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

REPUBLIC OF MOZAMBIQUE: Programmatic Support to Disaster Risk Management (Phase I) Project  
Grant No. TF099391

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 Development Association (“World Bank”), acting as administrator of grant funds provided by various donors (“Donors”) under the Trust Fund for Mainstreaming Disaster Reduction Initiative (TF No. 070611) of the Global Facility for Disaster Reduction and Recovery (“GFDRR”), proposes to extend to the Recipient a grant in an amount not to exceed one million three hundred and ninety eight thousand United States Dollars (U.S.$1,398,000) (“Grant”) 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 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 DEVELOPMENT ASSOCIATION

By /s/ Laurence C. Clarke
Acting Country Director for Angola, Malawi, Mozambique, Zambia and Zimbabwe
Africa Region

AGREED:

REPUBLIC OF MOZAMBIQUE

By /s/ Aiuba Cuereneia
Minister
Date: June 20, 2011

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
(2) Disbursement Letter of the same date as this Agreement, 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, and the following additional terms have the following meanings:

(a) “ESMP” means the Recipient’s Environmental and Social Management Plan, dated March 7, 2011, as the said plan may be amended and/or supplemented from time to time with the prior written approval of the World Bank, setting forth the policy, principles, standards, processes and institutional arrangements to be applied to assess, screen and manage potential adverse environmental and social impacts associated with activities under the Project and the ways to avoid, minimize, mitigate or offset them, including public consultation, disclosure monitoring and reporting.

(b) “National Institute for Disaster Management” and “INGC” means the National Institute for Disaster Management, an integral part of the Recipient’s Ministry of State Administration, established pursuant to the Recipient’s Law/Decree No. 38/99, dated, June 10, 1999.

(c) “Operating Costs” means the incremental expenses incurred on account of Project implementation, including office furniture and supplies, vehicle operation and maintenance, insurance costs, Designated Account banking charges, rental expenses communication, office maintenance costs, utilities, travel and per diem costs for Project staff, but excluding salaries of officials of the Recipient’s civil service.

(d) “Training and Workshops” means the reasonable cost of: (i) training materials and rental of training and workshop facilities and equipment; (ii) tuition fees, travel, accommodation and *per diem* of trainers, trainees and workshop participants; and (iii) any other reasonable expenses related to training, study tours and workshops to be carried out under the Project.

(e) “Project Implementation Manual” means and “PIM” mean the Recipient’s Project Implementation Manual referred to in Section 2.03 (b) of the Annex to this Agreement.
Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to strengthen the early warning system and design mitigation activities in highly vulnerable areas of the Recipient.

The Grant will finance phase 1 of the Project and consists of the following parts:

PART A: Reinforcement of Hydro-Climatological Network

Carrying out a review study on the existing hydro climatological network aimed at optimizing early warning systems and to monitor and disseminate data on key hazards and vulnerabilities, through the provision of technical assistance, Training and Workshops, and Operating Costs.

PART B: Improvement of Weather Radar Network

Carrying out a program of activities aimed at optimizing and expanding the use of the Xai-Xai and Beira weather radars for early warning and weather forecasting, through the provision of technical assistance, goods, Training and Workshops, and Operating Costs.

PART C: Community Based Disaster Risk Management in Inhambane and Maxixe

Carrying out a program of activities aimed at preparing community driven development activities in flood affected neighborhoods of the Recipient’s cities of Maxixe and Inhambane to reduce disaster risks, including the development of necessary safeguard documents and operational procedures, through the provision of technical assistance, Training and Workshops, and Operating Costs.

Part D: Zambezi Flood Management Scoping Study

Carrying out a flood protection management scoping study of the Zambezi river basin (Inhangoma and Mutarara region), including the development of necessary safeguard documents for a potential follow-up investment, through the provision of technical assistance, Training and Workshops, and Operating Costs.

Part E: Risk Financing

Carrying out a program of activities aimed at reaching agreement on the preparation of a preliminary national framework and operational procedures for a common fund for the management of disaster risks, through the provision of technical assistance and Training and Workshops.

Part F: Project Management

Carrying out Project management activities, through the provision of technical assistance, goods, Training and Workshops, and Operating Costs.
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 INGC, 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.**

(a) **Institutional**

The Recipient shall: (i) maintain, at all times during the implementation of the Project, staff in numbers and with functions and qualifications acceptable to the World Bank, for the purpose of effective and efficient implementation of the Project; and (ii) by no later than June 30, 2011, recruit and thereafter maintain throughout Project implementation, a national coordinator, a financial management specialist, and a procurement specialist under terms of reference, qualifications and experience satisfactory to the World Bank.

(b) **Project Implementation Manual**

The Recipient shall: (i) by no later than September 30, 2011, prepare and adopt a Project Implementation Manual in form and substance satisfactory to the World Bank, containing detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) Project budgeting, disbursement and financial management; (c) procurement; (d) environmental and social safeguard guidelines; (e) monitoring, evaluation, reporting and communication; and (f) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project; and (ii) carry out (and cause to be carried out) the Project in accordance with the arrangements and procedures set out in the PIM (provided, however, that in case of any conflict between the arrangements and procedures set out in the PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the World Bank shall otherwise agree, shall not amend, abrogate or waive any provision of the PIM.

(c) **Environmental and Social Safeguards Provisions**

(i) The Recipient shall ensure that the Project is implemented in accordance with the provisions of the Environmental and Social Management Plan (including any other plans or instruments prepared under this paragraph) and in a manner satisfactory to the World Bank, and the Recipient shall not amend or waive any provision of the aforementioned without the prior written agreement of the World Bank.
(ii) Without limitation upon its other reporting obligations under this Agreement, the Recipient shall collect, compile and furnish to the World Bank, as part of the Project Reports referred to in Section 2.05 of this Annex, the status of compliance with Environmental and Social Management Plan, giving details of: (a) measures taken in furtherance of such plan and instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such plan and instruments; and (c) remedial measures taken or required to be taken to address such conditions. The Recipient shall promptly take all remedial measures referred to in paragraph 2 (c) of this Section as shall have been agreed with the World Bank.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors’ support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **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 set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than (1) one month after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) Draft disaster management law finalized and discussed with the participating stakeholders.

(ii) Report completed and discussed with the participating stakeholders indicating strategic location and investment costs for climatological and hydrometeorological networks.

(iii) Two radars covering the south and central regions calibrated, capable of producing spatially precise and timely forecasts.

(iv) Community-driven development activities planned, discussed with community, and ready for implementation in Maxixe and Inhambane.

(v) Flood protection management feasibility plan developed for highly vulnerable area of the Zambezi River Basin.

(vi) Agreement on a preliminary national framework and operational procedures for a common fund for the management of disaster risks.
(c) 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 (6) months after the Closing Date.

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 Project are prepared and furnished to the World Bank not later 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 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 January 2011 (“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 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 the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods

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

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the
Procurement Plan: (A) Limited International Bidding; (B) National Competitive Bidding; (C) Shopping; and (D) 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 which the Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Selection based on Consultants’ Qualifications; (B) Least Cost Selection; (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:

<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), Operating Costs, and Training and Workshops</td>
<td>1,398,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>1,398,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

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, except that withdrawals up to an aggregate amount not to exceed $100,000, equivalent may be made for payments made prior to this date but on or after December 1, 2010, for Eligible Expenditures under Category (1).
3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2013.

**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 of 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 Development Association
- 1818 H Street, N.W.
- Washington, D.C. 20433
- United States of America

- Cable: Telex: Facsimile:
- INDEVAS 248423 (MCI) or 1-202-477-6391
- Washington, D.C. 64145  (MCI)