

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF056038 MOZ

Global Environment Facility Trust Fund Grant Agreement

(Transfrontier Conservation Areas and Tourism and Development Project)

between

REPUBLIC OF MOZAMBIQUE

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment Facility**

Dated December 15, 2005

GEF TRUST FUND GRANT NUMBER TF056038 MOZ

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated December 15, 2005, between the REPUBLIC OF MOZAMBIQUE (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, *inter alia*, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution 94-2);

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund to provide additional assistance towards cofinancing portions of Parts A, C and D of the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2;

(D) the Recipient has also requested the International Development Bank (the Bank) to provide additional financing for the Project and by an agreement of even date herewith between the Recipient and the Bank (the Development Credit Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to thirteen million nine hundred thousand Special Drawing Rights (SDR 13,900,000) (the Credit);

(E) the Recipient has requested the Bank acting as administrator of grant funds provided by Japan to provide additional assistance towards the cofinancing of portions of Parts B, C, and E of the Project; by an agreement of even date herewith (the PHRD Agreement) between the Recipient and the Bank, the Bank is making a grant in the amount of three million seven hundred and twenty thousand dollars (\$3,720,000) (the PHRD Grant);

(F) the Recipient intends to obtain loans and grants from other donors (the Donors), including, *inter alia*, the African Wildlife Foundation and the Peace Parks Foundation, equivalent to approximately an aggregate amount of two million and two

hundred thousand dollars (\$2,200,000) to provide additional assistance towards the portions of Part D of the Project on the terms and conditions set forth in respective credit and grant agreements to be entered into between the Recipient and each donor (the Cofinancing Agreement and collectively, the Cofinancing Agreements); and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 (a) The following provisions of the “General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (2), (3), (4), (5), (6), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Sections 4.01 and 4.06;
- (v) Sections 5.01, 5.02, 5.03, 5.04, 5.05, 5.06, 5.06, 5.07, and 5.09;
- (vi) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable,

the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association.”;

- (vii) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;
- (viii) Section 8.01 (b);
- (ix) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (x) Sections 10.01, 10.03 and 10.04;
- (xi) Article XI; and
- (xii) Sections 12.01 (c), 12.03 and 12.04.

(b) The General Conditions shall be modified as follows:

- (i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (6), 6.02 (f) and 5.01 (a) thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;
- (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
- (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
- (iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
- (v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;
- (vi) a new subparagraph is added after subparagraph (o) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”;

- (vii) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 are replaced with the words “corrupt, fraudulent, collusive or coercive”

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement and the Development Credit Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Development Credit Agreement” means the agreement of even date herewith between the Recipient and the Bank for the Project, as such agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to the Development Credit Agreement;

(b) “Eligible Categories” means Categories (1) through (3) set forth in the table in Part A.1 of Schedule 1 to this Agreement; and

(c) “Special Account” means the account referred to in Paragraph B.1 of Schedule 1 to this Agreement.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount equal to ten million Dollars (\$10,000,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of services required for the portion of Part A, C and D of the Project described in Schedule 2 to this Agreement to be financed out of the proceeds of the GEF Trust Fund Grant.

Section 2.03. The Closing Date shall be June 30, 2013, or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall, through MITUR, carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, technical and environmental practices,

and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank 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 Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Paragraph E and F of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the GEF Trust Fund Grant, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) The Cofinancing Agreements with African Wildlife Foundation and Peace Parks Foundation, respectively, have been amended, abrogated, repealed or waived so as to, in the opinion of the Bank, materially and adversely affect the ability of the Recipient to perform any of its respective obligations in the pursuit of the objectives of the Project.

- (b)
 - (i) Subject to subparagraph (ii) of this paragraph, the right of the Recipient to withdraw the proceeds of the Cofinancing Agreements made to the Recipient for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Cofinancing Agreements.
 - (ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Bank that: (A) such suspension, cancellation or termination is not caused by the failure of the Recipient to perform any of its obligations under the Cofinancing Agreements; 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.
- (c) an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out; and
- (d) that the Recipient shall have amended, suspended, abrogated, repealed or modified the legal status of the Participating Protected Areas, or taken any action, including the enactment or issuance of laws or regulations,

which, in the opinion of the Bank, may adversely affect, prevent, or interfere with, the carrying out of the Project or the performance by the Recipient of any of its obligations under this Agreement.

ARTICLE VI

Effectiveness, Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that, the Development Credit Agreement has been executed and delivered and all condition precedent to its effectiveness, except only the effectiveness of this Agreement, have been fulfilled.

