Financing Agreement
(Additional Financing for Social Protection Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 13, 2017
FINANCING AGREEMENT

AGREEMENT dated January 13, 2017, entered into between REPUBLIC OF MOZAMBIQUE ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to seven millions and four hundred thousand Special Drawing Rights (SDR 7,400,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule I to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are January 15 and July 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. 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 carry out the Project in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following namely that the Social Protection Law shall have been amended, suspended, abrogated or waived so as to materially and adversely affect the ability of INAS to perform any of its respective obligations under the Project.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following, namely that the Direct Cash Transfers Manual have been adopted by the Recipient in a manner satisfactory to the Association.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.03. For purposes of Section 8.05 (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 (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its minister at the time responsible for economy and finances

6.02. The Recipient’s Address is:

Ministry of Economy and Finances
Praça da Marinha Popular, C.P. 272
Maputo, Republic of Mozambique

Telex: Facsimile:
258-21-315000 258-21-306261
6.03. The Association's Address is:

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

Telex: 248423 (MCI)
Facsimile: 1-202-477-6391

AGREED at Maputo, Republic of Mozambique, as of the day and year first above written.

REPUBLIC OF MOZAMBIQUE

By

[Signature]
Authorized Representative

Name: Adinanco Malenine
Title: [Title]

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: MARK R. LUNDELL
Title: COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The objective of the Project is to provide temporary income support to extremely poor households and to put in place the building blocks of a social safety net system.

The Project consists of the following parts:

Part A: Institutional strengthening and capacity building to support the consolidation of the National Basic Social Security Strategy

Enhance the capacity of MGCAS and INAS to: (i) implement, monitor, and evaluate the Estratégia Nacional de Segurança Social Básica (ENSSB) as an integrated and permanent safety net system; and (ii) put the labor-intensive public works program into operation as an intervention within the Programa de Acção Social Productiva (PASP).

1. Building permanent systems for the implementation of the ENSSB: Support to develop and implement the following operational tools:

   (a) A common targeting system to identify potential beneficiaries for the Recipient’s three core programs of its social safety based on a three-step process.

   (b) A Single Registry of Beneficiaries to support INAS in implementing the ENSSB.

   (c) A payment system guaranteeing secure, predictable and timely payments to Beneficiaries of their entitlements while minimizing administrative and transaction costs.

   (d) A knowledge generation and information management activities to enhance the capacity of MGCAS, including through: (i) developing and updating poverty and vulnerability maps, (ii) mapping the existing supply of social services and assistance programs at the district and municipal levels; (iii) carrying out training and capacity building activities to perform research, analyze data and create knowledge; (iv) carrying out studies and evaluations in the sector of social protection as may be required during implementation of the Project and agreed with the Association, and (v) enhancing productivity through adequate IT equipment.

2. Capacity building for the implementation, monitoring, and evaluation of the labor-intensive Public Works Program (PWP). Support to develop the capacity of the agencies responsible for the implementation, monitoring, and evaluation of
the labor-intensive public works program at the central and sub-national levels including through the following activities:

(a) Development and implementation of a management information system to monitor PWP progress, including, *inter alia,* participation of Beneficiaries in the PWP.

(b) Carry out an impact evaluation to measure changes in the welfare of Beneficiaries attributable to the PWP.

(c) Development and implementation of an information, education, and communication (IEC) strategy.

(d) Integration into the MIS of a grievance management system to ensure that Beneficiaries can exercise their rights and make complaints.

(e) Carrying out of a series of activities to enhance the capacity of INAS staff to plan, implement, coordinate, and monitor the PWP.

(f) Development and implementation of information and communication technologies (ICT).

Part B: Labor-intensive Public Works

Support to Beneficiaries in the Recipient's rural and urban areas, through the provision of timely and predictable supplemental income in return for their participation in labor-intensive public works activities ("Subprojects").

1. Labor-intensive public works in rural areas

(a) Implementation of a Public Works Program in about 70 of the Recipient's Districts for selected Beneficiaries to increase their consumption and manage the risk of food insecurity during the annual lean season through the provision of Labor Payments for Beneficiaries and Public Works Grants to the Districts for carrying out said Subprojects.

(b) Strengthening the capacities of selected Beneficiary households to save and improve their livelihoods through the implementation of community savings promotion programs including financial literacy training.

