

GRANT NO. NDF C44

GRANT AGREEMENT

**Climate Resilience: Transforming Hydro-Meteorological
Services in Mozambique**

between

THE REPUBLIC OF MOZAMBIQUE

and

NORDIC DEVELOPMENT FUND

Dated 15/05/13

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GRANT AGREEMENT

between THE REPUBLIC OF MOZAMBIQUE (the "Recipient") and NORDIC DEVELOPMENT FUND (the "Fund").

WHEREAS

- a) the Fund was established as a Nordic multilateral development financing institution pursuant to an agreement between the Governments of Denmark, Finland, Iceland, Norway and Sweden for the purpose of promoting economic and social development in developing countries through participation in financing on concessional terms of projects of interest to the Nordic Countries;
- b) financing to be provided by NDF is intended to be offered as co-financing with other multilateral financial institutions and the Fund follows policies similar to such other multilateral financial institutions as regards project execution;
- c) the Recipient, having satisfied itself of the feasibility and priority of the project described in Annex 1 to this Agreement (the "Project"), has requested the Fund to assist in the financing of the Project;
- d) the Recipient will enter into a financing agreement concerning the Climate Resilience: Transforming Hydro-Meteorological Services in Mozambique P131049, to be approved in 2013, with the World Bank (the "Lead Agency") to assist in the financing of the Project;
- e) the Project will be carried out by the The National Institute for Meteorology (INAM, Instituto Nacional de Meteorologia) (INAM) (an "Implementing Agency") in collaboration with The National Directorate of Water (DNA, Direcção Nacional de Águas). The Recipient will make the proceeds of the Grant (as defined in Article 1) available to the Implementing Agency as provided for in this Agreement;
- f) the Fund, in accordance with a co-operation agreement dated October 23, 1991, amended and restated on April 19, 2012, will cooperate with the Lead Agency during implementation and monitoring of the Project;
- g) the Recipient and the Fund have on October 6th, 1998 entered into an agreement on the legal status of the Fund in Mozambique;
- h) the Fund has agreed, on the basis, inter alia, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW IT IS AGREED:

ARTICLE I

Definitions

1.01 Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the Preamble to this Agreement have the meanings therein set forth, and the following additional terms have the following meanings:

"Agreement" means this particular grant agreement, including all annexes, schedules and agreements supplemental hereto, as such agreement may be amended from time to time;

"Anticorruption Policy" means NDF's Policy on Anticorruption and Integrity dated 1 October 2012, as amended from time to time;

"Banking Day" means, in relation to any place where transactions under this Agreement have to be carried out, a day on which commercial banks in such place are neither required nor authorised to be closed;

"Closing Date" means a date after which the right of the Recipient to make drawdowns under this Agreement may be terminated by the Fund;

"Contractor" means a supplier of goods, works and/or services for the Project, selected in accordance with Annex 1 to this Agreement;

"Dollar(s)", "USD" and the sign "\$" mean the currency of the United States of America;

"EUR" and the sign "€" mean euro, the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25th March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7th February 1992);

"Grant" means the grant provided for in this Agreement or any part thereof, as the context requires;

"Prohibited Practices" mean corrupt, fraudulent, collusive, coercive and obstructive practices, as defined in the Anticorruption Policy;

"Taxes" includes imposts, levies, fees and duties of any nature, whether in effect at the date of this Agreement or imposed thereafter.

ARTICLE II
The Grant
Use of the Grant - Financing of Taxes
Disbursements

2.01 The Fund agrees to grant to the Recipient, on the terms and subject to the conditions set forth or referred to herein, an amount of up to EUR 4,500,000.00 (four million five hundred thousand euros).

2.02 The Recipient shall be entitled to draw down the Grant in accordance with the provisions of this Agreement, for the purpose of paying eligible expenditures incurred in respect of the reasonable cost of goods, works and services required for the Project and to be financed by means of the Grant.

2.03 Unless the Fund shall agree otherwise, no amount of the Grant shall be drawn or be applied, directly or indirectly, on account of expenditures incurred prior to the date of this Agreement.

The use of any of the proceeds of the Grant to pay for Taxes levied by, or in the territory of, the recipient on or in respect of eligible expenditures, or on the importation, manufacture, procurement or supply of goods, works and services for such eligible expenditures, if permitted pursuant to this Agreement, is subject to the Fund's policy of requiring economy and efficiency in the use of the proceeds of its grants. To that end, if the Fund at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Fund may, by notice to the Recipient, adjust the percentage of such expenditures to be financed out of the proceeds of the Grant, as required to ensure consistency with such policy of the Fund.

