February 16, 2015

H. E. Adriano Afonso Maleiane
Minister
Ministry of Economy and Finance
Maputo
Mozambique

Excellency:

Republic of Mozambique: Building Gender Sensitive Social Protection and Labor Systems
Project Grant No. TF017054

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/International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Rapid Social Response Multi-Donor Trust Fund ("TF071370"), proposes to extend to the Recipient a grant in an amount not to exceed nine hundred thousand United States Dollars (U.S.$900,000) ("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 Donor[s] 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 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.

Sincerely,

Mark R. Lundell
Country Director
Mozambique, Comoros, Madagascar, Mauritius, and Seychelles
Africa Region

AGREED:

REPUBLIC OF MOZAMBIQUE

By: [Signature]
Authorized Representative

Name: Adriano Afonso Maleiane
Title: Minister of Economy and Finance
Date: 23.02.2015

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

1.01. **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 meaning:

(a) "Beneficiary" means poor and vulnerable individual/household, which has met the eligibility criteria specified in the Project Operational Manual (as hereinafter defined) and, as a result, has been extended, or is to be extended, a Subproject Grant (as hereinafter defined) for the carrying out of activities under Part B (i) of the Project; and Beneficiaries shall mean all such Beneficiaries collectively.

(b) "INAS" means National Institute for Social Action (Instituto Nacional de Acção Social), a public institution established and operating within the Recipient’s Ministry of Women and Social Action, created through the Recipient’s Decree-Law 28/97, whose mandate is to implement assistance programs and the promotion and development for reducing absolute poverty in Mozambique.

(c) "Operating Costs" means the incremental expenses incurred on account of Project implementation, including office furniture and supplies, vehicle operation and maintenance, insurance costs, designated account banking charges, rental expenses, communication, office maintenance costs, utilities, travel and per diem costs for Project staff, but excluding salaries of officials of the Recipient’s civil service.

(d) "Project Operational Manual" and “POM” means the Recipient’s Project Operational Manual, dated August 15, 2014, containing detailed arrangements and procedures for: (i) institutional coordination and day-to-day execution of the Project; (ii) Project budgeting, disbursement and financial management; (iii) procurement; (iv) monitoring, evaluation, reporting and communication; (v) administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project; and (vi) financing of Subprojects, including eligibility criteria and approval, disbursement, administration and monitoring arrangements for activities to be financed through the Subproject Grants.

(e) “Productive Social Action Program” and "PSAP" means the Recipient’s Program “Programa de Acção Social Produtiva” approved by the Recipient's Decree 52/2011 and intended to promote socio-economic inclusion to poor and vulnerable households with capacity to work, through two main components: (i) labor-intensive public works; and (ii) support to the development of income generating activities.

(f) "Subproject" means a set of specific activities carried out or to be carried out by a Beneficiary under the Project and financed or proposed to be financed through a Subproject Grant under Part B (i) of the Project.
“Subproject Grant” means a grant made or proposed to be made out of the proceeds of the Grant to a Beneficiary for the purpose of financing a Subproject under Part B (i) the Project.

“Subproject Grant Agreement” means an agreement entered into, or to be entered into, between INAS on behalf of the Recipient, and a Beneficiary, for the purpose of extending a Subproject Grant to such Beneficiary on the terms and conditions set forth or referred to in Section 2.03 (e) of the Annex to this Agreement, and in the Project Operational Manual.

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

Article II
Project Execution

2.01. *Project Objectives and Description.* The objective of the Project is to support the Recipient’s efforts to expand at the pilot level a scheme of income support mechanism to extremely poor vulnerable individuals, mainly women, through participation in the provision of social and community services as well as low physically demanding activities.

The Project consists of the following parts:

**Part A: Assessing Programmatic Options for Social and Community Service Delivery**

Support to: (i) identify a group of social and community services at district level to benefit from the Project in line with the Recipient’s Productive Social Action Program (PASP); (ii) assess the programmatic and operational needs of such network to benefit from PASP; and (iii) define a strategy and carry out sensitization and training activities at local level to engage such operations under PASP.

**Part B: Social and Community Services (Subprojects)**

Support to carry out: (i) Subprojects in selected urban and rural areas of the Recipient to provide temporary employment and income support to poor households; and (ii) serve as a safety net intervention to prevent and mitigate the impact of seasonal food insecurity as well as future shocks affecting poor household income and consumption.

**Part C: Assessing Program Operations and Results**

Support to carry out regular assessments of PASP operations and measure outcomes to complement current expansion of such program.

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 INAS 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) *Institutional*
The Recipient shall maintain INAS, at all times during the implementation of the Project, with staff in numbers and with functions and qualifications acceptable to the World Bank, for the purpose of effective and efficient implementation of the Project.

(b) **Project Operational Manual**

The Recipient shall carry out the Project in accordance with the guidelines and procedures set out in the POM (provided, however, that in case of any conflict between the arrangements and procedures set out in the POM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the World Bank shall otherwise agree, shall not amend, abrogate or waive any provision of the POM.

(c) **Subprojects**

The Recipient, through INAS, shall appraise, approve and monitor Subprojects under the Project, and administer in accordance with the provisions and procedures set forth or referred to in this section and in more detail in the Project Operational Manual.

(d) **Eligibility Criteria for Subprojects**

No proposed Subproject shall be eligible for financing out of the proceeds of the Grant unless the Recipient, through INAS, has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Operational Manual, that the proposed Subproject satisfies the eligibility criteria specified below and set forth or referred to in more detail in the Project Operational Manual, which shall include, inter alia, the following:

(i) the proposed Subproject activities shall fall within the areas described under the Project, and shall exclude any activities and expenditures specified as ineligible in the Project Operational Manual.

