

CONFORMED COPY

CREDIT NUMBER 2384 MOZ

(Economic Recovery Credit)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 19, 1992

CREDIT NUMBER 2384 MOZ

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 19, 1992, between REPUBLIC OF MOZAMBIQUE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter of development policy dated April 30, 1992 (LDP) from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's economy (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports and services required during such execution;

(B) the Borrower intends to obtain from the Government of the Swiss Confederation (Switzerland) a non-reimbursable contribution in an amount of ten million Swiss Francs (SwF 10,000,000) (the Swiss Contribution) to assist in the financing of the Program on the terms and conditions set forth in a bilateral agreement (the Swiss Contribution Agreement) to be entered into between the Borrower and

Switzerland;

(C) Switzerland intends to appoint the Association to administer the Swiss Contribution in accordance with the provisions of the Procedural Arrangements, dated May 9, 1990 between Switzerland and the Association;

(D) the Borrower intends to request additional financing from other donors in support of the Program; and

(E) on the basis, inter alia, of the foregoing, the Association has decided, in support of the Program, to provide such assistance to the Borrower by making the Credit in two tranches as hereinafter provided;

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 modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

(b) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(c) the last sentence of Section 3.02 is deleted.

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) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev. 3 (1986);

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

(c) "Swiss Contribution Account" means the account established by Switzerland for the purposes of the Swiss Contribution;

(d) "Procedural Arrangements" means the agreement between the Government of Switzerland and the Association for cooperation in the cofinancing of specific projects or programs within the framework of the Eighth Replenishment dated April 9, 1987;

(e) "Banco de Mocambique" means the Borrower's Central Bank, established and operating pursuant to its Statutes, as amended by Law No. 1/92 (Lei Organica) dated January 3, 1992;

(f) "Banco Comercial de Mocambique" S.A.R.L (BCM) means the new commercial banking institution established and operating pursuant to its Statutes approved by Decree No. 3/92 of the Council of Ministers of the Borrower dated February 25, 1992; and

(g) "Fiscal Year" or "FY" means the Borrower's fiscal year which runs from January 1 to December 31.

## 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 one hundred thirty-two million Special Drawing Rights (SDR 132,000,000).

Section 2.02. (a) The amount of the Credit and the amounts of the Swiss Contribution may be withdrawn from the Credit Account and the Swiss Contribution Account, respectively, in accordance with the provisions of Schedule 1 to this Agreement.

(b) Except as the Association and Switzerland shall otherwise agree, the allocation and the procedures for withdrawal of the Swiss Contribution shall be governed mutatis mutandis by the provisions of the General Conditions.

(c) The Borrower shall, for the purposes of the Program, open and maintain two special deposits 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 in U.S. dollars for the Credit; and (ii) Special Account B in Swiss Francs for the Swiss Contribution. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedules 4 and 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1995 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; (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 payment 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 semiannual installments payable on each April 1 and October 1 commencing October 1, 2002 and ending April 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 have exceeded \$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.

Section 2.09. The Governor of Banco de Mocambique is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts Banco de Mocambique with responsibility for the preparation of withdrawal applications under the Credit and for the collection of the documents and other evidence to be furnished to the Association in support of such applications; such withdrawal applications shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than two hundred fifty thousand Special Drawing Rights (SDR 250,000) equivalent.

### ARTICLE III

#### Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and services to be financed out of the

proceeds of the Credit or the Swiss Contribution shall be governed by the provisions of Schedule 2 to this Agreement.

Section 3.03. (a) The Borrower shall carry out the following activities:

- (i) strengthening of Banco de Mocambique's departments dealing with: monetary policy; banking supervision and regulation; foreign exchange management; accounting and auditing; legal issues; and statistics; and
- (ii) strengthening of the Ministry of Finance's capabilities to manage and implement the Borrower's privatization program, including: clarification of the ownership of the enterprises to be privatized; valuation of assets of enterprises as going concerns; recommendation of most appropriate method of sale; and preparation of firms' dossiers for sale.

(b) To that end, the Borrower shall employ financial, legal and banking consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with the 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.

Section 3.04. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit and the Swiss Contribution.

