OFFICIAL DOCUMENTS

GRANT NUMBER D475-MZ

Financing Agreement

(Urban Sanitation Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
GRANT NUMBER D475-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 eighty-two million nine hundred thousand Special Drawing Rights (SDR 82,900,000) ("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: (i) carry out Part 5 of the Project; (ii) carry out Parts 2, 3 and 4(a), (b) and (c) of Project through the DNAAS; and (iii) cause the AIAS to carry out Part 1 and 4(d) of the Project, all in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.
ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Condition of Effectiveness consists of the following, namely the Project Implementation Manual shall have been adopted by the Recipient (through DNAAS) and AIAS, in form and substance satisfactory to the Association.

4.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the Signature Date.

4.03. 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 V — REPRESENTATIVE; ADDRESSES

5.01 The Recipient’s Representative is its minister responsible for finance.

5.02 The Recipient’s Address is:

Ministry of Economy and Finance
Praca da Marinha Popular
Av. 10 de Novembro nº 929
Maputo
Republic of Mozambique

Facsimile:
+258 21313747

5.03 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:

[Signature]

Authorized Representative

Name: Adriano Mateusane

Title: Min. Econ. and Finance

Date: June 21, 2019

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

[Signature]

Authorized Representative

Name: Mark R. Lundell

Title: Country Director

Date: June 6, 2019
SCHEDULE 1

Project Description

The objectives of the Project are to increase access to safely managed sanitation services and strengthen municipal sanitation service delivery capacity in Selected Cities.

The Project consists of the following parts:

**Part 1: Priority Sewerage Investments in Maputo, Quelimane and Tete**

Supporting sewerage investments, including:

(a) Priority sewerage investments in Maputo, including, *inter alia*: (i) rehabilitation and expansion of the Infulene wastewater treatment plant; (ii) rehabilitation and upgrade of sewers; (iii) rehabilitation and upgrade of pumping stations; and (iv) upgrade of existing sewer connections.

(b) Priority sewerage investments in Quelimane, including, *inter alia*: (i) construction of a wastewater treatment plant; (ii) rehabilitation and expansion of sewers; (iii) upgrade of existing sewer connections; (iv) construction of pilot condominial sewer systems to serve new connections; and (v) rehabilitation of small to medium scale drains to channel excess storm water and water-logged areas, and reduce the risk of urban floods.

(c) Priority sewerage works for Tete, including, *inter alia*: (i) construction of a wastewater treatment plant; (ii) rehabilitation and expansion of sewers; (iii) upgrade of existing sewer connections; (iv) construction of pilot condominial sewer systems to serve new connections; and (v) rehabilitation of small to medium scale drains to channel excess storm water and water-logged areas, and reduce the risk of urban floods.

**Part 2: On-site Sanitation Investments for Quelimane and Tete**

Supporting priority on-site sanitation at the household level, and the construction of public sanitation facilities, in Quelimane and Tete, including:

(a) On-site sanitation investments in Quelimane, including, *inter alia*: (i) sanitation marketing and hygiene promotion to influence sanitation behaviors; (ii) support to the construction and upgrade of household on-site sanitation systems; (iii) construction of public sanitation systems in schools and markets, including dedicated facilities for menstrual hygiene management; (iv) construction of fecal sludge treatment plants; and (v) support to private sector on fecal sludge management business development.
(b) On-site sanitation investments in Tete, including, *inter alia*: (i) sanitation marketing and hygiene promotion to influence sanitation behaviors; (ii) support to the construction and upgrade of household on-site sanitation systems; (iii) construction of public sanitation systems in schools and markets, including dedicated facilities for menstrual hygiene management; (iv) construction of fecal sludge treatment plants; and (v) support to private sector on fecal sludge management business development.

**Part 3: Municipal Sanitation Service Improvements**

 Provide Performance-based Grants to Beneficiary Cities to finance Goods, Works, Services, Incremental Operating Costs and Training to support improved sanitation service delivery in Maputo, Quelimane, Tete, Beira and Nampula.

**Part 4: Technical Assistance and Project Management Support**

 Provision of: (a) technical assistance to DNAAS to support national institutional strengthening through, *inter alia*: (i) review and harmonization of the legal and institutional framework regulating urban sanitation to clarify roles and responsibilities for sanitation investment planning, implementation and service provision at the central and municipal levels; (ii) development of regulatory tools for urban sanitation delivery; (iii) key preparatory studies for the next priority sanitation investments; (b) technical assistance at municipal level, including through, *inter alia*, development of institutional and financing arrangements for sanitation at the municipal level; (c) support to DNAAS to carry out Project coordination and implementation, including but not limited in relation to monitoring and evaluation, financial management, procurement and environmental and social safeguards; and (d) support to AIAS to carry out Project implementation, including but not limited in relation to monitoring and evaluation, financial management, procurement and environmental and social safeguards.

