Strategic Climate Fund
Pilot Program for Climate Resilience
Loan Agreement

(Cities and Climate Change Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

(acting as an implementing entity of the
Strategic Climate Fund-Pilot Program for Climate Resilience)

Dated November 18, 2014
AGREEMENT dated November 18, 2014, entered into between: REPUBLIC OF MOZAMBIQUE ("Borrower") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting not in its individual capacity but solely in its capacity as an implementing entity of the Strategic Climate Fund ("SCF").

The Borrower and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in the Appendix to this Agreement.

Article II
Loan

2.01. The World Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of six million five hundred thousand United States Dollars (USD 6,500,000) ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Loan is funded out of the resources made available to the World Bank as an implementing entity of the SCF-PPCR. In accordance with Section 3.02 of the Standard Conditions (as defined in the Appendix 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 from the SCF-PPCR trust fund, and the Borrower’s right to withdraw the Loan proceeds is subject to the availability of such funds.

2.04. The Service Charge payable by the Borrower on the Withdrawn Loan Balance shall be equal to one tenth of one percent (1/10 of 1%).

2.05. The Payment Dates are January 15 and July 15 in each year.
2.06. The principal amount of the Loan shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.

Article III
The Project

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the World Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article IV
Additional Remedies

4.01. The Additional Event of Suspension consists of the following, namely, that the World Bank has determined that at any time before the Closing Date, the Borrower or any Eligible Municipality has failed to apply sound environmental or social standards or practices in their management or carrying out of infrastructure investments in such cities or territories.

Article V
Effectiveness; Termination

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The SCF-PPRC Grant Agreement has been signed and delivered, all conditions precedent to its effectiveness or the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

(b) The Project Implementation Manual shall have been updated and adopted by the Borrower in a manner satisfactory to the Bank.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
Article VI
Borrower's Representative; Addresses

6.01. The Borrower's Representative referred to in Section 10.02 of the Standard Conditions is its minister at the time responsible for planning and development.

6.02. The Borrower's Address referred to in Section 10.01 of the Standard Conditions is:

Ministry of Planning and Development
Av. Ahmed S. Toure, 21, 4th floor
Maputo, Republic of Mozambique

Cable: MOBANCO
Telex: (258) 21 492-268
Facsimile: (258) 21 492-625

6.03. The World Bank's address referred to in Section 10.01 of the Standard Conditions is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at Maputo, Mozambique, as of the day and year first above written.

REPUBLIC OF MOZAMBIQUE

By

[Signature]

Authorized Representative

Name: Ayuba Cuecoa
Title: Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as an implementing entity of the Strategic Climate Fund-Pilot Program for Climate Resilience)

By

[Signature]

Authorized Representative

Name: Mark R. Lundell
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to strengthen municipal capacity for sustainable urban infrastructure provision and environmental management which enhance resiliency to climate related risks.

The Project consists of the following parts:

Part A: Strengthening the municipal sector

Increase municipal capacity to sustainably plan, manage and finance climate resilient urban development, including through the strengthening of the Borrower's institutions underpinning its municipal system in order to improve sustainable decentralized financing and management of the urban environment and infrastructure, by means of:

(i) Local level support for improved municipal governance

   (a) Municipal Performance Grants: Support Eligible Municipalities through the financing of Sub-Projects, by providing Municipal Performance Grants.

   (b) Improved Urban Planning and Land Use Management: Support including through: (A) the carrying out of climate vulnerability assessments, basic spatial planning studies and development of urban land management instruments in all Eligible Municipalities as well as urban environmental and surface water management instruments in those Eligible Municipalities vulnerable to climate related flooding and erosion; (B) the development and dissemination of methodologies for urban planning and land use and environmental management; and (C) the carrying out of training sessions for municipal staff and technicians.

   (c) Enhancement of Municipal Financial Sustainability: Support to improve financial management and enhance municipal revenues, including through the: (A) development and dissemination of methodologies for revenue administration; (B) carrying out of training sessions in revenue administration and financial management for municipal staff; (C) provision of advisory services and equipment to strengthen the institutional capacity of the Eligible Municipalities; and (D) development and implementation of financial and management systems.
(ii) **National level support for improved municipal governance**

Strengthen key national institutions regulating and supporting the municipal system, by means of:

(a) Capacity Strengthening of MAE and MF to monitor the performance of the municipalities and develop improved intergovernmental and municipal policies and systems, including through the development and implementation of the national policy and regulatory framework for municipal governance.

