

**CONFORMED COPY**

**CREDIT NUMBER 4308 MOZ**

# **Project Agreement**

**(Roads and Bridges Management and Maintenance Project  
–Adaptable Program Lending II)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**ROAD FUND**

**Dated July 9, 2007**

**PROJECT AGREEMENT**

AGREEMENT dated July 9, 2007, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and ROAD FUND (“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 and the Program. To this end, the Project Implementing Entity shall carry out 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 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 the Project in accordance with the provisions of the Schedule to this Agreement.

**ARTICLE III — REPRESENTATIVE; ADDRESSES**

- 3.01. The Project Implementing Entity’s Representative is the Chairman of its Board.
- 3.02. The Association’s Address is:

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

|                  |             |                |
|------------------|-------------|----------------|
| Cable:           | Telex:      | Facsimile:     |
| INDEVAS          | 248423(MCI) | 1-202-477-6391 |
| Washington, D.C. |             |                |

3.03. The Project Implementing Entity's Address is:

Road Fund  
Av. Martires de Inhaminga  
Maputo  
Mozambique

Facsimile:

258 21 305035

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael Baxter

Authorized Representative

ROAD FUND

By /s/ Francisco Pereira

Authorized Representative

## SCHEDULE

### Execution of the Project

#### Section I. Institutional and Other 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 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 the Project.

2. The Project Implementing Entity shall:

(a) adopt a Project Implementation Manual (PIM) in form and substance satisfactory to the Association, containing detailed arrangements and procedures for: (i) institutional coordination and day-to-day execution of the Project; (ii) disbursement and financial management; (iii) procurement; (iv) environmental and social impact screening guidelines; (v) monitoring, evaluation, reporting and communication; (vi) preparation of the Bi-Annual Work Plan and Budget referred to in Section II.A.3 of this Schedule to include the report of implementation of the Project in accordance with the work plan and budget for the previous semester and the work plan and budget for the immediately following semester and information on the satisfactory audit, referred to in paragraph (b) (ii) (F) under Part A of the Project described in Schedule 1 to the Financing Agreement, of the immediately previous Fiscal Year, as applicable; and (vii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project, including the modalities of transfer of funds from the Project Implementing Entity to ANE, and its provincial offices, and to the Municipalities, required for the implementation of their respective parts under the Project; and

(b) carry out the Project in accordance with the arrangements and procedures set out in the PIM (provided, however, that in case of any conflict between the arrangements and procedures set out in the PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision of the PIM, if such amendment, abrogation or waiver shall, in the opinion of the Association, materially or adversely affect the implementation of the Project.

3. The Project Implementing Entity shall:

(a) no later than April 30, 2009 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.

4. The Project Implementing Entity shall, in accordance with paragraph C of Section I of Schedule 2 to the Financing Agreement, ensure that the Project is implemented in accordance with the provisions of the Environmental Assessment (EAs), the Resettlement Policy Framework (RPF) and the Resettlement Action Plan (RAP), and in a manner and substance satisfactory to the Association.

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

### **A. Project Reports**

1. (a) The Project Implementing Entity shall monitor and evaluate the progress 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:

(i) the Classified Roads in good and fair condition have increased up to 75%; and

(ii) the rural population within 2 kilometers of an All-season Road have increased from 11% to 16% except that the latter percentage may be increased based on the outcome of the 2007 population census. .

(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 December 31, 2010, 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 April and September 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 a Bi-Annual Work Plan and Budget.

### **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 financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing

Entity. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

**Section III. Procurement**

All goods, works, services (other than consultants' services) and consultants' services required for 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**

The Project Implementing Entity shall:

- (a) enter into a contract with ANE on an annual basis for the purpose of implementing their respective parts under the Project;
- (b) enter into an agreement with INAV for the purposes of implementing Part A (c) (i) of the Project;
- (c) ensure to include in its annual budget the necessary amounts to be allocated to the Municipalities for the implementation of Part B(a) of the Project; and
- (d) hire the independent auditors referred to in Section 5.01 (e) of the Financing Agreement for the auditing of the proceeds of the Credit by no later than September 30, 2007, in form and substance satisfactory to the Association.