AFRICAN DEVELOPMENT BANK **ADB/BD/WP/2019/256/Approved**	**AFRICAN DEVELOMENT FUND** **ADF/BD/WP/2019/172/Approved** **25 November 2019** **Prepared by: RDGS/PICU/COMZ/PGCL** Original: English

BOARD APPROVAL **Lapse-of-time Procedure** **25 November 2019**	**FOR INFORMATION**

MEMORANDUM

TO: THE BOARDS OF DIRECTORS

FROM: Vincent O. NMEHIELLE
Secretary General

SUBJECT: **MULTINATIONAL: MUEDA–NEGOMANO ROAD UPGRADING PROJECT PHASE II LOT A (ROMA-NAMBUNGALE – 35 KM*
**

TSF GRANT OF UA 12, 00 MILLION

GRANT OF UA 12,090,000 FROM ADF RESOURCES (OF WHICH UA 10 MILLION FROM THE REGIONAL ENVELOPE; AND UA 2.09 MILLION FROM ADF-10, 11, AND 12 CANCELLED RESOURCES)*

The **Grant Proposals** and the Draft **Resolutions** related to the above-mentioned subject, were submitted for **your consideration on a Lapse-of time basis**, on 11 November 2019.

Since no objection is recorded by 5.00 pm. on 25 November 2019, **the Proposals are considered as approved and the Resolutions adopted.**

Attach:

Cc.: **The President**

***Questions on this document should be referred to:**

Mrs. J. NGURE,	Ag.General Director	RDGS	Extension 8501
Mrs. A. OUMAROU	Director	PICU	Extension 3075
Mr. G. PENN	General Counsel	PGCL	Extension 3220
Mr. P. TOIGO	Country Manager	COMZ	Extension 1299
Mr. F. KANONDA	Division Manager	RDGS.1	Extension 8411
Mrs. A. MECCA	Division Manager	PGCL.1	Extension 3309
Mr. J. MABOMBO	Task Manager	COMZ/RDGS2	Extension 6946
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SCCD:NM

AFRICAN DEVELOPMENT
BANK GROUP

PROJECT: **MUEDA–NEGOMANO ROAD UPGRADING PROJECT PHASE II LOT A (ROMA-NAMBUNGALE – 35 KM)**

COUNTRY: **MULTINATIONAL**

PROJECT APPRAISAL REPORT

July, 2019

Appraisal Team	Task Manager:	Mr. João Mabombo, Senior Transport Engineer, COMZ/RDGS
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AFRICAN DEVELOPMENT BANK GROUP

MULTINATIONAL: MUEDA–NEGOMANO ROAD UPGRADING PROJECT PHASE II LOT A (ROMA-NAMBUNGALE – 35 KM)

RDGS/PICU/COMZ

November 2019

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FINANCIAL DATA, ACRONYMS AND ABBREVIATIONS

Currency Equivalents

As of July 2019

UA	1.00	=	1.38 USD
UA	1.00	=	84.48 MZN
USD	1.00	=	61.42 MZN

Fiscal Year

January 1st – December 31st

Weights and Measures

1 metric tonne	=	2204 pounds (lbs)
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch (")
1 kilometre (km)	=	0.62 mile

Acronyms and Abbreviations

AC	Asphalt Concrete	MCC	Millennium Challenge Corporation
AfDB	African Development Bank	MITADER	Ministry of Land, Environment & Rural Development
ALSF	African Legal Support Facility	M&E	Monitoring and Evaluation
ANE	National Roads Administration	NAPA	National Adaptation Plan of Action
AIDS	Acquired Immune Deficiency Syndrome	NCB	National Competitive Bidding
ANAC	National Administration of Conservation Areas	NDF	Nordic Development Fund
ARAP	Abbreviated Resettlement Action Plan	OSBP	One Stop Border Post
CBA	Cost Benefit Analysis	PAP	Project Affected Person
CFM	Mozambique Ports and Railways Corporation	SADC	Southern African Development Community
CSP	Country Strategy Paper	SIP	Social Inclusion Program
DfID	UK's Department for International Development	PBA	Performance Based Allocation
DBST	Double Bituminous Surface Treatment	PPP	Public-Private Partnership
ENDE	National development strategy	PRISE	Integrated Road Sector Program
EIRR	Economic Internal Rate of Return	QCBS	Quality-and-Cost-Based Selection
ESIA	Environmental and Social Impact Assessment	RAP	Resettlement Action Plan
ESMP	Environmental & Social Management Plan	RDF	Revenue Development Foundation
EC	European Commission	SIDA	Swedish International Development Cooperation Agency
GOM	Government of Mozambique	UA	Unit of Account
GDP	Gross Domestic Product	UGEA	Procurement unity of ANE
HDM	Highway Design and Management software	UNFCC	UN Framework Convention on Climate Change
HIV	Human immunodeficiency virus	USD	American Dollars
ICB	International Competitive Bidding	WB	World Bank
ISS	Integrated Safeguards System	WCS	Wildlife Conservation Society
IsDB	Islamic Development Bank	WWF	World Wide Fund for Nature
JICA	Japan International Cooperation Agency		

LOAN INFORMATION

Client's information

Borrower:	Republic of Mozambique
Executing Agency:	National Roads Administration (ANE)

Financing Plan

Sources of financing	Amount (UA)	Instrument
TSF Pillar I	12.00 million	Grant
Regional Operation	10.00 million	Grant
ADF (Cancelled Resources)	2.09 million	Grant
Government of Mozambique (GOM)	0.39 million	Counterpart financing
Total cost	24.48 million	

ADF's key financing information

Grant currency	Unit of Account (UA)
Interest type	N/A
Interest rate spread	N/A
Service Charge	N/A
Commitment fee	N/A
Maturity	N/A
Grace Period	N/A
EIRR (base case)	16.6%
NPV (Base case)	USD 10.883 million

Timeframe - Main Milestones

Concept Note approval	December 2018
Project approval	October 2019
Effectiveness	December 2019
Completion	December 2022
Closing Date	December 2023
Last repayment	N/A

PROJECT SUMMARY

Project Overview: The Mueda – Negomano Road Project Phase II (Lot A) comprises the upgrading of 35 km of the road to paved standard. The total cost of the project is US$ 34.06 million (UA 24.48 million). The Civil works will be implemented over a 24-month period. The project objective is to improve transport infrastructure in Mozambique and Tanzania and the region as a whole by providing a direct road link with Tanzania in bituminous standards and promote social inclusion of the communities along the road. The direct beneficiaries of the project are the population living within the project zone of influence in Cabo Delgado Province. The benefits include improved facilitation of regional integration with Tanzania, improved transport links, social facilities, and job opportunities both in the short and long terms. Beneficiaries of the project include traders and road users, who transport goods between Tanzania and Mozambique. As the project complements the already constructed Unity Bridge between the two countries, the successful completion of the project, will benefit users with more direct and shorter journeys to the ports of Pemba in Mozambique and Mtwara in Tanzania, effectively enhancing regional integration and regional trade.

Needs Assessment: Bridging infrastructure gap, particularly to increase national and regional connectivity, is key to the efforts of the Government of Mozambique to eradicate poverty and to accelerate economic growth. This is particularly the case in the Northern region of the country, which has suffered spatial exclusion, but is expected to witness a demographic and economic change, owing to its rich resources in agriculture, tourism, and mining. The social inclusion program will, look inter alia, at economic opportunities, both in terms of stimulating income generating activities along the corridor, as well as increasing equal employment opportunities through sponsored vocational training and promotion of women-led contracting business and of female employees. In November 2015, the Bank approved the financing of the section of this regional link on the Tanzania side under the ongoing Transport Sector Support. This intervention together with planned future financing by the Bank in the Mtwara corridor will not yield their full developmental capacity without this key link with Mozambique. Moreover, the current project is a continuation of the stretch from Negomano to Roma (Mueda-Negomano Road Project – Phase I) also financed by the Bank. The project is in line with the Bank's Country Strategy Paper (CSP) Pillar 1 for Mozambique, which seeks to support infrastructure development. In addition, the project is well aligned with the Agenda 2025 and PQG (Government Five Year Plan) that highlight the importance of the transport infrastructure. The project also aligns with the Ten Year Strategy (2013 -2022), RISP (2011 – 2017), and the "High-5s", in particular the Regional Integration under the framework of SADC.

Bank Group Added Value: The Bank is well positioned to support the development of regional corridors and road infrastructure in Mozambique, due to its ability to coordinate programs and projects across countries. The Bank will also bring added value and leadership through its broad and experience in successful delivery of more sustainable infrastructure projects in both countries (Mozambique and Tanzania) and regional projects such as the Nacala project, and will assist in introducing sectoral, social and environmental initiatives complimenting the project.

Knowledge Management: The project will assist in building the Administração Nacional de Estradas (ANE) and the Road Fund's (RF) capacities in generating and managing sector-specific knowledge through studies included in both this and previous phases. This specifically relates to the review of the sectors' business processes and implementation of resulting short and long-term recommendations as well as undertaking a comprehensive training needs assessment for a robust capacity-building programme. The social inclusion component is anticipated to generate new knowledge and experience that will be captured and documented by ANE through the capacity building activities for the cross cutting department of ANE.

RESULTS-BASED LOGICAL FRAMEWORK

Country and project name: Mueda – Negomano Road Project - Phase II (Lot A) – Construction of 35 km Roma to Nambungale Road
Purpose of the project: To support the country's growth through investing in safe, efficient and cost-effective transport systems that contribute to improving national and regional trade connectivity