2.04 Drawdowns shall reflect the implementation of the Project. The proceeds of the Grant shall be paid in accordance with the Fund's Disbursement Instructions (i) directly to the Contractor(s), or (ii) to a third party for eligible expenditures under special commitments entered into, in writing, at the Recipient's request and on terms and conditions agreed between the Fund and the Recipient, or (iii) to one or more special accounts opened for the purposes of the Project on terms and conditions acceptable to the Fund.

2.05 Subject to the conditions of disbursement specified in Article III having been, and remaining, fulfilled to the Fund's satisfaction, disbursements under the Grant shall be made upon receipt by the Fund of (i) a disbursement request acceptable to the Fund, duly documented, and submitted by or on behalf of the Recipient, or (ii) in case of special commitment, a payment request submitted by the third party to whom the special commitment was provided by the Fund.

2.06 Each disbursement shall be made on a date determined by the Fund. Unless the Recipient has requested disbursement on a specified later date, disbursement will normally be made not later than 30 calendar days after receipt of the disbursement request, provided that all conditions precedent to disbursement set out in Article III hereof have been fulfilled.

2.07 The Closing Date shall be 31.12.2018, or such later date as the Fund shall establish. The Fund shall promptly inform the Recipient of such later date.

ARTICLE III
Conditions of Disbursement

3.01 Unless otherwise agreed, the making of disbursements from the Grant shall be subject to the conditions precedent that

(a) this Agreement is in full force and effect, and no event, which would entitle the Fund to suspend disbursements under this Agreement, shall have occurred and be continuing;

(b) the Recipient has taken or caused to be taken all action necessary or advisable to enable the Recipient to receive the Grant and to perform its obligations hereunder, including obtaining all required exemptions, consents and permits; and

(c) the Fund has received and accepted

- (i) a legal opinion showing that this Agreement has been duly authorised or ratified by, and executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms;
- (ii) if requested by the Fund, further evidence satisfactory to it that the execution and delivery of this Agreement on behalf of the Recipient has been duly authorised by all necessary authorities;
- (iii) evidence satisfactory to it of the authority of the person or persons authorised to sign disbursement requests and the authenticated specimen signature of any such person;
- (iv) evidence satisfactory to it that other financing contemplated for the Project, including financing from the Recipient, has been obtained, and that conditions precedent to the effectiveness of such financing have been met;
- (v) if relevant, certified copies of implementation agreements, acceptable to the Fund, whereby the Recipient makes the Grant available to the Implementing Agencies;
- (vi) if relevant, evidence that Special Account(s) have been opened on terms and conditions satisfactory to the Fund; and
- (vii) any other documentation the Fund reasonably requests relating to the execution of this Agreement or the implementation of the Project.

ARTICLE IV
Currency Provisions

4.01 The proceeds of the Grant shall be disbursed in freely convertible currency with reference to EUR in accordance with section 4.02 hereof.

4.02 Whenever it shall be necessary for the purpose of this Agreement to determine the value of one currency or unit of account with reference to another currency or unit of account as of a given date, such value shall be as reasonably determined by the Fund.

ARTICLE V
Co-operation and Information
Recipient's Undertakings and Representations

5.01 The Recipient and the Fund shall co-operate fully to ensure that the purpose of the Grant will be accomplished. To that end, each of them shall furnish to the other party all such information as it shall reasonably request with regard to the general status of the Project.

5.02 (a) The Recipient and the Fund declare their commitment to counteract Prohibited Practices, as defined in NDF's Anticorruption Policy in relation to the Grant and the execution of the Project. The Recipient shall promptly inform the Fund whenever such Prohibited Practices are indicated.

(b) The Recipient undertakes to take all necessary action to prevent Prohibited Practices within its territory and to pursue, by all appropriate means, any such practices whenever identified and to ensure that the Project is implemented in accordance with the Anticorruption Policy.

5.03 The Recipient shall promptly inform the Fund of (i) any condition which interferes or threatens to interfere with the accomplishment of the purpose of the Grant (including substantial increase in the cost of the Project), and (ii) any event which with the lapse of time or otherwise would entitle the Fund to suspend disbursements under this Agreement.

ARTICLE VI
Execution of the Project

6.01 The Recipient shall take or cause to be taken all action which shall be necessary to execute the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, social, environmental and climate change mitigation and adaptation practices. These practices also include transparency in project operations and wide and easy access to public information on the project. In particular, the Recipient shall make available to the public (i) project related safeguards assessments and plans related to environment, resettlement, and indigenous peoples; (ii) audited annual financial statements for the project; (iii) procurement plans; and (iv) results of procurement procedures.

6.02 (a) The Recipient shall ensure that the proceeds of the Grant shall be used only for the financing of the Project or, as applicable, Project component(s) for which the Grant is extended. Procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Annex 1 to this Agreement as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall prepare a Procurement Plan in accordance with procurement guidelines acceptable to the Fund for a period covering at least 18 initial months of the project execution, and update the Procurement Plan and furnish such update to the Fund for "no objection" not later than 12 months after the date of the preceding Procurement Plan.

