

CONFORMED COPY

CREDIT NUMBER 2065 MOZ

(Beira Transport Corridor Project)

between

PEOPLE'S REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 28, 1989

CREDIT NUMBER 2065 MOZ

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 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 has contracted from the Government of Spain a grant (the Spanish Grant) in an amount equivalent to three million five hundred thousand dollars (\$3,500,000) to assist in financing Part A.1 of the Project on the terms and conditions set forth in an agreement (the Spanish Grant Agreement) entered into between the Borrower and the Ministry of Foreign Affairs of Spain;

(C) the Borrower intends to contract from the Canadian International Development Agency (CIDA) a grant (the CIDA Grant) in an amount of twenty-five million Canadian dollars, (Can \$ 25,000,000) to assist in financing Part C.1 (b) of the

Project on the terms and conditions set forth in an agreement (the CIDA Grant Agreement) to be entered into between the Borrower and CIDA;

(D) the Borrower has contracted from Japan a non-reimbursable contribution (the Japanese Contribution) in an amount of nine hundred million Japanese Yen (900,000,000) to assist in financing Part C.1 (b) of the Project on the terms and conditions set forth in an agreement (the Japanese Contribution Agreement) entered into between the Borrower and Japan;

(E) the Borrower intends to contract from the Government of Portugal (Portugal) a grant (the Portuguese Grant) in an amount equivalent to one million dollars (\$1,000,000) to assist in financing Part E of the Project on the terms and conditions set forth in an agreement (the Portuguese Grant Agreement) to be entered into between the Borrower and Portugal; 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) "MTC" means the Ministry of Transport and Communications of the Borrower;

(b) "DNPCF" means Direccao Nacional dos Portos e Caminhos de Ferro, a National Directorate established and operating within the MTC pursuant to Portaria No. 82/76 of the Borrower dated April 6, 1976, including all references to DNPCF in this Agreement, DNPCF's legal successor to be established by the Borrower pursuant to Section 3.04 (a) of this Agreement;

(c) "CFM" means Caminhos de Ferro de Mocambique, the agency within DNPCF responsible for the port and railways operations;

(d) "CFM (C)", "CFM (S)" and "CFM (N)" mean the central, southern and northern sections of CFM;

(e) "Beira Corridor" means a transport corridor made up of railways and a port operated by CFM (C); roads and a pipeline connecting the Republic of Zimbabwe and other land-locked countries with the Port of Beira in the territory of the Borrower;

(f) "BCA" means Beira Corridor Authority, Gabinete do Corredor da Beira (Sistema de Transportes e Comunicacoes ligados ao Porto da Beira), an agency of the Borrower established and operating pursuant to Despacho of the Borrower dated December 19, 1985;

(g) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and DNPCF referred to in Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(h) "SETEP" means Secretaria de Estado do Ensino Tecnico e Profissional, the Secretariat for Technical and Vocational Training within the Ministry of Education of the Borrower;

(i) "Beira Corridor Implementation Agreement" means the agreement to be entered into between the DNPCF, CFM (C), CFM (N), CFM (S), BCA and SETEP referred to in Section 3.01 (b) of this Agreement;

(j) "Transit Agreement" means the agreement to be entered into between the People's Republic of Mozambique and the Republic of Zimbabwe to regulate the international transit between the two countries;

(k) "MIS" means Management Information System;

(l) "Training Section" means the section established within CFM (C)'s training center and referred to in paragraph 3 of Schedule 5 to, and Section 3.09 of this Agreement;

(m) "Training Steering Committee" means the committee established by CFM(C)'s Main Steering Committee through its resolution dated April 17, 1989, and referred to in paragraph 4 of Schedule 5 to, and Section 3.09 of this Agreement;

(n) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(o) "Project Preparation Advance" means the project preparation advances granted by the Association to the Borrower pursuant to an exchange of letters dated November 25, 1987 and December 4, 1987 and May 27, 1989 and July 19, 1989 between the Borrower and the Association; and

(p) "fiscal year" or "FY" means the period from January 1 through December 31 following.

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 thirty one million Special Drawing Rights (SDR 31,000,000).