Section 6.02. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of Planning and Development of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministério de Planificação e Desenvolvimento
Av. Ahmed Sekou Touré, No. 21, 4o. andar
Maputo
Republic of Mozambique

Cable address:	Telefone	Facsimile:
MOBANCO Maputo	(258) 21 492-268	(258) 21 492-625

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Maputo, Republic of Mozambique, as of the day and year first above written.

REPUBLIC OF MOZAMBIQUE

By /s/ Fernando Sumbana Junior

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
as an Implementing Agency of the Global Environment Facility

By /s/ Michael Baxter

Authorized Representative

SCHEDULE 1**Withdrawal of the Proceeds of the GEF Trust Fund Grant**A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>CATEGORY</u>	Amount of the GEF Trust Fund Grant Allocated Allocated (Expressed in <u>Dollars</u>)	<u>% of Expenditures to be Financed</u>
(1) Consultants' Services for Part A and D including Audits	4,635,000	100%
(2) Training under Part D of the Project	405,000	100%
(3) Works, Goods and Services financed through Community Subprojects for Part C of the Project	3,960,000	100%
(4) Unallocated	1,000,000	
TOTAL	<u>10,000,000</u>	

2. For the purposes of this Schedule:

(a) "Training" includes educational programs and workshops on Project activities, purchase of training materials, rental of training facilities, health insurance for travel abroad, per diem and related travel costs; and

(b) "Operating Costs" means the incremental expenses incurred on account of Project implementation, including vehicle operation and maintenance, Special Account banking charges, office facilities rental and maintenance, communication and insurance costs, utilities, office supplies, office equipment maintenance, documents

duplication/printing, consumables, travel cost and per diem for Project staff for travel linked to the implementation of the Project and salaries of contractual support staff for the Project, but excluding salaries of officials of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) individual consultants costing less than \$50,000 equivalent per contract; (b) consulting firms costing less than 100,000 equivalent per contract; (c) goods, works and services (other than consulting services) costing less than \$200,000 equivalent per contract financed through Community Subproject under Part C of the Project; and (e) training and operation costs, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. The Recipient may request withdrawals from the GEF Trust Fund Grant Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the GEF Trust Fund Grant Account, the Recipient shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Recipient may: for the purposes of the Project, open and maintain in Dollars, a special deposit account (Special Account), in a commercial Bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the GEF Trust Fund Grant Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank

such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the GEF Trust Fund Grant Account; or

(c) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the GEF Trust Fund Grant Agreement.

Annex A
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$500,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,500,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.

(b) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the GEF Trust Fund Grant minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account

of the remaining unwithdrawn amount of the GEF Trust Fund Grant shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the GEF Trust Fund Grant Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the GEF Trust Fund Grant, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objective of the Project is to promote growth in community-private sector led environmentally and socially sustainable tourism in TFCAs.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objectives:

Part A: Strengthening Policy, Legal and Institutional Framework for TFCAs

Institutional strengthening of MITUR for the purpose of carrying out this Part of the Project, through the provision of technical advisory and other services, training and operating costs, including:

1. Provision of technical advisory services for the review and update policies, strategies and legislation relevant to TFCA objectives through (a) development of a national policy and strategy for conservation, and (b) draft new laws, regulations and technical annexes regarding wildlife and land use within the TFCAs as well as concessions within Protected Areas.
2. Provision of technical advisory services for: (a) drafting regulations for the Tourism Law, and (b) drafting technical annexes to tourism law as guidelines for public tourism-land demarcation, titling, marketing and tendering as tourism concessions.
3. Provision of technical advisory services for carrying out an institutional analysis of the wildlife and Protected Area sector for the purpose of providing a framework and capacity building and the implementation of such framework for institutional restructuring including the establishment of public private partnerships and human resources recruitment and training.
4. Support to MITUR for establishing and formalizing international collaboration frameworks for management of TFCA, and facilitation of tourism development across borders, through the negotiation of international agreements for the Niassa and ZIMOZA TFCAs and technical protocols for the Great Limpopo and Lubombo TFCAs.

Part B: Integrated District Development Planning

1. Institutional strengthening of Ministry of Planning and Development for the purpose of carrying out this Part of the Project, through the retaining of one Integrated DDP advisor to be posted in Maputo, as well as provision of equipment, training and operating costs.

