

CONFORMED COPY

CREDIT NUMBER 1907 MOZ

(Education and Manpower Development Project)

between

PEOPLE'S REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 16, 1988

CREDIT NUMBER 1907 MOZ

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 16, 1988, 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; and

WHEREAS (B) 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 terms have the following meanings:

- (a) "MINED" means the Ministry of Education of the Borrower;
- (b) "ICM" means the Commercial Institute of Maputo;
- (c) "SETEP" means State Secretariat for Technical and Vocational Training of the Borrower;
- (d) "UEM" means Eduardo Mondlane University of the Borrower;
- (e) "PROFORMA" means Gabinete Tecnico de Gestao de Projectos Educacionais, the unit created within MINED by Ministerial Order No. 34/88, dated February 20, 1988, and referred to in Schedule 4 to this Agreement;
- (f) "DECCM" means the Education and Culture Directorate of the City of Maputo;
- (g) "ISP" means Instituto Superior Pedagogico, the Institute for Advanced Pedagogical Training created within MINED by Ministerial Order No. 73/85, dated December 4, 1985;
- (h) "D.P." means MINED's Planning Unit;
- (i) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (j) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated September 29, 1987 and November 6, 1987, between the Borrower and the Association; and
- (k) "Fiscal Year" or "FY" means the Borrower's fiscal year which runs from January 1 to December 31.

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 eleven million seven hundred thousand Special Drawing Rights (SDR 11,700,000).

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 (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars 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 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal

amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1995, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from a date sixty days after the date of this Agreement (the Accrual Date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the Accrual Date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied as of the next payment date in that year, specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (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 May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15, commencing November 15, 1998, and ending May 15, 2028. Each installment to and including the installment payable on May 15, 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 MINED with due diligence and efficiency and in conformity with appropriate administrative, financial and educational practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation or restriction upon the provisions of paragraph (a) of this Section, the Borrower shall: (i) introduce in the national budget for FY 1990 a school maintenance line item and allocate to it funds sufficient to carry out annual maintenance of schools built, expanded, rehabilitated and refurbished under Part A.1 of the Project; and (ii) carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

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 maintain PROFORMA during the execution of the Project with such responsibilities, powers, services, facilities and staff, whose experience and qualifications are satisfactory to the Association, as are specified in Schedule 4 to this Agreement.

Section 3.04. The Borrower shall:

(a) not later than April 30, in each year, conduct with the Association annual Project implementation reviews to:

- (i) discuss annual Project evaluations carried out by PROFORMA;
- (ii) monitor progress made in achieving Project objectives;
- (iii) exchange information among staff responsible for Project implementation and propose solutions to any current problems; and
- (iv) update Project timetables and cost estimates, and

(b) promptly, thereafter, carry out those recommendations arising out of said reviews, as agreed between the Borrower and the Association.

Section 3.05. The Borrower shall prepare and furnish to the Association for its review and comment:

(a) not later than March 31, 1989, and March 31, 1990, progress reports on the following studies: (i) the Study on Financing of the Education System referred to in Part C.2 (a) (i) of the Project; (ii) the Language Study referred to in Part C.2 (a) (ii) of the Project; (iii) the Education Sector Management

Study referred to in Part C.2 (a) (iii) of the Project; and (iv) the Manpower Planning Study referred to in Part C.1 (b) (i) of the Project; and

(b) not later than March 31, 1991, the final results of the studies referred to in paragraph (a) of this Section.

Section 3.06. The Borrower shall, not later than March 31, 1992, prepare the Borrower's strategy for financing and managing the development of the education system, incorporating the findings of the studies referred to in paragraph (a) of Section 3.05 of this Agreement and including: (a) a statement on growth targets for the education system; (b) levels of recurrent costs needed to increase coverage of primary, secondary and university education; (c) a statement on priority investments to be financed during the period 1990-2000; and (d) a plan for strengthening the managerial structure and efficient administration at national and provincial levels.

Section 3.07. The Borrower shall, not later than June 30, 1989, take all necessary measures to free, of all occupants, the sites formally attributed to DECCM to carry out the primary school construction program referred to under Parts A.1 (a) and A.1 (b) of the Project.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the Fiscal Year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the 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) Ministerial Order No. 34/88, dated February 20, 1988, establishing PROFORMA shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement; and

(b) the Borrower or any other authority having jurisdiction shall have taken any action concerning the Borrower's policies on primary education, ICM or UEM that would materially and adversely affect the objectives of the Project.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified, namely, that any of the events specified in paragraphs (a) or (b) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. Within the meaning of Section 12.02 (a) of the General Conditions, the opinion to be furnished to the Association shall specify 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 6.02. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Governor of Banco de Mocambique 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
Caixa Postal No. 423

Maputo
Republica Popular de Mocambique

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/ Valeriano FerrUo
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) Civil works	5,150,000	100% of foreign expenditures and 90% of local expenditures
(2) Furniture	300,000	100% of foreign expenditures and 90% of local

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
		expenditures
(3) Equipment, materials and vehicles	2,210,000	100% of foreign expenditures and 90% of local expenditures
(4) Consultants' services, studies and audits	1,110,000	100%
(5) Training	1,110,000	100%
(6) Operating costs of PROFORMA and DECCM (School Construction Office)	150,000	100%
(7) Refunding of Project Preparation Advance	480,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	1,190,000	
TOTAL	11,700,000	

2. For the purposes of this Schedule:

(a) 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; and

(b) the term "operating costs" means: (i) costs of maintenance of equipment, vehicles and buildings used in the execution of the Project; (ii) Project administration costs; (iii) salary supplements for PROFORMA staff responsible for the implementation of the Project; and (iv) other operating expenditures related to the implementation of the Project, as determined in agreement between the Borrower and the Association.

