implementation of Project activities, and preparing Project Implementation and Fiduciary reports for the above-mentioned subcomponents and components, with the technical assistance from the Project Support Team. Project Annual Workplans and Budgets prepared by INAS would be approved by MGCAS annually. Fiduciary reports of activities managed by INAS will be approved by the INAS Fiscal Committee chaired by a representative of the Ministry of Economy and Finance.

As Project activities will include an increasing number of actors involved in the implementation, the dedicated project support team would provide support to INAS structures. The project will require an increased capacity to manage more numerous and complex arrangements with other agencies – both Government and non-governmental international organizations. Also, it will require additional capacity to manage contracts and service level agreements with different service providers from financial education to digital payment services. One priority task of the support team is to strengthen the management of fiduciary processes to ensure their efficiency and transparency. The core support team will include: (i) two procurement specialists, (ii) two Financial Management specialists and two Accountants responsible for supporting project financial flows and reporting, (iii) a payments specialist supporting the planning and implementation of payment processes, (iv) two



safeguards' specialists supporting the implementation of the ESF commitments and plans. The PST will work closely with INAS in preparing the technical specifications for procurement processes, planning the financial needs of Project activities and ensuring adequate monitoring by delegations.

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APPROVAL

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