July 19, 2010

His Excellency Aiuba Cuereneia
Minister of Planning and Development
Ministry of Planning and Development
C.P. 493 21 Av. Ahmed Sekoo Toure
Maputo, Republic of Mozambique

Re: REPUBLIC OF MOZAMBIQUE: Multi Donor Trust Fund Grant for the Republic of Mozambique’s Extractive Industries Transparency Initiative (Grant No. TF096920)

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Mozambique (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”), acting as administrator of grant funds provided by Australia, Belgium, Canada, the European Union represented by the European Commission, Finland, France, Germany, the Netherlands, Norway, Spain, the United Kingdom, and the United States of America (the “Donors”) to the Extractive Industries Transparency Initiative (“EITI”) Implementation Support Facility, proposes to extend from the Multi-donor Trust Fund for EITI Implementation Support (“TF053509”) to the Recipient, a grant in an amount not to exceed three hundred seventy five thousand United States Dollars (U.S.$375,000) (“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. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds 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 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 countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Olivier Godron
Olivier Godron
Acting Country Director for Mozambique
Africa Region

AGREED:

REPUBLIC OF MOZAMBIQUE

By ______________________________
Authorized Representative
Name /s/ Aiuba Cuereacia
Title  Minister of Planning and Development
Date: __________________________

Enclosures:

Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 1, 2008 (“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) “EITI” means the extractive industries transparency initiative;

(b) “EITI Secretariat” means the secretariat to be established by the Recipient and responsible for the day to day implementation of EITI activities in Mozambique;

(c) “Ministry of Mineral Resources” or “MIREM” means the Recipient’s ministry responsible at the time responsible for mineral resources; and

(d) “Mozambique EITI Coordination Committee” or “MECC” means the committee appointed by the United Republic of Tanzania, to oversee the EITI related activities in Mozambique.

Article II

Project Execution

2.01. **Project Objectives and Description.** The objective the Project is to ensure increased transparency of payments and revenues from the mining and gas sectors and to promote greater transparency and accountability in the operations of extractive industries in Mozambique.

The Project consists of the following parts:

(a) **Operational and Implementation Support**

Establishment of an EITI Secretariat through the provision of technical advisory services and operational support to: (a) assist MECC on the decision making process related to EITI activities in Mozambique; (b) assist in the procurement of the EITI reconciler and a validator, including supporting their work; and (c) arrange stakeholder meetings, manage EITI web site, and facilitate in coordination and implementation of outreach and communications activities.

(b) **Data Collection and Preparation of EITI Report**

Facilitating the discussion on the scope and substance of the first EITI report, helping to formulate the terms of reference of the EITI report reconciler, including preparation of design and
data collecting/reporting templates, and providing input to the discussions based on good practices available globally.
(c) Capacity Building

Carrying out a workshop outside of Maputo to build the capacity of participating stakeholders on EITI related issues.

(d) Dissemination and Awareness Campaign

Assist in the dissemination of the EITI and validation reports through: (i) establishment of EITI website; and (ii) carrying out capacity building workshops and communications and outreach 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 MIREM 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”) and (c) this Article II.

2.03. Institutional and Other Arrangements.

The Recipient shall:

(a) not use the proceeds of the Grant for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import, to the Recipient’s knowledge or belief, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions;

(b) maintain until completion of the Project: (i) the MECC responsible for the overall coordination and oversight of the implementation of the Project; and (ii) establish and thereafter maintain, the EITI Secretariat, with staffing, resources and operation satisfactory to the World Bank, responsible for the day-to-day implementation of the Project; and

(c) recruit an external auditor for the Project within four (4) months of Effective Date of this Agreement, in a manner satisfactory to the World Bank, and in accordance with the provisions of Section 2.07 of this Agreement.

2.04. Donor Visibility. (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.

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 the indicators set forth in the Attachment to this Agreement. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month 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 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 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 (excluding paragraph 1.16) 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; and

(ii) Sections I (excluding paragraph 1.24) 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.

(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**

Goods shall be procured under contracts awarded on the basis of Shopping.

