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**CREDIT NUMBER 4528 - MOZ**

# **Financing Agreement**

**(Fifth Poverty Reduction Support Credit)**

**between**

**REPUBLIC OF MOZAMBIQUE**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated November 11, 2008**

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## CREDIT NUMBER 4528 - MOZ

### FINANCING AGREEMENT

AGREEMENT dated November 11, 2008, entered into between REPUBLIC OF MOZAMBIQUE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement, and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework. The Recipient and the Association therefore 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 (the Agreement).
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

#### ARTICLE II —FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to fifty seven million three hundred thousand Special Drawing Rights (SDR 57 300 000) (variously “Credit” and “Financing”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 2 to this Agreement.
- 2.07. The Payment Currency is Dollars.

**ARTICLE III—PROGRAM**

- 3.01 The Recipient declares its commitment to the Program and its implementation. To this end:
- (a) the Recipient 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;
  - (b) prior to each such exchange of views, the Recipient 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; and
  - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall exchange views with the Association on any proposed action to be taken after the disbursement of the Financing which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program.

**ARTICLE IV—REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs.

**ARTICLE V—EFFECTIVENESS**

- 5.01. The Effectiveness Deadline is the date 90 days after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

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

## 6.02. The Recipient's Address is:

Ministério da Planificação e Desenvolvimento  
 Caixa Postal 4087  
 21 Av. Ahmed Sekou Touré  
 Maputo  
 Republic of Mozambique

Cable address:	Telex:	Facsimile:
MEF	257 MEF B1	+258-21492625

## 6.03. The Association's Address is:

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

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

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

**REPUBLIC OF MOZAMBIQUE**

**By /s/ Aiuba Cuereneia**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ Michael Baxter**

**Authorized Representative**

**SCHEDULE 1****Program Actions; Availability of Financing Proceeds****Section I. Actions taken under the Program**

The actions taken by the Recipient under the Program include the following:

1. The MOF has confirmed that the total allocation to priority sectors in the 2008 budget is in line with the MTEF.
2. The MOF has rolled out the basic functionality of e-SISTAFE to 24 ministries by end 2007.
3. The MOF has continued the implementation of new procurement system up to the district level by ensuring that the monitoring system is operational, and allows performance measurements establishing baselines for a monitoring system which allows performance measurements (as indicated by: (i) availability of information on public purchases available from UFSA that show that at least 50% of contracts of the public sector were subject to public tender in accordance with the current Mozambican procurement legislation; (ii) information on other modalities of contract with the due justification in at least 90% at the central level and 50% at the district and provincial level communicated to UFSA; (iii) the process of complaints, as defined in the current Mozambican procurement legislation, is operational and UFSA has data on the process and decisions available).
4. The MOF has ensured that at least 25 percent of central and provincial level bodies have operational internal audit units (also referred to as 'internal control units') in 2007.
5. The Recipient's Court of Accounts (*Tribunal Administrativo, TA*) has concluded its opinion of at least 90 financial audits of Ministries and State agencies in 2007.
6. The Ministry of Planning and Development has approved the National Program for Decentralized Planning and Finance.
7. The MFP has created the single registry of State officials and civil servants (*Cadastro Unico dos Funcionários Públicos, CUF*).
8. The Social Security Institute (*Instituto Nacional de Segurança Social, INSS*) has completed the actuarial study and the elaboration of its investment strategy.

9. The MINAG has increased access to technologies and extension by ensuring that at least 222,300 small scale farmers have been assisted by public extension services in 2007, including sub-contracting.
10. The Council of Ministers has approved the Medium Term Expenditure Framework 2009-2011 (*Cenário Fiscal de Médio Prazo 2009-2011*), which envisages an increase in the allocation to agricultural sector to at least 6 percent of the budget (excluding projects) in 2009, and at least 7 percent in 2010.

**Section II. Availability of Financing Proceeds**

- A. **General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. **Allocation of Financing Amounts.** The Financing shall be withdrawn in a single tranche. The allocation of the amounts of the Financing to this end is set out in the table below:

<b>Allocations</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>
Single Tranche	57 300 000
<b>TOTAL AMOUNT</b>	57 300 000

- C. **Deposits of Financing Amounts.** Except as the Association may otherwise agree:
  1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and
  2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.
- D. **Audit.** The Recipient shall:
  1. have the account and the recording of amounts of the Financing into the Recipient's budget management system referred to in Part C of this Section audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case not later than three months after the end of the Recipient's Fiscal Year, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and
  3. furnish to the Association such other information concerning the said account and recording of Credit amounts into the budget management system, and their audit, as the Association shall reasonably request.
- E. Excluded Expenditures.** The Recipient undertakes that the proceeds of the Credit shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.
- F. Closing Date.** The Closing Date is October 31, 2009.

**SCHEDULE 2****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 15 and October 15:	
commencing April 15, 2019 to and including October 15, 2028	<b>1%</b>
commencing April 15, 2029 to and including October 15, 2048	<b>2%</b>

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.



## APPENDIX

### Section I. Definitions

1. “e-SISTAFE” means the Recipient’s electronic integrated financial management system.
2. “Excluded Expenditure” means any expenditure:
  - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another Financing, credit, grant or loan;
  - (b) for goods included in the following groups or sub-groups of 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) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors

728	728.43	Tobacco processing machinery
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)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
  - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
  - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
  - (f) under a contract with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds during the procurement or execution of such contract, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to remedy the situation.
3. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 1, 2005 (as amended through October 15, 2006) with the modifications set forth in Section II of this Appendix.
  4. "Information Technology Development Plan" means *Autoridade Tributária de Moçambique's* technology development plan.
  5. "IGF" means *Inspecao Geral de Financas*, the Recipient's Inspectorate General at the MOF (as hereinafter defined).
  6. "MFP" means the Recipient's Ministry of Civil Service, or any successor thereto.

7. “MINAG” means the Recipient’s Ministry of Agriculture, or any successor thereto.
8. “MOF” means the Recipient’s Ministry of Finance, or any successor thereto.
9. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated September 18, 2008 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.
10. “Recipient’s Fiscal Year” means the yearly period from January 1 to December 31.
11. “Single Tranche” means the amount of the Financing allocated to the category entitled “Single Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
12. “UFSA” means *Unidade Funcional de Supervisão das Aquisições*, MOF’s Procurement Unit.

## **Section II. Modifications to the General Conditions**

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

Section 4.07. *Program Monitoring and Evaluation*

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

- (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.