



CREDIT NUMBER 5732-MZ

# Financing Agreement

(Emergency Resilient Recovery Project for the Northern and Central Regions)

Between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 26, 2015

**CREDIT NUMBER 5732-MZ**

**FINANCING AGREEMENT**

AGREEMENT dated October 26, 2015, entered into between REPUBLIC OF MOZAMBIQUE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty eight million seven hundred thousand Special Drawing Rights (SDR 28,700,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project, and cause AIAS to carry out its Respective Parts of the Project, all in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following, namely, that AIAS's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of AIAS to perform any of its obligations under this Agreement, the Project Agreement, and the Subsidiary Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The Subsidiary Agreement has been executed on behalf of the Recipient and AIAS.
  - (b) The Recipient has adopted a Project Implementation Manual acceptable to the Association.
- 5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and AIAS and is legally binding upon the Recipient and AIAS in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is its minister responsible for economy and finance.

6.02. The Recipient's Address is:

Ministry of Economy and Finance  
Praça da Marinha Popular  
Av. 10 de Novembro n° 929  
Maputo  
Republic of Mozambique

Facsimile:

+258 21313747

6.03. The Association's Address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

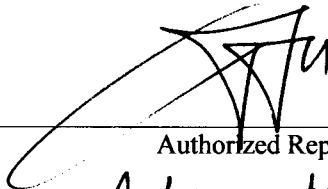
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1-202-477-6391

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


REPUBLIC OF MOZAMBIQUE

By

  
Authorized Representative  
Name: Adriano Malelane  
Title: Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

  
Authorized Representative  
Name: MARK R. LUNDELL  
Title: COUNTRY DIRECTOR

## SCHEDULE 1

### Project Description

The objectives of the Project are to restore the functionality of critical infrastructure in a resilient manner in the disaster-affected provinces, and to improve the Recipient's capacity to respond promptly and effectively to an Eligible Crisis or Emergency.

The Project consists of the following parts:

#### **A. Resilient Infrastructure Rehabilitation**

1. Rehabilitating and strengthening dikes and weirs, including the Nante dike, Nicoadala dike and Eribacela weir.
2. Rehabilitating irrigation infrastructure in the Recipient's Magandja Da Costa district, including irrigation schemes, rural access roads and bridges, and electricity supply line.
3. Rehabilitating and restoring the design capacity of the intake of the Mocuba drinking water supply system, and conducting a study on the long-term and sustainable upgrade or replacement of the intake pumping station and related infrastructure.
4. Rehabilitating and constructing resilient schools, including: (a) rehabilitating conventional classrooms; and (b) constructing mixed-material classrooms.

#### **B. Technical Assistance for Resilient Recovery and Vulnerability Reduction**

1. Providing technical assistance for the rehabilitation and construction of safer schools, including for: (a) identification of resilient construction techniques; (b) selection of sites and orientation of classrooms; and (c) quality control.
2. Supporting a program of activities to strengthen the capacity of relevant government institutions and communities to manage and respond to disaster risks, including: (a) developing a proposal for rehabilitating meteorological and hydrological measurement stations and enhancing access to data in the Licungo basin; (b) rehabilitating the damaged hydro-meteorological network; (c) installing meteorological and hydrological measurement stations; (d) evaluating early warning systems and proposals for reinforcing community preparedness; (e) building the capacity of relevant national and local government institutions on early warning systems; (f) building the capacity of local disaster risk management committees to prepare emergency plans; and (g) developing a framework to enhance capacity in recovery and reconstruction.

3. Carrying out a study on watershed management in the Licungo river to reduce the vulnerability of dikes and other hydraulic works.

