

CONFORMED COPY

CREDIT NUMBER 2436 MOZ

Development Credit Agreement

(Capacity Building: Human Resources Development Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 29, 1993

CREDIT NUMBER 2436 MOZ

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 29, 1993, between REPUBLIC OF MOZAMBIQUE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

WHEREAS: (B) the Association has received a letter dated August 6, 1992, from the Borrower describing its capacity building strategy (the Capacity Building Strategy), and declaring the Borrower's commitment to the execution of said Capacity Building Strategy; and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "CIUEM" means Centro de Informatica da Universidade Eduardo Mondlane, the University Center for Computer Science of the Borrower;

(b) "EPU" means Pre-University Education or any Pre-University School;

(c) "GEPE" means Gabinete Tecnico de Gestao de Projectos Educacionais, the Educational Projects Management Unit established and operating within MINED, as hereinafter defined, pursuant to Diploma Ministerial No. 34/88 dated February 20, 1988, and in force from March 23, 1988, as amended October 14, 1991;

(d) "GIU" means the Gabinete de Instalacoes Universitarias, the University Buildings Office established and operating pursuant to Despacho dated April 15, 1992 issued by UEM's Rector;

(e) "IC" means the Comissao Inter Ministerial, the Inter-ministerial Committee established pursuant to Despacho dated July 20, 1992, issued by the Borrower's Prime Minister and referred to under Part A of Schedule 6 to this Agreement;

(f) "ISP" means Instituto Superior Pedagogico, the Institute for Advanced Pedagogical Training, established and operating pursuant to Diploma Ministerial No. 73/85, dated December 4, 1985;

(g) "MINED" means the Ministry of Education of the Borrower;

(h) "NDSE" means Direccao Nacional de Ensino Secundario Geral, the National Directorate of Secondary Education of MINED;

(i) "UEM" means Universidade Eduardo Mondlane, the Borrower's University;

(j) "fiscal year" or "FY" means the Borrower's fiscal year which runs from January 1 to December 31;

(k) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a Letter of Agreement dated January 6, 1992 and countersigned by the Borrower on February 6, 1992;

(l) "Special Account" means any of the accounts referred to in Section 2.02 (b) of this Agreement;

(m) "Capacity Building Action Plan" means the actions, programs and activities, designed by the Borrower to fulfill the objectives of the Capacity Building Strategy; and

(n) "GP" means Gabinete de Planeamento, the Planning Unit of the Ministry of State Administration of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty-four million one hundred thousand Special

Drawing Rights (SDR 34,100,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars two special deposit accounts in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment: (i) Special Account A shall be opened for the purposes of Part A of the Project (UEM Account); and (ii) Special Account B shall be opened for the purposes of Part B of the Project (MINED Account). Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedules 4 and 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1999 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 1 and October 1 commencing April 1, 2003 and ending October 1, 2032. Each installment to and including the installment payable on April 1, 2012, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association shall exceed \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association, and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out: (i) Part A of the Project through UEM; and (ii) Part B of the Project through MINED, with due diligence and efficiency and in conformity with appropriate educational, administrative, engineering and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 6 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower shall, for the purposes of carrying out Part A.2 (a) (ii) (A) of the Project, take all necessary measures to:

(a) free from all occupants the sites legally attributed to UEM to carry out the construction program referred to under Part A.2 (a) (ii) (A) in accordance with a timetable agreed with the Association; and

(b) implement, in accordance with terms agreed with the Association, the resettlement plan referred to under Part A.2 (a) (ii) (B) of the Project.

Section 3.04. The Borrower shall, starting FY 1993, and progressively throughout Project implementation, increase its annual budgetary allocation to UEM to finance maintenance of its existing physical plant, from 0.5% (one half of one percent) of estimated

replacement value in FY 1993, to 2% (two percent) by FY 1997, and to be maintained at acceptable levels thereafter. For the purposes of this Section "replacement value" means an amount equivalent to \$300 in constant terms, per square meter.

