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GRANT NUMBER D519-MZ

# Financing Agreement

(Cyclone *Idai* and Kenneth Emergency Recovery and Resilience Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

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**GRANT NUMBER D519-MZ**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between the REPUBLIC OF MOZAMBIQUE ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of assisting in financing the project described in Schedule 1 to this Agreement ("Project"). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to ninety-five million one hundred thousand Special Drawing Rights (SDR 95,100,000) ("Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Payment Dates are February 15 and August 15 in each year.
- 2.05. The Payment Currency is Dollar.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall: (a) carry out Parts 1 and 3(ii) of the Project through the GREPOC; and (b) cause AIAS to carry out Parts 2 and 3(i) of the Project, all in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

#### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Events of Suspension consist of the following:
- (a) AIAS's Legislation have been amended, suspended, abrogated, repealed or waived so as to affect the ability of AIAS to implement Parts 2 and 3(i) of the Project.
  - (b) AIAS has failed to perform any obligation under the AIAS Subsidiary Agreement.
  - (c) GREPOC Legislation have been amended, suspended, abrogated, repealed or waived so as to affect the ability of GREPOC to implement Parts 1 and 3(ii) of the Project.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following, namely, that the AIAS Subsidiary Agreement has been executed on behalf of the Recipient and AIAS, in accordance with terms and conditions satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date ninety days (90) days after the Signature Date.
- 5.03. For purposes of Section 10.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature Date.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01 The Recipient's Representative is its minister responsible for economy and finance.
- 6.02 For purposes of Section 11.01 of the General Conditions:
- (a) The Recipient's Address is:  
  
Ministry of Economy and  
Finance  
*Praça da Marinha Popular*  
*Av. 10 de Novembro n° 929*  
Maputo  
Republic of Mozambique

(b) the Recipient's Electronic Address is:

Facsimile:

+258 21313747

6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America; and

(b) the Association's Electronic Address is:

Telex:

Facsimile:

248423 (MCI)

1-202-477-6391



AGREED as of the Signature Date.

REPUBLIC OF MOZAMBIQUE

By:

  
\_\_\_\_\_  
Authorized Representative

Name: Adriano M. Leisane

Title: Min. Econ. & Finance

Date: 01-10-2019

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

  
\_\_\_\_\_  
Authorized Representative

Name: MARK R. LUNDELL

Title: COUNTRY DIRECTOR

Date: October 1, 2019

## SCHEDULE 1

### Project Description

The Project Development Objective is to support the recovery of public and private infrastructure and livelihoods while strengthening climate resilience in the areas most affected by Cyclones *Idai* and *Kenneth*.

The Project consists of the following parts:

#### **Part 1: Recovery and Reconstruction of Cyclone-Affected Areas**

- (a) Provision of support for the partial or complete reconstruction or repair of housing units for Cyclone-affected Beneficiaries, through a community-based and owner-driven resilient reconstruction approach in affected areas, including:
  - (i) House Grants to selected Cyclone-affected Beneficiaries; and
  - (ii) relevant technical assistance activities to ensure that the housing stock is more resilient including *inter alia*: (A) social, environmental, and technical support for Beneficiary households; (B) training of artisans and Beneficiaries; (C) communication and outreach; (D) supervision and certification of compliance with multi-hazard resistant standards and of completion of multi-hazard resilient core housing units; (E) implementation of the environmental and social management framework including identified safeguard mitigation measures; (F) development of a grievance redress mechanism; (G) support to community planning activities, and (H) technical studies.
- (b) Provision of support for: (i) the repair and reconstruction of key public infrastructure damaged by Cyclones *Idai* and *Kenneth* and the construction of new, more resilient public infrastructure, including markets, government buildings, public water and sanitation units, and multi-functional elevated flood evacuation sites and cyclone wind shelters; in line with the criteria set forth in the Operational Manual; and (ii) investments to restore services and reduce risk in affected areas where housing reconstruction and repair are occurring.
- (c) Carrying out a program of activities to revive private sector investment through the provision of: (i) Matching Grants to MSMEs to restore operating capacity; (ii) credit lines to eligible MSEs for Investments to enhance access to financing; and (iii) technical assistance to MSMEs and MSEs to support effective utilization of funds obtained in (i) and (ii) above.