**Part 5: Contingency and Emergency Response**

 Provision of immediate response to an Eligible Crisis or Emergency, as needed.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

DNAAS PIU

1. The DNAAS shall: (a) establish, and thereafter, maintain, at all times throughout Project implementation, a Project implementing unit within DNAAS (DNAAS PIU), and no later than three (3) months after the Effective Date, appoint within DNAAS PIU, a team comprised of a full-time Project coordinator, a procurement specialist, a sanitation engineer, a financial management specialist, a social and environmental safeguards specialist, a monitoring and evaluation specialist, and such other technical, safeguards and fiduciary specialists as may be agreed with the Association, all under terms of reference, and with qualifications and experience satisfactory to the Association; and (b) ensure that throughout Project implementation, the DNAAS PIU has adequate resources and staffing to carry out its responsibilities under the Project, all as further detailed in the Project Implementation Manual. The DNAAS shall be responsible for the overall Project coordination and the day-to-day management and implementation of Parts 2, 3 and 4(a), (b) and (c) of the Project, including its technical, fiduciary, safeguards, monitoring and evaluation, supervision and reporting aspects.

AIAS PIU

2. The Recipient shall cause AIAS to: (a) establish, and thereafter, maintain, at all times throughout Project implementation, a Project implementing unit within AIAS (AIAS PIU), and no later than three (3) months after the Effective Date, appoint within the AIAS PIU, a team comprised of Project manager, a sewerage engineer, a procurement specialist, a financial management specialist, an environmental safeguards specialist, a social safeguards specialist, and a project assistant and such other technical, safeguards and fiduciary specialists as may be agreed with the Association, all under terms of reference, and with qualifications and experience satisfactory to the Association; and (b) ensure that throughout Project implementation, the AIAS PIU has adequate resources and staffing to carry out its responsibilities under the Project, all as further detailed in the Project Implementation Manual. The AIAS shall be responsible for the day-to-day management and implementation of Parts 1 and 4(d) of the Project, including its technical, fiduciary, safeguards, monitoring and evaluation, supervision and reporting aspects.
Municipal-level Technical Implementation Teams

3. The Recipient shall ensure that a Project coordinator is appointed within the Municipal Departments of Sanitation in Beira and Nampula, and that technical teams are established within the Municipal Departments of Sanitation in Maputo, Quelimane and Tete, with resources, functions and staff in adequate numbers and with experience and qualifications acceptable to the Association, which shall include a project coordinator/sewerage engineer, an onsite sanitation engineer, a safeguards specialist, a community development specialist, and monitoring and evaluation specialist and any other technical, fiduciary or as further detailed in the PIM. The Municipal-level technical implementation teams shall be responsible for, inter alia, supporting and supervising of the implementation of Project activities at the municipal level, as further detailed in the PIM.

Independent Verification Agent

4. For purposes of Part 3 of the Project, the Recipient shall, through DNAAS, not later than three (3) months from the Effective Date, appoint, in accordance with the Procurement Regulations, and, thereafter, maintain an independent verification agent, under terms of reference and with qualifications and experience acceptable to the Association.

B. Subsidiary Agreement

1. To facilitate the carrying out of Parts 1 and 4(d) of the Project, the Recipient, through the MEF, shall make part of the proceeds of the Financing allocated from time to time to Category 1 of the table set forth in Section III.A of this Schedule available to AlAS under a subsidiary agreement (“Subsidiary Agreement”) between the Recipient, through MEF, and AlAS, under terms and conditions approved by the Association, which shall include the following:

   (a) AlAS shall not be required to repay the proceeds of the Subsidiary Financing received from the Recipient;

   (b) the obligation of the AlAS to carry out Parts 1 and 4(d) of the Project with due diligence and efficiency, in conformity with appropriate administrative, economic, managerial, financial, environmental, social and technical standards and practices, and provide promptly as needed, the facilities, services and other resources required for Parts 1 and 4(d) of the Project;

   (c) the obligation of the AlAS to: (i) exchange views with the Recipient, and the Association with regard to the progress of Parts 1 and 4(d) of the Project, and the performance of its obligations under the Subsidiary Agreement; and (ii) assist the Recipient in complying with its obligations
referred to in Section II of this Schedule, as applicable to Parts 1 and 4(d) of the Project;