**C. Project Implementation, Monitoring and Evaluation**

1.
  - (a) strengthening the capacity of the Project Steering Committee for overall Project coordination; and
  - (b) strengthening the capacity of MOPHRH-DNA for Project management, coordination, monitoring and evaluation, including: (i) fiduciary (i.e. financial and procurement management); (ii) environmental and social assessments; (iii) preparation of Project reports; and (iv) monitoring and evaluation.
2. Strengthening the capacity of MINEDH for Project management, coordination, monitoring and evaluation, including: (a) fiduciary (i.e. financial and procurement management); (b) environmental and social assessments; (c) preparation of Project reports; and (d) monitoring and evaluation.
3. Strengthening the capacity of INIR for Project management, coordination, monitoring and evaluation, including: (a) fiduciary (i.e. financial and procurement management); (b) environmental and social assessments; (c) preparation of Project reports; and (d) monitoring and evaluation.
4. Strengthening the capacity of AIAS for Project management, coordination, monitoring and evaluation, including: (a) fiduciary (i.e. financial and procurement management); (b) environmental and social assessments; (c) preparation of Project reports; and (d) monitoring and evaluation.

**D. Contingency Emergency Response**

Providing immediate response to an Eligible Crisis or Emergency, as needed.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. Project Steering Committee
  - (a) The Recipient shall establish, and thereafter maintain, throughout the implementation of the Project, a steering committee (“Project Steering Committee”), with a composition, mandate, and resources satisfactory to the Association.
  - (b) Without limitation to sub-paragraph (a) immediately above, the Project Steering Committee shall be responsible for: (i) providing strategic guidance and oversight to ensure prompt and efficient implementation of the Project; (ii) ensuring overall coordination of Project implementation; and (iii) monitoring recovery efforts, all in accordance with the provisions of the Project Implementation Manual.
2. The Recipient shall maintain, throughout the implementation of the Project:
  - (a) a project management team (“MOPHRH-DNA Project Management Team”) within MOPHRH-DNA, with terms of reference, staffing and resources satisfactory to the Association, to be responsible for the implementation of MOPHRH-DNA’s Respective Parts of the Project;
  - (b) a project management team (“MINEDH Project Management Team”) within MINEDH, with terms of reference, staffing, and resources satisfactory to the Association, to be responsible for the implementation of MINEDH’s Respective Parts of the Project; and
  - (c) a project management team (“INIR Project Management Team”) within INIR, with terms of reference, staffing and resources satisfactory to the Association, to be responsible for the implementation of INIR’s Respective Parts of the Project.
3. The Recipient shall ensure that, throughout the implementation of the Project, a project management team (“AIAS Project Management Team”) within AIAS is maintained with terms of reference, staffing and resources satisfactory to the Association, to be responsible for the implementation of AIAS’s Respective Parts of the Project.



4. Without limitation to paragraphs 2 and 3 immediately above, the implementation by MOPHRH-DNA, MINEDH, INIR and AIAS of their Respective Parts of the Project shall include the day-to-day administration of planning, coordination, the technical, fiduciary (i.e. procurement and financial management), environmental and social safeguards compliance, monitoring, evaluation, reporting and communication of activities under their Respective Parts of the Project, all in accordance with the provisions of this Agreement, the Project Agreement and the Project Implementation Manual.

**B. Subsidiary Agreement**

1. To facilitate the carrying out of AIAS's Respective Parts of the Project, the Recipient shall make part of the proceeds of the Financing, allocated from time to time to Category (4) of the table set forth in Section IV.A.2 of this Schedule, available to AIAS on grant terms under a subsidiary agreement between the Recipient and AIAS ("Subsidiary Agreement"), under terms and conditions approved by the Association, which shall include:
  - (a) The Recipient's obligation to provide to AIAS the portion of the proceeds of the Financing allocated from time to time to Category (4) of the table set forth in Section IV.A.2 of this Schedule.
  - (b) AIAS's obligation to carry out its Respective Parts of the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, technical, environmental and social practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, and in accordance with the provisions of this Agreement, the Project Agreement, and the Project Implementation Manual.
  - (c) AIAS's obligation to procure goods, works and services required for carrying out its Respective Parts of the Project and to be financed out of the proceeds of the Financing, in accordance with the provisions of Section III of Schedule 2 to this Agreement, as said provisions may be further elaborated in the Procurement Plan and the Project Implementation Manual.
  - (d) AIAS's obligation to implement its Respective Parts of the Project in accordance with the provisions of the Safeguard Instruments.
  - (e) AIAS's obligation to implement the terms of the Anti-Corruption Guidelines.
  - (f) AIAS's obligation to: (i) maintain a separate financial management system for implementing its Respective Parts of the Project; (ii) prepare financial

statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition; and (iii) register separately the operations, resources and expenditures related to its Respective Parts of the Project.

