

CONFORMED COPY

DANIDA GRANT RELATED TO CREDIT NUMBER 1841 MOZ

(Second Rehabilitation Credit)

between

PEOPLE'S REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of Grant Funds
Provided by the
DANISH INTERNATIONAL DEVELOPMENT AGENCY

Dated March 17, 1989

DANIDA GRANT RELATED TO CREDIT NUMBER 1841 MOZ
DANIDA GRANT AGREEMENT

AGREEMENT, dated March 17, 1989, between PEOPLE'S REPUBLIC OF MOZAMBIQUE (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION, as Administrator (the Administrator) of Grant Funds Provided by the DANISH INTERNATIONAL DEVELOPMENT AGENCY (DANIDA).

WHEREAS (A) the Recipient has requested the assistance of the International Development Association (the Association) and DANIDA in the financing of its Second Rehabilitation Credit (the Program) referred to in the Preamble to Development Credit Agreement Number 1841-MOZ, dated October 5, 1987, between the Recipient and the Association (the Development Credit Agreement);

(B) the Association has granted a Credit for this purpose on the terms and conditions set forth in the Development Credit Agreement;

(C) DANIDA wishes to make available to the Recipient a grant in an amount equivalent to two million, eight hundred thousand thirty-six, eight hundred seventy nine United States dollars and forty three cents (\$2,836,879.43) (the DANIDA Grant) to assist the Recipient in carrying out part of the Program on the terms and

conditions hereinafter set forth;

(D) pursuant to arrangements, dated April 11, 1986, between DANIDA and the Association, DANIDA has requested the Association, and the Association has agreed, to administer the DANIDA Grant in accordance with the provisions of those arrangements; and

(E) the Recipient acknowledges that the financial assistance extended to the Recipient under this DANIDA Grant Agreement shall be considered as part of the bilateral development aid extended by DANIDA to the Recipient;

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" dated January 1, 1985 (the General Conditions), constitute an integral part of this Agreement, subject, however, to the following modifications thereof:

(a) the term "Association", whenever used in the General Conditions, means the International Development Association, acting as Administrator of the DANIDA Grant, pursuant to the arrangements between DANIDA and the Association referred to in the Preamble to this Agreement, except in the phrase "member of the Association" in Section 2.01 (5) and Section 6.02 (e);

(b) the term "Development Credit Agreement", wherever used in the General Conditions, means this Agreement;

(c) the term "Credit", wherever used in the General Conditions, means the DANIDA Grant extended to the Recipient under this Agreement;

(d) the term "Credit Account", wherever used in the General Conditions, shall be amended to read "DANIDA Grant Account";

(e) Section 2.01 shall be modified to read:

"Section 2.01. 'Project' means the import and other activities that may be financed out of the proceeds of the DANIDA Grant pursuant to the provisions of Schedule 1 to the Development Credit Agreement."

(f) Section 4.01 shall be modified to read:

"Section 4.01. Withdrawals from the DANIDA Grant Account shall be made in dollars; provided, however, that, if the expenditures to be financed out of the proceeds of the DANIDA Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient and at the time of a withdrawal from the DANIDA Grant Account, purchase such currency with the proceeds of such withdrawals."

(g) in Section 6.02 the term "Association" shall also include the International Development Association acting in its own capacity;

(h) 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 Recipient and the Administrator, the Recipient shall prepare and furnish to the Administrator a report, of such scope and in such detail as the Administrator shall reasonably request, on the execution of the Program referred to in the Preamble to the DANIDA

Grant Agreement, the performance by the Recipient and the Administrator of their respective obligations under the DANIDA Grant Agreement and the accomplishment of the purposes of the DANIDA Grant.";

(i) Sections 3.02, 3.03, 3.04, 3.05, 4.01, 4.02, 4.03, 4.04, 4.06, 6.05, 7.01, 8.01 (a), 12.02 and 12.05 are deleted.

(j) the term "Borrower", whenever used in the General Conditions, means the Recipient.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, in the Preamble to this Agreement and in the Development Credit Agreement have the respective meanings therein set forth, and the term DANIDA Special Account means the Special Account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Contribution

Section 2.01. The Administrator agrees to extend to the Recipient, on the terms and conditions herein set forth or referred herein, a grant in an amount equivalent to two million eight hundred thousand thirty-six, eight hundred seventy nine United States dollars and forty three cents (\$2,836,879.43).

Section 2.02. (a) The amount of the DANIDA Grant may be withdrawn from the DANIDA Grant Account in accordance with the provisions of Schedule 1 to the Development Credit Agreement as it may be amended from time to time by agreement between the Recipient and the Administrator.

(b) The Recipient shall, for the purposes of the Program, open and maintain in dollars a special account in a commercial bank, on terms and conditions satisfactory to the Administrator. Deposits into and payments out of the DANIDA Special Account shall be made in accordance with the Schedule to this Agreement.