2. Provision of technical advisory services for stocktaking and refinement of DDP and Integrated DDP processes and preparation of an Integrated DDP manual.
3. Carry out of capacity building activities aimed at District planning in the Matutuine and Vilanculo Districts, through the training of technical teams for District planning and of other stakeholders.
4. Carry out of District Diagnostic process in Matutuine and Vilanculo Districts, through the collection of basic data and analysis, including, *inter alia*: (a) a compilation of the information into a District Diagnostic, and (b) stakeholder consultations.
5. Preparation of DDPs in Matutuine and Vilanculo Districts, through: (a) the compilation of the District Diagnostic and other information produced through other the activities described in Parts B, C and D of the Project; and (b) stakeholder consultations.

Part C: Community and Private Sector-Led Tourism Development

1. Provision of technical advisory services for institutional strengthening of DINATUR for the purpose of carrying out this Part of the Project and for licensing and grading tourism operations, through the retaining of one technical advisor, as well as provision of equipment, training and operating costs.
2. Institutional strengthening of DPC through the carrying out of a tourism statistics facility which shall include the provision of equipment, training, operating costs technical advisory and other services for organization of data collection, data analysis and reporting.
3. Institutional strengthening of FUTUR through provision of equipment, training, operating costs technical advisory and other services for carrying out tourism business identification and development through the identification of appropriate investment sites and the appropriate demarcation of tourism concessions and draft business plans, criteria and guidelines for these concessions.
4. Institutional strengthening of the Elephant Coast Development Agency to facilitate and monitor the DTMP process in the Matutuine District through the provision of equipment, training, operating costs technical advisory and other services.
5. Preparation of a District Tourism Master Plan for each Sussundenga, Matutuine, Vilanculo Districts as well as a single plan for the 6 Districts of the Great Limpopo TFCA in the Gaza Province through provision of technical advisory and other services and operating costs.
6. Carry of selected infrastructure works on the basis of the DTMP in the Matutuine and Vilanculo Districts, including, *inter alia*, street access or lighting, water towers, drainage, landfill, airstrip rehabilitation, boat jetty.

7. Provision technical advisory services and operating costs to acquire baseline information in Participating TFCAs and the Vilanculo District through: (a) preparation of spatial development plans (SDPs) by the application of a strategic environmental assessment (SEA) approach; (b) carrying out of baseline surveys of tourism enterprise and employment; and (c) stakeholder consultations, including, a stakeholder workshops for discussions of the draft SDP.

8. Provision of technical advisory services for community land delimitation in Participating TFCAs based on Land Law No. 19/97 of October 1, 1997 before the land registrar office.

9. Provision of technical and financial advisory services, including audits, for the monitoring and evaluation of Community Subprojects.

10. Provision of technical advisory services, as Community Broker, for (a) the development of community organizations or enterprise, (b) identification of potential private partnerships, and (c) preparation, implementation and monitoring of Community Subprojects.

11. Carrying out of Community Subprojects in the areas of, *inter alia*: (a) developing and implementing land and resources management plans; (b) livelihood activities linking tourism and conservation development through technical assistance, training, small infrastructure for activities such as vegetable farming, handicraft production, sustainable agriculture, and support for developing and marketing products based on sustainable use of abundant and resilient species; (c) training of employees, recruited within the community, by private operators of tourism or conservation facility in cofinancing with such operators; and (d) establishment of tourism or conservation commercial facility, such as lodges and game ranches, in joint venture with private investors.

12. Carrying out of the Process Framework for the tourism development through the provision of technical advisory services by national non-governmental organizations or consulting firms and community compensation scheme, as defined and negotiated, if and when community compensation are identified.

Part D: Protected Areas management

Supporting the identification, monitoring and protection of biodiversity assets within Protected Areas in the Participating TFCAs through:

1. Institutional strengthening of DNAC, through the retaining of one technical advisor, as well as provision of equipment, training and operating costs to support and coordinate activities such as surveys and monitoring, applied research, community-based conservation, managing concessions and other contracts with the private sector, and developing and maintaining tourism-related infrastructure.

