

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4705-MZ

Financing Agreement

(National Decentralized Planning and Finance Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 11, 2010

CREDIT NUMBER 4705-MZ

FINANCING AGREEMENT

AGREEMENT dated May 11, 2010, entered into between REPUBLIC OF MOZAMBIQUE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). 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.

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 nineteen million six hundred thousand Special Drawing Rights (SDR 19,600,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 15 and September 15 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 the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. 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 — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following:
 - (a) The Association determines that an event has occurred that makes it unlikely that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Memorandum of Understanding has been executed and delivered on behalf of all the parties to it, and all conditions precedent to its effectiveness have been fulfilled.
 - (b) The Recipient has engaged the financial management expert and completed the training, both referred to in Section I.A.2(b) of Schedule 2 to this Agreement in accordance with the provisions of said Section.
 - (c) The Recipient has adopted the Project Implementation Manual referred to in Section I.A.3 of Schedule 2 to this Agreement in accordance with the provisions of said Section.
 - (d) The Recipient has updated the baseline data referred to in Section II.A.2 of Schedule 2 to this Agreement in accordance with the provisions of said Section.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. 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 VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister responsible for planning and development.
- 6.02. The Recipient's Address is:

*Ministério de 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:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

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/ Boris Enrique Utria
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the capacity of local government to manage public financial resources for district development in a participatory and transparent manner.

The Project consists of the following parts:

Part A: Improving National Systems for Decentralization

Carrying out of a program to further develop, at the Recipient's national and provincial levels, systems designed to facilitate technically, economically, financially, environmentally and socially sound decentralized planning and finance and integration of local planning instruments into the national planning cycle; such program to include policy studies, development of methodologies, guidelines and manuals and systems for monitoring and evaluation of district level planning and finance processes, and development and implementation of training programs for district and provisional level personnel; and provision of goods required for the purpose.

Part B: Strengthening Participatory Planning and Budgeting

Carrying out of a program to improve the quality and increase coverage of 5-year district-level strategic development plans and annual district level operational plans and budgets, such program to include measures to enhance the capacity of local consultative councils and district level governments to participate in the planning and budgeting process, and development of training programs for provincial and district planning teams, as well as for consultative council members and other district officials; and provision of goods required for the purpose.

Part C: Enhancing Management and Implementation Capacity

Carrying out of a program to implement the systems and tools developed at district level under Parts A and B of the Project, such program to include capacity building of districts to implement public investments in various sectors at local level, provision of training to civil servants in administration, financial management, procurement, revenue collection, health, and environmental and social safeguards, and implementation of the national system of monitoring and evaluation at the local level; and provision of goods required for the purpose.

Part D: Strengthening Oversight and Accountability

Carrying out of a program to strengthen internal inspection and external auditing of financial management and administrative procedures at provincial and district level, so as to promote greater transparency and public accountability; such program to include extension of the coverage of inspections and audits in provinces and districts, strengthening of the internal control system in provinces and districts, measures aimed at improving the participation of citizens in the oversight of public management; and enhancement of intergovernmental coordination of key actors in internal and external audit control and dissemination of the results of the control process in a manner accessible to the Recipient's population; and provision of goods required for the purpose.

Part E: Knowledge Management

Carrying out of a program designed to collect, systematize and disseminate knowledge and experiences generated by the Project so as to facilitate the development of national policies and strategies on the basis of good practices and accumulated knowledge at the local level, such program to utilize a range of dissemination mechanisms, including good practice notes, a website, case studies, use of other technology such as radio and peer review mechanisms; and provision of goods required for the purpose.

Part F: Effective Project Management and Coordination

Carrying out of a program to strengthen the capacity of national and provincial level personnel to manage, monitor, audit and evaluate the Project, and to coordinate key sector ministries in their participation in the Project; and provision of goods required for the purpose.

Part G: Non-Common-Fund Activities

Carrying out of a targeted program of capacity building in selected provinces to facilitate further decentralized planning and finance at provincial and district level in these provinces.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Inter-ministerial Coordination Committee

In order to ensure the proper and efficient oversight of the Project by all concerned ministries of the Recipient, the Recipient shall at all times during the implementation of the Project, maintain an inter-ministerial coordination committee, which shall: (a) be responsible for ensuring overall coordination and strategic direction of the Project and Program; (b) be chaired by the Minister or Vice-Minister of Planning and Development (or other Vice-Minister designated by him or her), and be comprised of director level representatives of *inter alia*, the Ministry of Planning and Development, the Recipient's ministries responsible for finance, state administration, public service, public works and housing and environmental coordination, the auditor general and director level staff from the Recipient's general finance inspectorate and general inspectorate for state administration; and (c) meet at least once every calendar quarter.

