

**ADAPTATION
NON-BLENDED**

PROJECT NAME	Mozambique Climate Resilient Framework Loan¹
COUNTRY/REGION	Mozambique
SECTOR	Climate adaptation/water and sanitation
PROJECT/INVESTMENT AMOUNT	EUR 120 million (USD 121 million)
DEVELOPMENT PARTNER(S)/STAKEHOLDERS	EIB, EU
COUNTERPARTY MINISTRY/ INSTITUTION	Republica de Mocambique is the client/borrower
INVESTOR(S) AND FUNDERS	EIB
GUIDEBOOK TAXONOMY FINANCIAL SYSTEM ACTOR	Bilateral, Multilateral & Development Finance Institutions
PROJECT OVERALL GOAL	The proposed operation will focus on interventions through a water and sanitation programme that will aim at reconstruction of and improved climate resilient infrastructures. Interventions will be based on a pipeline of interventions to be defined by the counterpart.
PROJECT OUTCOMES	<ul style="list-style-type: none"> • Disaster and climate change resilience • Improvement of the quality of life of the targeted populations • Better social/economic environment
ALIGNMENT WITH COUNTRY IDENTIFIED CLIMATE STRATEGIES, NDCs, ETC. (IF APPLICABLE)	<ul style="list-style-type: none"> • The program will be aligned with both priority sectors of the National Indicative Programme 2014-2020, namely "good governance and development" and "rural development". • The operation would be supporting the national development strategy (ENDE). • The operation would be aligned with commitments following the Donor Conference's response to the passage of the cyclones Idai and Kenneth.
CONTRIBUTION OF THE PROJECT TO THE UN SDGs	<ul style="list-style-type: none"> • SDG 3: Good Health and Wellbeing • SDG 5: Gender Equality • SDG 6: Clean Water and Sanitation • SDG 10: Reduced Inequalities • SDG 11: Sustainable Cities and Communities • SDG 13: Climate Action • SDG 14: Life Below Water
SOCIOECONOMIC IMPACT	The operation will improve and expand the infrastructure of the country, addressing one of the development bottlenecks of the country. Reducing obstacles to economic activity will help people and enterprises access new opportunities in production and trade, creating new income sources and raising well-being. The focus on climate change resilience improves the long-term sustainability of economic activities.
ENVIRONMENTAL IMPACT (ON CLIMATE MITIGATION AND/OR ADAPTATION)	This investment will be used to 'Build Back Better' the infrastructure that was damaged by the cyclones and subsequent floods, improving public health and making cities more resilient to climate-related risks and extreme events. New wastewater infrastructure will also help to avoid untreated slop flowing into rivers

¹ This case was provided by the European Investment Bank (EIB) as a contribution to the Sharm El-Sheikh Guidebook for Just Financing

ENABLING ENVIRONMENT (SUPPORTING POLICIES)	The Framework Loan operation is embedded in the Disaster Recovery Framework (DRF) which was prepared under the leadership of Mozambique's Cabinet for Post-Idai and Post-Kenneth.
TECHNICAL ASSISTANCE (IF PROVIDED)	Technical assistance support will ensure efficient project implementation, improve climate resilience of investments and compliance with the Bank's environmental and social standards and procurement guidelines. A EUR 10m TA is being requested through the African Investment Platform to support the promoter and executing agencies throughout project implementation.
FINANCING MODEL/APPROACH (EX: BLENDED FINANCE)	Framework loan with concessional terms
RATIONALE FOR FINANCING MODEL/APPROACH	Concessional finance is used to support disaster resilience in a developing country context. An exception to the standard ceiling for EIB financing (i.e. 50% of investment cost) is applied based on the fact that the project will support the rehabilitation following a natural disaster (in this case EIB could finance up to 100% of the investment cost of the project or sub-projects).
FINANCIAL INSTRUMENT(S) (LOANS (COMMERCIAL/ CONCESSIONAL), EQUITY, GUARANTEE)	Concessional loan, TA grant, and guarantee
DIAGRAM OF THE FINANCING STRUCTURE	N/A

Executive Summary

The proposed operation is a water and wastewater sector Framework Loan financing a climate-change resilience initiative that will support the reconstruction of infrastructure damaged by cyclones Idai and Kenneth in 2019. The main objectives of the Project are to restore water, wastewater and drainage infrastructure, reduce vulnerability and increase resilience to disaster risks of the affected areas and in particular the large municipalities. The Framework Loan operation is embedded in the Disaster Recovery Framework (DRF) which was prepared under the leadership of Mozambique's Cabinet for Post-Idai and Post-Kenneth.

This post-disaster operation consists of a loan to the Republic of Mozambique for an amount of up to EUR 100m. In addition to this loan the EU provides EUR 10m in grant to add Technical Assistance to the operation. The operation has a tenor of 20 years with up to 5 years of grace period.

Estimates in areas affected by Cyclone Idai suggest that about 60% of the affected were poor, meaning levels of poverty and vulnerability are likely to increase in affected areas due to the cyclones. The Project is critical to improving the livelihoods and reducing vulnerability of people living in the affected areas. The investments and the associated TA are expected to contribute to reinstating and/or improving pre-disaster economic conditions and citizens' livelihoods. It will increase access to essential services such as water and sanitation and have a positive impact on aggregate demand. It will also lead to an increase in the overall productivity of the affected areas' economy in the medium term, based on the sustainable restoration and upgrading of economic and social infrastructure damaged by the cyclones and subsequent floods.

Analysis

WHAT MADE THIS PROJECT SUCCESSFUL?	N/A - project in implementation
TO WHAT EXTENT IS THIS MODEL SCALABLE?	N/A
WHAT ARE THE NECESSARY CONDITIONS TO MAKE IT REPLICABLE IN OTHER COUNTRIES/REGIONS?	Concessional sovereign lending is a traditional modality of development partner support that has been successfully replicated across the developing world.
CONSTRAINTS/DRAWBACKS OF FINANCING MODEL	If inappropriately applied, there is risk of crowding out private investors with cheap concessional capital. However, this model can be helpful for improvements with high social but low financial benefits and work in difficult country contexts.



LESSONS LEARNT

N/A - project in implementation