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Investing in rural people

Republic of Mozambique  
Rural Enterprise Finance Project  
Addendum

Executive Board — 123<sup>rd</sup> Session  
Rome, 16-17 April 2018

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For: Approval

# Rural Enterprise Finance Project

## Addendum

The attention of the Executive Board is drawn to the following addendum and modifications to the President's report on the Rural Enterprise Finance Project (EB 2018/123/R.8 and EB 2018/123/R.8/Sup.1). For ease of reference, the changes to the text of the report are shown in boldface, while strikethrough indicates deleted text.

The project title should be replaced as follows throughout the document:

Proposed ~~loan and~~ grant to the Republic of Mozambique for the Rural Enterprise Finance Project

Page iv, Financing summary

~~Amount of IFAD loan:~~ US\$~~31.07~~ million  
 Amount of IFAD grant: US\$62.1 million  
~~Terms of IFAD loan:~~ ~~Highly concessional: Maturity period of 40 years, including a grace period of 10 years, with a service of 0.75 per cent per annum~~

Page 1, Recommendation for approval

"The Executive Board is invited to approve the recommendation for the proposed ~~loan and~~ grant to the Republic of Mozambique for the Rural Enterprise Finance Project, as contained in paragraph 51."

Page 6, table 1

The table should be changed as follows:

Project costs by component and financier  
(Thousands of United States dollars)

Component	<del>IFAD Loan</del>		IFAD grant		Private sector		Beneficiaries		GoM		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Improved access to adaptive financial services for rural entrepreneurs	<del>21 638</del>	42.1	<b>43 276</b>	<b>84.2</b>	5 000	9.7	1 100	2.1	2 057	4.0	51 433	70.9
2. Capacity building and support for institutions and rural entrepreneurs	<del>4 676</del>	44.1	<b>9 352</b>	<b>88.2</b>	-	-	-	-	1 247	11.8	10 599	14.6
3. Programme Management	<del>4 760</del>	45.3	<b>9 520</b>	<b>90.6</b>	-	-	-	-	985	9.4	10 506	14.5
Total	<del>31 074</del>	42.8	<b>62 148</b>	<b>85.6</b>	5 000	6.9	1 100	1.5	4 289	5.9	72 537	100.0

Page 6, paragraph 35

"The REFP will be financed by: ~~an IFAD loan (US\$31.07 million, 42.8 per cent); an IFAD grant (US\$31.07 62.1 million, 42.8 85.6 per cent); (the Government (US\$4.3 million, 5.9 per cent); the private sector, which includes banks and MFIs (US\$5 million, 6.9 per cent) and beneficiaries (US\$1.1 million, 1.5 per cent). Based on IFAD's single currency framework, the IFAD loan and grant will be provided in United States dollars, subject to the availability of US\$ resources. The IFAD loan will be extended on highly concessional terms."~~

New paragraphs to insert after paragraph 35:

- "36. Considering the recent International Monetary Fund assessment revising Mozambique's debt distress status from "moderate" to "in debt distress", and the related concerns raised by some Member States, Management proposes for the Executive Board's consideration, a revision, on an exceptional basis, of the lending terms currently applicable to Mozambique for the REFP, from a 50 per cent highly concessional loan/50 per cent Debt Sustainability Framework (DSF) grant, to a 100 per cent DSF grant.
37. This is consistent with section IV of the Policies and Criteria for IFAD Financing which states that the Executive Board is the competent authority to determine the lending terms applicable to all IFAD developing Member States, based on the criteria defined in the Policies and Criteria. The Government of Mozambique is in agreement with this proposal.
38. In view of the above, Executive Board approval is sought, on an exceptional basis, for a revision of the current lending terms applicable to Mozambique by extending a 100 per cent DSF grant in the amount of US\$62,100,000 for the REFP. The negotiated text of the financing agreement between IFAD and Mozambique will be revised accordingly."

Page 7, table 2

The table should be changed as follows:

Project costs by expenditure category and financier  
(Thousands of United States dollars)

Category	IFAD loan		IFAD grant		Private sector		Beneficiaries		GoM		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Equipment and materials	213	50.0	426	100.0	-	-	-	-	-	-	427	0.6
2. Vehicles	388	50.0	776	100.0	-	-	-	-	-	-	775	1.1
3. Consultancies	7,254	37.6	14 508	75.2	998	5.2	100	0.5	3 686	19.1	19 291	26.6
4. Credit, guarantee funds	16,269	43.3	32 538	86.6	4 003	10.7	1 000	2.7	-	-	37 540	51.8
5. Training	2,690	50.0	5 380	100.0	-	-	-	-	-	-	5 381	7.4
6. Workshops	644	50.0	1282	100.0	-	-	-	-	-	-	1 283	1.8
7. Salaries and allowances	3,009	49.2	6 018	98.4	-	-	-	-	99	1.6	6 117	8.4
8. Operating costs	610	35.4	1 220	70.8	-	-	-	-	504	29.2	1 723	2.4
<b>Total</b>	<b>31,074</b>	<b>42.8</b>	<b>62 148</b>	<b>85.6</b>	<b>5 000</b>	<b>6.9</b>	<b>1 100</b>	<b>1.5</b>	<b>4 289</b>	<b>5.9</b>	<b>72 537</b>	<b>100.0</b>

Page 8, paragraph 48

The paragraph should be changed as follows:

"A project financing agreement between the Republic of Mozambique and IFAD will constitute the legal instrument for extending the proposed financing to the borrower recipient. In view of the change in financing terms, a ~~A~~ copy of the original negotiated financing agreement and the Government's subsequent acceptance of the 100 per cent Debt Sustainability Framework grant will be tabled at the session."

Page 9, paragraph 51, Recommendation:

The recommendation should read:

~~"RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Mozambique in an amount equivalent to thirty-one million seventy thousand United State dollars (US\$31,070,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein:~~

RESOLVED FURTHER: that the Fund shall provide a grant under the Debt Sustainability Framework to the Republic of Mozambique in an amount equivalent to ~~thirty-one million seventy thousand United State dollars (US\$31,070,000)~~ sixty two million one hundred thousand United States dollars (US\$62,100,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein."