

**CONFORMED COPY**

**CREDIT NUMBER 4130 MOZ**

# **Development Credit Agreement**

**(Transfrontier Conservation Areas and Tourism Development Project)**

**between**

**REPUBLIC OF MOZAMBIQUE**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated December 15, 2005**

**CREDIT NUMBER 4130 MOZ**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated December 15, 2005, between the REPUBLIC OF MOZAMBIQUE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated April 20, 2005, describing a program to achieve growth in the environment and social sectors by encouraging tourism through a community-private enterprise partnership in the TCFAs (as hereinafter defined) Program (the Program), and declaring the Borrower's commitment to the execution of such program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Association to assist in the financing of a portion of Parts A, B, C, D and E of the Project;

(C) the Borrower has requested the International Bank for Reconstruction and Development (the Bank), acting as an Implementing Agency for the Global Environment Facility (GEF) in respect of grant funds provided to the Global Environment Facility Trust Fund (the GEF Trust Fund) by certain members of the Bank as participants of the GEF, to provide additional assistance towards the cofinancing of portions of Parts A, C, and D of the Project, and by an agreement of even date herewith (the GEF Trust Fund Grant Agreement) between the Borrower and the Bank, the Bank is making a grant in an aggregate amount of ten million dollars (\$10,000,000) (the GEF Trust Fund Grant);

(D) the Borrower has requested the Association acting as administrator of grant funds provided by Japan to provide additional assistance towards the co-financing of portions of Parts B, C, and E of the Project; by an agreement of even date herewith (the PHRD Agreement) between the Borrower and the Association, the Association is making a grant in the amount of three million seven hundred and twenty thousand dollars (\$3,720,000) (the PHRD Grant);

(E) the Borrower intends to obtain loans and grants from other donors (the Donors), including, *inter alia*, the African Wildlife Foundation and the Peace Parks Foundation, equivalent to approximately an aggregate amount of two million and two hundred thousand US dollars (US\$2,200,000) to provide additional assistance towards the portions of Part D of the Project on the terms and conditions set forth in respective credit and grant agreements to be entered into between the Borrower and each donor (the Cofinancing Agreement and collectively, the Cofinancing Agreements); 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 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association.”

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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) “Annual Work Program” means the plan to be adopted pursuant to Section 6.01 (e) (iv) of this Agreement and referred to in paragraph E.1 (b) of Schedule 4 to this Agreement, which shall include for the concerned year: (i) the description of activities to be carried out, (ii) the targeted value for performance indicator, (iii) the procurement plan; and (iv) expenditures to be made under the Project, as such program shall be prepared annually;

(b) “AWF” means the African Wildlife Foundation operating in the territory of the Borrower;

(c) “AWF Cofinancing Agreement” means the Cofinancing Agreement to be entered into between the Borrower and the AWF adopted pursuant to Section 3.03 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the AWF Cofinancing Agreement;

(d) “Beneficiary” means a community organization, a community enterprise or an individual from the community which is selected on the basis of eligibility criteria defined in the Project Implementation Plan (as hereinafter defined) and in the Community Enterprise Facility Manual (as hereinafter defined), and referred to in paragraph B of Schedule 4 to this Agreement; and the term Beneficiaries means more than one Beneficiary;

(e) “Community Broker” or “CB” a firm or an non-governmental organization recruited for the purpose of assisting potential Beneficiaries in the identification, selection, design, implementation and monitoring of Community Subprojects (as hereinafter defined);

(f) “Community Enterprise Facility” or “CEF” means a grant facility to provide financial assistance for organized and registered Beneficiaries to purchase technical advisory and other services, training, civil work and equipment toward a number of eligible Community Subprojects (as hereinafter defined), referred to in Part C.11 of Schedule 2 to this Agreement;

(g) “Community Enterprise Facility Manual” or “CEF Manual” means the manual referred to in Section 6.01 (e) (v) of this Agreement, including all procedures for identification, selection, design, implementation and monitoring of Community Subprojects (as hereinafter defined), as such plan may be amended from time to time with the prior agreement of the Association

(h) “Community Subproject” means a development activity to be carried out in Participating TFCAs (as hereunder defined) by a Beneficiary under Part C of the Project, and in accordance with the Project Implementation Plan (as hereinafter defined) and the CEF Manual;

(i) “Community Subproject Agreement” means an agreement to be entered into by a Beneficiary and a the TFCA Unit (as hereinafter defined), pursuant to the terms, conditions and procedures set forth in paragraph C of Schedule 4 to this Agreement and in more details in the Project Implementation Plan (as hereinafter defined), for the purpose of carrying out a Community Subproject;

(j) “DINATUR” means *Direção Nacional do Turismo*, the department within the Borrower’s MITUR (as hereinafter defined) responsible for regulating and

developing the tourism sector, including, *inter alia*, the hotel industry and referred to in Part C.1 of Schedule 2 to this Agreement;

(k) “District Development Plan” or “DDP”, means the document issued of the Borrower’s Integrated DDP (as hereinafter defined) providing structure and procedures for an integrated economic, social and environmental development and referred to in Part B.2 of Schedule 2 to this Agreement, and the term DDPs means more than one DDP;

(l) “Districts” means a unit for local administration within the context of the Borrower’s *Resolução* 6/86 of July 26 as may be amended from time to time;

(m) “District Diagnostic” means the process of gathering and analyzing district level information the status of, *inter alia*: education, health, transport, environment and to identify priority growth sectors such as agriculture, tourism, mining referred to in paragraph B.4 of Schedule 2 to this Agreement;

(n) “District Tourism Master Plan” or “DTMP” means a detailed tourism plan for areas zoned for tourism and conservation in the DDP and referred to in Part C.5 of Schedule 2 to this Agreement;

(o) “DNAC” means *Direcção Nacional das Áreas de Conservação*, the department within the Borrower’s MITUR (as hereinafter defined) responsible for management and development of Protected Areas (as hereinafter defined);

(p) “DPC” means *Direcção de Planificação e Cooperação*, the department within the Borrower’s MITUR responsible for statistics within the tourism sector;

(q) “Eligible Categories” means Categories (1) to (5) set forth in the table in paragraph A.1 of Schedule 1 to this Agreement;

(r) “Eligible Expenditures” means the expenditures for goods, works, consultants’ services, training and operating costs referred to in Section 2.02 of this Agreement;

(s) “Environmental and Social Management Framework” or “ESMF” means the framework adopted by the Borrower on May 18, 2005, describing the environmental and social planning, review, approval, mitigation, monitoring, training, technical advisory and other services, and institutional measures under the Project referred to in paragraph D of Schedule 4 to this Agreement;

(t) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(u) “Financial Procedure Manual” means the finance, accounting and administration manual referred to in Section 6.01 (e) (ii) of this Agreement, including

internal control procedures relating to the activities to be carried out under the Project, a chart of accounts, and the format and content of financial reports and cash flow forecasts, as such plan may be amended from time to time with the prior agreement of the Association;

(v) “FUTUR” means *Fundo Nacional do Turismo*, the Borrower’s Tourism promotions agency established by Decree 10/1993 of July 22 as restructured by Decree 28/2003 of December 11 and referred to under Part C (3) of Schedule 2 to this Agreement;

(w) “Integrated DDP” means Integrated District Development Planning, the Borrower’s participatory guiding framework for designing a integrated economic, social and environmental development plan for a Borrower’s District and referred to in Part B of Schedule 2 to this Agreement;

(x) “MICOA” means *Ministério para Coordenação da Acção Ambiental*, the Borrower’s Ministry of Environmental Coordination established by Presidential Decree No. 2/94 dated December 21, 1994;

(y) “MITUR” means *Ministério do Turismo*, the Borrower’s Ministry of Tourism established by Presidential Decree No. 1/2000 dated January 17, 2000;

(z) “Monitoring and Evaluation Manual” or “M&E Manual” means the manual to be adopted pursuant to Section 6.01 (e) (iv) of this Agreement and referred to in paragraph A.2 of Schedule 4 to this Agreement, which shall include the criteria, policies, requirements and procedures for the monitoring and evaluation of the Project performance indicators, as such plan may be amended from time to time with the prior agreement of the Association;

(aa) “MPD” means *Ministério da Planificação e Desenvolvimento*, the Borrower’s Ministry of Planning and Development established by Presidential Decree No. 13/2005 dated February 4, 2005;

(bb) “Participating TFCAs” means any of the following TFCAs (as herein defined) within the Borrower’s territory: (i) Chimanimani TFCA which includes the Chimanimani National Reserve created pursuant to Decree No. 34/2003 dated August 19, 2003; (ii) Lubombo TFCA which includes the Maputo Special Reserve created pursuant to Diploma No. 2903/1969 dated August 9, 1969; (iii) Great Limpopo which includes the Limpopo National Park created pursuant to Decree 31/2001 dated November 27, 2001; (iv) the Banhine National Park created pursuant to Diploma 46/1973 dated July 26, 1973; (v) the Zinave National Park created pursuant to Decree Diploma 47/1973 dated July 26, 1973; (vi) Zimbabwe, Mozambique and Zambia (ZIMOZA) TFCA; and (vii) Niassa TFCA which includes the Niassa National Reserve created pursuant to Diploma 2884/1969 dated July 26, 1973; and the term Participating TFCAs means more than one Participating TFCA;

(cc) "PATI" means Priority Area for Tourism Investment as described in the Borrower's Policy and Strategy for Tourism (as hereinafter defined) and the term PATIs means more than one PATI;

(dd) "Policy and Strategy of Tourism" means the Borrower's policy and strategy for the tourism sector adopted pursuant to Resolution No. 14/2003 dated April 4, 2003 and referred to in paragraph B.6 of Schedule 4 to this Agreement;

(ee) "PPF" means the "Peace Parks Foundation" operating in the territory of the Borrower;

(ff) "PPF Cofinancing Agreement" means the Cofinancing Agreement to be entered into between the Borrower and the Peace Parks Foundation adopted pursuant to Section 3.03 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the PPF Cofinancing Agreement;

(gg) "Process Framework" or "PF" means the mechanism referred to in paragraph D of Schedule 4 to this Agreement and adopted by the Borrower on May 18, 2005, through which populations living in and around Protected Areas (as hereinafter defined) shall participate in determining the restrictions to access to natural resources, the assessment of the impact of any such restrictions, the determination of remedial measures to redress those impacts on segments of the local population, and the resolution of any grievances, as well as the definition and implementation of a monitoring program to assess the adequacy of any remedial measure;

(hh) "Procurement Manual" means the procurement manual referred to in Section 6.01 (e) (iii) of this Agreement, including internal procedures relating to procurement to be carried out under the Project, as such plan may be amended from time to time with the prior agreement of the Association;

(ii) "Procurement Plan" means the Borrower's procurement plan dated July 22, 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation and shall be annexed as integral part to the Annual Work Plan;

(jj) "Project Implementation Plan" or "PIP" means the plan to be adopted pursuant to Section 6.01 (e) (i) of this Agreement and referred to in paragraph A.2 of Schedule 4 to this Agreement, which shall include the criteria, policies, requirements and procedures for the implementation of the Project, as such plan may be amended from time to time with the prior agreement of the Association;

(kk) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association and on behalf of the Borrower on July 9, 2003;

(ll) “Protected Area” means an area of land or sea located in the Borrower’s territory especially dedicated to the protection and maintenance of biological diversity, and of natural and associated cultural resources, as regulated in the Borrower’s Law No. 10/1999 dated July 7, 1999 (*Lei da Floresta e Fauna Bravia*), and the term Protected Areas means more than one Protected Area;

