

**CONFORMED COPY**

**CREDIT NUMBER 4357 MOZ**

# **Project Agreement**

**(Water Services and Institutional Support Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**FUNDO DE INVESTIMENTO E PATRIMONIO DE ABASTECIMENTO DE AGUA  
(FIPAG)**

**Dated September 21, 2007**

**CREDIT NUMBER 4357 MOZ**

**PROJECT AGREEMENT**

AGREEMENT dated September 21, 2007, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and FUNDO DE INVESTIMENTO E PATRIMONIO DE ABASTECIMENTO DE AGUA (FIPAG) (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the REPUBLIC OF MOZAMBIQUE (“Recipient) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

**ARTICLE II — PROJECT**

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Part A (a) (i), A (b) (1) and (2), A (b) (ii) and A (c) of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

**ARTICLE III — TERMINATION**

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

**ARTICLE IV — REPRESENTATIVE; ADDRESSES**

4.01. The Project Implementing Entity's Representative is its Chief Executive Officer.

4.02. The Association's Address is:

International Development Association  
1818 H Street, NW  
Washington, DC 20433  
United States of America

Cable:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423(MCI)

1-202-477-6391

4.03. The Project Implementing Entity's Address is:

FIPAG  
Rua General Pereira d'Eca N. 241 R/C,  
PO Box 917  
Maputo, Mozambique

AGREED at Maputo, Republic of Mozambique, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael Baxter

Authorized Representative

FUNDO DE INVESTIMENTO E PATRIMONIO DO  
ABASTECIMENTO DE AGUA (FIPAG)

By Nelson de Pena Beete

Authorized Representative

FUNDO DE INVESTIMENTO E PATRIMONIO DO  
ABASTECIMENTO DE AGUA (FIPAG)

By /s/ Miguel Elias Alves

Authorized Representative

## SCHEDULE

### Execution of the Project Implementing Entity's Respective Part of the Project

#### Section I. Institutional and Other Arrangements

##### A. Institutional Arrangements

1. The Project Implementing Entity shall, at all times during Project implementation, maintain its departments in charge of the implementation, coordination and oversight of its Respective Part of the Project, with competent staff in adequate numbers, qualifications and experience satisfactory to the Association (including monitoring and evaluation, procurement, and financial management specialists), with responsibility for implementing its Respective Part of the Project.

2. The Project Implementing Entity shall:

(a) no later than thirty (30) months after the Effective Date carry out jointly with the Association and the Recipient (if the latter may deem necessary), a Mid-Term Review of the progress made in carrying out the Project; and

(b) no later than thirty days after the completion of the Mid-Term Review, start to implement the recommendations of the Mid-Term Review as agreed with the Association.

The Mid-Term Review shall assess, *inter alia*: (i) the overall progress made during the implementation of the Project; and (ii) the results of the monitoring and evaluation activities.

3. The Project Implementing Entity shall, in accordance with paragraph D of Section I of Schedule 2 to the Agreement of same date here above entered between the Association and the Recipient, ensure that the Project is implemented in accordance with the provisions of the Environmental Assessment (EA), the EMF, the Resettlement Policy Framework (RPF) and the Resettlement Action Plan (RAP), and in a manner and substance satisfactory to the Association.

##### B. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below, namely that:

(a) New Households Connected in the 4 cities	Number Of Households	10,000
(b) Kilometers of new water supply network laid and operational	Number of Kilometers	370

(b) Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later than forty five days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient not later than six months after the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions, all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

3. The Project Implementing Entity shall, not later than September 30 of each Fiscal Year during the implementation of the Project or such later date as the Association may agree, prepare and furnish to the Association for its approval an Annual Procurement Plan.

**B. Financial Management, Financial Reports and Audits**

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its own financial statements and the Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General

Conditions. Each such audit shall cover the period of one Fiscal Year. The audits for each such period shall be furnished to the Association not later than six months after the end of such period.

### **Section III. Procurement**

All goods, works, services (other than consultants' services) and consultants' services required for its Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

### **Section IV. Other Undertakings**

(a) The Project Implementing Entity shall ensure that it: (i) covers 1.2 times its debt services requirements through its net revenues; and (ii) does not incur any additional debt unless a reasonable forecast of its revenues and expenditures show that its projected net revenues for each Fiscal Year during the term of the debt to be incurred shall be at least 1.5 times the projected debt service requirements.

(b) For the purposes of paragraph (a) above: (i) the term "debt" means any indebtedness of the Project Implementing Entity maturing by its terms more than one year after the date on which it is originally incurred.

(c) For the purpose of paragraph (b) above, debt shall be deemed to be incurred: (A) under a loan contract or agreement or under other instrument providing for such Debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(d) For the purposes of paragraph (a) above, the term "net revenues" means the difference between: (i) the sum of revenues from all sources related to operations and net non-operating income, and (ii) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(e) For the purposes of paragraph (d)(i) above, the term "net non-operating income" means the difference between: (i) revenues from all sources other than those related to operations; and (ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues under (i) of this paragraph (e).

(f) For the purposes of paragraph (a)(i) above, the term "debt service requirements" means the aggregate amount of repayments of, and interest and other charges on, debt.

(g) For the purposes of paragraph (a)(ii) above, the term "reasonable forecast" means a forecast prepared by the Project Implementing Entity not earlier than twelve months prior to the incurrence of the debt in question, which both the Association and the Project Implementing Entity accept as reasonable and as to which the Association has notified the Project Implementing Entity of its acceptability, provided that no event has occurred since such notification which has,

or may reasonable be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Project Implementing Entity.

(h) For the purposes of this Section IV, whenever it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.