(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 and 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, or the Swiss Contribution 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 report for the fiscal year in which the last withdrawal from the Credit Account or the Swiss Contribution Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidenc-

ing 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 audits 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 IV

##### Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. 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 5.02. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.03. In the event that Switzerland or the Association terminate the functions of the Association pursuant to paragraph 5 of the Procedural Arrangements, the Association shall notify the Borrower promptly of the date on which Switzerland shall assume the rights and obligations of the Association under this Agreement.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. The Governor of Banco de Mocambique of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Banco de Mocambique  
Departamento de Relacoes Internacionais  
Avenida 25 de Setembro 1695  
P.O. Box 423  
Maputo  
Republic of Mozambique

Cable address:

MOBANCO  
Maputo

Telex:

6577/8 BMMO

Facsimile:

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/ Edward V. K. Jaycox  
Regional Vice President  
Africa

SCHEDULE 1

Withdrawals of the Proceeds of the Credit  
and the Swiss Contribution

1. (a) Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Credit and the Swiss Contribution may be withdrawn from the Credit Account and the Swiss Contribution Account for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required during the execution of the Program and to be financed out of such proceeds. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and the Swiss Contribution, the allocation of the amounts of the Credit and the Swiss Contribution 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)	Amount of the Swiss Contri- bution Allocated (Expressed in Swiss Franc Equivalent)	% of Expendi- tures to be Financed
(1) Goods	128,300,000	10,000,000	100% of foreign expendi- tures

(2) Consultants' services including audits 3,700,000 \_\_\_\_\_ 100%

TOTAL 132,000,000 10,000,000  
 =====

(b) For the purposes of this Schedule, the term "foreign expenditures" means the 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.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of Category (1) for:

(a) expenditures for goods included in the following SITC groups or sub-groups, or any successor groups or sub-groups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Sub-group	Description of Items
112	--	Alcoholic beverages
121	--	Tobacco, unmanufactured, tobacco refuse
122	--	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	--	Radioactive and associated materials
667	--	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	--	Gold, non-monetary (excluding gold ores and concentrates)

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(c) payments made for expenditures for goods prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of twenty six million four hundred thousand Special Drawing Rights (SDR26,400,000) may be made on account of payments made four months before the date of this Agreement;

(d) expenditures for goods procured under contracts costing less than \$5,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance;

(f) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption; and

(g) expenditures in excess of an aggregate amount equivalent to: (i) SDR 26,400,000 for petroleum products; and (ii) SDR 26,400,000 for foodstuffs.



3. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost less than \$250,000 equivalent may be permitted by the Association upon the basis of statements of expenditure under such terms and conditions as the Association shall specify.

4. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures under Category 1 of paragraph 1 of this Schedule, to be financed out of the proceeds of the Credit or the Swiss Contribution after the aggregate of the proceeds of the Credit or the Swiss Contribution, as the case may be, withdrawn against Category 1 from the Credit Account or the Swiss Contribution, as the case may be, and the total amount of such commitments of the Credit or the Swiss Contribution, as the case may be, shall have reached the equivalent of: (i) SDR 64,200,000, in the case of the Credit; and (ii) SwF 5,000,000 in the case of the Swiss Contribution, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association: (a) with the progress achieved by the Borrower in the carrying out of the Program, (b) that the actions described in Schedule 3 to this Agreement have been taken and are satisfactory to the Association, and (c) that the macro-economic policy framework of the Borrower is consistent with the objectives of the Program.

5. If, after the exchange of views described in paragraph 3 above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

## SCHEDULE 2

### Procurement and Consultants' Services

#### Section I: Procurement of Goods

1. International Competitive Bidding. Contracts for the procurement of goods estimated to cost the equivalent of \$1,000,000 or more each shall be awarded through international competitive bidding 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 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

#### "2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods re-

quired."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Limited International Bidding. Goods estimated to cost the equivalent of \$500,000 or more, but less than \$1,000,000 may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

3. Contracts for goods to be procured by the Borrower or by private entities estimated to cost the equivalent of less than \$500,000 each shall be awarded on the basis of the normal procurement procedures of the purchaser of such goods, which shall include, inter alia, that three pro-forma invoices be requested from eligible suppliers from at least two different countries.