(mm) “Provincial District Planning Support Teams” means the personal providing capacity building and advice to the technical team collecting information for the district diagnostic;

(nn) “Provincial Steering Committees” means the Borrower’s regional coordination committee, established pursuant to Law 5/1978 of August 22, 1978;

(oo) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in paragraph A.5 of Schedule 1 to this Agreement;

(pp) “Resettlement Policy Framework” or “RPF” means the framework dated May 18, 2005, outlining the modalities for land acquisition, resettlement and rehabilitation under the Project referred to in paragraph D of Schedule 4 to this Agreement;

(qq) “Special Account” means the account referred to in Paragraph B.1 of Schedule 1 to this Agreement;

(rr) “Strategic Plan for Development of Tourism” means the Borrower’s strategic plan for the development of the tourism sector adopted as per the Borrower’s Resolution No. 14/2003 dated April 4, 2003;

(ss) “TFCA Unit” means the Project implementation unit within the Borrower’s MITUR, established pursuant to Ministerial Decree n.º 7/97, dated March 18, 1997 of the Borrower, referred to in paragraph A.1 (a) of Schedule 4 to this Agreement;

(tt) “Tourism Facilitation Commission” means the Borrower’s coordination committee, established pursuant to Decree 32/1995 dated June 25, 1995 of the Borrower, as further described in paragraph A.1 (b) of Schedule 4 to this Agreement;

(uu) “Tourism Law” means the Borrower’s Law No. Law No. 4/2004 dated July 17, 2004; and

(vv) “Transfrontier Conservation Area” or “TFCA” means a large and defined area within the Borrower’ territory described in the country biodiversity and tourism strategies, which include both Protected Areas and multiple-use areas where the primary management objective is to promote environmentally sustainable development



compatible with the TFCA's conservation goals, and the terms TFCA means more than one TFCA.

## **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 this Agreement, an amount in various currencies equivalent to thirteen million nine hundred thousand Special Drawing Rights (SDR 13,900,000).

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, works, consultants' services, training and operating costs required for portions of Parts A, B, C, D and E of the Project and to be financed out of the proceeds of the Credit.

(b) 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 canceled.

Section 2.03. The Closing Date shall be June 30, 2013, 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 canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and 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 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 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 April 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 15 and October 15 commencing April 15, 2016 and ending October 15, 2045. Each installment to and including the installment payable on October 15, 2025 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by:

(A) 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; and

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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, through MITUR, carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, technical and environmental 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 or cause to be carried out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. For the purposes of the carrying out Part D of the Project and without limitation upon any of its obligations under Section 3.01 of this Agreement the Borrower shall:

(a) enter into a Cofinancing Agreement with the African Wildlife Foundation, under terms and condition satisfactory to the Association, for the purposes of, *inter alia*, outlining the responsibilities of each the Borrower and the African Wildlife Foundation under the Project;

(b) enter into a Cofinancing Agreement with the Peace Parks Foundation, under terms and condition satisfactory to the Association, for the purposes of, *inter alia*, outlining the responsibilities of each the Borrower and the Peace Parks Foundation under the Project; and

(c) to exercise its rights under the Cofinancing Agreements under paragraph (b) and (c) above, in such a manner as 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 to assign, amend, suspend, abrogate or waive the Cofinancing Agreements or any provision thereof.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such

statements by said auditors, in scope and detail satisfactory to the Association; and

- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may 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 reports referred to in paragraph A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, 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;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Paragraph E and F of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation ; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## ARTICLE V

### Remedies of the Association

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

(a) the Cofinancing Agreements with African Wildlife Foundation and Peace Parks Foundation, respectively, have been amended, abrogated, repealed or waived so as to, in the opinion of the Association; materially and adversely affect the ability of the Borrower to perform any of its respective obligations in the pursuit of the objectives of the Project;

