
GRANT NUMBER E244-MZ

Project Agreement

(Second Additional Financing for the Integrated Feeder Road Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

FUNDO DE ESTRADAS

PROJECT AGREEMENT

AGREEMENT between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and FUNDO DE ESTRADAS (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of the Signature Date between the Republic of Mozambique (“Recipient”) and the Association, concerning Grant No. E244-MZ. 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) apply to and form 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 the Project in accordance with the provisions of Article V of the General Conditions and the Schedule to this Agreement, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 10.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the Signature Date.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is its chairman.

- 4.02. For purposes of Section 11.01 of the General Conditions:

- (a) the Association’s address is:

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

- (b) the Association’s Electronic Address is:

Telex: Facsimile:
248423(MCI) or 1-202-477-6391
E-mail: ipswarayiriddiho@worldbank.org

- 4.03. For purposes of Section 11.01 of the General Conditions:

(a) the Project Implementing Entity's address is:

Fundo de Estradas
Av. dos Mártires de Inhaminga, No 170, 1ºandar
Caixa postal 797
Maputo
Mozambique; and

(b) the Project Implementing Entity's Electronic Address is:

Facsimile:	E-mail:
+258 21 305 069	angelomc@fe.gov.mz

AGREED as of the later of the two dates written below.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Idah Z. Pswarayi-Riddihough

Authorized Representative

Name: Idah Z. Pswarayi-Riddihough

Title: Country Director for Mozambique, Madagascar, Comoros

Date: 07-Nov-2023

FUNDO DE ESTRADAS

By

Angelo Macuacua

Authorized Representative

Name: Angelo Macuacua

Title: Chairman of RF, FP

Date: 22-Nov-2023

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project by the Project Implementing Entity, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement, consisting of an amendment to the Subsidiary Agreement (as defined in the Original Financing Agreement and the First Additional Financing Agreement), between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association (“Amended Subsidiary Agreement”), which shall include: (a) the principal amount of the Financing to be made available to the Project Implementing Entity on grant terms under the Amended Subsidiary Agreement; and (b) the right of the Recipient to suspend or terminate the right of the Project Implementing Entity to use said proceeds of the Financing, or to obtain a refund of all or any part of the amount of the Financing then withdrawn, upon the Project Implementing Entity’s failure to perform any of the obligations under the Amended Subsidiary Agreement.
2. The Amended Subsidiary Agreement shall further include the obligation of the Project Implementing Entity to:
 - (a) implement the Project with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, including the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient, Safeguard Instruments, and in accordance with the provisions of this Agreement;
 - (b) (i) procure all goods, works and services required under the Project and to be financed out of the proceeds of the Financing in accordance with the Procurement Regulations; and (ii) ensure that all such goods, works and services are used exclusively for the purposes of the Project;
 - (c) ensure that all facilities relevant to the Project shall at all times be properly operated and maintained and that all necessary repairs and renewals of such facilities shall be made promptly as needed;
 - (d) with respect to records management: (i) maintain records adequate to record the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods, works and services financed out of the proceeds of the Financing and disclose their use; (ii) furnish such records and information as may be requested by the Recipient or the Association; and (iii) retain all records evidencing expenditures under the Project for the period of time specified in the General Conditions;

- (e) with respect to monitoring and evaluation: (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Recipient and the Association, the progress of the Project and the achievement of its objective; (ii) prepare periodic reports, in form and substance satisfactory to the Recipient and the Association, integrating the results of such monitoring and evaluation activities and setting out measures recommended to ensure the continued efficient and effective execution of the Project and to achieve its objective, each such report to cover a calendar quarter; (iii) furnish each such report to the Recipient and the Association within forty-five (45) days after the end of such period; and (iv) prepare, and furnish to the Recipient a final report, of such scope and in such detail as the Recipient and the Association shall reasonably request, on the execution of the Project, and furnish the same to the Recipient and the Association not later than six (6) months after the end of the Project;
 - (f) with respect to financial management: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Recipient and the Association, both in a manner adequate to reflect its operations and financial condition, including the operations, resources and expenditures related to the Project; (ii) avail the records to external and internal auditors; (iii) prepare as part of the Project Report, interim unaudited financial reports covering each quarter, and furnish them to the Recipient and the Association not later than forty-five (45) days after the end of the period covered by such reports, and provide such other information concerning such unaudited financial statements as the Recipient or the Association may from time to time reasonably request; and (iv) have its financial statements audited by independent auditors and applying standards both acceptable to the Association at least once in each Fiscal Year; and
 - (g) enable the Recipient and the Association to inspect the Project, their operations and any relevant records and documents.
3. The Recipient shall exercise its rights under the Amended Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Amended Subsidiary Agreement or any of its provisions.

B. Cooperation Agreements

1. To facilitate the carrying out of the Project, and the allocation of responsibilities under the Project, the Project Implementing Entity shall amend the legally binding and enforceable Cooperation Agreements with ANE and INATRO and any of the institutional beneficiaries of the Project (“Institutional Beneficiaries”), under terms and conditions approved by the Association in accordance with this Agreement and the Project Operations Manual.

2. In the Cooperation Agreements, the Project Implementing Entity shall obtain rights adequate to protect the interests of the Recipient and the Association, including the right to require the Institutional Beneficiaries to:
 - (a) carry any activities under the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including, without limitation to the generality of the foregoing, in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient, the Project Operations Manual, the Procurement Regulations, and the Safeguard Instruments;
 - (b) maintain policies and procedures, adequate to enable the Project Implementing Entity to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the activities carried out under the Project and the achievement of its objective;
 - (c) (i) 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, resources and expenditures related to the activities carried out under the Project; and (ii) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and furnish promptly to the Recipient and the Association the financial statements as so audited; and
 - (d) enable the Recipient and the Association to inspect the activities carried out under the Project, their operation and any relevant records and documents, and prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.
3. The Project Implementing Entity shall exercise its rights and carry out its obligations under each of the Cooperation Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing and except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived any of the Cooperation Agreements or any provisions therein.