4. Direct Contracting. Proprietary items, equipment and spare parts may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association.

5. With respect to each contract referred to in paragraphs 1 and 2 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account and the Swiss Contribution Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request.

6. With respect to each contract referred to in paragraph 3 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account and the Swiss Contribution Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract.

7. Notwithstanding the provisions of paragraphs 5 and 6 of this Schedule, where payments under a contract are to be made out of the proceeds of any of the Special Accounts, the copies of such contract or the documentation and the information to be furnished to the Association pursuant to the provisions of paragraph 5 or paragraph 6 of this Schedule, as the case may be, shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 and Schedule 5, respectively, to this Agreement.

8. The provisions of the preceding paragraphs 5, 6 and 7 shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account and the Swiss Contribution Account on the basis of statements of expenditure.

#### Section II: Employment of Consultants

In order to assist the Borrower in carrying out the Program, 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 the principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consul-

tants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August, 1981.

### SCHEDULE 3

#### Actions Referred to in Paragraph 4 (b) of Schedule 1 to this Agreement

1. The Borrower has operated during the preceding six months the revised consolidated market-based system for the allocation of foreign exchange set forth in the Program in a manner acceptable to the Association.

2. The Borrower has: (a) completed the separation of the accounts of Banco de Mocambique and Banco Comercial de Mocambique, as set forth in the Program; and (b) finalized a balance sheet for Banco de Mocambique for 1991.

3. The Borrower has: (a) adopted regulations satisfactory to the Association for licensing new banks; and (b) implemented procedures satisfactory to the Association for the assessment and approval of applications for banking licenses submitted to Banco de Mocambique by new banking institutions.

4. Satisfactory progress has been achieved in the implementation of the Borrower's privatization program in accordance with the terms and targets set forth in the Program.

5. The Borrower has: (a) prepared a three-year investment plan (FY 1992-1994) and a financial plan (FY 1992-1994) satisfactory to the Association; and (b) increased its budgetary allocations from domestic sources in real terms from FY 1992 to FY 1993 by at least: (i) 1% for education; (ii) 1.5% for agriculture; and (iii) 4.5% for health.

6. The Borrower has completed and submitted to the Association a progress report on land distribution and transfer of land rights to smallholders and private enterprises through September 30, 1992.

7. The Borrower has completed and submitted to the Association a progress report on its financial management action plan, in accordance with terms and conditions agreed between the Borrower and the Association.

### SCHEDULE 4

#### Special Account A

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services under Categories (1) and (2) of paragraph 1 of Schedule 1 to this Agreement required for the Program and to be financed out of the proceeds of the Credit in accordance with the provisions of said Schedule; and

(b) the term "Authorized Allocation" means an amount equivalent to \$36,000,000 to be withdrawn from the Credit Account and deposited into the Special Account all 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 amounts equal in the aggregate to the amount requested by the Borrower and shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account 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 or the Swiss Contribution 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 less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit 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, after consultation with 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

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods under Category (1) of paragraph 1 of Schedule 1 to this Agreement required for the Program and to be financed out of the proceeds of the Swiss Contribution in accordance with the provisions of said Schedule; and

(b) the term "Authorized Allocation" means an amount equivalent to SwF 2,000,000 to be withdrawn from the Swiss Contribution Account and deposited into the Special Account all 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, as Administrator of the Swiss Contribution, has received evidence satisfactory to it that the Special Account have 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 Swiss Contribution 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 Swiss Contribution Account and deposit into the Special Account amounts equal in the aggregate to the amount requested by the Borrower and shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Swiss Contribution Account 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 or the Swiss Contribution 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 Swiss Contribution less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of the amount of the Authorized Allocation.

Thereafter, withdrawal from the Swiss Contribution Account of the remaining unwithdrawn amount of the Swiss Contribution 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, after consultation with 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 Swiss Contribution Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions, and the Swiss Contribution Agreement.

(e) health referral system development; and

(f) health education programs development for maternal health care and communicable disease control.

Section 1.02. As used in this Agreement, the terms "yen" and

"c" mean the currency of Japan, and the term "Consultants" includes individual consultants as well as any consulting firm that provides any of the experts referred to in Section 1.01.

