

GRANT NO. NDF C59

GRANT AGREEMENT

Developing Capacity for a Climate Resilient Road Sector

under

Nacala Corridor Phase III Project

between

REPUBLIC OF MOZAMBIQUE

and

NORDIC DEVELOPMENT FUND

Dated

29.8.2014

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GRANT AGREEMENT

between the REPUBLIQUE OF MOZAMBIQUE (the "Recipient") and the 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) 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 and declares its commitment to the objectives of the Project;
- c) the Recipient has entered into an agreement (the "*Financing Agreement*"), dated 15 March 2013, with the African Development Bank (the "Partner Agency") to assist in the financing of the Project;
- d) the Project will be carried out by the National Roads Administration (the "Implementing Agency") 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;
- e) the Fund, in accordance with a co-operation agreement dated 5 December 1995, as amended 17 May 2013, may request the Partner Agency to carry out on behalf of the Fund and in accordance with the Partner Agency's usual procedures, the monitoring and evaluation of the part of the Project to be financed by the Fund;
- f) the Recipient and the Fund have on 6 October 1998 entered into an agreement on the legal status of the Fund in the Republic of Mozambique;
- g) 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, as in effect at any given 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 the date after which the right of the Recipient to make drawdowns under this Agreement may be terminated by the Fund, such date being specified in Section 2.07;

"Contractor" means a consultant, supplier of goods, contractor of works and/or provider of services for the Project, selected and employed or contracted in accordance with this Agreement;

"Disbursement Deadline Date" means the date 4 (four) months after the Closing Date, which is the final date on which the Fund will accept disbursement requests.

"Disbursement Instructions" mean NDF Disbursement Instructions, as in effect at any given time;

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

"Eligible Expenditure" means, except as otherwise provided in this Agreement, an expenditure incurred prior to or on the Closing Date in respect of the reasonable cost of goods, works and services required and procured for the Project and to be financed by means of the Grant, all in accordance with the provisions of this Agreement, provided however that a payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations shall not be an Eligible Expenditure;

"EUR" and the sign "€" mean euro, the lawful currency of the member states of the European Union that have adopted and continue to retain a common single currency through monetary union in accordance with European Union treaty law;

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

"Policy on Access to Information" means NDF's Policy on Access to Information, as in effect at any given time;

"Policy on Taxes" means NDF Operational Policy on Taxes, as in effect at any given time;

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

"Special Account" means an account opened by the Recipient or Implementing Agency in accordance with the Disbursement Instructions for the purpose of receiving and administering a Special Advance disbursement;

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

"Tenderer" means a firm or other type of entity, association of firms or entities, or an individual who submits or has submitted a proposal or a bid for the supply of goods, construction of works or provision of services for the Project.

ARTICLE II

The Grant

Use of Proceeds of the Grant

Disbursements

2.01 The Fund agrees to make available to the Recipient, on the terms and conditions set forth or referred to herein, an amount of up to EUR 3,800,000.00 (three million eight hundred thousand euros) (the "Grant").

2.02 The Recipient shall be entitled to draw down the Grant in accordance with the provisions of this Agreement and the Disbursement Instructions, for the purpose of paying Eligible Expenditures. The Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with Section 6.02 and Annex 2 of this Agreement. 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 or after the Closing Date.

2.03 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 NDF Policy on Taxes. 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 the Fund's policy.

2.04 Drawdowns shall reflect the implementation of the Project. The proceeds of the Grant shall be disbursed in accordance with and on terms and conditions set out in Annex 2 hereto and the Fund's Disbursement Instructions by one or several of the following four disbursement methods:

- (i) direct payment(s) to the Contractor(s) for the cost of Eligible Expenditures incurred (Direct Payment);
- (ii) payment(s) for the cost of Eligible Expenditures through a financial institution under a Special Commitment (Special Commitment);
- (iii) advance payment(s) to one or more Special Accounts opened for the purposes of the Project (Special Advance);
- (iv) reimbursement of Eligible Expenditures which have been incurred and paid for by the Recipient's own resources (Reimbursement).

The applicable disbursement method(s) shall be those defined in Annex 2 unless otherwise agreed between the Fund and the Recipient.