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 except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 160,000, may be made in respect of Category (1) on account of payments made for expenditures before that date but after October 31, 1987.

SCHEDULE 2

Description of the Project

The objective of the Project is to strengthen the Borrower's

educational system in order to make it more responsive to its manpower needs.

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: Improving the Quality and Efficiency of Primary Education in the City of Maputo

1. Carrying out a primary school (grades 1 through 5) construction program in the locations identified in Schedule 6 to this Agreement:

(a) construction, equipping and furnishing of about 14 new schools;

(b) rehabilitation, expansion, equipping and furnishing of about 11 existing schools;

(c) refurbishing, equipping and furnishing of about 90 existing schools; and

(d) completion of construction of about 12 schools.

2. Upgrading the quality of primary school-level management: training of about 360 school managers in management, organization, building maintenance techniques and supervisory skills, as follows:

(a) about 120 school principals in supervisory skills, programming and teaching staff supervision;

(b) about 120 deputy pedagogical principals in curriculum development, pedagogical support and evaluation techniques; and

(c) about 120 deputy administrative principals in managerial and financial administration techniques.

3. Provision of school supplies.

Part B: Strengthening the Quality of Training and Managerial Capacity at Selected Post-Secondary Institutions

1. Strengthening Training at ICM:

(a) Development and implementation of commercial curricula and examinations for accountants.

(b) Development and implementation of courses in commercial training for office managers, bookkeepers and customs officials.

(c) Training and provision of fellowships and study tours to ICM staff in education and institutional administration.

(d) Acquisition of reference materials, textbooks, microcomputers, software packages and furniture.

(e) Preparation of an administrative manual for ICM.

2. Strengthening training at UEM:

(a) Faculty of Engineering:

(i) construction, equipping and furnishing of about four electronics laboratories, and about four mechanical workshops; and

(ii) acquisition of vehicles, printing equipment, microcomputers and related supplies.

(b) Faculty of Economics:

- (i) strengthening of the Economics curriculum and revision of the examination system;
- (ii) training of and provision of fellowships to the teaching staff; and
- (iii) acquisition of books, microcomputers and software packages.

Part C: Improving Education Sector Financial Management, Planning and Project Implementation

1. Carrying out management training programs:

(a) training of and acquisition of training materials for high-level officials from MINED and the provincial education directorates in financial planning, budgeting and accounting techniques; and

(b) strengthening D.P. through:

- (i) carrying out a Manpower Planning study; and
- (ii) acquisition of vehicles, microcomputers, software packages, equipment, books and documentation.

2. Carrying out:

(a) the following studies on:

- (i) Financing of the Educational System;
- (ii) mother-tongue languages (the Language Study);
- (iii) Education Sector Management;
- (iv) School maintenance; and
- (v) design and preparation of future projects for the education sector; and

(b) four annual and one final Project evaluations.

3. Strengthening Project Implementation:

(a) establishment, furnishing, equipping and operation of PROFORMA;

(b) training of PROFORMA staff;

(c) strengthening DECCM (School Construction Office);

(d) construction, equipping and furnishing of about 10 houses to lodge the consultants to be employed under the Project; and

(e) acquisition of vehicles, materials and equipment.

* * *

The Project is expected to be completed by December 31, 1994.

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

Part C: Preference for Domestic Contractors

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

Part D: Other Procurement Procedures

1. Local competitive bidding:

Furniture, equipment and materials may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. International or local shopping:

Items or groups of items estimated to cost less than the equivalent of \$60,000 per contract, up to an aggregate amount not to exceed the equivalent of \$600,000, 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.

3. Force Account:

Civil works referred to in Part A.1 (c) of the Project, may be carried out by force account.

4. Direct Contracting:

School supplies referred to in Part A.3 of the Project may be procured under direct contracting, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for works and 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 5 to this Agreement.

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

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

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants and local counterpart staff whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. The Borrower shall: (a) not later than December 31, 1988, select the consultants referred to in Schedule 7 to this Agreement, 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; and (b) not later than May 30, 1989, take all necessary measures to appoint such consultants.

SCHEDULE 4

Implementation Program

1. PROFORMA (Project Management Unit):

- (a) PROFORMA established in MINED shall be responsible for the overall coordination and supervision of Project implementation, reporting directly to the Minister of Education.
- (b) PROFORMA shall be headed by a full-time Director with qualifications and managerial experience acceptable to the Association.
- (c) For the implementation of the Project, PROFORMA's Director shall be responsible, inter alia, for the following:
 - (i) coordination of all Project activities with MINED, SETEP, ICM, UEM, DECCM, the Bank of Mozambique, the Ministry of Finance, other government agencies, official entities and the Association;
 - (ii) organization and supervision of PROFORMA and its staff;
 - (iii) ensuring appropriate compilation and maintenance of Project documentation and files;
 - (iv) supervision of the financial aspects and accounts of the Project and timely preparation of auditing reports;
 - (v) preparation of Project evaluations, with the

assistance of D.P., and progress reports;

- (vi) making all necessary procurement arrangements related to the Project, including calling for bids, evaluation of bids and awarding of contracts; and
 - (vii) meeting regularly with the Coordinating Committee (CC) to oversee Project implementation activities.
- (d) PROFORMA will include, in addition to its Director, the following key staff:
- (i) a Deputy Director, who shall assist the Director in discharging his responsibilities described in paragraph 1 (c) of this Schedule;
 - (ii) an Engineer, who shall be responsible, inter alia, for supervising the implementation of technical and construction aspects of the Project, participating in the selection and appointment of engineering and architectural consultants, approving designs and other technical studies, supervising all tendering and contractual procedures, preparing payment certificates, and giving his acceptance of buildings;
 - (iii) two Construction Supervisors;
 - (iv) an Administrative Officer, who shall be responsible, inter alia, for providing overall administrative assistance to PROFORMA's Director and other staff;
 - (v) an Accountant, who shall be responsible, inter alia, for keeping financial records and Project accounts and preparing withdrawal applications for the Bank of Mozambique; and
 - (vi) two Procurement Officers, who shall be responsible, inter alia, for supervising all relevant procurement procedures for the acquisition of furniture and equipment, including tendering and contractual procedures, order planning and coordinating reception and delivery of furniture and equipment with the responsible Project agencies.
- (e) PROFORMA shall also have the necessary support staff.

2. Coordinating Committee (CC)

To ensure adequate coordination of Project activities, PROFORMA's Director shall be assisted by the CC. CC's members and responsibilities are those described in PROFORMA's Statutes.

3. Part A.1 of the Project

DECCM (School Construction Office) shall make all necessary repairs and renewals to maintain at all times the schools built, expanded, rehabilitated or refurbished in accordance with sound architectural, engineering and educational practices.

4. Part A.2 of the Project

Implementation of the activities to carry out the training program for school managers and principals shall be the responsibility of ISP.

5. Part B.1 of the Project

Implementation of the activities to be carried out to strengthen ICM shall be the responsibility of SETEP.

6. Part B.2 of the Project

Implementation of the activities to be carried out to strengthen the Faculties of Engineering and Economics shall be the responsibility of UEM's Directorate of Studies and Projects.

7. Part C of the Project

Implementation of the activities to be carried out to improve education sector financial management and planning shall be the responsibility of D.P.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

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

2. Except as the Association shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to

the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

- (i) 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
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories for the Project, minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories of the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Credit Account.

SCHEDULE 6

School Construction Program

1. Part A.1 (a) of the Project

Urban District No.	Neighborhood (name)
3	Maxaquene D
3	Polana Canico B
4	Hulene B
4	Mavalane

5	Inhagoia B
5	Bagamoyo
6	Infulene D
6	Boquisso
6	1 de Maio
7	Bunhica
7	Sao Damaso
7	Cingatela
7	Matola Gare
8	Liberdade B

2. Part A.1 (b) of the Project

Urban District No.	Neighborhood (name)	Existing Schools (name)
2	Aeroporto A	Unidade 19
3	Maxaquene B	Unidade 25
3	Mafalala	Unidade 22
4	Hulene B	Unidade 8
5	Jorge Dimitrov	Unidade 29
5	25 de Junho	Primaria Rua 7
5	Luis Cabral	Unidade 5
6	Khongolote	Khongolote
7	Tsalala	Tsalala
8	Matola D	Matola D
8	Matola F	Gungunhana

3. Part A.1 (d) of the Project

Urban District No.	Neighborhood (name)
1	Guaxene
3	Polana Canico A
4	12 de Outubro
4	Primaria das F.P.L.M.
5	Inhagoia A
6	Acordos de Lusaka

Urban District No.	Neighborhood (name)
6	Muhalaze

7	Mathlemele
7	Machava - Bedene
7	Bunhica (Km. 15)
8	Tunduru
8	Liberdade A

SCHEDULE 7

Consultants' Services to be employed
in accordance with Section II of
Schedule 3 to this Agreement

1. Expert-Consultants for Designing Training Modules
2. Accounting Expert for Curriculum Development at SETEP
3. Commercial Subject Curriculum Expert
4. Management Strengthening Expert
5. Curriculum Development for the Faculty of Economics
6. Economists
7. Macro Economist
8. Budgeting and Accounting Expert
9. Manpower Planning Expert
10. Education Finance Economist
11. Economists for the Financing of the Educational System Study
(Local experts)
12. Architect (PROFORMA)
13. Accountant (PROFORMA)
14. Management of Education Expert
15. Language Expert