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 a special account in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 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 June 30, 1996 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 the 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 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 from the next payment date in that year specified in Section 2.06 of this Agreement.

(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 1 and September 1 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 semi-annual installments payable on each March 1 and September 1, commencing March 1, 2000 and ending September 1, 2029. Each installment to and including the installment payable on September 1, 2009 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 the Project through its respective agencies and entities with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and transport 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 paragraph 5 of Schedule 5 to this Agreement, and shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable DNPCF, CFM (C), CFM (N), CFM (S), BCA and SETEP to perform their respective obligations under the Beira Corridor Implementation Agreement, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall relend out of the proceeds of the Credit an amount not exceeding the equivalent of SDR 31,000,000 to DNPCF under a subsidiary loan agreement to be entered into between the Borrower and DNPCF, under terms and conditions which shall have been approved by the Association and which shall include, inter alia: (i) repayment of principal over thirty (30) years, including five (5) years of grace; (ii) an interest at the rate of 7.65% percent per annum; and (iii) the foreign exchange risk to be borne by DNPCF.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement and the Beira Corridor Implementation 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 December 31, 1990, complete and furnish to the Association, for its review and comments, proposals based on the results of studies on the commercial development of areas adjacent to the Port of Beira carried out by BCA, to formulate feasible ways to increase private sector participation in port and railway-related activities including inter alia warehousing and container freight stations; and (b) promptly thereafter, take the necessary measures to facilitate the implementation of said proposals, according to a timetable agreed with the Association.

Section 3.04. The Borrower shall, not later than December 31, 1989, take all the necessary administrative and legislative measures: (a) to establish a legally and financially autonomous entity to succeed DNPCF; and (b) transform CFM (N), CFM (S) and CFM (C) into operationally autonomous entities with independent costing, including port and railway profit centers, financial accounting and management systems, within the overall framework of the entity established to succeed DNPCF.

Section 3.05. The Borrower shall:

(a) not later than December 31, 1989, carry out and com-

plete, under terms of reference satisfactory to the Association, a railway/port cost based tariff system study;

(b) promptly thereafter: (i) review with the Association the recommendations of said study; and (ii) agree with the Association on an action plan to implement the railway/port cost based tariff system referred to in Part A.3 (a) (ii) of the Project; and

(c) not later than December 31, 1991, carry out the first phase of said action plan.

Section 3.06. (a) Except as the Association shall otherwise agree, the Borrower shall cause CFM (C) to earn, for each of its fiscal years after its fiscal year ending on December 31, 1991, a working ratio of 75%.

(b) Before September 30 in each of its fiscal years, CFM (C) shall, on the basis of forecasts prepared by CFM (C) and satisfactory to the Association, review whether it would meet the requirements set forth in paragraph (a) or such other working ratio as agreed between the Borrower and the Association at the time of the annual Project implementation review set forth in Section 3.11 of this Agreement, in respect of such year and the next following fiscal year and shall furnish to the Association the results of such review upon its completion.

(c) If any such review shows that the CFM (C) would not meet the requirements set forth in paragraph (a) for the CFM (C)'s fiscal years covered by such review, CFM (C) shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its railway and port tariffs) in order to meet such requirements.

(d) For purposes of this Section:

(i) the term "working ratio" means the total working expenses expressed as a percentage of gross operating revenues from all sources;

(ii) the term "total working expenses" means the sum of all expenses related to railway and port operations, including administrative expenses, including adequate maintenance and taxes, if any, but excluding depreciation, interest and other charges on debt; and

(iii) the term "gross operating revenues from all sources" means the sum of revenues from all sources related to railway and port operations.

Section 3.07. (a) Except as the Association shall otherwise agree, the Borrower shall cause DNPCF to earn, for each of its fiscal years after its fiscal year ending on December 31, 1994, a working ratio of 75%.

(b) Before September 30 in each of its fiscal years, DNPCF shall on the basis of forecasts prepared by DNPCF and satisfactory to the Association, review whether it would meet the requirements set forth in paragraph (a) or such other working ratio as agreed between the Borrower and the Association at the time of the annual Project implementation review set forth in Section 3.11 of this Agreement, in respect of such year and the next following fiscal year and shall furnish to the Association the results of such review upon its completion.