2. Labor-intensive public works in urban areas

(a) Implementation of a Public Works Program in the municipalities of *Maputo, Mandjacazi, Tete, Quelimane, Nampula* and *Beira* for selected Beneficiaries to provide them with temporary support and help them through temporary income support while they transition to more
permanent sources of income, through the provision of Labor Payments for such Beneficiaries and Public Works Grants for the Municipalities for carrying out said Subprojects.

(b) Strengthening the capacities of selected Beneficiaries to increase their effective participation in or management of informal economic activities and make them more employable through the implementation of promotion programs including on-the-job training and additional capacity building.

Part C: Direct Cash Transfers

1. Provision of Direct Cash Transfers to Beneficiaries in selected districts including Mabalane, Massingir and Chokwe.

2. Provision of support for the registration of Direct Cash Transfers Beneficiaries in the Social Registry of Beneficiaries.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Basic Social Security Coordination Committee

(a) The Recipient shall maintain, the National Social Action Council ("CNAS"), at all times during the implementation of the Project, with composition, mandate and resources satisfactory to the Association, for the purpose of ensuring prompt and efficient oversight and overall coordination of implementation of the Project.

(b) Without limitation on the provisions of sub-paragraph (a) of this paragraph, for purposes of the Project the CNAS shall be responsible for, inter alia:
   (i) coordinating the work of ministries and agencies at the national level involved in the implementation of the Project to achieve the objectives of the PASP;
   (ii) guiding and approving the basic parameters of the Project, including the PWP, and their revisions over time;
   (iii) reviewing progress made towards achieving the Project’s objective; and
   (iv) ensuring that the Project is implemented in line with the ENSSB.

2. INAS Program Support Team

(a) The Recipient shall maintain, at all times during the implementation of the Project, the INAS Program Support Team ("IPST"), to be responsible for, inter alia, prompt and efficient day to day coordination, implementation, reporting and communication of Project activities and results, in accordance with the provisions of this Agreement. The Recipient shall take all actions including the provision of funding, personnel (including maintenance of the existing positions within INAS structure and recruitment of a procurement specialist and a financial management specialist, all of whom shall have qualifications, experience and terms of reference satisfactory to the Association) and other resources satisfactory to the Association, to enable the IPST to perform said functions.

(b) Without limitation on the provisions of sub-paragraph (a) of this paragraph, the IPST shall be responsible for, inter alia: (i) ensuring that the Project is carried out in accordance with this Agreement; (ii) ensuring that Project funds are paid promptly and accounted for in accordance with this Agreement; (iii) carrying out procurement for the Project; (iv) preparing the proposed Annual Work Plan and Budget, for the
endorsement by the NCSA and subsequent approval by the Association; (v) preparing and circulating the Project reports and financial reports referred to Sections II and III, respectively, of this Schedule 2; (vi) monitoring and evaluation of Project activities; and (vii) carrying out supervision of implementing agencies; (viii) to enter into agreements with payment agencies (each a “Payment Agency”), as applicable, selected on the basis of terms of reference, qualifications and experience satisfactory to the Association for the purpose of transferring cash to eligible recipients (each a “Cash Recipient”) under the Project.

3. National Institute of Disaster Management (INGC)

For the purposes of Part C of the Project, the Recipient shall maintain, at all times during the implementation of the Project, the National Institute of Disaster Management (“INGC”), to be responsible for providing the list of households in each district to be enrolled under the Direct Cash Transfers component at the start of the program.

4. MGCAS

The Recipient, through MGCAS, shall be responsible for the reviewing and endorsing for subsequent approval by the Association, the Annual Work Plans and Budget and ensuring its consistency with the Project Implementation Manual, as well as reviewing and endorsing the Project Reports produced by INAS.

B. Implementation Arrangements

1. Project Implementation Manual

(a) The Recipient shall carry out the Project in accordance with a project implementation manual in form and substance satisfactory to the Association, providing details of arrangements and procedures for the implementation of the Project, including capacity building activities for sustained achievement of the Project’s objective; institutional administration, coordination and day-to-day execution of Project activities; monitoring, evaluation, reporting (including mechanisms and formats for the preparation of Annual Work Plans and Budgets), information, and communication; guidelines for the implementation of the Direct Cash Transfer mechanism, a public works program handbook for the Public Works Program, setting forth the detailed policies and procedures on administration of said Program; financial management and procurement sections providing details of financial management arrangements and procurement, including policies and procedures on procurement, disbursements and accounting systems; and such other administrative, financial, technical and organizational arrangements and
procedures as shall be required for the Project provided, however, that in case of any conflict between the provisions of the Project Implementation Manual and those of this Agreement, this Agreement shall prevail.

