
GPOBA GRANT NUMBER TF091213-MOZ

Global Partnership on Output-based Aid Grant Agreement

(Water Private Sector Contracts for Output-based Aid Expansion Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Administrator of the Global Partnership on Output-based Aid

and

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

Dated April 3 ,2008

GPOBA GRANT NUMBER TF091213-MOZ

GLOBAL PARTNERSHIP ON OUTPUT-BASED AID

GRANT AGREEMENT

AGREEMENT dated April 3, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the Global Partnership on Output-based Aid ("GPOBA") and FUNDO DO INVESTIMENTO E PATRIMONIO DO ABASTECIMENTO DE AGUA ("FIPAG") ("Recipient").

The Recipient and the World Bank hereby agree as follows:

Article I

Standard Conditions; Definitions

- 1.01. The Standard Conditions for Grants Made by the World Bank out of Various Funds, dated July 15, 2006 ("Standard Conditions"), 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 Standard Conditions or in this Agreement.

Article II

The Project

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III

The Grant

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to six million United States Dollars (\$6,000,000) ("Grant") to assist in financing the Project. The total Grant amount will be financed by the Government of the Netherlands, through its Ministry of Development Cooperation.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

Article IV

Additional Remedies

- 4.01. The Additional Events of Suspension referred to in Section 4.02 (i) of the Standard Conditions consist of the following:
 - (a) The International Bank for Reconstruction and Development (IBRD) or the International Development Association (IDA) has declared the Recipient ineligible to be awarded a contract financed by IBRD or IDA.
 - (b) The Recipient has: (i) amended the GPOBA Operations Manual so as to, in the opinion of the World Bank, affect materially and adversely the carrying out of the Project; or (ii) changed the out-put based approach of the Project design without prior agreement of the World Bank.
 - (c) The World Bank has determined after the Project becomes effective, pursuant to the provisions of Section 5.02 of this Agreement (Effective Date), that prior to such date but after the signing of the Grant Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if the Grant had been effective on the date such event occurred.

Article V

Effectiveness; Termination

- 5.01 This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished that the conditions specified below have been satisfied:
- (a) The GPOBA Operations Manual has been adopted by the Recipient in a manner satisfactory to the World Bank; and
 - (b) the Procurement Manual has been updated in a manner satisfactory to the World Bank, and an acceptable procurement filing system and contract execution monitoring system have been put in place.
- 5.02 Except as the Recipient and the World Bank shall otherwise agree, the Effective Date of the Grant Agreement shall be the date upon which the World Bank dispatches to the Recipient notice that the requirement under Section 5.01 has been fulfilled. If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if the Grant Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this subparagraph until such events have ceased to exist.
- 5.03 The Grant Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI

Recipient's Representative; Addresses

- 6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Chief Executive Officer.

- 6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

FIPAG
Rua General Pereira d'Eca N. 241 R/C,
PO Box 917
Maputo, Mozambique

- 6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

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

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as an Administrator of the Global Partnership on Output-
based Aid

By *Susan Hume*
Authorized Representative

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

By *Nela Beita* *UM/MA*
Authorized Representative
Miguel E. Alves

SCHEDULE 1

Project Description

The objective of the Project is to increase piped-water access to the poor in the Recipient's cities of Maputo, Beira, Nampula, Quelimane, and Pemba by providing Output-Based Payments to Private Operators.

The Project consists of the following parts:

Part A: Program for Maputo

Provision of Output Based Payments to AdM for expanding piped-water access to approximately 143,000 people, subject to: (i) delivery of functioning yard-taps; and (ii) demonstration of continued service for a minimum period of three months.

Part B: Program for Beira, Pemba, Quelimane, and Nampula

Provision of Output Based Payments to Private Operators for expanding piped-water access to approximately 325,000 people, subject to: (i) delivery of functioning yard-taps; and (ii) demonstration of continued service for a minimum period of three months.