(c) The Recipient shall ensure that in respect of procurement of goods, works and services for the Project, invitations to tender as well as procurement contracts shall, respectively, include clauses that gives the Recipient and the buyer the right to (i) demand investigations of the tenderer's/Contractor's books by independent auditors for the purpose of ascertaining whether or not Prohibited Practices have taken place, (ii) reject any tender and cancel any procurement contract in case any Prohibited Practices have taken place in connection with the procurement procedure related to the contract or the execution thereof, (iii) claim compensation for the damage or loss arising from any such rejection of tender or cancellation of contract, and (iv) exclude the tenderer/Contractor, either indefinitely or for a certain period of time, from competing for and participating in the execution of contracts in the territory of the Recipient.

6.03 In addition to the proceeds of the Grant the Recipient shall make available or cause to be made available promptly when needed, all other funds that are required for the execution of the Project (including any funds that may be required to meet any increase in cost).

6.04 The Recipient shall insure or cause to be insured, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Grant against hazards incidental to the acquisition, transportation and delivery thereof to the place of use or installation. Any indemnity for such insurance shall be payable in a freely usable currency to replace or repair such goods.

6.05 The Recipient shall:

(i) maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods, works and services financed out of the proceeds of the Grant and to disclose their use in the Project;

(ii) enable the Fund's representatives to visit any facilities and construction sites included in the Project and to examine the goods, works and services financed out of proceeds of the Grant and any plants, installations, sites, works, buildings, property, equipment, records and documents relevant to the performance of the obligations of the Recipient under this Agreement; and

(iii) furnish to the Fund at regular intervals reasonably detailed information concerning the Project, its budgeted and actual cost, the budgeted and actual expenditure of the proceeds of the Grant, and the goods and services financed out of such proceeds. Audited accounts

of the use of the Grant for the preceding financial year (July - June) shall be provided not later than six months after the end of financial year each year up to and including Project completion.

6.06 Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Fund, the Recipient shall prepare and furnish to the Fund a reasonably detailed report on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it.

ARTICLE VII

Suspension and Cancellation

7.01 If any of the following events of suspension shall have occurred and be continuing, the Fund may, by notice to the Recipient, suspend in whole or in part the right of the Recipient to draw down the Grant:

- (a) The Recipient shall have failed to perform any obligation under this Agreement.
- (b) The Recipient shall have failed to make payment of principal, charges or any other amount due to the Fund under any credit, grant or guarantee agreement between the Recipient and the Fund.
- (c) The Recipient shall have failed to perform any of its obligations (other than payment obligations) under any credit or grant agreement with the Fund which gives the Fund the right to suspend in whole or in part the right of the Recipient to make drawings under such agreement
- (d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Project can be carried out or that the Recipient will be able to perform its obligations under this Agreement.
- (e) An extraordinary situation shall have arisen in which any further disbursement by the Fund would exceed its resources available for disbursement.
- (f) A representation made by the Recipient in or pursuant to this Agreement, or any statement furnished in connection therewith, and intended to be relied upon by the Fund in extending the Grant, shall have been incorrect in any material respect.
- (g)
 - (i) (A) The right of the Recipient to draw down the proceeds of any grant or loan made to the Recipient (other than by the Fund) for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
 - (B) any such grant shall have become repayable or any such loan shall have become due and payable prior to the agreed maturity thereof.

- (ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Fund that (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Recipient to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

(h) The Fund shall have determined, with respect to any contract to be financed in full or in part out of the proceeds of the Grant, that Prohibited Practices were engaged in by representatives of the Recipient or any beneficiary of the Grant during the procurement of goods and services, consultants' selection or the execution of a contract, without the Recipient having taken timely and appropriate action satisfactory to the Fund to remedy the situation; or the Fund shall have determined that the procurement of any goods or services to be financed out of the proceeds of the Grant is inconsistent with the relevant procedure agreed on between the Recipient and the Fund.

(i) The Recipient has failed to pay any of its external debt to a multilateral financial institution.

(j) Payments to the Recipient are prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

The right of the Recipient to draw down the Grant shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist, unless the Fund shall have notified the Recipient that the right to draw down has been restored in whole or in part, as the case may be.