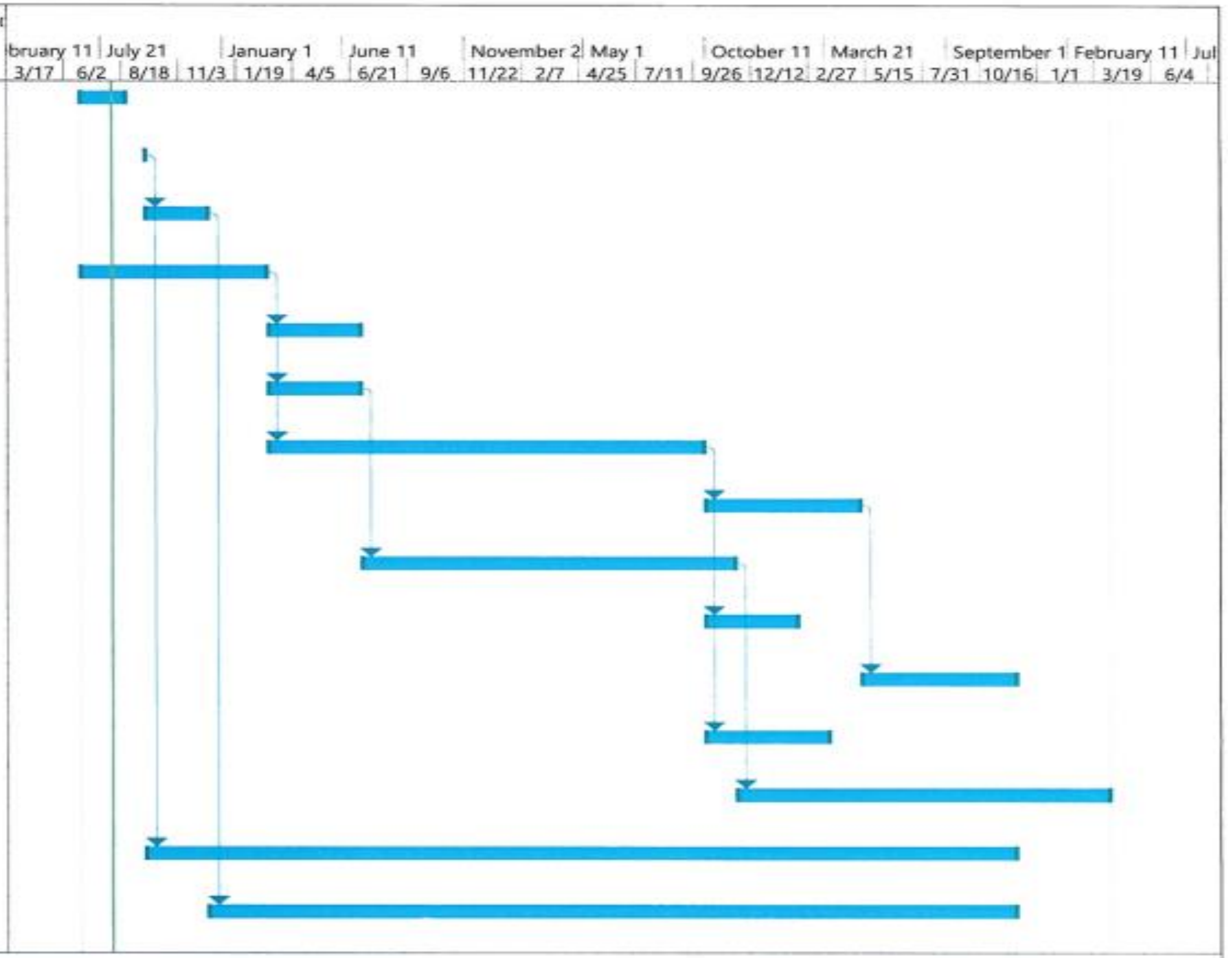
RESULTS CHAIN		PERFORMANCE INDICATORS: INDICATOR (INCLUDING CSI)	BASELINE 2019	TARGET 2023	MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
IMPACT	**Impact 1**: Enhanced regional corridor trade between Mozambique and Tanzania.	Annual trade volumes between Mozambique and Tanzania (USD)	USD 10 million	USD 30 million by 2030	• Cross boarder customs records • Country national annual statistics reports • International reports • Socio-economic studies	Risk: Failure to achieve national and regional trade corridors free of barriers Mitigation: Development Partners are committed to assist mobilize financial resources to fund regional initiatives Risks: (i) Lack of Axle Load Control; and (ii) poor road maintenance practices. Mitigation Measures: (i) On-going project includes construction of permanent axle load scales on the MR3; and; (ii) Road reforms aimed at creating a road fund are underway and project includes preparation a Road Investment and Maintenance Management Programme; iii) other forms of financing like PPPs are actively being pursued with some successes Risks: Counterpart funds; implementation delays; cost over-runs; project control; and poor tender response Mitigation: budget commitment; advance procurement to be used; provision of adequate contingencies; provision of adequate logistics support to carry out project supervision; and use of ICB to increase competition Risks: Delay in payment of land compensation Mitigation: i)Government committed to implement ESMP with a budget commitment Risks:i) Disruption of the project due to military activities. Mitigation: i)Government to have a close eye to avoid any threaten to the recently signed "Definitive Peace Accord".
	Impact 2: Improved economic and social welfare of persons in the zone of influence of the corridor	Poverty headcounts ratio	6%	2%		
OUTCOMES	**Outcome 1**: Reduced Transport costs	Vehicle Operating Costs (Cost/veh-km)	1.02	0.66	• By inspection/ ANE Traffic Counts • National Development Report • Provincial and National statistics • Ministry of Transport Reports • Monitoring and evaluation Report	
		Travel Time (min) Roma-Nambungale	60	26		
	Outcome 2: Contribute to improved community social inclusion	Nutritional education + campaigns (No.)	Zero (0)	20		
		Nutrition kits distributed in schools (No.)	Zero (0)	18		
		women entrepreneurs trained in agro processing /marketing (No.)	Zero (0)	4 associations (20 members each)		
		Vocational courses (No.)	Zero (0)	40 girls		
		Literacy classes (No.)	Zero (0)	40 Women		
	Outcome 3: Contribute to increased job opportunities	No. permanent jobs generated (% female, % youth)	Zero (0)	50 (30% female, 20% youth)		
	Component 1: **Infrastructure Improvements**					
OUTPUTS	(i) Road constructed & Studies conducted	Km	Zero (0)	35	• By inspection/ Substantial completion of works (RD) • Quarterly Progress Reports	
		Studies (No.)	Zero (0)	Three (3)		
		ESMP Implemented (No.)	Zero (0)	Four(4) per year		

	(ii) Social Inclusion infrastructure	Boreholes Constructed	Zero (0)	18	• Procurement reports • Employment contracts	
		Health centres rehabilitated	Zero (0)	2		
		Primary schools rehabilitated	Zero (0)	4		
		Water Reticulation System Repaired	Zero (0)	1		
		Transformation Center for women associations constructed	Zero (0)	1		
		Training center constructed	Zero (0)	1		
	Component 2: Project Management	Technical Audit Conducted (No)	Zero (0)	2		
		Procurement Audit Conducted (No.)	Zero (0)	1		
		Monitoring & Evaluation conducted (No)	Zero (0)	Three (3)		
	Component 3: Cross cutting Communities/Workers Sensitized	Awareness campaigns (No. Sensitized)	Zero (0)	200 sensitized	• Project Quarterly Progress Reports	

KEY ACTIVITIES	**COMPONENTS**	**INPUTS**	
	Component 1: Infrastructure Investments: construction of road & ESMP Implementation, Supervision, Studies –Project and Trade Facilitation , Road Safety Audit Component 2: Project Management (Project Implementation Support, Technical & Procurement Audits, Monitoring and Evaluation) Component 3**:** Cross cutting : Awareness Campaigns (HIV/AIDS , Malaria, Gender Sensitization, Road Safety + Compensation)	Budget (USD Million) Component 1 20.02 Component 2 0.70 Component 3 0.76 Contingencies 3.00 **Total** **24.48**	Financing Plan (UA Million) TSF Pillar 1 - Grant 12.0 49% Regional Operations –Grant 10.0 41% ADF - Grant 2.09 9% Counterpart 0.39 1% **Total** **24.48** 100%

PROJECT IMPLEMENTATION SCHEDULE

ID	Task Name	Start	Finish	Pred
1	Resetlement & Compensation	Mon 6/24/19	Fri 8/23/19	
2	Board Approval	Wed 9/18/19	Wed 9/18/19	
3	Entry into Force	Thu 9/19/19	Wed 12/11/19	2
4	Procurement	Mon 6/24/19	Fri 2/28/20	
5	Mobilisation	Mon 3/2/20	Fri 7/3/20	4
6	Relocation of Utilities Services	Mon 3/2/20	Fri 7/3/20	4
7	Earth Works	Mon 3/2/20	Fri 10/8/21	4
8	Road Works	Mon 10/11/21	Fri 5/6/22	7
9	Structures & Culverts	Mon 7/6/20	Fri 11/19/21	6
10	Ancillary Works	Mon 10/11/21	Fri 2/11/22	7
11	Marking and Singns	Mon 5/9/22	Fri 12/2/22	8
12	Plantations	Mon 10/11/21	Fri 3/25/22	7
13	Liability Period	Mon 11/22/21	Fri 4/7/23	9
14	Project Management	Thu 9/19/19	Fri 12/2/22	2
15	Cross Cutting	Thu 12/12/19	Fri 12/2/22	3



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REPORT AND RECOMMENDATION OF ADB GROUP MANAGEMENT TO THE BOARDS OF DIRECTORS ON A PROPOSED TSF PILLAR I GRANT TO THE REPUBLIC OF MOZAMBIQUE TO FINANCE THE MUEDA-NEGOMANO ROAD UPGRADING PROJECT: PHASE II (LOT A – ROMA/NAMBUNGALE (35 KM))

Management submits the present report and its recommendations on a proposed grant from the resources of the Transition Support Facility (TSF) Pillar I, (UA 12.00 million), the Regional Operations envelope (UA 10.00 million) and cancelled resources (UA 2.09 million) amounting to UA 24.09 million to the Republic of Mozambique for the financing of the Mueda-Negomano Upgrading Road Project : Phase II (Lot A- Roma/Nambungale (35 km).

1. STRATEGIC THRUST & RATIONALE

1.1. Project linkages with country strategy and objectives

1.1.1. Mozambique is a relatively large country, with an area of approximately 800,000 km^2. Its population of about 29 million is concentrated in major cities. The country is characterized by sharp contrasts between the north and the south, defined by the geographic division posed by the Zambezi River. Demographically, the north has a very spatially dispersed population, whereas the south is characterized by population clusters around major urban areas and transportation networks. Economically, the northern region is predominantly agricultural and hosts the production of the majority of export crops, while the southern region is characterized by manufacturing activities. The country has been experiencing stable economic growth for a number of years, though now somewhat subdued in the more recent past. Real GDP has seen a sharp decline from an average peak of 7.5% between 2011 and 2014 to only 3.5% in 2018.

1.1.2. At least half of the the country's economy is dominated by the services sector with agricultural production, wholesale and retail trade currently making up about of 40% and transport contributing less than 10% of the Gross Domestic Product (GDP). The country is vast and inadequate transport system is identified as one of the key bottlenecks facing its ability to not only maximize its privileged geographical position to boost regional integration but also its enormous untapped potential in agricultural. The country's transport infrastructure corridors[1] are established transversely from east-west connecting mining and production centres but also landlocked countries of Zambia, Zimbabwe and Malawi (Mozambique is responsible for 70% of goods transit in the Southern African Development Community -SADC) to exit ports on the Indian ocean seaboard. Connectivity between primary urban and economic cluster is limited, lacking linkages that connect parallel corridors to each other. As such, the development of the county's productive zones are not adequately linked to markets and trade activities regardless of value chain have remained small scale and localized.

1.1.3. The Northern region of Mozambique (the provinces of Nampula, Cabo Delgado, and Niassa) is no exception. With around 34% of the country's population, 35% of its area, and an average poverty rate of 40%. At 1 km/100 km^2, the region has a very low paved road density compared to the region.[2] This inadequate provision of infrastructure has deprived the northern region from utilizing the vast agricultural and tourism resources and limited the potential of trade with Tanzania. It will also present a challenge ahead

[1] There are at least four (4) railroad corridors: (i) Maputo to Gauteng in South Africa (also connecting with Zimbabwe and Swaziland through the railways branches), (ii) the Machipanda line connecting Beira to Zimbabwe, (iii) the Beira to Tete (Moatize) , and (iv) the Nacala to Malawi line

[2] Compared to the average in the Southern African Development Community (SADC) of 10 km/100 km^2.

of the anticipated growth in travel demand and population because of natural gas discoveries in the area, which is expected to generate socio-economic transformation in the region. Within this context, the Mueda – Negomano road in the province of Cabo Delgado that is a spur of the Mtwara corridor has been identified as a key transport link providing domestic connectivity in the country's northerly provinces and is the only land transport link between Mozambique and Tanzania.

1.1.4. The development of economic and social infrastructure in Mozambique has been planned along traditional development corridors and growth poles, but resources and capacity are lacking to expand infrastructure into the rural areas. In Cabo Delgado province, production and supply hubs are still disconnected or remain connected to consumption hubs in inefficient and costly ways. While the region and project area has high potential for trade, connectivity and agricultural potential, it suffers from poor infrastructure including lack of adequate roads and electricity. Other intensifying structural constraints include lack of a skilled labour force. Youth unemployment stands at 42% and there is a mismatch between the supply and demand of skills. To address this driver, a substantial overhaul of the education system, particularly primary education and development of vocational skills is required. Economic inequality reflects the link between the education level, geographical location and gender.

1.1.5. Development of the project at the national level, is supported through the National Development Strategy (ENDE 2015-2035), approved in 2014, which specifically prioritises; i) promotion of employment, productivity and competitiveness; ii) Development of economic and social infrastructure, and iii) sustainable and transparent management of natural resources and the environment. At the regional level the development of the road is foreseen within the infrastructure improvements on the Mtwara Development Corridor which was mooted by the governments of Mozambique, Tanzania, Malawi and Zambia to unlock the potential of the region which is generally underdeveloped across all the four (4) countries. The corridor aims to provide road, rail and waterway access from the surrounding region to the Port of Mtwara. The Mtwara Corridor within the Southern African Development Community's (SADC) is one of Seventeen (17) corridors identified as a necessity for development to improve the competitiveness of the SADC region, reduce the cost of doing business in international trade, and at the same time enhance regional integration.

