

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 3609-1-MOZ

Financing Agreement

(Additional Financing for the Higher Education Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 21, 2007

Public Disclosure Authorized

CREDIT NUMBER 3609-1-MOZ

FINANCING AGREEMENT

AGREEMENT dated September 21, 2007, entered into between REPUBLIC OF MOZAMBIQUE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement or in the Original Financing 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 nine million nine hundred thousand Special Drawing Rights (SDR 9,900,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are March 1 and September 1 in each year.

- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project 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.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following, namely that the Project Implementation Manual shall have been updated in a manner acceptable to the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE V– REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Minister of Planning and Development.

5.02. The Recipient’s Address is:

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

Telex:	Facsimile:
(258) 21 492-268	(258) 21 492-625

5.03. The Association’s Address is:

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

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

AGREED at Maputo, 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 objectives of the Project are to assist the Recipient's higher education sector in: (i) enhancing internal efficiency and expand the output of graduates, (ii) improving equitable access (gender, location and socio-economic), and (iii) improving the quality of the teaching-learning process and the relevance of the curriculum.

The Project consists of the following Parts:

Part A: System-wide Reform and Development

1. Support the Recipient's higher education policy and system reform, through the provision of technical advisory services, including studies, monitoring activities and carrying out of training and workshops.

Part B: HEIs Institutional Development and Investments

1. (a) Carrying out of civil works for the completion of construction of the ISRI campus and of the MDLN Lichinga Resource Center; and (b) provision of equipment for the Universities.

2. Provision of QIF Grants for eligible Public Beneficiaries and QIF Sub-Loans for eligible Private Beneficiaries, including for the purposes of: (i) the carrying out of training for teachers and management staff; (ii) the provision of fellowships for postgraduate education; (iii) the development of academic programs to improve equity and quality of higher education; (iv) the design and implementation of research projects to develop linkages with the productive sector or with international research and HEIs; (v) the provision of equipment; and (vi) the carrying out of civil works for the rehabilitation of higher educational facilities.

Part C: Provincial Scholarships

1. Provision of scholarships for eligible Individual Beneficiaries in HEIs.

Part D: Science and Technology

1. Strengthening the institutional capacity of the Recipient's Ministry of Science and Technology and its regional centers, through: (a) the carrying out of civil works for the rehabilitation of the said regional centers; (b) the provision of equipment; (c) the carrying out of training; and (d) the development of its human resources development plan.

2. Establishment and operation, through the provision of NRF Grants, of the National Research Fund, to promote applied scientific and technological research.
3. Design and implementation of a science and technology scholarship scheme and provision of scholarships for eligible Individual Beneficiaries to increase the number of students at the master's and doctoral levels.
4. Design and implementation of a basic science program for eligible secondary school students.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall: (a) carry out Parts A, B (except for B.1) and C of the Project through the PCU established under the Original Project in the Ministry of Education and Culture, and Part D of the Project through the Directorate of Planning of the Ministry of Science and Technology; and (b) cause Part B.1 of the Project to be carried out by the Universities and to be coordinated by the PCU.

2. The Recipient shall maintain the PCU and the Directorate of Planning within the Ministry of Science and Technology with qualified and experienced management and staff, throughout the implementation of the Project.

B. Implementation Arrangements

1. The Recipient shall implement the Project, or cause the Project to be implemented, as applicable, in accordance with the Project Implementation Manual (PIM) containing detailed arrangements regarding the implementation of the different activities under the Project, including the institutional responsibilities, reporting structure, review and monitoring, procurement, disbursement, financial management, as well as the eligibility criteria, approval procedures and guidelines for the implementation, and terms and conditions of QIF Sub-Loans and QIF Grants under Part B.2 of the Project, NRF Grants under Part D.2 of the Project and scholarships under Parts C.1 and D.3 of the Project.

2. Except as the Recipient and the Association shall otherwise agree, the Recipient shall not amend the PIM or waive any provision thereof, if in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall carry out the Project, or shall cause the Project to be carried out, in accordance with the guidelines, rules and procedures and mitigation measures defined in the ESMF and in a manner satisfactory to the Association.
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 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 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 and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five days after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) the number of students graduating in all HEIs has increased to 4,000 by June 30, 2009;
 - (ii) the efficiency ratio of new entries over total enrollment has increased by 22% by June 30, 2009;
 - (iii) 20% of all HEI enrollments are from the Recipient's northern region and 32% from the central region; and
 - (iv) a comprehensive survey on the use of new curriculum materials, technology and student-centered pedagogical approaches, has been completed by June 30, 2009.

B. Financial Management, Financial Reports and Audits

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

Section III. Procurement**A. General**

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

B. Particular Methods of Procurement of Goods and Works

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.