(d) the obligation of the AIAS to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of Part 1 and 4(d) of the Project;

(e) the obligation of AIAS to carry out Parts 1 and 4(d) of the Project in accordance with the PIM;

(f) the obligation of the AIAS to carry out Parts 1 and 4(d) of the Project in compliance with the Anti-Corruption Guidelines;

(g) the obligation of the AIAS to: (i) 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 Parts 1 and 4(d) of the Project; and (ii) 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; and

(h) the right of the Recipient to take remedial actions against the AIAS, in case the AIAS shall have failed to comply with any of its obligations under the Subsidiary Agreement, which actions may include, \textit{inter alia}, the partial or total suspension and/or cancellation or refund of all or any part of the proceeds of the Subsidiary Financing transferred to AIAS pursuant to the Subsidiary Agreement.

2. 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 Agreement or any of its provisions.

C. \textbf{Performance-based Agreements under Part 3 of the Project}

1. For purposes of carrying out Part 3 of the Project, the Recipient, through DNAAS, shall make a portion of the Financing available under Category 4 of the table set forth in Section III.A of this Schedule available to as cash and/or in-kind grants (Performance-based Grants), each Performance-based Grant to be provided under an agreement (Performance-based Grant Agreement) between the Recipient, through DNAAS, and the respective Beneficiary City on terms and
conditions approved by the Association, and in accordance with the PIM, said Performance-based Grant Agreement to include the following:

(a) The Performance-based Grant shall be made on grant terms;

(b) The Recipient shall not provide to a Beneficiary City a Performance-based Grant unless and until the Recipient has received a Performance Verification Report, acceptable to the Recipient and the Association, showing that such Beneficiary City has achieved the required minimum performance as specified in the Performance-based Grant Agreement; and

(c) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:

(i) suspend or terminate the right of the Beneficiary City to use the proceeds of the Performance-based Grant, or all or any part of the amount of the Performance-based Grant then withdrawn, upon the Beneficiary City's failure to perform any of its obligations under the Performance-based Grant Agreement; and

(ii) require each Beneficiary City to: (A) carry out its Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental, labor and social standards and practices satisfactory to the Association, including in accordance with the Financing Agreement, the Safeguard Instruments, the Procurement Regulations, and the provisions of the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works, non-consulting services and services to be financed out of the Performance-based Grant in accordance with the provisions of the Procurement Regulations and this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Subproject and the achievement of its objectives; (E)(1) 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 (2) 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; (F) enable the Recipient and the Association to inspect the Subproject, its operation and any relevant records and documents; and (G) 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.

2. The Recipient, through DNAAS, shall exercise its rights under each Performance-based Grant 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 in writing, the Recipient shall not assign, amend, abrogate or waive any Performance-based Grant Agreement or any of its provisions.

D. Project Implementation Manual (PIM)

1. The Recipient shall, through DNAAS, and shall cause AIAS to carry out the Project in accordance with the Project Implementation Manual, which shall contain the detailed work flow, arrangements, methods and procedures for the implementation of the Project, including but not limited to: (a) administration and coordination including placement of necessary human resources within DNAAS, AIAS and at the municipal levels; (b) a template Performance-based Grant agreement, performance indicators (institutional, operational and financial) and a performance-based scorecard for purposes of Part 3 of the Project; (c) monitoring and evaluation arrangements; (d) social and environmental safeguards arrangements; (e) corruption and fraud measures; (f) roles and responsibilities of various agencies in the implementation of the Project, at central, provincial/district and municipal levels; (g) details on the Project grievance redress mechanism and procedure; and (h) notification requirements in the case of Project-related accidents and incidents (including but not limited Project-related fatalities or allegations of gender-based violence); and except as the Association shall otherwise agree in writing, not amend, abrogate or waive, or permit to be amended, abrogated or waived any provision of the Project Implementation Manual.

2. In case of conflict between the provisions of the Project Implementation Manual and this Agreement, those of this Agreement shall prevail.

E. Annual Work Plans and Budget

The Recipient shall, through DNAAS, and shall cause AIAS to, prepare and furnish to the Association for its approval, not later than November 30 of each calendar 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.

F. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the Safeguard Instruments and shall ensure that no provision of the Safeguard Instruments is amended, suspended, abrogated, repealed or waived without the prior written approval of the Association.

2. The Recipient shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of the Safeguard Instruments; (b) adopt and implement measures to assess and manage the risks and impacts of labor influx; (c) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures on environmental, social, health and safety, and gender-based violence; all as applicable to such civil works commissioned or carried out pursuant to said contracts.

3. The Recipient shall ensure that the following actions are taken in a manner acceptable to the Association:

   (a) Project activities shall be screened in accordance with the ESMF and RPF to determine if any ESMP, or RAP is needed.

   (b) Whenever an ESMP would be required on the basis of the ESMF: (i) each ESMP shall be prepared in accordance with the requirements of the ESMF, adopted and disclosed by the Recipient, and subject to prior approval by the Association; and (ii) the Recipient shall refrain from tendering any civil works contract during Project implementation unless and until such ESMP has been prepared in accordance with the ESMF, adopted and disclosed by the Recipient, and approved by the Association; and

   (c) Whenever a RAP would be required on the basis of the RPF: (i) each such RAP shall be prepared in accordance with the requirements of the RPF, adopted and disclosed by the Recipient, and subject to prior approval by the Association; (ii) sufficient funds are made available to cover all the costs of implementing Project-related resettlement, in accordance with the RPF and resettlement action plan(s); (iii) the Recipient shall refrain from tendering any civil works contract during Project implementation unless and until such RAP has been prepared in accordance with the RPF, adopted, disclosed and implemented by the Recipient, and approved by the Association; and (iv) no works under the Project shall be commenced
until: (A) all measures required to be taken under said RAP prior to the initiation of said works have been taken, including but not limited Project affected persons shall be compensated at full replacement cost, resettled and provided with assistance in accordance with the RPF and resettlement action plan(s); (B) the Recipient has prepared and furnished to the Association a report in form and substance satisfactory to the Association, on the status of compliance with the requirements of said RAP and detailing that the implementation, monitoring and evaluation of such resettlement action plan is completed and reported in a manner satisfactory to the Association; and (C) the Association has confirmed that said works may be commenced.

4. The Recipient shall ensure that all measures necessary for carrying out the requirements of the Safeguard Instruments to be taken in a timely manner.

5. Without limitation to paragraph 1(b) of Section III.B of this Schedule, no works shall be eligible for financing unless and until prior to the commencement of such works: (a) an ESMP was prepared, adopted and disclosed by the Recipient, and approved by the Association; and (b) in case such works are expected to cause involuntary resettlement, a RAP was prepared, adopted, disclosed and implemented by the Recipient, and approved by the Association.

6. Without limitation to the excluded expenditures provision set forth in the ESMF and/or RPF, the following activities shall not be eligible to be included in or funded under the Project ("Negative List"): (a) any activities that would lead to conversion or degradation of critical natural habitats or their supporting areas; (b) any activities that would lead to conversion or degradation of critical forest areas, related critical natural habitats, clearing of forests or forest ecosystems; (c) activities involving the financing the rehabilitation or construction of dams; (d) activities involving nuclear reactors and parts thereof and fuel elements (cartridges), non-irradiated, for nuclear reactors; and (e) goods intended for a military or paramilitary purpose.

7. The Recipient shall, or shall cause to be maintained, throughout Project implementation, and publicized the availability of a grievance and feedback 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.

8. Without limitation to its other reporting obligations under this Agreement and under Section 4.08 of the General Conditions, the Recipient shall or shall cause to, throughout Project implementation, include in the Project Reports referred to in Section II of this Schedule adequate information on the implementation of the Safeguard Instruments, and shall:

(a) take all measures necessary on its part to collect, compile, and furnish to the Association through Project Reports, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the Safeguard Instruments and the management tools and instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, among other things: (i) the status of implementation of the Safeguard Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the Safeguard Instruments; 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, including but not limited any Project-related allegation of gender-based violence or alleged violation of Project-related labor and working conditions, which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including, in accordance with the Safeguard Instruments, and the instruments referenced therein.

9. The Recipient shall ensure that all technical assistance and capacity building activities undertaken under the Project, application of whose results would have environmental or social implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association, such terms of reference to ensure that the technical assistance takes into account, and calls for application of the Association’s environmental and social safeguards policies and the Recipient’s own laws relating to the environment and social aspects.

