

June 22, 2020

H.E. Adriano Afonso Maleiane  
Minister of Economy and Finance  
Ministry of Economy and Finance  
C.P. 493  
Julius Nyerere Avenue  
Maputo  
Republic of Mozambique

**Re: Republic of Mozambique: Advance Agreement for Preparation of  
Proposed Southern African Trade and Connectivity Project  
Project Preparation Advance No. V3370**

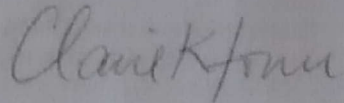
Honorable Minister:

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 two million five hundred thousand Dollars (\$2,500,000) ("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 reduce trade and transport costs and increase private investment along targeted corridors in Malawi and Mozambique ("Project") 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 the International Development Association to assist in financing the Project; (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.

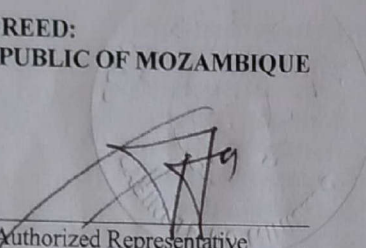
Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

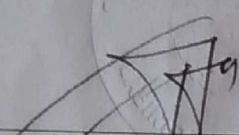
Very truly yours,  
**INTERNATIONAL DEVELOPMENT ASSOCIATION**



(for) Deborah L. Wetzel  
Director of Regional Integration  
Africa and Middle East & North  
Africa

**AGREED:  
REPUBLIC OF MOZAMBIQUE**



By   
Authorized Representative

Name Adriano A. Mateiane  
Title Minister Econ. and Finance  
Date 30.06.2020

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.

**Article I**  
**Standard Conditions; Definitions**

1.01. **Standard Conditions.** The "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010 ("Standard Conditions"), constitute an integral part of this Agreement.

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, including Section I of the Appendix to this Agreement.

**Article II**  
**Execution of the Activities**

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

- (a) Provision of support to set up a Project implementation unit, including, *inter alia*: (i) the recruitment Project coordinator, corridor coordinators, environmental and social specialists, gender/gender-based violence specialist, trade and transport specialists, financial management specialist, procurement specialist, legal specialist, monitoring and evaluation specialist, communication specialist and technical specialists; and (ii) the provision of equipment, furniture, vehicles and associated IT infrastructure;
- (b) Carrying out of Project preparation studies and documentation, including, *inter alia*: (i) the preparation of an operations manual and environmental and social related studies and documentation (including a gender-based violence action plan); (ii) the development of an action plan and the identification of opportunities in linkages between producers and aggregators in Project catchment area; (iii) the carrying out of Project dissemination and communication costs (including the elaboration of a communications strategy and the development of a web-site); (iv) the development of terms of reference for a national logistics strategy; (v) the development of terms of reference for the design of a one stop border post and of the model for five (5) one stop border posts; (vi) the development of terms of reference for data centers; (vii) the development of the concept and terms of reference for border residency cards; (viii) the development of the concept and implementation action plan for the setting up of a port and rail regulatory authorities; (ix) the development of the concept for e-phyto and associated procurement documentation; and (x) the development of terms of reference,

specifications and associated procurement documentation for laboratory equipment at plant protection; and

- (c) Development of a stakeholder engagement plan and carrying out of workshops and stakeholders meetings, including, inter alia: (i) the provision of support for the participation in the Nacala Corridor Tripartite Committee meetings; and (ii) the development of coordinated border management proposals.

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

2.03. **Institutional and Other Arrangements.** The Recipient shall maintain an implementing unit within MTC with a mandate, terms of reference, composition, and resources satisfactory to the World Bank, to be responsible for the overall implementation of the Activities ("Implementation Unit").

2.04. **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.

2.05. **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 interim 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 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 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.

#### 2.06. *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 *[insert the date of the Procurement Plan]* ("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.

#### 2.07. *Safeguards*

1. The Recipient shall ensure or cause to be ensured that the terms of reference for any consultants' services in respect of any activity financed under the Project shall be satisfactory to the World Bank following its review thereof and, to that end, such terms of reference shall duly incorporate all the applicable World Bank Safeguards Policies as applied to the advice conveyed through such technical assistance. Without limitation upon the provision of Section 2.02 above and in order to ensure proper implementation of the Activities in an environmentally and socially responsible manner, the Recipient shall ensure that a proper grievance redressal mechanism sensitive to gender-based violence and sexual exploitation and abuse risks and impacts is developed, disseminated and applicable in Project areas, and ensure communities participation in decision making process as applied to any consultations, information gathering and advice conveyed through such studies, technical assistance and capacity building activities.

2. The Recipient hereby acknowledges and agrees that: (a) as of the date of this Agreement, the World Bank has not been requested to and has not committed to fund and/or supervise the implementation of the potential investments with respect to which technical assistance has been provided under this Agreement; (b) the World Bank shall not be responsible for any liabilities associated with the implementation of potential investments in the event that the Recipient obtains financing for such potential investments other than the World Bank and/or applies national standards, the standards of other financiers, or any other standards in the design, construction and/or operation of such potential investments.

**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:

<b>Category</b>	<b>Amount of the Advance Allocated (expressed in Dollars)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, non-consulting services, consultants' services, Operating Costs and Training Costs under the Activities	2,500,000	100%
<b>TOTAL AMOUNT</b>	2,500,000	

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 May 1, 2021.

**Article IV**  
**Terms of the Advance**

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) *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 repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) *Repayment in the absence of a Refinancing Agreement:* 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:

- (i) if the amount of the Withdrawn Advance Balance does not exceed \$50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
- (ii) if the amount of the Withdrawn Advance Balance exceeds \$50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum, payable in arrears on each Payment Date.

The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

**Article V**  
**Recipient's Representative; Addresses**

5.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is its Minister of Finance.

5.02. **Recipient's Address.** The Recipient's Address referred to in Section 9.01 of the Standard Conditions is:

Ministry of Economy and Finance  
C.P. 493  
21 Av. Ahmed Sekoo Toure  
Maputo  
Mozambique

Facsimile:

+258 21313747

5.03. **World Bank's Address.** The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

International Development Association/International Bank for Reconstruction and  
Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Telex:

Facsimile:

248423 (MCI) or  
64145 (MCI)

1-202-477-6391



## APPENDIX

### Section I. Definitions

1. "Implementation Unit" means the unit referred to in Section 2.03 of the Annex to this Agreement, which is currently responsible for the fiduciary aspects of parts 3 and 4 of the National Statistics and Data for Development Project.
2. "Operating Costs" means the reasonable costs incurred on account of the Activities implementation including, *inter-alia*, office supplies, transportation, office administration, insurance, publication of training materials, reasonable bank charges relating to operation of the designated account, and salaries of locally contracted employees, but excluding consultant fees and salaries of the Recipient's civil servants.
3. "Training Costs" means the reasonable costs associated with training and workshops 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.
4. "MTC" means the Recipient's Ministry of Transport of Communications or any successor thereto.
5. "World Bank Safeguard Policies" means the World Bank's operational policies and procedures set forth in the World Bank's Operational Manual under OP/BPs 4.01, 4.04, 4.36, 4.09, 4.10, 4.11, 4.12, 4.37, and 7.50 as said manual is published under [www.WorldBank.org/opmanual](http://www.WorldBank.org/opmanual).