(b) Strengthening of ANAMM to provide services to its member municipalities, including through capacity building support activities and policy and regulatory advocacy on municipal and intergovernmental issues.

(c) Establishment and operation of a PIU in DNDA to support the coordination and management of the Part A of the Project, including through the provision of technical assistance, training, audits, goods and operating costs.

**Part B: Enhancing resilience of strategic Eligible Municipalities in coastal cities**

Enhancement of selected municipalities, including those in Beira, Nacala and Maputo metropolitan area, for sustainable resilience to weather-related environmental threats, as follows:

(i) Identification of key investment priorities in selected municipalities to strengthen resilience to climate related floods and erosion through the carrying out of: (a) an assessment of current needs, including the selection of the municipalities to be targeted, and projecting trends and scenarios taking into account climate change considerations; and (b) training sessions for the technical teams of AIAS on climate change impacts on sanitation.

(ii) Strengthening resilience of the municipality of Beira to control floods, including through the: (a) development of a comprehensive study on integrated urban water management; (b) design and supervision of drainage rehabilitation works; (c) carrying out of drainage rehabilitation works, including the relining of the primary channel (central) of Beira’s drainage system; (d) carrying out of rehabilitation works affected by the works referred to in (e) of this sub-paragraph, including fences, latrines, verandas, side-walks as well as provision of resettlement houses provided with basic infrastructure; (e) provision of advisory services and
equipment to strengthen the institutional capacity of Beira’s Autonomous Sanitation Service; and (f) carrying out of green infrastructure support.

(iii) Strengthening the resilience of the municipality of Nacala to control erosion, including through the: (a) design and supervision of erosion control and drainage rehabilitation works, including associated environmental and social support; (b) carrying out of erosion control and drainage rehabilitation works, including those related to the three (3) primary channels of Nacala’s drainage system; and (c) provision of advisory services and equipment to strengthen the institutional capacity of Nacala municipality for managing drainage infrastructure and erosion control.

(iv) Strengthening the resilience of municipalities in the Maputo metropolitan area to control floods including through the development of a master drainage and sanitation plan for the area.

(v) Establishment and operation of the PIU in AIAS to support the coordination and management of Part B of the Project including through the provision of technical assistance, audits, goods and operating costs.

(vi) Improved management and development of natural drainage, including: (a) mapping natural drainage areas in Beira; (b) preparing green infrastructure detail designs for selected natural drainage areas, supervision of the implementation; (c) developing sustainable maintenance and management models; (d) carrying out community outreach campaigns; (e) undertaking scoping studies of green infrastructure assets in five other municipal areas which shall serve as for preparing guidelines for the Ministry of State Administration and municipalities for the integration of green infrastructure management into municipal planning and development; (f) developing and implementing knowledge sharing and dissemination activities for the Borrower’s Eligible Municipalities; and (g) implementation of green infrastructure investments.
SCHEDULE 2

Project Execution

Section I.  Institutional and Other Arrangements

A.  Institutional Arrangements

1.  Project Implementation Units (PIUs)

The Borrower shall maintain the Project Implementation Units (PIUs) within DNDA and AIAS, respectively, throughout the implementation of the Project, with functions and resources satisfactory to the Bank, as follows:

(a)  (i) Without limitation to the provisions of paragraph (a) above, the PIU for Part A of the Project shall have responsibility for the day-to-day coordination and management of Part A of the Project, including overall responsibility for, inter alia: (a) ensuring timely implementation of the Project in accordance with the PIM; (b) preparing Annual Work Plans and Budgets and annual Procurement Plans; (c) overseeing activities under its responsibility; (d) managing Project finances; (e) maintaining consolidated Project accounts; (f) ensuring adherence to the ESMF and RPF in the implementation of the Project; and (g) developing and maintaining a system of monitoring the Project key performance indicators.

(ii)  Without limitation to the provisions of paragraph (a) above, the PIU for Part A of the Project shall be headed by a coordinator, who shall be assisted by a technical team, including a procurement officer and a financial management officer, and staff with experience and qualifications satisfactory to the World Bank.