2. Provision of technical advisory service and operating costs for conservation priority setting and planning in Participating TFCAs and for carrying out applied research to identify and monitor nationally and regionally important biodiversity assets and ecological linkages within the Participating TFCAs, and identify priority sites and interventions for protecting them.
3. Carrying out of the Process Framework for conservation of the TFCAs through the provision of technical advisory services by national non-governmental organizations or consulting firms and community compensation scheme, as defined and negotiated, if and when community compensation are identified.
4. Protected area creation and or modification through, *inter alia*: (a) review of boundaries for the Banhine and Zinave National Parks and for Maputo Special Reserve through the creation of a corridor, called the Futi corridor, connecting the Maputo Special Reserve to the Tembe Park and Ndumo Reserve both in South Africa; (b) provision of technical advisory services for the technical design of a new marine protected area in the Lubombo TFCA, as well as consultations and preparation of legal documents; and (c) carrying out of boundary demarcation where needed.
5. Provision of technical advisory services for Protected Area planning in Participating TFCAs such as design or updating of: (a) Protected Area management plans; (b) tourism plans; (c) business plans; and (d) specific organizational development mechanisms, such as mechanisms for enhancing financial sustainability.
6. Provision of technical advisory services, equipment, civil work and operating costs for implementation of management plans in Protected Area such as, *inter alia*: (a) organizational and financial management, personnel management, communication, tourism management, resource protection, ecological monitoring, training, and HIV/AIDS prevention; (b) improvement of management systems in close collaboration with local communities; (c) establishment of basic management for the proposed marine protected area in the Lubombo TFCA; (d) rehabilitation and limited construction of priority infrastructure which may include, *inter alia*, roads, offices, staff accommodation, gates, air strips, boreholes, power units and game fencing; (e) carrying out of tourism development plans including tendering, concessioning, monitoring, and information dissemination; (f) wildlife restocking; and (g) veterinary surveillance in and around the Limpopo National Park.

Part E: Project Management, Communications, and Monitoring and Evaluation

1. Project coordination and management through the provision technical advisory services to the TFCA Unit, complementary staff, equipment and operating costs.
2. Capacity building for project implementation through the provision of training on all relevant aspects of the project implementation including, *inter alia*, planning, monitoring and evaluation, procurement, financial management, safeguards, reporting.

3. Development and implementation of a multi-media communications strategy through provision of technical advisory services, communication equipment and operating costs for activities such as awareness campaign, public relation, or web page development.
4. Monitoring, evaluation and adaptive management through the implementation of a monitoring and evaluation program to track project implementation and performance indicators as described in the Monitoring and Evaluation Manual.
5. Support the development and implementation of policies and programs to combat HIV/AIDS within MITUR and the tourism sector at large.

* * *

The Project is expected to be completed by December 31, 2012.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with the "Guidelines: Selection and Employment of Consultants by World Bank Recipients" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 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 domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$200,000 equivalent per contract and works estimated to cost less than \$500,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods and works which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. Procurement from UN Agencies. Goods which the Bank agrees meet the requirements for Procurement from UN Agencies may be procured directly from Inter-

Agency Procurement Services Office (IAPSO) in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

5. Community Participation. Goods, works and services required for Part C and D of the Project may be procured on the basis of community participation in accordance with the provisions of paragraphs 3.17 of the Procurement Guidelines and the procedures described in the PIP.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services estimated to cost less than 200,000 per contract for assignments which the Bank agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection. Audits and services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Single Source Selection

Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. United Nations Agencies and Non-Governmental Organizations

Services for tasks in circumstances which meet the requirements of paragraph 3.15 or 3.16 the Consultant Guidelines for Selection of Particular Types of

Consultants, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. Commercial Practices. Items estimated to cost less than \$50,000 equivalent per contract and to be financed under Subprojects under Part C.11 of Schedule 2 to this Agreement, may be procured in accordance with commercial practices acceptable to the Bank as established under paragraphs 3.1 and 3.9 of the Consultant Guidelines.

7. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines.

Section IV. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods, works and services (other than consultants' services) estimated to cost the equivalent of \$200,000 or more procured on the basis of National or International Competitive Bidding or Direct Contracting; (b) the first two contracts for goods and thereafter each contract for goods estimated to cost the equivalent of \$200,000 or more procured on the basis of National or International Competitive Bidding or Direct Contracting; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (d) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more; (e) each contract for consultant services procured on the basis of Single-Source Selection; and (f) each terms of reference for contracts under Section II of this Schedule. All other contracts shall be subject to Post Review by the Bank.

SCHEDULE 4**Implementation****A. Overall Project Implementation****1. The Recipient shall:**

(a) Maintain the TFCA Unit within MITUR, throughout the period of implementation of the Project, with structure, functions and responsibilities, and with competent staff in adequate numbers and qualifications satisfactory to the Bank;

(b) Maintain the Tourism Facilitation Commission, throughout the period of implementation of the Project, with membership, mandate and procedures satisfactory to the Bank for the purposes of, *inter alia*, oversee the overall Project implementation, and provide advice and policy guidance and facilitate coordination among the Recipient's ministries and agencies.