2.05 Disbursements under the Grant shall be made subject to

- (a) the conditions precedent specified in Article III having been, and remaining, fulfilled to the Fund's satisfaction;
- (b) in the case of Special Commitment or Special Advance, the Fund having received and accepted all documentation required for these disbursement methods, as set out in the Disbursement Instructions;
- (c) receipt by the Fund of (i) a disbursement request, with supporting documentation, acceptable to the Fund submitted by or on behalf of the Recipient, or (ii) in the 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 prior to the Disbursement Deadline Date 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 NDF's receipt of the disbursement request, provided that all conditions precedent to disbursement set out in Article III hereof have been fulfilled and remain fulfilled.

2.07 The Closing Date shall be 31 December 2019, or such later date as the Fund shall establish. The Fund shall promptly inform the Recipient of such later date.

ARTICLE III

Conditions Precedent

3.01 Unless otherwise agreed, the making of disbursements from the Grant shall be subject to the fulfilment, in a manner acceptable to the Fund, of the following conditions:

- (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 the Fund of the authority of the person or persons authorised to sign disbursement requests on behalf of the Recipient and the authenticated specimen signature of any such person;

(iv) evidence satisfactory to it that other financing required for the Project, including financing from the Recipient as well as the Partner Agency, 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; and

(vi) any other documentation the Fund reasonably requests relating to the execution of this Agreement or the implementation of the Project.

3.02 All documentation to be delivered to the Fund in accordance with this Article III shall be in English.

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 General Undertakings and Representations

5.01 The Recipient represents that this Agreement has been duly authorised, and has been duly executed, signed and delivered on behalf of the Recipient and is legally binding upon the Recipient in accordance with its terms and conditions.

5.02 (a) The Recipient and the Fund shall co-operate fully to ensure that the purpose of the Grant will be accomplished. To that end, each party shall furnish to the other party all such information that is reasonably requested with regard to the general status of the Project.

(b) 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 in accordance with Article VII.

5.03 (a) The Recipient undertakes to comply with and ensure that the Project is implemented in accordance with NDF's Anticorruption Policy.

(b) The Recipient undertakes to take all necessary action to prevent and detect Prohibited Practices within its territory and to pursue, by all appropriate means, any such practices whenever identified.

(c) The Recipient undertakes to promptly inform the Fund of any allegation or finding of Prohibited Practices, as defined in the Anticorruption Policy, in connection with the Project or with the use of the proceeds of the Grant.

(d) The Recipient acknowledges that the Fund reserves the right to investigate, directly or through any agent appointed by the Fund, any Prohibited Practices relating to the Project or the use of the proceeds of the Grant and undertakes to cooperate in any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

ARTICLE VI

Execution of the Project

Recipient's Project-Related Undertakings

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, technical, social, environmental and climate change mitigation and adaptation standards and practices, in accordance with this Agreement. 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 Eligible Expenditures for 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 2 to this Agreement as said provisions may be further elaborated in the Procurement Plan, as defined in section (b) below.

(b) The Recipient shall prepare or cause to be prepared 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, bidding documents and requests for proposals as well as the contracts shall, respectively, include clauses that give the Recipient, the Implementing Agency or other contracting entity the right to (i) demand investigations of the Tenderer's/Contractor's books by independent auditors for the purpose of ascertaining inter alia whether or not Prohibited Practices have taken place, (ii) reject any tender and cancel any procurement contract in the case that 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:

(i) ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound operational and maintenance practices; and

(ii) insure or cause to be insured, or make adequate provision for the insurance of 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 or cause to be maintained 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) ensure that such records mentioned in (i) above are retained until at least one year following receipt by the Fund of the final audited financial statements of the Project or two years after the Closing Date; and

(iii) enable representatives appointed by the Fund 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.