(c) If any such review shows that the DNPCF would not meet the requirements set forth in paragraph (a) for the DNPCF's fiscal years covered by such review, DNPCF shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its railway and port tariffs) in order to meet such requirements.

(d) For purposes of this Section:

- (i) the term "working expenses" means the total working expenses expressed as a percentage of gross operating revenues from all sources;
- (ii) the term "total working expenses" means the sum of all expenses related to railway and port operations, including administrative expenses, including adequate maintenance and taxes, if any, but excluding depreciation, interest and other charges on debt; and
- (iii) the term "gross operating revenues from all sources" means the sum of revenues from all sources related to railway and port operations.

Section 3.08. The Borrower shall take all necessary action to ensure that the Transit Agreement has been finalized by not later than June 30, 1990.

Section 3.09. The Borrower shall continue to maintain:

- (a) the Training Section; and
- (b) the Training Steering Committee as provided for in paragraphs 3 and 4, respectively, of Schedule 5 to this Agreement, in a form, and with functions, staffing and office space satisfactory to the Association.

Section 3.10. The Borrower shall:

- (a) not later than December 31, 1990, exchange views with the Association on the recommendations of the study carried out by the Borrower to design an incentive scheme for CFM (C)'s workers; and
- (b) promptly thereafter, take all the necessary measures to implement said scheme, on terms and within a timetable agreed with the Association.

Section 3.11. The Borrower shall not later than September 30, 1990, and not later than September 30 of each year thereafter, until the completion of the Project, review jointly with the Association, the progress achieved in:

- (a) Project implementation;
- (b) meeting Project objectives, proposing the necessary adjustments to agreed financial and operational targets for the port and railways;
- (c) implementing the manpower development plan, including the action plan based on the recommendations of the technical assistance and training needs and assessment of the transport sector;
- (d) implementing the incentive scheme for CFM (C)'s workers; and
- (e) carrying out a staff management program.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause DNPCF to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of DNPCF and 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 DNPCF to maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain or cause DNPCF to 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 procedures 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) DNPCF, CFM (C), CFM (N), CFM (S), BCA or SETEP shall have failed to perform any of their respective obligations under the Beira Corridor Implementation Agreement;

(b) the Borrower or DNPCF shall have failed to perform any of their respective obligations under the Subsidiary Loan Agreement; and

(c) Despacho of the Borrower dated December 19, 1985; Portaria No. 82/76 of the Borrower dated April 6, 1976; and the legislation establishing DNPCF's legal successor shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower, DNPCF, CFM (C), CFM (N), CFM (S), BCA or SETEP to perform any of their respective obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

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

(b) the event specified in paragraph (c) 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 Subsidiary Loan Agreement has been executed on behalf of the Borrower and DNPCF, or its legal successor; and

(b) the Beira Corridor Implementation Agreement has been executed on behalf of DNPCF, CFM (C), CFM (N), CFM (S), BCA and SETEP, respectively.

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 Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and DNPCF, and is legally binding upon the Borrower and DNPCF in accordance with its terms;

(b) that the Beira Corridor Implementation Agreement has been duly authorized or ratified by, and is legally binding upon, DNPCF, CFM (C), CFM (N), CFM (S), BCA and SETEP, respectively, in accordance with its terms; and

(c) 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.

Section 6.04. The obligations of the Borrower under Sections 3.06, 3.07 and 4.01 of this Agreement and the provisions of paragraphs (a), (b) and (c) of Section 5.01 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date thirty (30) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representatives 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/ Abdul Magid Osman
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Sven Sandstrom
Acting 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) Shunting locomotives under Part C.1 (a) of the Project	3,870,000	100% of foreign expenditures and 70% of local expenditures
(2) Vehicles, spare parts, computers,	3,720,000	100% of foreign expenditures

	office equip- ment, materials and supplies		
(3)	Consultants' services, training, studies and external audit services	17,960,000	100%
(4)	Materials, equipment, furniture and supplies under Part B (1) (e) of the Project	1,160,000	100% of foreign expenditures and 70% of local expenditures
	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5)	Refunding of Project Prepara- tion Advance	930,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(6)	Unallocated	3,360,000	
	TOTAL	31,000,000	

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; and

(c) the term "training" means costs of fellowships, conferences, courses, study tours, and travel to be undertaken as part of training and other related training costs to be financed under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in the rehabilitation and upgrading of the Beira Corridor to restore its cost-efficient national and international transit functions.

