Project Agreement

(Urban Sanitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ADMINISTRAÇÃO DE INFRA-ESTRUTURAS DE ÁGUA E SANEAMENTO
GRANT NUMBER D475-MZ

PROJECT AGREEMENT

AGREEMENT between the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the ADMINISTRAÇÃO DE INFRA-ESTRUTURAS DE ÁGUA E SANEAMENTO (AIAS) (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of the Signature Date between the Republic of Mozambique (“Recipient”) and the Association, concerning Grant No. D475-MZ. 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) apply to and form 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 1 and 4(d) of the Project in accordance with the provisions of Article V of the General Conditions and the Schedule to this Agreement, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

ARTICLE III — TERMINATION

3.01. For purposes of Section 10.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the Signature Date.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its executive director.

4.02. For purposes of Section 11.01 of the General Conditions:
(a) the Association’s address is:

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

(b) the Association’s Electronic Address is:

Telex: Facsimile:
248423(MCI) or 1-202-477-6391

4.03. For purposes of Section 11.01 of the General Conditions:

(a) the Project Implementing Entity’s address is:

Administração de Infraestruturas de Água e Saneamento (AIAS)
Avenida Eduardo Mondlane 1352, 4º andar
Maputo, Moçambique; and

(b) the Project Implementing Entity’s Electronic Address is:

Facsimile: +258 21303341
AGREED as of the Signature Date.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

[Signature]

Authorized Representative

Name: MARK R. LUNDELL

Title: COUNTRY DIRECTOR

Date: June 6, 2019

ADMINISTRAÇÃO DE INFRA-ESTRUTURAS DE ÁGUA E SANEAMENTO (AIAS)

By:

[Signature]

Authorized Representative

Name: Ruth Mateu Nhambudo

Title: Executive Director

Date: June 06, 2019
SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

AIAS PIU

1. The AIAS shall (a) establish, and thereafter, maintain, at all times throughout Project implementation, a Project implementing unit within AIAS (AIAS PIU), and no later than three (3) months after the Effective Date, appoint within the AIAS PIU, a team comprised of Project manager, a sewerage engineer, a procurement specialist, a financial management specialist, an environmental safeguards specialist and a social safeguards specialist, and a project assistant and such other technical, safeguards and fiduciary specialists as may be agreed with the Association, all under terms of reference, and with qualifications and experience satisfactory to the Association; and (b) ensure that throughout Project implementation, the AIAS PIU has adequate resources and staffing to carry out its responsibilities under the Project, all as further detailed in the Project Implementation Manual. The AIAS shall be responsible for the overall day-to-day management and implementation of Parts I and 4(d) of the Project, including its technical, fiduciary, safeguards, monitoring and evaluation, supervision and reporting aspects.

B. Subsidiary Agreement

1. To facilitate the carrying out of Parts 1 and 4(d) of the Project, AIAS shall execute a subsidiary agreement ("Subsidiary Agreement") between the Recipient and AIAS, under terms and conditions approved by the Association, which shall include the following:

   (a) AIAS shall not be required to repay the proceeds of the Subsidiary Financing received from the Recipient;

   (b) the obligation of the AIAS to carry out Parts 1 and 4(d) of the Project with due diligence and efficiency, in conformity with appropriate administrative, economic, managerial, financial, environmental, social and technical standards and practices, and provide promptly as needed, the facilities, services and other resources required for Parts 1 and 4(d) of the Project;

   (c) the obligation of the AIAS to: (i) exchange views with the Recipient, and the Association with regard to the progress of Parts 1 and 4(d) of the Project, and the performance of its obligations under the Subsidiary
Agreement; and (ii) assist the Recipient in complying with its obligations referred to in Section II of this Schedule, as applicable to Parts 1 and 4(d) of the Project;

(d) the obligation of the AIAS to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of Parts 1 and 4(d) of the Project;

(e) the obligation of AIAS to carry out Parts 1 and 4(d) of the Project in accordance with the PIM;

(f) the obligation of the AIAS to carry out Parts 1 and 4(d) of the Project in compliance with the Anti-Corruption Guidelines;