7.02 If (a) the conditions precedent to the first disbursement have not been fulfilled 90 calendar days after the date of this Agreement, or (b) the right of the Recipient to draw down the Grant shall have been suspended for a continuous period of thirty days, or (c) at any time, the Fund determines, after consultation with the Recipient, that an amount of the Grant will not be required to finance the Project's costs to be financed out of the proceeds of the Grant, or (d) at any time the Fund determines, with respect to any contract to be financed in full or in part out of the proceeds of the Grant, that Prohibited Practices were engaged in by representatives of the Recipient or any beneficiary of the Grant during the procurement of goods and services, consultants' selection or the execution of a contract, without the Recipient having taken timely and appropriate action satisfactory to the Fund to remedy the situation; (e) after the Closing Date, an amount of the Grant shall remain undrawn, the Fund may, by notice to the Recipient, terminate the right of the Recipient to draw down the Grant or, as applicable, the relevant amount of the Grant. Upon the giving of such notice, the Grant or the relevant amount of the Grant, shall be cancelled.

7.03 Notwithstanding any suspension or cancellation, all the provisions of this Agreement shall continue in full force and effect except as specifically provided in this Article.

ARTICLE VIII

Repayment

8.01 The Recipient shall upon the Fund's demand promptly repay to the Fund (or, if applicable and agreed by the Fund, to the Special Account) any amount of the Grant used in a manner inconsistent with the provisions of this Agreement.

8.02 The Recipient shall upon the Fund's demand promptly repay to the Fund any amount of the Grant standing to the credit of a Special Account if the Fund determines, after consultation with the Recipient, that such amount will not be required to finance the Project's costs to be financed out of the proceeds of the Grant.

ARTICLE IX

Enforceability and Arbitration

Failure to Exercise Rights

Waiver of Immunity

9.01 The rights and obligations of the Recipient and the Fund under this Agreement shall be valid and enforceable in accordance with the terms hereof notwithstanding the law of any state or political subdivision thereof to the contrary. Neither the Recipient nor the Fund shall be entitled in any proceeding under this Article to assert any claim that any provision of this Agreement is invalid or unenforceable because of any provision of the Articles of Agreement or the Statutes of the Fund.

9.02 Any dispute, controversy or claim arising out of or relating to the interpretation, application or performance of this Agreement, including its existence, validity or termination, which has not been settled by agreement of the parties within 60 calendar days, shall be settled by final and binding arbitration under the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organizations and States, as in effect on the date of this Agreement.

The place of arbitration shall be Paris and the language of the arbitral proceedings shall be English.

9.03 Service of any notice of process in connection with any proceeding under this Article may be made in the manner provided for in section 10.02 hereof. The parties hereto waive any and all other requirements for the service of any such notice of process.

9.04 No delay in exercising or omission to exercise any right, power or remedy accruing to any party under this Agreement upon default or otherwise shall impair any such right, power or remedy or be construed to be a waiver thereof, nor shall any action of such party in respect of any default affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

9.05 The parties hereby expressly waive any right of immunity they might have on the grounds of sovereignty or otherwise in connection with any arbitral proceeding pursuant to section 9.02 hereof or with the enforcement of any award pursuant thereto.

ARTICLE X
Miscellaneous Provisions

10.01 The Minister of the Recipient at the time responsible for finance is designated as representative of the Recipient for the purposes of signing and executing on behalf of the Recipient any documents used in connection with this Agreement. This notwithstanding, an Implementing Agency and the Fund may agree in writing upon any change to, or further specification of, Annex 1, Project Description, including the attached Procurement Schedule, provided that the amount of the Grant will not be increased, and any such change or further specification shall be deemed an integral part of this Agreement.

10.02 Any document, notice or request required or permitted to be given or made under this Agreement shall be made in writing in the English language and may be delivered (i) by airmail or internationally recognised courier service, (ii) by telefax, or (iii) by other electronic means to the party to which it is required or permitted to be given or made, at such party's address specified below or at such other address as such party shall have designated by notice to the other party. Any document, notice or request expressly required under this Agreement shall, if given by telefax or by other electronic means, promptly be confirmed by letter, and the Fund shall not be under any obligation to take any action until receipt of such letter.

For the Fund:

Nordic Development Fund
P.O. Box 185
FIN-00171 Helsinki
Finland
Tel: +358 10 618002 telefax: +358 9 622 1491

For the Recipient:

Ministry of Finance
National Directorate of Treasury
P.O. Box 272
Maputo
Mozambique

Tel: +258 21 31 50 70 telefax: +258 21 31 50 43

For the Implementing Agency:

Instituto Nacional de Meteorologia
Rua de Mukumbura, 164,
C.P. 256, Maputo
Moçambique

Tel. +258 21 491150 Fax. +258 21 491150

- 10.03 The Fund may disclose this Grant Agreement and any information related to this Grant Agreement in accordance with its policy on access to information, in effect at the time of such disclosure.
- 10.04 This Agreement is made in two copies each of which shall be an original.
- 10.05 The following annex forms part of this Agreement:
Annex 1 Project Description

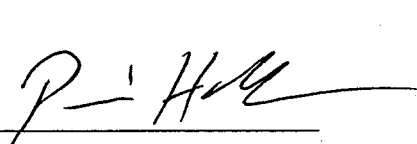
IN WITNESS WHEREOF the parties hereto, acting through their duly authorised representatives, have caused this Agreement to be signed with their respective names as of _____.