**Part 2: Building Climate Resilience**

- (a) Carrying out rehabilitation works of Beira's coastal protection system, including repairing damage to coastal protection and coastal roads caused by Cyclone *Idai*, rehabilitating and strengthening groynes, dunes, flood walls and conducting strategic sand nourishment to replenish the sand balance across targeted areas.
- (b) Carrying out rehabilitation works of Beira's stormwater drainage system, including rehabilitating selected drainage canals and the construction of an additional retention basin and outlet to the eastern coast.
- (c) Carrying out feasibility studies and designs for Parts 2(a) and 2(b) above, and provision of technical assistance to AIAS on coastal management and climate resilience and to Beira's Autonomous Sanitation Services (SASB) to strengthen their capacity in drainage operation and maintenance.

**Part 3: Project Implementation, Monitoring and Evaluation**

- (a) **AIAS:**

Provision of support for the implementation of Project activities, through the establishment and strengthening of AIAS's capacity with respect to: (i) technical capacity for the implementation of reconstruction and resilience interventions; (ii) fiduciary capacity (i.e. financial and procurement management); (iii) environmental and social safeguards management; (iv) preparation of project reports; and (v) monitoring and evaluation.

- (b) **GREPOC**

Provision of support for the implementation of Project activities, through the establishment and strengthening of GREPOC's capacity with respect to: (i) technical capacity for the implementation of reconstruction and resilience interventions; (ii) fiduciary capacity (i.e. financial and procurement management); (iii) environmental and social safeguards management; (iv) preparation of project reports; and (v) monitoring and evaluation.

**Part 4: Contingent Emergency Response Component**

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

##### 1. Project Implementation Units

The Recipient:

- (a) (i) not later than 60 days after the Effectiveness Date, shall and shall cause GREPOC to create and thereafter maintain until the completion of the Project a unit within MOPHRH (the GREPOC-PIU), responsible for the management, coordination, supervision, monitoring and evaluation of Parts 1 and 3(ii) of the Project; and (ii) cause AIAS to maintain until the completion of the Project the existing Project implementing unit within AIAS (the AIAS-PIU), responsible for the management, coordination, supervision, monitoring and evaluation of Project activities under Parts 2 and 3(i) of the Project; and
- (b) shall cause the units mentioned in (a) above to maintain, until completion of the Project, a structure, responsibilities, and key staff with functions, experience, responsibilities and qualifications acceptable to the Association described in the Project Operations Manual, including:
  - (i) for the GREPOC-PIU, a Project coordinator, and specialists in the areas of procurement, financial management, environment and social; and
  - (ii) for the AIAS-PIU, a Project coordinator, and specialists in the areas of: procurement, financial management, environmental and social.

##### 2. Annual Work Plans and Budget

The Recipient shall and shall cause AIAS to prepare and furnish to the Association for its approval, not later than November 1 of each year during the implementation of the Project, or such later date as the Association may agree, the Annual Work Plans and Budget containing all activities to be carried out in the following fiscal year, modified in a manner satisfactory to the Association, taking into account the Association's comments and views on the matter.

##### 3. Project Manuals

- (a) Without limitation of the provisions of Section 3.01 of this Agreement, the Recipient, through GREPOC, shall, and shall cause AIAS, no later than 30 days after the Effective Date to: (i) prepare and thereafter carry out the Project in accordance with the Project Operations Manual (POM); and (ii)

except as the Association shall otherwise agree, the Recipient, through GREPOC, shall and shall cause AIAS to not amend, waive or fail to enforce the POM, or any provisions thereof. In case of any conflict between the provisions of the POM and those of this Agreement, the provisions of this Agreement shall prevail.

- (b) For the purposes of implementing Part 1(a)(i) of the Project, the Recipient shall, through GREPOC, prepare and adopt a Housing Reconstruction Manual in form and substance acceptable to the Association, giving details of the guidelines and procedures governing the housing reconstruction activities under the Project, including the selection and prioritization criteria for financing of repair, reconstruction or construction of multi-hazard resilient core housing units or its equivalent as well as housing reconstruction guidelines, amounts of Housing Grants to be paid on a non-reimbursable basis, and the conditions for release of the Housing Grant.
- (c) For the purposes of implementing Part 1(c)(i) of the Project, the Recipient shall, through GREPOC: (i) prepare and adopt a Matching Grants Manual in form and substance acceptable to the Association, giving details of the guidelines and procedures governing the Matching Grants under Part 1(c) of the Project, including: (A) eligibility criteria applicable to potential Beneficiaries and Subproject proposals; and (B) procedures for the award of Matching Grants and selection of Matching Grant Beneficiaries; and (ii) except as the Association shall otherwise agree, the Recipient shall not amend, waive or fail to enforce the Matching Grants Manual, or any provisions thereof. In case of any conflict between the provisions of the Matching Grants Manual and those of this Agreement, the provisions of this Agreement shall prevail.

#### **B. Subsidiary Agreement**

To facilitate the carrying out Parts 2 and 3(i) of the Project, the Recipient shall make the proceeds of the Financing, available to AIAS (on grant terms under a subsidiary agreement between the Recipient and AIAS ("AIAS Subsidiary Agreement"), under terms and conditions approved by the Association, which shall include:

- (a) The Recipient's obligation to provide to AIAS the portion of the proceeds of the Financing.
- (b) AIAS's obligation to carry out Parts 2 and 3(i) of the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, technical, environmental and social practices, under the supervision of qualified and experienced management assisted by

competent staff in adequate numbers, and in accordance with the provisions of this Agreement and the Project Operations Manual.

- (c) AIAS's obligation to procure goods, works and services required for carrying out Parts 2 and 3(i) of the Project and to be financed out of the proceeds of the Financing, in accordance with the provisions of Section III of Schedule 2 to this Agreement, as said provisions may be further elaborated in the Project Operations Manual.
  - (d) AIAS's obligation to implement Parts 2 and 3(i) of the Project in accordance with the provisions of the Safeguard Instruments.
  - (e) AIAS's obligation to implement the terms of the Anti-Corruption Guidelines.
  - (f) AIAS's obligation to: (i) maintain a separate financial management system for implementing Parts 2 and 3(i) of the Project; (ii) prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition; and (iii) register separately the operations, resources and expenditures related to Parts 2 and 3(i) of the Project.
  - (g) AIAS's obligation to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of Parts 2 and 3(i) of the Project and the performance of its obligations under the Subsidiary Agreement.
  - (h) AIAS's obligation to neither take nor concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement.
- 2. The Subsidiary Agreement shall include a provision stipulating that in the case of conflict between the Subsidiary Agreement and this Agreement, the provisions of this Agreement shall apply.
  - 3. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreements or any of its provisions.

**C. Environmental and Social Standards**

- 1. The Recipient through GREPOC shall and shall cause AIAS to ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.

2. Without limitation upon paragraph 1 above, the Recipient through GREPOC shall and shall cause AIAS to ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient through GREPOC shall and shall cause AIAS to ensure that:
  - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;
  - (b) sufficient funds are available to cover the costs of implementing the ESCP;
  - (c) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and
  - (d) the ESCP or any provision thereof, is not amended, revised or waived, except as the Association shall otherwise agree in writing and the Recipient has, thereafter, disclosed the revised ESCP.

In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

2. The Recipient through GREPOC shall and shall cause AIAS to:
  - (a) take all measures necessary on its part to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the management tools and instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
  - (b) promptly notify the Association of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including without limitation any potential Project-related occupational health and safety accidents and incidents or Project-related allegations of GBV or Project-related child labor, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.
3. The Recipient through GREPOC shall and shall cause AIAS to maintain and publicize the availability of a grievance mechanism, in form and substance

satisfactory to the Association, to hear and determine fairly and in good faith all complaints raised in relation to the Project and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.