2. National Directorate of Planning; Department of Decentralized Planning

- (a) In order to ensure the proper execution of the Project, the Recipient shall at all times during the implementation of the Project, maintain a department within the National Directorate of Planning to be responsible for managing the Project and Program, with qualified and experienced staff in adequate numbers and other resources needed to perform its functions.
- (b) To that end, the Recipient shall:
 - (i) engage a financial management expert in accordance with the provisions of Section III of this Schedule to be assigned to assist the National Directorate of Planning in the financial management of the Project; and
 - (ii) develop under terms of reference satisfactory to the Association, and thereafter carry out, a training program acceptable to the Association for staff of the National Directorate of Planning, as well as provincial and district-level staff, on financial management aspects of the Project.

3. Project Implementation Manual

The Recipient shall develop, in accordance with terms of reference satisfactory to the Association, and thereafter adopt, an implementation manual for the Project in form and substance acceptable to the Association, such manual to include financial management, procurement and operational procedures and guidelines for implementation and management of the Project.

B. Project Implementation.

1. Annual Work Plans

- (a) The Recipient shall, not later than October 31 in each Fiscal Year, prepare and furnish to the Association and Partners, in accordance with the Memorandum of Understanding, an annual program of activities proposed for inclusion in the Project during the following Fiscal Year, together with a proposed budget and financing plan for such activities.
- (b) The Recipient shall exchange views with the Association and Partners on each such proposed annual work plan, and shall thereafter adopt, and carry out such program of activities for such following Fiscal Year as shall have been agreed with the Association and Partners, as such plan may be subsequently revised during such following Fiscal Year with the prior written agreement of the Association and Partners (“Agreed Annual Work Plan”).

2. District-level Publication Guidelines

Under Part A of the Project, the Recipient shall, not later than 6 months after the Effective Date:

- (a) develop, under terms of reference satisfactory to the Association, draft guidelines and templates for the publication by the Recipient’s districts of their annual investment plans and related budgets, the status of execution of such plans according to such budgets, information concerning the contracts entered into by such districts, and the audit reports of such districts’ financial statements;
- (b) furnish such draft guidelines and templates to the Association and afford the Association a reasonable opportunity to exchange views with the Recipient on such draft guidelines and templates; and
- (c) thereafter promptly adopt and disseminate the same throughout all its districts, taking into account the views of the Association on the matter,

and ensure the prompt adoption and application of such guidelines and templates by its districts.

3. District-level Infrastructure Operations and Maintenance Strategy

Under Part A of the Project, the Recipient shall, not later than December 31, 2010:

- (a) carry out, under terms of reference satisfactory to the Association, a study of the operations and maintenance requirements of the infrastructure of its districts, as well as the budget implications of such requirements, and on the basis of such study, formulate recommendations for a short, medium and long term strategy for the sustainable operations and maintenance of such infrastructure;
- (b) furnish said study and recommendations to the Association and afford the Association a reasonable opportunity to exchange views with the Recipient on the results of such study and recommendations; and
- (c) thereafter, promptly adopt such recommendations, taking into account the views of the Association on the matter, and ensure that its districts implement such recommendations with due diligence under Part C of the Project.

4. **District-level Core Manuals.**

Under Part A of the Project, the Recipient shall, not later than December 31, 2010:

- (a) carry out, under terms of reference satisfactory to the Association, a study of all legal and institutional requirements applicable to its districts in the areas of local strategic and operational planning, budgeting, management and execution, accountability and internal control and audits, and on the basis of the results of such study, prepare a draft of general user manuals for its districts which elaborates the processes to be followed by the districts to ensure compliance with such requirements;
- (b) furnish said study and recommendations to the Association and afford the Association a reasonable opportunity to exchange views with the Recipient on the results of such study and draft manuals; and
- (c) thereafter promptly adopt such manuals, taking into account the views of the Association on the matter, and ensure that its districts adopt and apply such manuals with due diligence under Part C of the Project.

