Project Agreement

(Additional Financing for the Local Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

FUNDO DE APOIO SOCIAL (FAS)

Dated ______February 06_____, 2018
PROJECT AGREEMENT

AGREEMENT dated February 06, 2018 entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and FUNDO DE APOIO SOCIAL (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of same date between the Republic of Angola (“Borrower”) and the Bank. The Bank 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 Loan 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 Loan 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 Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Schedule 1 to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is its Executive Director.

3.02. The Bank’s Address is:
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

3.03. The Project Implementing Entity’s Address is:

_Fundo de Apoio Social_
_Travessa do IFAL, Edificio IFAL_
_3º andar_
_Luanda_
_Republica de Angola_

Facsimile:
244-222-33-9586
AGREED at Luanda, Republic of Angola, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By:

[Signature]

Authorized Representative

Name: Olivier Godon
Title: Acting Country Manager

FUNDO DE APOIO SOCIAL

By:

[Signature]

Authorized Representative

Name: António Filipe Freitas
Title: Director General
SCHEDULE 1

Execution of the Project

Section I. Implementation Arrangements

A. PCU

1. The Project Implementing Entity shall maintain the PCU, at all times during the period of Project implementation, with functions and resources acceptable to the Bank, to be responsible for coordinating the implementation, monitoring and evaluation of the Project and to assist the National Committee in the performance of its functions in relation to the Project.

2. Without limitation on the foregoing, the Project Implementing Entity shall ensure that the PCU is at all times during the period of Project implementation: (a) headed by a project executive director, with qualifications and experience and terms of reference satisfactory to the Bank; and (b) supported by qualified staff in adequate numbers, including, inter alia, the following staff with qualifications and experience acceptable to the Bank: (i) a senior financial management specialist; (ii) a senior procurement specialist; (iii) an accountant; (iv) a monitoring and evaluation specialist; (v) a local development planning specialist; and (vi) a local economic development specialist.

B. Project Manuals

1. Without limitation upon the provisions of Section 4.01 of the General Conditions, the Project Implementing Entity shall:

   (a) not later than thirty (30) days after the Effective Date, update the Operational Manual prepared for the Original Project and thereafter carry out Parts A.1, B.1, B.2, B.3, B.5, B.6, and C of the Project in accordance with its provisions;

   (b) for the purposes of implementing Parts A.2 and A.3 of the Project, prepare and thereafter implement the Project in accordance with a manual in form and substance satisfactory to the Bank ("Productive Safety Net and Direct Cash Transfers Manual"), providing details of arrangements and procedures for the implementation of said Parts A.2 and A.3 of the Project, including guidelines for the implementation of the Labor Payments and Direct Cash Transfer mechanisms, and such other administrative, financial, technical and organizational arrangements and procedures as shall be required for said Parts of the Project;
(c) continue implementing Part B.4 of the Project in conformance with the “Matching Grants Manual”, which sets forth, inter alia: (i) the eligibility criteria for a Beneficiary to receive a Matching Grant; (ii) the rules and procedures for the review, approval and processing of Matching Grants; (iii) the accounting, disbursements, financial management, procurement, social, environmental, and resettlement procedures to be followed in the administration of Matching Grants; (iv) a list of productive activities that may be financed under Matching Grants; and (v) a negative list of activities that may not be financed under Matching Grants.

(d) for the purposes of implementing Part B.7 of the Project, prepare, under terms of reference acceptable to the Bank, a manual (the “Productive Inclusion Grants Manual”), consistent with the provisions of this Agreement, setting forth, inter alia: (i) the eligibility criteria for a Beneficiary to receive a Productive Inclusion Grant; (ii) the rules and procedures for the review, approval and processing of Productive Inclusion Grants; (iii) the accounting, disbursements, financial management, procurement, social, environmental, and resettlement procedures to be followed in the administration of Productive Inclusion Grants; (iv) a list of productive activities that may be financed under Productive Inclusion Grants; and (v) a negative list of activities that may not be financed under Productive Inclusion Grants; and (vi) afford the Bank a reasonable opportunity to review such manual, and thereafter promptly adopt such manual as shall have been approved by the Bank.

