

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

CONFORMED COPY

November 7, 2011

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

***Republic of Mozambique: Rapid Response Multi-Donor Trust Fund
Piloting Public Works Program in Mozambique Project
Grant No. TF010612***

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/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 one million eight hundred thousand United States Dollars (U.S.\$1,800,000) (“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 Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds. Accordingly, in the event that any Donor cancels or fails to pay any contributions under the trust fund to the World Bank for any reason, or that as a result of currency exchange variations the amount of funds available in the trust fund is insufficient for the purposes of the Grant, the Recipient shall bear the risk of such funding shortfall and the World Bank shall not have any liability whatsoever to the Recipient or to any third parties in respect of any expenditures or liabilities incurred by the Recipient or any third parties in connection with this Agreement which exceed the amount of funds made available to the World Bank by the Donors for the purposes of the Grant.

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 specified by the World Bank in accordance with Section 4.02 of the Annex to this Agreement.

Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

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

AGREED:

REPUBLIC OF MOZAMBIQUE

By /s/ Aiuba Cuereneia
Authorized Representative
Name _____
Title Minister
Date: 30/11/11

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
- (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 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 terms have the following meaning:

- (a) “Beneficiary” means a public institution at the Recipient’s provincial or district level, established and operating under the laws of the Recipient, 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 Public Works Program Grant (as hereinafter defined) for the carrying out of a Public Works Program Subproject (as hereinafter defined).
- (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) “Environmental Management Plan” and “EMP” means each plan to be prepared and adopted by the Recipient pursuant to the ESMF (as hereinafter defined), as may be required, setting out the measures to be taken for the avoidance, minimization, mitigation and offsetting of potential adverse environmental and social impacts of the activities to be implemented under the Project, as each said plan may be amended and/or supplemented from time to time with the prior written concurrence of the World Bank.
- (d) “Environmental and Social Management Framework” and “ESMF” means the framework of the Recipient prepared for the Original Project, dated September 27, 2011, setting the policy framework, principles, standards, processes and institutional arrangements to be applied to assess potential adverse environmental and social impacts associated with Public Works Program Subprojects under the Project, and the ways to avoid, minimize, mitigate or offset them, including public consultation, disclosure and reporting, as the said framework may be amended and/or supplemented from time to time with the prior concurrence of the World Bank.
- (e) “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.

- (f) "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.
- (g) "Project Operational Manual" means and "POM" means the Recipient's Project Operational Manual referred to in Section 2.03 (b) of the Annex to this Agreement.
- (h) "Public Works Program" means the Recipient's program intended to provide timely and predictable transfers to selected adults belonging to extremely poor households by participating in Public Works Program Subprojects.
- (i) "Public Works Program Subprojects" 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 Public Works Program Subproject Grant.
- (j) "Public Works Program 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 Public Works Subproject under the Project.
- (k) "Public Works Program 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 Public Works Program 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.

Article II Project Execution

2.01. ***Project Objectives and Description.*** The objective of the Project is to design and implement the first phase of a labor-intensive Public Works Program as an effective tool to provide temporary income support to chronically insecure and food-insecure poor households.

The Project consists of the following parts:

Part A: Public Works Program

Supporting the design and implementation of a Public Works Program in selected urban and rural areas of the Recipient to provide temporary employment and income support to poor households, and serve as a safety net intervention to prevent and mitigate the impact of seasonal food insecurity as well as future shocks affecting poor households income and consumption, through: (i) designing a labor-intensive Public Works Program and improve its readiness for implementation; and (ii) financing of Public Works Program Subprojects.

Part B: Monitoring and Evaluation

Supporting the development of a monitoring and evaluation system to track Public Works Program progress and results and carrying out an impact evaluation 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 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 adopt a Project Operational Manual in form and substance satisfactory to the World Bank, 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) environmental and social safeguard procedures; (v) monitoring, evaluation, reporting and communication; (vi) administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project; (vii) financing of Public Works Program Sub-projects, including eligibility criteria and approval, disbursement, administration and monitoring arrangements for activities to be financed through the Public Works Program Sub-projects. 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) Public Works Program Sub-projects

The Recipient, through INAS, shall appraise, approve and monitor Public Works Program 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 Public Works Subprojects

No proposed Public Works Program 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 Public Works 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 Public Works Program 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 Public Works Program 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 Public Works Program 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 Public Works Program Subproject Grant if it has completed the preceding Public Works Program Subproject to the satisfaction of INAS, in accordance with the terms of the Public Works Program Subproject Grant Agreement.
- (e) Terms and Conditions and Approval of Public Works Program Subprojects

A Public Works Program Subproject shall be approved in accordance with the Project Operational Manual and carried out pursuant to the respective Public Works Program 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 Public Works Program Subprojects;
- (ii) the modalities of transfer of funds by INAS to the Beneficiary for the financing of the Public Works Program Subproject;
- (iii) the obligation of the Beneficiary to: (i) carry out the Public Works Program 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 Public Works Program 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 Public Works Program 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 Public Works Program 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 Public Works Program 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 Public Works Program Subproject Grant Agreement.

(f) Administration of Public Works Program Subproject Grant Agreements

INAS shall exercise its rights under the Public Works Program 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 Public Works Program Subproject Grant Agreement or any substantial provision thereof.

(g) Environmental Safeguards Provisions

The Recipient shall carry out the Project in accordance with the provisions of ESMF in a manner and substance satisfactory to the World Bank. Without limitation upon the provisions of this paragraph, the Recipient shall prepare and implement Environmental Management Plans in accordance with the ESMF, in form and substance acceptable to the World Bank, defining a program of actions, measures and policies to avoid, minimize, mitigate, and offset potential adverse environmental and social impacts, as a result of the carrying out of the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with said Environmental Management Plans. Except as the Recipient and the World Bank may otherwise agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the provisions of the ESMF and the Environmental Management Plans. In case of any conflict between the terms of the ESMF, EMP, and this Agreement, the terms of this Agreement shall prevail.

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 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 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 months after the end of such period.

2.07. **Procurement**

(a) General. All goods, works, 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 works;

(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 Works

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and works shall be procured under contracts awarded on the basis of National Competitive Bidding 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 Association, 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 Association'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 Association, 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 Association. 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 Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, 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 Association.

(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 and works 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.

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, and consultants' services under Parts A (i) and B of the Project	316,000	100%
(2) Goods, works, consultant services, Operating Costs and Training and Workshops for Public Works Program Subprojects under Part A (ii) of the Project	1,484,000	100%
TOTAL AMOUNT	1,800,000	

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 Public Works Program Subproject Grant Agreements with the selected Beneficiaries for the purpose of financing Public Works Program Subprojects under Part (A (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 September 28, 2012.

Article IV Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the Project Operational Manual referred to in Section 2.03 (b) of the Annex to this Agreement has been adopted by the Recipient in form and substance satisfactory to the World Bank.

4.02. 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 4.01 ("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 Grant 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.

4.03. *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 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 the minister at the time responsible for planning and development.

5.02. **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

Cable: Telex: Facsimile:
MEF 257 MEF B1 (258) 21492625

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/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)