2. Except as the Bank shall otherwise agree, the Recipient shall: (a) apply the criteria, policies, requirements and procedures set out in the Project Implementation Plan, Financial Procedure Manual, Procurement Manual, Monitoring and Evaluation Manual, and Community Enterprise Facility Manual; and (b) not amend, abrogate or waive, or permit to be amended, abrogated or waived, the Project Implementation Plan, Financial Procedure Manual, Procurement Manual, Monitoring and Evaluation Manual, and Community Enterprise Facility Manual, or any provisions thereof, in a manner which, in the opinion of the Bank may materially and adversely affect the implementation of the Project.

3. Without limitation upon the other provisions of this Agreement, the Recipient shall carry out the Project in accordance with the relevant Annual Work Program referred to in paragraph E.1 (b) of this Schedule.

B. Eligibility Criteria for Community Subprojects and Terms and Conditions for Financing**1. To be eligible for financing, a Community Subproject shall be:**

(a) for activities under Part C.11 of the Project described in the CEF Manual;

(b) initiated and identified by the Beneficiaries;

(c) appraised and carried out in accordance with the procedures and conditions set forth in the CEF Manual;

(d) economically, environmentally, socially and technically viable in accordance with the standards specified in the CEF Manual;

(e) in compliance with the standards set forth in the applicable laws and regulations of the Recipient relating to health, safety and environmental management; and

(f) satisfy any other requirements of eligibility specified in the CEF Manual, the Process Framework and the Project Implementation Plan.

C. Community Subproject Agreements

1. For carrying out Community Subprojects under part B.1 of this Schedule, the Recipient shall conclude an agreement with the appropriate representative of each Beneficiary, whereby the Recipient shall agree to provide to each Beneficiary goods, works and/or services, as the case may be, from the proceeds of the Credit, on a non-reimbursable basis, and on terms and conditions satisfactory to the Bank (the Community Subproject Agreement), including the eligibility criteria set forth in paragraph B of this Schedule and details of disbursement schedules and procurement procedures as set forth in Schedule 3 of this Agreement, details of any further environmental and social safeguards as may be needed, and the following additional terms and conditions:

(a) Require the TFCA Unit to ensure the execution of the Community Subprojects by the Beneficiaries with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards and practices, and maintain adequate records.

(b) The right of the Recipient to inspect by itself, or jointly with the Bank, if the Bank shall so request, the goods, works, sites, plants included in the relevant Community Subproject, the operations thereof and any relevant records and documents;

(c) Obtain from Beneficiary all such information, as the Bank shall reasonably request relating to the implementation of a Community Subproject, and the performance of the Beneficiary executing the Community Subproject;

(d) Suspend or terminate the right of the Beneficiary to benefit from the use of the goods, works or services under the Community Subproject upon failure by such Beneficiary to perform its obligations under the Community Subproject Agreement;

(e) Promptly inform the Recipient and the Bank of any condition which interferes or threatens to interfere with the progress of any Community Subproject under part B.1 of this Schedule, or the performance by the relevant Beneficiary of its obligations under the relevant Community Subproject Agreement;

(f) The Recipient shall exercise its rights under the relevant Community Subproject Agreement in such a manner as to protect the interests of the Recipient and

the Bank and to accomplish the purposes of the Credit, and, except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any of the Community Subproject Agreement, or any provision thereof; and

(g) The stipulation that in case of conflict between any Community Subproject Agreement and this Agreement, the latter shall prevail.

D. Environmental and Social Management Framework (ESMF), Process Framework (PF) and Resettlement Policy Framework (RPF)

1. Except as the Bank shall otherwise agree, the Recipient shall:

(a) Carry out or cause the Project to be carried in accordance with the environmental, social and resettlement guidelines, rules and procedures defined in the ESMF, the PF and the RPF (including the preparation and implementation of the appropriate action plans for compensation or resettlement, as the case may be, in accordance with the PF and the RPF, said plans to be in form and substance satisfactory to the Bank); and

(b) Not amend or waive, or permit to be amended or waived, the ESMF, the PF or the RPF, or any provisions thereof, in a manner which, in the opinion of the Bank may materially and adversely affect the implementation of the Project.

