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

Re: REPUBLIC OF MOZAMBIQUE: Institutional Development Fund Grant for Capacity Building of the Mozambique Supreme Audit Institution  
IDF Grant Number: TF097535  

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 Bank for Reconstruction and Development ("World Bank") proposes to extend to the Recipient a grant from the World Bank’s Institutional Development Fund ("IDF") in an amount not to exceed four hundred forty six thousand two hundred fifty United States Dollars (U.S.$446,250) ("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 signing and dating the two (2) originals of this Agreement, and returning one (1) original to the World Bank. Upon receipt by the World Bank of one (1) signed and countersigned original, 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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received said one (1) signed and countersigned original of this Agreement within 90 days after the date of signature of this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/ Ricardo Costa Gazel  
Ricardo Costa Gazel  
Acting Country Director  
Angola, Mozambique, and Sao Tome e Principe  
Africa Region
AGREED:

REPUBLIC OF MOZAMBIQUE

By /s/ Aiuba Cuereneia
Authorized Representative
Name __ Aiuba Cuereneia __
Title __ Minister __
Date: __August 31, 2010__

Enclosures:

2. Disbursement Letter of even date, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
3. Guidelines: Procurement under IBRD Loans and IDA Credits, published by the Bank in May 2004 and revised in October, 2006 and May 2010
5. Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006
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 31, 2010 (“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 has the following meaning:

“TA” means *Tribunal Administrativo de Mozambique*

Article II

Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to assist the Recipient with its effort to develop the capacity for the TA to provide its audit staff with internationally accepted technical and professional training and certification. This would enable the TA to increase the effectiveness of its audits and contribute to increasing the transparency and accountability of the use of public funds in the Recipient’s territory. The Project consists of the following parts:

**Part 1: Identification of Needs, Gaps and Mitigating Measures**

(a) Assisting the TA in identifying skills and aptitude needed for each audit;
(b) carrying out a human resources gap assessment by reviewing existing skills mix of TA staff and comparing them with skill mix needed; and
(c) developing a capacity building plan for the TA and preparing terms of reference for the following professional education modules: (i) Financial; (ii) Performance; (iii) Information; (iv) Technology; (v) Public Works; and (vi) Procurement.

**Part 2: Establishment of Professional Mechanisms**

(a) Identification of professional education institutions to provide professional education modules to TA staff;
(b) development of a professional education curriculum and materials for TA;
(c) training of trainers from selected professional education institutions in the use of the professional education modules referred to in Part 1(c) above; and
(d) pilot testing two of the following professional education modules: (i) Financial; (ii) Information Technology; or (iii) Procurement Audit.
Part 3: Identification of Certifying Institute. Providing technical assistance in the identification process of appropriate auditing certifying institutions.

Part 4: Audit. Conducting three annual audits of the Grant activities at the end of each Recipient’s fiscal year during project implementation.

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 TA 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. Other Undertakings. Without limitation to provision of paragraph 2.02, the Recipient shall hire external auditors for the Project within three (3) months of effectiveness of this Agreement pursuant to terms of reference satisfactory to the Bank, and in accordance with the provisions of Section 2.06 of this Agreement.

2.04. 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 one (1) month after the date of such request.

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

(i) Professional education modules approved for all audit specialties;

(ii) contract with auditing certifying institution finalized;

(iii) the following trainers trained: (A) four (4) for financial audit; (B) two (2) for performance audit; (C) two (2) for procurement audit; (D) two (2) for information technology audit; and (E) two (2) for public works; and

(iv) training material produced for at least two (2) audit specialties.

(c) The Recipient shall, upon the World Bank’s request, 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 five (5) months after the Closing Date.

2.05. 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. Each such audit of the Financial Statements shall cover the period of twelve (12) months. The audited Financial Statements for
each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. **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; and


(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:

<table>
<thead>
<tr>
<th>(A) National Competitive Bidding, subject to the following additional provisions:</th>
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<td>(i) <strong>Eligibility.</strong> No bidder, foreign or domestic, shall be precluded from participating in the bidding process for reasons unrelated to their eligibility or capability to perform the contract. Examples of reasons that may not be used to preclude a bidder from so participating include the following: proof that the bidder is not under bankruptcy proceedings in the territory of the Recipient; appointment by the bidder of a local representative in the territory of the Recipient; prior registration by the bidder in the territory of the Recipient; or license or agreement allowing the bidder to operate in the territory of Recipient.</td>
</tr>
<tr>
<td>(ii) <strong>Qualification.</strong> Bidders shall be post-qualified unless the Procurement Plan explicitly provides otherwise. Irrespective of whether post qualification or prequalification is used, both national and foreign bidders who meet the qualification requirements stated in the bidding documents shall be allowed to participate in the bidding process.</td>
</tr>
<tr>
<td>(iii) <strong>Bidding Documents.</strong> Bidders shall use standard bidding documents for the procurement of goods, works and services, consistent with the provisions of the Procurement Guidelines.</td>
</tr>
<tr>
<td>(iv) <strong>Preferences.</strong> No preference for domestically manufactured</td>
</tr>
</tbody>
</table>


goods or for domestic contractors shall be allowed.

(v) **Bid evaluation.** The qualification criteria shall be clearly specified in the bidding documents, and all criteria shall be such that only such criteria so specified shall be used to determine whether a bidder is qualified; the evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. Evaluation of bids shall be made in strict adherence to the criteria set forth in the bidding documents; criteria other than price should be quantified in monetary terms. A contract shall be awarded to the qualified bidder offering the lowest technically evaluated bid. Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

(vi) **Rejection of All Bids and Re-bidding.** In cases where the Recipient rejects all bids and solicits new bids for a contract, it shall, as soon as possible, notify the World Bank of such decision.

(vii) **Complaints by Bidders.** Complaints by bidders shall be handled by the Recipient, who shall inform the World Bank of any such complaint.

(viii) **Right to Inspect/Audit.** Each bidding document and contract financed out of the proceeds of the Financing shall provide that the bidder, supplier or contractor, and any subcontractor, shall permit the World Bank, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have these accounts and records audited by auditors appointed by the World Bank. An act by the bidder, supplier, contractor or subcontractor intended to materially impede the World Bank’s exercise of its inspection and audit right constitutes an Obstructive Practice.
(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 World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Quality-Based Selection; (B) Least Cost Selection; (C) Single-source Selection; (D) Selection of Individual Consultants; and (E) 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 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:

<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) Goods</td>
<td>8,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services and audit</td>
<td>437,250</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>1,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>446,250</td>
<td></td>
</tr>
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</table>

For the purposes of this Section, the term “Training” means reasonable expenditures, based on an annual budget previously approved by the World Bank, (other than those for consultants’
services) incurred by the Recipient, to finance transportation costs and per diem of trainers and trainees and rental of training facilities needed for the implementation of the Project.

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 this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three (3) years after the date of countersignature of this Agreement by the Recipient.
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 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 Avenida 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 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
Modifications to the Anti-Corruption Guidelines

Section I 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.”