His Excellency M. Soares Sambu
Minister of Economy and Regional Integration
Ministry of Economy and Regional Integration
Avenida Amilcar Cabral, No. 37
Bissau
Republic of Guinea-Bissau

REPUBLIC OF GUINEA BISSAU:
State and Peace Building Fund Grant No. TF016305
Extractive Industries Sectors Technical Assistance Project

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 ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Multi Donor Trust Fund for State- and Peace-Building Fund (SPF) ("TF071021"), proposes to extend to the Recipient, a grant in an amount not to exceed two million eight hundred sixty thousand two hundred sixteen United States Dollars (U.S.$2,860,216) ("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 specified by the World Bank in accordance with Section 5.02 of the Annex to this Agreement.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By ____________________________

Sajjad Ali Shah
Acting Country Director for Guinea-Bissau
Africa Region

AGREED:

REPUBLIC OF GUINEA BISSAU

By ____________________________

Authorized Representative

Name ____________________________

Title MINISTE OF ECONOMY AND REGIONAL INTEGRATION

Date: 18.03.2014

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 meanings:

(a) "CAIA" means the Recipient’s agency responsible for environment and social impact assessments.

(b) "DGE" means the Recipient’s Directorate General of Energy within MRN;

(c) "DGGM" means the Recipient’s Directorate General of Geology and Mines within MRN.

(d) "El" means Extractive Industries.

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

(f) "MRN" means the Recipient’s Ministry of Natural Resources.

(g) "Operating Costs" means the incremental expenses incurred by the Recipient on account of Project implementation, management, and monitoring and evaluation, including for utilities and supplies, office space rental and maintenance, equipment maintenance, bank charges, communications, and vehicle operation, maintenance, and insurance.

(h) "PIU" means the Project implementation unit established within the Recipient’s MERI.

(i) "POM" means Project Operational Manual referred to in Section 2.03(b)(1) of the Annex to this Agreement, setting out detail on implementation, organizational, administrative, monitoring and evaluation, environmental and social monitoring and mitigation, financial management, disbursement, and procurement arrangements for purposes of Project implementation.

(j) "SEAT" means the State Secretariat for Environment and Tourism.

(k) "SESA" means strategic environmental and social assessment to be prepared and adopted by the Recipient under terms of reference satisfactory to the World Bank and including participatory consultations at the national level and disclosure in the Recipient’s territory, all as further described with details in the POM.
“Training” means the costs arising under the Project on account of training, including purchase of materials and printing, rental of facilities, field trips, travel and per diems for trainers, mentors and speakers, and travel and subsistence of trainees.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to build the foundation for transparent, socially inclusive, and environmentally sustainable management of the Recipient’s emerging extractive industries sectors.

The Project consists of the following parts:

Part 1: Supporting Policy and Institutional Development

(a) Policy and Regulatory Settings. Ensuring consistency of the Recipient’s policy, legal and regulatory framework governing the Extractive Industries sectors, including the fiscal regime and land ownership, by carrying out sector reviews and assessments, designing and implementing Training programs and preparing or updating policies, laws and regulations.

(b) Extractive Industries Public Sector Institutions. Developing modern public institutions to regulate the Extractive Industries sectors by providing capacity building to the DGGM and the DGE, carrying out a strategic plan for the implementation of an institutional development program, and designing and implementing Training programs.

(c) Training of MRN Staff. Enhancing MRN staff capacity to monitor and evaluate Extractive Industries developments, by designing and implementing Training programs in key issues of the Extractive Industries sectors and providing office equipment and Operating Costs.

Part 2: Promoting Institutional Development and Support for CAIA

Enhancing CAIA’s technical capacity to ensure that Extractive Industries activities are developed in an environmentally responsible manner, by providing technical expertise required by CAIA to meet its obligations with respect to environmental and social impact assessments and monitoring, by providing technical assistance to CAIA on environmental safeguards, providing environmental safeguards Training for CAIA’s staff, CAIA’s focal points and for other key stakeholders, including local communities, supporting Operating Costs and carrying out a SESA for the Extractive Industries sectors.
Part 3: Building a Modern Cadastre and Geo-Data System

(a) Extractive Industries Cadastre. Enhancing transparency and facilitating handling of information of the mining sector by establishing a modern and functioning electronic cadastre and information system for the Recipient’s mining sector including capacity building of key stakeholders to use the new system.

