H. E. Aiuba Cuereneia  
Minister of Planning and Development  
Ministry of Planning and Development  
Maputo  
Republic of Mozambique

REPUBLIC OF MOZAMBIQUE: Strategic Climate Fund Trust Fund  
Preparation of a Strategic Pilot Program for Climate Resilience Project  
Grant No. TF098872

Excellency:

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 Bank for Reconstruction and Development (“World Bank”), acting as Implementing Agency of grant funds provided under the Pilot Program for Climate Resilience (“PPCR”), proposes to extend to the Recipient a grant in an amount of one million and five hundred thousand United States Dollars (U.S.$1,500,000) (“Grant”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”); This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in 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 BANK FOR RECONSTRUCTION AND DEVELOPMENT

/s/ Olivier P. Godron
By____________________
Olivier P. Godron
Acting Country Director
Angola, Mozambique and São Tome and Principe
Africa Region

AGREED:

REPUBLIC OF MOZAMBIQUE

/s/ Aiuba Cuereneia
By____________________
Authorized Representative
Name ___________________
Title __Minister of Planning and Development
Date: __March 03, 2011

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
(2) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds 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:

   (a) “MPD” means the Recipient’s Ministry of Planning and Development.

   (b) “MICOA” means the Recipient’s Ministry of Environment Coordination.

   (c) “Strategic Program for Climate Resilience” or “SPCR” means the aggregate of strategies, policies, programs, and projects identified for financing under the Recipient’s fifth national development plan currently under preparation which will incorporate climate resilience as a major part of their implementation.

Article II

Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to prepare an initial SPCR through focusing on learning by doing and addressing the key knowledge and capacity gaps.

The Project consists of the following parts:

**Part A: Analysis of Climate Risks, Impacts and Needs**

Carrying out vulnerability analysis of four (4) key sectors (urban water supply, ports, forestry, tourism) of the Recipient, focusing on sector needs related to their enabling environment and investment in adaptation to climate change for phase II of the Project, all through the provision of consultant services, goods, training and workshops, and incremental operating costs.

**Part B: Institutional Analysis**

Regional institutions mapping and expenditure analysis in three selected poles (Limpopo watershed, Zambezi Valley and one coastal city), all through the provision of consultant services, goods, training and workshops, and incremental operating costs.

**Part C: Capacity Building**

Provide assistance in: (a) hiring of Project contractual staff and carrying out capacity building activities for MICOA and MPD on Project implementation and coordination; (b) carrying out an assessment of the climate vulnerability of the Recipient’s fifth national development plan currently under preparation; and (c) carrying out an assessment of the capacity building needs of
MPD, key line ministries, and other public and private participating stakeholders, all through the provision of services, goods, training and workshops, and incremental operating costs.

Part D: Consultation Process and Strategic Environment and Social Impact Assessment of SPCR.

Preparation of a Strategic Environmental and Social Impact Assessment (“SESIA”) of the overall planned SPCR, including alternatives in the selected development sectors of the Recipient with consultations at the local level, all through the provision of consultant services, goods, training and workshops, and incremental operating costs.

Part E: Knowledge and Awareness Raising

Carrying out socio economic analysis and vulnerability assessments in the Limpopo Watershed and Zambezi Valley, including a vulnerability assessment of the coastal cities of the Recipient, all through the provision of consultant services, goods, training and workshops, and incremental operating costs.

Part F: Definition of Priority Action Needs, and Investments.

Carrying out comparisons of options available for climate resilience investments in three selected poles (Limpopo watershed, Zambezi Valley and one coastal city), with preliminary cost and benefits, all through the provision of technical advisory services.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Project Coordination Unit (“PCU”) established within the MPD and currently coordinating the activities for the World Bank financed Decentralized Planning and Financing Project in Mozambique (“Grant No. H067 MOZ”), in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”), with the modifications set forth in Section I of the Appendix to this Agreement; and (c) this Article II.

2.03. Institutional and Other Arrangements.

(a) PCU: The Recipient shall maintain, at all times during the implementation of the Project, a PCU within MPD, with functions, staffing, and resources satisfactory to the World Bank.

(b) Technical Coordinator: The Recipient shall appoint, by no later than three (3) months after the countersignature date of this Agreement, a technical coordinator, with qualifications, experience, and terms of reference satisfactory to the World Bank, and in accordance with Section 2.06 of the Annex to this Agreement, to be responsible for overseeing day to day implementation of the Project.

(c) Safeguards: The Recipient shall: (i) by not later than eight (8) months after the countersignature date of this Agreement, undertake SESIA under terms of reference satisfactory to the World Bank which, among other objectives, will: (A) identify, predict and evaluate the potential environmental and social sustainability impacts resulting from the mainstreaming of the
SPCR; and (B) identify and recommend measures for monitoring and mitigating such impacts; and (ii) ensure that the SESIA shall be disclosed in-country and in the World Bank’s Infoshop within 90 days of its completion.

2.04. **Project Monitoring, Reporting and Evaluation.**

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators agreed with the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants whose qualifications, experience and terms of reference are acceptable to the World Bank in accordance with the provisions of Section 2.06 of the Annex to this Agreement.

2.05. **Financial Management.**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. **Procurement**

(a) **General.** All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods; and

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and
(iii) The provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods**

Goods shall be procured under contracts awarded on the basis of Shopping.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection; (D) Selection of Individual Consultants; and (E) Sole Source Procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, 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 the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
For purposes of this paragraph, the term:

(a) “Incremental Operating Costs” means incremental expenditures incurred on account of the Project implementation including office supplies and consumables, fuel and maintenance of vehicles, maintenance of office equipment, utilities, telephone and other communications charges, office rent and insurance for vehicles, motorcycles and office equipment and furniture, bank and services fees, printing and communication materials, and travel and subsistence costs, but excluding salaries of officials of the Recipient’s civil service.

(b) “Training and Workshops” means the reasonable costs of training under the Project attributable to seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, services of trainers and workshop facilitators, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, training fees, and other costs directly related to course and workshop preparation and implementation.

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. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2011.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, consultants’ services (including audits), Incremental Operating Costs, and Training and Workshops</td>
<td>1,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,500,000</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this paragraph, the term:

(a) “Incremental Operating Costs” means incremental expenditures incurred on account of the Project implementation including office supplies and consumables, fuel and maintenance of vehicles, maintenance of office equipment, utilities, telephone and other communications charges, office rent and insurance for vehicles, motorcycles and office equipment and furniture, bank and services fees, printing and communication materials, and travel and subsistence costs, but excluding salaries of officials of the Recipient’s civil service.

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Article IV
Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the minister at the time responsible for planning and development.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Minister of Planning and Development
Ministry of Planning and Development
Caixa Postal 4087, 21 Av. Ahmed Sekou Touré
Maputo, Republic of Mozambique

Cable: Telex: Facsimile:
MEF 257 MEF B1 (258) 21492625

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: Telex: Facsimile:
INTBAFRAD 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)
APPENDIX
Modifications to the Anti-Corruption Guidelines

Section I. The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5 (a) and a new Section 5 (b) is added to read as follows:

“…(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11 (a) is modified to read as follows:

“… (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”
“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”