Project Agreement

(Improved Rural Connectivity Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NATIONAL ROAD FUND AGENCY

Dated 13th September, 2017
AGREEMENT dated __________, 2017, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the NATIONAL ROAD FUND AGENCY ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the Republic of Zambia ("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 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 its Chief Executive Officer.

3.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America
3.03. The Project Implementing Entity’s Address is:

National Road Fund Agency
Plot No. 33, Fairley Road
P O Box 50695
Lusaka
Republic of Zambia

Fax: +260 211 253145       Phone: +260 211 253154
AGREED at LUSAKA, REPUBLIC OF ZAMBIA, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

[Signature]

Authorized Representative

Name: JAA. MARLESE RUIGEBERG

Title: Country Manager for Zambia

NATIONAL ROAD FUND AGENCY

By:

[Signature]

Authorized Representative

Name: WALLECE NUMBA

Title: DIRECTOR/CEO
SCHEDULE

Execution of the Project

Section I. **Implementation Arrangements**

A. **Institutional Arrangements**

The Project Implementing Entity shall implement the Project together with the Participating Agencies.

B. **Subsidiary Agreement**

The Project Implementing Entity shall duly perform all its obligations under the Subsidiary Agreement. Except as the Association shall otherwise agree, the Project Implementing Entity 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.

C. **Project Implementation Plan, Administrative, Financial, Procurement and Accounting Manual**

1. The Project Implementing Entity shall:

   (a) revise, as appropriate, the Administrative, Financial, Procurement and Accounting Manual, as it may be necessary or desirable in order for such manual to be up to date for the implementation of the Project, subject to paragraph 2 of this Section I.C. below; and

   (b) thereafter implement the Project in accordance with the Project Implementation Plan, the Administrative, Financial, Procurement and Accounting Manual; provided, however, that in the event of a discrepancy between the Project Implementation Plan, the Administrative, Financial, Procurement and Accounting Manual, on the one hand, and this Agreement on the other hand, this Agreement shall prevail.

2. Except as the Association shall otherwise agree in writing, the Project Implementing Entity shall not amend, revise or waive any provision of the Administrative, Financial, Procurement and Accounting Manual without a prior written consent of the Association.
D. Other Covenants

The Project Implementing Entity shall:

(a) upgrade its financial reporting system, including a review of the possibility of linking its Sun System to the GRZ's Integrated Financial Management Inform System (IFMIS); and

(b) manage the Public Expenditure Review (PER) for the roads sector.

E. Anti-Corruption

The Project Implementing Entity shall ensure that 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 (together with other relevant Participating Agencies), 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 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 to be forwarded to the Association not later than forty-five (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) The performance indicators referred to above in sub-paragraph (a) consist of the following:

Project development objectives' indicators:

(i) Share of rural population with access to an all-season road (Rural Access Index) as a measure of improved rural connectivity within the target area (target area is defined as all the participating provinces);

(ii) Increase in the proportion of the PFRs (national) network in good and fair condition;

(iii) Improved institutional oversight capacity in the roads sector, assessed by the development and application of an RDA performance framework by the MoHD;
(iv) Employment created through the implementation of NCC’s labor-based policy; and

(v) Number of beneficiaries benefiting from emergency response and recovery activities, if the Contingent Emergency Response is triggered.

Intermediate results indicators:

(i) Proportion of PFRs in the Project provinces, that is in good and fair condition;

(ii) Total length of rural roads improved and maintained through OPRC approach under the Project;

(iii) Existence of road maintenance contracts funded by GRZ for continued upkeep of roads after OPRC contracts financed by the Association are completed;

(iv) Completion and implementation of a rural roads maintenance strategy by RDA;

(v) Share of the road fund revenues allocated by NRFA towards road maintenance;

(vi) Performance of road safety audit by RTSA on all OPRC packages;

(vii) Direct Project beneficiaries, disaggregated into gender;

(viii) Proportion of women employed in the road maintenance aspects of the road contracts;

(ix) Development and implementation by RDA of a citizen engagement tool that includes Social and Environmental Safeguards in general, and labor influx in particular, as areas of citizens’ consultations; and

(x) Proportion of complaints addressed and resolved under the Project’s Grievance Redress Mechanism.

2. The Project Implementing Entity shall provide to the Recipient not later than six (6) 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 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. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Association, not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. (a) 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 (6) months after the end of the period.

(b) The Project Implementing Entity shall take steps to have the auditors referred to in subparagraph (a) of this paragraph appointed by not later than two (2) months after Effective Date.

Section III. Procurement

All goods, works and 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. Annual Work Plans and Budget

The Project Implementing Entity shall:

(a) prepare and furnish to the Association, for its review and comments, as soon as available, but in any case no later than November 30 of each year, the proposed annual work plan and budget for the Project for the forthcoming fiscal year of the Recipient, of such scope and detail as the Association shall reasonably request, except for the annual work plan and budget for the Project for the remainder of the fiscal year of the Recipient in the first year of the Project, which shall be furnished no later than one (1) month after the Effective Date; and
(b) proceed thereafter to implement the annual work plan and budget, taking into account any comments provided thereon by the Association.