(b)  (i) Without limitation to the provisions of paragraph (a) above, the PIU shall have responsibility for the day-to-day coordination and management of Part B of the Project, including overall responsibility for, inter alia: (a) ensuring timely implementation of the Project in accordance with the PIM; (b) preparing Annual Work Plans and Budgets and annual procurement plans; (c) overseeing Project activities under its responsibility; (d) managing Project finances; (e) maintaining consolidated Project accounts; (f) ensuring adherence to the ESMF and RPF in the implementation of the Project; and (g) developing and maintaining a system of monitoring the Project key performance indicators.
maintaining a system of monitoring the Project key performance indicators.

(ii) Without limitation to the provisions of paragraph (b)(i) above, the PIU for Part B of the Project shall be headed by a coordinator, who shall be assisted by a team comprised of, *inter alia*: (a) a financial management specialist; (b) a procurement specialist; (c) an environmental and social specialist; and (d) a construction engineer; with experience and qualifications satisfactory to the World Bank.

2. **Eligible Municipalities**

The Borrower shall at all times during the implementation of the Project ensure that each Eligible Municipality maintains its eligibility as set forth in Section I.C.2 below.

**B. Implementation Arrangements**

1. **Project Implementation Manuals**

   (a) Without limitation of the provisions of Section 3.01 of this Agreement, the Borrower shall carry out the Project, through DNDA and AIAS, in accordance with the Project Implementation Manual (PIM) and the Project Grants Manual (PGM).

   (b) Except as the World Bank shall otherwise agree, the Borrower shall not amend, waive or fail to enforce the PIM and the PGM, or any provision thereof. In case of any conflict between the provisions of this Agreement and those of the PIM or the PGM, the provisions of this Agreement shall prevail.

2. **Annual Work Plans and Budgets**

The Borrower, through DNDA and AIAS, shall prepare and furnish to the World Bank for its approval, not later than December 31 of each year during the implementation of the Project, or such later date as the World Bank may agree, the Annual Work Plans and Budgets containing all activities to be carried out in the following Fiscal Year, modified in a manner satisfactory to the World Bank, taking into account the World Bank’s comments and views on the matter.
C. Terms and Conditions for the implementation of Municipal Performance Grants under Part A(i)(a) of the Project

1. Municipal Performance Grant

The Borrower shall ensure that the Municipal Performance Grants are transferred to the respective Eligible Municipality in accordance with, and subject to, the criteria, funds flow mechanism and processes specified in the PGM and this Section I.C.

2. Eligibility criteria for the Eligible Municipality to access a Municipal Performance Grant

Without limitation to the criteria specified in the PGM and the provisions of this Section I.C, and except as the World Bank shall otherwise agree, no Eligible Municipality shall be eligible to receive a Municipal Performance Grant unless the Borrower and the World Bank shall have jointly determined, on the basis of guidelines and criteria specified in the PGM that the Eligible Municipality satisfies the eligibility criteria, which shall include, *inter alia*, the following:

(a) Eligibility criteria to access Municipal Performance Grant in the first year of Project execution:

(i) the Eligible Municipality has entered into a Grant Participation Agreement (GPA), under terms and conditions satisfactory to the World Bank, that confirms the Eligible Municipality’s willingness to participate in the Project and to comply with Project implementation conditions;

(ii) the Eligible Municipality has complied with the mandatory entry criteria set forth in the PGM;

(iii) the Eligible Municipality has submitted its Annual Grant Investment Plan and Budget; and

(iv) the Eligible Municipality has submitted its audited financial statement related to its most recent Fiscal Year supported by an acceptable auditor’s opinion, defined as an opinion that has not been disclaimed and it is not adverse.

(b) Eligibility criteria to access Municipal Performance Grant in the subsequent years of Project execution:

(i) the Borrower and the World Bank have successfully completed the PA specified in paragraph 5 of this Section I.C and have
determined the eligibility of each Eligible Municipality to receive a Municipal Performance Grant in the corresponding year;

(ii) the Eligible Municipality has submitted an updated Annual Grant Investment Plan and Budget for the corresponding Fiscal Year, in form and substance satisfactory to the World Bank;

(iii) the Eligible Municipality has submitted its audited financial statement for the previous Fiscal Year supported by an acceptable auditor’s opinion, defined as an opinion that has not been disclaimed and it is not adverse; and

(iv) the Eligible Municipality has submitted quarterly progress reports to the PIU for Part A(i)(a) of the Project, including information on implementation of Subprojects, as well as, compliance with the ESMF and RPF and procurement plans.

