

CONFORMED COPY

CREDIT NUMBER 3550 MOZ

Project Agreement

(Roads and Bridges Management and Maintenance Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ADMINISTRAÇÃO NACIONAL DE ESTRADAS

Dated September 21, 2001

CREDIT NUMBER 3550 MOZ

PROJECT AGREEMENT

AGREEMENT, dated September 21, 2001, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and ADMINISTRAÇÃO NACIONAL DE ESTRADAS (ANE).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Republic of Mozambique (the Borrower) and the Association, the Association has agreed to lend to the Borrower an amount in various currencies equivalent to one hundred and twenty seven million and four hundred thousand Special Drawing Rights (SDR 127,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that ANE agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary agreement to be entered into between the Borrower and ANE, the proceeds of the Credit provided for under the Development Credit Agreement will be made available to ANE on the terms and conditions set forth in said Subsidiary Agreement; and

WHEREAS ANE, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

## Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of the Project

Section 2.01. (a) ANE declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, technical engineering and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and ANE shall otherwise agree, ANE shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) ANE shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, ANE shall:

(i) prepare jointly with the Borrower, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association, the Borrower and ANE, a plan for the future operation of the Project; and

(ii) afford the Association a reasonable opportunity to exchange views with the Borrower and ANE on the said plan.

Section 2.04. ANE shall duly perform all its obligations under the Subsidiary Agreement. Except as the Association shall otherwise agree, ANE shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement or any provision thereof.

Section 2.05. (a) ANE shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement, and other matters relating to the purposes of the Credit.

(b) ANE shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by ANE of its obligations under this Agreement and under the Subsidiary Agreement.

## ARTICLE III

### Management and Operations of ANE

Section 3.01. ANE shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, technical, engineering and

environmental practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. ANE shall take all reasonable steps within its means to operate and maintain its equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound financial engineering, and environmental practices.

Section 3.03. ANE shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) ANE shall establish, not later than December 31, 2001 and thereafter maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) ANE shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year, including those for the Special Account audited, in accordance with auditing standards acceptable to the Association consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year:
  - (A) certified copies of its financial statements referred to in paragraph (a) of this Section for such year as so audited; and
  - (B) an opinion on such statements and report of such audit by said auditors of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, ANE shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial system in order to enable ANE, not later than December 31, 2001, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association. Each such report shall:

- (i) (A) set forth actual sources and application of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and application of funds for the Project for the six-month period following the period covered by said report, and (B) show separately expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describe physical progress in the implementation of the Project both cumulatively and for the period covered by said report, and (B) explain variances between the actual and previously forecast implementation targets; and

(iii) set forth the status of procurement under of the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon completion of the action plan referred to in paragraph (a) of this Section, ANE shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association, not later than 45 days after the end of each calendar quarter, a Project Management Report for such period.

#### ARTICLE V

##### Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of ANE thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify ANE of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE VI

##### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex, or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

For Administração Nacional de Estradas:

Administração Nacional de Estradas  
Av. De Moçambique 1225  
Maputo

Moçambique

Facsimile:

258-1-475290

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of ANE may be taken or executed by the General Director of ANE or such other person or persons as ANE shall designate in writing, and ANE shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President  
Africa

ADMINISTRAÇÃO NACIONAL DE ESTRADAS

By /s/ Ismael Valigy

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

1. Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Association in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines), and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of

the Guidelines and paragraph 5 of Appendix 1 thereto.

