

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

His Excellency Aiuba Cuereneia
Minister
Ministry of Planning and Development
Maputo

**OFFICIAL
DOCUMENTS**

January 12, 2012

M2 - Readiness FCPF

1011206

Excellency:

**Republic of Mozambique: Grant Agreement for Readiness Preparation Proposal
Readiness Fund of the FCPF
FCPF Grant No. TF 011206**

I wish to refer to Resolution PC2008-2 of the Participants Committee of the Forest Carbon Partnership Facility ("FCPF") regarding Selection of REDD Country Participants ("Resolution PC2008-2"). REDD refers to Reducing Emissions from Deforestation and forest Degradation.

Resolution PC2008-2 provides that subject to the availability of funds, certain REDD Country Participants may receive grant funding of up to three million six hundred thousand United States Dollars (US\$3,600,000) (an "R-PP Formulation and Readiness Preparation Grant") for formulating and carrying out a Readiness Preparation Proposal (R-PP).

Resolution PC2008-3 of the Participants Committee regarding Grant Allocation for REDD Country Participants ("Resolution PC2008-3") further provides that the R-PP Formulation and Readiness Preparation Grant to an eligible REDD Country Participant may be made available in up to three installments, with the first installment in the amount of up to two hundred thousand United States Dollars (US\$200,000) ("R-PP Formulation Installment") available to the Eligible REDD Country upon its selection as a Participant in the FCPF for the purpose of formulating a R-PP.

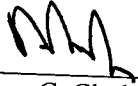
The Republic of Mozambique ("Recipient") was selected as a REDD Country Participant and wishes to receive the R-PP Formulation Installment of the R-PP Formulation and Readiness Preparation Grant to formulate its R-PP. In response to the request for financial assistance made on behalf of the Recipient, I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility ("Trustee"), agrees to extend to the Recipient an R-PP Formulation Installment in an amount not to exceed two hundred thousand United States Dollars (US\$200,000) on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the activities described in the Annex ("Formulation Activities").

The Trustee may enter into one or more than one supplementary agreement(s) to this grant agreement with the Recipient for the purpose of extending the remaining installment(s) of the R-PP Formulation and Readiness Grant for carrying out the R-PP, subject to the availability of funds, terms and conditions set forth in attachment II to Resolution PC2008-3 and a decision by the Participants Committee.

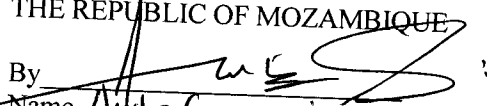
The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Formulation Activities in accordance with the terms and conditions set forth or referred to in this Agreement.

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
Acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility

By 
Laurence C. Clarke
Country Director
Angola, Mozambique and Sao Tomé and Principe
Africa Region

AGREED:
THE REPUBLIC OF MOZAMBIQUE

By 
Name Aluba Cwereneia
Title Minister of Planning and Development
Date: January 25, 2012

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
- (2) Disbursement Letter dated January 12, 2012, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.**

- (a) The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 31, 2010 (“Standard Conditions”), with the modifications set forth in paragraphs (b) and (c) below, constitute an integral part of this Agreement.
- (b) The following term shall be inserted as paragraph 6(bis):
 - 6bis. “Charter” means the Charter Establishing the Forest Carbon Partnership Facility, as may be amended from time to time;
- (c) The definition of the term “Project” is replaced to read as follows:
 - “Formulation Activities” means the proposed activities, for which the World Bank as the Trustee of the Readiness Fund of the Forest Carbon Partnership Facility has made the R-PP Formulation Installment, for the formulation by the Recipient of a Readiness Preparation Proposal.

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, the Charter, or in this Agreement.

Article II
Execution of Formulation Activities

2.01. **Objectives and Description.** The objective of the R-PP Formulation Installment is to assist the Recipient to formulate a Readiness Preparation Proposal (“R-PP”), on the basis of the Readiness Preparation Idea Note, following the FCPF template for the R-PP. The Formulation Activities consist of the following parts:

Part A: Organizing and consulting

- (i) Provision of training to government officials on REDD+ concepts and to private sector across relevant sectors.
- (ii) Participation in relevant international events for capacity building of the members of the National Working Group on REDD+ and hiring of technical assistants to prepare key components of the R-PP.
- (iii) Organization of a workshop on forest carbon.

Part B: Preparing the national REDD strategy

- (i) Development of terms of references (“TORs”) for analysis and mapping of drivers

of deforestation and degradation as well as conservation, sustainable forest management and enhancement of carbon sequestration in pilot areas.

- (ii) Conduct of an analysis of the requirements for costs and benefits of key land uses, opportunity costs for different REDD options and transaction costs of delivering the options at sub-national and national level.
- (iii) Formulation of TORs for conducting a strategic environmental and social assessment of REDD.

Part C: Developing a reference scenario of land-use change and emissions

- (i) Conduct of a site-specific study in the pilot areas pertaining to the Zambézia province for validation of the historical rate of deforestation, analysis of land use trends and highlighting of issues to be considered in developing the potential crediting level for REDD+ at sub-national and national levels.
- (ii) Preparation of ToRs for the development of a national-level reference emissions levels for REDD+.

Part D: Development of TORs for a monitoring, reporting and verification (“MRV”) system for emission and removals and other benefits and impacts

- (i) Review of the current land and forest information management systems applied by the National Directorate of Lands and Forests of the Ministry of Agriculture and review other information management systems in select countries to propose adequate monitoring systems to track land use changes as well as stocks of carbon.
- (ii) Contribution to the identification and design of options for implementation of REDD+ monitoring, reporting and verification system at sub-national and national level through the combination of a scoping analysis for reference scenarios with an analysis of the current land allocation and information management in the province of Zambézia.
- (iii) Development of TORs for the establishment of a national MRV system for REDD+.

Part E: Scheduling and budgeting the tasks comprised in Parts A through D

2.02. **Execution Generally.** The Recipient declares its commitment to the objectives of the Formulation Activities. To this end, the Recipient shall carry out the Formulation Activities through its National Directorate of Environment Management established within its Ministry for the Coordination of Environmental Affairs 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. **Formulation Activities Report and Completion Report.** The Recipient shall prepare the Formulation Activities Report and Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Formulation Activities Report shall be furnished to the World Bank every quarter after the signature of the grant. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.04. **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 Formulation Activities are prepared and furnished to the World Bank as part of the Formulation Activities Report not later than one month 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 for the Formulation Activities audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were 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.

2.05. **Procurement**

(a) **General.** All goods and services required for the Formulation Activities and to be financed out of the proceeds of the R-PP Formulation Installment 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

(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 Formulation Activities 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 the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods. The following methods may be used for procurement of goods for those contracts specified in the Procurement Plan (A) Shopping and (B) Direct Contracting.

(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.

(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 Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the R-PP Formulation Installment 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 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 R-PP Formulation Installment (“Category”), the allocations of the amounts of the R-PP Formulation Installment to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the R-PP Formulation Installment Allocated (expressed in USD)	Percentage of Expenditures to be Financed
(1) Goods and Consultants’ Services	96,000	100%
(2) Workshops and Training	85,000	100%

(3) Operating Costs	19,000	100%
TOTAL AMOUNT	200,000	

For the purpose of Section 3.01, (i) the term “Training and Workshops” means the costs associated with training and workshop participation of personnel involved in the implementation of the Formulation Activities including 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; and (ii) the term “Operating Costs” means the operating costs incurred on account of the implementation of the Formulation Activities including office supplies and consumables, utilities, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Formulation Activities, and travel, lodging and per diems, but excluding salaries of officials of the Recipient’s civil service.

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 the date eighteen (18) months after the date of countersignature of this Agreement by the Recipient.

Article IV

Additional Remedies

4.01 **Additional Event of Suspension.** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the Default in Implementation set forth in Section 6.5 (a) of the Charter.

Article V

Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its 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:

Minister of Planning and Development
Ministry of Planning and Development
Caixa Postal 4087, 21 Av. Ahmed Sekou Touré, 4th floor
Maputo, Republic of Mozambique

Cable:
MOBANCO
Maputo

Telex:
(258) 21 492-268

Facsimile:
(258) 21 492-625

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:
INTBAFRAD
Washington, D.C.

Telex:
248423 (MCI) or
64145 (MCI)

Facsimile:
1-202-477-6391