THE REPUBLIC OF MOZAMBIQUE

By: 

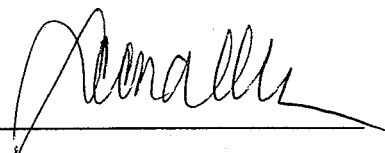
Minister of Finance

NORDIC DEVELOPMENT FUND

By: 

Pasi Hellman

Managing Director



Leena Klossner

Deputy Director

ANNEX 1: PROJECT DESCRIPTION

GRANT NUMBER NDF C 44

Grant Agreement, Mozambique

Key Project Information:

Sector: Water resources, climate change adaptation

Recipient country: Mozambique: National Meteorological Institute (INAM)

Lead Agency/ Partner Agency: World Bank

Project implementation period: 08/2013-07/2018 (5 years). Closing date is 31 July 2018.

Cost Estimate and Financing Plan: The total budget for the Project is USD 24.55 million. Lead Agency share: USD 15.95 million. Government of Mozambique will provide an estimated USD 2.60 million as counterpart funding.

NDF-grant: EUR 4.5 million for:
Technical Assistance: (Consultants' services)
Technical studies and consultancies: EUR 1.64 million
Training and non-consultancy services: EUR 0.84 million
Equipment: EUR 1.60 million
Audit services: EUR 0.04 million
Contingencies: EUR 0.38 million

Relevance and rationale for

NDF's climate change mandate: This is an adaptation project in line with the NDF strategy 2012-13 with its focus areas on water resources, capacity development and improving data and early warning systems. The project has passed the NDF screening for adaptation projects.

SCHEDULE I: INTRODUCTION AND PROJECT BACKGROUND

1.1 Introduction

The proposed NDF project has its roots in an ongoing dialogue with the Government of Mozambique (GoM) and the World Bank (WB) on support to climate change. The WB invited NDF to contribute additional cofinancing to the planned Transforming Hydro-Meteorological Services Project. In May 2012 NDF participated in a planning mission together with the WB team and key national stakeholders in order to develop the concept. In September 2012 NDF financed a consultant to work with the WB team and GoM to assist with detailed design and formulation of the NDF component. The proposed Hydro-Meteorological Services project will be a special sub-project to the WB National Water Resources Development Project (NWRDP), which has the development objective to strengthen the development and management of national water resources. The project is under the umbrella of the Strategic Program for Climate Resilience (SPCR); a multi-donor long-term investment programme that will play a catalytic role in promoting climate-resilient growth strategies in Mozambique.

NDF has a long-standing cooperation with the World Bank in Mozambique and 7 out of the 10 previous credit projects had WB/IDA as lead agency. The cooperation between NDF and the Mozambique authorities has worked well and the last credit project was completed in early 2011. An earlier NDF credit financed monitoring stations on the Limpopo River in order to improve flood control and early warning.

The project was included in NDF's pipeline in June 2012 and final approval by the NDF Board took place on December 2012.

1.2 Project Relevance and Rationale

In Mozambique, the mandate and responsibility for collection of hydro-meteorological data resides with three main agencies. These are: the National Directorate of Water (DNA), the five Regional Water Authorities (ARAs) under the Ministry of Water and the National Meteorological Institute (INAM), under the Ministry of Communication and Transport.

Financial resources dedicated to the collection of climate related data and processing of information are not commensurate with their derived socio-economic value. The absence of sufficient required levels of resources for basic operation and maintenance (O&M) has undermined investments in data collection networks and eroded the overall efficacy of the system. Nationally, only a portion of the existing networks is operating (for example, only 38 of 154 weather monitoring stations). Maintaining existing and expanding long-term networks is challenged by limited access and transport to remote areas, lacking O&M, insufficient financial resources, and far-reaching calibration needs. The evolution of parallel monitoring systems set-up by other agencies to meet specific needs add further complexities to hydro-meteorological monitoring.

The proposed project will strengthen the national hydro-meteorological data collection and management in addition to providing greater access to more timely and accurate hydro-

meteorological information. This effort will have multiple benefits in understanding and managing water and weather related processes, at present and in the future. The hydro-meteorological services can reduce vulnerability, enhance productivity and benefit people and society at large. The proposed project responds to one of the four key priorities identified in the National Adaptation Program of Action (NAPA 2007). The project is also aligned with the Action Plan for Poverty Reduction PARPA III 2011-2014 that has strategic objectives on improving flood and drought management; and measures for climate change adaptation.