C. Microenterprises

1. For purposes of carrying out Part 1(b) of the Project, the Project Implementing Entity shall establish two microenterprises in two selected provinces to carry out routine maintenance and improvement of road standards, following a criteria and terms of reference acceptable to the Association and included in the Project Operations Manual.
2. After having selected the two microenterprises referred to in paragraph 1 above, the Project Implementing Entity shall enter into legally binding and enforceable agreements with each

of the two microenterprises under terms and conditions approved by the Association in accordance with this Agreement and the Project Operations Manual.

3. The Project Implementing Entity shall ensure that the two microenterprises fulfill their obligations and exercise their rights under each of the agreement in such manner as to protect the interests of the Recipient, the Association and to accomplish the purposes of the Financing.

D. Project Operations Manual

1. The Project Implementing Entity shall carry out the Project in accordance with the Project Operations Manual, as updated not later than two (2) months after the Effective Date satisfactory to the Association, which shall contain detailed guidelines, methods and procedures for the implementation of the Project, including: (a) administration and coordination; (b) performance indicators for the Project; (c) monitoring and evaluation; (d) financial, procurement and accounting procedures; (e) social and environmental safeguards; (f) corruption and fraud mitigation measures; (g) roles and responsibilities of various agencies in the implementation of the Project; and (h) procedures and criteria for selecting investments (including economic and technical feasibility, ownership and environmental and social risks and impacts on the surrounding community), and other activities to be implemented under the Project, and such other arrangements and procedures as shall be required for the effective implementation of the Project, and except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Project Operations Manual.
2. In case of conflict between the provisions of the Project Operations Manual and this Agreement, those of this Agreement shall prevail.

E. Safeguards

1. The Project Implementing Entity shall carry out the Project in accordance with the provisions of the Safeguard Instruments.
2. The Project Implementing Entity shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the Environmental and Social Impact Assessment (ESIA), Environmental and Social Management Framework (ESMF), Environmental and Social Management Plans (ESMP), GBV/SEA/SH Action Plan, Resettlement Policy Framework (RPF), or Resettlement Action Plan (RAP) or any provision thereof without prior approval in writing by the Association, subject to the same approval requirements as applicable to the adoption of the said instruments. If any Supplemental Social and Environmental Safeguard Instrument is required under any of the Safeguard Instruments, the Project Implementing Entity shall:
 - (a) (i) prepare such Supplemental Social and Environmental Safeguard Instrument in accordance with the applicable Safeguard Instrument;
 - (ii) carry out consultations upon such Supplemental Social and Environmental Safeguard Instrument;
 - (iii) furnish such Supplemental Social and Environmental Safeguard Instrument to the Association for review and approval; and

- (iv) thereafter adopt such Supplemental Social and Environmental Safeguard Instrument prior to implementation of the activities; and
 - (b) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such Supplemental Social and Environmental Safeguard Instrument.
- 3. The Project Implementing Entity shall ensure that all technical assistance under the Project, to which the results of its application would have environmental or social implications, shall only be undertaken pursuant to the terms of reference reviewed and found satisfactory by the Association, such terms of reference to ensure that the technical assistance takes into account, and calls for application of the Association's environmental and social safeguards policies and the Recipient's own laws relating to the environment and social aspects.
- 4. If any activity under the Project would involve Affected Persons, the Project Implementing Entity shall to: (a) ensure that no physical or economic displacement, limitation of access to natural resources shall occur before resettlement measures under a Supplemental Social and Environmental Safeguards Instrument prepared in accordance with the RPF, including, in the case of either physical or economic displacement, full payment to Affected Persons of fair compensation at replacement value and of other assistance required for relocation and livelihoods restoration, have been implemented; and (b) provide from its own resources, any Financing required for any measures under sub-paragraph (a) above including but not limited to any costs associated with land acquisition required for the Project.
- 5. Without limitation upon its other reporting obligations under Section II.A of this Schedule 2 of the Financing Agreement, the Project Implementing Entity shall take all measures necessary to regularly collect and compile, and submit to the Association, as part of the Project Reports, and promptly in a separate report whenever the circumstances warrant, information on the status of compliance with the Safeguard Instruments, providing details of:
 - (a) measures taken in furtherance of the Safeguard Instruments including the Supplemental Social and Environmental Safeguard Instruments;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Instruments including the Supplemental Social and Environmental Safeguard Instruments; and
 - (c) remedial measures taken or required to be taken to address such conditions including but not limited to the implementation of a grievance redress mechanism.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports.

- 1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08(b) of the General

Conditions and on the basis of the indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Recipient not later than two weeks 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 three (3) months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

Section III – Other Undertakings

- A. The Project Implementing Entity shall, no later than three (3) months after the Effective Date amend, execute and thereafter maintain during the implementation of the Project, the Cooperation Agreement with INATRO in form and substance satisfactory to the Association.
- B. The Project Implementing Entity, in collaboration with the Recipient, has provided, no later than three (3) months after the Effective Date, all relevant contractual information in STEP to enable the Association to conduct the post procurement review or independent procurement review for the Project.
- C. The Project Implementing Entity, in collaboration with the Recipient has identified not later than four (4) months after the Effective Date acceptable alternative solutions for the water and electricity infrastructures along some of segments of the primary roads under Part 2 of the Project; all in form and substance satisfactory to the Association.
- D. The Project Implementing Entity, in collaboration with the Recipient, has confirmed not later than four (4) months after the Effective Date, that the physical progress for the civil works under Part 2 of the Project has reached at least 60 (sixty) percent.