

Public Disclosure Authorized

**CONFORMED COPY**

**CREDIT NUMBER 4257 MOZ**

# **Financing Agreement**

**(Maputo Municipal Development Program/PROMAPUTO)**

**between**

**REPUBLIC OF MOZAMBIQUE**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated February 9, 2007**

Public Disclosure Authorized

**CREDIT NUMBER 4257 MOZ**

**FINANCING AGREEMENT**

AGREEMENT dated February 9, 2007, between REPUBLIC OF MOZAMBIQUE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) in connection with the Project Agreement of same date between the City Council of Maputo (the Project Implementing Entity) and the Association (“Project Agreement”).

WHEREAS, the Recipient has satisfied itself as to the feasibility and priority of the Project described in Schedule 1 to this Agreement;

WHEREAS, 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 the Financing 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 million Special Drawing Rights (SDR 20,000,000) (“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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 April 15 and October 15 in each year.
- 2.06. The principal amount of the Financing shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

### **ARTICLE III —PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall cause the Project to be carried out through the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions.
- 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 and the Schedule to the Project Agreement.

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

- 4.01. The Additional Event of Suspension consists of the following:

The Project Implementing Entity's Legislation or other relevant Recipient's legislation have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

- 4.02. The Additional Event of Acceleration consists of the following:

The event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Association to the Recipient.

### **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 the Project Implementing Entity.
- (b) The Project Implementing Entity has established a financial management system in form and substance satisfactory to the Association.
- (c) The Project Implementing Entity has adopted: (i) a financial management manual; (ii) a procurement manual; and (iii) a Project implementation manual, all in form and substance satisfactory to the Association.
- (d) The Project Implementing Entity's 2005 audited financial statements have been submitted in a manner satisfactory to the Association.
- (e) The Project Implementing Entity has issued a request for proposals for selection of independent auditors for the audit of its 2006 financial statements, in form and substance satisfactory to the Association.
- (f) The Project Implementing Entity has established the office of strategic and institutional development referred to in Section IV.1(a) of Schedule to the Project Agreement, in a manner satisfactory to the Association.
- (g) The Project Implementing Entity has hired the institutional development advisor referred to in Section IV.1(b) of the Schedule to the Project Agreement.
- (h) The Project Implementing Entity has established a procurement department duly staffed in accordance to paragraph Section IV.1(c) the Schedule to the Project Agreement.

5.02. The Additional Legal Matter consist of the following:

The Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety 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 Articles IV and V of the General Conditions and Schedule 2 to this Agreement shall terminate is 20 years after the date of this Agreement.

**ARTICLE VI- REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the Minister of Planning and Development.

- 6.02. The Recipient's Address is:

Ministry of Planning and Development  
Av. Ahmed S. Toure, 21, 4<sup>th</sup> floor  
Maputo, Mozambique

Cable:  
MOBANCO  
Maputo

Telex:  
(258) 21 492-268

Facsimile:  
(258) 21 492-625

- 6.03. The Association's Address is:

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

Cable:  
INDEVAS  
Washington, D.C.

Telex:  
248423 (MCI) or  
64145 (MCI)

Facsimile:  
1-202-477-6391

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

REPUBLIC OF MOZAMBIQUE

By /s/ Aiuba Cuereneia

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael Baxter

Authorized Representative

## SCHEDULE 1

### Project Description

The objective of the Project is to support the Recipient in the development of the Municipality of Maputo through the strengthening of City Council of Maputo's institutional and financial capacity to achieve long term service delivery goals and to implement selected priority investments.

The Project constitutes the first phase of the Program, and consists of the following parts:

#### **Part A: Institutional Development and Municipal Governance**

##### ***1. Institutional Reform and Strengthening.***

- (a) Development and implementation of an institutional reform and capacity building program and of strategic planning processes.
- (b) Establishment of an integrated human resource management system and staffing structure.
- (c) Support for staff recruitment of a number no larger than 200 for a period of no longer than 24 months for each contract.
- (d) Support for retention of the staff mentioned under c) above following the period referred to therein.
- (e) Support for increased remuneration for Project Implementing Entity's existing staff.
- (f) Training of municipal staff on municipal norms and governance, cross-cutting municipal systems and procedures, and job-specific professional competencies.
- (g) Establishment and operation of municipal information systems for staff communication and for document management, including the creation of an internet page.
- (h) Carrying out of rehabilitation works for the Project Implementing Entity's offices.
- (i) Incremental Operating Costs for the Project.

**2. *Improved Municipal Governance.***

- (a) Development and implementation of a communication strategy including dissemination and information campaigns and civil society consultations.
- (b) Carrying out of annual municipal report card surveys.
- (c) Training to Project Implementing Entity staff and Municipal Assembly members on all aspects of municipal management and oversight.
- (d) Development of partnerships between the Project Implementing Entity and both key public sector actors and private sector firms to provide investment and management capacity for improved municipal services.