3. **Terms and Conditions for the financing of Subprojects**

Without limitation to the criteria specified in the PGM and the provisions of paragraph 5 of this Section I.C, and except as the World Bank shall otherwise agree, the Borrower shall ensure that each Eligible Municipality be responsible for the prioritization and selection of the Subprojects, on the basis of guidelines and criteria specified in the PGM, which shall include, *inter alia*, the following, namely that Subprojects shall:

(a) be limited to those with a public benefit within the functional mandate of the Eligible Municipality;

(b) reflect the needs and priorities of the Eligible Municipality approved by the relevant municipal assembly;

(c) be subject to the negative list detailed in the PGM; and

(d) not be eligible for financing under Part A(i)(a) of the Project if they are to be carried out in connection with an International Waterway or one of its tributaries.

4. **Terms and conditions of Grant Participation Agreements (GPA)**

(a) Each Municipal Performance Grant shall be made available to the Eligible Municipality under a GPA.
(b) The GPA, as set out in the model form in the PGM, shall be executed under terms and conditions satisfactory to the World Bank, and shall include, inter alia, the following provisions:

(i) the obligation of the Eligible Municipality to carry out the Subproject in accordance with the PGM, the ESMF, the RPF and the Anti-Corruption Guidelines, with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank;

(ii) the obligation of the Eligible Municipality to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject;

(iii) the requirement that: (1) the goods, works and services to be financed from the proceeds of the Municipal Performance Grant shall be procured in accordance with the procedures set forth in Section III of Schedule 2 to this Agreement and the PGM; and (2) such goods, works and services shall be used exclusively in carrying out the Subproject;

(iv) provisions regarding the terms and conditions to access the Municipal Performance Grant, including eligibility and disbursement conditions, performance incentives, and sanctions for non-performance in accordance with this Agreement and the PGM;

(v) the right of the Borrower to inspect by itself, or jointly with the World Bank, if the World Bank shall so request, the goods, works, sites or plans financed by a Municipal Performance Grant, the operations thereof and any relevant records and documents;

(vi) the right of the Borrower to obtain all information, as the Borrower or the World Bank shall reasonably request, regarding the administration, operation and financial management of the Municipal Performance Grant; and

(vii) the right of Borrower to suspend or terminate the right of the Eligible Municipality to use or benefit from the use of the proceeds of the Municipal Performance Grant upon failure by the Eligible Municipality to perform any of its obligations under the GPA.
(c) Except as the World Bank shall otherwise agree, the Borrower shall ensure that the parties to the GPA shall not assign, amend, abrogate or waive any provision of the GPA, which, in the opinion of the World Bank, may materially and adversely affect the terms of the Municipal Performance Grants and the implementation of Subprojects.

5. **Performance Assessment**

Except as the World Bank shall otherwise agree in writing, the Borrower shall ensure, at all times during the execution of the Project, that the following process of assessments and reviews are carried out in accordance with the details set forth in the PGM:

(a) the Borrower has hired a team of independent auditors, whose terms of reference, qualifications and experience shall be satisfactory to the World Bank, to verify the accuracy of the data provided by each Eligible Municipality and to evaluate the Eligible Municipality's achievement of targets and indicators, which shall include, **inter alia**, criteria related to: (i) timely disbursement of Municipal Performance Grants for the relevant Eligible Municipality; and (ii) documentary evidence to the effect that the Eligible Municipality has improved its finances, urban planning and land use management, in a manner satisfactory to the World Bank;

(b) each Eligible Municipality shall be required to meet those targets and indicators agreed between the Borrower and the World Bank; and

(c) the results of the PA in sub-paragraph (a) of this paragraph shall be incorporated into the Annual Performance Report to be submitted by the Borrower to the World Bank no later than August 31 of each year, following which the Borrower and the World Bank shall review the PA results and jointly determine the continued eligibility of each Eligible Municipality in the next year, which shall be communicated in accordance with the PGM.

D. **Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. **Safeguards**

1. The Borrower shall ensure that the Project is implemented in accordance with the Environmental and Social Management Framework (ESMF) and the Resettlement Policy Framework (RPF), and, except as the World Bank shall
otherwise agree in writing, shall not amend or waive any provision of the aforementioned documents.

