H. E. Aiuba Cuereneia
Minister of Planning and Development
Ministry of Planning and Development
Maputo
Republic of Mozambique

Re: EITI - MDTF Grant No. TF010226
Mozambique Phase II: EITI Implementation Project

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, Switzerland, the United Kingdom, and the United States (the “Donors”) under the Multi-Donor Trust Fund for Extractive Industries Transparency Initiative (EITI) Implementation Support Facility, proposes to extend to the Recipient a grant in an amount not to exceed three hundred fifty thousand United States Dollars (USD350,000.00) (“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 (the “Effective Date”).

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Laurence C. Clarke
Country Director
Angola, Mozambique, and São Tomé e Príncipe
Africa Region

AGREED:

REPUBLIC OF MOZAMBIQUE

By /s/ Aiuba Cuereia
Authorized Representative

Name _______________________
Title Minister
Date: ________________________

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
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, and the following additional terms have the following meanings:

(a) “EITI” means the extractive industries transparency initiative;

(b) “EITI Secretariat” means the secretariat established by the Recipient in its Ministry of Mineral Resources, responsible for the day to day implementation of EITI activities; and

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

Article II

Project Execution

2.01. Project Objectives and Description. The objective of the Project is to ensure increased transparency of payments and revenues from the mining, oil and gas sectors of the Recipient and to support the Recipient in reaching EITI complaint status.

The Project consists of the following parts:

Part A. Production of Scoping Report and Production of Second EITI Report

Support production of a scoping report and the second EITI report through: (i) providing technical support to determine payments and revenue streams to be covered in the second reconciliation report and identify the relevant companies and government agencies to participate in the second reconciliation exercise; (ii) facilitating training for staff of extractive companies and government agencies participating in reconciliation exercises; and (iii) technical assistance to produce a reconciliation report on payments made by extractive companies and revenues received by the Recipient’s agencies for the period of January 1, 2009 to December 31, 2009.
Part B.  Capacity Building

Provide capacity-building support through training and awareness raising workshops for: (i) civil society members on EITI; and (ii) community leaders residing around key mining areas to sensitize them to the EITI.

Part C.  Dissemination and Awareness Campaigns

Support dissemination and awareness creation campaigns of EITI through: (i) providing technical assistance to implement the Recipient’s EITI communication strategy; (ii) conducting campaign and outreach activities through TV, radio, newspaper articles, and circulation of flyers and posters; and (iii) printing and distributing the second EITI report.

Part D.  Operational Support

Support EITI Secretariat through providing office rental, utilities, and technical assistance and consultants’ services.

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 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03.  Institutional and Other Arrangements.

(a)  The Recipient shall maintain, at all times during the implementation of the Project, MIREM and the EITI Secretariat within MIREM, with mandate, functions, staffing, and resources satisfactory to the World Bank.

(b)  Without limitation to the provisions of Section 2.03. (a) of this Article II, the MIREM through the EITI Secretariat shall be responsible for day-to-day administration of overall planning, coordination, technical, fiduciary (i.e., procurement and financial management), coordination, monitoring, evaluation, reporting and communication activities under the Project.

(c)  The Recipient shall 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.
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 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 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 forty five 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 good, non-consulting services and 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 I 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 goods and 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 Goods and Non-consulting Services

Goods and non-consulting services 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 are specified in the Procurement Plan: (A) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection of consulting firms; (D) Selection of Individual Consultants; and (E) Single-source 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) 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.

<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) Consultants’ Services, Goods, Training and Workshop, and Operating Cost under the Project</td>
<td>350,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>350,000</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 employees 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 August 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 its minister responsible for development and planning.

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: MEF
Telex: 257 MEF B1
Facsimile: +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: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391