2. The Recipient shall ensure that: (a) all measures necessary for the carrying out of the ESMF, the PF and the RPF are taken in a timely manner; and (b) the progress reports referred to in paragraphs E.1(c) and F.2 of this Schedule shall include adequate information on monitoring the measures defined in the ESMF, the PF and the RPF.

3. The Recipient shall:

(a) prior to commencing any Community Subproject or any activity under Part D.6 of Schedule 2 to this Agreement and when required under the ESMF, carry out an environmental and social impact assessment in form and substance satisfactory to the Bank;

(b) in the event that an environmental and social impact assessment of a Community Subproject determines that such a Community Subproject, if carried out, would have in the opinion of the Bank a potential for adverse environmental impact, not approve such a Community Subproject until an appropriate action under the ESMF has been discussed and agreed upon by the Recipient and the Bank to mitigate such potential adverse impact; and

(c) thereafter cause the relevant Beneficiary to carry out such agreed mitigation action referred to in sub-paragraph (b) above.

4. Prior to commencing any Community Subproject involving involuntary resettlement or involuntary acquisition of land, the Recipient shall cause the relevant Beneficiary to prepare and implement appropriate action plan or plans, as the case maybe, for compensation or resettlement, in accordance with the Resettlement Policy Framework, such action plan or plans to be in form and substance satisfactory to the Bank.

E. Monitoring, Annual Work Program and Reporting

1. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare an Annual Work Program in form and substance satisfactory to the Bank, and furnish it to the Bank, on or about September 30 of each year, for a 12-month period starting the following January 1;

(c) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 30 of each year, an Annual Report (the Annual Report) integrating the results of the monitoring and evaluation activities performed pursuant to paragraph E.1 (a) of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review with the Bank, by April of each year, or such later date as the Bank shall request, the Annual Report, and thereafter act promptly and diligently in order to take, any corrective action deemed necessary to remedy any shortcoming identified in the implementation of the Project, or to implement such measures as may have been agreed between the Recipient and the Bank in furtherance of the objectives of the Project.

F. Midterm Review

1. The Recipient shall carry out, jointly with the Bank, not later than June 30, 2010 a comprehensive midterm review aimed at: (a) documenting progress toward achieving the Project objectives; (b) identifying and resolving obstacles to Project implementation; (c) adjusting, in agreement with the Bank, targets and corresponding programs to reflect progress achieved in the implementation of the Project as of the date of the review; and (d) an overall evaluation of the Project against the indicators set forth in Schedule 5 to this Agreement.

2. The Recipient shall not later than four weeks prior to the midterm review referred to in paragraph E.1 above, furnish to the Bank a midterm report, in such detail as the Bank shall reasonably request, including an evaluation of the progress achieved in the Project implementation.

3. Promptly after completing the midterm review, the Recipient shall take all measures required to fulfill the recommendations arising out of said review for the efficient completion of the Project and the achievement of the objectives thereof, with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank's comments thereon.

SCHEDULE 5

Performance Indicators

The performance indicators to be used for Project implementation are as follows:

Outcome indicators	Midterm	Closing
1. Numbers of local residents employed, formally and informally, in conservation & tourism in target districts	1,000	3,500
2. Amount, in US\$, of new private tourism or conservation-related investment leveraged as joint-venture with communities in target districts	100,000	2,000,000
3. Percentage increase over the baseline of bioindicator species (2 species per area) in Banhine National Park, Maputo Special Reserve and Chimanimani Special Reserve	5	10
4. Number of framework instrument developed and approved: 1. National Policy and Strategy for Conservation, 2. New or updated law for conservation of wildlife, protected area and TFCAs, 3. Regulations of the new law for wildlife, protected areas and TFCAs, 4. Completion of the Tourism Law's regulation, 5. Technical annex to the tourism providing guideline for tourism concessions, 6. Technical annex to the new wildlife, protected area and TFCA law providing guideline for concessions in Protected Area	3	6
5. Number of DTMP prepared in conformity with regional tourism and conservation overlays	1	3
6. Aggregate number bed of new tourism operations in targeted districts that are in conformity with DTMPs	700	1480

Change in score of management effectiveness of:

7.1. Zinave National Park	32	49
7.2. Banhine National Park	55	69
7.3. Maputo Special Reserve	60	78
7.4. Futi Corridor (proposed)	20	53
7.5. Maputo Marine Reserve (proposed)	12	36
7.6 Chimanimani Reserve	55	71