2. In the case of any resettlement activity under the Project involving Displaced Persons, the Borrower shall ensure that no displacement or restriction of access shall occur before necessary resettlement measures consistent with the RPF, including, in the case of displacement, full payment to Displaced Persons of compensation and of other assistance required for relocation, have taken place.

3. Without limitation to its other reporting obligations under this Agreement, the Borrower, through DNDA and AIAS, shall submit to the World Bank on a quarterly basis reports on the status of compliance with the ESMF and the RPF; and giving details of:

   (a) measures taken in furtherance of such ESMF and RPF;
   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such ESMF and RPF; and
   (c) remedial measures taken or required to be taken to address such conditions.

4. All climate vulnerability assessments, spatial planning studies, land management instruments, urban environmental instruments, surface water management instruments, urban planning, land use and environmental management methodologies, as well as all other advisory, analytical, planning, strategizing and similar activities carried out or tools prepared under the Project, shall be carried out or prepared, by or on behalf of the Borrower and municipalities, according to terms of reference, satisfactory to the World Bank, calling for such activities or tools to take into account, and be consistent with, the World Bank's social and environmental safeguard policies.

F. Mid-Term Reviews

The Borrower shall:

(a) No later than thirty-six (36) months after the Effective Date carry out jointly with the World Bank a mid-term review of the progress made in carrying out the Project. As part of the midterm review, the Borrower and the World Bank shall review a report prepared and submitted by the PIUs one month in advance of the midterm review.

(b) Assess, during the mid-term review, inter alia: (i) the overall progress made during the implementation of the Project, including the criteria,
quality and effectiveness of the PAs; and (ii) the results of the monitoring and evaluation activities.

(c) No later than thirty (30) days after the completion of the mid-term review, start to implement the recommendations of the mid-term review as agreed with the World Bank.

Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports, through DNDA and AIAS, in accordance with the provisions of Section 4.08 of the Standard Conditions and on the basis of indicators acceptable to 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 month after the end of the period covered by such report.

B. **Financial Management, Financial Reports and Audits**

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the Standard Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare, through DNDA and AIAS, and furnish to the World Bank, as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the World Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year. 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.

Section III. **Procurement**

A. **General**

1. **Goods, Works and Non-Consulting services.** All goods works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in 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 Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods, Works and Non-Consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-Consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

3. **Additional Procedures for National Competitive Bidding (NCB):**

   
   (a) **General**
   The procedures to be followed for NCB shall be those set forth in the Regulation, 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 Borrower’s territory; have a local representative; have an attorney resident and domiciled in the Borrower’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.

Borrower’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 Borrower.

(c) **Bidding Documents**
Standard bidding documents acceptable to the World Bank 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 World Bank’s prior concurrence.

(j) Complaints by Bidders and Handling of Complaints
The Borrower 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 World Bank, 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 World Bank; 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 World Bank may sanction a firm or individual, at any time, in accordance with prevailing World Bank sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a World Bank-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier or service provider of an otherwise eligible firm being awarded an World Bank-financed contract.
(m) **Debarment under National System**

The World Bank may recognize, if requested by the Borrower, 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 World Bank confirms that the particular debarment procedure afforded due process and the debarment decision is final.

### C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** 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.
D. **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.

E. **Pre-qualification**

The contracts in respect of Part B(ii)(c) of Schedule I to this Agreement shall be subject to Prequalification in accordance with Bank procedures.

Section IV. **Withdrawal of Loan Proceeds**

A. **General**

1. The Borrower may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the Standard Conditions, this Section, and such additional instructions as the World Bank shall specify by notice to the Borrower (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); and to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Procurement Method</th>
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<tbody>
<tr>
<td>(a) Selection Based on the Consultants' Qualifications</td>
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<tr>
<td>(b) Selection under a Fixed Budget</td>
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<tr>
<td>(c) Quality-Based Selection</td>
</tr>
<tr>
<td>(d) Selection of Individual Consultants</td>
</tr>
<tr>
<td>(e) Single-Source Selection</td>
</tr>
<tr>
<td>(f) Least-Cost Selection</td>
</tr>
<tr>
<td>Category</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>(1) Goods, works, consultants' services and non-consulting services, under Part B (vi) of the Project</td>
</tr>
<tr>
<td>(2) Goods, Consultants' Services, Training and Operating Costs under Part B (v) of the Project</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made from the Loan Account for payments made prior to the date of this Agreement.