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

Part A: Strengthening of CFM (C)'s Managerial, Financial and Accounting Capabilities

1. Railway System

Strengthening of CFM (C) railways operations through the provision of technical assistance including inter alia the following areas:

- (a) manpower development;
- (b) marketing;
- (c) accounting;
- (d) railway traffic operations;
- (e) motive power and rolling-stock maintenance;
- (f) permanent way maintenance; and
- (g) procurement.

2. Port of Beira

Strengthening of the Port of Beira's operations through the provision of technical assistance in port administration:

- (a) cost accounting; and
- (b) procurement.

3. Central Services

- (a) Design and implementation of:
 - (i) a management information system (MIS); and
 - (ii) a railway/port cost based tariff system.
- (b) Training and acquisition of equipment and materials.

Part B: Institutional Development

1. Design and implementation of the first five years of a long-term manpower development program:

- (a) Provision of training for about 4,500 CFM (C) employees of:
 - (i) the railways; and
 - (ii) the Port of Beira.
- (b) Strengthening of, and expanding CFM (C) training capabilities and rehabilitation of its training center.
- (c) Acquisition of textbooks, training materials, equipment, supplies and audio-visual aids.
- (d) Provision of fellowships for training abroad for selected middle- and high-level port and railways management staff, training officers and senior instructors.
- (e) Provision, equipping and furnishing of housing to lodge about forty-five long-term expatriate specialists and instructors financed under the Project.
- (f) Strengthening of SETEP's technical/vocational schools in the city of Beira, through the provision of technical assistance and acquisition of equipment.
- (g) Carrying out a mid- and end-training program evaluation including the preparation of a follow-up training program.
- (h) Implementation of an incentive scheme for CFM (C)'s workers.

2. Establishment, staffing and operation of the Training Section within CFM (C) including:

(a) training of specialists and instructors; and

(b) provision of technical assistance to assist CFM (C) in managing the training activities.

Part C: Strengthening of Motive Power

1. Acquisition of about:

(a) six diesel shunters; and

(b) fifteen diesel mainline locomotives.

2. Rehabilitation and maintenance of, and acquisition of spare parts for about:

(a) thirty-two diesel shunters for DNPCF; and

(b) twenty diesel mainline locomotives.

Part D: Studies

Carrying out studies to prepare future projects in the transport sector, jointly identified and agreed between the Borrower and the Association.

Part E: CFM (S)

Strengthening of CFM (S)'s managerial and technical capabilities.

* * * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A 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 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. International or Local Shopping:

Items or groups of items estimated to cost the equivalent of \$100,000 per contract up to an aggregate amount of \$2,000,000 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.

2. Direct Contracting:

Spare parts estimated to cost the equivalent of up to \$2,000,000 may be awarded on the basis of 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 contract for goods estimated to cost the equivalent of \$100,000 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 Account, 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 the Special Account 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 the Special Account, 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 Schedule 4 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 and DNPCF in carrying out the Project, the Borrower and DNPCF 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

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) 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 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 \$4,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account 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 the Special Account 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 the Special Account 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.

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4. For each payment made by the Borrower out of the Special Account, 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 the Special Account:

(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, 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 the Project, shall equal the equivalent of twice the amount of the

Authorized Allocation.

Thereafter, withdrawals from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories 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 the Special Account 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 the Special Account: (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 the Special Account (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 the Special Account 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 the Special Account 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 the Special Account.

(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

Implementation Program

1. Project Coordinator

(a) A Project Coordinator with qualifications and managerial experience acceptable to the Association shall be appointed within CFM (C) to coordinate the execution of Parts A, B and D of the Project.

(b) The Project Coordinator shall report to the Executive Director of CFM (C).