- (g) AIAS's obligation to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of its Respective Parts of the Project and the performance of its obligations under the Subsidiary Agreement.
  - (h) AIAS's obligation to neither take nor concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement.
2. The Subsidiary Agreement shall include a provision stipulating that in the case of conflict between the Subsidiary Agreement on the one hand, and this Agreement and the Project Agreement on the other, the provisions of this Agreement and the Project Agreement shall apply.
  3. 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**

1. The Recipient shall ensure that the Project is implemented in accordance with the provisions of a manual satisfactory to the Association ("Project Implementation Manual"), which shall include: (a) institutional coordination and day-to-day execution of the Project; (b) Project budgeting, disbursement and financial management; (c) procurement; (d) environmental and social safeguard guidelines; (e) monitoring, evaluation, reporting and communication; and (f) such other administrative, financial, technical, and organizational arrangements and procedures as shall be required for the Project.
2. The Recipient shall not amend, abrogate, waive or fail to enforce any provision of the Project Implementation Manual without the prior written agreement of the Association; provided, however, that in case of any conflict between the arrangements and procedures set out in the Project Implementation Manual and the provisions of this Agreement and the Project Agreement, the provisions of this Agreement and the Project Agreement shall prevail.

**D. Annual Work Plan and Budget**

1. The Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association not later than December 31 in each calendar year, for the Association's consideration, a proposed work plan of activities to be included in the Project for the following calendar year, such plan to include an implementation schedule and budget and financing plan therefor.
2. The Recipient shall afford the Association a reasonable opportunity to review and exchange views with the Recipient on each such proposed plan and budget, and thereafter ensure that the Project is implemented with due diligence and efficiency in accordance with such work plan and budget as shall have been approved by the Association ("Annual Work Plan and Budget").

**E. Anti-Corruption**

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

**F. Safeguards**

1. The Recipient shall ensure, or cause to be ensured, that the Project is carried out in accordance with the Safeguard Instruments, including the guidelines, rules and procedures defined in said Safeguard Instruments.
2. The Recipient shall take, or cause to be taken, the following actions in a manner acceptable to the Association:
  - (a) Project activities shall be screened in accordance with the ESMF and RPF to determine if any ESIA, ESMP, or RAP is needed.
  - (b) Whenever an ESIA and/or ESMP would be required on the basis of the ESMF: (i) each such ESIA and/or 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, and cause AIAS to refrain, from tendering any civil works contract during Project implementation unless and until such ESIA and/or 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) the Recipient shall refrain, and cause AIAS to 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 (iii) 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; (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 (C) the Association has confirmed that said works may be commenced; and

- (d) An IPMP satisfactory to the Association shall be prepared, disclosed locally and furnished to the Association.
3. The Recipient shall take all measures necessary for carrying out the requirements of the Safeguard Instruments in a timely manner.
  4. Without limitation to paragraph 1(b) of Section IV.B of this Schedule, no works shall be eligible for financing unless:
    - (a) prior to the commencement of such works: (i) an ESIA and/or ESMP was prepared, adopted and disclosed by the Recipient, and approved by the Association; and (ii) 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; or
    - (b) to the extent that such works have already commenced, an Environmental and Social Audit of such works was completed, under terms of reference and by an independent entity satisfactory to the Association, and the recommendations under said Environmental and Social Audit have been implemented in a manner satisfactory to the Association.
  5. Without limitation to its other reporting obligations under this Agreement and under Section 4.08 of the General Conditions, the Recipient shall include in the Project Reports referred to in Section II.A of this Schedule adequate information on the implementation of the Safeguard Instruments, giving details of:
    - (a) measures taken in furtherance of such Safeguard Instruments;
    - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Instruments; and
    - (c) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of such Safeguard Instruments.