2. The Closing Date is December 15, 2018.

Section V. Other Undertakings

1. The Borrower shall continue to make FIIL transfers to Eligible Municipalities during each year of Project implementation.

2. The Borrower shall ensure that no contracts in respect of civil works shall be entered into until the World Bank shall have approved the relevant RAP and ESMP for each such contract.

3. The Borrower shall ensure that no Subprojects shall be eligible for financing under Part A(i) (a) of the Project if they are to be carried out in connection with an International Waterway or one of its tributaries.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Loan repayable (expressed as a percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each 15 January and 15 July:</td>
<td></td>
</tr>
<tr>
<td>commencing January 15, 2015, to and including July 15, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing January 15, 2034, to and including July 15, 2054</td>
<td>2%</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions

1. “Annual Grant Investment Plan and Budget” means the detailed annual investment plan and budget of an Eligible Municipality, prepared in accordance with provisions of the Project Grants Manual as defined here below.

2. “AIAS” means Administração de Infra-estructuras de Água e Saneamento, the Borrower’s entity for water and sanitation infrastructure, within MOPH as defined here below.

3. “Annual Performance Report” means the annual performance report referred to in paragraph I.C.5(c) of Schedule 2 of this Agreement.

4. “ANAMM” means Associação Nacional dos Municipios de Moçambique, the Borrower’s national municipal association.

5. “Annual Work Plan and Budget” means the work plan and budget prepared annually for the Project, in accordance with Section I.B.2 of Schedule 2 to this Agreement.


7. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


9. “DNDA” means Direcção Nacional de Desenvolvimento Autárquico, the Borrower’s National Directorate for Local Governance Development within MAE, as defined here below.

10. “Displaced Person” means any person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.
11. "Eligible Municipality" means a municipality which has met the eligibility criteria specified in paragraph 2 of Section I.C. of Schedule 2 to this Agreement, and is eligible to receive a Municipal Performance Grant, and "Eligible Municipalities" means the collective term thereof.

12. "Environmental and Social Management Framework" or "ESMF" means the framework disclosed in Mozambique on December 8, 2011, and at the World Bank's Infoshop on the same date in form and substance satisfactory to the World Bank, setting out modalities to be followed in assessing the potential adverse environmental and social impact associated with activities to be implemented under the Project, and the measures to be taken to offset, reduce, or mitigate such adverse impact, as amended from time to time with the prior written consent of the World Bank.

13. "Environmental and Social Management Plan" or "ESMP" means the plan approved by the World Bank for the Project, to be prepared by the Borrower, as required by the ESMF, proposing appropriate mitigation, monitoring and institutional measures designed to mitigate potential adverse environmental and resettlement impacts, offset them, reduce them to acceptable levels or enhance positive impacts, as the same may be amended from time to time with the prior written consent of the World Bank.

14. "FIIL" means Fundo de Investimento de Iniciativa Local, the Borrower's program of transfers made on an annual basis by the Borrower to Eligible Municipalities for the purpose of financing capital expenditures of its municipalities.

15. "Fiscal Year" means the Borrower's fiscal year from each January 1 through December 31.

16. "Grant Participation Agreement" or "GPA" means the agreement to be entered into between the Borrower and an Eligible Municipality for the purposes of providing a Municipal Performance Grant for the financing of a Subproject, as the same may be amended from time to time, to the satisfaction of the World Bank, and such term includes all schedules and amendments to the said agreements.

17. "International Waterway" means an international waterway as this term is defined under the World Bank Operational Policy 7.50.

18. "MAE" means Ministério da Administração Estatal, the Borrower's ministry of state administration.

19. "MF" means Ministério das Finanças, the Borrower's ministry of finance.
20. "MOPH" means Ministério das Obras Publicas e Habitação, the Borrower's ministry of public works and housing.

21. "Municipal Performance Grant" means a transfer to be made out of the proceeds of the Loan by the Borrower to an Eligible Municipality for the carrying out of a Subproject under Part A(i)(a) of the Project.