(c) The Project Coordinator shall be responsible inter alia for the following:

- (i) coordination of the different teams of consultants and experts working on the CFM (C) railway system and training programs;
- (ii) definition of time-based targets of performance to fit in with Project objectives, and monitoring thereof;
- (iii) overall coordination among the CFM (C) departments receiving technical assistance, ensuring building-up of institutional systems;
- (iv) monitoring of effective transfer of technology from consultants and experts to Mozambican counterparts;

- (v) working closely with a Mozambican counterpart, and ensuring transfer of Project coordination and management expertise; and
- (vi) acting as Executive Secretary to the CFM (C)'s Main Steering Committee.

(d) In discharging these responsibilities, the Project Coordinator shall be assisted by a qualified local counterpart.

2. Procurement/Disbursement Officer

(a) A Procurement/Disbursement Officer with qualifications and experience acceptable to the Association, appointed within BCA, shall carry out all procurement and disbursement procedures necessary for the execution of the Parts of the Project to be implemented by BCA, ensuring that they conform to the terms and Guidelines specified in Schedules 1, 3 and 4 to this Agreement.

(b) The Procurement/Disbursement Officer shall be responsible inter alia for the following:

- (i) liaising with the competent departments of the Bank of Mozambique, ensuring timely disbursement of the proceeds of the Credit allocated to BCA to finance the foreign exchange component of the Parts of the Project to be implemented by BCA;
- (ii) keeping appropriate Project accounts and records;
- (iii) preparing withdrawal applications and reconciling Special Account bank statements in accordance with the Association's disbursement instructions;
- (iv) monitoring and supervising the status of commitments and disbursements of Credit funds allocated to BCA through the Beira Corridor Implementation Agreement;
- (v) reviewing procurement arrangements for Project implementation by BCA; and
- (vi) preparing accounts for audit.

3. Training Section (TS)

(a) The TS, established within CFM (C), with the objectives of establishing an institution-wide mechanism for expanded and continuous training activities and to prepare, implement, supervise and evaluate the training programs carried out under the Project.

(b) The TS shall be responsible inter alia for the following:

- (i) coordinating and monitoring the preparation and implementation of the training programs;
- (ii) planning and supervising training courses to be carried out by CFM (C)'s training center;
- (iii) negotiating and making appropriate arrangements with SETEP's technical/vocational schools to carry out external training;
- (iv) administering training abroad (fellowships);
- (v) carrying out an evaluation of the results of the training programs; and
- (vi) preparing a follow-up training program.

(c) The TS shall be headed by a qualified and experienced Chief of Training who shall act as Executive Secretary to the Training Steering Committee.

4. Training Steering Committee (TSC)

(a) A TSC has been established within CFM (C), reporting to its Main Steering Committee, with the objectives of providing policy guidelines to carry out the training programs and determine training priorities.

(b) The TSC shall be chaired by CFM (C)'s Executive Director and shall include inter alia members and respective alternates representing the following:

(i) BCA (3 members) and

(ii) CFM (C) (7 members).

(c) The TSC shall be responsible inter alia for the following:

(i) initiating and approving training programs and courses schedules;

(ii) preparing guidelines and procedures for the selection of trainees for the various sectors;

(iii) arranging training facilities, such as training centers, materials, trainers and equipment necessary to carry out the training programs;

(iv) establishing agreements with external training centers or schools;

(v) monitoring progress and results of training activities carried out under the training programs;

(vi) initiating appropriate procedures for the recruitment of training specialists and trainers;

(vii) selecting fellowship beneficiaries and approving terms and conditions under which the fellowships would be granted;

(viii) reviewing requests of acquisition of textbooks, training materials, equipment, supplies and audio-visual aids to be financed under the Project; and

(ix) approving the budget for the training centers.

5. Project Implementation

(a) Part A of the Project shall be carried out by CFM (C).

(b) Part B of the Project shall be carried out by CFM (C), except for Part B. 1. (f), which shall be carried out by SETEP.

(c) Part C of the Project shall be jointly carried out by DNPFC, CFM(C), CFM (N) and CFM (S);

(d) Part D of the Project shall be carried out by BCA; and

(e) Part E of the Project shall be carried out by Brigada de Melhoramentos do Sul within CFM (S).