1.1.6. Recognizing the importance of developing the Mueda Negomano road and linkages to Tanzania and Mtwara Corridor as a whole, the Heads of States of Mozambique and Tanzania signed a bilateral agreement in January 2005 under the auspices of SADC. They committed to accelerate its construction starting with the Unity Bridge over the Rovuma River and 10 km of adjacent roads at the two (2) countries' borders. The construction of the bridge and roads financed entirely by the two (2) governments' own resources was successfully completed in 2010 symbolizing the importance attached to the development of the transport infrastructure in the region. The road on the Tanzania side linking the unity bridge to the Tanzania road network was further paved with Bank financing leaving the Mueda Negomano Road as the only missing link. At the sub-national government level, the conference of Provincial Governors of Cabo Delgado and Mtwara have also shown determination and of the two countries sub-national governments to develop the Mtwara corridor.

1.1.7. While sources of resilience in Cabo Delgado province include the interest of SADC countries in developing trade gateways in Mozambique through various initiatives such as Mtwara Development Corridor, there is need for the government to focus on strengthening state presence in the area and national unity, through infrastructure development. Investment in infrastructure has potential to create economic opportunities for local and vulnerable communities working in agriculture and reduce the inequality, poverty and social exclusion, brought about by decades of civil war and recent military instability in Cabo Delgado Province. The project will also increase social inclusion and thus be a driver of change in mitigating risk of conflict in Cabo Delgado Province. Conversely, investments in infrastructure should be climate resilient due to strong exposure to risks emanating from climate-change. The infrastructure deficit is one of the most binding constraints to Mozambique's growth and competitiveness. The inadequacy of good roads slows the timely delivery of products while antiquated/insufficient and costly access to information and communication technologies (ICTs) limits regional integration and competitiveness.

1.2. Rationale for bank's involvement

1.2.1. The Mueda – Negomano road section is an important link along the Mtwara Corridor as it connects the agriculture and mineral rich Cabo Delgado province in North Eastern Mozambique to the border with Tanzania at Unity Bridge, providing access to the Mtwara Port. Though the Unity Bridge over Rovuma River was commissioned in 2010, the road link to the bridge on the Mozambican side has remained unpaved and in poor condition. Surprisingly and inspite its poor state, both international and domestic traffic along the road continues to increase, transporting passenger and general freight cargo servicing communities in the vicinity of Mueda and beyond to Pemba and Nampula. truckers have been known to spend even up to a week to travel the full length of the road of only 163km at worst peaks during the rainy season and up to seven (7) hours during dry spells. As expected, the lack of development of this link has been identified as a major bottleneck to foster regional trade and boost domestic potential of the province.

1.2.2. The Bank is actively supporting the construction of the 163km Mueda –Negomano Road. Resulting from resource constraints, the construction of the road has been divided into three (3) Phases. Phase I from Negomano to Roma (70km) was approved by the Bank in 2016 for a value of UA 54.52 million and is ongoing. Phase II has been split into two (2) lots of which this subject project is referred to as Phase II (Lot A) – Roma – Nambungale (35km). Construction of Phase II Lot B from Roma to Mueda is planned for 2021.Once completed the road is expected to contribute to fostering physical, economic and social integration of the sub-region and provide improved transportation and access to the port of Mtwara, which will lead to economic growth of the sub-region. Domestically the project will improve mobility of rural population in Cabo Delgado, particularly in the Mueda District and surrounding areas to access social economic services and access to job opportunities. The social inclusion program will in particular look, inter alia, at economic opportunities, both in terms of stimulating income generating activities along the corridor, as well as increasing equal employment opportunities through sponsored vocational training and promotion of women-led contacting business and of female employees.

1.2.3. The Bank Country Strategy Papers for both Mozambique and Tanzania highlights the development of infrastructure as one of the main pillars and both documents refer to the subject project as a key infrastructure asset for the development of two (2) countries' competitiveness and regional integration. In addition, the project is well aligned with the Agenda 2025 and PQG (Government Five Year Plan) that highlight the importance of the transport infrastructure. The project also aligns with the Ten Year Strategy (2013 -2022), RISP (2011 – 2017), and the "High-5s", in particular the one on regional Integration under the framework of SADC. The project aligns with Mozambique CSP 2016-2020 Pillar 1: Development of infrastructure to enable transformative inclusive growth and job creation. The Project is also aligned with the Bank's Strategy on fragility "addressing Fragility and Building Resilience in Africa" (2014-2019) which promotes inclusiveness and building resilience. The transport sector remains a strong mode of building resilience through trade facilitation and regional integration. The project targets key drivers of fragility in Northern Mozambique such as infrastructure deficit, environmental and spatial factors, youth unemployment, gender inequality, and regional development imbalances.

1.2.4. The Bank is well positioned to support the development of regional corridors in the continent, due to this project'' requirement for high level cross-country coordination, an area where the Bank has a niche role as a Multinational institution capable of coordinating cross country projects. The Nacala Transport Corridor involving Mozambique, Malawi and Zambia is an example of a Multinational infrastructure project financed by the Bank. This is captured in the various Bank's strategies (reference made to the Bank's Regional Integration Strategy Papers) which target support of infrastructure projects and regional integration projects. Furthermore, the Bank has approved the financing of the section of this regional link on the Tanzania side under the ongoing Transport Sector Support. This intervention together with planned future financing by the Bank in the Mtwara corridor will not yield their full developmental capacity without this key link with Mozambique. Moreover, the current project is a continuation of the stretch from Negomano to Roma (Mueda-Negomano Road Project – Phase I) also financed by the Bank which has been launched on 2nd October 2018.

1.3. Development partners coordination

1.3.1. The Bank plays a major role in the transport sector in view of its large transport portfolio and experience as working group leader and ensures that its operations achieve complementarities with those of other donors, mainly through engagement in sector-wide planning and prioritization (PRISE). The Bank coordinates its activities with other partners through development partners working groups, which are currently the main aid coordination and harmonization forums in Mozambique. Various development partners are active in the transport sector in Mozambique, including the World Bank (WB), the Islamic Development Bank (IsDB), the UK's Department for International Development (DfID), and the European Commission (EC), the Japan International Cooperation Agency (JICA), Korea's EXIM Bank (KEXIM), the United Nations, and USAID. Several countries also provide various types of assistance through their different assistance arms, such as Denmark, Sweden, Germany, Portugal and others. The operations of these institutions in Mozambique cover a wide spectrum of sectors.

Table 1.1: Development Partners (DP) Involvement

Sector or subsector	Size		
	GDP (15/16)	Exports	Labor Force ('16)
Transport sector	5.7%	N/A	1.0%
Public Annual Expenditure (average) 2007-2015 in roads subsector			
Government	DP		
USD 1.83 b [53%]	USD 1.61 b [47%]	WB 12.2% AfDB 7.6% JICA 7.4%	
Level of DP Coordination			
Existence of Thematic Working Groups			Yes
Existence of SWAPs or Integrated Sector Approaches			No
ADB's Involvement in DP coordination			Member

2. PROJECT DESCRIPTION

2.1. Project objectives and project components

2.1.1. The project objective is to improve transport infrastructure in Mozambique and Tanzania and the region as a whole by providing a reliable land transport link between the two (2) countries and promote social inclusion of the communities along the road.

2.1.2. The Social Inclusion Program of the project targets to improve the quality of life for local communities through the provision of better social infrastructure including education and health facilities, improved food and water security and empowerment of women and girls through promotion of entrepreneurship training and literacy programmes. In a nutshell, it ensures that improved road links are associated with higher living standards for the community, and increased social inclusion. The project components are detailed in table 2.1.

Table 2.1: Project components

N°	Components	Estimated cost (UA million)	Description of component
1	Infrastructure Investments	20.02	Upgrade of Roma-Nambungale (35 km) road to bituminous standard, including construction of structures, cycle lane. Pavement is a Double Bitumen Surface Treatment (DBST). The project will have three (3) key bridges (along the Roma-Nambungale section), with two (2) having a total length of 100 m long, and the other one 40 m. This component also includes a social inclusion program aimed at improving livelihoods of locals and communities along the road. Activities include: Construction of boreholes, rehabilitation of schools and primary health facilities, repair of water reticulation systems, construction of a transformation and training center. The programme will also promote training of women in agro processing and boost food security and vocational training for girls and literacy programmes for women.
2	Project Management	0.7	This includes Monitoring and Evaluation, Procurement and Technical Audits, and Project Implementation Support.
3	Cross Cutting	0.76	Development of a program to deal with Communicable Diseases, Road Safety Sensitization and Compensation.
	Contingencies	3.00	
	Total	**24.48**	

2.2. Technical solution retained and alternatives explored

2.2.1. Feasibility and detailed design studies for upgrading the entire 164km road between Mueda Negomano were completed between 2015/16 by Studi International and applied on Phase I (70km) of the project between Mueda and Roma. In summary the detailed design for the geometry, pavement and structures is based on SATCC codes of practice commonly used in the region. The design is based on the traffic class determined according to the cumulative Equivalent Standard Axle loads over the design life (20 years) and sub-grade strength. At least two (2) alternatives were assessed to this effect, namely (i) Double Bitumen Surface Treatment (DBST) and (ii) Asphalt Concrete (AC)3.

Table 2.2: Project Alternatives Considered and Reasons for Rejection

	Options	Brief description	Reasons for rejection
1	Alternative 1	Asphalt Concrete	• Uneconomical with respect to traffic demands
2	Alternative 2	Double Bitumen Surface Treatment	• Economical for the traffic demand for the next 20 years. The country has continued to record positive results with application of this pavement with respect to durability

2.2.2. The retained pavement structure for the entire road including the project section is that of a double seal on granular base placed on cemented sub-base and supported by an interlayer of gravel placed on a subgrade. The geometrical profile comprises a carriageway width of 7.0m and with shoulders of 1.5-2.0 m. There are at least three (3) major reinforced concrete bridge structures of lengths ranging from 40m to 100m. The past experience in the Mozambique demonstrated satisfactory performance of the DBST pavement, with long durability, which further supported the decision to adopt DBST for the subject project.

2.2.3. As in the first phase, the design includes provision of cycle lanes at areas with concentrated population with high-risk accidents. Two (2) options were considered, namely a "segregated cycle lane" option and a "shared surface cycle lane" option. The former was dropped due to high cost implications compared to benefits.

2.2.4. As a result of the anticipated increase in regional traffic, the portion of the Mueda Negomano road in Mueda town will be realigned to include a bypass. The selection and design of an optimum route will be subjected to a study along with a review of hydrological profile in the vicinities of the town that persistently affects performance of roads as a result of major erosion. The study will also include a re-design of selected urban roads to improve traffic circulation at identified constraints within the Central Business District (CBD). These activities are expected to be carried out as part of Phase II Lot B as mentioned above.

2.3. Project type

2.3.1. The project is a standalone operation, which presents the optimal approach for delivering such
a large and regional road corridor project. The investments against which funds are to be disbursed are well defined and specific. Therefore, the specific project loan has been chosen as the most appropriate instrument for the intervention of the Bank in this operation.

[3] DBST and AC represent two of the most common types of construction for overriding surfaces of roads, and they vary in the material mix, laying methodologies, and resulting pavement strength.

2.4. Project cost and financing arrangements

2.4.1. The total project cost is USD 34.06 million (UA 24.48 million) of which the foreign exchange
cost is USD 26.29 million (UA 18.84 million) or 80% of the total, and the local cost is USD 7.75 million (UA 5.62 million) or 20% of the total cost. These cost estimates are based on 2014 (updated in July 2019) detailed design studies of the project as well as international norms and average unit prices for the works and services.

