October 19, 2010

CONFORMED COPY

His Excellency
Juan Temistocles Montas
Ministro
Ministerio de Economía, Planificación y Desarrollo
Palacio Nacional
Avenida México, Esq. Dr. Delgado
Santo Domingo
República Dominicana

Dra. Lcelott Marte de Barrios
Presidenta
Cámara de Cuentas de la República Dominicana
Edificio Manuel Fernández Mármol
Av. 27 de Febrero Esq. Calle Abréu
Santo Domingo
República Dominicana

Re: Dominican Republic: IDF Grant for Improving Performance Accountability by Strengthening the Dominican Republic Supreme Audit Institution Project
Grant No. TF097834

Dear Sir and Madam,

In response to the request for financial assistance made on behalf of the Tribunal de Cuentas (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”) proposes to extend to the Recipient, for the benefit of the Dominican Republic, acting through its Ministerio de Economía, Planificación y Desarrollo (“Member Country”), a grant from the World Bank’s Institutional Development Fund (“IDF”) in an amount not to exceed two hundred ninety-nine thousand, nine hundred eighty United States Dollars (U.S.$299,980) (“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”).

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 the authorized officials of the Recipient and the Member Country sign and date the enclosed copy of this
Agreement, and returning 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as of the date of the second countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank,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

By /s/ Yvonne M. Tsikata
Director
Caribbean Country Management Unit
Latin America and the Caribbean Region

AGREED:

DOMINICAN REPUBLIC
(Acting through its Ministerio de Economía,
Planificación y Desarrollo)

By /s/ Juan Temistocles Montas
Authorized Representative

Title: Ministro de Economía, Planificación y Desarrollo

Date: October 26, 2010

CAMARA DE CUENTAS

By /s/ Licelott Marte de Barrios
Authorized Representative

Title: Presidenta Cámara de Cuentas

Date: October 26, 2010

Enclosures:


Article I

Standard Conditions; Definitions


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.

Article II

Project Execution

2.01. Project Objectives and Description. The objectives of the Project are to: (a) strength the institutional capacity of the Recipient, in fulfillment of its constitutional mandate as the Member Country’s supreme audit institution, to improve the efficiency and quality of the public financial management systems; (b) improve the Recipient’s capacity to perform external audits within the new public financial management framework to enhance the transparency and accountability of the Member Country’s public entities; and (c) enhance communication strategies to improve the trust of Civil Society in the Recipient’s role as the Member Country’s oversight body. The Project consists of the following parts:

Part 1: Enhancing Professional Qualification for Auditing

(a) Provision of technical assistance to: (i) introduce information technology-based productivity-enhancement tools to increase audit coverage; (ii) define audit plans to ensure that risk prone entities and functions are covered annually; and (iii) carry out training and workshops activities for the Recipient’s staff to ensure the proper use of the productivity-enhancement tools and the implementation of audit plans.

(b) (i) development and implementation of a training program for the Recipient’s staff aimed at building capacity in areas requiring high technical expertise, including, inter alia, the following: (A) the management of the national integrated financial management system (“SIGEF”), (B) the management of automated auditing systems; and (C) the use of advance audit skills to address complex aspects of the public auditing process; and

(ii) carrying out of a training session to certify fifteen (15) participants as trainers.

(c) (i) Carrying-out of training workshops, open to all public sector auditors, in areas requiring high technical assistance expertise including, inter alia, the following: (A) the international financial reporting standards (“IFRS”); (B) the international standards on auditing (“ISA”), the international federation of accountant’s (“IFAC”)
ethics code; (C) the carrying out of financial and performance audits; and (D) the improvement of audit investigative techniques, to facilitate the adoption of the international public sector auditing standards (“IPSAS”);

(ii) development of materials and training manuals; and

(iii) carrying out of a training session to certify fifteen (15) auditors as trainers on international audit standards.

Part 2: Organizational Review and Institutional Restructuring

Provision of technical assistance to support the Recipient’s institutional reform, including, *inter alia*:

(a) review of the Recipient’s internal regulations, operational manuals and procedures;

(b) drafting of new regulations, operational manuals and procedures aligned with the Recipient’s organizational reforms and the new public financial management (“PFM”) framework;

(c) development of recommendations to incorporate modern managerial practice in support of the Recipient’s function as the Member Country’s oversight body;

(d) presentation of the recommendations and revised internal regulations, operational manuals and procedures to the plenary members of the Recipient for approval;

(e) publication and circulation of the recommendations, approved internal regulations, operational manuals and procedures to the Recipient’s staff; and

(f) dissemination, with the implementation of a publication software, of the approved internal regulations, operational manuals and procedures among civil society organizations to engage them in social audits.