5. District-level Safeguards Frameworks

Under Part A of the Project, the Recipient shall:

- (a) not later than December 31, 2010:
 - (i) prepare, under terms of reference satisfactory to the Association, a proposed framework for the assessment and management of environmental and social aspects (including involuntary resettlement) of district-level investments so as to ensure that such investments are developed and implemented in an environmentally and socially sound and sustainable manner, and that any potential adverse environmental or social impacts of such investments (including involuntary resettlement) are prevented, minimized, mitigated, or appropriately compensated for, and that positive impacts are enhanced;
 - (ii) furnish said framework to the Association and afford the Association a reasonable opportunity to exchange views with the Recipient on such framework; and
 - (iii) thereafter promptly adopt, and ensure that its districts adopt, such framework, taking into account the views of the Association on the matter (“Environmental and Social Safeguards Management Framework”); and
- (b) not later than December 31, 2012:
 - (i) carry out, under terms of reference satisfactory to the Association, an evaluation of the application by its districts of the Environmental and Social Safeguards Management Framework, and on the basis of the results of such evaluation, develop recommendations designed to further the implementation by its districts of investments in an environmentally and socially sound and sustainable manner;
 - (ii) furnish said study and recommendations to the Association and afford the Association a reasonable opportunity to exchange views with the Recipient on the results of such study and recommendations; and
 - (iii) thereafter promptly adopt such recommendations, taking into account the views of the Association on the matter, and ensure that its districts adopt and apply such recommendations with due diligence and efficiency.

6. District-level Community Participation.

Under Part B of the Project, the Recipient shall, not later than December 31, 2012, and again not later than December 31, 2014:

- (a) carry out, under terms of reference satisfactory to the Association and with the assistance of consultants employed in accordance with the provisions of Section III of this Schedule, a study of the measures taken by its districts to ensure community participation in the district planning process, and the impact of such measures on such processes, and on the basis of the results of such study, develop recommendations designed to further enhance such participation in such planning processes;
- (b) furnish said study and recommendations to the Association and afford the Association a reasonable opportunity to exchange views with the Recipient on the results of such study and recommendations; and
- (c) thereafter promptly adopt such recommendations, taking into account the views of the Association on the matter, and ensure that its districts adopt and apply such recommendations with due diligence and efficiency.

7. Integration of District-level Technical Staff into the Civil Service.

The Recipient shall, under terms of reference satisfactory to the Association, take all measures required to ensure that each individual consultant engaged at district level under the Project and financed out of the proceeds of the Financing is integrated into the Recipient's civil service not later than two years following his or her initial recruitment.

8. Technical Assistance Evaluation

The Recipient shall, not later than June 30, 2012:

- (a) carry out, under terms of reference satisfactory to the Association and with the assistance of independent consultants employed in accordance with the provisions of Section III of this Schedule, an evaluation of the impact to date of the technical assistance provided under the Project, and on the basis of the results of such evaluation, develop recommendations designed to further enhance the impact of such technical assistance;
- (b) furnish said study and recommendations to the Association and Partners and afford the Association a reasonable opportunity to exchange views with the Recipient on the results of such evaluation and recommendations; and

- (c) thereafter promptly adopt such recommendations, taking into account the views of the Association on the matter.

9. Annual District Performance Monitoring Reports

The Recipient shall, not later than July 31 in each Fiscal Year, commencing in Fiscal Year 2012:

- (a) prepare, on the basis of the district processes monitoring system developed under Part A of the Project, a report in form and substance agreed among the Recipient, the Association and the Partners, on the relative performance of each of its districts and provinces in the areas of local strategic and operational planning, budgeting, management and execution, accountability and internal control and audits during the preceding Fiscal Year; and
- (b) publish each such report in a manner accessible to the residents of each district and province.

C. Anti-Corruption

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

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 semester, and shall be furnished to the Association not later than two and 1/2 months 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) Number of districts whose budgets for their operational plans have been more than 90% executed by the end of the Fiscal Year.
 - (ii) Number of districts whose annual reports on execution of their operational plans have been reviewed by district councils and are publicly displayed, all in accordance with the Recipient's

guidelines for community participation in the local planning process.

- (iii) Number of districts which report on their performance in relation to planning and finance through the Recipient's district processes monitoring system.
2. In order to ensure the proper monitoring and evaluation activities referred to in Section II.A.1 of this Schedule, the Recipient shall update, under terms of reference satisfactory to the Association, and furnish to the Association, the baseline data for the Project in all of the Recipient's districts, needed to monitor and evaluate the progress in achieving the Project's objectives in each of the Recipient's districts.