Part C: Verification of completed yard-tap connections and service delivery

Carrying out of technical verification of a sample of yard taps installed and service being delivered in the last three month period.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Implementation Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall establish and maintain lease contracts with selected Private Operators in Maputo, Beira, Pemba, Quelimane, and Nampula, in accordance with the provisions and procedures set forth below and in more detail in the Operations Manual.
2. The Recipient and the Private Operators shall have adopted the GPOBA Operations Manual, satisfactory to the World Bank, which shall include, *inter alia*, the detailed description of Project implementation and activities, including:
 - (i) the institutional arrangements for implementation of the Project, including the roles and responsibilities between the Recipient and the Private Operators;
 - (ii) the eligibility criteria for subsidizing yard tap connection charges;
 - (iii) the eligibility criteria for households to receive subsidized connections;
 - (iv) the arrangements for billing and collecting advance payment from customers; and
 - (v) the prospective timetable for yard tap connection.
3. The Recipient shall exercise its rights under the lease contracts in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not: (a) assign, abrogate or waive the lease contracts; and (b) amend the lease contracts, when the proposed amendment is material in the opinion of the World Bank.

B. Operations Manual

1. The Recipient and the Private Operators shall carry out the Project in accordance with the GPOBA Operations Manual, and may, with the prior written consent of the World Bank, amend or modify the provisions of the GPOBA Operations Manual.
2. In the event that any provision of the GPOBA Operations Manual shall be in conflict with any provision of this Agreement, the provisions of this Agreement shall prevail.

C. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators detailed in the GPOBA Operations Manual and agreed with the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.
2. The Recipient shall prepare the Recipient's Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date. In addition, the Recipient shall prepare two additional reports ("Post Project Reports"), each of such scope and in such detail as the World Bank shall reasonably request, on the execution of the plan set out in the Recipient's Completion Report, and setting out measures designed to ensure the continued efficient and effective achievement of the Project's objectives. The Recipient shall furnish the Post-Project Reports to the World Bank not later than one month after the first and second anniversaries of the Closing Date, respectively.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than one month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Services (other than Consultants' Services).** All goods, works and Services (other than Consultants' Services) required for the Project and to be financed out of the proceeds of the Grant 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 Grant 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works and Services (other than Consultants' Services)

1. **International Competitive Bidding.** The lease contracts for the selection of the water Private Operators shall be procured under contracts awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
Direct Contracting

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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Selection Based on Consultants' Qualifications
(b) Least Cost Selection
(c) Single Source Selection
(d) Individual Consultants

D. Review by the World Bank of Procurement Decisions

1. Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: (a) each lease contract under International Competitive Bidding; (b) each contract for goods and works under Part A of the Project; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; and (d) each contract for individual consultants, estimated to cost the equivalent \$ 50,000 or more. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank 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 Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Goods and works under Part A of the Project	1,200,000	100% of allocated Output Based Payments
(2) Goods, works and services (other than Consultants' services) under Part B of the Project	4,430,000	100% of allocated Output Based Payments
(3) Consultants' Services under Part C of the Project	370,000	100%
TOTAL AMOUNT	6,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2011.

APPENDIX

Definitions

1. "AdM" means *Aguas de Mozambique*, the Private Operator (as hereinafter defined) supplying water services in Maputo, established and operating under the laws of the Republic of Mozambique.
2. "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.
3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004 and revised in October 2006.
5. "CRA" means *Conselho de Regulacao do Abastecimento de Agua*, the Recipient's Council for Regulation of Water Supply established by the Recipient, pursuant to Decree 74/98 published in the Recipient's Official Gazette on December 23, 1998, a Project Implementing Entity for Parts B and C of the Project, and includes any successor thereto.
6. "Effective Date" means the date referred to in Section 5.03 of this Agreement.
7. "FIPAG" means the *Fundo de Investimento e Patrimonio do Abastecimento de Agua*, an asset holding company established by the Recipient pursuant to Decree 73/98 published in the Recipient's Official Gazette on December 23, 1998, the Project Implementing Entity for Part A of the Project, and includes any successor thereto.
8. "Fiscal Year" means the Recipient's fiscal year commencing January 1 and ending December 31 of each year.
9. "GPOBA Operations Manual" means the manual referred to in Section I.A of Schedule 2 to this Agreement.

10. "Output Based Payments" means payments, at or below the maximum permitted subsidy per yard tap, funded under the Grant, made after the delivery of pre-identified goods, works and/or services as described in the GPOBA Operations Manual.
11. "Private Operators" or "POs" means AdM in Maputo, and any of the private operators to be selected to supply water services under a lease contract in Beira, Nampula, Quelimane and Pemba; and "Private Operator" means any of the Private Operators.
12. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006.
13. "Procurement Plan" means the Recipient's procurement plan for the Project, dated June 22, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
14. "Standard Conditions" means the "Standard Conditions for Grants Made by the World Bank Out of Various Funds" dated July 20, 2006.