10. For purposes of carrying out Part 1(a)(i) of the Project, the Recipient shall ensure that: (a) prior to bidding, the feasibility stage ESIA for the Maputo wastewater treatment plant is updated, in a manner satisfactory to the Association; (b) prior to commencement of civil works, this ESIA is finalized based on the final detailed design, in a manner satisfactory to the Association; (c) prior to bidding, an industrial waste and sludge management plan for Maputo is finalized, in a manner satisfactory to the Association; (d) prior to bidding, a socio-economic assessment of farmers cultivating land around the Maputo wastewater treatment
In the event that any provision of the Safeguard Instruments shall conflict with any provision under this Agreement, the provisions of this Agreement shall prevail.

G. Immediate Response Mechanism

1. In order to ensure the proper implementation of Part 5 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 therefore ("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 safeguards 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 shall furnish to the Association each Project Report not later than forty-five (45) days 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: (a) finance Eligible Expenditures; and (b) repay the Preparation Advance; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant 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-consulting services,</td>
<td>41,880,000</td>
<td>100%</td>
</tr>
<tr>
<td>consulting services, Training and</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Incremental Operating Costs for Parts 1 and 4(d) of the Project

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) Goods, works, non‐consulting services, consulting services, Training and Incremental Operating Costs for Parts 2, 4(a), 4(b) and 4(c) of the Project</td>
<td>31,060,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Performance-based Grants under Part 3 of the Project</td>
<td>7,930,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Emergency Expenditures under Part 5 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Resettlement Expenditures for Part 1 of the Project</td>
<td>580,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Refund of Preparation Advance</td>
<td>1,450,000</td>
<td>Amount payable pursuant to Section 2.07(a) of the General Conditions</td>
</tr>
</tbody>
</table>

**TOTAL AMOUNT**

|                                                        | 82,900,000  |

### 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;

   (b) under Category (1), unless and until: (i) a Subsidiary Agreement has been executed between the Recipient, through MEF, and AIAS, in form and substance satisfactory to the Association, and in accordance with Section 1.B. of Schedule 2 to this Agreement; and (ii) evidence, in form and substance satisfactory to the Association, is provided to the Association that adequate measures have been adopted by the Recipient to ensure that the rights of people located within the partial protection zone are not adversely affected by the application of the Recipient's Land Law to water conduits and installations being supported under Parts 1 of the Project; or
(c) under Category (3), unless and until: (i) a Performance-based Grant Agreement has been executed between the Recipient, through DNAAS, and each Beneficiary City, in form and substance satisfactory to the Association, and in accordance with Section I.C. of Schedule 2 to this Agreement; and (ii) an independent verification agent has been hired, in accordance with Section I.A.4. of Schedule 2 to this Agreement; or

(d) under Category (4), for Emergency Expenditures under Part 5 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 Safeguard 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.F. 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.F. 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.F. 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

Definitions

1. “Affected Person” means a person who as a result of: (a) the involuntary taking of land under the Project is affected in any of the following ways: (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 person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood; and “Affected Persons” means more than one Affected Person.

2. “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.

3. “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.

4. “AIAS PIU” means the project management team within AIAS referred to in paragraph 2 of Section I.A of Schedule 2 to this Agreement.

5. “Annual Work Plans and Budget” means the work plan and budget prepared annually for the Project, in accordance with Section I.E 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.


8. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
9. "Coordinating Authority" means a Recipient institution or agency, satisfactory to the Association, which shall be identified in the IRM Operations Manual, and referred to in Section I.G of Schedule 2 to this Agreement.

10. "DNAAS PIU" means the project implementation unit within DNAAS referred to in Section I.A.1 of Schedule 2 to this Agreement.

11. "DNAAS" means Direcção Nacional de Abastecimento de Água e Saneamento, the Recipient's national directorate for water supply and sanitation; or any successor thereto satisfactory to the Association.

12. "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.

13. "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.

14. "Environmental and Social Impact Assessment" or "ESIA" means an environmental and social management assessment to be prepared, adopted and disclosed by the Recipient and the Association, and acceptable to the Association, and giving details of the magnitude of the environmental and social impacts, including procedures for the management of chance finds of physical cultural resources and procedures to ensure protection, maintenance, and rehabilitation of natural habitats, as well as the specific mitigation actions and measures, including the budget and cost estimates, and sources of funding, along with the institutional and procedural measures needed to implement such actions, measures and policies, as the same may be amended from time to time with the prior written agreement of the Association.