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 not later than 45 days after the end of each calendar quarter, 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 of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. 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.
- 4. In order to ensure the timely carrying out of the audits referred to in Section II. B.3 of this Schedule, the Recipient shall engage auditors for the purpose not later than 3 months after the Effective Date, in accordance with the provisions of Section III of this Schedule.

Section III. Procurement

A. General

- 1. **Goods.** All goods 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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method	
(a)	National Competitive Bidding, subject to the following provisions:
(i)	<u>Eligibility.</u> No bidder, foreign or domestic, shall be precluded from participating in the bidding process for reasons unrelated to their eligibility or capability to perform the contract. Examples of reasons that may not be used to preclude a bidder from so participating include the following: proof that the bidder is not under bankruptcy proceedings in the territory of the Recipient; appointment by the bidder of a local representative in the territory of the Recipient; prior registration by the bidder in the territory of the Recipient; or license or agreement allowing the bidder to operate in the territory of Recipient.
(ii)	<u>Qualification.</u> Bidders shall be post-qualified unless the Procurement Plan explicitly provides otherwise. Irrespective of whether post qualification or prequalification is used, both national and foreign bidders who meet the qualification requirements stated in the bidding documents shall be allowed to participate in the bidding process.
(iii)	<u>Bidding Documents.</u> Bidders shall use standard bidding documents for the procurement of goods, works and services, consistent with the provisions of the Procurement Guidelines.

(iv)	<u>Preferences.</u> No preference for domestically manufactured goods or for domestic contractors shall be allowed.
(v)	<u>Bid evaluation.</u> The qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified; the evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. Evaluation of bids shall be made in strict adherence to the criteria set forth in the bidding documents; criteria other than price should be quantified in monetary terms. A contract shall be awarded to the qualified bidder offering the lowest technically responsive evaluated bid. Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
(vi)	<u>Rejection of All Bids and Re-bidding.</u> In cases where the Recipient rejects all bids and solicits new bids for a contract, it shall, as soon as possible, notify the Association of such decision.
(vii)	<u>Complaints by Bidders.</u> Complaints by bidders shall be handled by the Recipient, who shall inform the Association of any such complaint.
(viii)	<u>Right to Inspect/Audit.</u> Each bidding document and contract financed out of the proceeds of the Financing shall provide that the bidder, supplier or contractor, and any subcontractor, shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have these accounts and records audited by auditors appointed by the Association. An act by the bidder, supplier, contractor or subcontractor intended to materially impede the Association's exercise of its inspection and audit right constitutes an Obstructive Practice.
(b)	Shopping
(c)	Direct Contracting

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)	Consultants' Qualifications
(b)	Least Cost Selection
(c)	Single Source Selection
(d)	Individual Consultants

D. Review by the Association of Procurement Decisions

1. Except as the Association shall otherwise determine by prior notice to the Recipient, the following contracts shall be subject to Prior Review by the Association:
- (a) each contract for goods estimated to cost the equivalent of \$500,000 or more and each contract for goods procured on the basis of Direct Contracting;
 - (b) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$200,000 or by an individual estimated to cost the equivalent of \$100,000 or more, and each contract for consultants' services provided by a firm and procured on the basis of Single Source Selection or by an individual and procured on a Sole Source basis; and
 - (c) each of the first five contracts for goods or services procured following each method described in this Section III (International Competitive Bidding, National Competitive Bidding, Shopping, Direct Contracting, Quality and Cost Based Selection, Consultants' Qualifications, Least Cost Selection, Single Source Selection, Individual Consultants), regardless of the amount of such contract.
2. All other contracts shall be subject to Post Review by the Association.
3. Without limitation on the foregoing, the terms of reference for each contract for consultants' services, regardless of the amount of such contract, shall be subject to the Association's prior review and approval.

E. Training Programs

For any Training activities proposed to be carried out during the period covered by the Procurement Plan, the Recipient shall identify in such Procurement Plan the general framework of such Training, and shall specify: (1) the type of Training; (2) the purpose of the Training; (3) the categories of personnel to be trained; (4) the country of the Training; (5) number of person days of the proposed Training; and (6) the expected outcome and impact of the Training.

F. Procurement Audits

The Recipient shall have all procurement activities undertaken by it under the Project audited annually by auditors under terms of reference and with qualifications and experience satisfactory to the Association. Each such audit shall cover the period of one Fiscal Year and shall be furnished to the Association not later than 6 months after the end of such Fiscal Year.