Section 1.03. The Consultants are expected to commence their services in January, 1992 and to provide a total of 20 man-months of service between that time and December, 1993.

## ARTICLE II

### Responsibilities of the Association and the Administrator

Section 2.01. The Grant to be provided by Japan for the Technical Assistance shall be in an amount of seventy-four million one hundred thousand yen (c74,100,000).

Section 2.02. The Administrator shall utilize the Grant to finance the following expenditures in connection with the services of the Consultants:

- (a) remuneration, per diem and other allowances;
- (b) international and local travel expenses;
- (c) out-of-pocket expenses, including communications and reports, incurred by the Consultants in foreign and local currency in the performance of their services; and
- (d) local travel expenses and per diem for counterpart personnel.

Section 2.03. The Association shall make reasonable efforts to secure the services of the Consultants.

Section 2.04. The recruitment, engagement and supervision of the Consultants shall be the responsibility solely of the Association and shall be done according to the Association's applicable procedures.

## ARTICLE III

### Responsibilities of the Recipient

Section 3.01. The Recipient shall cooperate with the Administrator, the Association and the Consultants to ensure that the Technical Assistance is carried out promptly and effectively and, for this purpose, shall issue appropriate instructions to its officials, agents and representatives.

Section 3.02. The Recipient shall:

- (a) make arrangements for all personnel of the Consultants assigned to the Technical Assistance (other than nationals of the Recipient or permanent residents of the Recipient's territories) and all dependents of such personnel promptly to be provided with any necessary entry and exit visas, residence and work permits, exchange documents and travel documents required for their stay in the Recipient's territories during the duration of the Technical Assistance;
- (b) facilitate clearance through its customs of any equipment, materials and supplies required for the Technical Assistance and any personal effects of the personnel of the Consultants assigned to the Technical Assistance (other than nationals of the Recipient or permanent residents of the Recipient's territories) and the dependents of such personnel;
- (c) permit the Consultants to bring into, and withdraw from, the Recipient's territories reasonable amounts of foreign currency for purposes related to the Technical Assistance;

(d) permit the personnel of the Consultants assigned to the Technical Assistance (other than nationals of the Recipient or permanent residents of the Recipient's territories) and the dependents of such personnel to bring into, and withdraw from, the Recipient's territories reasonable amounts of foreign currency for their personal use; and

(e) exempt the Consultants and the personnel of the Consultants assigned to the Technical Assistance from (or the Recipient shall pay on behalf of the Consultants and such personnel) any taxes, duties, fees, levies and other impositions imposed under the laws and regulations in effect in the Recipient's territories on the Consultants and such personnel in respect of:

- (i) any payments whatsoever made to the Consultants and such personnel (other than nationals of the Recipient or permanent residents of the Recipient's territories) in connection with the carrying out of the Technical Assistance;
- (ii) any equipment, materials and supplies brought into the Recipient's territories by the Consultants for the purpose of carrying out the Technical Assistance and which, after having been brought into such territories, will be subsequently withdrawn therefrom by them;
- (iii) any equipment, material and supplies brought into the Recipient's territories by the Consultants for the purpose of carrying out the Technical Assistance and which will be consumed therein or become the property of the Recipient; and
- (iv) any property brought into the Recipient's territories by the Consultants or such personnel (other than nationals of the Recipient or permanent residents of the Recipient's territories) or the dependents of such personnel for their personal use and which will be consumed therein or subsequently withdrawn therefrom by them upon their respective departure from the Recipient's territories, provided that the Consultants, such personnel and their dependents shall follow the usual customs procedures of the Recipient in importing property into the Recipient's territories.

Section 3.03. The Recipient shall be responsible for dealing with any claims arising out of, or resulting from, the Technical Assistance that may be brought by third parties against the Administrator or the Association. The Recipient shall indemnify the Administrator and the Association against any costs, claims, damages or liabilities arising out of, or resulting from, any acts or omissions in connection with the Technical Assistance, except those resulting from the gross negligence or willful misconduct of the Administrator or the Association, as the case may be.

Section 3.04. For purposes of carrying out the Technical Assistance, the Recipient shall make available to the Consultants, free of charge, all the appropriate data, services, facilities and equipment.

Section 3.05. The Recipient shall make available to the Consultants, free of charge, qualified counterpart personnel to be selected by the Recipient, with the advice of the Association and the Consultants. If any member of the counterpart personnel fails to perform adequately any work assigned to him by the Consultants that is consistent with the position occupied by such member, the Consultants may request the replacement of such member, and the Recipient shall not unreasonably refuse to act upon such request.



## Reports and Other Matters

Section 4.01. The Recipient, the Association and the Administrator shall, from time to time, at the request of any party, exchange views on the Technical Assistance and consult on any reports prepared by the Consultants and the implementation of any recommendations made in those reports.

Section 4.02. The Association and the Administrator may use any reports prepared by the Consultants for any purpose that the Association or the Administrator, as the case may be, may consider appropriate but those reports may not be made public except by agreement between the Recipient, the Association and the Administrator.

## ARTICLE V

### Enforceability of Agreement; Failure to Exercise Rights; Arbitration

Section 5.01. The rights and obligations of the Association, the Administrator and the Recipient under this Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any State or political subdivision thereof to the contrary. Neither the Association nor the Administrator nor the Recipient shall be entitled in any proceeding under this Article to assert any claim that any provision of this Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of the Association.

Section 5.02. No delay in exercising, or omission to exercise, any right, power or remedy accruing to any party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default. No action of such party in respect of any default, or any acquiescence by it in any default, shall affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 5.03. (a) Any controversy between the parties to this Agreement, and any claim by any such party against any other such party arising under this Agreement which has not been settled by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be the Association and the Administrator on the one side and the Recipient on the other side.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed jointly by the Association and the Administrator; a second arbitrator shall be appointed by the Recipient; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by said President, by the Secretary-General of the United Nations. If either side shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought and the name of the arbitrator appointed by the party instituting such proceeding. Within thirty

days after such notice, the other party shall notify to the party instituting the proceeding the name of the arbitrator appointed by such other party.

(e) If within sixty days after the notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, any party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) The Arbitral Tribunal shall decide all questions relating to its competence and shall, subject to the provisions of this Section and except as the parties shall otherwise agree, determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to all parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to this Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. The Association, the Administrator and the Recipient shall each defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by the Association and the Administrator on the one side and the Recipient on the other. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(j) The provisions of arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to this Agreement or of any claim by any such party against any other such party arising thereunder.

(k) The Association shall not be entitled to enter judgment against the Recipient upon the award, to enforce the award against the Recipient by execution or to pursue any other remedy against the Recipient for the enforcement of the award, except as such procedure may be available against the Recipient otherwise than by reason of the provisions of this Section. If, within thirty days after counterparts of the award shall have been delivered to the parties, the award shall not be complied with by the Association, the Recipient may take any such action for the enforcement of the award against the Association.

(l) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address specified in this Agreement or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The parties to this Agreement waive any and all other requirements for the service of any such notice or process.

## ARTICLE VI

### Effective Date, Suspension and Termination

Section 6.01. This Agreement shall become effective upon its execution by the parties.

Section 6.02. The Recipient may at any time request the Association and the Administrator in writing to terminate the Technical Assistance. Whether or not the Recipient has made such a request, the Administrator may at any time suspend or, after consultation with the Recipient, terminate the right of the Recipient to receive Grant funds for the Technical Assistance if any of the following circumstances shall have occurred and be continuing:

(a) The Recipient shall have failed to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to the Association or the Bank: (i) under any development credit agreement between the Recipient and the Association, or (ii) under any loan or guarantee agreement between the Recipient and the Bank, or (iii) in consequence of any guarantee or other financial obligation of any kind extended by the Bank to any third party with the agreement of the Recipient.

(b) The Recipient shall have failed to perform any obligation under this Agreement.

(c) (i) The Association or the Bank shall have suspended in whole or in part the right of the Recipient to make withdrawals under any development credit agreement with the Association or any loan agreement with the Bank because of a failure by the Recipient to perform any of its obligations under such agreement; or (ii) the Bank shall have suspended in whole or in part the right of any borrower to make withdrawals under a loan agreement with the Bank guaranteed by the Recipient because of a failure by such borrower to perform any of its obligations under such agreement.

(d) Any event shall have arisen that, in the opinion of the Association or the Administrator, as the case may be, interferes or threatens to interfere with the successful implementation of the Technical Assistance, the accomplishment of its purposes, or the execution of the Technical Assistance in accordance with the terms and conditions of this Agreement.

(e) The Recipient: (i) shall have been suspended from membership in or ceased to be a member of the Association; or (ii) shall have ceased to be a member of the International Monetary Fund.

(f) A representation made by the Recipient, in or pursuant to this Agreement, or any statement furnished in connection therewith, and intended to be relied upon by the Administrator in making the Grant, shall have been incorrect in any material respect.

Section 6.03. If the Technical Assistance is suspended or terminated, the Recipient and the Administrator shall consult with each other concerning any further action that may be necessary or desirable.

Section 6.04. The Administrator is not an agent of or trustee for the Recipient and shall not have any fiduciary relationship with the Recipient. The Recipient shall have no right to any portion of the Grant that is not expended by the Administrator pursuant to this Agreement.

## ARTICLE VII

### Representation

Section 7.01. All communications with respect to this

Agreement shall be addressed as follows:

For the Recipient:

Banco de Mocambique  
Departamento de Relacoes Internacionais  
Avenida 25 de Setembro 1695  
P.O. Box 423  
Maputo, Mozambique

Cable address:

MOBANCO  
Maputo

Telex:

6355/7 BMMO

Facsimile:

29178

For the Administrator and the Association:

AF6PH  
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 as of the day and year first above written.

REPUBLIC OF MOZAMBIQUE

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION  
on its own behalf and as Administrator  
of the Grant

By

Regional Vice President  
Africa

#### SCHEDULE

##### Description of Technical Assistance

1. To develop the management and planning component, consultants' services with specialized health and management expertise, would be employed for about four months to assist the Ministry of Health in defining improvements to existing management systems and a related program of in-country training and overseas fellowships aimed at strengthening the capacity of higher and mid-level health system

managers to efficiently manage available resources.

2. In support of the manpower development component, about eight months of consultants' services, would be employed to develop an operational plan for upgrading of health workers skills through formal and in-service training. The thrust here would be to review the operations of central and provincial health manpower training institutes with a view to determining how existing health personnel could be rotated into courses. A second focus would be on identifying innovative approaches for strengthening the quality of the courses themselves by systematically drawing upon health and other relevant professionals to the training institutes to teach aspects of subjects in a practical manner. Finally, a detailed cost estimate of proposed activities would be developed, which would take into account the impact on the wage-bill of proposed activities to upgrade the selected cadres of health workers.

3. To prepare the health facility rehabilitation component, consultants' services would be employed to examine means of providing project support for health facility establishment and operation to NGOs and other private organizations, who will shortly be permitted to provide health services (previously the exclusive domain of the public sector). The intent is to recruit one or two consultants for about four months to engage in a substantive dialogue with NGOs, firms and other potential private providers as well as government officials with regard to the kind of assistance that could be provided to enable this new privatization initiative in the health sector to be successful. The final output would be a proposal in this area of funding through the Project.

4. For the pharmaceutical component, consultants' services would be employed to undertake a thorough review of the management practices and financial soundness of MEDIMOC, the parastatal responsible for importation and distribution of pharmaceuticals in Mozambique. Management consultants with complementary specialities would be recruited for about three months. An important element of the review would be to determine whether aspects of MEDIMOC's functions should be privatized from the standpoint of improving the efficiency of the parastatal and to identify other areas where improvements might be achieved through policy changes and project inputs.

5. To prepare the special health programs component, about three months consultants' services would be employed to develop a concrete and feasible proposal for project interventions that could substantially improve maternal health care including post- and ante-natal health services, identification of high risk pregnancies and referral services. About ten months of consultants' services would also be employed to develop a comprehensive health education campaign in support of maternal and child health and communicable disease control interventions, bringing to bear experience from other countries on the design of successful interventions. Such a campaign would involve effective and innovative use of government, non-government, mass media channels to modify social and individual practices/behaviors in a manner consistent with maintaining better health.