6.06 The Recipient shall furnish or cause to be furnished to the Fund:

(i) at a minimum semi-annually reasonably detailed information concerning the Grant, the budgeted and actual cost of the Project, the budgeted and actual expenditure of the contracts financed by the Grant, and the goods and services financed out of such proceeds;

(ii) at a minimum semi-annually, reports on the implementation of the Project including, inter alia, information on the accomplishment of the targets and actions set out in Annex 1 to this Agreement, including the logical framework where relevant, and on the operation and management of the Project facilities, if relevant;

(iii) a copy of the audited annual financial statements of the Project, or, if the Project is a part of a larger project implemented by the Partner Agency, a copy of the audited financial statements for that project, provided such financial statements also include information on the Grant;

(iv) if so requested by the Fund, audited financial statements of the use of the Grant, in form and substance acceptable to the Fund, prepared by an independent auditor for the preceding financial year. The cost of such audit may be covered by proceeds of the Grant. If sufficient Grant proceeds are not available, the Fund and the Recipient shall agree on how to finance the audit;

(v) if the Special Advance disbursement method is being used for the purposes of the Grant, an audit on the Special Account(s), as set out in the Disbursement Instructions;

(vi) 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, a reasonably detailed report, in form and substance acceptable to the Fund, on the use of the proceeds of the Grant, the execution of the Project and the results derived and to be derived from it; and

(vii) any other information the Fund shall reasonably request relating to the Project or the proceeds of the Grant.

6.07 All reports may be provided electronically unless otherwise requested by the Fund.

6.08 Ownership, title and industrial and property rights in the results of the implementation of the Project and the reports and other related documents shall be vested in the Recipient, Implementing Agency or as otherwise agreed between the parties. Notwithstanding the foregoing, the Recipient shall ensure that the Fund shall have the right to use free of charge and as it sees fit, all documents deriving from the implementation of the Project, whatever their form, provided that such use does not breach any existing industrial and intellectual property rights.

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 other financing 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 or other financing 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, a situation shall have arisen which in the reasonable opinion of the Fund shall make it improbable that the Project can be successfully 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 or potential 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 service 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 have not been fulfilled 180 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 agreed 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 or potential 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 agreed 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, France 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 Except as expressly provided in this Agreement, neither party shall be deemed to have waived, renounced or modified any immunities, privileges or exemptions given under international conventions or applicable law. 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 responsible for finance at the time is designated as the 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, the Implementing Agency and the Fund may agree in writing upon any non-material change to, or further specification of, Annex 1, Project Description and Annex 2, Project Execution, 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 electronic mail 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 electronic mail, 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 10 618 002 telefax: +358 9 622 1491
e-mail: info.ndf@ndf.fi

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
email: jsaltina.lucas@sistafe.gov.mz

For the Implementing Agency:

ANE (Administração Nacional de Estradas)

General Manager

Avenida de Mozambique, N°1225

Maputo Mozambique

tel: + 258 823244200

telefax: + 258 21475862

email: amugunhe@ane.gov.mz

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.

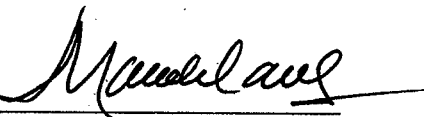
10.05 The following annex forms part of this Agreement:

Annex 1 Project Description

Annex 2 Project Execution

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

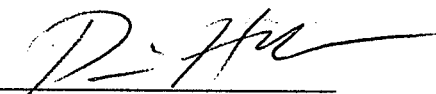
REPUBLIC OF MOZAMBIQUE

By: 

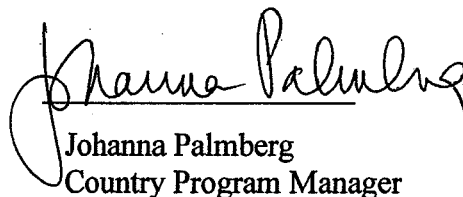
Dr Manuel Chang

S. Excia Minister of Finance

NORDIC DEVELOPMENT FUND

By: 

Pasi Hellman
Managing Director


Johanna Palmberg
Country Program Manager

PROJECT DESCRIPTION

Project Objectives

The overall goal of the African Development Bank (AfDB) Nacala Corridor phase III project is to develop a road transport link between Muita and Lichinga and stimulate socio-economic development. The corridor is part of the Spatial Development Initiative for Mozambique, Malawi and Zambia, which will substantially increase national and regional connectivity.

Nordic Development Fund (NDF) will provide co-financing with the focus on increasing the capacity of the National Roads Administration (ANE) to make the national road network climate-resilient. The objective of the NDF support is to provide ANE, and other key stakeholders, with capacity and tools to manage climate impact threats to road development including planning, design, construction and maintenance. The implementation period for the NDF component, as described below, is estimated to be between the years 2014 to 2018.