22. "Operating Costs" means Project expenditures, based on an annual budget previously approved by the World Bank, that would not have been incurred by the Borrower absent the Project, on the account of: (a) office utilities and reasonable communications expenses (including Project's web-site hosting fees); (b) office rental expenses; (c) Project's vehicles maintenance costs, fuel and spare parts; (d) travel expenses and per diems exclusively related to Project implementation; (e) operation and maintenance of office equipment; (f) insurance costs; (g) routine translation of Project related documentation; (h) local advertising costs pertaining to Project related matters; and (i) salaries for administrative staff of the PIUs (except for salaries of Borrower's civil servants) and except for cash compensation and land acquisition expenses to be financed by the Borrower as part of the RAP, if any.

23. "Performance Assessment" or "PA" means the annual assessment referred to in paragraph 5 of Section I.C of Schedule 2 to this Agreement for the purpose of extending a Municipal Performance Grant to an Eligible Municipality for the second and subsequent years of Project implementation.


25. "Procurement Plan" means the Borrower's procurement plan for the Project, dated February 13, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

26. "Project Grants Manual" or "PGM" means the Borrower's manual, in form and substance satisfactory to the World Bank, pursuant to Section I.B.1 of Schedule 2 to this Agreement, containing or referring to detailed arrangements and procedures for implementation of Part A(i)(a) of the Project, including in relation to: (i) terms and conditions for Municipal Performance Grants; (ii) eligibility criteria for Municipal Performance Grants; (iii) guidelines and criteria for the prioritization and selection of Subprojects; (iv) a model GPA referred to in Section I.C.4 of Schedule 2 to this Agreement; (v) the negative list referred to in Section I.C.3(c) of Schedule 2 to this Agreement; (vi) the framework to be followed for the PAs; and (vii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the
implementation of Part A(i)(a) of the Project, as such manual may be amended by the Borrower from time to time with the prior agreement of the World Bank.

27. “Project Implementation Manual” or “PIM” means the Borrower’s manual, in form and substance satisfactory to the World Bank, containing or referring to detailed arrangements and procedures for implementation of the Project, except for Part A(i)(a) of the Project, including in relation to: (i) day-to-day execution of the Project; (ii) disbursement and financial management; (iii) procurement; (iv) monitoring, evaluation, and reporting; (v) procedures, measures and guidelines for environmental management and implementation of the ESMF and the RPF; (vi) the Annual Work Plan and Budget for the first year of Project implementation; and (vii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project, as such manual may be amended by the Borrower from time to time with the prior agreement of the World Bank.

28. “Project Implementation Unit” or “PIU” means each of the implementation units referred to in Section I.A.1(a) and (b), respectively, of Schedule 2 to this Agreement.

29. “Resettlement Action Plan” or “RAP” means the Borrower’s document prepared and disclosed in accordance with the Resettlement Policy Framework with respect to the Project, which, inter alia: (i) contains a census survey of Displaced Persons and valuation of assets; (ii) describes compensation and other resettlement assistance to be provided, consultation to be conducted with Displaced Persons about acceptable alternatives, institutional responsibilities for the implementation and procedures for grievance redress, and arrangements for monitoring and evaluation; and (iii) contains a timetable and budget for the implementation of such measures, as amended from time to time with the prior written consent of the World Bank.


31. “Resettlement Policy Framework” or “RPF” means the framework disclosed in Mozambique on December 8, 2011, and at the World Bank’s Infoshop on the same date containing guidelines, procedures, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons, as amended from time to time with the prior written consent of the World Bank.

32. “SCF-PPCR Grant Agreement” means the Strategic Climate Fund (SCF)-Pilot Program for Climate Resilience (PPRC) Grant Agreement, of even date hereof,
entered into by the World Bank, acting as an implementing entity of the SCF-PPRC and the Borrower to assist in the financing of the Project.

33. "SCF-PPCR Grant" means the grant in the amount of nine million two hundred and fifty thousand Dollars (USD9,250,000) provided by the World Bank to assist in the financing of the Project pursuant to the SCF/PPRC Grant Agreement.


35. "Subprojects" means small-scale investments which meet the terms and conditions specified under Section I.C.3 of the Schedule 2 to this Agreement and in the Project Implementation Manual, financed or to be financed through Municipal Performance Grants under Part A(i) (a) of the Project.

36. "Training" means the costs associated with the training of personnel involved in Project supported activities under the Project, based on an annual plan approved by the World Bank, including travel costs and per diems for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation.