

CONFORMED COPY

CREDIT NUMBER 1989 MOZ

(Health and Nutrition Project)

between

PEOPLE'S REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 28, 1989

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 28, 1989, between PEOPLE'S REPUBLIC OF MOZAMBIQUE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower intends to contract from the Government of Switzerland (Switzerland) a grant (the Swiss Grant) equivalent to \$5,300,000 to assist in financing Parts B(4)(a) and (e) of the Project on the terms and conditions set forth in an agreement (the Swiss Grant Agreement) to be entered into between the Borrower and Switzerland;

(C) the Borrower has contracted from the Government of Norway Development Agency (NORAD) a grant (the NORAD Grant) to assist in financing Parts B(4)(c) and (d) of the Project on the terms and conditions set forth in an agreement (the NORAD Grant Agreement) dated June 30, 1987 entered into by the Borrower and

NORAD;

(D) the Borrower intends to contract from UNICEF a grant to assist in financing Part B(1)(a) of the Project; and

(E) the Borrower intends to contract from World Food Programme (WFP) a non-reimbursable contribution (the WFP Contribution) to assist in financing Part B(6)(c) of the Project; and

WHEREAS the Association has agreed on the basis, inter alia of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

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 last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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) "MOH" means the Ministry of Health of the Borrower;

(b) "MOC" means the Ministry of Commerce of the Borrower;

(c) "E.E. MEDIMOC" and "MEDIMOC" mean Empresa Estatal de Importacao e Exportacao de Medicamentos, the Import-Export and Distribution Agency for drugs and medical supplies, a public enterprise of the Borrower, established and operating pursuant to its statutes approved by Decree No. 35/77 of the Borrower, dated August 16, 1977;

(d) "NSA" means Novo Sistema de Abastecimento the food supply system operating in the territory of the Borrower under the administration of MOC;

(e) "GOAM" means Gabinete de Organizacao do Abastecimento a Cidade de Maputo, the organizational structure responsible for food distribution in Maputo established and operating pursuant to Resolution No. 4/80 of the Council of Ministers of the Borrower dated May 28, 1980;

(f) "DPCS" means Direccao Provincial do Comercio de Sofala, provincial directorate of MOC operating in the province of Sofala;

(g) "EACM, E.E." and "EACM" mean Empresa de Abastecimento a Cidade de Maputo, an enterprise of the Borrower established and operating in Maputo pursuant to Despacho No. 23/89 of the Borrower, dated March 15, 1989;

(h) "EACB, E.E." and "EACB" mean Empresa de Abastecimento a Cidade da Beira, an enterprise of the Borrower established and operating in Beira pursuant to Despacho No. 24/89 of the Borrower, dated March 15, 1989;

(i) "ICS" means Instituto de Ciencias da Saude, any of the Health Training Institutes of the Borrower established and operating pursuant to Decree No. 25/76 of the Borrower, dated June 19, 1976 amended by Decree No. 15/78 of the Borrower dated October 19, 1978, and Diploma Ministerial No. 98/78 dated September 16, 1978;

(j) "GACOPI" means Gabinete de Coordenacao de Projectos de Investimento, the Investment Program Implementation Unit created within MOH by Ministerial Order dated October 10, 1988, and referred to in Schedule 6 to this Agreement.

(k) "MEDIMOC Agreements" means the agreements dated September 15, 1988, entered into between MOH and MEDIMOC pursuant to Section 3.01(b)(i) of this Agreement for the import, export and distribution of drugs and other medical supplies from the regional stores in Maputo and Beira;

(l) "Maputo Food Security Agreement" means the agreement dated October 28, 1988, entered into between MOC, GOAM and EACM, pursuant to Section 3.01(b)(ii) of this Agreement;

(m) "Beira Food Security Agreement" means the agreement dated October 28, 1988, entered into between MOC, DPCS and EACB, pursuant to Section 3.01(b)(iii) of this Agreement;

(n) "Special Account A" and "Special Account B" mean the accounts referred to in Section 2.02(b) of this Agreement;

(o) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated April 5, 1988 and May 3, 1988, between the Borrower and the Association;

(p) "fiscal year" means the Borrower's fiscal year which runs from January 1 to December 31; and

(q) "Metical" and the plural "meticais" mean the currency of the Borrower.

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 twenty-one million Special Drawing Rights (SDR 21,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall for the purposes of the Project, open and maintain in dollars two special accounts in a commercial bank on terms and conditions satisfactory to the Association:

(i) Special Account A shall be opened for the purposes of Parts A(1), A(2), B(1), B(2), B(3), B(4) and B(5) of the Project; and

(ii) Special Account B shall be opened for the purposes of Parts A(3) and B(6) of the Project.

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.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project

Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1994 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 a 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; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(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 per cent (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 March 15 and September 15 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 March 15 and September 15 commencing March 15, 1999 and ending September 15, 2028. Each installment to and including the installment payable on September 15, 2008, 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.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out: (i) Parts A(1), A(2), B(1), B(2), B(3), B(4) and B(5) of the Project through MOH; and (ii) Parts A(3) and B(6) of the Project through MOC; with due diligence and efficiency and in conformity with appropriate health and nutrition practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and, except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 6 to this Agreement and, to this effect, shall take all necessary measures to enforce:

- (i) the MEDIMOC Agreements, for the purposes of carrying out Part B(4) of the Project;
- (ii) the Maputo Food Security Agreement, for the purposes of carrying out Part B(6) of the Project; and
- (iii) the Beira Food Security Agreement, for the purposes of carrying out Part B(6) of the Project.

(c) The Borrower shall exercise its rights under the MEDIMOC Agreements, the Maputo Food Security Agreement and the Beira Food Security Agreement to protect the interests of the Borrower and the Association, and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the said Agreements or any provisions thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services, required for the Project and to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower shall: (a) not later than October 31, 1989, exchange views with the Association on the recommendations of the study carried out by the Borrower for the purposes of Part A (1)(a) of the Project; and (b) not later than April 30, 1990, implement the action plan referred to in Part A (1)(b) of the Project, taking into consideration the recommendations arising out of said exchange of views.

Section 3.04. The Borrower shall: (a) not later than July 31, 1990 complete and furnish to the Association with MOH's comments, the plan prepared by the Borrower for the purposes of Part A (1)(c) of the Project; (b) not later than October 31, 1990 review said plan jointly with the Association; and (c) promptly thereafter implement the training programs included in said plan, as agreed with the Association.

Section 3.05. The Borrower shall: (a) not later than October 31, 1989, complete and furnish to the Association the results of the study carried out by the Borrower for the purposes of Part A(2)(a)(i) of the Project; (b) not later than January 31, 1990, review the recommendations of said study jointly with the

Association; and (c) promptly thereafter implement those recommendations satisfactory to the Association, on terms and within a timetable agreed between the Borrower and the Association.

Section 3.06. The Borrower shall, for the purposes of carrying out Part B(4)(a) of the Project, take all necessary measures to implement in a manner satisfactory to the Association, the resettlement plan for persons to be relocated under the Project, referred to in Part B(4)(b) of the Project.

Section 3.07. The Borrower shall, for the purposes of Part A(2)(d) of the Project, take all necessary measures to provide, during the execution of the Project, housing to lodge the resident consultants to be employed under the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(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 six 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, 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 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 for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing 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 audit 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 proce-

dures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) MOH or MEDIMOC shall have failed to perform any of their respective obligations under the MEDIMOC Agreement;

(b) MOC, GOAM or EACM shall have failed to perform any of their respective obligations under the Maputo Food Security Agreement;

(c) MOC, DPCS or EACB shall have failed to perform any of their respective obligations under the Beira Food Security Agreement;

(d) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that MEDIMOC, GOAM, DPCS, EACM or EACB, as the case may be, will be able to perform their respective obligations under the MEDIMOC Agreement, the Maputo Food Security Agreement or the Beira Food Security Agreement;

