

CONFORMED COPY

CREDIT NUMBER 4257 MOZ

Project Agreement

(Maputo Municipal Development Program/PROMAPUTO)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

CITY COUNCIL OF MAPUTO

Dated February 9, 2007

PROJECT AGREEMENT

Agreement dated February 9, 2007, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and CITY COUNCIL OF MAPUTO (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement of same date between the Republic of Mozambique (“Recipient) and the Association (the “Financing Agreement”).

WHEREAS, the Association and the Project Implementing Agreement 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 the Project 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 – 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 20 years after the date of this Agreement.

ARTICLE IV – REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is the Mayor of the City of Maputo.

4.02. The Association's Address is:

For the Association:

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

Cable:

Telex:

Facsimile:

INTBAFRAD

248423(MCI) or

1-202-477-6391

Washington, D.C.

64145(MCI)

4.03. The Project Implementing Entity's Address is:

City Council of Maputo
Paços do Municipio-Praca da Independencia
P.O. Box 251
Maputo
Mozambique

Facsimile:

258-21321501

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael Baxter

Authorized Representative

CITY COUNCIL OF MAPUTO

By /s/ Eneas Comiche

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, accounting and environmental specialists), with responsibility for implementing the Project.

2. 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 and Social Management Framework (ESMF) and the Resettlement Policy Framework (RPF), and in a manner and substance satisfactory to the Association.

3. The Project Implementing Entity shall:

(a) adopt a Program 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; and (vi) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for 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.

4. The Project Implementing Entity shall:

(a) no later than 1 March, 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.

Section II. Project Monitoring, Reporting, Evaluation.

A. Project Reports.

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports of the Project in accordance with the provisions of Section 4.08 (b) of the General Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Recipient not later than 45 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.

(b) Unless otherwise agreed to by the Association, the performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) There is a nominal increase of 120% in own source revenues over the baseline of \$3.5 million.

(ii) The amount of solid waste collected and deposited in the waste dump reaches 600 ton per day.

(iii) An integrated financial management system has been implemented and is in use and fully functional as designed.

(iv) All organizational units have the new staffing table defined and existing personnel redeployed.

(v) At least 3 municipal report card surveys (one per annum) have been conducted and disseminated.

(vi) At least 80% of the City Council of Maputo's year 3 annual investment budget has been spent.

(vii) At least 50 kilometers of the unpaved roads, which rehabilitation is been financed under Part C.2 of the Project defined in Schedule 1 to the Financing Agreement, are in good condition.

2. The Project Implementing Entity shall provide to the Recipient not later than six months before 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.

B. Financial Management, Financial Reports; 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 its Respective Part of 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 and services required for the Project Implementing Entity and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Schedule 2 to the Financing Agreement.

Section IV. Other Undertakings

1. The Project Implementing Entity shall:

(a) establish an office of strategic and institutional development for the purposes of coordinating its institutional reform process and the implementation of municipal strategic planning and monitoring systems;

(b) hire an institutional development advisor for the purpose of providing technical support to the Project Implementing Entity's Program of institutional reform and capacity building, with terms of reference satisfactory to the Association;

(c) establish a procurement department for the purpose of carrying out the procurement under the Project duly staffed by a qualified department head supported by a senior procurement specialist and a procurement officer, with terms of reference satisfactory to the Association;

(d) by no later than 1 September, 2007, prepare and submit to the Association, in form and substance satisfactory to the Association, a strategy (including relevant hiring criteria and modalities) to retain the qualified and trained staff, mentioned under Part A.1 of the Project described in Schedule 1 to the Financing Agreement, to enhance its in-house capabilities to manage the City Council of Maputo and other aspects of its activities;

(e) upon approval by the Association of the strategy mentioned under (d) above; the Project Implementing Entity shall absorb within its work force the qualified and experienced staff, financed under Part A.1.(c) of the Project described in Schedule 1 to the Financing Agreement, at the end of the initial two years of each staff contract;

(f) by 1 September, 2007, enter into an agreement with the *Electricidades de Mocambique* (EDM) for the purposes of collecting the solid waste fee under Part C.3 of the Project described in Schedule 1 to the Financing Agreement; and

(g) no later than 1 September, 2009, prepare and agree with the Association, suitable bidding documents (including qualification criteria) for the competitive selection and employment of contractors to carry out Parts C.2 and C.3 of the Project described in Schedule 1 to the Financing Agreement, and thereafter apply the agreed selection procedures.