6. The Recipient shall, not later than three (3) months after the Effective Date: (i) prepare, adopt and disclose the ESMF, RPF, and IPMP; and (ii) recruit a social and environmental specialist each for INIR and MOPHRH-DNA.

**G. Immediate Response Mechanism**

In order to ensure the proper implementation of Part D of the Project (“Contingent Emergency Response”) (“IRM Part”), the Recipient shall take the following measures.

1. The Recipient shall:
  - (a) prepare and furnish to the Association for its review and approval, an operations manual which shall set forth detailed implementation arrangements for the IRM Part, including: (i) designation of, terms of reference for and resources to be allocated to, the entity to be responsible for coordinating and implementing the IRM Part (“Coordinating Authority”); (ii) specific activities which may be included in the IRM Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the IRM Part; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the IRM Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard management frameworks for the IRM Part, consistent with the Association’s policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the IRM Part;
  - (b) afford the Association a reasonable opportunity to review said proposed operations manual;
  - (c) promptly adopt such operations manual for the IRM Part as shall have been approved by the Association (“IRM Operations Manual”);
  - (d) ensure that the IRM Part is carried out in accordance with the IRM Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the IRM Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and
  - (e) not amend, suspend, abrogate, repeal or waive any provision of the IRM Operations Manual without prior approval by the Association.
2. The Recipient shall, throughout the implementation of the IRM Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.

3. The Recipient shall undertake no activities under the IRM Part (and no activities shall be included in the IRM Part) unless and until the following conditions have been met in respect of said activities:
  - (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
  - (b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the IRM Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

The Recipient 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 Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

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

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association 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.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Direct Contracting; (b) Shopping; (c) Force Account; (d) National Competitive Bidding ("NCB"), subject to the following additional provisions:
  - (i) **General.** The procedures to be followed for NCB shall be those set forth in the Regulation, with the modifications described in the following paragraphs.
  - (ii) **Eligibility.** No restriction based on nationality of bidders and/or origin of goods shall apply. Foreign bidders shall be allowed to participate in NCB without restriction and shall not be subject to any unjustified requirement which will affect their ability to participate in the bidding process such as, but not limited to, the proof that they are not under bankruptcy proceedings in the Recipient's territory; have a local representative; have an attorney

resident and domiciled in the Recipient's territory; form a joint venture with a local firm. In cases of joint ventures, they shall confirm joint and several liability.

Prior registration, obtaining a license or agreement shall not be a requirement for any bidder to participate in the bidding process.

Recipient's government-owned enterprises or institutions shall be eligible to participate in the bidding process only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Recipient.

- (iii) **Bidding Documents.** Standard bidding documents acceptable to the Association shall be used for any procurement process under NCB.
- (iv) **Preferences.** No domestic preference shall be given to domestic bidders and/or to domestically manufactured goods.
- (v) **Applicable Procurement Method under the Regulation.** Subject to these NCB exceptions, procurement under NCB shall be carried out in accordance with the Regulation's public competition ("*Concurso Público*") method.
- (vi) **Bid Preparation Time.** Bidders shall be given at least twenty-eight (28) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids.
- (vii) **Bid Opening.** Bids shall be opened in public, immediately after the deadline for their submission in accordance with the procedures stated in the bidding documents.
- (viii) **Bid Evaluation**
  - (A) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified; the evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. Qualification criteria shall be applied on a pass or fail basis.
  - (B) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents; criteria other than price shall be quantified in monetary terms.