Project Activities and Expected Results

The AfDB Phase III project will complete the upgrading of the Mozambican section of the corridor with works also on-going in Malawi and Zambia to complete the corridor. The aim is to upgrade the current gravel road impassable during the rainy season to an all-weather standard. To achieve this, the AfDB project includes seven components: i) Road construction; ii) Supervision services, audit, design and studies; iii) Trade Facilitation; iv) Social Measure; v) Road Safety; vi) Capacity-Building; vii) Compensation and Resettlement. The proposed NDF-supported project will form part of component; vi) Capacity-Building.

NDF's Components

The major outcome of the NDF support is to develop adaptive capacity of, as well as integrate climate change aspects into, planning and design of road transport infrastructure in Mozambique.

The adaptation project has one capacity-building component and four sub-components with the following expected results:

i. Capacity Development and Mainstreaming of Climate Change Adaptation within ANE

1. Climate change and resilience established as a responsibility for Cross-cutting Issues Office (GAT).
2. Climate risks incorporated in road transport policies, and to ensure that the decision-making process appropriately reflects vulnerability (including gender dimension) studies

3. Improved capacity to handle climate-resilience issues
4. Updated road database incorporating climate change adaptation information
5. Manuals and handbooks updated with climate change adaptation information
6. Costing prioritisation, sequencing and integration of adaptation strategies into development plans and budgets

To achieve this, a set of sub-components are planned at ANE HQ, with links to the regional offices to ensure that climate change adaptation and resilience is considered in road transport infrastructure development and, if needed, implemented nation-wide. The capacity development component will include tools development and be structured in such a way that climate change resilience becomes an integral part of the decision-making process at ANE. For instance, it may include a checklist, screening tool and reviews for project approvals covering all stages of road development (planning, design, construction and maintenance).

ii. Climate change-proofing of the Nacala Corridor road (Muita-Mandimba-Lichinga road)

1. Improved road design considers climate change impacts
2. The road data base has identified and incorporated appropriate construction technologies
3. Appropriate green (grass) slope protection identified
4. Road quality monitoring procedures include a climate change perspective

iii. Road network vulnerability mapping

1. Vulnerability maps for one river basin prepared
2. Vulnerability mapping instruction manual prepared and in use
3. A tool is designed which enables planners and decision-makers to make informed decisions and prioritise interventions in developing a climate- resilient road network.

iv. Economics of climate change

1. An analysis on cost for making new roads climate-resilient, including comparison with post-damage rehabilitation is carried out
2. The ANE budget allocation includes the consideration of climate change vulnerabilities of priority roads
3. Indirect costs are identified in different levels of road damage, like limited access, no access and rerouting
4. Make available and develop calculated estimates for increased Vehicle Operation Cost due to road damage as a result of climate change

v. Road asset management and technical issues

1. Improved routines established for the road asset management procedures within ANE, including updated with information regarding areas where climate change impacts pose a threat to the road infrastructure and its functionality.
2. Staff training provided in primarily routine and recurrent maintenance
3. Capacity building training for all provincial offices

Cost Estimates and Financing Plan

The tables below illustrate the financing plan of the Nacala corridor phase III project (Table 1), and a separate cost estimate of the NDF adaptation sub-project (Table 2).

Table 1 Financing plan for the Nacala corridor phase III project in EUR

Financing	AIDB	JICA	GoM	NDF	Total
EURO million	41.31	48.76	12.96	3.8	106.83
Per cent	38.7%	45.65%	12.1%	3.6%	100%

Table 2 NDF project Developing Capacity for a Climate Resilient Road Sector

No.	Category	Budget EUR
1.	International long-term and short-term TA (70 months)	1,610,000
2.	National consultants (120 months)	840,000
3.	International and local travel	160,000
4.	Training, seminars incl. study tour	210,000
5.	Equipment	150,000
6.	Vulnerability mapping and studies	270,000
7.	Review and audit	120,000
8.	Contingencies	440,000
	Total	3,800,000

IMPLEMENTATION AND MONITORING

Implementation Arrangements

The NDF component will be implemented by ANE through the existing Cross-cutting Issues Office (GAT). This unit is in charge of social and environmental safeguards including screening of all transport infrastructure projects. A long-term technical adviser will be based in the GAT. The TA will work together with and under the guidance of the Head of the GAT and the ANE director general. The TA will be responsible for providing training and technical assistance to ANE, the

Road Fund and Municipalities. Additional specialist inputs will be provided through short-term TA. The Transport Sector Working Group, which includes major stakeholders and donors, will monitor progress and coordinate efforts.