(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 the Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: ((A) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection; (D) Selection of Individual Consultants; and (E) Sole Source Procedures for the Selection of Individual Consultants.
(e)  Training and Workshop. Training and Workshop shall be procured in accordance with plans which shall have been approved by the World Bank prior to the training or the workshop, and which shall include: (i) details of the training or workshop to be carried out; (ii) date and duration; (iii) number of people attending the training or the workshop; (iv) number of consultants conducting the training or the workshop; (v) detailed cost; and (vi) procurement methods.

(f)  Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to Prior Review by the World Bank. 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) 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in U.S. Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ Services, Goods, Training and Workshop, and Operating Costs</td>
<td>375,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>375,000</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this paragraph, the term:

(a)  “Training and Workshops” means the reasonable cost of: (i) training materials and rental of training facilities and equipment; (ii) tuition fees, travel, accommodation and per diem of trainers and trainees; and (iii) any other expenses related to training (including study tours and workshops) to be carried out under the Project; and

(b)  “Operating Costs” means the incremental expenditures incurred on account of Project implementation for the production and printing of the EITI reports and the information campaign, including office furniture and supplies, publication costs, materials and equipment, local travel and per diems, communication and insurance costs, rental expenses and office maintenance costs, but excluding salaries of officials of the Recipient’s civil service.
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 May 31, 2012.

### 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 the Minister of Planning and Development.

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

   Ministry of Planning and Development  
   C.P. 4087  
   21 Av. Ahmed Sekou Touré  
   Maputo  
   Republic of Mozambique

   Cable address:       Telex:       Facsimile:  
   MEF                   257 MEF B1       +258-21492625

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

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

   Cable:        Telex:        Facsimile:  
   INDEVAS           248423 (MCI) or       1-202-477-6391  
   Washington, D.C. 64145 (MCI)
<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Indicative Date of Delivery (CY/Quarter)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESTABLISH EITI SECRETARIAT/SET-UP EITI and OPERATIONAL SUPPORT TO SECRETARIAT</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Establishment of the EITI Secretariat in properly equipped offices with needed PCs, office furniture, etc. | • Head of Secretariat to be recruited/on board by Q1, 2010.  
• Remainder of EITI Secretariat staff recruited/on board by Q2, 2010.  
• Secretariat equipment/furniture procured by Q3, 2010. |
| Discussion and agreement of scope of EITI report | • Agreement of scope of EITI report by EITI Coordination Committee by Q3, 2010 |
| Update of detailed national EITI work plan consistent with reporting deadline | • Work plan updated and endorsed by Coordination Committee in Q2, 2010. Further updates to be completed over the implementation timeframe, but at least once before end Q4, 2010. |
| **CAPACITY BUILDING & TRAINING** | |
| Design of capacity building events for EITI participants (CSOs, government, industry, MSWG members) completed | • Training workshop for all stakeholders, MECC members and EITI Secretariat in Maputo in Q2, 2010  
• Training workshop for all stakeholders (government, industry, civil society) in Q3, 2010 (outside Maputo). |
| Design and delivery of Communications Strategy (if in national work plan) – for on-going communications | • Production of dedicated Mozambique EITI web site by Q3, 2010.  
• Ongoing communications activities-newspaper articles, radio and TV spots, web-planned throughout, particularly in conjunction with training events. |
| **EITI REPORT PREPARATION and PRODUCTION** | |
| Formulate TOR for reconciliation firm completed and firm recruited | • TOR for EITI reconciler/auditor completed and tender for procurement of firm launched by Q3, 2010.  
• Reconciler/auditor recruited by Q2, 2010. |
| EITI Report completed and publicly disseminated including recommendations for improvement | • Final EITI report to Coordination Committee by mid Q1, 2011.  
• Approval of EITI report by Coordination Committee by Q1, 2011. |
| Disseminate EITI Report findings widely using various media meetings/workshops | • From Q1, 2011 |
| **VALIDATION** | |
| Formulate TOR for validation and recruit validator | • TOR for validator to be developed Q4, 2010.  
• Launch recruitment process for validator Q1, 2011 (using government processes). |