- (C) A contract shall be awarded to the qualified bidder offering the lowest-evaluated and substantially responsive bid.
- (D) Bidders shall not be eliminated on the basis of minor, non-substantial deviations.
- (ix) **Rejection of All Bids and Re-bidding.** All bids shall not be rejected and new bids solicited without the Association's prior concurrence.
- (x) **Complaints by Bidders and Handling of Complaints.** The Recipient shall establish an effective and independent complaint mechanism allowing bidders to complain and to have their complaint handled in a timely manner.
- (xi) **Right to Inspect/Audit.** In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Financing shall provide that: (i) the bidders, suppliers, and contractors and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the Association, at its request, to inspect their accounts, records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.
- (xii) **Fraud and Corruption.** Each bidding document and contract financed from the proceeds of the Financing shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The Association may sanction a firm or individual, at any time, in accordance with prevailing Association sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded an Association-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier or service provider of an otherwise eligible firm being awarded an Association-financed contract.
- (xiii) **Debarment under National System.** The Association may recognize, if requested by the Recipient, exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption or similar misconduct, and further provided that the Association confirms that the particular debarment procedure afforded due process and the debarment decision is final.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection based on Consultants' Qualifications; (c) Single-source Selection of consulting firms; (d) Selection of UN HABITAT; (e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (f) Single-source procedures for the Selection of Individual Consultants.

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**E. Procurement of Emergency Expenditures under the IRM Part of the Project**

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for the IRM Part of the Project shall be procured in accordance with the procurement methods and procedures set forth in the IRM Operations Manual.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, and consultants' services under Part A.1 of the Project; and	6,820,000	100%
(2) Non-consulting services, consultants' services and Operating Costs under Part C.1 of the Project	870,000	100%
(3) Goods, works, non-consulting services, consultants' services, and Operating Costs under Parts A.2 and C.3 of the Project	4,310,000	100%
(4) Goods, works, non-consulting services, consultants' services, and Operating Costs under Parts A.3 and C.4 of the Project	5,380,000	100%
(5) Goods, works, non-consulting services, consultants' services, and Operating Costs under Parts A.4 and C.2 of the Project	7,010,000	100%
(6) Non-consulting services, consultants' services, and Training under Part B.1 of the Project	720,000	100%
(7) Goods, non-consulting services, consultants' services, and Training under Parts B.2 and B.3 of the Project	3,590,000	100%
(8) Emergency Expenditures under Part D of the Project	0	100%
<b>TOTAL AMOUNT</b>	<b>28,700,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 5,020,000 may be made for payments made prior to this date but on or after September 1, 2015, for Eligible Expenditures under Category (1); or
  - (b) under Category (1) in respect of any works, unless the Recipient has met the requirements referred to in paragraph 4 of Section I.F of this Schedule; or
  - (c) under Category (8), for Emergency Expenditures under Part D of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:
    - (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
    - (ii) the Recipient has prepared and disclosed all Safeguards Instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.G of Schedule 2 to this Agreement;
    - (iii) the Recipient's Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.G of this Schedule 2 to this Agreement, for the purposes of said activities; and
    - (iv) the Recipient has adopted an IRM Operations Manual in form, substance and manner acceptable to the Association and the provisions of the IRM Operations Manual remain - or have been updated in accordance with the provisions of Section I.G of this Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under the IRM Part.
2. The Closing Date is June 30, 2019.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each January 15 and July 15, commencing January 15, 2022, to and including July 15, 2053	1.5625%

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

## APPENDIX

### Section I. Definitions

1. “Affected Person” means a person who as a result of: (a) the involuntary taking of land under the Project is affected in any of the following ways: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood; and “Affected Persons” means more than one Affected Person.
2. “AIAS” or “*Administração de Infra-estruturas de Água e Saneamento*” means the Recipient’s water and sanitation infrastructure administration, established and operating pursuant to Decree No. 18 and Decree No. 19, published in the Official Gazette No. 19 dated May 13, 2009, and Regulation No. 34, published in the Official Gazette No. 52 dated December 31, 2009, as amended, of the laws of the Recipient, or any successor thereto.
3. “AIAS’s Legislation” means Decree No. 18 and Decree No. 19, published in the Official Gazette No. 19 dated May 13, 2009, and Regulation No. 34, published in the Official Gazette No. 52 dated December 31, 2009, as amended, of the laws of the Recipient, including any legal or regulatory enactments upon which such instruments are based, or any licenses granted to AIAS related to the Project, all as in force on the date of this Agreement.
4. “AIAS Project Management Team” means the project management team within AIAS referred to in paragraph 3 of Section I.A of Schedule 2 to this Agreement.
5. “Annual Work Plan and Budget” means the annual work plan and budget approved by the Association and adopted by the Recipient in accordance with the provisions of Section I.D of Schedule 2 to this Agreement, as said work plan and budget may be modified from time to time with the prior written agreement of the Association.
6. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January 2011.
7. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
8. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).

9. “Coordinating Authority” means the entity or entities designated by the Recipient in the IRM Operations Manual and approved by the Association pursuant to Section I.G of Schedule 2 to this Agreement, to be responsible for coordinating the IRM Part of the Project.
10. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
11. “Emergency Expenditure” means any of the Eligible Expenditures, including goods, works, non-consulting services, consultants’ services, Training, and Operating Costs, set forth in the IRM Operations Manual in accordance with the provisions of Section I.G of Schedule 2 to this Agreement and required for the activities included in the IRM Part of the Project.
12. “Environmental and Social Audit” means each site specific environmental and social audit to be prepared, adopted and disclosed by the Recipient, and acceptable to the Association, to determine the nature and extent of all environmental and social impacts caused by an activity, identifying and justifying appropriate measures to mitigate and/or remediate said impacts, estimating the cost of the measures, and recommending a schedule for implementing such measures.
13. “Environmental and Social Impact Assessment” or “ESIA” means each site specific environmental and social impact assessment to be prepared, adopted, consulted upon and disclosed by the Recipient, and acceptable to the Association, in each case identifying and assessing the potential environmental and social impacts of a proposed Project activity, evaluating alternatives, and designing appropriate mitigation, management, and monitoring measures, as the same may be amended from time to time with the prior written agreement of the Association.
14. “Environmental and Social Management Framework” or “ESMF” means the environmental and social management framework to be prepared, adopted and disclosed by the Recipient, and approved by the Association, describing, *inter alia*, the modalities to be followed in screening Project activities in order to assess and determine the need to prepare an ESIA and/or ESMP, including the measures to be taken to offset, reduce, or mitigate adverse environmental and social impact, procedures for the management of chance finds of physical cultural resources and procedures to ensure protection, maintenance, and rehabilitation of natural habitats, as the same may be amended from time to time with the prior written agreement of the Association.
15. “Environmental and Social Management Plan” or “ESMP” means an environmental and social management plan, to be prepared, adopted and disclosed by the Recipient, and acceptable to the Association, and giving details of the magnitude of the environmental and social impacts, including procedures for the

management of chance finds of physical cultural resources and procedures to ensure protection, maintenance, and rehabilitation of natural habitats, as well as the specific actions, measures and policies designed to facilitate the achievement of the objective of the ESMF, including the budget and cost estimates, and sources of funding, along with the institutional and procedural measures needed to implement such actions, measures and policies, as the same may be amended from time to time with the prior written agreement of the Association.

16. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
17. “Immediate Response Mechanism Operations Manual” or “IRM Operations Manual” means the operations manual referred to in Section I.G of this Agreement, to be adopted by the Recipient for the IRM Part of the Project in accordance with the provisions of said Section.
18. “INIR” or “*Instituto Nacional de Irrigação*” means the Recipient’s national institute for irrigation, or any successor thereto.
19. “INIR Project Management Team” means the project management team within INIR referred to in paragraph 2(c) of Section I.A of Schedule 2 to this Agreement.
20. “Integrated Pest Management Plan” or “IPMP” means an integrated pest management plan to be prepared, adopted and disclosed by the Recipient, and approved by the Association, setting forth mitigation, enhancement, monitoring, and institutional measures for integrated pest management and the safe handling of pesticides under activities to be implemented under the Project, and for minimizing any potential related adverse impacts, as the same may be amended from time to time with the prior written agreement of the Association.
21. “Involuntary Resettlement” means: (a) the taking of land without the displaced person’s informed consent or power of choice, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons.
22. “IRM Part of the Project” or “IRM Part” means Part D of the Project.
23. “MINEDH” or “*Ministério da Educação e Desenvolvimento Humano*” means the Recipient’s ministry responsible for education and human development, or any successor thereto.



24. “MINEDH Project Management Team” means the project management team within MINEDH referred to in paragraph 2(b) of Section I.A of Schedule 2 to this Agreement.
25. “MOPHRH” or “*Ministério das Obras Públicas, Habitação e Recursos Hidricos*” means the Recipient’s ministry responsible for public works, housing and water resources, or any successor thereto.
26. “MOPHRH-DNA” or “*Direcção Nacional de Águas*” means the Recipient’s national directorate of water within the MOPHRH, or any successor thereto.
27. “MOPHRH-DNA Project Management Team” means the project management team within MOPHRH-DNA referred to in paragraph 2(a) of Section I.A of Schedule 2 to this Agreement.
28. “Official Gazette” means the Recipient’s official publication issued periodically by the Recipient’s government press.
29. “Operating Costs” means the incremental expenses incurred on account of Project implementation, based on the Annual Work Plan and Budget approved by the Association pursuant to Section I.D of Schedule 2 to this Agreement, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, local and international travel (except travel related to training), per diem and supervision costs of locally contracted employees, excluding the salaries of the Recipient’s civil servants.
30. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
31. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated August 25, 2015, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
32. “Project Implementation Manual” means the manual satisfactory to the Association, referred to in Section I.C of Schedule to this Agreement, as the same may be amended from time to time with the prior written Agreement of the Association.
33. “Project Steering Committee” means the steering committee referred to in Section I.A.1 of Schedule 2 to this Agreement.
34. “Regulation” means the Recipient’s rules on Procurement of Works, Provision of Goods and Services, (*Regulamento de Contratacao de Empreitada de Obras*

*Publicas, Fornecimento de Bens e Prestacao de Servicos ao Estado*) published in the Recipient's Official Gazette (*Boletim da Republica*) on May 24, 2010.

35. "Resettlement Action Plan" or "RAP" means in respect of any activity involving resettlement, a resettlement plan for such activity prepared, adopted, disclosed and implemented by the Recipient, and acceptable to the Association, such resettlement plan to include a program of actions, measures and policies for compensation and resettlement of Affected Persons, and setting forth the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements designed to ensure proper implementation of, and regular feedback on, compliance with such RAP, as the same may be amended from time to time with the prior written agreement of the Association.
36. "Resettlement Policy Framework" or "RPF" means the resettlement policy framework to be prepared, adopted, and disclosed by the Recipient, and approved by the Association, setting forth the modalities for resettlement and compensation of Affected Persons under the Project, as the same may be amended from time to time with the prior written agreement of the Association.
37. "Respective Parts of the Project" means: (a) in the case of MOPHRH-DNA, Parts A.1, B.2, B.3, C.1, and D of the Project; (b) in the case of MINEDH, Parts A.4, B.1, and C.2 of the Project; (c) in the case of INIR, Parts A.2 and C.3 of the Project; and (d) in the case of AIAS, Parts A.3 and C.4 of the Project.
38. "Safeguard Instruments" means the ESMF, the RPF, the IPMP, related ESMPs, RAPS, ESIA, and Environmental and Social Audits for the Project; "Safeguard Instrument" means any one of such instruments.
39. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to AIAS, as the same may be amended from time to time with the prior written agreement of the Association; and such term includes all schedules to the Subsidiary Agreement.
40. "Training" means the cost associated with training, workshops and study tours, including local and international travel related to training, based on the Annual Work Plan and Budget approved by the Association pursuant to Section I.D of Schedule 2 to this Agreement, for reasonable expenditures (other than expenditures for consultants' services), including: (a) travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.