Table 2.4.1: Project cost estimates by component

No	Components	USD (millions)			UA (millions)			% FE
		Currency						
		Foreign	Local	Total	Foreign	Local	Total	
1	Infrastructure Investments	22.29	5.59	27.88	16.00	4.02	20.02	80%
2	Project Management	0.38	0.62	1.00	0.25	0.45	0.70	80%
3	Cross Cutting	0.40	0.60	1.00	0.29	0.47	0.76	80%
	Base Cost	**23.07**	**6.81**	**29.88**	**16.54**	**4.94**	**21.48**	
	Physical Contingency	1.61	0.47	2.09	1.15	0.34	1.50	
	Price Contingency	1.61	0.47	2.09	1.15	0.34	1.50	
	Project Cost	**26.29**	**7.75**	**34.06**	**18.84**	**5.62**	**24.48**	

2.4.2. As shown in table 2.4 total ADF grant contributions to the project would be USD 34.06 million (UA 24.48 million). The sources of finances include UA 12 million from the Transition Support Facility (TSF), UA 10.0 million from the Regional Operations4 window, ADF resources of UA 2.09 million (cancelled projects). Government of the Republic of Mozambique is expected to contribute a total of USD 0.57 million (UA 0.39 million) as counterpart funds for compensation of Project Affected People (PAP).

Table 2.4.2: Sources of financing

Source	Instrument Class	USD (million)	UA(million)
Transition Support Facility	Grant	16.68	12.00
Regional Operations (RO)	Grant	13.90	10.00
ADF [Cancelled Resources* (CR)]	Grant	2.91	2.09
GoM Counterpart Funds		0.57	0.39
Total		**36.04**	**24.48**

***ADF cancelled resources comprising five (5) loans and One (1) grant in the amount of UA 2.09 million**

2.4.3. The ADF-14 Operational Guidelines stipulates, under section 2.6, that cancelled resources will keep their original form (loan/grant) regardless of the risk of debt distress of the country at the time of the cancellation. Management takes note of recent decisions by the Board requiring ADF-only countries that have been recently assessed as in high risk of debt distress or in debt distress by the most recent IMF Article IV Consultation to receive grants only. By virtue of the most updated IMF Debt sustainability Assessment (DSA), which classified Mozambique in a situation of debt distress, and in the context of ongoing discussions with ADF Deputies regarding the application of a Dynamic DSA starting from ADF-15, Management proposes and recommends that the Board waives the provisions of Section 2.6 of the ADF-14 Operational Guidelines in order to permit Mozambique to access it cancelled resources on grant only basis.

[4] Although a total of UA 12.2 million was mobilized and a surcharge of UA 2.2 million is applied to arrive at UA 12.0 as resources from the RO window

2.4.4. The project cost by category of expenditure and schedule by component are presented in tables 2.4.3 and 2.4.4 respectively.

Table 2.4.3: Project cost by category of expenditure

No	Category	USD (millions)			UA (millions)			Funding Source (UA million)		
		Currency								
		Foreign	Local	Total	Foreign	Local	Total	RO +CR	TSF	GOM
1	Civil Works	18.61	4.66	23.27	13.38	3.35	16.73	6.19	10.54	
2	Services	4.46	1.13	5.59	3.20	0.84	4.04	4.04		
3	Goods (PIS)		0.23	0.23		0.16	0.16	0.16		
4	Other (PIS Logistics)		0.29	0.29		0.21	0.21	0.21		
			0.50	0.50		0.34	0.34			0.34
	Total Base Cost	**23.07**	**6.81**	**29.88**	**16.58**	**4.94**	**21.48**	**10.60**	**10.54**	**0.34**
	Physical Contingency	1.61	0.47	2.09	1.16	0.34	1.50	0.75	0.73	0.02
	Price Contingency	1.61	0.47	2.09	1.16	0.34	1.50	0.74	0.73	0.03
	Total	**26.29**	**7.75**	**34.06**	**18.84**	**5.62**	**24.48**	**12.09**	**12.00**	**0.39**

Table 2.4.4: Expenditure schedule by component

No	Components	UA millions				
		2020	2021	2022	2023	Total
1	Infrastructure Investments	4.00	6.00	8.00	2.02	20.02
2	Project Management	0.21	0.21	0.21	0.07	0.70
3	Cross Cutting Activities	0.22	0.22	0.22	0.10	0.76
	Total Base Cost	**4.43**	**6.43**	**8.43**	**2.19**	**21.48**
	Physical Contingency	0.31	0.45	0.59	0.15	1.50
	Price Contingency	0.31	0.45	0.59	0.15	1.50
	Total	**5.05**	**7.33**	**9.61**	**2.49**	**24.48**

2.5. Project's target area and population

2.5.1 The road project is in the Cabo Delgado province in northern Mozambique, which has a population of 1.8 million inhabitants. The served population is predominantly engaged in rain-fed agricultural and forestry activities (49% of the province's GDP), transport services (12%), and petty trading (under 10%). Agricultural activities, which engage 60% of the labor force, are small in scale and tends to focus on localised self-sufficiency due to limitations in transport systems and agricultural inputs. The communities have strong cultural ties with the Tanzanian side, and exchange trade across the border, but these tend to be small in nature and limited in amounts, again due to limited all-year accessibility.

2.5.2 Accessibility of services is the key barrier in particular for the Northern Province of Cabo Delgado, which suffers from the lack of access to productive resources, sexual and reproductive health services (including HIV/ADIS), water and sanitation, food to increase nutrition levels, education and vocation training, as well as to employment and economic opportunities. With a population of 124,000 inhabitants Mueda District is facing serious social inclusion challenges; 92% of the population are farmers on their own, and only 4% of the workforce is employed. Food crops comprises cassava, maize, cowpea, and boer beans. Rice is also produced in the river valleys. The main cash crop in the region is cotton. 0.5 to 1 ha is the common size of most of the farms in the project area, farming technologies are rudimentary, and fishing activities are insignificant in the project area. Education system is very weak; 49% of the population never attended school. Water supply is below the demand and in some areas; the population is forced to drink untreated water, which causes waterborne diseases. As a result, the population have increasingly felt marginalized and this has recently manifested in pockets of insurgents that are terrorizing the population in the far Northern district of Palma. This is highly worrying as this is the region with large deposits of Liquid Natural Gas currently being explored that hold the single most prospect to dig the region out of poverty and improve the livelihoods of the people in the region.

2.5.3 The benefits of the project to the populations (local and regional) include reduced time of travel and travel costs; improved wellbeing through increased access to social facilities and produce markets; and enhanced regional and international trade. Other beneficiaries of the project include traders and road users, who transport goods between Tanzania and Mozambique. Following the completion of the project, these will benefit from more direct and shorter journeys (33% reduction in time) between Mozambique and Tanzania.

2.6. Participatory process

2.6.1 At the national level, the decision making for adopting any road project incorporates input of different Ministries and stakeholders at early stages. It is done within the framework of the overall national development plan of the country, which is endorsed by the Parliament. At the project level, ANE and the design consultant conducted consultations at early stages of project design. The Bank conducted further consultations during the preparation (29 October to 9 November 2018) and appraisal missions (July 2019) with local communities, and various stakeholders. These include the Road Fund, Ministry of Transport, Ministry of Gender, Children and Social Action; Ministry of Land, Environment and Rural Development (MITADER); International Union for the Conservation of Nature (IUCN); United Nation development Program (UNDP); Wildlife Conservation Society (WCS); National Council for the Advancement of Women; and the UN Gender Task Force in Mozambique. These complimented earlier consultations conducted by the Executing Agency as part of the preparation of project studies.

2.6.2 These consultations have assisted in identifying the key socio-economic challenges in the project zone of influence, as well as wider sector and national issues and local community needs. Issues identified included restricted access by local communities to clean water, health facilities, transportation and job opportunities. Based on the outcome of this participatory process, the project's design and proposed implementation and monitoring modalities were better formulated, to deepen the impact of the project. The (Social Inclusion Program) SIP and Capacity Development components of the project will have a built-in mechanism for continuous consultation with all concerned entities and communities. Areas with highest population density along the whole Mueda-Negomano tract will be prioritized for the location of social infrastructures.

2.7. Bank group experience, and lessons learnt

2.7.1 Since it commenced operations in the road sub-sector in Mozambique in 1977 the Bank assistance had approved several loans totaling over UA 300.0 million for the development of the national key axes like Pemba-Montepuez, Vanduzi-Changara, and Mussacama-Colomue Roads, the Montepuez-Lichinga road corridor, the multinational operations of Nacala Road Corridor I & III, and Mueda-Negomano Road Project – Phase I. The Bank's interventions in the country have improved the quality of transport services and increased spatial connectivity, which in turn facilitated easy access to markets, economic hubs, health, education and other social services, and also helped stimulate the growth of new economic activities. The Bank interventions were not only limited to Mozambique but also included assistance to Malawi, Zambia, and Tanzania which aimed at better integration with Mozambique. Through its engagement in the sub-sector the Bank has managed to leverage over UA 120 million in loans and UA 5 million in Grants through its operations, which were approved by the Swedish International Development Cooperation Agency (SIDA), the Nordic Development Fund (NDF), JICA and KEXIM.

2.7.2 Lessons learnt from the Bank previous operations indicate that institutional capacities of the National Roads Administration (ANE) have witnessed notable progress, particularly in the planning area and assets management. Nonetheless, there are various challenges persisting, particularly in areas of procurement, disbursement, contract administration, social and environmental mainstreaming. These challenges led to a different institutional set up for implementation of the current project characterized by establishment of Project Implementation Team (PIT) dedicated to the project and based on site. In addition, these aspects have been captured in the design of Phase I of the same project, where carefully structured capacity building activities have been developed as part of a long-term institutional development process. Delays in effectiveness, procurement and disbursement of operations, which are also been cited as a challenge, are being addressed through simplified loan conditions, application of advance contracting procedures and extending technical assistances.

2.7.3 Also, the sizable financing by the Bank of road projects has facilitated and incentivised investments in sector-wide activities. This should be maximised, utilising the Bank's niche expertise. To date such activities financed by the Bank included work on transport and trade facilitation, building climate resilience, developing domestic construction industry, and developing maintenance capacities. Annex B.1 includes a detailed overview of other lessons learnt and how these were used in designing the subject project.

2.7.4 Insufficient funding by the Road Fund to undertake maintenance activities over the years led to adoption of OPRC (Performance Based Contract) by the EA.

2.8. Key performance indicators

2.8.1. The key performance indicators are shown in the results-based log-frame that sets out the matrix of core sector indicators to be collected. Data on these indicators will be collected under the framework of the Monitoring and Evaluation Component of the Project. This activity shall facilitate refining of baseline values, monitoring during implementation and at the end of construction period. At the baseline study other indicators will be included for the purposes of arriving at reasonable development impacts and outcomes. In addition, the performance monitoring and evaluation mechanisms shall also cover monitoring the social, economic and environmental impact within the project's zone of influence. Further emphasis will be placed on measuring the changes in the economic livelihoods of the PAPs to assess the effectiveness of the social inclusion activities.

3. PROJECT FEASIBILITY

3.1. Economic performance

3.1.1. **Costs and Benefits**: The economic costs considered include capital investment costs, routine and periodic maintenance. Financial capital and maintenance costs were converted into economic costs by applying a conversion factor of 0.83. The economic costs of constructing the 35-km single carriageway with a Double Surface Treatment Surface on a granular base layer is USD 22.67 million. The expected benefits consist of savings in (i) vehicle operating costs (VOC), and (ii) motorized traffic travel time for passengers and freight. The savings will be realized due to lower road roughness, traffic disruption during rainy seasons; higher average travel speeds; and, exogenous benefits consisting of: increased agricultural development; timber production and harvesting; exploitation of natural gas reserves; and, tourism development. Residual project value of 30% of the initial capital investment cost was calculated and credited as project benefit in the final year of evaluation.

3.1.2. **Results**: The annual weighted average VOCs for all vehicle types is expected to decrease by 35.4% from USD 1.02 to USD 0.66 per veh-km, while travel times to decrease by 50% from 21 minutes to 11 minutes. Economic analysis results are in Table 3.1 show that the project is viable, with an EIRR of 16.6% and ENPV of USD 10.883 million.

Table 3.1: Summary of Economic Evaluation Results

Parameter	Value
Base Case Economic Internal Rate of Return (EIRR) %	16.6%
Base Case Economic Net Present Value (ENPV)	USD 10.883 million
Sensitivity of EIRR of concurrently 20% increase in capital cost and 20% decrease in total benefits	12.5%
Sensitivity of ENPV of concurrently 20% increase in cost and 20% decrease in benefits	USD 1.131 million

3.1.3. The recommended mitigation measures that should be taken against increase in capital costs should include: (i) timely procurement and execution of the works contract to minimize effects of price escalation; (ii) use post qualification procurement process to allow for participation of many bidders and possible low tender prices; and, (iii) maximize the use of locally available resources, especially labour and materials. Reduction of benefits by 20% is unlikely as the main exogenous benefits from costs savings due to elimination of traffic delays during wet seasons, and increased agricultural production and forestry activities are directly related to improvement of the project road to bitumen standard with better drainage and geometric standards.

3.1.4. Risk Analysis results indicate that construction of the project road is fairly resilient as construction costs have to increase by 35.5% or total benefits reduce by 26.7% before the project viability can be threatened. It is concluded that the upgrading of Roma – Nambungale (35-km) road will be a viable investment for the selected interventions. Detailed traffic data and economic analysis results are presented in Annex B7.

3.2. Environmental and social impacts

Environmental and Social

3.2.1. The project is Category I in accordance to the Bank ISS requirements. An Environmental and Social Impact Assessment (ESIA) had been developed in 2016. A revision of the initial ESIA was carried out to update information on the prevailing environmental and social conditions, as well as to ensure compliance with AfDB’s requirements. The project also anticipates economic displacement of about 14 PAPs, hence an Abbreviated Resettlement Action Plan (ARAP) was prepared. Both documents were reviewed and cleared by the Bank, and disclosed in the Bank’s website on 13 May 2019.

3.2.2. Continuous public consultations were carried out in the context of the ESIA revision and the preparation of the ARAP. A stakeholder engagement plan is included and ensures that consultations will continue throughout project development with relevant stakeholders.

3.2.3. Major risks and impacts are expected on the biological, physical and socio-economic environments, particularly during construction phase. Anticipated impacts include: (i) habitat loss due to cleaning work sites and the sand/stone quarries, widening of the roadway and improvements of the alignment; (ii) interference with the migration of animals due to movement of machinery and the constant presence of workers; (iii) disturbance to aquatic fauna, sedimentation of watercourses and potential risk of spills of oils and fuels; (iv) solid waste resulting from the operation of the yards, operation of sand/stone quarries and road construction; (v) air quality and climate change due to release of gases and equipment operation and dust resulting from soil exposure to wind during road construction, construction camps, access and operation of quarries and sandpits; (vi) conflicts between workers and the local population - the expectations generated in relation to job creation for road construction can create conflicts between construction workers and the local community; (vii) destruction/loss of houses, fences, trees, and public infrastructures; (viii) disruption of circulation of people and goods - because of the works, the movement of vehicles will be conditioned; (ix) injuries or fatalities due to vehicles moving.

3.2.4. An Environmental and Social Management Plan (ESMP) was developed to manage the above-mentioned risks. To avoid the loss of sensitive habitats, a 50-meter buffer around sensitive habitats is foreseen. Natural drainage lines will not be disrupted significantly and development of borrow pits will be located far away from any sensitive habitats. The road will include facilities that allow the underpass of fauna, such as culverts. To manage the risk of spills of oils and fuels, used oils will be transferred to a recycler or a cement plant for incineration. For the management of solid waste, facilities for solid waste management in the camp of each contractor (bins, buckets, etc.) are foreseen and waste will be transferred to landfills. The project will ensure the maximum use of workers from the local population, including women and youth in compliance with laws. To mitigate the risk of injuries and fatalities, measures will include the installation of panels (in metal or wood) for information, and reflective panels for night signalling, proper management of the tracks used for the temporary diversion of traffic; distribution of personal protective equipment (PPE) to all workers, and development of warning speed bumps to reduce vehicle speeds near villages, among others.

3.2.5. The estimated ESMP implementation budget is USD 1,158,700. The ARAP budget is USD 13,830. The implementation of all mitigation measures will be under the responsibility of ANE. The resources for the implementation of the ARAP and compensation are mobilized as part of the counterpart funding and will be borne by ANE.

3.2.6. On institutional capacity, ANE has had experience implementing projects in line with international E&S requirements and standards. There is a unit responsible for E&S safeguards functions within the institution in Maputo, and a focal point in Mueda, which will require support, in particular concerning management of stakeholder engagement with relevant stakeholders. ANE has demonstrated commitment to address skills gaps. The PIU will include an environmental and social specialist.

Climate Change

3.2.7. The project has been identified as climate risk category 2 (according to the Banks Climate Safeguards System) – requiring the integration of practical climate -risk reduction measures during project design and construction. The anticipated increased frequency and severity of extreme weather events (storms, cyclones, flooding events) have the potential to damage, destroy or severely impair the operation of project infrastructure. The infrastructures planned are expected to have life spans of at least two decades, thus increasing exposure to potential risks. In this regards, the adaptation strategies to consider include: for new infrastructure - taking into account the potential effects of climate change, and notably of exposure to extreme weather events in the choice of location, and adopting appropriate engineering standards and building norms to make infrastructure more resilient to adverse weather conditions and natural disasters. For existing infrastructure - retrofitting existing infrastructure and re-designing operating systems and processes, to make them more resilient to adverse weather conditions and natural disasters. More generally, there is need to raise the awareness of infrastructure managers about climate-related risks and adaptation options and building the capacities of planning and engineering departments (as part of capacity development program); and strengthening infrastructure maintenance and repair capacities.

3.2.8. The development of the Northern Transport Masterplan and Urban Strategy for Pemba provide opportunities to mainstream climate change and disaster risk reduction. These planning processes will need to consider strategic approaches that anticipate, prepare for, and adapt to changing climate conditions that can withstand, respond to, and recover rapidly from disruptions caused by these climate conditions. Mozambique has prioritized enhancing the resilience of infrastructure as an adaptation strategy in its NDC (2015), having identified the destruction of socioeconomic infrastructures and property due to climate related impacts as a key concern.

3.2.9. With regards to mitigating GHG emissions, the following should be considered: (i) opting for energy-efficient, low-carbon infrastructure and building materials, and ensuring that these considerations are included at the start of the planning and design process; (ii) minimizing the transport of materials over long distances, (iii) minimizing the energy requirements of construction techniques; and, wherever possible, switching to low-carbon, renewable sources of energy to power infrastructure (e.g. border posts); and (iv) elaborating in key project design and construction contracts, the specific adaptation and GHG reduction measures identified.

Gender

3.2.10. Despite the institutional mechanisms and favourable political and legal frameworks, notably the 2018 Gender Policy and Implementation Strategy and the 4th National Plan for Women's Enhancement 2018-2024, there are still a series of challenges to tackle in implementing gender-related priorities. In addition to the slow progress on human development in general, ranking at the bottom of the 2017 Human Development Index (180th out of 189 countries), the country also compares low on the 2017 Gender Inequality Index (138th out of 159 ranked countries). Among the main challenges is women's access to productive resources, in particular land, finance, employment, water and sanitation, and food. For a population of about 124,000 people in the Mueda District, women are in a slightly greater proportion (52.2% women and 47.8% men). Agriculture is the main economic activity but largely consisting of smallholder farmers (92% of farmers), of which a majority is women. Trade is the other source of economic revenue, where women and youth are mostly active as informal traders. Gender mainstreaming in the transport sector faces challenges. However, the Government has developed a clause to be included in the contracts for Contractors to have 15 to 25% women on their payroll during construction phase. Long distances, high transportation costs, poor road and lack of transportation is a major challenge for the population, affecting access to markets, financial services, health centers and schools especially for poor and vulnerable communities (women, children and the elderly). Water supply to rural and urban populations of Mueda District is from mechanized boreholes, traditional wells and the rivers and the majority of people must travel for about 5 to 30 minutes to obtain water. School attendance in the district is very weak and food security levels in Cabo Delgado Province are at high levels, with 73% of households without economic access to a sufficient nutrient diet[5]. With regard to health issues, there is a potential for increased incidence of sexually transmitted diseases (STDs) and HIV/AIDS due to the project.

3.2.11. The Project is categorized as GEN II as per the Bank's Gender Marker System, based on the expected development outcome of improving social inclusion of the communities and related targets. The Project will contribute to women's empowerment by opening up access to

[5] *Nutrition and situation analysis framework and decision tool*, WFP/MASA/SETSAN/ScalingUpNutrition, Report for Cabo Delgado Province, 2018

markets for local products and greater access to public services, by reducing time and cost related with transportation, and by facilitating small business development and employment opportunities. Activities in Phase II (as per Gender Action Plan in the technical annex) will complement those identified under Phase I based on the comprehensive gender analysis. The Project will address safer access to basic social services by improving the water and other infrastructure conditions of the facilities, promote nutrition by supporting female farmers and children in their domestic production and consumption for a better nutritional diet, enhance female cooperatives' productive skills and access to markets, and increase women and girls' participation in technical sectors. Lastly, gender awareness will be part of the sensitization activities and will be mainstreamed in the trade facilitation study to inform on the regional potentials related to soft trade infrastructure and measures supporting local development and women's empowerment.

Social

3.2.12. The project will result in improved economic and social welfare of communities in the zone of influence of the corridor, largely underpinned by the provision of better access to centres of social services and economic opportunities. Social benefits include employment creation in construction, road maintenance, agricultural, livestock and eco-tourism industries, as well as increased social inclusion of local communities, and increased trade opportunities with neighboring Tanzania.

3.2.13. It is anticipated that during construction about 300 job opportunities will be created, with a target of 15% of these to be taken up by women. Following completion of the project job opportunities will be generated in the project vicinity, and within the new transportation ecosystem that will be created as a result of the project. These are estimated to be in the range of 500 jobs (at least 20% of these will be women[6]).

3.2.14. The project's Social Inclusion Program was designed with a focus to improve accessibility to basic services (water, sanitation, health, education). The social inclusion program will, inter alia, look at economic opportunities, both in terms of stimulating income generating activities along the corridor, as well as increasing equal employment opportunities through sponsored vocational training and promotion of women-led business and of female employees

3.2.15. There is the potential for induced externalities such as increase in road accidents, and pressure on domestic resources. The potential of increased road accidents, as the number of vehicles and speeds will increase, will be curbed by conducting and implementing the recommendations of a road safety audit and road safety assessments[7]; conducting road safety awareness program; and construction of sealed shoulders for cyclists and pedestrians. Pressure over resources will increase due to population increases initially as job seekers move into the region. To ensure adequacy of resources (food, accommodation, water), the contractor will construct a workers camp away from settlements with full provision of amenities, and better planning by local authorities.

[6] While the share of women in construction jobs during implementation is expected to be around 15%, the corresponding figure for direct and indirect permanent job is at least 20%.
[7] Using suitable methods such as that of the International Road Assessment Program (IRAP).

4. IMPLEMENTATION

4.1. Implementation arrangements

Executing Agency

4.1.1 The National Roads Administration (ANE) in Mozambique will be the executing agency. The Road Fund will be responsible for the financial management as part of the overall Integrated Program for the Roads Sector - PRISE (Programa Integrado do sector de Estradas). The project will have a dedicated Project Implementation Team (PIT) based on site, headed by a Project Coordinator, and staffed with a financial expert, both of whom will be ANE staff. The PIT once appointed will relocate to the project site immediately following awarding of civil works contract. The PIT will be further strengthened with individual consultants (Contracts Manager and the Environmentalist-and-Social-expert) to be hired in Q1 2020. Experienced contractors procured in accordance with Bank Rules and Procedures will execute the road works (including the tree planting programme) under the supervision of a competent consulting firm. The Social Inclusion Program (SIP) will be implemented by a specialised consulting firm under the supervision of ANE. The civil works implementation period is estimated at 24 months, commencing in March 2020, and ending December 2022 (excluding defects liability period). The implementation of the SIP and the Capacity Development Program is anticipated to last three years.

Procurement arrangements

4.1.2 ANE, as the executing agency, will coordinate the overall implementation of the project, as far as procurement is concerned, through its Procurement Unit (UGEA). Procurement of goods (including non-consultancy services), works and the acquisition of consulting services, financed by the Bank for the project, will be carried out in accordance with the “Procurement Policy and Methodology for Bank Group Funded Operations” (BPM), dated October 2015 and following the provisions stated in the Financing Agreement. Specifically, Procurement would be carried out following:

- Bank Procurement Policy and Methodology (BPM): Bank standard PMPs, using the relevant Bank Standard Solicitation Documents SDDs, for contracts that are either: (i) above the thresholds indicated in Annex B5, Para. B.5.3;2, or (ii) in case BPS is not relied upon for a specific transaction or group of transactions; and (iii) in case BPM have been found to be the best fit for purpose for a specific transaction or group of transactions.

4.1.3 Procurement Risks and Capacity Assessment (PRCA): the assessment of procurement risks at the Country, Sector, and Project levels and of procurement capacity at the Executing Agency (EA), were undertaken for the project and the output has informed the decisions on the procurement regimes (BPS, Bank or Third party) being used for specific transactions or groups of similar transactions under the project. The appropriate risks mitigation measures have been included in the procurement PRCA action plan proposed in Annex B5, Para. 5.3.8.

4.1.4 The Bank has cleared a request by the GOM to use Advance Contracting (AC) for the civil works and consulting services. It is anticipated that ANE will conclude the procurement process for the civil works contract in the second Quarter of 2020. Table 4.1 below shows a summary of procurement arrangement for the project.

Table 4.1: Procurement arrangement

Project Categories		UA '000 000				
		ICB	Shopping	Short List	Non - Bank Funded	Total
1	**Civil Works**					
1.1	Mueda – Negomano Phase II, including Social Inclusion Infrastructure	16.73				16.73
2	**Consulting Services**					
2.1	Supervision Services, Road safety audit and Road Project and Trade facilitation Studies.			3.29		3. 29
3	**Project Management**					
3.1	Monitoring and Evaluation			0.17		0.17
3.2	Procurement and Technical Audits			0.16		0.16
3.3	Project Implementation Support		0.14	0.60		0.74
4	**Compensation & Resettlement**				0.4	0.4
TOTAL		**16.73**	**0.14**	**4.22**	**0.4**	**21.49**

All amounts are financed by ADF except for compensation & resettlement; Figures exclude contingencies

Financial Management

4.1.5 The existing Financial Management (FM) arrangements for the implementation of the ongoing road projects are generally satisfactory and shall be applicable to the new project. The Bank funded projects are being managed within the existing structures in the Road Fund responsible for the financial management (including accounting, payments, reporting and auditing). ANE is responsible for the technical implementation for road infrastructure development (including planning, budgeting, procurement, contract management and preparation of disbursements) as part of the overall Integrated Program for the Roads Sector - PRISE (Programa Integrado do sector de Estradas). The current arrangement has been found to be adequate. In this regard the proposed project shall follow the current arrangement where Roads Fund shall be responsible for all financial management and ANE shall have the responsibility for the technical implementation for road infrastructure development. To further strengthen the financial management and implementation at the devolved level, the Roads Fund delegate at Pemba province shall nominate a finance assistant to support the ANE technical team at the province to do quality checks of the accounting documents prior to submission to headquarters in Maputo for further processing. The overall FM risk for the project is assessed as Moderate (A detailed assessment is included as Annex B.4).

4.1.6 ANE and the Roads Fund budgeting systems have been found to be comprehensive and shall be adopted. Currently both ANE and Roads Fund utilises computerised accounting system (PRIMAREVA) for processing financial transactions. This system has been found to be generally adequate and therefore shall be adopted for processing and maintaining the proposed project. There is a strong internal control system including a financial and administrative procedures manual and a functional internal audit that will be used for financial management of the project. The Road Fund and ANE have been submitting periodic project progress technical reports and annual audited financial statements, for ongoing Bank-financed projects, in line with Bank requirements. In this regard, quarterly reports with financial information showing all the sources of financing for the new project and expenditures will be required to be submitted to the Bank within 45 days after the end of each calendar quarter. Annual financial statements for the Roads Sector have been prepared within stipulated timelines in readiness for the annual audit. The proposed project shall be part of the annual consolidated road sector financial report.

Audit Arrangement

4.1.7 As part of the donor harmonization efforts the consolidated single audit report is prepared for all projects in the roads sector “Fundo de Estradas”, at the end of each financial year. The reports makes adequate disclosure of funding from all development partners including the Bank separately. This consolidated audit report will be submitted to the Bank not later than 6 (six) months after end of the financial period. In the last three years the consolidated annual audit reports have been submitted within stipulated timelines. The reports have been clean (unqualified). The Roads Sector financial audits have been financed by the Roads Fund. In this regard similar arrangement shall be adopted for the proposed project.

Disbursement Arrangements

4.1.8 Disbursement for the proposed project shall be mainly via direct payment method, in addition, a Special Account denominated in USD shall be opened at the Central Bank of Mozambique and its associated MZN denominated project-operating account shall be opened in a reputable bank acceptable to the Bank. The special account shall be justified regularly (every six months or when expenditure in the SA reaches at least 50%). A Disbursement Letter will be issued and signed between the Bank and the Fund (as administrators of the TSF) and the Republic of Mozambique. The SA shall be used mainly for paying eligible operating expenditures.

4.1.9 The Special Account will be managed by the Road Fund, which is already managing similar SA for ongoing projects including Bank funded and other donors including the World Bank. All disbursements under the Grant would be made in accordance with the Bank’s rules and procedures as laid out in the Disbursement handbook (2012) as amended, and as applicable.

4.2. Monitoring

4.2.1 ANE will be responsible for monitoring and evaluation of the project, through the PIT. ANE will procure the services of a specialized engineering firm for the supervision of the construction works and the SIP. The firm will monitor the day to day activities on site and will provide ANE with regular progress reports. ANE will submit to the Bank quarterly progress reports. These reports will include physical, financial, social and environmental indicators achieved by the Project and will identify issues that require attention.

4.2.2 Monitoring of the ESMP implementation shall be conducted by ANE and MITADER. Monitoring of ARAP implementation shall be carried out by ANE in collaboration with the Road Fund. In addition, the Bank will also conduct regular follow-up, review and supervision missions, to monitor progress and validate compliance with Bank requirements. Table 4.2 below highlights the key monitoring milestones of the project.

Table 4.2: Implementation Monitoring Timeframe for the key component (civil works)

Timeframe	Milestone	Monitoring process / feedback loop
Q1 – 2020	Project Launching	**Progress Report**
Q1 - 2020	Procurement of Civil Works Completed	**Procurement Plan**
Q4 – 2020	50% of project activities completed	**Midterm Review & Progress Report**
Q3– 2021	Substantial completion of civil works	**Supervision and Progress Report**
Q4 – 2022	Civil works completion	**Project Completion Report**
Q2 – 2023	**End of Defects Liability period**	**Progress Report**

4.3. Governance

4.3.1 Mozambique has adopted an integrated approach for preparing its development plans, with deeper and more transparent level of consultation amongst the various sectors, and Ministries. For the transport sector, the strategic planning is the responsibility of the Ministry of Transport & Communication. This is then trickled down to the road sub-sector through the national Integrated Road Program (PRISE). The program is developed based on wide consultation amongst different stakeholders, including the development partners and financing institutions. It sets the strategy and approach to sector development and highlights the priority programs and projects. Mozambique being a transition/post conflict country has been receiving support from different Development Partners in particular the UNDP in supporting decentralization. Central to this support is; the strengthening of the capacity of local governments to deliver, monitor and report on annual plans and budgets, integrating cross-cutting issues; the development of knowledge-management systems for local governance; and the participation of civil society in these processes, holding local authorities accountable.

4.3.2 The roads sub-sector is managed by the National Roads Administration (ANE), which plans and execute the projects, and the Road Fund, which manages the funding of the sub-sector, including its financial auditing. Both entities, which were established as part of a sector reform, are under the auspices of the Ministry of Public Works, Housing and Water Resources. The sector-wide financial and technical capacities of the sector have improved through the years, with the assistance of development partners.

4.3.3 The Project will be implemented within the GOM systems and in line with Bank rules and procedures, including reviews of technical, procurement, financial management and disbursement processes. The sector-wide audit and proposed technical audit services will further help in providing assurance that funds will be used in an economic, efficient and transparent manner.

4.4. Sustainability

4.4.1 The sustainability of the Project will depend primarily on the ability of the Government of Mozambique to monitor the road network condition, and to plan, finance, and implement maintenance of this network. Currently the percentage of classified roads in good and fair condition is 72%. This is anticipated to grow up to 75% by 2020. The country's Integrated Program for the Roads Sector (PRISE) sets up the Government targets for developing and maintaining the road assets. In terms of monitoring, ANE has installed a Road Asset Management software and database system, and conducted a comprehensive review of the networks conditions. This has considerably improved the country's maintenance planning capacities.

4.4.2 The funding of maintenance of the road network relies on the Road Fund revenues, which are derived from fuel levies, toll, transit charges and donor contributions. These funds have witnessed a notable growth from US$ 210 million in 2007 to over US$ 688 million in 2018. However the growth has flattened over the past three (3) years since the levy is applied as a fixed amount and not a percentage like in other road funds in the region. Out of these revenues, the portion assigned to maintenance operations can only cover fully the routine maintenance needs and about 60% of periodic maintenance (a growth from around 50% ten years ago). Although the donor community has been financing the remainder of periodic maintenance including backlogs, the needs remain large and this is gradually threatening stability of the network.

4.4.3 Besides prioritizing routine maintenance for roads in good/and fair condition and to safe guard investments mostly on recently rehabilitated roads, ANE is in discussions with principal stakeholders including the MPWHWR and Road Fund to further pilot long-term maintenance contracts (up to 10 years) as part of efforts to ensure sustainability of assets. ANE has piloted at least one (1) OPRC contract with the World Bank with encouraging results. The 185 km project worth USD 80 million is located in Gaza province involved rehabilitation of a paved road. The project was executed within time, cost and acceptable quality. Such contracts will however need a robust revenue base from the Road Fund which currently is restricted to sources from cross border bridge tolls, fuel levy and transit fees that not only have remained the same for the past 10 years but also need to be supplemented with other sources. The process to set level of levies/tariffs to determine allocation in keeping with network needs does not appear to be guided by firm methodology. Under the Mueda Negomano Phase I Project, the Bank is supporting the Road Fund in preparing a position paper to develop a business case to review the road user charges to include among others nationwide tolling fees, vehicle licencing and others. Under the same project resources have been set aside to build ANE's technical capacity in various business processes including planning, designing and asset management. The Bank will also under Nacala Phase I finance a study that will target to place the Nacala I Project (Nampula – Cuamba) under a long-term maintenance contract once completed.

4.4.4 ANE is also making efforts to attract private sector participation. A concession department has been formed that seeks to include PPPs in its portfolio. The World Bank is providing Technical Assistance to review the exiting legislation that is not well tailored for road projects, review at least two (2) existing PPP concessions and identify a pipeline of potential PPP transactions.

4.5. Risk management

4.5.1 The project design takes into consideration certain risks other than governance and sustainability (discussed in preceding sections), which may undermine the attainment of project objectives. These are discussed below in table 4.3.