The NDF support and the proposed WB project have been subject to a detailed climate screening according to the NDF climate screening tool. The screening revealed that more than half of the proposed WB project budget is climate related investments. For component B alone, where the NDF support is anchored, more than 70% of the budget is climate-related.

The WB project has been designed with due consideration of previous lessons learned from the water sector including hydro-meteorological support. The WB project including NDF support is harmonised with other development partner initiatives on climate change.

1.3 Project Objectives

The overall development objective of the project is to strengthen hydrological and meteorological information services to deliver reliable and timely climate information to local communities and to support economic development. The specific objective/outcome of the NDF support will be that INAM, within its mandate, produce and share reliable and timely weather forecasts to climate sensitive businesses (e.g. farmers) and jointly with other institutions (including ARA's) produce and share hydro-meteorological early warnings to relevant end-users.

1.4 Project Activities and Outputs

The WB project has three components: A) Strengthening Hydrological Information Management; B) Strengthening Weather and Climate Information Management; and C) Piloting resilience through delivery of improved weather and water information. The first component will support the National Water Directorate (DNA) and the five regional water authorities (ARA's) to strengthen their hydrological monitoring networks and their services. The second component will strengthen the effectiveness of meteorological monitoring networks and services of the National Meteorological Institute (INAM). The third component will develop and improve mechanisms for exchanging and delivering information and hydro-meteorological products between data processing agencies and end-users. The results indicators will measure the increase of accuracy and timeliness of hydrological and weather forecasts; and the improvements in peoples and agencies access to weather, climate and hydrological information.

1.5 NDF Components

NDF support will contribute to strengthening INAM as an institution, help implement its institutional Strategic Plan 2013-18 (approved by the Mozambique Council of Minister December 04, 2012), and build adaptive capacity in the organisational culture. There will be the following sub-components and outputs:

B1) Institutional strengthening: Institutional strengthening of INAM through designing annual action-, business- and capacity building plans aligned with the INAM Strategic Plan 2013-2018.

B2) Organizational development and training: Organisational development and training in INAM through the implementation of action-, business- and training plans and reforms necessary to achieve the INAM Strategic Plan.

B3) INAM Quality Management System: Design and implementation of a Quality Management System (QMS) for INAM that establishes and enforces standards to maintain quality levels for meteorological services.

B4) Physical meteorological monitoring networks: Optimising and reinforcing the physical meteorological monitoring networks through extensive rehabilitation, upgrading and standardisation of monitoring equipment in line with WMO criteria, installation of new and automatic technologies to facilitate real-time monitoring and expanded data collection platforms;

B5) Transmission and data management: Transmission, management and accessibility of meteorological data and supported by ICT investments.

B6) Meteorological modelling, forecasting and EWS: Modernised weather modelling, forecasting and early warning functions through the analysis of multiple streams of data, access to satellite forecasts, and use of one or two numerical weather prediction models operating on 24/7/365 basis feeding into early warning systems.

B7) Meteorological information products: Development of meteorological information products whose content, format and accessibility meets user needs.

1.6 Cost Estimates and Financing Plan

Total budget EUR 18.42 million and the cost of the NDF component is EUR 4.5 million. GoM contribution for INAM will be in kind (office space, staff, per diem, communication, transport) estimated at USD 500,000.

Table 1 below shows the distribution of NDF financing on cost categories.

Table 1: Project cost and financing (EUR millions)

Component	GoM	PPCR	GFDRR	WB/IDA	NDF	Total
A. Strengthening Hydrological Information Management		8.39	0.34	0.38	0	9.11
B. Strengthening Weather and Climate Information Management						
Technical Assistance (Long-term)					1.23	1.23
B.1 Institutional strengthening					0.15	0.15
B.2 Organizational development and training					0.78	0.78
B.3 INAM Quality Management System					0.03	0.03
B.4 Physical meteorological monitoring networks		0.45			1.60	2.05
B.5 Transmission and data management		0.53			0.00	0.53
B.6 Meteorological modelling, forecasting and EWS		0.30			0.13	0.43
B.7 Meteorological information products		0.08			0.16	0.24
Component B contingency					0.38	0.38
3. Piloting resilience through delivery of improved weather and water information		1.50			0.00	1.50
Audit					0.04	0.04
Government of Mozambique contribution	1.95					1.95
Total (EUR million)	1.95	11.25	0.34	0.38	4.50	18.42

Exchange rate: 1 EUR = 1,30 USD (11 March 2013)

Table 2: Summary NDF budget

No.	Category	Budget MEUR
1.	International and national long-term TA	1.23
2.	Short-term TA and technical studies	0.41
3.	Training and non-consultancy services	0.84
4.	Equipment	1.60
5.	Audit	0.04
6.	Contingencies	0.38
	Total NDF	4.50

SCHEDULE II: IMPLEMENTATION ARRANGEMENTS

2.1 Project Organization

The WB project will use the existing Project Administration and Monitoring Team (PAMT) established as part of the National Water Resources Development Project for procurement and financial management of the proposed project. The implementing agencies – DNA, ARAs and INAM – have agreed to this arrangement with respect to the resources and staffing needed to manage the complexities of fiduciary due diligence. The PAMT currently has a Procurement Specialist and a Financial Management Specialist, both of whom are familiar with the WB's procurement and financial management guidelines.