**D. Financial Intermediaries**

1. For the purposes of implementing Part 1(c)(ii) of the Project the Recipient, upon selection of one or more Project Financing Institutions (“PFIs”) on the terms and conditions, eligibility criteria and procedures set forth in the POM, shall make a portion of the Financing available to each one of the selected PFIs pursuant to an agreement (“PFI Agreement”) for the purposes of financing Investments to eligible MSME pursuant Investment Contracts between each PFI and each MSME, under terms and conditions acceptable to the Association and described in the POM.
2. The Recipient shall ensure that the PFI Agreement is subject to the terms and conditions specified in the POM, which shall include the following:
  - (a) carry out efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices (including the obligation to establish and thereafter implement, throughout Project implementation, an ESMS), all satisfactory to the Association, and in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of the Financing other than the Recipient;
  - (b) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Project activities under its responsibility and the achievement of their objectives;
  - (c) maintain a financial management system and prepare financial statements, or quarterly reports, as required by the POM. Such statement or reports shall be audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;
  - (d) ensure that any Investment provided under Part 1(c)(ii) of the Project does not finance any activities included in the list of Excluded Activities;
  - (e) enable the Recipient and the Association to inspect the Project activities and any relevant records and documents;



- (f) prepare and furnish to the Recipient and the Association such information as the Recipient or the Association shall reasonably request relating to the foregoing;
  - (g) exercise its rights and carry out its obligations under each Investment Agreement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing; and
  - (h) not amend, suspend, terminate or waive any provision under any Investment Agreement in such a manner so as to affect materially and adversely, in the opinion of the Association, the ability of the PFI or the Recipient, to comply with their respective obligations under this Agreement.
4. The Recipient shall ensure that the PFIs do not assign, amend, abrogate or waive the PFI Agreements or any of its provisions in such a manner so as to affect materially and adversely, in the opinion of the Association, the ability of said PFIs to comply with their respective obligations under the Financing Agreement.
5. For purposes of the provision of Investments under Part 1(c)(ii) of the Project, the Recipient shall enter into an agreement with each eligible Beneficiary (Investment Agreement) under terms and conditions acceptable to the Association and set forth in the POM, including the obligation to ensure that any Investment does not finance any activity included in the list of Excluded Activities.

**E. Housing Grants under Part 1(a) of the Project**

1. For purposes of carrying out Part 1(a) of the Project, the Recipient through GREPOC shall, using the criteria to be agreed with the Association:
- (a) develop and maintain a list of Participating Household Beneficiaries;
  - (b) provide the list of Participating Household Beneficiaries to the Association: (i) by no later than 30 days before the date on which the Recipient first proposes to release the first tranche of all or a set of Housing Grants; and (ii) upon the Association's request.
  - (c) Participating Household Beneficiaries shall be those: (i) located in the Targeted Areas; (ii) who meet the guidelines, selection and prioritization criteria set out in the Housing Grants Manual for financing of repair, reconstruction or construction out of the proceeds of the Financing; and (iii) who have entered into a Participation Agreement.
2. Upon the determination of the household beneficiaries eligible to participate in the Project, the Recipient shall:

- (a) Publicly disclose the list of such Participating Household Beneficiaries at the Project relevant sites; and
  - (b) Before providing a Housing Grant to a Participating Household Beneficiary, enter into a Participation Agreement with such Participating Household Beneficiary, under terms and conditions set forth in the Housing Grants Manual, which Participation Agreement shall provide:
    - (i) the Participating Household Beneficiary's voluntary participation in the Project and commitment to use the resources of the Housing Grant for the reconstruction of a multi-hazard resilient core housing unit or its equivalent as set out in the Housing Grants Manual and Participation Agreement, following the housing reconstruction guidelines included in the Housing Grants Manual and Participation Agreement;
    - (ii) the amount of the Housing Grant to be paid on a non-reimbursable basis to such Participating Household Beneficiary;
    - (iii) the conditions for release of the Housing Grant to such Participating Household Beneficiary including the number and amounts of each individual tranche thereof as provided for in the Housing Grants Manual;
    - (iv) the obligation and agreement of the Participating Household Beneficiary to accept random and/or unannounced physical inspection by the Recipient and/or the Association, in relation to the construction work; and
    - (v) the Recipient's right to suspend or terminate the right of the Participating Household Beneficiary to use the proceeds of the Housing Grant, upon any failure of the Participating Household Beneficiary to perform its obligations under the Participation Agreement.
3. For the payment of Housing Grants to Participating Household Beneficiaries, the Recipient shall engage the services of one or more Payment Service Providers (as hereinafter defined) in accordance with criteria acceptable to the Association as set forth in the Housing Grants Manual.
4. The Recipient shall conclude, by no later than the date on which the Recipient first proposes to release a Housing Grant, and thereafter implement, one or more service agreements (each a "Payment Agreement"), in form and substance satisfactory to the Association, with a bank or financial institution, which may include a commercial bank, microfinance institution, or another entity having the capacity

to provide the services and comply with the obligations described in the Payment Agreement, duly authorized to operate and operating in the Recipient's territory (each a "Payment Service Provider").