2. The Project Implementing Entity shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce any of the Project Manuals or any provision thereof.

3. In case of any conflict between the provisions of any of the Project Manuals, and those of the Loan Agreement and this Agreement, the provisions of the Loan Agreement and this Agreement shall prevail.

C. Annual Work Plan and Budget

1. The Project Implementing Entity shall, not later than January 31 of each year during Project implementation, furnish to the Bank, for approval, an annual plan, setting forth, inter alia: (a) the activities proposed to be carried out under the Project during the twelve (12) month period immediately following the presentation of each such plan (including Matching Grants proposed to be made and any Training proposed to be carried out); (b) the Procurement Plan for such period; and (c) the budget and financing plan for such annual plan, including the amount of counterpart funds to be provided by the Borrower for the purpose.
2. The Project Implementing Entity shall afford the Bank a reasonable opportunity to exchange views with the Project Implementing Entity and the Borrower on such annual plan, and thereafter implement each such plan as shall have been approved by the Bank with due diligence and efficiency ("Annual Work Plan and Budget").

D. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Safeguards

1. The Project Implementing Entity shall ensure that the Project is implemented in accordance with the ESMF, RPF, and IPPF, and except as the Bank shall otherwise agree in writing, shall not amend or waive any provision of the aforementioned documents.

2. Where required in terms of the ESMF, IPPF or the RPF, as the case may be, the Project Implementing Entity shall proceed to have an ESMP, an IPP or a RAP, as the case may be:

   (a) prepared in accordance with the ESMF, IPPF or RPF, as the case may be;

   (b) submitted to the Bank for review and approval, and for public consultations as required;

   (c) all applicable resettlement measures set forth in the applicable RAP shall have been fully executed, including the full payment of compensation prior to displacement and/or the provision of relocation assistance to all displaced persons; and

   (d) thereafter adopted on a timely basis for the purposes of implementation of the Project.

3. The Project Implementing Entity shall ensure or caused to be ensured, that the terms of reference for any consultancy in respect of any Project activity shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the Bank's Safeguard Policies then in force, as applied to the advice conveyed through such technical assistance.

4. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall collect, compile and furnish to the Bank on a quarterly basis, reports on the status of compliance with the ESMF, the RPF, the
IPPF, the ESMPs, IPPs and RAPs as the case may be, given details of: (a) measures taken in furtherance of the above; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Project, and (c) remedial measures taken or required to be taken to address such conditions.

F. Municipal Grants under Part A.1 of the Project

1. For the purposes of implementing Part A.1 of the Project, the Project Implementing Entity shall enter into an agreement with a Selected Municipality, ("Municipal Grant Agreement"), on terms and conditions approved by the Bank and included in the Operational Manual, for the provision of Municipal Grants for the carrying out of construction and rehabilitation activities under Part A.1 of the Project, which shall include the following:

(a) The Municipal Grant shall: (i) be made on a grant basis; and (ii) not exceed an amount equivalent to $2,000,000.

(b) The Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Bank, including the right to: (i) suspend or terminate the right of the Municipality to use the proceeds of the Municipal Grant, or obtain a refund of all or any part of the amount of the Municipal Grant then withdrawn, upon the Municipality's failure to perform any of its obligations under the Municipal Grant Agreement; and (ii) require each Municipality to: (A) carry out its activities with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to Borrowers of loan proceeds other than the Borrower and with the Safeguard Documents; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Municipal Grant in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank; (E) (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Local Development Plan; and (ii) at the Bank's or the Project Implementing Entity's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Project Implementing Entity and the Bank; and (F) establish and thereafter maintain throughout the period of
Project implementation Operation and Maintenance User Committees for the infrastructure to be constructed or rehabilitated.

(c) The Project Implementing Entity shall exercise its rights under each Municipal Grant Agreement in such manner as to protect the interests of the Project Implementing Entity, the Borrower and the Bank and to accomplish the purposes of the Financing.

(d) Except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Municipal Grant Agreement or any of its provisions.

G. Productive Safety Net Program: Labor Payments and Direct Cash Transfers

1. For the purposes of implementing Part A.2 and A.3 of the Project, the Project Implementing Entity shall ensure that each Beneficiary eligible to receive Labor Payments and/or Direct Cash Transfers, as the case may be, has met the following requirements, and such further requirements as are elaborated in the Productive Safety Net and Direct Cash Transfers Manual: (i) the Beneficiary resides in any of the Selected Municipalities; (ii) the Beneficiary has been duly registered at a dedicated registry of Beneficiaries under an open, transparent registration process, as set forth in the Productive Safety Net and Direct Cash Transfers Manual, and using a valid identification card or similar official document.

2. The Project Implementing Entity shall, prior to the provision of Labor Payments and/or Direct Cash Transfers, select and retain following the procedures set forth in Section III of this Agreement, Payment Agencies, with qualifications, experience, and terms of reference acceptable to the Bank, to issue Direct Cash Transfers and Labor Payments to verified Beneficiaries.

3. The Project Implementing Entity shall oversee the Labor Payments and/or Direct Cash Transfer in all Selected Municipalities as well as monitor and evaluate the activities of the Payment Agencies to ensure that payments are made in accordance with the terms, conditions, and procedures contained in the Productive Safety Net and Direct Cash Transfers Manual in a manner satisfactory to the Bank.

4. The Project Implementing Entity shall carry out communication campaigns to inform the general public about the Productive Safety Net Program and Direct Cash Transfer program and its social accountability, as to inform Beneficiaries and other stakeholders about their rights and responsibilities in participating in the program, all in a manner satisfactory to the Bank.
5. The Project Implementing Entity shall, not later than sixty (60) days after the Effective Date, develop and adopt, in form and substance acceptable to the Bank and following the guidelines set forth in the Productive Safety Net and Direct Cash Transfers Manual, a grievance redress mechanism that encompasses transparent, timely and fair procedures that will allow people potentially affected by the Project to peacefully settle any possible grievance and will ensure that all complaints received from beneficiaries and other interested stakeholders related to any activity under the Project, are properly and timely addressed.

H. Matching Grants for Local Economic Development Sub-Projects

1. No Beneficiary shall be eligible for a Matching Grant, unless the Project Implementing Entity shall have determined, on the basis of an appraisal conducted by the Grant Selection Committee, in accordance with provisions of the Matching Grants Manual and of this Agreement, that the proposed Beneficiary of such Matching Grant and the Local Economic Development Subproject for which the Matching Grant is to be made satisfy the following eligibility criteria, as further elaborated in the Matching Grants Manual:

(a) The proposed Beneficiary: (i) is a privately owned entity with legal personality; (ii) comprises a micro, small or medium scale enterprise, business associations or local producers; (iii) has the organization, staffing and resources necessary to carry out the proposed Local Economic Development Subproject; (iv) has prepared a detailed business plan acceptable to the Project Implementing Entity, setting forth the activities proposed to be included in the Local Economic Development Subproject, and a financing plan for such activities; and (v) is able to provide 40% of the total cost of the proposed Local Economic Development Subproject out of resources other than the Matching Grant.

(b) The proposed Local Economic Development Subproject: (i) is economically and financially viable, technically feasible and environmentally sound; (ii) has been developed on the basis of the Municipal Economic Development Strategy or a Sector and Value Chain Study for the municipality or municipalities in which such proposed subproject is to be carried out; (iii) has been developed in accordance with the Safeguard Documents; and (iv) is in compliance with all laws and regulations of the Borrower.

2. The Project Implementing Entity shall enter into an agreement with a Beneficiary (the “Matching Grant Agreement”), under terms and conditions acceptable to the Bank, for the provision of Matching Grants for the implementation of Local Economic Development Subproject, which shall include the following:
(a) The Matching Grant shall: (i) be made on a grant basis; and (ii) shall not exceed an amount equivalent to $100,000.