(b) Geological Information Platform. Supporting the modernization of the Recipient’s geological survey functions, by developing a geological information platform, including capacity building of participating key stakeholders to use the new system.

Part 4: Project Management

Provision of Training, equipment and operational support to the PIU for overall Project coordination, evaluation, supervision and implementation, including, inter alia: (i) strengthening of the capacity of the PIU to comply with its responsibilities; (ii) provision of Training to PIU staff to enhance their knowledge in disbursement, financial management, social and environment safeguards policies and procurement policies and procedures; (iii) carrying out of audits for the Project; and (iv) monitor and evaluate the carrying out of 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 the PIU in coordination with MRN, the DGGM, and CAIA, 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 Arrangements

1. MRN, DGGM

The Recipient shall maintain throughout the implementation of the Project, the DGGM and MRN, with qualified and experienced staff in adequate numbers, to be responsible for Project coordination and for coordinating the implementation of the Project with the entities concerned.

2. CAIA

The Recipient shall maintain, throughout the implementation of the Project, CAIA with qualified and experienced staff in adequate numbers, to be responsible for the technical implementation of Part 3 of the Project, in coordination with DGGM.

3. Project Implementation Unit (PIU)

The Recipient shall maintain throughout the implementation of the Project, the PIU within the MERI, with terms of reference acceptable to the World Bank, and with
qualified and experienced staff in adequate numbers including a Project coordinator, to be responsible for coordinating the implementation of the Project.

4. **Steering Committee (SC)**

(a) The Recipient shall establish, and thereafter maintain throughout the implementation of the Project, the SC, with composition, mandate and resources satisfactory to the World Bank, to be responsible for providing overall strategic guidance for the Project.

(b) Without limitation on the provisions of paragraph (a) of above, the Steering Committee shall be comprised, *inter alia*, of high level representatives of MRN, SEAT and the MERI.

B. **Other Arrangements**

1. **Project Manual (POM)**

(a) Within four (4) months of effectiveness of this Agreement, the Recipient shall adopt the POM, in form and substance satisfactory to the World Bank.

(b) The Recipient shall ensure that the Project is carried out in accordance with the POM, and shall not amend or waive any of its provisions without the prior written agreement of the World Bank.

(c) Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the POM and those of this Agreement, the provisions of this Agreement shall prevail.

2. **Sectoral Environmental and Social Assessment (SESA)**

The Recipient shall:

(a) under Part 2 of the Project, carry out, under terms of reference ("TOR") acceptable to the World Bank, and further described in the POM and as part of its preparation and adoption, the SESA, in order to identify and assess environmental and social issues associated with Extractive Industries development (including the adequacy of the Recipient’s environmental and resettlement policies) and recommend measures based on said assessment to address such issues, and prepare a time-bound action plan to implement recommendations;

(b) (i) ensure that meaningful consultation will be carried out and that progress reports and the final draft SESA will be disclosed and subject to a national consultation workshop to be organized by the Recipient; (ii) that such assessment shall be completed and that said action plan shall be prepared, and both shall be furnished to the World Bank not later than twelve (12) months after the Effective Date; (iii) afford the World Bank a reasonable opportunity to review the same;
and (iv) thereafter carry out such action plan as shall have been agreed with the World Bank, under Part 2 of the Project; and

(c) employ consultants in accordance with the provisions of Section 2.07 of the Annex to this Agreement, and whose qualifications and experience and terms and conditions of employment shall be acceptable to the World Bank, to assist the Recipient in carrying out said assessment and prepare said action plan.

3. **Safeguards-Compliant Terms of Reference**

The Recipient shall ensure that:

(a) all advisory, analytical, planning, institutional capacity building, strategizing and other such services provided under the Project shall be carried out according to terms of reference, satisfactory to the World Bank, calling for such services to deliver products that take into account, and are consistent with, the SESA (if it has been adopted prior to the delivery of such services), the POM, the World Bank’s social and environmental safeguards policies, as well as the Recipient’s own laws relating to the environment and social aspects; and

(b) in drafting any regulations under the Project, due attention will be given to said policies and laws.