Section 3.05. The Borrower shall not later than June 30, 1993:

(a) cause UEM to furnish to the Association, for its review and comments: (i) a detailed action plan to operate and maintain UEM's housing, including a system for the collection of users' maintenance and management fees, in a manner acceptable to the Association; and (ii) a draft negotiated contract to be entered into between UEM and a qualified management agent selected by UEM to provide management of UEM's housing, including maintenance, in accordance with technical, contractual and financial terms satisfactory to the Association; and

(b) cause MINED to furnish to the Association for its review and comments a detailed action plan and timetable to: (i) transfer to the private sector the management of EPU dormitories; and (ii) decentralize the collection and utilization of school fees.

Section 3.06. The Borrower and the Association shall:

(a) not later than November 30 of each year, until the completion of the Project, conduct an annual Project implementation review to: (i) monitor progress in carrying out the Project, taking into account performance indicators and evaluation criteria agreed between the Borrower and the Association; (ii) review, update, refine and approve work plans for Parts A and B of the Project for the upcoming year and the respective cost estimates; (iii) coordinate all other related activities financed by other donor agencies. Representatives of such agencies may be invited to participate in these discussions; and (iv) exchange information among staff responsible for Project implementation, as set forth in Parts B and C of Schedule 6 to this Agreement and propose coordinated solutions to any current implementation issues;

(b) not later than October 31 of each year, furnish to the Association a report in such detail as the Association shall reasonably request, including:

- (i) an evaluation of progress achieved by the Borrower, in general, and by each ministry or entity responsible for project implementation, in particular, in carrying out the Project taking into account the provisions of the annual work plan;
- (ii) a draft work plan to be carried out throughout the upcoming year, including: (A) description of activities to be undertaken, including civil works to be carried out under the Project; (B) detailed training programs and action plan to select and employ technical assistance financed under the Project; (C) a financing plan, indicating other available cofinancing sources for each activity, and identifying specific donor agencies invited to participate in the review; and (D) a procurement program detailing goods and services to be procured under the Project;

(c) not later than November 30, 1995, carry out a mid-term Project implementation review to evaluate, inter alia, the following: (A) update the Capacity Building Strategy and Capacity Building Action Plan; and (B) review the Project objectives taking into account the updated Strategy and Action Plan; and

(d) promptly after completing the reviews, carry out those recommendations arising out of said reviews as agreed between the Borrower and the Association.

Section 3.07. The Borrower shall, during the execution of the Project, continue to maintain UEM and MINED staff responsible for Project implementation, as set forth in Parts B and C of Schedule 6 to this Agreement, in adequate numbers and with experience, technical qualifications, and terms of reference satisfactory to the Association.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
 - (ii) furnish to the Association, as soon as available, but in any case not later than nine months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
 - (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.
- (c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:
- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
 - (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
 - (iii) enable the Association's representatives to examine such records; and
 - (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) that an extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to carry out its Capacity Building Strategy;

(b) that the Borrower or any authority having jurisdiction shall have taken any action concerning the Borrower's pre-university and university-level education that would materially affect the ability of the Borrower, UEM or MINED to perform any of their respective obligations under this Agreement;

(c) that the Statutes of UEM shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of UEM to perform any of its obligations under this Agreement; and

(d) that Diploma Ministerial No. 34/88 of March 23, 1988, as amended, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of GEPE to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any of the events specified in paragraphs (a) or (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower; and

(b) any of the events specified in paragraphs (c) or (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) that the Borrower has employed the staff responsible for Project implementation referred to under Part C of Schedule 6 to this Agreement, with experience, qualifications and in accordance with terms of reference satisfactory to the Association; and

(b) that the Borrower has furnished to the Association documentary evidence, satisfactory to it, certifying the Borrower's formal approval of its Capacity Building Action Plan.

Section 6.02. The following is specified as an additional matter within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that this Agreement has been duly ratified by the Borrower's Council of Ministers and is legally binding upon the Borrower in accordance with its terms.

