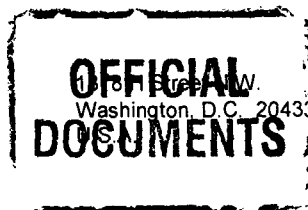


**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION



TF011206

(202) 473-1000  
Cable Address: INTBAFRAD  
Cable Address: INDEVAS

June 26, 2013

His Excellency Aiuba Cuereneia  
Minister of Planning and Development  
Ministry of Planning and Development  
Caixa Postal 4087, 21 Av. Ahmed Sekou Touré, 4<sup>th</sup> floor  
Maputo, Republic of Mozambique

**Second Grant Agreement for Mozambique Readiness Preparation Proposal**  
**Readiness Fund of the FCPF**  
**Grant No. TF011206**

Excellency:

I wish to refer to the Grant Agreement between the Republic of Mozambique ("Recipient") and the International Bank for Reconstruction and Development ("World Bank"), acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility ("FCPF"), dated January 25, 2012, ("Readiness Grant Agreement"), pursuant to which the World Bank agreed to provide to the Recipient a grant in the amount not to exceed US\$ 200,000 for formulating the Readiness Preparation Proposal ("R-PP") ("R-PP Formulation Installment").

The Participants Committee of the FCPF ("PC") has reviewed the R-PP submitted by the Recipient and acknowledged the extensive efforts made by the Recipient and the high quality of the R-PP. Accordingly, the PC, through its PC/11/2012/2, decided to allocate grant funding to the Recipient in the amount of up to three million six hundred thousand Dollars (US\$ 3, 600,000) ("Additional Grant"), to enable it to move ahead with preparation for readiness, subject to the terms and conditions set out in said Resolution. The funds of up to two hundred thousand Dollars (US\$ 200,000) out of this US\$ 3,600,000 shall be used for the purpose of strengthening the Recipient's national feedback and grievance redress mechanism, subject to the terms and conditions set out in Resolution PC/Electronic/2012/1. In addition, the Recipient has an unused balance of the US\$200,000 R-PP Formulation Installment ("R-PP Formulation Installment") in the amount of eighty eight thousand, seven hundred and ninety two Dollars (US\$88,792).

In response to the request for financial assistance made on behalf of the Recipient and the decisions of the PC referred to above, I am pleased to inform you that the World Bank agrees to extend the Additional Grant in the amount of three million six hundred thousand United States Dollars (\$3,600,000), on the terms and conditions set forth or referred to in this letter agreement ("Second Grant Agreement"), which includes the attached Annex, to assist in the financing of the Readiness Preparation Activities described in the Annex. The total for the Additional Grant and the unused balance of R-PP Formulation Installment ("Grant") is US\$3,688,792.

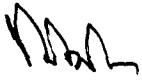
This Grant is funded out of the above mentioned FCPF trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the above mentioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Second Grant Agreement and to carry out the Readiness Preparation Activities in accordance with the terms and conditions set forth or referred to in this Second Grant Agreement.

Since the execution of the Readiness Grant Agreement, the Charter Establishing the FCPF ("Charter") has been amended, and the terms and conditions of this Second Grant Agreement are based on the Charter, as so amended. Where there are inconsistencies between the Readiness Grant Agreement and this Second Grant Agreement including in the use of terms, the provisions in this Second Grant Agreement shall prevail and deemed to have accordingly amended the provisions of the Readiness Grant Agreement to eliminate any such inconsistency.

