February 27, 2013

H. E. Dr. Nkosazana Dlamini-Zuma
Chairperson
African Union Commission
Roosevelt Street
P.O. Box 3243
Addis Ababa
Ethiopia

Re: African Union Commission: Building Capacity for a Results-Oriented Engagement between African Union Commission and Regional Economic Communities - World Bank Supported Economic Development Areas Project

DF Grant No. TF014039

Excellency:

In response to the request for financial assistance made on behalf of the African Union Commission ("Recipient" or "AU Commission"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") proposes to extend to the Recipient for the benefit of AU Member States ("AU Member States"), a grant from the World Bank’s Institutional Development Fund ("IDF") in an amount not to exceed one million United States Dollars (U.S.$1,000,000) ("Grant") or 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 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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World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

Kim Yong Kim
President
World Bank

AGREED:
AFRICAN UNION COMMISSION

By ___________________________
H. E. Dr. Nkosazana Dlamini-Zuma
Chairperson
February 27, 2013

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"), with the modifications set forth in Section II of the Appendix to this Agreement, 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 (including the Appendix to this Agreement) (as the case may be).

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to enhance institutional capacity for collaboration between the Recipient and the Regional Economic Communities ("RECs") to advance on growth and development in AU Member States.

The Project consists of the following parts:

Component 1: Stakeholder Consultations and Development of a Results Oriented Engagement Framework

Development of a results oriented engagement framework to facilitate the monitoring of regional development programs, through: (a) carrying out stakeholder consultations and reviewing the existing information sharing arrangements between AU Commission, RECs, and selected stakeholders; (b) identifying opportunities and constraints of information flows including preparation of an integrated policy framework.

Component 2: Pilot Test of Results Orientated Engagement and Knowledge Outreach

Pilot testing a program for result-oriented engagement between the AU Commission and participating RECs on regional development programs, through carrying out: (a) workshops to discuss key sectors on priority areas of investments and or policy development; and (b) capacity building activities on selected areas including technical visits by the AU Commission's staff and participating stakeholders to sister organizations within and outside Africa.

Component 3: Capacity Development, Communication, and Project Monitoring and Evaluation

Carrying out capacity building activities for AU Commission and RECs selected staff to use result oriented engagement information, channels, and networks, through: (a) designing of engagement training modules; (b) carrying out workshops for the selected participants on engagement and outreach concepts and methods; (c) supporting communication and dissemination for the Project; (d) procurement of media and survey tools; and (e) supporting monitoring and evaluation activities and audits for the Project.
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 its offices of chairperson and the deputy chairperson 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.** Without limitation to the provisions of Section 2.02 of this Annex to the Agreement, the Recipient shall maintain, at all times during the implementation of the Project, at its chairperson and deputy chairperson's offices, staff in numbers and with qualifications, experience, and functions acceptable to the World Bank, for the purpose of effective and efficient implementation of the Project.

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 indicators acceptable to the World Bank. 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 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 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.

2.06. **Procurement**

(a) **General.** All goods, 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 Procurement Guidelines, in the case of goods and non-consulting services;
(ii) Sections I and IV of the 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.

(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 assignments as specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) 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 Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) Article III of the Standard Conditions; (b) this Section; and (c) such additional instruction 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 allocation 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>75,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services (including audits, travel, and per diem)</td>
<td>515,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>410,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,000,000</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 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 three (3) years after the date of countersignature of this Agreement by the Recipient.

Article IV
Additional Remedies

4.01. Additional Event of Suspension. The Additional Event of Suspension consist of the following, namely that the Constitutive Act establishing Africa Union or the AU Commission shall have been amended, abrogated, repealed, or waived so as, in the opinion of the World Bank, to materially or adversely affect the ability of the Recipient to perform any of its obligations in the pursuit of the objective of the Project.
Article V
Recipient’s Representative; Addresses

5.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Thai person.

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

African Union Commission
Roosevelt Street
P.O. Box 3243
Addis Ababa
Ethiopia

Facsimile: +251 11 552 5627

5.03. 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
Tele.: 248-23 (MCI) or 641-5 (MCI)
Facsimile: 1-202-477-6391
APPENDIX

Modifications to the Standard Conditions

I. Definitions

1. "African Union Commission" or "AU Commission" means the executive, administrative organ/secretariat of the African Union.

2. "African Union" or "AU" means the legal entity established through Article 2 of the Constitutive Act.


7. "Procurement Plan" means 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.

8. "Training" means the reasonable costs associated with training and workshop participation under the Project, consisting of travel and subsistence costs for training participants, costs (other than consulting services) associated with securing the services of trainers and presenters, rental of training facilities, translation and interpretation services, preparation and reproduction of training materials.

II. Modifications to the Standard Conditions

Paragraphs 17 and 18 of the Appendix (Definitions) to the Standard Conditions are modified to read as follows:

"17. "Member Country" means the member of the World Bank in whose territory the Project is carried out or any of such member's political or administrative subdivisions. If
the Grant is extended by the World Bank to such member as a party to the Grant Agreement, the term "Member Country" and "Recipient" refer to the same entity. If the Project is carried out in the territory of more than one member of the World Bank, "Member Country" refers separately to each such member.

18. "Project" means the Project for which the Grant is made. If the Project is carried out in the territory of more than one Member Country, "Project" refers separately to the Project of each such Member.