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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, consultants' services, Training and Operating Costs for Parts A, B, C, D, E and F of the Project	18,300,000	Such percentage as the Association shall determine and communicate to the Recipient in its Annual Confirmation for the relevant Agreed Annual Work Plan
(2) Refund of Preparation Advance	1,300,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	19,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$100,000 equivalent may be made for payments made prior to this date but on or after January 1, 2010, for Eligible Expenditures.
2. The Closing Date is June 30, 2015.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing September 15, 2020, to and including March 15, 2030	1%
commencing September 15, 2030, to and including March 15, 2050	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. “Agreed Annual Work Plan” means the program of activities agreed each year among the Recipient and the World Bank and Partners for inclusion in the Project and financing in accordance with Section I.B.1 of Schedule 2 to this Agreement during the following Fiscal Year, as the same may be revised from time to time, all in accordance with the provisions of said Section I.B.1.
2. “Annual Confirmation” means for each Agreed Annual Work Plan, the Association’s written confirmation of: (i) its agreement with such Agreed Annual Work Plan; and (ii) the percentage and amount of the Eligible Expenditures under the Agreed Annual Work Plan which may be financed out of the proceeds of the Financing.
3. “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.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Co-financier” means each Partner, and is referred to in paragraph 10 of the Appendix to the General Conditions.
6. “Co-financing” means an aggregate amount of approximately \$15.9 million, equivalent (consisting of monetary amounts equivalent to approximately \$7.3 million equivalent to be made available to the Recipient through the Common Fund (“Common Fund Co-financing”), and monetary amounts and in-kind contributions equivalent to approximately \$8.6 million equivalent to be made available to the Recipient through means other than the Common Fund (“Non-Common Fund Co-financing”)), to be provided by the Co-financiers to assist in financing the Project.
7. “Co-financing Agreement” means the Memorandum of Understanding and each agreement to be entered into between the Recipient and each Co-financier providing for part of the Co-financing.
8. “Common Fund” means the designated account referred to in Section 2.04 of the General Conditions, into which the proceeds of the Financing and the Common Fund Co-financing will be deposited for purposes of the Project.

9. “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.
10. “Environmental and Social Safeguards Management Framework” means the framework to be developed in accordance with the provisions of Section I.B.5 of Schedule 2 to this Agreement.
11. “Fiscal Year” means the Recipient’s fiscal year, which commences on January 1 and ends on December 31.
12. “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.
13. “Memorandum of Understanding” means the Memorandum of Understanding to be entered into among the Recipient, the Association and the Partners setting forth the modalities for cooperation and coordination in the provision of financial support to the Recipient’s Program.
14. “Ministry of Planning and Development” means the Recipient’s Ministry responsible for planning and development, and any successor thereto.
15. “National Directorate of Planning” means the directorate within the Ministry of Planning and Development responsible for national planning (*Direcção Nacional de Planificação*), or any successor thereto.
16. “Operating Costs” means the reasonable costs for operating expenditures incurred on account of the implementation of the Project, consisting of office supplies; operation and maintenance of vehicles and equipment, utilities, bank charges, consumables, travel expenses and *per diem* expenses and accommodation and salaries of non consultant Project staff but excluding salaries of the Recipient’s civil servants.
17. “Partner” means one of the following financiers other than the Association which intends to provide or is providing financing to the Project pursuant to the Memorandum of Understanding: the United Nations Development Programme, the Federal Republic of Germany, the Swiss Agency for Development and Cooperation, the Government of the Republic of Ireland, the Government of the Kingdom of the Netherlands; and “Partners” means, collectively, all such financiers.
18. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the

letter agreement signed on behalf of the Association on April 16, 2009, and on behalf of the Recipient on April 30, 2009.

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 January 26, 2010, 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. "Program" means the Recipient's medium term program of actions for decentralized planning and financing as set forth in the Letter of Sector Commitment dated January 19, 2010, from the Recipient's Minister of Planning and Development to the Association.
22. "Project Implementation Manual" means the manual referred to in Section I.A.3 of Schedule 2 to this Agreement.
23. "Training" means the reasonable costs associated with training and workshop participation under the Project, consisting of travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course or workshop preparation and implementation.

Section II. Modifications to the General Conditions

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

1. Section 2.07 is modified to read as follows:

"Section 2.07. Refinancing Preparation Advance

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank ("Preparation Advance"), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance."

2. 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 term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”