H.E. Adriano Maleiane  
Minister of Economy and Finance  
Ministry of Economy and Finance  
Maputo, Mozambique

Excellency:

Re: Republic of Mozambique: Advance Agreement for Preparation of Proposed Mozambique Maputo Urban Transformation Project  
Project Preparation Advance No.V313-MZ

In response to the request for financial assistance made on behalf of the Republic of Mozambique ("Recipient"), I am pleased to inform you that the International Development Association/ ("World Bank") proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed six million Dollars ($6,000,000) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed project designed to improve urban infrastructure and strengthen institutional capacity for sustainable urbanization in Maputo ("Project"), for the carrying out of which the Recipient has requested the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.
Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: [Signature]
Mark Lundell
Country Director
Mozambique, Madagascar, Mauricius, Comoros and Seichelles
Africa Region

AGREED:
REPUBLIC OF MOZAMBIQUE

By: [Signature]
Authorized Representative

Name: Adriano Afonso Maleiane
Title: Minister of Finance and Economy
Date: 08.02.2020

Enclosures:

(1) "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010; and

(2) Disbursement Letter for the Advance of the same date as this Agreement, together with "Disbursement Guidelines for Investment Project Financing", dated February 2017.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

   (a) “Environmental and Social Commitment Plan” or the acronym “ESCP” means the [Borrower’s] [Project Implementing Entity’s] environmental and social commitment plan, acceptable to the Bank, dated [insert date of negotiations], which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Activities, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to time, with prior written agreement of the Bank[, and such term includes any annexes or schedules to such plan].


   (c) Operating Costs” means the incremental operating expenses incurred by the Recipient on account of the implementation of the Activities, management and monitoring including on account of operation and maintenance costs of office and office equipment; office supplies, additional staff costs, travel and supervision costs, per diem, but excluding the salaries and indemnities of officials and public servants of the Recipient’s civil service.

   (d) “Project Implementing Entity” and the acronym “MCC” mean Maputo City Council.

altered and republished by Law number 13/2018 on 17 April 2018; all of which govern the Project Implementation Entity.

(f) "Project Implementation Unit" or "PIU" means the Office of Strategic Institutional Development (GDEI), the unit established within Maputo City Council (MCC) that coordinates and oversees the day-to-day implementation of the Project and its fiduciary aspects.

(g) "Training" means the reasonable costs associated with training, seminars and workshop participation under the Activities, consisting of travel and subsistence costs for Training participants, costs (other than consulting services) associated with securing the services of trainers and presenters, rental of training facilities, translation and interpretation services, preparation and reproduction of training materials.

Article II
Execution of the Activities

2.01. Description of the Activities. The Activities for which the Advance is provided consist of the following:

(a) Carrying out studies, data collection, diagnosis of infrastructure and basic services and land-ownership structure and preparation of plans for integrated intervention projects in informal settlements,

(b) Carrying out studies and plans for the revitalization of Baixa da Cidade, including resettlement action plan, works supervision and management plan,

(c) Carrying out studies and plans for the sustainable development of the Municipal District of KaTembe; including environmental and social impact studies;

(d) Hiring of advisors on municipal finance management, urban planning and governance for the strengthening of the MCC into an "Open and Well Governed City"; and establishment and staffing of the Project Implementing Unit (PIU), including the hiring of coordinator and specialists in monitoring, evaluation, procurement, financial management, environmental and social safeguards, and operating costs.

2.02. Execution of the Activities Generally. The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall cause Maputo City Council to carry out the Activities in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; (c) 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; and the Subsidiary Agreement.

2.03. Institutional and Other Arrangements. Without limitation upon paragraph 2.02 above, the Recipient shall cause MCC to establish and thereafter maintain throughout the implementation of the Advance, a Project Implementation Unit (PIU) within GDEI with terms of reference, composition and resources satisfactory to the World Bank, which shall be responsible for the coordination and overseeing the day-to-day implementation and fiduciary aspects of the Advance.
2.04 *Environmental and Social Standards.*

(a) The Recipient shall, and shall cause the Implementing Entity to, ensure that the Activities are carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.

(b) Without limitation upon paragraph (a) above, the Recipient shall, and shall cause the Project Implementing Entity to ensure that the Activities are implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank. To this end, the Recipient shall, and shall cause the Project Implementing Entity to, ensure that:

(i) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;

(ii) sufficient funds are available to cover the costs of implementing the ESCP;

(iii) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and

(iv) the ESCP or any provision thereof, is not amended, revised or waived, except as the Bank shall otherwise agree in writing and the Recipient has, thereafter, disclosed the revised ESCP.

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

(c) The Recipient shall, and shall cause the Project Implementing Entity to:

(i) take all measures necessary on its part to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP [and the management tools and instruments referred to therein], all such reports in form and substance acceptable to the Bank, setting out, inter alia: (A) the status of implementation of the ESCP; (B) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (C) corrective and preventive measures taken or required to be taken to address such conditions; and

(ii) promptly notify the Bank of any incident or accident related to or having an impact on the Activities which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.

(d) The Recipient shall, and shall cause the Project Implementing Entity to, maintain and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Activities, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.
2.05. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.06. **Financial Management.**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that the semi-annual simplified un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

(i) If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.

(ii) If, by the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, such audit of the Financial Statements shall cover the period of the Advance, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of the Recipient's fiscal year in which the Refinancing Date occurs.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) of this Section, the World Bank may request an audit of the Financial Statements prior to the Refinancing Date, covering such period as is indicated in its request. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement**

All goods, non-consulting services and consulting services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in the "World Bank Procurement Regulations for IPF Borrowers" dated July 2016, revised November 2017 and August 2018 ("Procurement Regulations") and the provisions of the Recipient's procurement plan for the Activities dated April 9, 2018 ("Procurement Plan") provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.
Article III
Withdrawal of the Advance

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “Disbursement Guidelines for Investment Project Financing” dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance (“Category”), the amount of the Advance allocated 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 Advance Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services, Operating Costs and Training under the Activities</td>
<td>6,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,000,000</td>
<td></td>
</tr>
</tbody>
</table>

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. Refinancing Date. The Refinancing Date is January 1, 2021.

Article IV
Terms of the Advance

4.01. Refinancing under the Refinancing Agreement: If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be paid to the World Bank as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of such amount of the Refinancing Proceeds, in accordance with the provisions of the Refinancing Agreement.

4.02. No Repayment in the absence of a Refinancing Agreement: Notwithstanding any provision to the contrary in the Standard Conditions, if, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date, it has been so executed but terminates without becoming effective, then the Recipient shall not be obligated to repay the Withdrawn Advance Balance.
Article V
Effectiveness; Termination

5.01. The Additional Condition of Effectiveness consist of the following:

(a) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity, in form and substance satisfactory to the World Bank;

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

Article VI
Additional Remedies

6.01. Additional Events of Suspension. The Additional Event of Suspension consists of the following:

(a) The Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Implementing Entity to perform any of its obligations under the Subsidiary Agreement.

Article VII
Recipient’s Representative; Addresses

7.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is its Ministry of Economy and Finance.

7.02. Recipient’s Address. The Recipient’s Address referred to in Section 9.01 of the Standard Conditions is:

Ministry of Economy and Finance  
Praça da Marinha Popular, Maputo  
Republic of Mozambique  

Telex: Facsimile:  
(258) 21 492-268 (258) 21 492-625

7.03. World Bank’s Address. The World Bank’s Address referred to in Section 9.01 of the Standard Conditions is:

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

Telex: Facsimile:  
248423 (MCI) or (1)-202-477-6391  
64145 (MCI)