(ii) the proposed Subproject shall be initiated by a Beneficiary which has been registered as a legal entity and has the capacity to enter into a binding contract under the laws of the Recipient, and which has met the other eligibility criteria specified or referred to in the Project Operational Manual;

(iii) the Beneficiary has adequate technical, financial management and procurement capacity to implement the proposed Subproject in compliance with the guidelines set forth in the Project Operational Manual and the Anti Corruption Guidelines; and

(iv) the Beneficiary shall be eligible to receive subsequent Subproject Grant if it has completed the preceding Subproject to the satisfaction of INAS, in accordance with the terms of the Subproject Grant Agreement.

(e) **Terms and Conditions and Approval of Subprojects**

A Subproject shall be approved in accordance with the Project Operational Manual and carried out pursuant to the respective Subproject Grant Agreement, to be concluded between INAS, on behalf of the Recipient, and the respective Beneficiary, under terms and conditions described or referred to in more detail in the Project Operational Manual and satisfactory to the World Bank, which, inter alia, shall include the following:

(i) the description of the activities to be implemented, including the outputs and performance targets to be achieved, and the arrangements for monitoring and reporting on the implementation of the Subprojects;
(ii) the modalities of transfer of funds by INAS to the Beneficiary for the financing of the Subproject;

(iii) the obligation of the Beneficiary to: (i) carry out the Subprojects with due diligence and efficiency and in accordance with sound technical, engineering, environmental, financial, managerial practices, and the Anti-Corruption Guidelines; and (ii) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Subprojects;

(iv) the requirement that the goods, works and consultants’ services to be financed from the proceeds of the Grant shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with Project Operational Manual and provisions of 2.07 of the Annex to this Agreement, and shall be used exclusively in the carrying out of the Subproject; and

(v) the right of INAS, on behalf of the Recipient, to: (i) inspect by itself, or jointly with the World Bank, if the World Bank shall so request, the goods, works, sites, plants and construction included in the Subprojects, the operations thereof and any relevant records and documents; (ii) obtain all information as it, or the World Bank, shall reasonably request regarding the administration, operation and financial conditions of Subprojects; and (iii) suspend or terminate the right of any Beneficiary to use the proceeds of the Grant upon failure by the Beneficiary to perform any of its obligations under the respective Subproject Grant Agreement.

(f) Administration of Subproject Grant Agreements

INAS shall exercise its rights under the Subproject Grant Agreements in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Project, and, except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Subproject Grant Agreement or any substantial provision thereof.

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.

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 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 (1) 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 (6) 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, 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 one fiscal year of the Recipient. 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.

2.07. Procurement

(a) General. All goods 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:


(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 and revised in July 2014 (“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

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of National Competitive Bidding (“NCB”) subject to the following additional procedures:

(a) Eligibility. No restriction based on nationality of bidders or origin of goods shall apply; therefore, foreign bidders shall be allowed to participate in NCB without restriction and shall not be subject to any unjustified requirement which will affect their ability to bid such as, but not limited to, the proof that they are not under bankruptcy proceedings in the territory of the Recipient, or have a local representative in the country. Prior registration, obtaining a license or agreement shall not be a requirement for any bidder to participate in bidding procedures.

(b) Qualification. Post-qualification shall be used unless explicitly provided for otherwise in the procurement plan. Irrespective of whether post qualification or prequalification is used, eligible bidders (both national and foreign) shall be allowed to participate.
(c) **Bidding Documents.** Procuring entities shall use standard bidding documents, in form and substance satisfactory to the World Bank, for the procurement of goods, works and services.

(d) **Preferences.** No domestic preference shall be given for domestic bidders and for domestically manufactured goods.

(e) **Bid Evaluation.** (i) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only 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; (ii) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents; criteria other than price should be quantified in monetary terms; (iii) A contract shall be awarded to the qualified bidder offering the lowest technically responsive evaluated bid; and (iv) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

(f) **Rejection of All Bids and Re-Bidding.** All bids shall not be rejected and new bids solicited without the World Bank’s prior concurrence.

(g) **Complaints by Bidders and Handling of Complaints.** The Recipient shall establish an effective and independent protest mechanism allowing bidders to protest and to have their protest handled in a timely manner.

(h) **Right to Inspect/Audit.** Each bidding document and contract financed from the proceeds of the Financing shall provide that the suppliers, contractors and subcontractors 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 said accounts and records audited by auditors appointed by the World Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to an Obstructive Practice.

(i) **Fraud and Corruption.** The World Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the World Bank, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank.

(j) **Bidding Period Duration.** The duration of bidding procedures for NCB shall not be less than 28 days (4 weeks).

(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; and (C) Community Participation procedures 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) 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 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.

<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, consultants’ services, Operating Costs, and Training and Workshops under Parts A, B (ii), and C of the Project</td>
<td>400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Subprojects under Part B (i) of the Project</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>900,000</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:

(a) payments made prior to the date of countersignature of this Agreement by the Recipient; or

(b) under Category (2) until the Recipient, through INAS, shall have entered into at least two Subproject Grant Agreements with the selected Beneficiaries for the purpose of financing of Subprojects under Part B (i) of the Project, in form and substance satisfactory to the World Bank.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is May 6, 2016.

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 at the time responsible for planning and development.

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

Minister of Planning and Development
Ministry of Planning and Development
Caixa Postal 4087, 21 Av. Ahmed Sekou Touré
Maputo, Republic of Mozambique
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: Telex: Facsimile:
INTBAFRAD INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)