(e) Decree No. 35/77 of the Borrower, dated August 16, 1977, Resolution No. 4/80 of the Borrower, dated May 28, 1980, the legislation referred to the establishment and operation of EACM, EACB, DPCS and the GACOPI shall have been amended, suspended, abrogated, repealed, or waived so as to affect materially or adversely the ability of the Borrower, MEDIMOC, EACM, EACB, GOAM and DPCS to perform any of their respective obligations under this Agreement; and

(f) the Borrower or any other authority having jurisdiction shall have taken any action concerning the Borrower's health and nutrition policies that would materially and adversely affect the objectives of the Project.

Section 5.02. (a) any of the events specified in paragraphs (a), (b), or (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower; and

(b) any of the events specified in paragraphs (e) or (f) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the study referred to in Part A (1)(a) of the Project has been completed and its results, as well as MOH's comments, have been furnished to the Association; and

(b) the study referred to in Part A(3)(a)(i) to be carried out by MOC has been finalized, taking into account the recommendations made by the Association, and has been furnished to the Association.

Section 6.02. The following are specified as additional matters, 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:

(a) that the MEDIMOC Agreements have been duly authorized by and are legally binding upon MOH and MEDIMOC;

(b) that the Maputo Food Security Agreement has been duly authorized and is legally binding upon MOC, GOAM and EACM;

(c) that the Beira Food Security Agreement has been duly authorized and is legally binding upon MOC, DPCS and EACB; and

(d) 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 6.03. 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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. 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 7.02. 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
People's Republic of Mozambique

Cable address:

MOBANCO
Maputo

Telex:

6355/7 BMMO

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:

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

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.

PEOPLE'S REPUBLIC OF MOZAMBIQUE

By /s/ Yasmin Patel
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit 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)	% of Expenditures to be Financed
(1) Civil works:		
(a) under Parts B(1)(b)(i), and B(5) of the Project	2,090,000	100% of foreign expenditures and 90% of local expenditures
(b) under Part B(1)(b)(ii) of the Project	2,640,000	100% of foreign expenditures and 90% of local expenditures
(c) under Part A (2)(d) of the Project	230,000	100% of foreign expenditures
(2) Vehicles, equipment, furniture and supplies:		
(a) under Parts A(1), A(2), B(1), B(2), B(3) and B(5) of the Project	6,820,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of other local expenditures
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(b) under Parts A(3) and B(6) of the Project	3,260,000	
(3) Consultants' services, studies and audits:		100%

(a)	under Parts A(1), A(2), B(1), B(2), B(3), B(4) and B(5) of the Project	3,020,000	
(b)	under Parts A(3) and B(6) of the Project	390,000	
(4)	Training:		100%
(a)	under Parts A(1), A(2), B(1), B(2), B(3) and B(5) of the Project	160,000	
(b)	under Parts A(3) and B(6) of the Project	80,000	
		Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5)	Operating costs:		
(a)		390,000	
(i)	Equipment operation and main- tenance: under Parts A(1), A(2), B(1), B(2), B(3), B(4) and B(5) of the Project		60%
(ii)	Project management under Part A(2)(c) of the Project		100%
(b)		80,000	
(i)	Equipment, operation and mainte- nance: under Parts A(3) and B(6) of the Project		60%
(ii)	Project management under Part A(3)(c)(i)		100%

of the
Project

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(6) Resettlement Plan under Part B(4)(b) of the Project	20,000	100% of foreign expenditures and 90% of local expenditures
(7) Refunding of Project Prepara- tion Advance	630,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(8) Unallocated	1,190,000	
TOTAL	<u>21,000,000</u>	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means 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;

(b) the term "local expenditures" means expenditures in the currency of the Borrower, or for goods or services supplied from the territory of the Borrower;

(c) the term "training" means costs of workshops, courses and travel to be undertaken as part of training and other related training costs to be financed under the Project; and

(d) the term "project management" means cost of salary supplements paid in foreign exchange to staff responsible for Project implementation, in accordance with terms and rates agreed, from time to time, between the Borrower and the Association.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) expenditures under Category (1) (b) unless the Association, after an exchange of views with the Borrower, has been satisfied with the implementation of procedures and systems to improve hospital efficiency pursuant to Part B(2) of the Project; and

(c) expenditures under Category (1) (c) unless the Association:

- (i) has received evidence satisfactory to it that the sites necessary to carry out the civil works referred to in Part A (2) (d) of the Project, have been legally attributed to MOH; and
- (ii) has approved the designs, architectural plans, financial terms and timetable to carry out the civil works referred to in (i) above.

Description of the Project

The objectives of the Project are to:

(a) strengthen the Borrower's capacity in policy formulation and management on health and food security issues;

(b) improve quality and efficiency of services in the health and food security sectors; and

(c) help the Borrower to mitigate some of the social costs of adjustment in the territory of the Borrower, with special emphasis on the cities of Maputo and Beira.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time.

Part A: Strengthening Policy Formulation and Management

1. Policy Formulation in the health sector.

(a) Carrying out a study to evaluate the cost-recovery system of the health sector;

(b) design and implementation of an action plan based on the recommendations of said cost-recovery study;

(c) preparation and implementation of a health manpower development plan for MOH staff; and

(d) strengthening the operational efficiency of MOH's health facilities.

2. Strengthening of MOH's managerial and planning capabilities.

(a) Studies:

(i) carrying out a study to analyze MOH's organizational structure and implementation of the recommendations of said study; and

(ii) carrying out studies to prepare future projects in the family planning, health and nutrition sectors;

(b) strengthening of MOH's financial management capacity:

(i) streamlining accounting and budgeting procedures; and

(ii) developing a financial information system;

(c) strengthening of the GACOPI within MOH's Directorate of Planning; and

(d) construction of housing to lodge expatriate resident consultants.

3. Strengthening of MOC's Food Security Policies and Information System.

(a) Food pricing policy:

(i) carrying out a study of the Borrower's food needs, supply and access;

(ii) strengthening MOC's capabilities to carry out policy analyses; and

(iii) acquisition of a four wheel-drive vehicle, computing equipment and supplies for MOC's Department of Food Security.

(b) Information systems:

- (i) integration of food security information systems;
- (ii) acquisition of a four wheel-drive vehicle, computing equipment and supplies for MOC's Department of Food Security; and
- (iii) provision of training for MOC staff in the implementation of the integrated information system and the planning and utilization of food aid.

(c) Strengthening MOC's Food Security Department:

- (i) to coordinate and manage Project activities; and
- (ii) to carry out studies to prepare future projects in the area of food security.

Part B: Improving Efficiency and Quality of Services

1. Rehabilitation of Health Facilities.

(a) Reconstruction and/or rehabilitation of health posts, health centers, provincial and rural hospitals in the provinces of Tete, Manica and Sofala;

(b) carrying out works to rehabilitate the hospitals at Maputo, Nampula and Beira in two phases:

- (i) first phase, sanitation, works, public health related and emergency rehabilitation; and
 - (ii) second phase, other high priority civil works; and
- (c) acquisition of priority hospital equipment and supplies.

2. Improving Hospital Efficiency.

(a) Acquisition of administrative equipment and supplies;

(b) undertaking a reorganization of the hospitals at Maputo, Nampula and Beira; and

(c) provision of assistance to and training for hospital staff in implementing procedures and systems to strengthen overall hospital management, including admissions and discharge procedures, cost accounting and control, clinical coding and materials and manpower productivity control.

3. Health Facility Maintenance.

(a) Strengthening health facility and equipment maintenance centers at the:

- (i) central level, in Maputo; and
 - (ii) provincial level, in Nampula and Beira;
- (b) improvement of management and inventory control;

(c) acquisition and replenishment of maintenance kits for the provincial maintenance centers; and

(d) acquisition of four wheel-drive vehicles and motorcycles for the central and provincial maintenance centers at Maputo, Beira and Nampula.

4. Pharmaceutical Supply.

(a) Construction, furnishing and equipping of a central

pharmaceuticals warehouse complex for MEDIMOC in Maputo;

(b) implementation of a resettlement plan for the persons living in the sites assigned for the construction of the pharmaceuticals warehouse complex for MEDIMOC;

(c) development of drug management procedures;

(d) on-the-job training for MEDIMOC staff; and

(e) renovation, furnishing and equipping of the MEDIMOC regional pharmaceutical store in Beira.

5. Health Manpower Training.

(a) Improvement of the efficiency and quality of pre-service medical, nurse and paramedical training:

(i) upgrading physical facilities, including boarding and lodging facilities and acquisition of furniture for the ICSs at Maputo, Beira and Nampula;

(ii) strengthening of curriculum development at the ICSs;

(iii) acquisition of vehicles, office and teaching equipment, textbooks, teaching and learning materials for the ICSs;

(iv) teacher training for about 65 ICS teacher candidates;

(v) refresher training for about 80 appointed ICS teachers; and

(vi) acquisition of medical textbooks, equipment and supplies for the Faculty of Medicine at Eduardo Mondlane University.

(b) Development of an in-service training program:

(i) design of an in-service training program, including the definition of the categories and numbers of staff to be trained, an action plan for the implementation of the training program and the production of training materials; and

(ii) revision, printing and dissemination of job descriptions for MOH's health personnel.

6. Urban Food Distribution System.

(a) Strengthening the management of urban food supply system in Maputo and Beira through:

(i) acquisition of small main-frame computers for GOAM and DPCS;

(ii) strengthening of program management, data processing and analysis;

(iii) training for GOAM and DPCS staff in management procedures and computer use; and

(iv) acquisition of office, storage and handling equipment and furniture for GOAM, DPCS, EACM and EACB;

(b) acquisition of vehicles for the distribution of food supplies in urban areas;

(c) strengthening of the school feeding program; and

(d) carrying out a pilot operation to improve the workers' canteen program:

- (i) improvement of canteen dining and rehabilitation of kitchen facilities; and
- (ii) acquisition of kitchen equipment.

* * * *

The Project is expected to be completed by March 30, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded 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).

2. To the extent practicable, contracts for vehicles, equipment and supplies shall be grouped in bid packages estimated to cost the equivalent of \$70,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Mozambique may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Local competitive bidding:

Civil works estimated to cost less than \$100,000, per contract, up to an aggregate amount not to exceed the equivalent of \$2,400,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. International or Local Shopping:

Equipment, furniture, supplies and vehicles, estimated to cost less than \$70,000 per contract, up to an aggregate amount not to exceed the equivalent of \$500,000, \$500,000, \$800,000 and \$200,000, respectively, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Force Account:

Works necessary to carry out site preparation under Part B(4) (a) of the Project may be carried out by the Borrower on force

account.

4. Direct Contracting:

Textbooks and learning materials under Part B(5) of the Project may be procured under direct contracting, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each civil works contract estimated to cost the equivalent of \$100,000 or more, and other contracts estimated to cost the equivalent of \$70,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Accounts A and B, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of Special Accounts A and B in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of Special Accounts A and B such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedules 4 and 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, 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 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.

SCHEDULE 4

Special Account A - MOH

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2)(a), (3)(a), (4)(a), (5)(a) and (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts A(1), A(2), B(1), B(2), B(3), B(4) and B(5) of the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,700,000 to be withdrawn from the Credit Account and deposited into Special Account A pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of Special Account A 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 Special Account A has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish Special Account A 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 in Special Account A such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of Special Account A, the Borrower shall furnish to the Association requests for deposits into Special Account A 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 Special Account A such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of Special Account A for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and 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 Special Account A, 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 Special Account A:

(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 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 allocated to the eligible Categories for Parts A(1), A(2), B(1), B(2), B(3), B(4), and B(5) of the Project, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Parts A(1), A(2), B(1), B(2), B(3), B(4), and B(5) of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for Parts A(1), A(2), B(1), B(2), B(3), B(4), and

B(5) of the Project 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 Special Account A 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 Special Account A:

(i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; and

(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 Special Account A (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 Special Account A 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 Special Account A 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, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in Special Account A.

(d) Refunds to the Association made pursuant to paragraphs 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 - MOC

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (2)(b), (3)(b), (4)(b) and (5)(b) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts A(3), and B(6) of the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$600,000 to be withdrawn from the Credit Account and deposited into Special Account B pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of Special Account B 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 Special Account B has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish Special Account B 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 Special Account B such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of Special Account B, the Borrower shall furnish to the Association requests for deposits into Special Account B 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 Special Account B such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of Special Account B for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and 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 Special Account B, 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 Special Account B:

(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 in accordance with the provisions of Article V of the General Conditions and Section 2.02 (a) of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for Parts A(3) and B(6) of the Project, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Parts A(3) and B(6) of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter withdrawal, from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for Parts A(3) and B(6) of the Project, 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 Special Account B 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 Special Account B:

- (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; and
- (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 Special Account B (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 Special Account B 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 Special Account B 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, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in Special Account B.

(d) Refunds to the Association made pursuant to paragraphs 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 6

Implementation Program

1. Ministry of Health (MOH)

(a) Project Director/MOH.

The Director of Planning, in his/her capacity of Project Director for the MOH, shall be responsible for the overall coordination, management and supervision of the implementation of Parts A(1), A(2), B(1), B(2), B(3), B(4) and B(5) of the Project.

(b) Steering Committee.

- (i) In discharging his/her responsibilities, the Project Director shall seek the advice of a steering committee composed of the heads of all technical departments and units of MOH responsible for Project implementation including the following: Department of Administration and Finance, Directorate of National Health, Directorate of Planning, Maintenance Section, Pharmaceuticals and Medical Supplies Section and Directorate of Human Resources.
- (ii) The Steering Committee shall meet at least once every two months under the chairmanship of the Director of Planning.

(iii) The Steering Committee shall be responsible in its advisory capacity, inter alia, for monitoring overall Project progress, reviewing plans and budgets for all Project health components and resolving any issues affecting the achievement of Project objectives and implementation.

(c) Investment Program Implementation Unit (GACOPI)

(i) GACOPI, established within the Directorate of Planning of MOH, shall be responsible for planning, managing and supervising MOH's investment programs, particularly the implementation of the reconstruction program referred to in Part B of the Project.

(ii) GACOPI shall be headed by the Director of Planning of MOH.

(iii) GACOPI shall have the following qualified and experienced senior, technical and support staff:

- Senior Staff;

Program Coordinator, who shall be responsible, inter alia, for: coordinating all Project activities within MOH and with the Ministry of Finance, Bank of Mozambique and other Government agencies, official entities and the Association; ensuring appropriate compilation and maintenance of Project documentation or files; overall supervision and day-to-day management of GACOPI and its staff; supervision of Project financial aspects and accounts and preparation of evaluation and progress reports as well as all action plans related to the Project; preparing records and accounts necessary for Project evaluation and audits, with the support of the technical assistance deemed necessary to do so; supervision of the overall implementation of the Project, including procurement arrangements; and meeting regularly with GACOPI's technical administrative staff and reporting to the Project Director, MOH and Steering Committee.

- Technical Administrative Department:

Procurement Officer, who shall be responsible, inter alia, for: carrying out procurement arrangements necessary for the acquisition of equipment, supplies and services including the preparation of tender documents, reviewing bids and contract awards in accordance with Bank's Guidelines and other parallel cofinancing agencies;

- Financial Controller, who shall be responsible, inter alia, for: keeping financial accounts for all Project components; preparing withdrawal credit applications for signature of the authorized representative of Bank of Mozambique and reconciling Special Account bank statements in accordance with the Association's disbursement instructions; liaising with the appropriate Department in the Ministry of Finance; preparing expenditure accounts, quarterly reports, annual financial plans and submission of accounts for audit. He/she shall, also, provide other necessary financial assistance;