15. "Environmental and Social Management Framework" or "ESMF" means the environmental and social management framework, dated February 2019, prepared, adopted and disclosed by the Recipient on March 15, 2019, and by the Association on March 20, 2019, describing, inter alia, the modalities to be followed in screening Project activities in order to assess and determine the need to prepare an ESIA and/or ESMP, including the measures to be taken to offset, reduce, or mitigate adverse environmental and social impact, procedures for the management of chance finds of physical cultural resources and procedures to ensure protection, maintenance, and rehabilitation of natural habitats, as the same may be amended from time to time with the prior written agreement of the Association.
16. "Environmental and Social Management Plan" or "ESMP" means an environmental and social management plan, to be prepared, adopted and disclosed by the Recipient, and acceptable to the Association, in accordance with the ESMF, and giving details of the magnitude of the environmental and social impacts, including procedures for the management of chance finds of physical cultural resources and procedures to ensure protection, maintenance, and rehabilitation of natural habitats, as well as the specific actions, measures and policies designed to facilitate the achievement of the objective of the ESMF, including the budget and cost estimates, and sources of funding, along with the institutional and procedural measures needed to implement such actions, measures and policies, as the same may be amended from time to time with the prior written agreement of the Association.


18. "Incremental Operating Costs" means the reasonable incremental operating expenses, approved by the Association, incurred by the DNAAS and/or AIAS or its regional offices on account of the Project implementation, management and monitoring, including operation and maintenance costs of office, vehicles and office equipment; water and electricity utilities, telephone, office supplies, bank charges, public awareness-related media expenditures, travel, supervision costs, and salaries of Project implementation support staff, but excluding the salaries of officials and public servants of the Recipient's civil service.

19. "IRM Operations Manual" means the operations manual referred to in Section I.G of Schedule 2 to this Agreement, adopted by the Recipient in April 2016, for the CERC Part of the Project in accordance with the provisions of said Section, as said manual may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such manual.

20. "IRM Part of the Project" or "IRM Part" means Part 5 of the Project.


22. "Negative List" means the lists of activities that cannot be funded or included under the Project, as set out in Section I.F.6 of Schedule 2 to this Agreement, the PIM and/or the Safeguard Instruments.
23. "Performance-based Grant" means the portion of the proceeds of the Financing extended to an eligible Beneficiary City under a Performance-based Grant Agreement for a Subproject under Part 3 of the Project.

24. "Performance-based Grant Agreement" means an agreement between a Beneficiary City and the Recipient, through DNAAS, for purposes of carrying out a Subproject under Part 3 of the Project.

25. "Performance Scorecard" means the scorecard developed by the Recipient to monitor the delivery of services by each Beneficiary City and containing key performance indicators to track: (a) the implementation of actions to strengthen the institutional framework for sanitation service provision; (b) the provision of sanitation services against defined targets; and (c) improvements in operating cost recovery for sanitation services.

26. "Performance Verification Report" means a report by the independent verification agent validating the achievement of results by a Beneficiary City.

27. "PIM" or "Project Implementation Manual" means the manual to be prepared by DNAAS and AIAS referred to in Section 1.D of Schedule 2 to this Agreement.

28. "Preparation Advance" means the advance referred to in Section 2.07(a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on September 4, 2017, and on behalf of the Recipient on September 4, 2017.

29. "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.

30. "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.

31. "Resettlement Action Plan for the Maputo wastewater treatment plant" or "RAP for Maputo" means the Recipient’s resettlement plan for Part 1(a) of the Project, dated February 2019, and disclosed by the Recipient on April 9, 2019, and the
Association on April 10, 2019, and acceptable to the Association, including a program of actions, measures and policies for compensation and resettlement of Affected Persons for Part I(a) of the Project, 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 for Maputo, as the same may be amended from time to time with the prior written agreement of the Association.

32. “Resettlement Policy Framework” or “RPF” means the resettlement policy framework, dated January 2019, prepared, adopted, and disclosed by the Recipient on March 15, 2019, and by the Association on March 20, 2019, 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.

33. “Safeguard Instruments” means the ESIA, the ESMF, the RPF, the RAP for Maputo and related ESMPs and RAPs, for the Project.

34. “Selected Cities” means Maputo, Quelimane and Tete.

35. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

36. “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, as the same may be amended from time to time with the prior written agreement of the Association, and such term includes all schedules to the Subsidiary Agreement.

37. “Subproject” means a specific subproject under Part 3 of the Project to be carried out by a Beneficiary City utilizing the proceeds of a Performance-based Grant.

38. “Training” means the reasonable cost of training under the Project, as approved by the Association, including costs associated with seminars, workshops, conference and study tours, travel and subsistence costs for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials and other activities directly related to course preparation and implementation.