**Part B. Municipal Finance**

**1. *Improved Revenue Collection***

- (a) Design of systems for assessing properties and billing, distributing and collecting taxes and fees, including arrears and fines.
- (b) Design and implementation of a single consolidated database for local taxes and fees.
- (c) Carrying out of : (i) a communications' campaign to make tax legislation accessible to citizens; (ii) property tax bills distribution; (iii) the reassessment of about 14,000 high value properties; and (iv) fundraising and management activities for grants and donations.
- (d) Carrying out of training to municipal staff on tax and fees revenue collection.

**2. *Improved Expenditure Management***

- (a) Carrying out of an analysis to assess the current financial systems of the municipality.
- (b) Design, implement and support an integrated financial management system.
- (c) Design of mechanisms for the procurement and management of municipal assets.
- (d) Establishment of a procurement department and training of its staff.
- (e) Dissemination of the guidelines, procedures and norms of the integrated financial management system.



- (f) Carrying out of training to the Project Implementing Entity staff to perform financial and performance audits, budget planning and execution, financial and asset management, and internal controls.
- (g) Support for international study trips for municipal staff to observe the operation of integrated financial management systems in a number of municipalities.
- (h) Carrying out of audits for the Project.

**Part C: Planning, Infrastructure Rehabilitation and Service Delivery Improvements**

**1. *Planning and Management of Urban Space***

- (a) Carrying out of a review of the Urban Development Plan for the metropolitan areas of Maputo and Matola.
- (b) Design of an urban plan for the area within the boundaries defined by the Port of Maputo, Avenue Josina Machel, Ponta Vermelha and Marginal Avenue.
- (c) Design of a territorial urbanization plan for the neighborhood of Magoanine.
- (d) Design of a territorial urban plan for the neighborhood of Zimpeto.
- (e) Design and implementation of an information management system for Maputo with spatial geo-referencing, for land use rights, ownership and infrastructure planning; including: (i) the carrying out of training of local technicians, and (ii) the development of an urban space planning and management strategy and relevant implementation plan.
- (f) Design of an ecological zoning plan and a plan for the protection of environmental reserves in Maputo.

**2. *Infrastructure Rehabilitation***

- (a) Implementation of a 5.6 km long urban transport corridor for connecting the neighborhoods of Magoanine, Albasine, and Guava to the existing road system.
- (b) Design of a plan and specifications for access roads to outlying neighborhoods.
- (c) Carrying out of independent supervision of highways.
- (d) Development of project design and inspection procedures for Maputo's traffic light system.
- (e) Carrying out of works to complete Maputo's traffic lights system.

- (f) Design of an implementation strategy for a maintenance program for the Project Implementing Entity.
- (g) Installation and/or connection of public lights on about 30 kilometers of streets in suburban areas.
- (h) Carrying out of works for the construction and rehabilitation of market premises and structures.
- (i) Carrying out of works for the construction of an additional cemetery for Maputo and support for any resulting displacement of persons as per the RPF.
- (j) Carrying out of rehabilitation works for Maputo's sewage systems, roads and overhead crossings.

**3. *Improvements in Solid Waste Management Services***

- (a) Collection of solid waste in Maputo's urban, suburban and marginal zones including those from markets.
- (b) Transportation and disposal of solid waste collected in Maputo.
- (c) Elimination of informal dumps.
- (d) Establishment of an upgraded refuse dump.
- (e) Carrying out of works to rehabilitate workshops and offices for the solid waste management department.

## SCHEDULE 2

### Project Execution

#### Section I. Subsidiary Financing; Institutional and Other Arrangements

##### A. Subsidiary Agreement

1. To facilitate the carrying out of the Project by the Project Implementing Entity, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, surrogate or waive the Subsidiary Agreement or any of its provisions.

##### B. Institutional Arrangements

The Recipient shall maintain City Council of Maputo as the Project Implementing Entity, with the overall responsibility for the implementation, coordination and oversight of the Project.

##### C. ESMF and RPF

1. The Recipient shall: (i) cause the Project Implementing Entity to carry out the Project in accordance with the guidelines, rules and procedures defined in the ESMF and the RPF and in a manner satisfactory to the Association; and (ii) maintain an environmental management officer with responsibility for implementing the ESMF and RPF for all applicable activities undertaken throughout the Project.
2. Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the ESMF and the RPF referred to in sub-paragraph (1) of this paragraph or any provision thereof.
3. In case of any conflict between the terms of the ESMF and the RPF referred to in sub-paragraph (1) of this paragraph and those of this Agreement, the terms of this Agreement shall prevail.