Section 6.03. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Governor of Bank of Mozambique of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Bank of Mozambique
Departamento de Relacoes Internacionais
Avenida 25 de Setembro
P.O. Box 423
Maputo, Mozambique

Cable address:

MOBANCO
Maputo

Telex:

6355/7 BMMO

Facsimile: 29178

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF MOZAMBIQUE

By /s/ Hipolito Zozimo Patricio
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Francisco Aguirre-Sacasa
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
Part A of the Project		
(1) Civil Works		80%
(a) Parts A.1 (d), A.2 (a)(i);	5,960,000	

A.4 (a) and
A.5 of the
Project;

(b) Part A.2 (a)(ii) of the Project	1,750,000	
(2) Consultants' ser- vices, studies and audits	3,930,000	100%
(3) Vehicles, equip- ment, supplies and materials	910,000	100%
(4) Goods and services under Part A.1 (a) of the Project	630,000	100%
(5) Training	3,160,000	100%
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
Part B of the Project		
(6) Civil works	4,700,000	80%
(7) Consultants' ser- vices studies and audits	2,670,000	100%
(8) Vehicles, equip- ment supplies, and materials	1,400,000	100%
(9) Training	1,750,000	100%
(10) Refunding of Project Preparation Advance	530,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(11) Unallocated	6,710,000	
	34,100,000	
TOTAL	=====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) expenditures under Category (1) (b), unless the Borrower has furnished to the Association satisfactory evidence of the Borrower's ownership of the sites necessary to carry out the civil works referred to under Part A.2 (a)(ii) of the Project;

(c) expenditures under Category (4) unless the Borrower has submitted to the Association, for its review and comments:

- (i) the recommendations of the study referred to under Part A.1 (b) of the Project; and
 - (ii) detailed guidelines for the functioning and implementation of the book fund referred to under Part A.1 (a) of the Project; and
- (d) (i) expenditures under Category (5), unless the Borrower has completed and submitted to the Association for its approval, training programs for Parts A.3 (a) and A.6 (a) of the Project; and
- (ii) expenditures under Category (9) unless the Borrower has completed and submitted to the Association for its approval, training programs for Parts B.1 (g); B.1 (h); and B.3 of the Project to be carried out during the first year of the Project, which shall include, inter alia, the following: (A) type and number of trainees; (B) location and institution where training will be received; (C) objectives and length of the training activity; and (D) the estimated budget.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) expand the quantity and improve the quality of university graduates; and (b) improve the quality of upper secondary education.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: University Stabilization and Expansion

1. Improvement of educational quality:

(a) Establishment of a book fund for the acquisition of imported textbooks and study materials; and local production of textbooks;

(b) carrying out an operational study of UEM's bookstore and the options to increase the supply of textbooks;

(c) (i) acquisition of computers, software, and supporting equipment; and (ii) provision of training to strengthen the staff responsible for computer training;

(d) expansion of library and reading space at UEM's departments of, inter alia, agriculture, economics, architecture, veterinary, medicine and social sciences;

(e) supporting linkage arrangements entered into by UEM's departments of economics and engineering with relevant academic institutions; and

(f) carrying out studies to: (i) analyze causes for poor academic performance, review relevance of curriculum and its equivalency with other university programs in the region, and explore the feasibility of moving towards a system based on academic credit; and (ii) assess the viability to start a distance education program in disciplines such as economics and law.

2. Carrying out a housing strategy for staff retention:

- (a) increasing UEM's staff-housing stock through:

- (i) completion of construction of about ninety-two on-campus apartments and renovation of about one hundred and eight on-campus apartments; and
 - (ii) (A) rehabilitation of about one hundred off-campus housing units; and (B) carrying out a resettlement plan of current tenants of the apartment buildings selected for rehabilitation;
- (b) designing and implementing of a self-financing program for maintenance and management of UEM's staff-housing stock; and
- (c) developing a model to offer UEM staff the possibility of home ownership.

3. Staff development:

- (a) provision of fellowship for professional training of academic and administrative staff; and
- (b) carrying out a fellowships management plan.

4. Ensuring regional and gender representation:

- (a) construction and equipping of two student on-campus residences, a student social hall and support services office; and
- (b) provision of adequate space in student residences for female students and students coming from the provinces.

5. Rehabilitation of UEM's physical plant:

- (a) carrying out a building rehabilitation program; and
- (b) design and implementation of a building maintenance program, including procedures and training activities for staff responsible for maintenance.

6. Strengthening of management and accountability capabilities:

- (a) provision of short-term management training for key academic and administrative staff;
- (b) recruitment of staff responsible for financial management;
- (c) carrying out UEM's financial restructuring plan, including annual institutional audits;
- (d) strengthening of GIU's technical and administrative capabilities; and
- (e) carrying out two studies to: (i) review UEM's Statutes; and (ii) to assess the transfer of UEM's central offices to the main campus.