2. Bidders for works estimated to cost more than the equivalent of \$10,000,000 shall be pre-qualified as provided in paragraph 2.9 and 2.10 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$900,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$22,300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International and National Shopping

(a) Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures; and (b) goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures; all in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Works may be awarded after direct negotiations with contractors, in accordance with procedures acceptable to the Association, on the basis of prices established by an independent consultant in the case of emergency works including road and bridge repairs caused due to flood damages, estimated to cost the equivalent of \$300,000 or less per contract up to an aggregate amount not to exceed \$6,300,000 equivalent, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association from time to time, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more and with respect to each contract for works estimated to cost the equivalent of \$300,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods estimated to cost the equivalent of \$50,000 or more, the following procedures shall apply:

- (i) prior to the execution of any contract under international or national shopping procedures, ANE shall provide to the Association a report on the comparison and evaluation of quotations received

from at least three suppliers;

- (ii) prior to the execution of any contract procured under international or national shopping procedures, ANE shall provide to the Association a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

### Part A: General

1. Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Association Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

### Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

### Part C: Other Procedures for the Selection of Consultants

#### 1. Selection Based on Consultants' Qualifications

Services under Part B and C of the Project, estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

#### 2. Single Source Selection

Services under Part A.4 of the Project, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

#### 3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines and estimated to cost more than \$50,000 equivalent per contract, may, with the Association's prior Agreement, be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

### Part D: Review by the Association of the Selection of Consultants

## 1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

## 2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(c) With respect to each contract awarded on the basis of single source selection and consultant's qualification selection, terms of reference of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

## 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## SCHEDULE 2

### Implementation Program

#### 1. ANE shall:

(a) except as the Association shall otherwise agree: (i) apply the criteria, policies, procedures and arrangements set out in the PIP; and (ii) not amend or waive, or permit to be amended or waived, the PIP or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project;

(b) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association not later than sixty days after the end of each calendar year of each year of Project implementation, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the calendar year preceding the date of said report (provided, however, that the first report to be furnished to the Association shall cover the period from the date of effectiveness, through December 31, 2002, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review with the Association, within 30 days of submission, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the



matter;

2. ANE shall:

(a) not later than December 31, 2001: (i) establish a Financial Management Committee, in form and substance satisfactory to the Association, and appoint its key members with qualifications, experience and terms of reference satisfactory to the Association; and (ii) appoint the Chief Financial Internal Auditor by December 31, 2001, with qualifications, experience and terms of reference satisfactory to the Association;

(b) maintain in functions the Chief Financial Officer referred to in Section 7.01 (d) of the Development Credit Agreement; and

(c) by September 30 of each year, submit, through the Borrower, to the Association for its review and comments its rolling three-year draft investment and maintenance program for the road sector, and, in preparing the final version of the referred program take into due account the comments made by the Association;

3. ANE shall not undertake or cause to be undertaken any investment estimated to cost the equivalent of \$5,000,000 or more during any fiscal year, unless such investment has been included in the respective investment and maintenance program referred to in paragraph 2 (c) above or it has been explicitly approved by the Association.

4. Midterm Review

ANE shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators specified in Schedule 3 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) carry out, jointly with the Association, not later than 24 months after the Effectiveness Date, a Midterm review of the Project, which shall cover, inter alia: (i) progress made in meeting the Project's objectives; (ii) overall Project performance as measured against Performance Indicators; and (iii) the adequacy of the institutional and management arrangements for the Project and its components;

(c) at least three (3) weeks prior to the Midterm review, furnish to the Association a report describing the status of the items listed in paragraph (b) above and of Project implementation generally; and

(d) not later than four (4) weeks after the Midterm Review, prepare an action program, acceptable to the Association, for further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

5. Environmental Management Plan

(a) ANE shall carry out the implementation and monitoring of the MMEMAP in a form and timely manner satisfactory to the Association; and

(b) ANE shall provide, promptly as needed, the funds, facilities, services and other resources required for the implementation and monitoring of the MMEMAP.

6. ANE shall ensure that, at all times:

(a) the measures required for the Road Fund to ensure that the level of the road maintenance user fees, satisfactory to the Association, shall be channeled into the Road Fund are from time to time, as need be, adjusted in accordance with the Program, and

(b) the resources of the Road Fund from the road user charges shall be used solely for the purposes of defraying the cost of expenditures incurred for road maintenance operations in the territory of the Borrower.