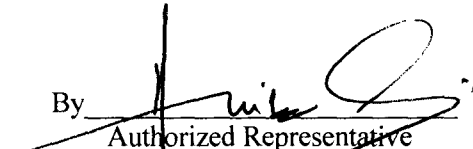
Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Second Grant Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Second Grant Agreement shall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

Very truly yours,  
INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
(Acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility)

By   
Laurence C. Clarke  
Country Director for Mozambique  
Africa Region

AGREED:

REPUBLIC OF MOZAMBIQUE

By   
Authorized Representative  
Name Ailton Gwizenda  
Title Minister  
Date: 15 July 2013

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012.
- (2) Charter Establishing the Forest Carbon Partnership Facility, dated October 24, 2012.
- (3) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
- (4) Guidelines on Preventing and Combating Fraud and Corruption in Project Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and revised in January 2011.
- (5) Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011.
- (6) Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011.

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

1.01 **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 (“Standard Conditions”), with the modifications set forth below, constitute an integral part of this Second Grant Agreement:

(a) The following term and definition shall be added to the Appendix to the Standard Conditions as paragraph 18bis to read as follows:

18bis “Readiness Preparation Activities” means the activities, described in the Second Grant Agreement, for which the Grant is made, as the description of said activities may be amended from time to time by agreement between the Recipient and the World Bank.”

(b) The term “Project” and its definition shall be deleted in their entirety from the Standard Conditions; and all references throughout the Standard Conditions to the term “Project” shall be deemed to refer to the “Readiness Preparation Activities.”

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

- (a) “ESMF” means the environmental and social management framework acceptable to the World Bank, which establishes the modalities and procedures to address potential negative environmental and social impacts from the implementation of REDD+ investments and demonstration activities as well as associated mitigation measures through employing best practices; and includes the screening criteria, procedures and institutional responsibilities for the safeguard policies that are triggered for subsequent REDD+ investments.
- (b) “FUNAB” means the Recipient’s National Environment Fund established within the Recipient’s Ministry for Coordination of Environmental Affairs.
- (c) “MICOA” means the Recipient’s Ministry for the Coordination of Environmental Affairs.
- (d) “MINAG” means the Recipient’s Ministry of Agriculture.
- (e) “REDD+” means reducing emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks.
- (f) “SESA” means the strategic environment and social assessment to be conducted as part of the Readiness process to assess the potential impact from national REDD+ programs and policies, formulate alternatives and mitigation strategies and enhance the decision-making process around the design of the national REDD+ framework.

- (g) “UT-REDD” means the Recipient’s technical unit responsible for coordination and implementation of REDD+ activities in Mozambique.

## **Article II**

### **Execution of Readiness Preparation Activities**

2.01. ***Objectives and Description.*** The objective of the Grant is to assist the Recipient to carry out the Readiness Preparation Activities. The Readiness Preparation Activities consist of the following parts:

#### Part 1: Strengthening the National Readiness Management Arrangements

- 1.1 Contribute to strengthening the UT-REDD, selected line ministries, and participating stakeholders, through carrying out capacity building activities and provision of selected technical staff for the implementation of Project activities.
- 1.2 Strengthening the decentralization of REDD+ arrangements through hiring REDD+ focal points in selected provinces of the Recipient to facilitate implementation of REDD+ activities.
- 1.3 Supporting Project management and coordination, through the provision of Operating Costs for FUNAB.

#### Part 2: Promotion of Multi-stakeholder Consultations

- 2.1 Multi-stakeholder awareness raising and consultations on the REDD+ strategy and its legal framework.
- 2.2 Preparation of communication material on REDD+ as part of awareness raising and consultation processes.

#### Part 3: Design of the National REDD+ Strategy

- 3.1 Support towards preparation of a national REDD+ strategy. The viability of the strategy options will be informed by a range of analytical studies focusing on, among others, deforestation and forest degradation and assessment of their geographical distribution, risks, social and environmental co-benefits, cost/benefit assessment, review of legal, policy and political economy for successful implementation of proposed REDD+ strategy options.
- 3.2 Carrying out SESA and design of a grievance mechanism consisting of: (i) analyzing the initial social and environmental issues related to deforestation and forest degradation in Mozambique; (ii) screening the preliminary REDD+ strategic options presented in the R-PP for social and environmental risks; (iii) recommending risk mitigation options to feed into the SESA development; (iv) preparing an Environmental and Social Management Framework (ESMF) and other safeguard instruments to mitigate the residual risks of the REDD+ strategy; and (v) design an adequate grievance mechanism system to manage potential future conflicts related to REDD+.

