FIPAG Project Agreement

(Greater Maputo Water Supply Expansion Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

FUNDO DE INVESTIMENTO E PATRIMONIO DO ABASTECIMENTO DE AGUA (FIPAG)

Dated January 31, 2014
FIPAG PROJECT AGREEMENT

AGREEMENT dated January 31, 2014, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and FUNDO DE INVESTIMENTO E PATRIMONIO DO ABASTECIMENTO DE AGUA ("FIPAG" or "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. To this end, the Project Implementing Entity shall carry out Parts A, B and C of 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 its Respective Parts of 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 Parts A, B and C of 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 twenty (20) years after the date of this Agreement.
ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its General Director.

4.02. 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.

4.03. The Project Implementing Entity’s Address is:

Fundo de Investimento e Patrimonio do Abastecimento de Agua
Av. Filipe Samuel Magaia, Nr. 1291
PO Box 917
Maputo
Republic of Mozambique

Facsimile: +258 213 088 81
AGREED at Maputo, Republic of Mozambique, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: THOMAS PICKEN
Title: Acting Country Director

FUNDO DE INVESTIMENTO E PATRIMONIO DO ABASTECIMENTO DE AGUA

By

[Signature]

Authorized Representative

Name: PEDRO PAULINO
Title: DIRECTOR GENERAL
SCHEDULE

Execution of Parts A, B and C of the Project

Section I. Implementation Arrangements

A. Institutional 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 Parts A, B and C 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 its Respective Parts of the Project.

2. The Project Implementing Entity shall carry out the Project in accordance with the arrangements and procedures set out in its Project Implementation Manual (provided, however, that in case of any conflict between the arrangements and procedures set out in the Project Implementation and the provisions of this Agreement, the provisions of this Agreement shall prevail).

B. Anti-Corruption

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

C. Safeguards

1. The Project Implementing Entity shall – in accordance with Section I.E of Schedule 2 to the Financing Agreement – ensure that its Respective Parts of the Project are carried out in accordance with the ESIA, the ESMF, the RAP and any other Safeguard Document. To that end, the Project Implementing Entity shall ensure that, prior to carrying out any activities under its Respective Parts of the Project involving works any necessary Safeguard Document is: (i) prepared in accordance with the provisions of the ESIA or the ESMF, as the case may be; (ii) furnished to the Association for review and approval; and (iii) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association.

2. The Project Implementing Entity shall further ensure that: (i) any Safeguard Document required for an activity pursuant to the ESIA and/or the ESMF shall be furnished to the Association for its approval prior to the commencement of any procurement for works for such activity; and (ii) no such procurement shall
Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Parts of the Project and prepare Project Reports for its Respective Parts of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Monitoring and Evaluation Indicators. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient 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 consolidated Project Report.

2. The Project Implementing Entity shall provide to the Recipient not later than four (4) months after the Closing Date, for incorporation in the report referred to in Section 4.08(c) of the General Conditions all such information related to its Respective Parts of the Project as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. **Mid-Term Review**

The Project Implementing Entity shall, under terms of reference satisfactory to the Association:

(a) not later than thirty-six (36) months after Effective Date, carry out jointly with the Association and the Recipient, a comprehensive mid-term review ("Mid-Term Review") of the progress made in carrying out of its Respective Parts of the Project and performance by the Project Implementing Entity of its obligations under the Project Agreement, having regard to the Monitoring and Evaluation Indicators; and

(b) not later than forty-five (45) days prior to the review date referred to in paragraph B(a) above prepare under terms of reference satisfactory to the Association a report on the progress of the Project and giving details of the various matters to be discussed at such review; and

(c) following such review, act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project and to implement such other measures – and within such timeframe (not exceeding twelve
months) - as may have been agreed upon with the Association in furtherance of the objectives of the Project.

C. **Financial Management, Financial Reports and Audits**

1. The Project Implementing Entity shall maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions and shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

2. The Project Implementing Entity shall prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures of the entity, related to the Project.

3. The Project Implementing Entity shall have its own 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 (1) fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. **Procurement**

1. All works, goods, non-consulting services and consultants’ services required for Parts A, B and C of 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.

2. The Project Implementing Entity shall, not later than September 30 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 an annual procurement plan.

Section IV. **Other Undertakings**

1. The Project Implementing Entity shall maintain at all times during the life of the Project service contract(s) with utility operator(s) to operate the water supply assets supported under the Project.
2. The Project Implementing Entity shall ensure that: (a) the utility operator(s) selected to operate the water supply assets supported under the Project has (have) been incorporated as a Corporation under Mozambican law and operates under commercial principles; and (b) its contract(s) with the utility operator(s) address its financial obligations under its various loans and credits and the sustainability of the future investments in the water supply system, through defining clearly the parties' respective contractual obligations including lease fee charges payable to the entity and the tariff payable to utility operator(s).

3. Except as the Association shall otherwise agree in writing, the Project Implementing Entity shall ensure that it: (a) covers 1.2 times its debt service requirements through its net revenues; and (b) does not incur any additional debt unless a reasonable forecast of its revenues and expenditures show that its projected net revenues for each Fiscal Year during the term of the debt to be incurred shall be at least 1.5 times the projected debt service requirements.

4. For purpose of paragraph 3 of this Section IV:
   (a) The term "debt" means any indebtedness of the Project Implementing Entity maturing by its terms more than one year after the date on which it is originally incurred.
   
   (b) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or under other instrument providing for such Debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

   (c) The term "net revenues" means the difference between: (i) the sum of revenues from all sources related to operations and net non-operating income; and (ii) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, and provisions for uncollected revenue, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

   (d) The term "net non-operating income" means the difference between: (i) revenues from all sources other than those related to operations; and (ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues under (i) of this paragraph (d).

   (e) The term "provisions for uncollected revenue" means the non-cash expense related to uncollected revenue, and shall be a minimum of 50 percent of annual uncollected revenue.
(f) The term "debt service requirements" means the aggregate amount of repayments of, and interest and other charges on, debt.

(g) The term "reasonable forecast" means a forecast prepared by the Project Implementing Entity not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Association and the Project Implementing Entity accept as reasonable and as to which the Association has notified the Project Implementing Entity of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Project Implementing Entity.

(h) Whenever it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.