Monitoring and Evaluation

ANE will be responsible for establishing the baseline, collecting data for each indicator, and reporting regularly to NDF. Progress Reports and a Completion report shall be prepared in accordance with the provisions of Section 6.05 and 6.06 of the Grant Agreement and on the basis of indicators specified for the whole project. The reporting of progress of the NDF-components may be integrated into the overall progress reports of the Nacala Corridor Project phase III.

In addition, the AfDB will provide close monitoring and evaluation of the project during implementation through regular follow-up and supervision missions. NDF will participate as needed in AfDB supervision missions. An external mid-term review will be conducted half way through the project.

Results-based Monitoring Framework

Appendix 1: Logframe

Results	Indicators	Source of verification
i) Main component: Organisation structure with a clear climate adaptation mandate for Social & Environmental Unit (SEU) established	Climate change and resilience established as a responsibility for SEU	Technical reports (e.g. Training needs assessment, capacity development plan) ANE's Annual Report
	Climate risks incorporated in ANE's road transport policies, and the decision-making process appropriately reflects vulnerability (including gender dimension) studies	Progress Reports
	Capacity to handle climate-resilience issues improved	Information available in the road database
	The ANE road database updated with climate change adaptation information Training courses implemented	Project completion report
	Manuals and handbooks updated with climate change adaptation information	
	ANE's budget allocations considers climate change vulnerabilities of priority roads	
ii) Climate change-proofing of the Nacala Corridor road (Muita-Mandimba-Lichinga road) carried out	Improved road design considers climate change impacts	Technical reports ANE's Annual Report
	ANE's road data base has identified and incorporated appropriate construction technologies	Semi-annual Progress Reports
	Appropriate green (grass) slope protection identified	Information available in the road

Results	Indicators	Source of verification
	Road quality monitoring procedures include a climate change perspective	database
iii) Road network vulnerability maps prepared	<p>Vulnerability maps for one river basin prepared</p> <p>Vulnerability mapping instruction manual prepared and in use</p>	<p>Technical reports</p> <p>ANE's Annual Report</p> <p>Project Monthly Progress Reports</p> <p>Information available in the road database</p> <p>Project completion report</p>
iv) Costs of making the road network resilient	<p>Analysis carried out on cost for making new roads climate-resilient, including comparison with post-damage rehabilitation</p> <p>ANE's budget allocation includes the consideration of climate change vulnerabilities of priority roads</p> <p>Indirect costs in different levels of road damage, like limited access, no access and rerouting, identified</p> <p>Estimates calculated for increased Vehicle Operation Cost due to road damage as a result of climate change</p>	<p>Technical reports</p> <p>ANE's Annual Report</p> <p>ANE budget</p> <p>Project Monthly Progress Reports</p> <p>Information available in the road database</p> <p>Project completion report</p>
v) Road maintenance works in ANE roads are aligned with climate patterns	<p>Improved routines established for the road asset management procedures within ANE.</p> <p>Staff training provided in primarily routine and recurrent maintenance.</p> <p>Capacity building training for all provincial offices carried out</p>	<p>Technical reports</p> <p>ANE's Annual Report;</p> <p>Project Monthly Progress Reports</p> <p>Information available in the road database</p> <p>Project completion report</p>

Project Execution

Procurement

The project will be implemented through parallel co-financing.

Long- and short-term consultancy services will be procured by ANE using the NDF procurement guidelines. The NDF financed project will include one large international consultancy assignment. The procurement method for procuring the consultancy services will be Quality- and Cost-based Selection (QCBS). There will be another 3-4 smaller contracts for procurement of equipment and audit services of the NDF financed project.

A procurement plan will be developed by ANE prior to signing of agreement between GOM and NDF.

Disbursements

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 1: Provisional Disbursement Schedule

	2014	2015	2016	2017	2018	Total
EUR million	0.1	0.8	1.0	1.0	0.9	3.8
Per cent	4%	21%	26%	26%	23%	100%