- 3.3 Contribute to carrying out a study to design the national legal and institutional framework for REDD and develop National Guidelines on REDD+ through a participatory consultative process that will focus on: (i) the identification of options for the design of REDD+ benefit sharing mechanisms and risk mitigation measures; (ii) determining the legal nature of emission reductions and rights; and (iii) assessing options to manage REDD+ funds at national level.

2.02. **Execution Generally.** The Recipient declares its commitment to the objectives of the Readiness Preparation Activities. To this end, the Recipient shall carry out the Readiness Preparation Activities through MICOA and MINAG in coordination with FUNAB, all 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 and revised in January, 2011 (“Anti-Corruption Guidelines”) and (c) this Article II.

2.03 **Institutional and Other Arrangements.** Without limitation upon the provision of paragraph 2.02 above, the Recipient shall: (a) within six (6) months of Effective Date, establish and thereafter maintain, UT-REDD, with structure, equipment, functions and responsibilities acceptable to the World Bank; and (b) prepare periodic Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions. Each Project Report shall cover such period of six (6) months and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.

2.04 **Safeguards.** The Recipient shall ensure that: (a) all: (i) terms of reference for any technical assistance or studies carried out under the Readiness Preparation Activities; and (ii) frameworks prepared on the basis of the SESA under the Readiness Preparation Activities pursuant to Section 2.01 of the Annex to this Agreement are consistent with, and pay due attention to, the World Bank’s environmental and social safeguards policies, as well as the Recipient’s own laws relating to the environment and social aspects; and (b) in drafting any laws or regulations under the Readiness Preparation Activities, due attention will be given to said policies and laws.

2.05. **Mid-term Progress Report and Completion Report.** The Recipient shall, not later than eighteen (18) months of Effective Date, prepare and furnish to the World Bank a mid-term progress report on the Readiness Preparation Activities in accordance with terms of reference acceptable to the World Bank, including the provisions of Section 6.3(b) of the Charter and Resolutions PC/7/2010/3 and PC/12/2012/2. The Recipient shall also prepare and furnish to the World Bank not later than six (6) months after the Closing Date, a Completion Report in accordance with the provision of Section 2.06(b) (ii) 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 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Readiness Preparation Activities are prepared and furnished to the World Bank 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.

## 2.07. ***Procurement***

(a) General. All goods, non-consulting services, and consultants' 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 of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of goods and non-consulting services;

(ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("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 1.18 of the Procurement Guidelines and paragraph 1.25 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

2.08. (a) Any contract for Eligible Expenditures to be financed in full or in part out of the proceeds of the Grant shall be included in the procurement plan prepared by the Recipient and approved by the Bank in accordance with the Procurement Guidelines and the Consultant Guidelines, prior to initiating the procurement process for any such contract.

(b) Particular Methods of Procurement of Goods and Non-consulting Services:

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used: (a) National Competitive Bidding (subject to the provisions set out in the Attachment to this Annex); (b) Shopping; and (c) Direct Contracting.

(c) 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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used: (a) Quality-Based Selection; (b) Selection of Individual Consultants; (c) Least-Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Single-source procedures for the Selection of Individual Consultants

(d) Review by the World Bank of Procurement Decisions:

- (i) 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.
- (ii) All terms of reference for consultants' services, regardless of the contract value, shall be subject to the World Bank's prior review.

### **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) 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 "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 consisting of goods, non-consulting services, consultants' services, Training and Workshops, and Operating Costs inclusive of Taxes.