5. The Recipient shall exercise its rights under each Payment Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Payment Agreement or any of its provisions.
6. No other method shall be used for the payment of any Housing Grant unless:
  - (a) such alternative method has been agreed in writing with the Association; and
  - (b) the criteria and provisions governing its use have been included by the Recipient in form and substance acceptable to the Association in an updated Housing Grants Manual.

**F. Subprojects**

1. For purposes of carrying out Part 1(c)(i) of the Project, the Recipient through GREPOC shall:
  - (a) After having selected a Subproject, in accordance with eligibility criteria and procedures acceptable to the Association and set forth in the Matching Grants Manual, enter into an agreement with the selected MSME ("Matching Grant Agreement"), under terms and conditions approved by the Association and included in the Matching Grants Manual, for the provision of Matching Grants for the implementation of said Subproject.
  - (b) Refrain from releasing any funds for the implementation of a Subproject, until and unless:
    - (i) the Recipient has: (A) carried out a social and environmental screening in accordance with the guidelines, standards and procedures set forth in the ESMF and the RPF; and (B) produced the respective screening report and the environmental and social safeguards checklists included in the Matching Grants Manual.
    - (ii) if the screening reports so requires, the necessary ESIA/ESMPs, RAPs, LMPs, GBV Action Plans (if any) ("Environmental and Social Documents") has/have been prepared pursuant to the ESMF and the RPF in a manner and substance satisfactory to the Association; and

- (iii) the foregoing Environmental and Social Documents have been publicly disclosed by the Recipient in local language(s) at the Project relevant sites.
- 2. The Recipient through GREPOC shall ensure that each Matching Grant Agreement includes rights adequate to protect its interests and those of the Association, including the right to:
  - (a) suspend or terminate the right of the MSME to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the MSME's failure to perform any of its obligations under the Matching Grant Agreement; and
  - (b) require each MSME to: (i) carry out the Sub-Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (ii) provide, promptly as needed, the resources required for the purpose; (iii) procure the goods, works and services to be financed out of the Matching Grant in accordance with the provisions of this Agreement; (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-Project and the achievement of its objective; (v) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and (B) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (vi) enable the Recipient and the Association to inspect the Subproject and any relevant records and documents; and (vii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

**G. Immediate Response Mechanism**

1. In order to ensure the proper implementation of Part 4 of the Project (“Contingent Emergency Response”) (“IRM Part”), the Recipient shall take the following measures:
  - (a) prepare and furnish to the Association for its review and approval, an operations manual which shall set forth detailed implementation arrangements for the IRM Part, including: (i) designation of, terms of reference for and resources to be allocated to, the entity to be responsible for coordinating and implementing the IRM Part (“Coordinating Authority”); (ii) specific activities which may be included in the IRM Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the IRM Part; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the IRM Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard management frameworks for the IRM Part, consistent with the Association’s policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the IRM Part;
  - (b) afford the Association a reasonable opportunity to review said proposed operations manual;
  - (c) promptly adopt such operations manual for the IRM Part as shall have been approved by the Association (“IRM Operations Manual”);
  - (d) ensure that the IRM Part is carried out in accordance with the IRM Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the IRM Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and
  - (e) not amend, suspend, abrogate, repeal or waive any provision of the IRM Operations Manual without prior approval by the Association.
2. The Recipient shall, throughout the implementation of the IRM Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.
3. The Recipient shall undertake no activities under the IRM Part (and no activities shall be included in the IRM Part) unless and until the following conditions have been met in respect of said activities:
  - (a) the Recipient has determined that an Eligible Crisis or Emergency has

occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and

- (b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the IRM Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.

**Section II. Project Monitoring, Reporting and Evaluation**

The Recipient, through GREPOC shall and shall cause AIAS to furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

**Section III. Withdrawal of the Proceeds of the Financing**

**A. General**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Housing Grants under Part 1(a)(i) of the Project	27,065,000	100%
(2) Goods, works, non-consulting services, Training and consulting services under Part 1(b) and for Matching Grants under Part 1(c)(i) of the Project	15,360,000	100%

(3) Investments and Management Fees of the PFIs under Part 1(c)(ii) of the Project	10,975,000	100%
(4) Goods, works, non-consulting services, Training, Operating Costs and consulting services under Parts 1(a)(ii), 1(c)(iii) and 3(ii) of the Project	8,050,000	100%
(5) Works under Parts 2(a) and 2(b) of the Project	29,260,000	50%
(6) Goods, non-consulting services, Training, Operating Costs and consulting services under Parts 2(c) and 3(i) of the Project	4,390,000	100%
(7) Emergency Expenditures under Part 4 of the Project	0	100%
<b>TOTAL AMOUNT</b>	<b>95,100,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
  - (a) for payments made prior to the Signature Date; or
  - (b) under Category (1) unless: (i) the ESMF, LMP, and RFP are prepared, adopted, and disclosed in form and substance satisfactory to the Association; (ii) the Recipient has adopted the Housing Reconstruction Manual in a manner satisfactory to the Association; and (iii) the environmental and social specialists referred to in Section 1.A.1(b) of Schedule 2 to this Agreement have been hired in a manner satisfactory to the Association; or
  - (c) under Category (2) unless the Recipient: (i) has adopted the Matching Grants Manual in a manner satisfactory to the Association; (ii) the ESMF, LMP, and RFP have been prepared, adopted, and disclosed in form and

- substance satisfactory to the Association; and (iii) the environmental and social specialists referred to in Section 1.A.1(b) of Schedule 2 to this Agreement have been hired in a manner satisfactory to the Association; or
- (d) under Category (3) unless: (i) each of the PFIs have put in place an ESMS acceptable to the Association; (ii) the ESMF, LMP, and RFP have been prepared, adopted, and disclosed in form and substance satisfactory to the Association; and (iii) the environmental and social specialists referred to in Section 1.A.1(b) of Schedule 2 to this Agreement have been hired in a manner satisfactory to the Association; or
  - (e) under Category (5) unless evidence has been submitted to the Association that the Recipient and the Co-financer have entered into the Co-financing Agreements; or
  - (f) Under Category (6) unless; (i) the ESMF, LMP, and RFP have been prepared, adopted, and disclosed in form and substance satisfactory to the Association; and (ii) the environmental and social specialists referred to in Section 1.A.1(b) of Schedule 2 to this Agreement have been hired in a manner satisfactory to the Association; or
  - (g) under Category (7), for Emergency Expenditures under Part 4 of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:
    - (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
    - (ii) the Recipient has prepared and disclosed all Safeguards Instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.G of Schedule 2 to this Agreement;
    - (iii) the Recipient's Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.G of this Schedule 2 to this Agreement, for the purposes of said activities; and
    - (iv) the Recipient has adopted an IRM Operations Manual in form,



substance and manner acceptable to the Association and the provisions of the IRM Operations Manual remain, or have been updated in accordance with the provisions of Section I.G of this Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under the IRM Part.

2. The Closing Date is September 30, 2024

#### APPENDIX

1. “AIAS” or “*Administração de Infra-estruturas de Água e Saneamento*” means the Recipient’s water and sanitation infrastructure administration, established and operating pursuant to Decree No. 18 and Decree No. 19, published in the Official Gazette No. 19 dated May 13, 2009, and Regulation No. 34, published in the Official Gazette No. 52 dated December 31, 2009, as amended, of the laws of the Recipient, or any successor thereto.
2. “AIAS PIU” means the unit referred to in Section I.A.1(a)(ii) of Schedule 2 to the Financing Agreement.
3. “AIAS Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to AIAS for implementation of Parts 2 and 3(i) of the Project.
4. “AIAS’s Legislation” means Decree No. 18 and Decree No. 19, published in the Official Gazette No. 19 dated May 13, 2009, and Regulation No. 34, published in the Official Gazette No. 52 dated December 31, 2009, as amended, of the laws of the Recipient, including any legal or regulatory enactments upon which such instruments are based, or any licenses granted to AIAS related to the Project, all as in force on the date of this Agreement.
5. “Annual Work Plans and Budget” means the work plan and budget prepared annually for the Project, in accordance with Section I.A.2 of Schedule 2 to this Agreement.
6. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
7. “Beira’s Autonomous Sanitation Services (SASB)” means the Recipient’s designated authority responsible for sanitation services, including storm drainage, in the municipality of Beira, which has administrative and financial autonomy.
8. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
9. “Co-financier” means the Kingdom of Netherlands.
10. “Co-financing” means, for purposes of paragraph 14 of the Appendix to the General Conditions, the amounts of: (a) US\$30 million; and (b) US\$30 million to be provided by the Co-financier to assist in financing Parts 2(a) and 2(b)(i) of the Project respectively.