(b) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the Cofinancing Agreements made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Cofinancing Agreements; and

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under the Cofinancing Agreements; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(c) an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out; and

(d) that the Borrower shall have amended, suspended, abrogated, repealed or modified the legal status of the Protected Areas in the Participating TFCAs, or taken any action, including the enactment or issuance of laws or regulations, which, in the opinion of the Association, may adversely affect, prevent, or interfere with, the carrying out of the Project or the

performance by the Borrower of any of its obligations under this Agreement.

## 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 Cofinancing Agreements with AWF and PPF have been executed;
- (b) the Borrower has caused the TFCA Unit financial management software to function in form and substance satisfactory to the Association;
- (c) the Borrower has retained: (i) one procurement clerk and one short term procurement consultant for the TFCA Unit, (ii) three project accountants, (iii) an assistant accountant for the TFCA Unit, (iv) an accountant for the regional office of Xai-Xai, and (v) an accountant for the regional office of Chimoio; all in accordance with the provisions of Section II of Schedule 3 to this Agreement;
- (d) the Borrower has compiled a short list of external auditors, with qualifications and under terms of reference satisfactory to the Association;
- (e) the Borrower has adopted, or caused to be adopted, in form and substance satisfactory to the Association: (i) the Project Implementation Plan; (ii) Financial Procedure Manual; (iii) the Procurement Manual; (iv) the Monitoring and Evaluation Manual; (v) the CEF Manual; and (vi) the Annual Work Plan for the first year of Project implementation; and
- (f) all conditions precedent to the effectiveness of the GEF Trust Fund Grant Agreement and PHRD Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled.

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 Minister of Planning and Development 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:

Ministério de Planificação e Desenvolvimento  
Av. Ahmed Sekou Touré, No. 21, 4o. andar  
Maputo  
Republic of Mozambique

Cable address:	Telefone	Facsimile:
MOBANCO Maputo	(258) 21 492-268	(258) 21 492-625

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Maputo, Republic of Mozambique, as of the day and year first above written.

REPUBLIC OF MOZAMBIQUE

By /s/ Fernando Sumbana Junior  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael Baxter  
Authorized Representative

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

A. General

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:

<u>Category</u>	Amount of the Credit Allocated (Expressed in <u>SDR</u> <u>Equivalent</u> )	% of Expenditures to be <u>Financed</u>
(1) Works for Parts C and D of the Project	5,820,000	100%
(2) Goods for Parts B, C, D and E of the Project	1,160,000	100%
(3) Consultants' Services for Part C.3, C.8, E.1, E.2, E.4, and E.5 including Audits	1,491,000	100%
(4) Training for Part A, B, C and E of the Project	630,000	100%
(5) Operating Costs	2,970,000	100%
(6) Refunding of Project Preparation Advances	430,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(7) Unallocated	1,400,000	
<b>TOTAL</b>	<b><u>13,900,000</u></b>	

2. For the purposes of this Schedule:

(a) "Training" includes educational programs and workshops on Project activities, purchase of training materials, rental of training facilities, health insurance for travel abroad, per diem and related travel costs; and

(b) "Operating Costs" means the incremental expenses incurred on account of Project implementation, including vehicle operation and maintenance, Special Account banking charges, office facilities rental and maintenance, communication and insurance costs, utilities, office supplies, office equipment maintenance, documents duplication/printing, consumables, travel cost and per diem for Project staff for travel linked to the implementation of the Project and salaries of contractual support staff for the Project, but excluding salaries of officials of the Borrower.