The NDF-financed TA team, consisting of an international and a national long-term adviser(s), will be based in INAM and refer to the director of INAM. The team will implement special capacity development activities and oversee climate change specific and coordination activities across the project and also relate to relevant climate activities outside the project – e.g. other development partner activities in the project area. The team will also ensure mainstreaming of climate change into the overall project.

Oversight will be provided by the Hydro-Met Working Group, which consists of members from DNA, ARA-Sul, INAM, Institute for Agrarian Research (IIAM) and National Institute for Disaster Management (INGC), and provides a foundation for reviewing relevant project reports and implementation progress.

2.2 Project Reports and Completion Report

The implementing agency shall prepare Progress Reports in accordance with the provisions of Section 6.05 of the Grant Agreement and on the basis of indicators specified for the whole project. Each progress report shall cover a six-month period and shall be furnished to NDF not later than 60 days after the end of the six-month period. The reporting of progress of the NDF-components will be integrated into the overall progress reports of the Project.

The recipient shall prepare the Completion Report in accordance with the provisions of Section 6.06 of the Grant Agreement. The Completion Report shall be furnished to NDF not later than six months after the closing date and may be integrated in the overall Completion Report of the Mozambique Climate Resilience: Transforming Hydro-Meteorological Services Project.

2.3 Financial Reporting/Audits

The implementing agency INAM will furthermore contract the services of an independent auditing firm to perform the external audit of the financial statements of the project. The scope and Terms of

Reference for the external audit shall be established according to the WB rules for selecting and contracting of audit firms and shall be consulted with NDF prior to contracting. The external audit report must be submitted to the World Bank and NDF each year no later than six months after the end of each financial year.

2.4 Monitoring and Evaluation

The overall monitoring framework is provided by INAM's long-term strategic plan 2013-18 that includes goals and indicators for improving hydro-meteorological services delivery. The Strategic Program for Climate Resilience (SPCR) has identified specific policy actions and milestones for the hydro-meteorological sector. The Pilot Program for Climate Resilience (PPCR) has a results framework (dated January 2013) that includes indicators that are incorporated into the results framework of the project. Examples of draft results areas include: increased resilience of households, communities, businesses, sectors and society to climate variability and climate change; and use of climate information in decision making routinely applied.

The ongoing National Water Resources Development Project (NWRDP) includes a monitoring and evaluation officer who will be responsible for collecting and presenting all monitoring data and reports as specified in the Project Implementation Manual (PIM). The M&E framework will also build on the existing reporting procedures that have been set up by NWRDP in DNA. This prevents duplication of efforts and provides a more consistent system for evaluating the progress of the project. Specific baseline data has been collected during project preparation.

A mid-term review will be undertaken to allow for adjustments in the project design or implementation arrangements as well as possible preparation of follow-up activities to those financed by the project. NDF will participate in WB supervision missions and, if feasible, participate in mid-term and final evaluation of the project.

SCHEDULE III: GRANT PROCEEDS, DISBURSEMENT, ELIGIBLE EXPENDITURES

3.1 Disbursement

The Recipient may request disbursement of the grant proceeds in accordance with the provisions of the Grant Agreement, this Schedule and such additional instructions as NDF may specify by notice to the Recipient.

The disbursements are subject to the stipulations in the Grant Agreement and may be made to finance eligible expenditures for the project through direct payment to consultants, suppliers, contractors and service providers.

Requests by the Recipient for direct payments to consultants, suppliers, contractors and service providers shall be supported by copies of invoices, certificates and other necessary documents as well as by copies of or references to contracts signed with the payees.

The size of each transfer will eventually be determined in the contracts, and the timing will depend upon progress. The disbursement schedule is tentatively estimated to be as follows:

Table 3: Provisional Disbursement Schedule

	2013	2014	2015	2016	2017	2018	Total
Per cent	3%	20%	20%	25%	19%	13%	100%
EUR million	0.1	0.9	0.9	1.3	0.8	0.5	4.5

3.2 Eligible Expenditures

The following table specifies the categories of eligible expenditures that may be financed out of the proceeds of the Grant, the allocations of the amounts of the Grant to each category and the percentage of expenditures to be financed in each category.