11. “Co-financing Agreements” means the agreements to be entered into between the Recipient and the Co-financier providing for the Co-financing.
12. “Coordinating Authority” means the entity or entities designated by the Recipient in the IRM Operations Manual and approved by the Association pursuant to Section I.G of Schedule 2 to this Agreement, to be responsible for coordinating the IRM Part of the Project.
13. “Cyclone-affected Beneficiaries” means the people affected by Cyclone *Idai* and Cyclone *Kenneth* in March and April 2019.
14. “Displaced Persons” means persons who, on account of an involuntary taking of land under the Project, would have their: (a) standard of living adversely affected; or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; and “Displaced Person” means any of the Displaced Persons. Displaced Persons do not include private parties displaced by other private parties as a result of a dispute between them resolved by the relevant Recipient’s land titling authorities, through the relevant Recipient’s land titling process.
15. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
16. “Emergency Expenditure” means any of the Eligible Expenditures, including goods, works, non-consulting services, consultants’ services, Training, and Operating Costs, set forth in the IRM Operations Manual in accordance with the provisions of Section I.G of Schedule 2 to this Agreement and required for the activities included in the IRM Part of the Project.
17. “Environmental and Social Commitment Plan” or “ESCP” means the Recipient’s environmental and social commitment plan, acceptable to the Association, dated September 11, 2019, which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Project, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to time, with prior written agreement of the Association, and such term includes any annexes or schedules to such plan.
18. “Environmental and Social Documents” means the ESMF, RPF, LMP and ESIA, RAP.

19. “Environmental and Social Standards” means, collectively: (a) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (b) “Environmental and Social Standard 2: Labor and Working Conditions”; (c) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (d) “Environmental and Social Standard 4: Community Health and Safety”; (e) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (f) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (g) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (h) “Environmental and Social Standard 8: Cultural Heritage”; (i) “Environmental and Social Standard 9: Financial Intermediaries”; and (j) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association at <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework>
20. “ESMS” means environmental and social management system.
21. “Excluded Activities” means the list of activities excluded from receiving financing out of the Financing, as said list is set forth in the POM.
22. “GBV/SEA” means gender-based violence and sexual exploitation and abuse.
23. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated July 14, 2017.
24. “GREPOC” means the post-cyclone *Idai* Reconstruction Office, a Recipient’s agency created pursuant Decree No. 26/2019 of 11 April 2019, that created the Reconstruction Office to oversee the planning, implementation, monitoring and evaluation of the recovery and reconstruction of areas impacted by Cyclone *Idai* and Decree No. 45/2019 of May 22, 2019, that expands the its mandate to areas affected by Cyclone Kenneth.
25. “GREPOC Legislation” means Decree No. 26/2019 of April 11, 2019 and Decree No. 45/2019 of May 22, 2019.
26. “GREPOC-PIU” means the unit to be created within GRPC as described in Section I.A.1(a)(i) of Schedule 2 to this Agreement.
27. “Housing Grants” means a grant made or proposed to be made by the Recipient to a Participating Household Beneficiary from the proceeds of the Grant for the owner-driven reconstruction or repair of such beneficiary’s house under Part 1(a) of the Project (as described in Schedule 1 to this Agreement).

28. "Housing Reconstruction Manual" means the manual referred to in Section I.A.3(b) of Schedule 2 to this Agreement.
29. "Immediate Response Mechanism Operations Manual" or "IRM Operations Manual" means the operations manual referred to in Section I.G of Schedule 2 to this Agreement, to be adopted by the Recipient for the IRM Part of the Project in accordance with the provisions of said Section.
30. "Investment" means any equity financing (credit line) under Part 1(c)(ii) of the Project.
31. "Investment Contract" means any agreement providing for an Investment under Part 1(c)(ii) of the Project.
32. "Involuntary Resettlement" means: (a) the taking of land without the Displaced Person's informed consent or power of choice, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons.
33. "IRM Part of the Project" or "IRM Part" means Part D of the Project.
34. "Management Fees" means costs incurred by each of the PFIs associated with standard operational costs including deal-sourcing, due diligence, investment management, marketing and networking.
35. "Matching Grant" means a grant made or proposed to be made by the Recipient under Part 1.C(i) of the Project, and Matching Grants means two or more of such grants.
36. "Matching Grants Manual" means the Recipient's manual referred to in Section I.A 3(c) of Schedule 2 of this Agreement.
37. "MOPHRH" or "*Ministério das Obras Públicas, Habitação e Recursos Hídricos*" means the Recipient's ministry responsible for public works, housing and water resources, or any successor thereto.
38. "MSEs" means medium-sized enterprises.
39. "MSMEs" means micro, small and medium sized enterprises.
40. "Operating Costs" means the reasonable incremental expenses incurred, based on annual budgets approved by the Association, by the Recipient on account of Project implementation, management, and monitoring, including office supplies

and consumables; communication costs; operation and maintenance of office vehicles and equipment; *per diem* and national and international travel costs and accommodations for Project staff; reasonable bank charges; and allowances and salaries of the Project's contractual staff (but excluding the salaries of the Recipient's civil/public servants).

41. "Participating Household Beneficiary" means those: (a) located in the Targeted Areas; (b) who meet the guidelines, selection and prioritization criteria set out in the Operations Manual for financing of repair, reconstruction or construction out of the proceeds of the Financing; and (c) who have entered into a Participation Agreement.
42. "Participation Agreement" means an agreement made or proposed to be made between the Recipient, through GREPOC and a Participating Household Beneficiary providing a Housing Grant.
43. "PFI" means any regulated financial institution, established and operating within the territory of the Borrower, which meets the eligibility criteria for PFIs set forth in the POM.
44. "PFI Agreement" means the agreement referred to in Section I.D.1 of Schedule 2 to this Agreement.
45. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018".
46. "Project Operations Manual or POM" means the manual to be adopted by AIAS and GPRC and referred to in Section I.A.3.1 of Schedule 2 to this Agreement, setting forth all procedures and arrangements governing the implementation of the Project, including in relation to: (a) day-to-day execution of the of the Project; (b) disbursement and financial management; (c) procurement; (d) monitoring, evaluation, and reporting; (e) the Annual Work Plans and Budget for the first year of Project implementation; (f) a harmonized methodology for land regularization satisfactory to the Association; and (g) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project, as such manual may be amended by the Recipient from time to time with the prior agreement of the Association.
47. "Resettlement Action Plan" or "RAP" means in respect of any activity involving resettlement, a resettlement plan for such activity prepared, adopted, disclosed and implemented by the Recipient, and acceptable to the Association, such resettlement plan to include a program of actions, measures and policies for compensation and resettlement of Affected Persons, and setting forth the magnitude of displacement, proposed compensation and resettlement

arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements designed to ensure proper implementation of, and regular feedback on, compliance with such RAP, as the same may be amended from time to time with the prior written agreement of the Association.

48. "Resettlement Policy Framework" or "RPF" means the resettlement policy framework to be prepared, adopted, and disclosed by the Recipient and to be approved by the Association, setting forth the modalities for resettlement and compensation of Affected Persons under the Project, as the same may be amended from time to time with the prior written agreement of the Association.
49. "SME" means small and medium-sized enterprise.
50. "Subsidiary Agreements" means collectively the AIAS Subsidiary Agreement and the GREPOC Subsidiary Agreement.
51. "Targeted Areas" means the areas in the Recipient's territory affected by the Cyclones and selected by the Recipient and the Association to participate in the Project in accordance with criteria and procedures set forth in the Operations Manual.
52. "Training" means the costs associated with the training, workshops and study tour participation of personnel involved in Project activities, as specified in the Annual Work Plans and Budget approved by the Association for reasonable expenditures (other than expenditures for consultants' services), including travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course, workshop or study tour preparation and implementation.