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:

Procurement Method
(a) Limited International Bidding
(b) National Competitive Bidding
(c) Shopping
(d) Procurement from Inter-Agency Procurement Services Office

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

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Selection under a Fixed Budget
(b) Selection Based on Consultants’ Qualifications (CQS)
(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 goods and services (other than consultants’ services) estimated to cost the equivalent of \$200,000 or more; (b) each contract for works estimated to cost the equivalent of \$500,000 or more; and (c) each contract for consultants’ services provided by a firm estimated to cost the equivalent of \$100,000 or more or provided by individual consultants estimated to cost the equivalent of \$50,000 or more. 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 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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods under Part B.1(b) of the Project	2,640,000	100%
(1)(a) Goods under Part D.1(b) of the Project	330,000	100%
(2) Works under Part B.1(a) of the Project	2,050,000	100%
(2)(a) Works under Part D.1(a) of the Project	200,000	100%
(3) Consultants’ services, under Parts A.1, B.2 and, C.1 of the Project	230,000	100%
(3)(a) Consultants’ services under Part D (except for D.1 (a)(b) and (c)) of the Project	100,000	100%

(4) Training and Workshops under Part A.1 of the Project	130,000	100%
(4)(a) Training and Workshops under Part D (except for D.1(a) and (b)) of the Project	70,000	100%
(5) QIF Grants and QIF Sub-Loans under Part B.2 of the Project	1,420,000	100%
(5)(a) NRF Grants under Part D.2 of the Project	700,000	100%
(6) Scholarships under Part C.1 of the Project	850,000	100%
(6)(a) Scholarships under Part D.3 of the Project	450,000	100%
(7) Operating Costs under Part A.1 of the Project	600,000	100%
(7)(a) Operating Costs under Part D.1 of the Project	130,000	100%
TOTAL AMOUNT	9,900,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement; or
 - (b) in respect of expenditures under Category (6)(a) unless the eligibility criteria for the Scholarships under Part D.3 of the Project have been finalized in a manner satisfactory to the Association.

2. The Closing Date is June 30, 2009.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 1 and September 1:	
commencing September 1, 2017 to and including March 1, 2027	1%
commencing September 1, 2027 to and including March 1, 2047	2%

* 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. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Beneficiaries” means Private Beneficiaries and Public Beneficiaries as hereinafter defined.
3. “Boletim da Republica” means the Recipient’s Official Gazzette.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
6. “ESMF” means the Environmental and Social Management Framework prepared by the Recipient, dated May 25, 2007
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
8. “HEI” means a higher education institution in the territory of the Recipient as defined in the Revised Higher Education Law No. 1 of June 24, 1993.
9. “Individual Beneficiaries” means, in respect of Parts C.1 and D.3 of the Project, students from the territory of the Recipient selected in accordance with the criteria specified in the PIM (as hereinafter defined herebelow).
10. “ISRI” means the *Instituto Superior de Relações Internacionais*, the Recipient’s Higher Institute for International Relations established pursuant to Decree No. 12/97 and published in the Recipient’s Official Gazzette on June 3, 1997.
11. “MDLN” means Mozambique Distance Learning Network.
12. “NRF” means the National Research Fund, the Recipient’s fund established pursuant to Decree No. 12/2005 and published in the Recipient’s Official Gazzette on June 10, 2005.

13. “NRF Grants” means a grant made or proposed to be made by NRF to a Public or Private Beneficiary under Part D of the Project in accordance with the terms and conditions specified in the PIM.
14. “Operating Costs” means the incremental expenditures which would not be incurred absent the Project, incurred on account of expenditures for office supplies, vehicle operation and maintenance, communication and insurance costs, bank charges on the Designated Accounts, rental expenses, office maintenance costs, utilities, travel cost for Project staff for supervision field trips and, salaries of support contractual staff for the Project, but excluding salaries of the Recipient’s civil service officials.
15. “Original Financing Agreement” means the development credit agreement for a Higher Education Project between the Recipient and the Association, dated March 20, 2002, as amended to the date of this Agreement (Credit No 3609-MOZ).
16. “Original Project” means the Project described in the Original Financing Agreement.
17. “PIM” means the Project Implementation Manual adopted by the Recipient as updated pursuant to Section 4.01(a) of this Agreement.
18. “Private Beneficiaries” means, in respect of Part B.2 of the Project, private higher education institutions established under the Recipient’s Law No. 1 of June 24, 1993.
19. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
20. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 17, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
21. “Public Beneficiaries” means, in respect of Part B.2 and Part D of the Project, public higher education institutions established under the Recipient’s Law No. 1 of June 24, 1993.
22. “QIF Grant” means a grant made or proposed to be made by the Recipient to a Public Beneficiary for the purposes of Part B.2 of the Project in accordance with the terms and conditions specified in the PIM.

23. “QIF Sub-Loan” means a loan made or proposed to be made by the Recipient to a Private Beneficiary for the purposes of Part B.2 of the Project in accordance with the terms and conditions specified in the PIM.
24. “Quality Enhancement and Innovation Facility” or “QIF” means a funding mechanism through which the Recipient shall provide: (i) QIF Sub-Loans for Private Beneficiaries; and (ii) QIF Grants for Public Beneficiaries, for the purposes of Part B.2 of the Project.
25. “Scholarship” means a grant made or proposed to be made by the Recipient to an Individual Beneficiary for the purpose of Parts C.1 and D.3 of the Project in accordance with the terms and conditions specified in the PIM and includes the costs of tuition, travel and subsistence.
26. “Training and Workshops” means educational programs financed under Project activities, including purchase of training materials, rental of training facilities, per diem and related travel costs.
27. “*Universidade Eduardo Mondlane*” means the Recipient’s Eduardo Mondlane University, established pursuant to Decree No. 12/95 published in the Recipient’s *Boletim da Republica* on April 25, 1995.
28. “*Universidade Pedagogica*”, the Recipient’s Pedagogical University established pursuant to Decree No. 13/95 published in the Recipient’s Official Gazette on April 25, 1995.
29. “Universities” means collectively the *Universidade Eduardo Mondlane*, the *Universidade Pedagogica* and *ISRI*.