4. **Training Programs**

(a) The Recipient shall, prior to conducting any training or workshop under the Project, furnish to the World Bank for its review, the following information relating to such training or workshop: (i) the objective and content of the training or workshop envisaged; (ii) the selection method of institutions or individuals conducting such training or workshop, and said institutions if already known; (iii) the expected duration and an estimate of the cost of said training or workshops; and (iv) the personnel selected to attend the training or the workshop.

(b) Thereafter, the Recipient shall carry out such training and workshops, taking into account the comments of the World Bank thereon.

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’s territory for purposes related to the Project.

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 set forth below in paragraph (b) of this Section. 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 performance indicators referred to above in paragraph (a) consist of the following:

1. Environmentally sustainable: The share of active EL sites where ESIA requirements are successfully met before exploitation.

2. Transparency: EL information base (cadastre, geological data, supplier contracts for bid, EL licenses, and general sector information) is available on-line.

3. Socially Inclusive: Prototype community development agreement for EL is agreed upon by key stakeholders.

(c) 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 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 (1) 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, 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 “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 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 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 (subject to the additional procedures provided in paragraph (iii) below); (B) Shopping; and (C) Direct Contracting.

(iii) NCB additional procedures means such additional requirements as the World Bank may determine and which shall be taken into account with respect to the National Competitive Bidding method, including: (i) four (4) weeks shall be provided for preparation and submission of bids, after the issuance of the Invitation for Bids or availability of the bidding documents, whichever is later; (ii) for all procurement of goods and works, the World Bank’s standard bidding documents and other bidding documents (if any) acceptable to the Bank shall be used and modified so as to meet the exceptions authorized under National Competitive Bidding; (iii) bids shall be advertised in national newspapers with wide circulation; (iv) bids shall be presented and submitted only in one internal envelope (no system with two envelopes will be used); (v) bid evaluation and bidder qualifications criteria shall be clearly set forth in the bidding documents; (vi) no preference margin shall be granted to domestic bidders; (vii) eligible firms, including foreign firms, shall not be excluded from the competition; (viii) the procedures shall include the publication of the results of evaluation and the award of the contract as well as provisions for bidders to contest; (ix) project implementation agencies (if any) shall work with borrower's/recipient’s relevant authority in order to require that the audit of procurement activities be included in the terms of reference of financial audits of the Project; and (x) the procedures will require that all contracts (notwithstanding the amount thereof) be subject to a competitive procurement method permitted under this Section of the Agreement.
(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) Quality-based 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.

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:

<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>423,200</td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td>(2) Consultant Services</td>
<td><strong>1,965,200</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td>(including travel)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Operating Costs</td>
<td>260,316</td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td>(4) Training</td>
<td>211,500</td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,860,216</strong></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 February 29, 2016.

**Article IV**

**Additional Remedies**

4.01. **Additional Event of Suspension.** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following, namely that, in the opinion of the World Bank, any mining and/or extractive activity or any other activity that may have environmental adverse impact is conducted in violation of internationally recognized policies and standards related to the Extractive Industries sectors or the Recipient’s policy and legislation applicable to the Extractive Industries sectors and/or environmental impact assessment law or as to materially and adversely affect achievement of the objectives of the Project.

**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.

   (a) The TOR as referred to in Section 2.03(B)(2)(a) of the Annex to this Agreement has been prepared and submitted to the World for its review and approval.

   (b) The Project coordinator referred to in Section 2.03 (A) (3) has been recruited for the Project with the qualifications, experience, and terms and conditions acceptable 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 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.

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 ninety (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 7.02 of the Standard Conditions is Minister of Economy and Regional Integration.

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

Minister of Economy, and Regional Integration
Ministry of Economy and Regional Integration
Avenida Amilcar Cabral, No. 37
Bissau
Guinea-Bissau

Phone: (245)3204594
Facsimile: (245)3204846/3204888

6.03. World Bank’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391