**The World Bank** 1818 H Street N.W. (202) 477-1234

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT Washington, D.C. 20433 Cable Address: INTBAFRAD

INTERNATIONAL DEVELOPMENT ASSOCIATION U.S.A. Cable Address: INDEVAS

**CONFORMED COPY**

October 22, 2010

H. E. Jean Ping

Chairperson

African Union Commission

Addis Ababa

Federal Democratic Republic of Ethiopia

Re: Comprehensive Africa Agriculture Development Programme (CAADP) – African Union Commission

Grant No. TF097746

Excellency:

In response to the request for financial assistance made on behalf of the African Union, represented by the African Union Commission (“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 Multi-Donor Trust Fund for the Comprehensive Africa Agriculture Development Programme, proposes to extend to the Recipient a grant in an amount not to exceed four million United States Dollars (U.S.$4,000,000) (“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. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds 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.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Yusupha B. Crookes

By\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Yusupha B. Crookes

Director, Regional Integration

Africa Region

AGREED:

**AFRICAN UNION**

**(Represented by the AFRICAN UNION COMMISSION)**

By: /s/ Rhoda Peace Tumusiime

Authorized Representative

Name: Rhoda Peace Tumusiime

Title: Commissioner for the AU's Department of Rural Economy and Agriculture

Date: October 29, 2010

Enclosures:

1. Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
2. Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

**TF Grant No. TF097746**

**ANNEX**

# Article I

# Standard Conditions; Definitions

* 1. ***Standard Conditions.*** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 (“Standard Conditions”), with the modifications set forth in Section I of the Appendix to this Agreement, constitute an integral part of this Agreement.
  2. ***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 terms have the following meaning:

1.01. ***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 terms have the following meaning:

1. "African Union Commission’s Department of Rural Economy and Agriculture" or “DREA” means the department dedicated within African Union Commission for the development of agricultural sector and food security in AU Member States including regional economic communities.
2. "African Union Commission” or “AU Commission” means the executive, administrative organ/secretariat of the African Union.
3. “African Union Member States” means Algeria, Angola, Benin, Botswana, Burkina Faso, Republic of Burundi, Republic of Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Cote d'Ivoire, Democratic Republic of Congo, Congo Brazzaville, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Republic of Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Republic of Rwanda, Republic of São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Sahrawi Arab Democratic Republic, Zambia, and Zimbabwe.
4. “African Union” or “AU” means the union established through Article 2 of the Constitutive Act.
5. “Annual Work Plan and Budget” or “AWP&B” means the work plan referred to in paragraph 2.03(c) of the Annex to this Agreement.
6. “CAADP” means the agricultural programme of NEPAD, adopted by the AU in year 2003, with the objective to focus on improving food security, nutrition, and increasing incomes in African countries.
7. “Compacts” means the agreements to be entered into among Member States and Regional Economic Communities' technical, political and financial stakeholders to implement an agriculture and food security strategy; and “Compact” means individually each and any of the Compacts.
8. “Constitutive Act” means the Constitutive Act of the African Union, adopted by the AU Member States, on July 11, 2000, in Lome, Republic of Togo.
9. “NEPAD” means the New Partnership for Africa’s Development (NEPAD).
10. “Pillar” means one of the four thematic focus areas of CAADP.

**Article II**

**Project Execution**

2.01. ***Project Objectives and Description.*** The objective of the Project is to improve alignment of agricultural policies and increased political commitment to CAADP in AU Member States through improving the institutional and technical capacity of the African Union Commission.

The Project consists of the following parts:

**Part 1: Supporting African Union Commission Activities for CAADP Implementation**

1. Carrying out advocacy related activities at the country, regional, continental, and global level for CAADP implementation through: (i) participation in meetings & fora on agriculture; (ii) representing the AU community through participating in development partner meetings on agriculture related activities; (iii) supporting the Recipient’s efforts to align and harmonize development partner institutions with the CAADP framework; (iv) carrying out country visits to support CAADP teams and seek AU Member State engagement for CAADP implementation;   
   (v) supporting the capacity building activities of other CAADP support institutions such as NEPAD, regional economic communities and Pillar institutions; (vi) assisting in the review, endorsement, and signing of Compacts at the regional level; and (vii) supporting CAADP implementation within AU organs and structures.
2. Facilitating and supporting the CAADP related policy harmonization and coordination processes across the continent in partnership with national and regional economic organizations.
3. Carrying out resource mobilization activities in partnership with other CAADP support institutions at the regional and global level.
4. Establishing and managing CAADP partnerships and formal linkages between knowledge centers and pillar institutions and the AU structures.

*all of the above, through the provision of technical advisory services and training and workshops*

**Part 2: Capacity Building of AUC and DREA**

Strengthening the AUC and DREA’s management and operational capacity to carry out Part 1 of the Project, including their monitoring and evaluation capabilities, financial management, procurement, human resources, information and communication capabilities;

*all of the above, through the provision of consultant’s services, training and workshops, goods, and operating costs.*

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 AU Commission in coordination with DREA, 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 Section II of the Appendix to this Agreement; and (c) this Article II.