(b) The Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Bank, including the right to:

(i) suspend or terminate the right of the Beneficiary to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Matching Grant Agreement; and

(ii) require each Beneficiary to: (A) carry out its Local Economic Development Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower and with the Safeguard Documents; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Matching Grant in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Local Economic Development Subproject and the achievement of its objectives; (E) (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Local Economic Development Subproject; and (ii) at the Bank’s or the Project Implementing Entity’s request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Project Implementing Entity and the Bank; (F) enable the Project Implementing Entity and the Bank to inspect the Local Economic Development Subproject, its operation and any relevant records and documents; and (G) prepare and furnish to the Project Implementing Entity and the Bank all such information as the Project Implementing Entity or the Bank shall reasonably request relating to the foregoing.
(c) The Project Implementing Entity shall exercise its rights under each Matching Grant Agreement in such manner as to protect the interests of the Project Implementing Entity, the Borrower and the Bank and to accomplish the purposes of the Financing.

(d) Except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive any Matching Grant Agreement or any of its provisions.

I. **Productive Inclusion Grants under Part B.7(b) of the Project**

1. For the purposes of implementing Part B.7(b) of the Project, the Project Implementing Entity shall enter into an agreement with a selected Beneficiary, under terms and conditions acceptable to the Bank ("Productive Inclusion Grant Agreement"), on terms and conditions approved by the Bank for the provision of Productive Inclusion Grants (following the guidelines set forth in the Productive Inclusion Grants Manual), including the Project Implementing Entity’s adequate rights to protect its interests and those of the Bank, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Productive Inclusion Grant, or obtain a refund of all or any part of the amount of the Productive Inclusion Grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Productive Inclusion Grant Agreement; and (ii) require each Beneficiary to (A) carry out the activities under the Productive Inclusion Grant with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower and with the Safeguard Documents; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Productive Inclusion Grant in accordance with the provisions of this Agreement; and (D) maintain a financial management system and prepare financial statements in accordance with accounting standards acceptable to the Bank and at the Bank’s or the Project Implementing Entity’s request, have such financial statements audited by independent auditors acceptable to the Bank and promptly furnish the statements as so audited to the Project Implementing Entity and the Bank.

2. No Beneficiary shall be eligible for a Productive Inclusion Grant, unless the Project Implementing Entity shall have determined, on the basis of an appraisal conducted by the Grant Selection Committee, in accordance with provisions of the Productive Inclusion Grants Manual and of this Agreement, that the proposed Beneficiary of such Productive Inclusion Grant satisfy the eligibility criteria set forth in the Productive Inclusion Grants Manual.
3. Without limitation on the foregoing, each Productive Inclusion Grant shall be reviewed by a committee comprised of technical experts with qualifications and experience satisfactory to the Bank and under terms of reference satisfactory to the Bank ("Grant Selection Committee").

4. The Project Implementing Entity shall exercise its rights under each Productive Inclusion Grant Agreement in such manner as to protect the interests of the Project Implementing Entity, the Borrower and the Bank and to accomplish the purposes of the Financing.

5. Except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive any Productive Inclusion Grant Agreement or any of its provisions.

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 4.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Borrower not later than two (2) weeks after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

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 Bank, 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 Bank, in accordance with consistently applied auditing standards acceptable to the Bank. 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 Bank not later than six (6) months after the end of the period.

3. For purposes of this Section B, the Project Implementing Entity shall ensure that auditors are employed not later than three (3) months after the Effective Date, in
accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.

Section III. Procurement

A. General

The Project Implementing Entity shall ensure that all goods, works, and consultants' services, required for the Project (including all Local Development Subprojects and Local Economic Development Subprojects) and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section II of Schedule 2 to the Loan Agreement.

B. Procurement Audits

The Project Implementing Entity shall ensure that all procurement activities carried out under the Project shall be audited, under terms of reference satisfactory to the Bank, by independent auditors employed in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement. Each such audit shall cover the period of one (1) calendar year, and the findings of such audit, together with any measures necessary or appropriate to ensure the proper implementation of such procurement activities, shall be furnished to the Bank not later than June 30 of the following year, commencing with calendar year 2018. The Project Implementing Entity shall thereafter promptly take all such measures as shall have been agreed with the Bank to ensure the continued proper implementation of procurement under the Project.