To: The Honorable Patrick Anthony Chinamasa  
Minister of Finance and Economic Development  
Ministry of Finance and Economic Development  
Harare  
Republic of Zimbabwe

Re: A-MDTF Grant No. TF016587  
Republic of Zimbabwe: Public Financial Management Technical Assistance Project

Honorable Minister:

In response to the request for financial assistance made on behalf of the Republic of Zimbabwe ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development and the International Development Association (collectively the "World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Analytical Multi Donor Trust Fund for Zimbabwe, proposes to extend to the Recipient a grant in an amount not to exceed two million two hundred forty thousand United States Dollars (U.S.$2,240,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and return it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this
Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Nginya Mungai Leneye
Country Manager for Zimbabwe
Africa Region

AGREED:
REPUBLIC OF ZIMBABWE

By: M\[4]ANAM\[4]A
Authorized Representative

Name: PATRICK ANTHONY CHINAMASA
Title: MINISTER OF FINANCE AND ECONOMY
Date: 02 MAY 2014

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
(5) Guidelines on “Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following additional terms have the following meanings:

(a) "Auditor General" means an appointed official responsible for auditing government departments and making an annual report.

(b) "CIFA" means country integrated fiduciary assessment.

(c) "General Ledger Accounting" means a module of the SAP which facilitates financial report generation.

(d) "IFMIS" means an information system that tracks financial events and summarizes financial information.

(e) "IT" means information technology.

(f) "PAC" means the public accounts committee in the Recipient’s parliament.

(g) "PFM" means public finance management.

(h) "PFM Group" means the group established within the Recipient’s ministry in charge of finance and economic development comprising key stakeholders such as the Accountant General, the Chairman of the State Procurement Board, the Deputy Auditor General, a Senior Officer of the President, the Deputy Clerk of Parliament and representatives from the development partners.

(i) "Project Implementation Unit" and "PIU", each means the unit established within the Recipient’s ministry in charge of finance and economic development for the purposes of coordinating the implementation of PFM reforms.

(j) "State Procurement Board" means the body that governs procurement in the Recipient’s territory.

(k) "Training" means the reasonable costs, which shall have been agreed by the World Bank, associated with the training and workshop participation of personnel involved in carrying out the Project, including travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop
materiales, and other costs directly related to training course and workshop preparation and implementation.

(1) "Work Program" means the work program for the Project referred to in Section 2.03(a) of this Annex, as said program may be updated from time to time in accordance with the provisions of said Section.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to help improve the quality and integrity of the Recipient’s public financial information and procurement. The Project consists of the following parts:

Part 1. Supporting the IFMIS

Carrying out a program of activities aimed at enhancing the IFMS, such activities to include: (a) the installation and configuration of the General Ledger Accounting module in SAP, (b) the provision of capacity building to the Recipient’s line ministries, provincial offices and districts on the use of the IFMIS; and (c) maintenance of the application software, database and related services to keep the IFMIS running.

Part 2. Supporting the Office of the Auditor General

Support the outsourcing and joint audits program of the Auditor General’s office by: (a) strengthening staff capacity and re-orientating both staff and stakeholders on the strategic direction of the office through the provision of training and technical advisory; (b) building more in-house capacity and skills to enable audit staff to plan, execute and report on the audit of the Recipient’s ministries and agencies; and (c) conducting training on IT auditing skills for auditors to carry out the audit of systems falling within their scope of activities, including specifically the IFMIS and the financial management systems used by other agencies.

Part 3. Increasing the Demand side of Accountability

Assisting the PAC with the 2012 audited consolidated financial statements for state owned enterprises through the carrying out of: (a) a PFM training for the members of the PAC, the clerks and other officials providing support to the PAC; (b) south-south co-operations activities to enhance capacity building and exposure to international good practice; and (c) capacity building and awareness creation workshops, and public financial accountability fora for the new members of parliament to foster good collaboration with the media, civil society and public interest groups.

Part 4. Support to Public Procurement

Supporting the State Procurement Board’s capacity building program by: (a) enhancing its procurement system pursuant to CIFA recommendations and constitutional requirements; and (b) improving the capacity of the Recipient’s line ministries to plan and carry out their procurement activities.
2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Project Implementation Unit in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** Without limitations upon the provision of Section 2.02 above:

(a) The Recipient shall, not later than one (1) month after Project Effective Date, prepare and submit to the World Bank for approval a draft program of activities and budget for the Project (“Work Program”), of such scope and detail as the World Bank shall have reasonably requested. Only those activities which are included in the Work Program expressly approved by the World Bank shall be eligible for financing out of the proceeds of the Grant. The Work Program may be revised as needed during Project implementation subject to the World Bank’s prior approval.

(b) Training shall be carried out on the basis of the Work Program, which shall, inter alia, identify: (a) particulars of the training envisaged; (b) the personnel to be trained; (c) the selection method of the institution or individuals conducting such training; (d) the institution conducting such training; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training.

(c) The Recipient shall, throughout Project implementation, maintain the PFM Group with mandate, composition and resources satisfactory to the World Bank to be responsible for the overall oversight of the Project.

(d) The Recipient shall, throughout Project implementation, maintain the PIU with mandate, composition and resources satisfactory to the World Bank as further set forth in the Project Implementation Manual, to be responsible for the day-to-day coordination of the Project.

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

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

2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.
(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. **Procurement**

(a) **General.** All consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section 1 of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”), in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Non-Consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
(ii) The following methods, other than International Competitive Bidding, may be used for procurement of non-consulting services for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(d) **Particular Methods of Procurement of Consultants' Services**

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Selection based on Consultants' Qualifications; (B) Single-source Selection of consulting firms; (C) Selection of Individual Consultants; and (D) Single-source procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Non-consulting services, consultants’ services and Training under the Project</td>
<td>2,240,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,240,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed $300,000 equivalent may be made for payments made prior to this date but on or after January 15, 2014.
3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is September 30, 2014.

### Article IV

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister in charge of finance.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Minister of Finance and Economic Development  
Ministry of Finance and Economic Development  
6th Floor, Block B, Composite Office Building  
Cnr. Samora Machel Avenue/4th Street  
P/B 7705  
Causeway  
Harare  
Republic of Zimbabwe

Telephone: 263-4-250967  
Facsimile: 263-4-792750

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD  
Telex: INDEVAS  
Facsimile: 248423 (MCI) or 64145 (MCI)