(b) Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the Project Implementation Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

2. **Annual Work Plan and Budget**

   (a) The Recipient shall, through IPST, prepare and furnish to the Association not later than December 20 of each Fiscal Year during the implementation of the Project, a work plan and budget containing all activities proposed to be included in the Project during the following Fiscal Year (including Safeguard Instruments applicable to said activities in accordance with the provisions of Section I.E of this Schedule 2), and a proposed financing plan for expenditures required for such activities, setting forth the proposed sources of financing.

   (b) Each such proposed work plan and budget shall specify any training activities that may be required under the Project, including: (i) the type of training; (ii) the purpose of the training; (iii) the MGCAS and INAS staff to be trained; (iv) the institution or individual who will conduct the training; (v) the location and duration of the training; and (vi) the cost of the training.

   (c) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed work plan and budget and thereafter ensure that the Project is implemented with due diligence during said following Fiscal Year in accordance with such work plan and budget as shall have been approved by the Association ("Annual Work Plan and Budget").

C. **Direct Cash Transfers under Part C of the Project**

1. The Recipient shall ensure that each Beneficiary eligible to receive Direct Cash Transfers has met the following requirements, and such further requirements as are elaborated in the Project Implementation Manual:

   (i) the Beneficiary resides in one of the three districts most affected by the drought caused by the *El Niño* phenomenon (*Mabalane*, *Chokwe* and *Massingir*).
(ii) the Beneficiary has been duly registered at INAS’ Single Registry of Beneficiaries under an open, transparent registration process, as set forth in the Project Implementation Manual and using a valid identification card or similar official document.

2. The Recipient shall, prior to the provision of Direct Cash Transfers to any given District, select and retain following the procedures set forth in Section III of this Agreement, a Payment Agency, with qualifications, experience, and terms of reference acceptable to the Association, to issue Direct Cash Transfers to verified Beneficiaries.

3. The Recipient shall oversee the Direct Cash Transfer in all selected Districts as well as monitor and evaluate the activities of the Payment Agencies to ensure that payments are made in accordance with the terms, conditions, and procedures contained in the Project Implementation Manual in a manner satisfactory to the Association.

4. The Recipient shall carry out communication campaigns to inform the general public and the Beneficiaries of the Direct Cash Transfer program and its social accountability, as to inform Beneficiaries and other stakeholders about their rights and responsibilities in participating in the program, all in a manner satisfactory to the Association.

5. The Recipient shall, not later than 60 days after the Effective Date, develop and adopt, in form and substance acceptable to the Association and following the guidelines set forth in the Project Implementation Manual, a grievance redress mechanism that encompasses transparent, timely and fair procedures that will allow people potentially affected by the Project to peacefully settle any possible grievance and will ensure that all complaints received from beneficiaries and other interested stakeholders related to any activity under the Project, are properly and timely addressed.

6. For the purposes of implementing Part C of the Project, the Recipient shall prepare and thereafter carry out said Part C of the Project in accordance with a manual in form and substance satisfactory to the Association ("Direct Cash Transfers Manual"), providing details of arrangements and procedures for the implementation of Part C of the Project, including guidelines for the implementation of the Direct Cash Transfer mechanism, and such other administrative, financial, technical and organizational arrangements and procedures as shall be required for Part C of the Project provided, however, that in case of any conflict between the provisions of the Direct Cash Transfers Manual and those of this Agreement, this Agreement shall prevail. Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the Direct Cash Transfer Manual if, in the opinion of the
Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

D. **Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. **Safeguards Instruments**

1. The Recipient shall ensure that the Project is carried out in accordance with the Safeguard Frameworks and Safeguard Instruments. To that end, the Recipient shall ensure that the following actions are taken in a manner acceptable to the Association:

   (a) if an EMP would be required for any Project activity on the basis of the ESMF: (i) such EMP shall be prepared in accordance with the requirements of the ESMF, disclosed locally and furnished to the Association; and (ii) said activity shall be carried out in accordance with such EMP as approved by the Association; and

   (b) if a RAP would be required for any Project activity on the basis of the RPF: (i) said RAP shall be prepared in accordance with the requirements of the RPF, disclosed locally and furnished to the Association; and (ii) no works under said activity shall be commenced until all measures required to be taken under said RAP prior to the initiation of said works have been taken.

2. Without limitation to its other reporting obligations under this Agreement and under Section 4.08 of the General Conditions, the Recipient shall include in the Project Reports referred to in Section II.A of this Schedule, adequate information on the implementation of said Safeguard Instruments, giving details of: (a) measures taken in furtherance of said Safeguard Instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of said Safeguard Instruments; and (c) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of said Safeguard Instruments.

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

A. **Project Reports**

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be
furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods and Non-consulting Services. All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the additional provisions below:</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Community Participation Procedures</td>
</tr>
</tbody>
</table>

Additional Procedures for National Competitive Bidding:

(i) **General.** The procedures to be followed for NCB shall be those set forth in the Regulation, with the modifications described in the following paragraphs.

(ii) **Eligibility.** No restriction based on nationality of bidders and/or origin of goods shall apply. Foreign bidders shall be allowed to participate in NCB without restriction and shall not be subject to any unjustified requirement which will affect their ability to participate in the bidding process such as, but not limited to, the proof that they are not under bankruptcy proceedings in the Recipient’s territory; have a local representative; have an attorney resident and domiciled in the Recipient’s territory; form a joint venture with a local firm. In cases of joint ventures, they shall confirm joint and several liabilities.

Prior registration, obtaining a license or agreement shall not be a requirement for any bidder to participate in the bidding process.

Recipient’s government-owned enterprises or institutions shall be eligible to participate in the bidding process only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Recipient.

(iii) **Bidding Documents.** Standard bidding documents acceptable to the Association shall be used for any procurement process under NCB.

(iv) **Preferences.** No domestic preference shall be given to domestic bidders and/or to domestically manufactured goods.

(v) **Applicable Procurement Method under the Regulation.** Subject to these NCB exceptions, procurement under NCB shall be carried out in
acCORDANCE WITH THE REGULATION’S PUBLIC COMPETITION (“CONCURSO PÚBLICO”) METHOD.

(vi) **Bid Preparation Time.** Bidders shall be given at least twenty-eight (28) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids.

(vii) **Bid Opening.** Bids shall be opened in public, immediately after the deadline for their submission in accordance with the procedures stated in the bidding documents.

(viii) **Bid Evaluation**

(A) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified; the evaluation of the bidder’s qualifications should be conducted separately from the technical and commercial evaluation of the bid. Qualification criteria shall be applied on a pass or fail basis.

(B) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents; criteria other than price shall be quantified in monetary terms.

(C) A contract shall be awarded to the qualified bidder offering the lowest-evaluated and substantially responsive bid.

(D) Bidders shall not be eliminated on the basis of minor, non-substantial deviations.

(ix) **Rejection of All Bids and Re-bidding.** All bids shall not be rejected and new bids solicited without the Association’s prior concurrence.

(x) **Complaints by Bidders and Handling of Complaints.** The Recipient shall establish an effective and independent complaint mechanism allowing bidders to complain and to have their complaint handled in a timely manner.

(xi) **Right to Inspect/Audit.** In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Financing shall provide that: (i) the bidders, suppliers, and contractors and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the Association, at its request, to inspect their accounts, records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association; and (ii) the deliberate
and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.

(xii) **Fraud and Corruption.** Each bidding document and contract financed from the proceeds of the Financing shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The Association may sanction a firm or individual, at any time, in accordance with prevailing Association sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded an Association-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier or service provider of an otherwise eligible firm being awarded an Association-financed contract.

(xiii) **Debarment under National System.** The Association may recognize, if requested by the Recipient, exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption or similar misconduct, and further provided that the Association confirms that the particular debarment procedure afforded due process and the debarment decision is final.

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least-Cost Selection;</td>
</tr>
<tr>
<td>(b) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Single-source Selection of consulting firms</td>
</tr>
<tr>
<td>(d) Selection under Fixed-Budget</td>
</tr>
<tr>
<td>(e) Quality-Based Selection</td>
</tr>
<tr>
<td>(f) Selection of Individual Consultants</td>
</tr>
</tbody>
</table>
D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts that shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consultants’ services, consultant’s services,</td>
<td>1,850,000</td>
<td>100%</td>
</tr>
<tr>
<td>Training and Operating Costs under Part A and Part C.2 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Direct Cash Transfers under Part C.1 of the Project</td>
<td>5,550,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>7,400,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for:

   (a) payments made prior to the date of this Agreement; and

   (b) under Categories (2) with respect of each selected District, until the pertaining Payment Agent referred to under Section I.C.2 of this Schedule for each such District shall have been hired in a manner satisfactory to the Association.

2. The Closing Date is December 31, 2020.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage) *</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 15 and July 15, commencing on July 15, 2023, to and including January 15, 2055</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "Annual Work Plan and Budget" means the work plan and budget prepared annually by the Recipient in accordance with Section I.B.2 of Schedule 2 to this Agreement.


3. "Beneficiary" means: (a) for Part B of the Project: a household that is eligible to benefit under Public Works Program and is duly registered for the purpose; and (b) for Part C of the Project: an individual living in a household located in any of the three districts most affected by El Niño phenomenon, who meets the eligibility criteria set forth in the Project Implementation Manual that is eligible to benefit under the Direct Cash Transfers program and is duly registered for said purposes in INAS’s Single Registry of Beneficiaries.


5. "Category" means a category set forth in the table in Section IV of Schedule 2 this Agreement.


8. "Direct Cash Transfer" means the cash benefit on the amount of MTZ 2,500 (approximately $35) to be made to Beneficiaries under the Direct Cash Transfer Component under Part C of the Project described in Schedule 1 to this Agreement and elaborated further in the Project Implementation Manual.

9. "Direct Cash Transfers Manual" means the manual for Part C of the Project referred to in Section I.C.6 of Schedule 2 to this Agreement.

10. "Displaced Persons" means persons who, on account of the execution of the Project would suffer direct economic and social impacts resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; (iii) loss of income sources.
or means of livelihood, whether or not the affected persons must move to another location; and (iv) adverse impacts on the livelihoods of the displaced persons.

11. “District” means a political subdivision within the Recipient’s territory.

12. “Environmental and Social Management Plan or “EMP” means an environmental and social management plan, prepared in accordance with the ESMF and the provisions of Section I.E.1 (a) of Schedule 2 to this Agreement for the purposes of a Subproject and acceptable to the Association.

13. “Environmental and Social Management Framework” or “ESMF” means the Environmental and Social Management Framework of the Recipient dated January 2017, and disclosed in country and in the Infoshop on, setting forth the modalities for environmental screening and procedures for the preparation and implementation of environmental assessments and management plans under the Project, and such term includes all schedules and annexes to the ESMF.


17. “IPST” means INAS Project Support Team.

18. “Labor Payments” means the cash benefits to be made to Beneficiaries for carrying out Subprojects under the Public Works Program and referred to in Part B.1(a) and B.2(a) of the Project described in Schedule 1 to this Agreement.

19. “MGCAS” means Ministerio de Genero, Criança e Acção Social, the Recipient’s Ministry of Gender, Children and Social Action.

20. “Municipality” means a subdivision within the Recipient’s territory.

21. “MZN” means Metical, the lawful currency of the Recipient.

22. “Operating Costs” means the incremental expenses incurred on account of Project implementation, based on the Annual Work Plan and Budget approved by the Association pursuant to Section I.B.2 of Schedule 2 to this Agreement, on account of office equipment and supplies, vehicle operation and maintenance, fuel, maintenance of equipment, communication and insurance costs, office administration costs, bank charges, advertising expenses, utilities, rental,
consumables, accommodation, travel, per diem, and salaries of selected support staff, but excluding salaries of the Recipient's civil servants.

23. "Original Financing" means the financing provided to the Recipient under the Original Financing Agreement.

24. "Original Financing Agreement" means the financing agreement for the Social Protection Project, dated April 19, 2013, (Credit No. 5226-MZ)

25. "Original Project" means the Project described in Schedule 1 to the Original Financing Agreement.

26. "Payment Agent" means an agent selected in accordance with the provisions of Section III of Schedule 2 to this Agreement responsible for administering the Direct Cash Transfer Program in each District.