Table 4: Definition of Eligible Expenditures

Category	Amount of the Grant Allocated (MEUR)	Percentage of Expenditures to be Financed (including taxes)
A. Component B: Strengthening Weather and Climate Information Management		
A.1 Consultants' fees and expenses (foreign and local consultants, long-term and short-	1.64	100%

term technical assistance, design and studies)		
A.2 Non-consultancy services including training package	0.84	100%
A.3 Goods (equipment package, turn-key)	1.60	100%
B: General		
B.1 Audit	0.04	100%
B.2 Contingencies A + B (unallocated)	0.38	[100%]
Total	4.50	

The contingencies can with acceptance from NDF be used to finance eventual cost overruns in categories A1-A3, respectively.

SCHEDULE IV: PROCUREMENT

4.1 NDF General Procurement Guidelines

All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section 4 of the "NDF General Procurement Guidelines for Grant-financed Projects", and with the provisions of this Schedule.

All consultants' services shall be procured in accordance with Section 5 of the "NDF General Procurement Guidelines for Grant-financed Projects", and with the provisions of this Schedule.

4.2 Particular Methods of Procurement of Goods, Works and Services

A. International Competitive Bidding

Except as otherwise provided in Section 4.4 - Procurement Thresholds - or later in this Section, contracts shall be awarded on the basis of *International Competitive Bidding (ICB)*. The provisions of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by local contractors

B. Other Procurement Procedures

1. Goods and Services which can only be purchased from a limited number of suppliers/ service providers may be procured under contracts awarded on the basis of *Limited International Bidding*.
2. *National Competitive Bidding (NCB) and Shopping* can be used in cases defined in the Procurement Thresholds Table (see section 4.5)
3. Goods which NDF agrees meet the requirements for *Direct Contracting* may be procured in accordance with the provisions of this procurement method.
4. *Procurement from UN Agencies*. Goods which NDF agrees may be procured directly from United Nations Agencies, in accordance with the provisions of the Procurement Guidelines, or as otherwise agreed by NDF.

Particular Methods of Procurement of Consultants' Services

A. Except as otherwise provided in Section 4.4 - Procurement Thresholds - or later in this Section, consultants' services shall be procured under contracts awarded on the basis of *Quality- and Cost-based Selection*. The shortlist of consultants for services estimated to cost less than €100,000 equivalent per contract may comprise of entirely national consultants.

B. Other Procedures

1. *Selection Under a Fixed Budget*. NOT APPLICABLE in this Project

2. *Least-cost Selection*. NOT APPLICABLE in this Project

3. *Selection Based on Consultants' Qualifications* can be used in cases defined in the Procurement Thresholds Table (see section 4.4)

4. Services for tasks in circumstances which meet the requirements of the Guidelines for *Single Source Selection*, may, with NDF's prior agreement, be procured under contracts awarded on the basis of this method in accordance with the provisions of the Guidelines.

5. *Individual Consultants*. Services for assignments that meet the requirements set forth in the Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of the Guidelines. Under the circumstances described in section V of the WB Consultant Guidelines (*Guidelines for Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers, January 2011*) such contracts may be awarded to individual consultants on a sole-source basis.

4.3 Review by NDF of Procurement Decisions

Except as the NDF shall otherwise determine by notice to the Recipient, the contracts shall be subject to Prior Review by NDF in accordance with the **Procurement Thresholds Table** (see section 4.4). All other contracts shall be subject to Post Review by NDF.

In addition, all amendments of contracts raising the initial contract value by more than 15% of original amount or above the prior review thresholds will be subject to Prior Review by NDF.

4.4 Procurement Thresholds

Table 6: Procurement Thresholds

Expenditure Category	Contract Value Threshold (EUR)	Procurement Method	Contracts Subject to Prior Review (EUR)
1. Works	Above EUR 1,200,000 Below EUR 1,200,000 Below EUR 50,000	ICB NCB Shopping	All contracts Above EUR 100,000 and first two contracts below 100,000 First two contracts
2. Goods	Above EUR 350,000 Below EUR 350,000 Below EUR 30,000	ICB NCB Shopping	All contracts Above EUR 50,000 and first two contracts below 50,000 First two contracts
3. Non-consulting Services	Above EUR 175,000 Below EUR 175,000 Below EUR 30,000	ICB NCB Shopping	All contracts Above EUR 40,000 and first two contracts below 40,000 First two contracts
4. Consulting Services with Firms	Above EUR 175,000 Below EUR 175,000	QCBS Qualifications/Other	All contracts Above EUR 30,000
5. Consulting Services with individuals		Individual	All contracts
6. All types of contracts	All contracts	Single-source/Direct contracting and TORs	Above EUR 15,000