Part B: Improvement of Upper Secondary Education

1. Improvement of educational quality:

- (a) development of a new curriculum, study plans and review of the existing examination system for the EPUs;
- (b) preparation of training materials;
- (c) preparation of study guides and examination questions;
- (d) carrying out a study on options for increasing the relevance of the EPU curriculum;
- (e) acquisitions of equipment and supplies for NDSE;

(f) carrying out studies to: (A) evaluate examination system; (B) prepare training materials; (C) develop a new examination system;

(g) carrying out annual pedagogical seminars and periodic technical meetings;

(h) design and implementation of a training strategy by ISP;

(i) carrying out a staff development program for NDSE and school management staff;

(j) carrying out a study on the production and distribution of textbooks for the EPUs;

(k) acquisition of office, printing, laboratory and pedagogical equipment and library books; and

(l) implementation of measures to increase the supply of EPU teachers.

2. Stabilization of the EPU network:

(a) rehabilitation, equipping and physical expansion of about six EPUs;

(b) rehabilitation of one existing and construction of about four new dormitories; and

(c) construction of about forty-three staff houses.

3. Building management and administrative capacity:

(a) preparation and dissemination of materials on financial management, school regulations and planning;

(b) provision of short-term overseas training in planning, school administration, educational technology for NDSE and EPU administrators;

(c) strengthening of GEPE's staffing and office support; and

(d) strengthening of management and coordination capabilities of the Project Technical Unit of NDSE.

4. Improvement of enrollment of female students:

(a) provision of about 280 scholarships primarily intended for female students enrolled in the EPUs in Beira, Nampula, Quelimane and Xai-Xai; and

(b) design and implementation of measures to address needs of female students.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

2. Goods shall be exempted from pre-shipment price inspection by a third-party inspection firm.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Mozambique may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Local Competitive Bidding: Works estimated to cost the equivalent of \$530,000 or less up to an aggregate amount of \$1,100,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. International or Local Shopping: Goods estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$1,300,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

1. (a) With respect to each contract estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedules 5 and 6 to this Agreement, respectively.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected

in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Special Account A (UEM Account)

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4), and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Part A of the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for Part A of the Project, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Part A of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for Part A of the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 5

Special Account B (MINED Account)

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (6), (7), (8) and (9) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Part B of the Project and to be financed out of the proceeds of the

Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for Part B of the Project, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Part B of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for Part B of the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Implementation Program

Part A: Project Coordination

Inter-ministerial Committee (IC)

1. (a) An interministerial committee shall be established by the Borrower's Prime Minister with the following membership: Chairperson: Minister of State Administration; and Co-chairpersons: Minister of Finance and Minister of Planning. Other members are Ministers of Education, Labor and Justice.

(b) The Rector of UEM and Attorney General may be called to participate in the meetings of the IC.

2. The IC shall be responsible, inter alia, for the formulation and coordination of the Capacity Building Strategy.

3. The IC shall meet regularly and frequently, and at least ten times during the first year of the Project.

4. The GP shall act as the technical secretariat for the IC.

Part B: Institutions Responsible for Project Implementation

1. Part A of the Project

(a) Part A.1 (c) of the Project shall be carried out by CIUEM;

(b) GIU shall carry out Parts A.1 (d); A.2 (a); A.2 (b); A.4 (a); A.4 (b); A.5 (a); and A.5 (b) of the Project;

(c) Part A.1 (e) of the Project shall be carried out by the Economics and Engineering Faculties; and

(d) the Rector's Office shall carry out Parts A.1 (a); A.1 (b); A.1 (f), A.2 (c); A.3 (a); A.3 (b); A.6 (a); A.6 (b); A.6 (c); A.6 (d) and A.6 (e) of the Project.

2. Part B of the Project

(a) GEPE shall be responsible for the overall coordination of implementation of Part B of the Project, including the carrying out of Parts B.2; and B.3 (c);

(b) NDSE shall, in coordination with GEPE, be responsible for the implementation of Parts B.1, B.3 (b); B.3 (d); and B.4 of the Project; and

(c) Part B.3 (a) of the Project shall be carried out by NDSE with the assistance of DAF.