- Senior Architect, who shall be responsible, inter alia, for: selecting and awarding consultants' contracts; evaluating and following up of design activities; supervising field engineering staff and performance control; outlining quality standards to be achieved in design, construction and equipment supply; evaluating rehabilitation needs and corresponding specifications; establishing basic programs to be followed by consultants; and procurement advisory activities;

The Senior Architect shall be assisted in discharging his/her responsibilities by:

two Junior Architects, who shall be responsible, inter alia, for: implementing the rehabilitation programs for the health facilities; ensuring the correct interpretation of program designs and architectural and civil engineering executive projects; programming and drafting alterations to the existing drawings and plans of the health facilities under rehabilitation, in order to ensure appropriate operational and functional aspects of the hospital services; monitoring the execution of the projects implemented by other consultants contracted under the Project; physical planning for the health facilities; participating in the evaluation of projects and designs submitted by other consultants; participating in the supervision of the designs under construction; and participating in the evaluation of tender documents;

- Civil Engineer, who shall be responsible, inter alia, for: assisting the Project Coordinator in supervising the implementation of the construction and technical aspects of the Project; participating in the selection and appointment of engineering, planning and architectural consultants; approving designs and other technical studies; supervising all tendering and contractual procedures, payment certifications and acceptance of all civil works and equipment; preparing and implementing systems of control and critical path; monitoring the physical progress of each component of the Project; establishing an appropriate communication network with the field staff;
- Field Engineer, under the supervision of the Civil Engineer and Senior Architect, who shall be responsible, inter alia, for: ensuring that site preparation works have been carried out; participating in the day-to-day implementation of the construction and rehabilitation works; participating in the fiscalization of works;
- two draftsmen under the supervision of the architects, shall be responsible, inter alia, for: drafting engineering and architectural plans; drafting the alterations introduced in the original designs and plans; calculating the amounts of materials, works and other inputs for the construction; and
- Quantity - Surveyor, under the supervision of

the civil engineer, who shall be responsible, inter alia, for assisting the other technical members of the team in working on the sites taking the necessary measurements and preparing draft designs for the project drafting; calculating the volume and amounts of materials, works and services required for the execution of the designed plans; and evaluating the amount of work and materials used in the construction.

- Secretariat
- Secretaries (2).
- Computer operator.
- Messenger.
- Driver.

(2) Ministry of Commerce (MOC)

(a) Project Coordinator/MOC

The Director of the Food Security Department of MOC, through the designated Project Coordinator/MOC, shall be responsible for the overall coordination, management and supervision of the implementation of Parts A(3) and B(6) of the Project.

(b) the Project Coordinator/MOC shall be responsible, inter alia, for the following:

- (i) day-to-day management of Project activities;
- (ii) participating in the selection and employment of staff and consultants necessary for Project implementation;
- (iii) interfacing with the appropriate government agencies, enterprises, donors and the Association;
- (iv) preparation of all Project evaluation and progress reports; and
- (v) meeting regularly with MOC staff involved with Project implementation.

(c) In discharging his/her responsibilities the Project Coordinator/MOC shall be assisted by the following staff:

- (i) Administrative Officer, who shall be responsible, inter alia, for: keeping financial accounts for MOC Project components, preparing withdrawal credit applications for signature of the authorized representative of Bank of Mozambique and reconciling Special Account bank statements in accordance with the Association's disbursement instructions; liaising with the appropriate Department in the Ministry of Finance; preparing expenditure accounts, quarterly reports, annual financial plans and submission of accounts for audit; providing other necessary financial assistance; reviewing procurement arrangements for Project implementation; packaging procurement lots for: vehicles, equipment and furnishing; reviewing bids for international and local competitive bidding, and international or local shopping; reviewing certification of contract awards; maintaining quarterly updating of unit costs of materials supplies and equipment; liaising with the enterprise and retailers in Maputo and Beira;

maintaining weekly procurement schedules;

- (ii) Secretary; and
- (iii) Messenger.