3. Notwithstanding the provisions of Paragraph 1 above, no withdrawals shall be made in respect to payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 25,000 may be made in respect of Categories (3) and (5) on account of payments made for expenditures after April 30, 2005.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures: (a) goods, works and services (other than consulting services) costing less than \$200,000 equivalent per contract, (b) consulting firms costing less than 100,000 equivalent per contract; (c) individual consultants costing less than \$50,000 equivalent per contract; and (d) training and operation costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Borrower may, for the purpose of the Project, open and maintain in Dollars, a special deposit account (Special Account), in a commercial Bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of paragraph B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in paragraph A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (i) the records and accounts for the Special Account; or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of paragraph B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

**Annex A**

**to**

**SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Not  
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$1,000,000 (one million dollars) to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 2,500,000.

2. 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 deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. 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 B.3 of Schedule 1 to this Agreement 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 paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all

outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit 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.



**Annex B  
to  
SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are  
Report-based Disbursements**

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.
  
2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in paragraph A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to promote growth in community-private sector led environmentally and socially sustainable tourism in TFCAs.

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 Policy, Legal and Institutional Framework for TFCAs**

Institutional strengthening of MITUR for the purpose of carrying out this Part of the Project, through the provision of technical advisory and other services, training and operating costs, including:

1. Provision of technical advisory services for the review and update policies, strategies and legislation relevant to TFCA objectives through: (a) development of a national policy and strategy for conservation, and (b) draft new laws, regulations and technical annexes regarding wildlife and land use within the TFCAs as well as concessions within Protected Areas.
2. Provision of technical advisory services for: (a) drafting regulations for the Tourism Law, and (b) drafting technical annexes to tourism law as guidelines for public tourism-land demarcation, titling, marketing and tendering as tourism concessions.
3. Provision of technical advisory services for carrying out an institutional analysis of the wildlife and Protected Area sector for the purpose of providing a framework and capacity building and the implementation of such framework for institutional restructuring including the establishment of public private partnerships and human resources recruitment and training.
4. Support to MITUR for establishing and formalizing international collaboration frameworks for management of TFCA, and facilitation of tourism development across borders, through the negotiation of international agreements for the Niassa and ZIMOZA TFCAs and technical protocols for the Great Limpopo and Lubombo TFCAs.

#### **Part B: Integrated District Development Planning**

1. Institutional strengthening of Ministry of Planning and Development for the purpose of carrying out this Part of the Project, through the retaining of one Integrated DDP advisor to be posted in Maputo, as well as provision of equipment, training and operating costs.

2. Provision of technical advisory services for stocktaking and refinement of DDP and Integrated DDP processes and preparation of an Integrated DDP manual.
3. Carry out of capacity building activities aimed at District planning in the Matutuine and Vilanculo Districts, through the training of technical teams for District planning and of other stakeholders.
4. Carry out of District Diagnostic process in Matutuine and Vilanculo Districts, through the collection of basic data and analysis, including, *inter alia*: (a) a compilation of the information into a District Diagnostic, and (b) stakeholder consultations.
5. Preparation of DDPs in Matutuine and Vilanculo Districts, through: (a) the compilation of the District Diagnostic and other information produced through other the activities described in Parts B, C and D of the Project; and (b) stakeholder consultations.

Part C: Community and Private Sector-Led Tourism Development

1. Provision of technical advisory services for institutional strengthening of DINATUR for the purpose of carrying out this Part of the Project and for licensing and grading tourism operations, through the retaining of one technical advisor, as well as provision of equipment, training and operating costs.
2. Institutional strengthening of DPC through the carrying out of a tourism statistics facility which shall include the provision of equipment, training, operating costs technical advisory and other services for organization of data collection, data analysis and reporting.
3. Institutional strengthening of FUTUR through provision of equipment, training, operating costs technical advisory and other services for carrying out tourism business identification and development through the identification of appropriate investment sites and the appropriate demarcation of tourism concessions and draft business plans, criteria and guidelines for these concessions.
4. Institutional strengthening of the Elephant Coast Development Agency to facilitate and monitor the DTMP process in the Matutuine District through the provision of equipment, training, operating costs technical advisory and other services.
5. Preparation of a District Tourism Master Plan for each Sussundenga, Matutuine, Vilanculo Districts as well as a single plan for the 6 Districts of the Great Limpopo TFCA in the Gaza Province through provision of technical advisory and other services and operating costs.
6. Carry of selected infrastructure works on the basis of the DTMP in the Matutuine and Vilanculo Districts, including, *inter alia*, street access or lighting, water towers, drainage, landfill, airstrip rehabilitation, boat jetty.