Part C: Key Project Implementation Staff

1. Part A of the Project: (a) GIU's Director; (b) Senior Procurement Officer; (c) Senior Accountant; (d) GIU's Engineer; and (e) GIU's Architect.

2. Part B of the Project: (a) within GEPE: (i) Civil Engineer; (ii) Accountant; (iii) Procurement Officer; (iv) Administrator; and (v) Lawyer; and (b) within NDSE: two technical staff in the Project Technical Group.

Part D: Schedule of Actions to be Carried out by the Borrower during Project Implementation

Except as the Association and the Borrower shall otherwise agree, the Borrower shall carry out the following actions:

Part A of the Project

I. During the First Project Year

- (i) The survey of furniture needs will be completed three months after the Effective Date;
- (ii) the operational study for the University Bookstore will be completed and submitted to the Association four months after the Effective Date;
- (iii) preparation of the UEM scholarship administration manual for overseas training under the staff development program will be completed by June 30, 1993;
- (iv) procurement training of relevant UEM staff will be completed by July 31, 1993;
- (v) documentary evidence, acceptable to the Association, will be furnished to it not later than September 30, 1993 certifying that the usufruct rights transferred to UEM, with respect to the land necessary to carry out civil works referred to under Part A.2 (a) (i) and A.2 (a) (ii) of the Project, have been extended to at least 40 years;
- (vi) reorganization of financial administration at the University will be completed by December 31, 1993;

- (vii) 40 housing units in the Bairro Residencial Universitario will be completed by December 31, 1993; and
- (viii) tendering and bid selection will be completed and contracts negotiated for institutional linkage and cooperation agreements with UEM Faculties of Economics and Engineering under Part A.1 (e) of the Project by December 31, 1993.

II. During the Second Project Year

- (i) In the Bairro Residencial Universitario, about 52 units will be completed, and about 108 units rehabilitated, by December 31, 1994;
- (ii) all computer hardware will be installed and training completed in UEM departments by December 31, 1994; and
- (iii) the study on distance education will be completed by December 31, 1994.

III. During the Third Project Year

- (i) Construction of about two student residence halls and supporting facilities will be completed by December 31, 1995; and
- (ii) the studies to analyze causes for poor academic performance, relevance of curriculum, and feasibility of moving towards an academic credit system will be completed by December 31, 1995.

IV. During the Fourth Project Year

Physical rehabilitation of the main campus will be completed by December 31, 1996.

Part B of the Project

I. During the First Project Year

- (i) Not later than January 31, 1993 employ: (a) the staff described in Part B (a) of this Schedule and select and appoint the staff described in the same schedule, Part B (b) and the local consultant to support NDES Project Technical Group (PTG);
- (ii) not later than February 4, 1993, implement the new 11th grade curriculum;
- (iii) not later than March 30, 1993, initiate the study to evaluate the current examination system; and completion of the technical proposals for rehabilitation of EPU Package I (Josina Machel, Francisco Manyanga and Xai-Xai);
- (iv) not later than June 30, 1993 presentation of: (a) a detailed action plan and timetable to transfer its transfer to the private sector the management of the EPU dormitories; and (b) decentralize the collection and utilization of school fees;
- (v) not later than October 1993, initiate the administrative measures for contracting volunteer teachers; and
- (vi) not later than December 31, 1993, completion of the new curriculum for the 12th grade.

II. During the Second Project Year

- (i) Not later than February 1, 1994 implementation for the 12th grade new curriculum;
- (ii) not later than March 30, 1994: (a) initiate the textbook study; and (b) initiate the bidding process for rehabilitating EPUs-Package I (Josina Machel, Francisco Manyanga and Xai-Xai);
- (iii) not later than June 30, 1994, completion of the technical proposals and design for rehabilitating EPUs-Package II (Samora Machel, 1a de Maio e 25 de Setembro); and
- (iv) not later than September 30, 1994, initiate the bidding process for EPUs-Package II.

III. During the Third Project Year

- (i) Not later than June 30, 1995, completion of: (a) textbooks; and (b) examination studies;
- (ii) not later than January 30, 1995, initiate the rehabilitation of EPUs-Package I; and
- (iii) not later than May 30, 1995, initiate the rehabilitation of EPUs-Package II.

IV. During the Fourth Project Year

Not later than March 30, 1996, completion of all studies referred to in Part B of the Project.