Section 2.03. (a) Except as the Administrator shall otherwise agree, contracts for goods to be financed out of the proceeds of the DANIDA Grant shall be procured from Denmark and from Part II member countries of the Administrator, in accordance with the provisions of Schedule 2 to the Development Credit Agreement, which is hereby incorporated into this Agreement with the same force and effect as if it were fully set forth herein. The references to the Association in said Schedule shall be deemed to be references to the Association acting as Administrator of the DANIDA Grant.

(b) If the Administrator shall have reasonably determined that the procurement of any item is inconsistent with the procedures set forth or referred to in paragraph (a) above, no expenditures for such item shall be financed out of the proceeds of the Contribution, and the Administrator may, without in any way restricting or limiting any other right, power or remedy of the Administrator under this Agreement, by notice to the Beneficiary, cancel such amount of the DANIDA Grant as, in the Administrator's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the DANIDA Grant.

Section 2.04. The Closing Date shall be December 31, 1989, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Borrower of such later date.

ARTICLE III

Execution of the Project

Section 3.01. Except as otherwise expressly provided herein,

Article III of the Development Credit Agreement is hereby incorporated into this Agreement with the same force and effect as if it were fully set forth herein. All references to the Association in Article III of the Development Credit Agreement shall be deemed to be references to the Administrator of the DANIDA Grant under this Agreement. All references to the Credit and the Credit Account shall be deemed to be references to the DANIDA Grant and the DANIDA Grant Account, respectively, and all references to the Borrower shall be deemed to be references to the Recipient.

ARTICLE IV

Representation; Transfer of Rights and Obligations

Section 4.01. The Governor of Banco de Mocambique of the Recipient shall be the representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Banco de Mocambique
Avenida 25 de Setembro 1695
P.O. Box 423
Maputo
People's Republic of Mozambique

Cable address:

MOBANCO
Maputo

Telex:

6355/7 BMMO

For the Administrator:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

Section 4.03. In accordance with the agreement referred to in the Preamble to this Agreement, the rights and obligations of the Administrator under this Agreement may be transferred to DANIDA. The Recipient accepts and agrees that, upon notice by the Administrator to the Recipient to that effect, DANIDA shall, ipso facto, from the date specified in such notice, be substituted in all rights and obligations of the Administrator under this Agreement as if DANIDA had been an original party to this Agreement, without any further action or formality required on the part of any party, and from such date the Administrator shall cease to have any rights or obligations as a party under this Agreement.

ARTICLE V

Termination

Section 5.01. This Agreement shall continue in effect until the DANIDA Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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.

PEOPLE'S REPUBLIC OF MOZAMBIQUE

By /s/ Eneas Comiche
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of Grant Funds
Provided by the DANISH
INTERNATIONAL DEVELOPMENT AGENCY

By /s/ Sven Sandstrom
Acting Regional Vice President
Africa

SCHEDULE

DANIDA Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of the proceeds of the DANIDA Grant; and

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

2. Except as the Administrator shall otherwise agree, payments out of the DANIDA Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

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

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Administrator 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 Administration shall, on behalf of the Recipient, withdraw from the DANIDA Grant Account and deposit into the DANIDA Special Account such amount or amounts as the Recipient shall have requested.

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

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Administrator 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 Administrator shall, on behalf of the Recipient, withdraw from the DANIDA Grant Account and deposit into the DANIDA Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been made out of the DANIDA Special Account for Eligible Expenditures. All such deposits shall be withdrawn by the Administrator from the DANIDA Grant Account in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the DANIDA Special Account, the Recipient shall, at such time as the Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into the DANIDA Special Account:

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

(b) once the total unwithdrawn amount of the DANIDA Grant less the amount of any outstanding special commitment entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to the Program, shall equal the equivalent of the amount of the Authorized Allocation.

Thereafter, withdrawals from the DANIDA Grant Account of the remaining unwithdrawn amount of the DANIDA Grant shall follow such procedures as the Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and, to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in the DANIDA Special Account as of the date of such notice, will be utilized in making payments for Eligible Expenditures.

6. (a) If the Administrator shall have determined at any time that any payment out of the DANIDA 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 Administrator, the Recipient shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the DANIDA Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into the DANIDA Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Administrator shall have determined at any time that any amount outstanding in the DANIDA Special Account will not be required to cover further payments for Eligible Expenditures, the Recipient shall, promptly upon notice from the Administrator, refund to the Administrator such

outstanding amount.

- (c) The Recipient may, upon notice to the Administrator, and with the Administrator's consent, refund to the Administrator all or any portion of the funds on deposit in the DANIDA Special Account.
 - (d) Refunds to the Administrator made pursuant to paragraphs 6 (a), 6 (b) and 6 (c) of this Schedule shall be credited to the DANIDA Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.
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