

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4810-MZ

Financing Agreement

(Health Commodity Security Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 17, 2010

Public Disclosure Authorized

CREDIT NUMBER 4810 -MZ

FINANCING AGREEMENT

AGREEMENT dated November 17, 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 twenty-five million seven hundred thousand Special Drawing Rights (SDR 25,700,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 April 15 and October 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 Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project, through MOH, in accordance with the provisions of: (a) Article IV of the General Conditions; (b) this Agreement; and (c) the Operational Manual.
- 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- EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Operational Manual has been issued and adopted by the Recipient, and approved by the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its minister in charge of Planning and Development.
- 5.02. The Recipient's Address is:

Ministério de Planificação e Desenvolvimento
Caixa Postal 4087
21 Avenida Ahmed Sekou Touré
Maputo
República de Mozambique

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

5.03. 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	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/ Young Chul Kim
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the availability of selected drugs and medical supplies in Key Distribution Points in the Recipient's territory.

The Project consists of the following parts:

Part A: Provision of Essential Health Commodities

Support for the implementation of the Recipient's existing health programs, through the provision of goods to MOH and financing of United Nations Organization's Handling Fees, including, *inter alia*: (a) ARVs; (b) HIV/AIDS diagnostic test kits; (c) long lasting insecticide nets for the prevention of malaria; (d) drugs for the treatment of tuberculosis; (e) lab reagents to test for tuberculosis; (f) contraceptives; and (g) child health vaccines.

Part B: Strengthening the Supply Chain Management

1. Strengthening of MOH's administrative and technical capacities to deliver medicines throughout the Recipient's territory through the provision of: (a) goods, (b) technical assistance; and (c) Distribution Costs for the Project.
2. Design and implementation of the Logistics Transport Management Plan to facilitate the distribution of medicines throughout the Recipient's territory.
3. Provision of hardware, technical assistance to MOH to strengthen its logistics management system.
4. Financing of Operating Costs for the Project.

SCHEDULE 2

Project Execution

Section I. Implementation and Other Arrangements

1. The DPC

- (a) The Recipient shall maintain within MOH, at all times during Project implementation, a directorate of planning and cooperation (the DPC), with a structure, functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility of the DPC to assist the Recipient in the coordination, implementation, monitoring, evaluation and supervision of the Project.
- (b) The Recipient shall ensure that the DPC is, at all times during Project implementation, adequately staffed with professionals under terms of reference, in numbers, with qualifications and with experience acceptable to the Association.
- (c) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not introduce changes in the number of positions of the DPC or in the professional skills required for occupying such positions for the carrying out of the Project.

2. The DAF

- (a) The Recipient shall maintain within MOH, at all times during Project implementation, a directorate of administration and management (the DAF), with a structure, functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility of the DAF to assist the Recipient and the DPC in the financial management of the Project.
- (b) The Recipient shall ensure that the DAF is, at all times during Project implementation, staffed with professionals under terms of reference, in numbers, with qualifications and with experience acceptable to the Association.
- (c) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not introduce changes in the number of positions of the DAF or in the professional skills required for occupying such positions for the carrying out of the Project.

3. The UGEA

- (a) The Recipient shall maintain within MOH, at all times during Project implementation, a directorate of public procurement (the UGEA), with a structure, functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility of the UGEA to assist the Recipient and the DPC in the procurement of goods and consultants' services required for the Project.
- (b) The Recipient shall ensure that the UGEA is, at all times during Project implementation, staffed with professionals under terms of reference, in numbers, with qualifications and with experience acceptable to the Association.
- (c) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not introduce changes in the number of positions of the UGEA or in the professional skills required for occupying such positions for the carrying out of the Project.

4. Operational Manual

- (a) Without limitation upon the provisions of Section 4.01 of the General Conditions, the Recipient shall carry out the Project in accordance with a manual (the Operational Manual), in form and substance acceptable to the Association, said manual to include, *inter alia*: (i) an annual institutional implementation plan of MOH for the management of the Project (including, *inter alia*, allocation of responsibilities among staff, yearly planning of activities and budget and time allocation for those activities); (ii) financial management, accounting and procurement procedures annexes; (iii) detailed arrangements for the overall carrying out of the Project (including, *inter alia*, the procurement, environmental and social guidelines to be followed during Project implementation by the Recipient); (iv) the annual budgets for Operating Costs and Training; (v) internal control systems to be followed by MOH, DPC, DAF, and UGEA during Project implementation; and (vi) the Project monitoring and evaluation indicators.
- (b) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the Operational Manual or any provision thereof.
- (c) In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

5. 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

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. Each Project Report shall cover the period of January 1 to December 31 of each year, and shall be furnished to the Association not later than sixty (60) days after the end of the period covered by such report.