7. Provision technical advisory services and operating costs to acquire baseline information in Participating TFCAs and the Vilanculo District through: (a) preparation of spatial development plans (SDPs) by the application of a strategic environmental assessment (SEA) approach; (b) carrying out of baseline surveys of tourism enterprise and employment; and (c) stakeholder consultations, including, a stakeholder workshops for discussions of the draft SDP.

8. Provision of technical advisory services for community land delimitation in Participating TFCAs based on Land Law No. 19/97 of October 1, 1997 before the land registrar office.

9. Provision of technical and financial advisory services, including audits, for the monitoring and evaluation of Community Subprojects.

10. Provision of technical advisory services, as Community Broker for: (a) the development of community organizations or enterprise, (b) identification of potential private partnerships, and (c) preparation, implementation and monitoring of Community Subprojects.

11. Carrying out of Community Subprojects in the areas of, *inter alia*: (a) developing and implementing land and resources management plans; (b) livelihood activities linking tourism and conservation development through technical assistance, training, small infrastructure for activities such as vegetable farming, handicraft production, sustainable agriculture, and support for developing and marketing products based on sustainable use of abundant and resilient species; (c) training of employees, recruited within the community, by private operators of tourism or conservation commercial facility in cofinancing with such operators; and (d) establishment of tourism or conservation commercial facility, such as lodge and game ranches, in joint venture with joint venture with private investors.

12. Carrying out of the Process Framework for the tourism development through the provision of technical advisory services by national non-governmental organizations or consulting firms and community compensation scheme, as defined and negotiated, if and when community compensation are identified.

Part D: Protected Areas management

Supporting the identification, monitoring and protection of biodiversity assets within Protected Areas in the Participating TFCAs through:

1. Institutional strengthening of DNAC, through the retaining of one technical advisor, as well as provision of equipment, training and operating costs to support and coordinate activities such as surveys and monitoring, applied research, community-based conservation, managing concessions and other contracts with the private sector, and developing and maintaining tourism-related infrastructure.

2. Provision of technical advisory service and operating costs for conservation priority setting and planning in Participating TFCAs and for carrying out applied research to identify and monitor nationally and regionally important biodiversity assets and ecological linkages within the Participating TFCAs, and identify priority sites and interventions for protecting them.
3. Carrying out of the Process Framework for conservation of the TFCAs through the provision of technical advisory services by national non-governmental organizations or consulting firms and community compensation scheme, as defined and negotiated, if and when community compensation are identified.
4. Protected area creation and or modification through, *inter alia*: (a) review of boundaries for the Banhine and Zinave National Parks and for Maputo Special Reserve through the creation of a corridor, called the Futi corridor, connecting the Maputo Special Reserve to the Tembe Park and Ndumo Reserve both in South Africa; (b) provision of technical advisory services for the technical design of a new marine protected area in the Lubombo TFCA, as well as consultations and preparation of legal documents; and (c) carrying out of boundary demarcation where needed.
5. Provision of technical advisory services for Protected Area planning in Participating TFCAs such as design or updating of: (a) Protected Area management plans; (b) tourism plans; (c) business plans; and (d) specific organizational development mechanisms, such as mechanisms for enhancing financial sustainability.
6. Provision of technical advisory services, equipment, civil work and operating costs for implementation of management plans in Protected Area such as, *inter alia*: (a) organizational and financial management, personnel management, communication, tourism management, resource protection, ecological monitoring, training, and HIV/AIDS prevention; (b) improvement of management systems in close collaboration with local communities; (c) establishment of basic management for the proposed marine protected area in the Lubombo TFCA; (d) rehabilitation and limited construction of priority infrastructure which may include, *inter alia*, roads, offices, staff accommodation, gates, air strips, boreholes, power units and game fencing; (e) carrying out of tourism development plans including tendering, concessioning, monitoring, and information dissemination; (f) wildlife restocking; and (g) veterinary surveillance in and around the Limpopo National Park.