28. "Procurement Plan" means the Recipient's procurement plan for the Project, dated February 2017, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

29. "Project Implementation Manual" means the manual prepared by the Recipient under the Original Project, and updated in a manner satisfactory to the Association, referred to in Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written Agreement of the Association.

30. "Public Works Program" or "PWP" means the program to be implemented under Parts B.1 and B.2 of the Project.

31. "Public Works Program Grant" or "PWP Grant" means a grant made or proposed to be made to a PWP Grant Recipient by the Recipient out of the proceeds of the Financing under Parts B.1(a) and B.2(a) of the Project to assist in financing a Subproject.

32. "PSN" means Productive Safety Net.

33. "PSN Eligible Households" means the poorest families of the selected communities, as identified pursuant to the process set forth in the PSN Manual.

34. "Resettlement Action Plan" or "RAP" means, in respect of any Subproject involving resettlement, a resettlement plan for such Subproject prepared and
implemented in accordance with the RPF and the provisions of Section I.E.1 (b) of Schedule 2 to this Agreement and approved by the Association.


36. “Safeguard Framework” means the ESMF or RPF, as the context may require; and “Safeguard Frameworks” means collectively all of said frameworks.

37. “Safeguard Instrument” means an ESMP or RAP; and “Safeguard Instruments” means collectively all such plans.

38. “Single Registry of Beneficiaries” means


40. “Subproject” means a specific activity to be carried out under Part B of the Project by a Beneficiary in a District or Municipality, as the case may be, under the Public Works Program utilizing the proceeds of a PWP Grant.

41. “Training, Workshops and Study Tours” means the costs associated with the training, workshop and study tour participation of personnel involved in Project activities, as specified in the Annual Work Plan and Budget approved by the Association pursuant to Section I.B.2 of Schedule 2 to this Agreement, 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.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. Service Charge and Interest Charge

(a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing
Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the subsequent paragraphs accordingly:

   "32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b)."

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).
ANNEX

AMENDMENT TO THE ORIGINAL FINANCING AGREEMENT

The Recipient and the Association hereby agree to amend the Original Financing Agreement (Agreement) as follows:

1. Part B.2(a) of the Original Project is hereby amended to include the municipality of Mandjacazi, as part of the participating municipalities benefiting from said Part B of the Project. Therefore, Part B is amended to read in its entirety as follows:

   "(a) Implementation of a Public Works Program in the municipalities of Maputo, Mandjacazi, Tete, Quelimane, Nampula and Beira for selected Beneficiaries to provide them with temporary support and help them through temporary income support while they transition to more permanent sources of income, through the provision of Labor Payments for such Beneficiaries and Public Works Grants for the Municipalities for carrying out said Subprojects."

2. A new Part C is added to the Original Project to read in its entirety as follows:

   "Part C: Direct Cash Transfers

   (a) Provision of Direct Cash Transfers to Beneficiaries in selected districts including Mabalane, Massingir and Chokwe.

   (b) Provision of support for the registration of Direct Cash Transfers Beneficiaries in the Social Registry of Beneficiaries."

3. Section I.A.1 of the Original Agreement is hereby amended and replaced in its entirety to read as follows:

   "1. Basic Social Security Coordination Committee

   (a) The Recipient shall maintain, the National Social Action Council ("CNAS"), at all times during the implementation of the Project, with composition, mandate and resources satisfactory to the Association, for the purpose of ensuring prompt and efficient oversight and overall coordination of implementation of the Project.

   (b) Without limitation on the provisions of sub-paragraph (a) of this paragraph, for purposes of the Project the CNAS shall be responsible for, inter alia: (i) coordinating the work of ministries and agencies at the national level involved in the implementation of the Project to achieve the objectives of the PASP; (ii) guiding and approving the basic parameters of the Project, including the PWP, and their revisions over time; (iii) reviewing progress made towards
achieving the Project’s objective; and (iv) ensuring that the Project is implemented in line with the ENSSB.”

4. Section I.B.2 of Schedule 2 to the Original Financing Agreement is hereby amended to replace the date “November 30” for the date “December 20”.

5. Section IV.B.2 of Schedule 2 to the Original Financing Agreement is hereby amended and replaced in its entirety to read as follows:

“2. The Closing Date is December 31, 2020.”