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 forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the current 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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

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. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method	
(a)	Shopping
(b)	Procurement from United Nations Agencies
(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)	Least Cost Selection
(b)	Selection Based on Consultants' Qualifications
(c)	Single Source Selection

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post review by the Association.

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 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, including United Nations Organization's Handling Fees for Part A of the Project	22,740,000	100%
(2) Goods and consultants' services, for Part B the Project	1,810,000	100%
(3) Distribution Costs	1,050,000	100%
(4) Operating Costs	100,000	100%
TOTAL AMOUNT	25,700,000	

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.
2. The Closing Date is December 31, 2012.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15:	
Commencing on October 15, 2020, to and including April 15, 2030	1%
commencing October 15, 2030, to and including April 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. “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, with the modifications set forth in Section II to this Appendix.
2. “ARV” means anti-retrovirals for the treatment of HIV/AIDS (as hereinafter defined).
3. “Category” means a category set forth in the table in paragraph A.2 of Section IV of Schedule 2 to this Agreement.
4. “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 and May 2010.
5. “DAF” means MOH’s (as hereinafter defined) directorate of administration and finance, the unit responsible for the financial management of the Project, referred to in paragraph 2 of Section I of Schedule 2 to this Agreement.
6. “Designated Account” means the account referred to in Section II paragraph (vi) of the additional instructions referred to in paragraph A.1 of Section IV of Schedule 2 to this Agreement.
7. “Distribution Costs” means any reasonable cost, previously approved by the Association, for the distribution of goods by MOH (as hereinafter defined), including, *inter alia*: (a) temporary labor (excluding salaries of Recipient’s civil servants); (b) printing of forms; (c) warehouse supplies; (d) temporary warehouse rental; (e) basic repair and maintenance costs of materials and handling equipment; and (f) maintenance and fuel costs for vehicles used in the distribution of health commodities.
8. “DPC” means MOH’s (as hereinafter defined) directorate of planning and cooperation, the unit responsible for Project coordination, implementation, monitoring, evaluation and supervision, referred to in paragraph 1 of Section I of Schedule 2 to this Agreement.
9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
10. “HIV/AIDS” means human immune deficiency virus/acquired immune deficiency syndrome.

11. “Key Distribution Points” means Recipient’s district warehouses, health facilities and/or central/provincial warehouses where the Project financed health commodities will be distributed during Project implementation.
12. “Logistics Transport Management Plan” means the Recipient’s coordinated transportation strategy that: (a) describes the current state of the Recipient’s transport sector; (b) defines policies and operational procedures; (c) provides details on fleet needs; and (d) provides data on information management system and human resources needs, all needed to facilitate the distribution of medicines throughout the Recipient’s territory.
13. “MOH” means the Recipient’s Ministry of Health.
14. “Operating Costs” means reasonable recurrent Project expenditures, based on an annual budget previously approved by the Association, that would not have been incurred by the Recipient absent the Project, on the account of: (a) office utilities and reasonable communications expenses; (b) travel expenses and per diems for official Project staff (excluding Training costs and salaries of Recipient’s civil servants); (c) operation and maintenance of office equipment; (d) insurance costs; (e) bank charges pertaining to the Designated Account for the Project; (f) fuel for Project’s vehicles; and (g) courier charges, financed with the proceeds of the Financing, all needed for the implementation of the Project.
15. “Operational Manual” means the manual referred to in paragraph 4 of Section I of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes and schedules to the Operational Manual.
16. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006 and May 2010.
17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated August 31, 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.
18. “Training” means reasonable expenditures, based on an annual budget previously approved by the Association (other than those for consultants’ services) incurred by the Recipient, to finance transportation costs and per diem of trainers and trainees, workshops, and rental of training facilities needed for the implementation of the Project.

19. “UGEA” means MOH’s department of public procurement, the unit responsible for the procurement of goods and consultants’ services under the Project, referred to in paragraph 3 of Section I of Schedule 2 to this Agreement.
20. “United Nations Organization’s Handling Fees means the relevant United Nations Organizations entities’ charges to finance the management of procurement of selected drugs and medical supplies for the Project.

Section II.

Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”