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

### **A. Project Reports.**

The Recipient shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance *inter alia* with the provisions of Section 4.08 of the General Conditions; and for purposes of Section 4.08 (c) of the General Conditions, to furnish the report and related plan to the Association not later than six months before the Closing Date.

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

The Recipient shall cause the Project Implementing Entity to: (i) maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions; (ii) prepare interim un-audited financial reports for the Project; and (iii) have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions as per Section II.B(1) of the Schedule to the Project Agreement.

## **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 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 Schedule.
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 Schedule.
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, Works and Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding. Domestic preference for locally manufactured goods shall be applied without limitation to the nationality of the good's manufacturer.

2. **Other Methods of Procurement of Goods, Works and Services (other than Consultants' Services).** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and services (other than consultants' services). The Procurement Plan shall specify the circumstances under which such methods may be used:

<b><u>Procurement Method</u></b>
(a) National Competitive Bidding. Foreign bidders shall not be excluded from participating in NCB, regardless of estimated contract amount
(b) Shopping (c) Direct Contracting (d) Procurement from United Nations Agencies

**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.

<b><u>Procurement Method</u></b>
(a) Selection based on Consultants' Qualifications (b) Least Cost Selection (LCS) (c) Single-source Selection (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

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

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association:

(a) each contract for works estimated to cost the equivalent of \$500,000 or more;

(b) each contract for goods or services (other than consultants' services) estimated to cost the equivalent of \$200,000 or more and the first two contracts estimated to cost less than \$200,000;

(c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more and the first two contracts estimated to cost less than \$100,000;

(d) each contract for

consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more; and (e) each contract for consultant services procured on the basis of Single-Source Selection. All other contracts shall be subject to Post Review by the Association.

**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: (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) 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</b>
(1) Works under Parts A1 (h); C2; and C3 (e) of the Project	5,500,000	100%
(2) Goods	1,500,000	100%
(3) Consultants' Services (including audits) except for Parts C1 (d) and (f) of the Project	4,300,000	100%
(4) Training	800,000	100%
(5) Services (other than Consultants' Services) for		
(a) Part C3 of the Project	2,100,000	80% in 2007; 65% in 2008; and 50% thereafter
(b) all other Parts of the Project	800,000	100%
(6) Incremental Operating Costs except for Parts A1 (d) and (e) of the Project	1,500,000	100%
(7) Refund of Project Preparation Advance	800,000	
(8) Unallocated	2,700,000	
<b>TOTAL AMOUNT</b>	<b>20,000,000</b>	

**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, except that withdrawals up to an aggregate amount not to exceed SDR 1,400,000 equivalent may be made for payments made prior to this date but on or after December 1, 2006, for Eligible Expenditures.
2. The Closing Date is August 31, 2010.

**Section V. Other Undertakings**

The Recipient's contribution to the Project shall be no less than the total amount of \$13,000,000 (thirteen million Dollars).



### SCHEDULE 3

#### Repayment Schedule

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 15 and October 15:	
commencing April 15, 2017 to and including October 15, 2026	<b>1%</b>
commencing April 15, 2027 to and including October 15, 2046	<b>2%</b>

\* 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. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “ESMF” means Environmental and Social Management Framework referred to in Section I.C of Schedule 2 to this Agreement.
4. “*Electricidade de Moçambique*” means the entity established further to Recipient’s Decree 28/95 published in the Recipient’s Official Gazette on July 17, 1995.
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
6. “*Assembleia Municipal*” means the Project Implementation Entity’s municipal assembly, the deliberative body of the municipality established further to Recipient’s Law 2/97 published in the Recipient’s Official Gazette on February 18, 1997 and Recipient’s Law 8/97 published in the Recipient’s Official Gazette on May 31, 1997.
7. “Incremental Operating Costs” means expenditures incurred under the Project, including office supplies, operation and maintenance costs for vehicles and equipment; salaries referred to in Part A.1 (c) of the Project excluding salaries for civil servants, travel and subsistence, for Project implementation.
8. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
9. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 8, 2006 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.
10. “Program” means the two phase program set forth or referred to in the letter dated November 24, 2006 from the Recipient to the Association.
11. “Project Implementing Entity” means the City Council of Maputo;

12. “Project Implementing Entity’s Legislation” means the Recipient’s Law 8/97, Law 9/97 and Law 11/97, all published in the Recipient’s Official Gazette on 31 May 1997 and the Recipient’s Law 2/97 published in the Recipient’s Official Gazette on 18 February 1997, all of which govern the Project Implementation Entity.
13. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on February 6, 2006, and on behalf of the Recipient on February 28, 2006.
14. “RPF” means the Resettlement Policy Framework referred to in Section I.C of Schedule 2 to this Agreement.
15. “Subsidiary Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.