Part 3: Raising the profile of the Chamber of Accounts

(a) (i) provision of technical assistance to develop a communications strategy in coordination with entities associated with law enforcement of administrative rules and regulations to: (A) assist the Recipient to implement an information dissemination campaign; (B) implement results-oriented inter-institutional agreements; and (C) enhance information sharing, disclosure and dissemination of annual reports; and

(ii) provision of training to the Recipient’s staff for the implementation of the communications strategy.

(b) Provision of technical assistance to:

(i) foster inter institutional programs with stakeholders in the demand and supply side of the Recipient’s audit services, promoting transparency and accountability through the execution of inter institutional agreements;
(ii) revise and, if necessary, amend existing inter-institutional agreements; and

(iii) disseminate Project results in a booklet to be distributed to the Recipient’s staff, the Member Country’s legislative body, the Member Country’s executive branch and members of civil society interested in public financial management reforms, transparency and accountability.

(c) (i) provision of technical assistance to develop a user-friendly, informative and functional website for the Recipient, including relevant information, interactive functions and security enhance modules to handle complains and denounces submitted through the website; and

(ii) carrying out of training for Recipient’s staff to ensure proper use of the security features, software and hardware installed to manage the website.

Part 4: External Audit

Carrying-out of an audit of the Grant 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 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 (“Anti-Corruption Guidelines”), with the modifications set forth in the Appendix to this Agreement; and (c) this Article II.

2.03. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than forty five days after the date of such request.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) At least ninety (90) audits have been submitted and published in the Recipient’s website and have been submitted or reviewed by the Member Country’s legislative body by December 31, 2013.

(ii) The Recipient’s bureaucratic layers have been reduced up to four levels of authority and to no more than thirty (30) offices/functions (either line or staff) in line to the Recipient’s organizational structure and its value chain by December 31, 2011.

(iii) The Recipient undertakes audit investigations in at least ten percent (10%) of the cases received through the established public communication channels by December 31, 2011.
2.04. **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 semester, covering the semester, 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. Each audit of the Financial Statements shall cover the period of eighteen (18) months. The audited Financial Statements for each such period shall be furnished to the World Bank not later than four months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods, and 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 I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“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 1.16 of the Procurement Guidelines and paragraph 1.24 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 the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods**
(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of National Competitive Bidding subject to the following additional procedures:

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (A) Shopping; (B) Direct Contracting; (C) Established Private or Commercial Practices which have been found acceptable to the World Bank;

(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 may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection; (F) Established Private or Commercial Practices which have been found acceptable to the World Bank; (G) Selection of Service Delivery Contractors which have been found acceptable to the World Bank; (H) Selection of Individual Consultants; and (I) Sole 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: (a) Article III of the Standard Conditions; (b) this Section; and (c) 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:
For the purposes of this Section: (i) “Training and non-Consultant Services” means reasonable non-consultant expenditures incurred by the Recipient in connection with the carrying out of training activities under the Project, including costs of stakeholders consultations workshops, rental of training facilities catering, and training material; (ii) “Consultant Services” means consultant fees, travel costs and per-diem of consultants; and (iii) “Goods” will be used for equipment, software, publications, and non-training-related supplies and materials.

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.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.

**Article IV**

Termination

4.01. Termination for Lack of Implementation or Disbursement. This Agreement and all obligations of the parties under it shall terminate if the Grant has not been implemented or has not disbursed any funds by December 22, 2010, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article V**

Recipient’s Representative; Addresses

5.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its President.

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

Cámara de Cuentas de la República Dominicana

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### Table: Amount of the Grant Allocated (expressed in USD) and Percentage of Expenditures to be Financed (inclusive of Taxes)

<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) Consultant Services</td>
<td>$170,400</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Training and non-Consultants’ Services</td>
<td>$60,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods</td>
<td>$59,580</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Audit</td>
<td>$10,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>$299,980</strong></td>
<td></td>
</tr>
</tbody>
</table>
5.03. **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  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable: INTBAFRAD  
Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391
APPENDIX

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“…(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“…(a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”
“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”