2.03. ***Institutional and Other Arrangements.*** (a) The Recipient shall maintain, throughout the implementation of the Project, AU Commission and DREA, with staff under terms of reference, and with qualifications and experience satisfactory to the World Bank.

(b) The Recipient shall:

(i) not later than two (2) months after the date of countersignature of this Agreement, establish a well functioning procurement filing system; and

(ii) not later than six (6) months after the date of countersignature of this Agreement, hire an external auditor under terms of reference and with qualifications and experience satisfactory to the World Bank.

(c) The Recipient shall:

(i) prepare an Annual Work Plan & Budget (AWP&B) for each fiscal year, setting forth, *inter alia,* a detailed description of activities for the following fiscal year; the sources and uses of funds; and responsibility for execution for the activities under the Project, budgets, start and completion dates, outputs, and monitoring indicators to track progress;

(ii) not later than November 1 of each fiscal year, furnish to the World Bank for its comments and approval, the draft AWP&B and, promptly thereafter, finalize the AWP&B taking into account the World Bank’s views and recommendations thereon; and

(iii) adopt and sign the final version of the AWP&B in the form approved by the World Bank not later than December 31 of such fiscal year.

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, take all measures within its mandate to assist the Donors’ in visiting any part of the Member State territory.

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 indicators agreed with 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 forty five (45) days 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 June 30, 2014.

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 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 Recipient shall ensure that 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. ***Procuremen*t**

(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;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“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 1.16 of the Procurement Guidelines and paragraph 1.24 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 the Procurement Guidelines, or 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 International or National Competitive Bidding subject to the following additional procedures: in all cases of National Competitive bidding, given the regional nature of AU, at the option and discretion of the AU Commission, advertising of bidding opportunities may be made in one or more Member States.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan which the Bank agrees meet the requirements set forth in the Procurement Guidelines for their use: (A) Shopping; and (B); Direct Contracting.

(iii) National Competitive Bidding (NCB) shall follow the Recipient’s open tendering procedures, subject to the following additional procedures: (i) the Recipient’s standard bid documents for procurement of goods which will have been reviewed and found acceptable to the Association shall be used; (ii) if pre-qualification is used, the Bank’s standard prequalification document shall be used; (iii) margin of preference shall not be applicable; (iv) bidders shall be given a minimum of thirty (30) days to submit bids from the date of availability of the bidding documents; (v) use of merit points for evaluation of bids shall not be allowed; (vi) bidders from nonmember states of the African Union shall not be excluded from participation; (vii) results of evaluation and award of contract shall be made public; and (viii) in accordance with para.1.14 (e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (1)  the bidders, 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; and (2) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.14 (a) (v) of the Procurement Guidelines.

(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) Selection under a Fixed Budget; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Single-source Selection; (E) Selection of Individual Consultants; and (F) 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 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: (a) 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:

|  |  |  |
| --- | --- | --- |
| **Category** | **Amount of the Grant Allocated**  **(expressed in USD)** | **Percentage of Expenditures to be Financed**  **(inclusive of Taxes)** |
| (1) Goods, consultants’ services, Operating Costs, and Training and Workshops under the Project | 4,000,000 | 100% |
| **TOTAL AMOUNT** | 4,000,000 |  |

For the purpose of this Section, the term:

(a) “Operating Costs” means expenditures incurred by the Recipient to finance the cost under the Project of: (i) per diem and travel expenses of the staff to perform their responsibilities under the Project; ; (ii) communication technology (including without limitation, internet and telephone); (iii) translation services, photocopies and publications; (iv) bank charges; and (v) utilities and office supplies; and any other expenditures that may be agreed upon between the Bank and the Recipient from time to time.

(b) “Training and Workshops” means reasonable expenditures (other than those for consultants’ services) incurred by the Recipient to finance transportation costs and per diem of trainers and trainees, rental of training facilities and acquisition of training material needed for the implementation and supervision 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 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 December 31, 2013.

# Article IV

# Additional Remedies

4.01. ***Additional Events of Suspension.*** The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

(a) an extraordinary situation has arisen which makes it improbable that the Project or a significant part of it will be carried out; and

(b) Constitutive Act establishing 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 the Chairperson of the African Union Commission.

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

Chairperson

African Union Commission

Addis Ababa

Federal Democratic Republic of Ethiopia

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)

**APPENDIX**

**Modifications to the Standard Conditions and the Anti-Corruption Guidelines**

**Section I.** The Standard Conditions are modified as follows:

1. Paragraph 17 and 18 of the Appendix (**Definitions)** 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.”

**Section II.** 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.”

1. 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.”