For the purpose of Section 3.01, (i) the term "Training and Workshops" means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Readiness Preparation Activities including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation (but excluding goods and consultant's services); and (ii) the term "Operating Costs" means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of the implementation of the Readiness Preparation Activities, consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and *per diem* for Formulation Activity staff for travel linked to the implementation of the Formulation Activities, and salaries of



contractual staff for the Formulation Activities (but excluding consultants' services and salaries of officials of the Recipient's civil service).

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

3.03. ***Withdrawal Period.*** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2017.

#### **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 Recipient's minister 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:

Ministry of Planning and Development  
Av. Ahmed S. Toure, 21, 4th floor  
Maputo, Republic of Mozambique  
Cable: Telex: Facsimile:  
MOBANCO (258) 21 492-268 (258) 21 492-625  
Maputo

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  
Facsimile: 1-202-477-6391

**Attachment**

Additional Procedures for National Competitive Bidding (NCB):

(a) **General**

The procedures to be followed for NCB shall be those set forth in the “Regulamento de Contratação de Empreitada de Obras Públicas, Fornecimento de Bens e Prestação de Serviços ao Estado” of the Republic of Mozambique of May 24, 2010 (“the Regulation”), as per Decree No. 15/2010, with the modifications described in the following paragraphs.

(b) **Eligibility**

No restriction based on nationality of bidders and/or origin of goods shall apply. Foreign bidders shall be allowed to participate in NCB without restriction and shall not be subject to any unjustified requirement which will affect their ability to participate in the bidding process such as, but not limited to, the proof that they are not under bankruptcy proceedings in the Recipient’s territory; have a local representative; have an attorney resident and domiciled in the Recipient’s territory; form a joint venture with a local firm. In cases of joint ventures, they shall confirm joint and several liability.

Prior registration, obtaining a license or agreement shall not be a requirement for any bidder to participate in the bidding process.

Recipient’s government-owned enterprises or institutions shall be eligible to participate in the bidding process only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Recipient.

(c) **Bidding Documents**

Standard bidding documents acceptable to the Association shall be used for any procurement process under NCB.

(d) **Preferences**

No domestic preference shall be given for domestic bidders and/or for domestically manufactured goods.

(e) **Applicable Procurement Method under the Regulation**

Subject to these NCB exceptions, procurement under NCB shall be carried out in accordance with the Regulation’s public competition (*Concurso Público*) method.

(f) **Bid Preparation Time**

Bidders shall be given at least twenty-eight (28) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids.

- (g) **Bid Opening**  
Bids shall be opened in public, immediately after the deadline for their submission in accordance with the procedures stated in the bidding documents.
- (h) **Bid Evaluation**
  - (i) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified; the evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. Qualification criteria shall be applied on a pass or fail basis.
  - (ii) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents; criteria other than price shall be quantified in monetary terms.
  - (iii) A contract shall be awarded to the qualified bidder offering the lowest-evaluated and substantially responsive bid.
  - (iv) Bidders shall not be eliminated on the basis of minor, non-substantial deviations.
- (i) **Rejection of All Bids and Re-bidding**  
All bids shall not be rejected and new bids solicited without the Association's prior concurrence.
- (j) **Complaints by Bidders and Handling of Complaints**  
The Recipient shall establish an effective and independent complaint mechanism allowing bidders to complain and to have their complaint handled in a timely manner.
- (k) **Right to Inspect/Audit**  
In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Financing shall provide that: (i) the bidders, suppliers, and contractors and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the Association, at its request, to inspect their accounts, records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.
- (l) **Fraud and Corruption**  
Each bidding document and contract financed from the proceeds of the Financing shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The Association may sanction a firm or individual, at any

time, in accordance with prevailing Association sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded an Association-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier or service provider of an otherwise eligible firm being awarded an Association-financed contract.

(m) **Debarment under National System**

The World Bank may recognize, if requested by the Recipient, exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption or similar misconduct, and further provided that the Association confirms that the particular debarment procedure afforded due process and the debarment decision is final.