(g) the obligation of the AIAS to: (i) 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, resources and expenditures related to Parts 1 and 4(d) of the Project; and (ii) have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; and

(h) the right of the Recipient to take remedial actions against the AIAS, in case the AIAS shall have failed to comply with any of its obligations under the Subsidiary Agreement, which actions may include, \textit{inter alia}, the partial or total suspension and/or cancellation or refund of all or any part of the proceeds of the Subsidiary Financing transferred to AIAS pursuant to the Subsidiary Agreement.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Project Implementation Manual (PIM)

1. The AIAS shall adopt and, thereafter, carry out Parts 1 and 4(d) of the Project in accordance with the Project Implementation Manual, which shall contain the detailed work flow, arrangements, methods and procedures for the implementation of the Project, including but not limited to: (a) administration and coordination including placement of necessary human resources within DNAAS, AIAS and at the municipal levels; (b) a template Performance-based Grant
agreement, performance indicators (institutional, operational and financial) and a
performance-based scorecard for purposes of Part 3 of the Project; (c) monitoring
and evaluation arrangements; (d) social and environmental safeguards
arrangements; (e) corruption and fraud measures; (f) roles and responsibilities of
various agencies in the implementation of the Project, at central,
provincial/district and municipal levels; (g) details on the Project grievance
redress mechanism and procedure; and (h) notification requirements in the case
of Project-related accidents and incidents (including but not limited Project-
related fatalities or allegations of gender-based violence), and except as the
Association shall otherwise agree in writing, not amend, abrogate or waive, or
permit to be amended, abrogated or waived any provision of the Project
Implementation Manual.

2. In case of conflict between the provisions of the Project Implementation Manual
and this Agreement, those of this Agreement shall prevail.

D. Annual Work Plans and Budget

1. The AIAS shall collaborate, in a manner satisfactory to the Association, with the
Recipient to prepare and furnish to the Association for its approval, not later than
November 30 of each calendar year during the implementation of the Project, or
such later date as the Association may agree, the Annual Work Plans and Budget
containing all activities to be carried out in the following fiscal year, modified in
a manner satisfactory to the Association, taking into account the Association’s
comments and views on the matter.

E. Safeguards

1. The AIAS shall ensure that Parts 1 and 4(d) of the Project is carried out in
accordance with the Safeguard Instruments and shall ensure that no provision of
the Safeguard Instruments is amended, suspended, abrogated, repealed or waived
without the prior written approval of the Association.

2. The AIAS shall ensure that all bidding documents and contracts for civil works
under Parts 1 and 4(d) of the Project include the obligation of contractors,
subcontractors and supervising entities to: (a) comply with the relevant aspects of
the Safeguard Instruments; (b) adopt and implement measures to assess and
manage the risks and impacts of labor influx; and (c) adopt and enforce codes of
conduct that should be provided to and signed by all workers, detailing measures
on environmental, social, health and safety, and gender-based violence, all as
applicable to such civil works commissioned or carried out pursuant to said
contracts.

3. The AIAS shall ensure that the following actions are taken in a manner
acceptable to the Association:
(a) Project activities shall be screened in accordance with the ESMF and RPF to determine if any ESMP, or RAP is needed.

(b) Whenever an ESMP would be required on the basis of the ESMF:
(i) each ESMP shall be prepared in accordance with the requirements of the ESMF, adopted and disclosed by the Recipient, and subject to prior approval by the Association; and (ii) the Recipient shall refrain from tendering any civil works contract during Project implementation unless and until such ESMP has been prepared in accordance with the ESMF, adopted and disclosed by the Recipient, and approved by the Association.

(c) Whenever a RAP would be required on the basis of the RPF: (i) each such RAP shall be prepared in accordance with the requirements of the RPF, adopted and disclosed by the Recipient, and subject to prior approval by the Association; (ii) sufficient funds are made available to cover all the costs of implementing Project-related resettlement, in accordance with the RPF and resettlement action plan(s); (iii) the Recipient shall refrain from tendering any civil works contract during Project implementation unless and until such RAP has been prepared in accordance with the RPF, adopted, disclosed and implemented by the Recipient, and approved by the Association; and (iv) no works under the Project shall be commenced until: (A) all measures required to be taken under said RAP prior to the initiation of said works have been taken, including but not limited Project affected persons shall be compensated at full replacement cost, resettled and provided with assistance in accordance with the RPF and resettlement action plan(s); (B) the Recipient has prepared and furnished to the Association a report in form and substance satisfactory to the Association, on the status of compliance with the requirements of said RAP and detailing that the implementation, monitoring and evaluation of such resettlement action plan is completed and reported in a manner satisfactory to the Association; and (C) the Association has confirmed that said works may be commenced.

4. The AIAS shall ensure that all measures necessary for carrying out the requirements of the Safeguard Instruments to be taken in a timely manner.

5. Without limitation to paragraph 1(b) of Section III.B of this Schedule, no works shall be eligible for financing unless and until prior to the commencement of such works: (a) an ESMP was prepared, adopted and disclosed, and approved by the Association; and (b) in case such works are expected to cause involuntary resettlement, a RAP was prepared, adopted, disclosed and implemented by the Recipient, and approved by the Association.
6. Without limitation to the excluded expenditures provision set forth in the ESMF and/or RPF, the following activities shall not be eligible to be included in or funded under the Project ("Negative List"):

(a) any activities that would lead to conversion or degradation of critical natural habitats or their supporting areas;

(b) any activities that would lead to conversion or degradation of critical forest areas, related critical natural habitats, clearing of forests or forest ecosystems;

(c) activities involving the financing the rehabilitation or construction of dams;

(d) activities involving nuclear reactors and parts thereof and fuel elements (cartridges), non-irradiated, for nuclear reactors; and

(e) goods intended for a military or paramilitary purpose.

7. The AIAS shall maintain, throughout Project implementation, and publicize the availability of a grievance and feedback mechanism, in form and substance satisfactory to the Association, to hear and determine fairly and in good faith all complaints raised in relation to Parts 1 and 4(d) of the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.

8. Without limitation to its other reporting obligations under this Agreement and under Section 4.08 of the General Conditions, the AIAS shall, throughout Project implementation, include in the Project Reports referred to in Section II of this Schedule adequate information on the implementation of the Safeguard Instruments, and shall:

(a) take all measures necessary on its part to collect, compile, and furnish to the Association through Project Reports, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the Safeguard Instruments and the management tools and instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, among other things: (i) the status of implementation of the Safeguard Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the Safeguard Instruments; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
promptly notify the Association of any incident or accident related to or having an impact on the Project, including but not limited any Project-related allegation of gender-based violence or alleged violation of Project-related labor and working conditions, which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including, in accordance with the Safeguard Instruments, and the instruments referenced therein.

9. The AIAS shall ensure that all technical assistance and capacity building activities undertaken under Parts 1 and 4(d) of the Project, application of whose results would have environmental or social implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association, such terms of reference to ensure that the technical assistance takes into account, and calls for application of the Association's environmental and social safeguards policies and the Recipient's own laws relating to the environment and social aspects.

10. For purposes of carrying out Part 1(a)(i) of the Project, the AIAS shall ensure that: (a) prior to bidding, the feasibility stage ESIA for the Maputo wastewater treatment plant is updated, in a manner satisfactory to the Association; (b) prior to commencement of civil works, this ESIA is finalized based on the final detailed design, in a manner satisfactory to the Association; (c) prior to bidding, an industrial waste and sludge management plan for Maputo is finalized, in a manner satisfactory to the Association; (d) a socio-economic assessment of farmers cultivating land around the Maputo wastewater treatment plant is carried out; and (e) prior to the commencement of civil works, a relocation site assessment for the farmers cultivating land around the Maputo wastewater treatment plant is carried out, in a manner satisfactory to the Association, to confirm the adequacy of the resettlement site or identify another suitable site.

11. In the event that any provision of the Safeguard Instruments shall conflict with any provision under this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of Parts 1 and 4(d) of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of the indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later than two weeks 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 four (4) months, for incorporation in the report referred to in Section 5.08(c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.