Table 4.3: Summary of Project Risk Management

Description of Risks Identified	Risk Rating	Mitigation
The project may suffer from delays similar to those witnessed in previous projects in Mozambique (attributed to contracts administration, procurement process, and disbursement).	Low	A capacity building program targeting specific institutional aspects (within ANE) to improve capabilities in these areas of expertise has been included in Phase I of Mueda Negomano Road Project (Section from Negomano to Roma). Furthermore, the project will adopt Advance Contracting and will have a dedicated Project Implementation Team (PIT), with clearly defined performance indicators.
Cost overrun during construction.	Moderate	To mitigate against it, adequate allowance for price and physical contingencies are included. Also, with the adoption of Advance Contracting the implementation period will be reduced and so will price uncertainties
Failure to achieve national and regional trade corridors free of barriers	Low	Development Partners are committed to assist mobilize financial resources to fund regional initiatives
Counterpart funds; implementation delays; cost over-runs; project control; and poor tender response	Low	budget commitment; advance procurement to be used; provision of adequate contingencies; provision of adequate logistics support to carry out project supervision; and use of ICB to increase competition

Delay in payment of land compensation	Moderate	Government committed to implement ESMP with a budget commitment
Operation risks		
There is a risk that the project may not be well maintained.	Low	This will be mitigated by the ongoing efforts in the sector to improve the governance of the maintenance operations. The project includes a component of capacity building for the Road Fund and ANE in the area of maintenance. The project also includes the establishment of an axle load weighing station. Furthermore, the government is gradually introducing OPRC for the primary network.
Safety Risks	Moderate	
Security and conflict.	Moderate	The project will increase the state presence in Cabo Delgado Province, increase social inclusion, and reduce conflict risks.

4.6. Knowledge building

4.6.1 The project will assist in building ANE's and the Road Fund's capacities in generating and managing sector-specific knowledge through studies included in both this Phase and the previous, specifically relating to the review sectors' business processes and implementation of resulting short and long term recommendations as well as undertaking a comprehensive training needs assessment for a robust capacity building programme. The social inclusion component is anticipated to generate new knowledge and experience that will be captured and documented by ANE through the capacity building activities for the cross cutting department of ANE.

5. LEGAL INSTRUMENT AND AUTHORITY

5.1. Legal instruments

5.1.1. The financing instruments proposed shall be (i) a TSF (Pillar 1) grant and an ADF grant. A Protocol of Agreement shall be executed amongst the Republic of Mozambique on the one hand, and the African Development Bank and African Development Fund (collectively the "Fund") (*as administrators of the TSF*) on the other hand for the TSF resources; and (ii) An ADF Protocol of Agreement shall be executed between the Republic of Mozambique and the African Development Fund (for both the cancelled resources and resources from the regional envelope.

5.2. Conditions associated with the bank's intervention

5.2.1 Condition Precedent to Entry into Force: The Protocol of Agreements shall both enter into force on the date of signature by the parties in accordance with Section 10.01 of the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund.

5.2.2 Conditions Precedent to First Disbursement of the Grants In addition to the provisions of Section 5.2.1 (*Entry into Force*) above, the obligation of the Fund to make the first disbursement of each Grant, shall be subject to the satisfaction of the following condition by the Recipient.

a) Submission of evidence of the appointment of members of the Project Implementation Team including the: (i) Project Coordinator ; and (ii)Financial Management Expert with qualifications and terms of reference acceptable to the Fund;

5.2.3. Other Condition. No later than Q1 2020 submission of evidence of the recruitment of: (i) Environmental and Social Specialist: and (ii) Contracts Manager with terms of reference and qualifications acceptable to the Fund.

5.2.4. Condition Precedent to Disbursements for Works Involving Resettlement. Subject to the provisions of Section 5.2.1 (Entry into Force) and Section 5.2.2 (*Condition Precedent to First Disbursement*) above, the obligation of the Fund to disburse the Grant for works that involve resettlement shall be subject to the fulfilment by the Recipient of the following additional conditions:

(a) Submission of a works and compensation schedule prepared in accordance with the Abbreviated Resettlement Action Plan (ARAP) and the Fund's Safeguards Policies in form and substance satisfactory to the Fund detailing: (i) each lot of civil works under the Project, and (ii) the time frame for compensation and/or resettlement of all Project affected persons ("PAPs") in respect of each lot; and

(b) Submission of satisfactory evidence that all Project affected persons ("PAPs") in respect of works/civil works in a given lot have been compensated and/or resettled in accordance with the Environmental and Social Management Plan ("ESMP"), the ARAP and/ or the agreed works and compensation schedule and the Fund's Safeguards Policies**,** prior to the commencement of such works/civil works in such lot and in any case before the PAPs' actual move and/or taking of land and related assets; or

(c) In lieu of paragraph (a) and (b) above, submission of satisfactory evidence indicating that the resources allocated for the compensation and/or resettlement of PAPs have been deposited in a dedicated account in a bank acceptable to the Fund or remitted to a trusted third party acceptable to the Fund, where the Recipient can prove, to the satisfaction of the Fund that, compensation and /or resettlement of PAPs in accordance with paragraph (a) and (b) above could not be undertaken fully or partially, because of the following reasons:

    (i) the identification of the PAPs by Recipient is not feasible or possible;
    (ii) ongoing litigation involving the PAPs and / or affecting the compensation and/or resettlement exercise; or
    (iii) any other reason beyond the control of the Recipient, as discussed and agreed with the Fund.

5.2.5 Environmental and Social Safeguards Undertakings

a) The Recipient shall and shall cause the Executing Agency, all its contractors, sub-contractors and agents to:
    (i) carry out the Project in accordance with the ESMP, the ARAP and/ or the agreed works and compensation schedule, the Fund's Safeguards Policies and the applicable national legislation in a manner and in substance satisfactory to the Fund;
    (ii) prepare and submit to the Fund, as part of the Project Report quarterly reports on the implementation of the ESMP and the ARAP including any deficiencies identified and the corrective measures thereto; and
    (iii) refrain from taking any action which would prevent or interfere with the implementation of the ESMP, the ARAP, including any amendment, suspension, waiver, and/or voidance of any provision thereof, whether in whole or in part, without the prior written concurrence of the Fund.

b) The Recipient shall not and shall cause the Executing Agency, all its contractors, its sub-contractors and agents not to commence implementation of any works on any section of a given lot under the Project, unless all PAPs in such lot have been compensated and/or resettled in accordance with the ARAP and/ or the agreed works and compensation schedule.

5.3. Compliance with bank policies

5.3.1 This project complies with all applicable Bank policies except 2.6 of the ADF-14 Resource Allocation Operational Guidelines and paragraph 8, 2012 Staff Guidance Note on Issues Related to the Revised Guidelines on Cancellation of Approved Loans, Grants and Guarantees.

6. RECOMMENDATION

Management recommends that the Boards of Directors of the Bank and the Fund (as appropriate) approve the following:

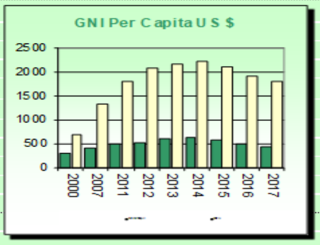
A. (i) A grant of UA 12,090,000 from ADF resources (of which UA 10 million is from the regional envelope; and UA 2.09 million is from ADF-10, 11, and 12 cancelled resources); and (ii) A grant of UA 12,000,000 from the resources of Pillar 1 of the Transition Support Facility (TSF), to the Republic of Mozambique for the purposes and subject to the terms and conditions stipulated in this report; and

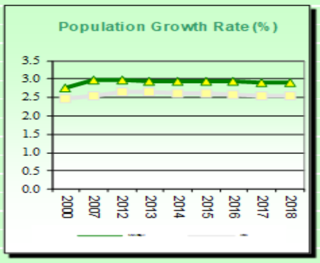
B. A waiver to the provisions of Section 2.6 of the Operational Guidelines of the ADF 14 Resource Allocation Framework, which requires cancelled resources to keep their original form regardless of the risk of debt distress of the country at the time of the cancellation; and permit the conversion into grant of the cancelled loans of a total amount not exceeding the equivalent of UA 1,985,232, to be utilized by the Republic of Mozambique, to finance the Project.

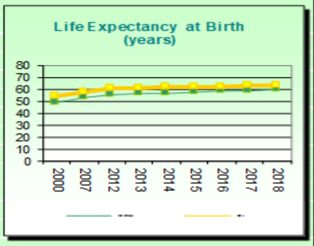
APPENDIX I: MOZAMBIQUE'S SOCIO-ECONOMIC INDICATORS

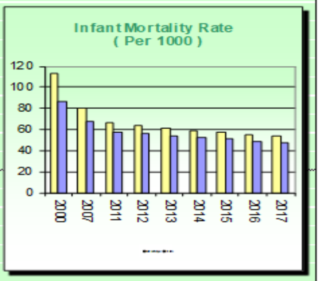
Mozambique
COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Mozambique	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km²)	2018	799	30,067	92,017	40,008
Total Population (millions)	2018	30.5	1,286.2	6,432.7	1,197.2
Urban Population (% of Total)	2018	36.0	42.5	50.4	81.5
Population Density (per Km²)	2018	38.6	43.8	71.9	31.6
GNI per Capita (US $)	2017	420	1 767	4 456	40 142
Labor Force Participation *- Total (%)	2018	79.3	65.9	62.1	60.1
Labor Force Participation **- Female (%)	2018	82.4	55.5	47.6	52.2
Sex Ratio (per 100 female)	2018	95.6	99.8	102.3	99.3
Human Develop. Index (Rank among 189 countries)	2017	180	...	...	...
Popul. Living Below $ 1.90 a Day (% of Population)	2007-2017	62.9	...	11.9	0.7
Demographic Indicators					
Population Growth Rate - Total (%)	2018	2.9	2.5	1.2	0.5
Population Growth Rate - Urban (%)	2018	4.4	3.6	2.3	0.7
Population < 15 years (%)	2018	44.5	40.6	27.5	16.5
Population 15-24 years (%)	2018	20.1	19.2	16.3	11.7
Population >= 65 years (%)	2018	3.2	3.5	7.2	18.0
Dependency Ratio (%)	2018	92.6	79.2	53.2	52.8
Female Population 15-49 years (% of total population)	2018	23.6	24.1	25.4	22.2
Life Expectancy at Birth - Total (years)	2018	59.4	63.1	67.1	81.3
Life Expectancy at Birth - Female (years)	2018	61.5	64.9	69.2	83.8
Crude Birth Rate (per 1,000)	2018	38.2	33.4	26.4	10.9
Crude Death Rate (per 1,000)	2018	9.6	8.3	7.7	8.8
Infant Mortality Rate (per 1,000)	2017	53.3	47.7	32.0	4.6
Child Mortality Rate (per 1,000)	2017	72.4	68.6	42.8	5.4
Total Fertility Rate (per woman)	2018	5.1	4.4	3.5	1.7
Maternal Mortality Rate (per 100,000)	2015	489.0	444.1	237.0	10.0
Women Using Contraception (%)	2018	21.6	38.3	61.8	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-2016	5.5	33.6	117.8	300.8
Nurses and midwives (per 100,000 people)	2010-2016	40.1	123.3	232.6	868.4
Births attended by Trained Health Personnel (%)	2010-2017	54.3	61.7	78.3	99.0
Access to Safe Water (% of Population)	2015	51.1	71.6	89.4	99.5
Access to Sanitation (% of Population)	2015	20.5	39.4	61.5	99.4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2017	12.5	3.4	1.1	...
Incidence of Tuberculosis (per 100,000)	2016	551.0	221.7	163.0	12.0
Child Immunization Against Tuberculosis (%)	2017	95.0	82.1	84.9	95.8
Child Immunization Against Measles (%)	2017	85.0	74.4	84.0	93.7
Underweight Children (% of children under 5 years)	2010-2016	15.6	17.5	15.0	0.9
Prevalence of stunding	2010-2016	43.1	34.0	24.6	2.5
Prevalence of undernourishment (% of pop.)	2016	30.5	18.5	12.4	2.7
Public Expenditure on Health (as % of GDP)	2014	3.9	2.6	3.0	7.7
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2017	105.0	99.5	102.8	102.6
Primary School - Female	2010-2017	101.3	97.4	102.0	102.5
Secondary School - Total	2010-2017	34.9	51.9	59.5	108.5
Secondary School - Female	2010-2017	33.2	49.5	57.9	108.3
Primary School Female Teaching Staff (% of Total)	2010-2017	44.0	48.7	53.0	81.5
Adult literacy Rate - Total (%)	2010-2017	56.0	65.5	73.1	...
Adult literacy Rate - Male (%)	2010-2017	70.8	77.0	79.1	...
Adult literacy Rate - Female (%)	2010-2017	43.1	62.6	67.2	...
Percentage of GDP Spent on Education	2010-2015	6.5	4.9	4.1	5.2
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2016	7.2	8.0	11.3	10.4
Agricultural Land (as % of land area)	2016	63.5	38.2	37.8	36.5
Forest (As % of Land Area)	2016	48.0	22.0	32.6	27.6
Per Capita CO2 Emissions (metric tons)	2014	0.3	1.1	3.5	11.0









Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports. *last update : Febuary 2019*

*Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)*
*** Labor force participation rate, female (% of female population ages 15+)*

APPENDIX II: AfDB'S PORTFOLIO IN MOZAMBIQUE (JULY 2019)

N.	Project Name	Approval	Closing	Amount	Disb.Ratio	Age
1	PPF-VALUE CHAIN AND MARKET DEVELOPMENT PROGRAM ALONG PEMBA_LICHINGA CORRIDOR	12.6.2017	6.30.2019	1.0	2.1	1.6
2	DROUGHT RECOVERY AND AGRICULTURE RESILIENCE	1/18/2018	6/30/2023	10.0	32.3	1.5
3	AGRICULTURAL VALUE CHAIN AND YOUTH EMPOWERMENT PROJECT	7/20/2018	12/31/2023	11.0	2.8	1
4	MASSINGIR DAM EMERGENCY REHABILITATION PROJECT SUPPLEMENTARY	7/20/2018	12/31/2019	4.9	37.9	1
5	BAIXO LIMPOPO IRRIGATION & CLIMATE RESILIENCE	9/26/2012	6/30/2020	28.3	67.3	6.8
Sub-total I Agriculture - 26.9 Million						
6	MOMA MINERAL SANDS PROJECT	5.21.2003	10.18.2007	28.9	100.00	16.2
Sub-total II Industry/Mining - 28.9 Million						
7	SUSTAINABLE LAND & WATER RES. MGT PROJECT	10/31/2012	12/31/2019	13.4	93.6	6.7
8	BAIXO LIMPOPO IRRIGATION & CLIMATE RESILIENCE	9/26/2012	6/30/2020	28.3	67.3	6.8
Sub-total III - Environnent 41.7 Million						
9	MUEDA - NEGOMANO ROAD PROJECT PHASE I	12/9/2016	12/31/2022	53.5	4.5	2.6
10	MONTEPUEZ-LICHINGA ROAD PROJECT	10/27/2006	6/30/2019	51.8	86.6	12.6
11	NACALA TRANSPORT CORRIDOR PHASE-III	12/5/2012	12/31/2020	38.7	71.7	6.7
12	MULTI-NACALA CORRIDOR PROJECT (MOZAMBIQUE)	6/24/2009	10/30/2021	102.7	56.1	10.1
Sub- total IV - Transport - 246.7 Million						
13	URBAN SANITATION, DRAINAGE & SOLID WASTE MANAG IN CHIMOIO	7/14/2016	12/30/2020	1.3	17.2	3
Sub- total V - Water Sup/Sanitation 1.3 Million						
14	AFRICA SME PROGRAM LOC - MOZABANCO S.A	4.11.2014	5.30.2016	6.5	100.00	5.3
15	BCI LINE OF CREDIT	15.07.2019		21.8	0	0
Sub- total VI- Finance 28.3 Million						
16	UNILÚRIO-SUPPORT TO SKILLS DEVELOPMENT FOR AGRICULTURE AND INDUSTRY	1/16/2018	8/31/2023	10.0	6.1	1.5
17	CONSOLIDATION WOMEN'S ENTREPRENEURSHIP	12/18/2013	9/30/2019	3.8	81.6	5.6
18	JOB CREATION AND LIVELIHOOD IMPROVEMENT PROJECT	5/18/2016	12/30/2021	4.5	19.8	3.2
19	NACALA CORRIDOR BUSINESS LINKAGES TA PROJECT	6/14/2017	12/31/2020	0.7	25.5	2.1
Sub-total VII –Social 19.0 Million						
				10.0 Million		
20	ENABLING LARGE SCALE GAS & PWR INVESTMENT PROJECT	12/18/2013	6/30/2020	10.0	9.9	5.6
Sub-total VII Power 10 Million						
				T O T A L 403 million		

APPENDIX III: MAP OF PROJECT AREA

AFRICAN DEVELOPMENT BANK **AFRICAN DEVELOPMENT FUND**

BOARDS OF DIRECTORS

Resolution N° B/Z1/2019/91 - F/Z1/2019/103

Adopted by the Boards of Directors of the Bank and the Fund on a lapse-of-time basis, on [●] 2019.

Multinational: Grant to the Republic of Mozambique from the resources of the Transition Support Facility, to finance part of the costs of the Mueda-Negomano Road Upgrading Project - Phase II, Lot A (Roma-Nambungale - 35km)

THE BOARDS OF DIRECTORS,

HAVING REGARD to: (i) Articles 1, 2, 32 and 37 of the Agreement Establishing the African Development Bank (the "Bank"); (ii) Articles 1, 2, 26 and 30 of the Agreement Establishing the African Development Fund (the "Fund" or "ADF"); (iii) the Report on the Fourteenth General Replenishment of the Resources of the Fund ("ADF-14"); (iv) the Operational Guidelines for the Implementation of the Strategy for addressing Fragility and building Resilience in Africa and for the Transition Support Facility (the "TSF Operational Guidelines"); (v) the Guidelines for the Financing of Multinational Operations; (vi) the Strategic and Operational Framework for Regional Operations; and (vii) the appraisal report contained in Document ADB/BD/WP/2019/256/Approval - ADF/BD/WP/2019/172/Approval (the "Appraisal Report");

RECALLING:

(i) Resolution N° B/BD/2008/05 - F/BD/2008/03 approved by these Boards on 28 March 2008 establishing the Fragile States Facility;

(ii) Document ADB/BD/WP/2014/46/Rev.2 - ADF/BD/WP/2014/30/Rev.2 entitled "Addressing Fragility and Building Resilience in Africa: The African Development Bank Group Strategy 2014 – 2019"; and

(iii) Document ADB/BD/WP/2017/175 - ADF/BD/WP/2017/123 as well as its corrigendum entitled "Fourth Cycle Assessment of Eligibility for Countries to the Transition Support Facility (TSF) Supplemental Support Funding (Pillar I) Resources" which confirmed, *inter alia,* the eligibility of the Republic of Mozambique to receive financing from the TSF Supplemental Support Window (Pillar I);

DECIDE as follows:

1. To award to the Republic of Mozambique (the "Recipient"), from the resources of the TSF Supplemental Support Window (Pillar I), a grant of an amount not exceeding the equivalent of Twelve Million Units of Account (UA 12,000,000) (the "Grant") to finance part of the costs of the Mueda-Negomano Road Upgrading Project - Phase II, Lot A (Roma-Nambungale - 35km) (the "Project");

2. To authorize the President to conclude a protocol of agreement amongst the Bank, the Fund and the Recipient (the "Protocol of Agreement"), on the terms and conditions specified in the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund, the TSF Operational Guidelines and the Appraisal Report;

3. The President may cancel the Grant if the Protocol of Agreement is not signed within ninety (90) days from the date of approval of the Grant by these Boards; and

4. This Resolution shall become effective on the date above-mentioned.

AFRICAN DEVELOPMENT FUND

BOARD OF DIRECTORS

Resolution N° F/Z1/2019/104

Adopted by the Board of Directors, on a lapse-of-time basis, on [●] 2019

Multinational: Grant to the Republic of Mozambique to finance part of the costs of the Mueda-Negomano Road Upgrading Project - Phase II, Lot A (Roma-Nambungale-35km)

THE BOARD OF DIRECTORS,

HAVING REGARD to: (i) Articles 1, 2, 11, 12, 14, 15, 16, 26 and 30 of the Agreement Establishing the African Development Fund (the "Fund" or "ADF"); (ii) the Report on the Fourteenth General Replenishment of the Resources of the Fund (the "ADF-14"); (iii) the applicable ADF-14 Country Resource Allocation; (iv) the Operational Guidelines of the ADF-14 Resource Allocation Framework (the "ADF-14 Operational Guidelines"); (v) the Guidelines for the Financing of Multinational Operations; (vi) the Strategic and Operational Framework for Regional Operations; and (vii) the appraisal report contained in Document ADB/BD/WP/2019/256/Approval - ADF/BD/WP/2019/172/Approval (the "Appraisal Report");

RECALLING Document ADF/BD/WP/2018/110/Approved entitled "*Note on the Implications of Mozambique's March 5, 2018 IMF Debt Sustainability Analysis on its ADF-14 Performance-Based Allocation*" approved by this Board on 18 July 2018, thus waiving the application of the provisions of paragraphs II.18 and III.3 of the ADF-14 Operational Guidelines and deciding, inter alia, (a) to authorize the use of the March 5, 2018 International Monetary Fund (IMF) Debt Sustainability Analysis (DSA), classifying the Republic of Mozambique as a country in 'debt distress', for purpose of computing the Republic of Mozambique's 2018 ADF-14 Performance-Based Allocation (PBA) instead of the February 22, 2018 IMF DSA which classified the Republic of Mozambique as in "moderate risk of debt distress"; (b) that the Republic of Mozambique's 2018 PBA and indicative 2019 PBA will be on grant basis only; and (c) that unused loans from the Republic of Mozambique's 2017 PBA will be available for use in 2018 or 2019 as grants instead of loans;

HAVING CONSIDERED:

(i) The current classification of the Republic of Mozambique as a country in "debt distress";

(ii) The provisions of Section 2.6 of the ADF-14 Operational Guidelines which provide inter alia that "Cancelled resources will keep their original form (loan/grant) regardless of the risk of debt distress of the country (traffic light system) at the time of the cancellation";

(iii) The prevailing concern with regards to debt sustainability of ADF Countries; and

(iv) The recommendations and justifications provided in the Appraisal Report to waive the application of Section 2.6 of the ADF-14 Operational Guidelines and to convert proceeds of cancelled loans of an amount not exceeding the equivalent of One Million, Nine Hundred and Eighty-Five Thousand, Two Hundred and Thirty-Two Units of Account (UA 1,985,232) (the "Proceeds of Cancelled Loans") into a grant to the Republic of Mozambique to finance part of the costs of the Mueda-Negomano Road Upgrading Project - Phase II, Lot A (Roma-Nambungale - 35km) (the "Project");

NOTING the availability of sufficient resources to enable the Fund to commit the amount of the Grant;

DECIDES as follows:

1. To waive the application of Section 2.6 of the ADF-14 Operational Guidelines and permit the conversion of the Proceeds of Cancelled Loans into a grant;

2. To award to the Republic of Mozambique (the "Recipient"), from the resources of the Fund, a grant of an amount not exceeding the equivalent of Twelve Million and Ninety Thousand Units of Account (UA 12,090,000), which amount includes the Proceeds of the Cancelled Loans (the "Grant") to finance part of the costs of the Project;

3. To authorize the President to conclude a protocol of agreement between the Fund and the Recipient (the "Protocol of Agreement") on the terms and conditions specified in the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund and the Appraisal Report;

4. The President may cancel the Grant if the Protocol of Agreement is not signed within ninety (90) days from the date of approval of the Grant by this Board; and

5. This Resolution shall become effective on the date above-mentioned.