January 9, 2014

H. E. Soares Sambu
Minister of Economy and Regional Integration
Ministry of Economy and Regional Integration
Avenida Combatentes da Liberdade da Pátria
Palácio do Governo, Caixa Postal no. 6
Bissau
Republic of Guinea-Bissau

Re: Republic of Guinea Bissau: Advance Agreement for the Preparation of the Proposed Additional Financing for the Rural Community Driven Development Project (Project Preparation Advance No. Q8990)

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Guinea Bissau ("Recipient"), I am pleased to inform you that the International Development Association ("IDA" "World Bank") proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed six million United States Dollars ($6,000,000) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed Additional Financing for the Rural Community Driven Development Project to support the Recipient’s efforts to increase access to priority basic social and economic infrastructures and services in participating communities in at least two regions of the Recipient’s territory ("Project"), for the carrying out of which the Recipient has requested the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of the World Bank to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of 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 return it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date specified by the World Bank in accordance with Section 5.02 of the Annex to this Agreement.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Marie-Chantal Uwanyiligira
Acting Country Director
Republic of Guinea-Bissau
Africa Region

AGREED AND CONFIRMED:

REPUBLIC OF GUINEA-BISSAU

By
Authorized Representative
Name: Joanes Sambu
Title: MINISTRY OF ECONOMY AND REGIONAL INTEGRATION
Date: 17 Jan 2014

Enclosures:

(2) Disbursement Letter for the Advance 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 (as defined in the following Section 1.02 of this Annex) 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 shall have the following meanings:

   (a) "Anti-corruption Guidelines" means 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.

   (b) "Consultants' Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.

   (c) "Folha Única" means the unified payroll list prepared by the Recipient under the Advance, validated by the Recipient’s ministries responsible for finance, education, health and public administration and certified by the Project internal auditor within the Project Coordination Unit and satisfactory to the World Bank listing Teachers and Health Workers.

   (d) "Health Workers" means civil servants working in the Recipient’s public health sector and listed at the Folha Única.

   (e) "MERI" means the Recipient’s Ministry of Economy and Regional Integration.

   (f) "Operating Costs" means the reasonable incremental expenses incurred in connection with Project implementation, including: (i) consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, travel, lodging and per diems; and (ii) salaries of Teachers and Health Workers listed at Folha Única, audits and fees of payment agents in charge of carrying out the payment of Teachers and Health Workers’ salaries but excluding salaries of officials of the Recipient’s civil service,

   (g) "Procurement Guidelines" means 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.

   (h) "Project Coordination Unit" means the Project Coordination Unit within MERI, with staff, terms of reference, mandate and resources satisfactory to IDA; including, a project coordinator, a financial management specialist, a senior accountant, a procurement specialist, a monitoring and evaluation specialist, a safeguard specialist and administrative staff; each with qualifications, experience and terms of reference satisfactory to the World Bank in accordance with the provisions of Section 2.05 of the Annex to this Agreement.
(i) "Project Implementation Manual", means the Recipient’s Project implementation manual, dated March 2013, and updated under this Advance, in form and substance satisfactory to the World Bank, containing or referring to detailed arrangements and procedures for the implementation of the Project, including inter alia, in relation to: (i) day-to-day execution of the Project; (ii) disbursement and financial management; (iii) procurement; (iv) monitoring, evaluation and reporting; (v) procedures, measures and guidelines for the social and environmental management and implementation of the relevant frameworks; (vi) detailed eligibility criteria for the selection of the communities to benefit from activities under the Project and for the development of community development plans; (vii) detailed eligibility criteria, implementation arrangements, supervision and community participation for the micro-projects; (viii) detailed procedures to carry out salary payments to Teachers and Health Workers listed at Folha Única; and (ix) such other administrative, accounting, financial, technical and organizational arrangements and procedures as shall be required for the Project, as such manual may be amended from time to time with the prior written agreement of the World Bank, and such term includes any schedules and annexes of said manual.


(k) “Teachers” means civil servants and contractor employees working in the Recipient’s public education sector and listed at the Folha Única.

Article II
Execution of the Activities

2.01. Description of the Activities. The Activities for which the Advance is provided consist of the following:

(a) Setting up of a payment system for salary transfers to individual bank accounts of selected Health Workers and Teachers; and

(b) Carrying-out of education and health programs through the provision of resources for payment of salaries of Health Workers and Teachers.

2.02. Execution of the Activities Generally. The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through the Project Coordination Unit established within MERI in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the Anti-Corruption Guidelines.

2.03. Monitoring, Reporting and Evaluation of the Activities. The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.
2.04. **Financial Management.**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities 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 2.09 (b) of the Standard Conditions.

(i) If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.

(ii) If, by the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, such audit of the Financial Statements shall cover the period of the Advance, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of the Recipient’s fiscal year in which the Refinancing Date occurs.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) of this Section, the World Bank may request an audit of the Financial Statements prior to the Refinancing Date, covering such period as is indicated in its request. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.05. **Procurement**

(a) **General.** All goods, non-consulting services and consultants’ services required for the Activities and to be financed out of the proceeds of the Advance 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 Activities 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

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping; and (C) Direct Contracting.

(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, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality Based Selection; (b) Least Cost Selection; (c) Selection based on Consultants’ Qualifications; (d) Single-source Selection of consulting firms; (e) Selection of Individual Consultants; and (f) 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.

Article III
Withdrawal of the Advance

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) 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 each category of Eligible Expenditures that may be financed out of the proceeds of the
Advance ("Category"), the amount of the Advance allocated 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 Advance Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (Inclusive of Taxes)</th>
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</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants’ services, and Operating Costs</td>
<td>6,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,000,000</td>
<td></td>
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</tbody>
</table>

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. Refinancing Date. The Refinancing Date is March 15, 2014.

Article IV
Terms of the Advance

4.01. Refinancing under the Refinancing Agreement: If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be paid to the World Bank as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of such amount of the Refinancing Proceeds, in accordance with the provisions of the Refinancing Agreement.

4.02. No Repayment in the absence of a Refinancing Agreement: Notwithstanding any provision to the contrary in the Standard Conditions, if, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then the Recipient shall not be obligated to repay the Withdrawn Advance Balance.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied in a manner and in form and substance satisfactory to the World Bank:

(a) The Recipient has completed the Folha Única, as referred to in Section 1.02 (c) of the Annex to this Agreement, in form and substance satisfactory to the World Bank.
The Recipient has recruited an internal auditor to the Project Coordination Unit, with terms of reference satisfactory to the World Bank, and selected in accordance with the provisions of Section 2.05 of the Annex to this Agreement.

The Recipient has updated the Project Implementation Manual, as referred to in Section 1.02 (i) of the Annex to this Agreement, with detailed procedures to carry out salary payments to Health Workers and Teachers under the Project, in form and substance satisfactory to the World Bank.

5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Advance Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03. Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement, 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 VI
Recipient’s Representative; Addresses

6.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is the Recipient’s minister responsible for economy and regional integration.

6.02. Recipient’s Address. The Recipient’s Address referred to in Section 9.01 of the Standard Conditions is:

Ministério da Economia e Integração Regional
Avenida Combatentes da Liberdade da Pátria
Palácio do Governo, Caixa Postal no. 6
Bissau
Republic of Guinea-Bissau

Phone: (245) 6801-032
6.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 9.01 of the Standard Conditions is:

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

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<th>Facsimile:</th>
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<td>INDEVAS</td>
<td>248423 (MCI) or</td>
<td>1-202-477-6391</td>
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