**Part E: Project Management, Communications, and Monitoring and Evaluation**

1. Project coordination and management through the provision technical advisory services to the TFCA Unit, complementary staff, equipment and operating costs.
2. Capacity building for project implementation through the provision of training on all relevant aspects of the project implementation including, *inter alia*, planning, monitoring and evaluation, procurement, financial management, safeguards, reporting.

3. Development and implementation of a multi-media communications strategy through provision of technical advisory services, communication equipment and operating costs for activities such as awareness campaign, public relation, or web page development.
4. Monitoring, evaluation and adaptive management through the implementation of a monitoring and evaluation program to track project implementation and performance indicators as described in the Monitoring and Evaluation Manual.
5. Support the development and implementation of policies and programs to combat HIV/AIDS within MITUR and the tourism sector at large.

\* \* \*

The Project is expected to be completed by December 31, 2012.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

##### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

##### B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$200,000 equivalent per contract and works estimated to cost less than \$500,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. Procurement from UN Agencies. Goods which the Association agrees meet the requirements for Procurement from UN Agencies may be procured directly from

Inter-Agency Procurement Services Office (IAPSO) in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

5. Community Participation. Goods, works and services required for Part C and D of the Project may be procured on the basis of community participation in accordance with the provisions of paragraphs 3.17 of the Procurement Guidelines and the procedures described in the PIP.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services estimated to cost less than 200,000 per contract for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection. Audits and services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Single Source Selection

Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. United Nations Agencies and Non-Governmental Organizations

Services for tasks in circumstances which meet the requirements of paragraph 3.15 or 3.16 the Consultant Guidelines for Selection of Particular Types of



Consultants, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. Commercial Practices. Items estimated to cost less than \$50,000 equivalent per contract and to be financed under Subprojects under Part C.11 of Schedule 2 to this Agreement, may be procured in accordance with commercial practices acceptable to the Association as established under paragraphs 3.1 and 3.9 of the Consultant Guidelines.

7. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each contract for works and services (other than consultants' services) estimated to cost the equivalent of \$200,000 or more procured on the basis of National or International Competitive Bidding or Direct Contracting; (b) the first two contracts for goods and thereafter each contract for goods estimated to cost the equivalent of \$200,000 or more procured on the basis of National or International Competitive Bidding or Direct Contracting; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$ 100,000 or more; (d) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$ 50,000 or more; (e) each contract for consultant services procured on the basis of Single-Source Selection; and (f) each terms of reference for contracts under Section II of this Schedule. All other contracts shall be subject to Post Review by the Association.

## SCHEDULE 4

### Project Implementation

#### A. Overall Project Implementation

##### 1. The Borrower shall:

(a) Maintain the TFCA Unit within MITUR, throughout the period of implementation of the Project, with structure, functions and responsibilities, and with competent staff in adequate numbers and qualifications satisfactory to the Association; and

(b) Maintain the Tourism Facilitation Commission, throughout the period of implementation of the Project, with membership, mandate and procedures satisfactory to the Association for the purposes of, *inter alia*, oversee the overall Project implementation, and provide advice and policy guidance and facilitate coordination among the Borrower's ministries and agencies.

2. Except as the Association shall otherwise agree, the Borrower shall: (a) apply the criteria, policies, requirements and procedures set out in the Project Implementation Plan, Financial Procedure Manual, Procurement Manual, Monitoring and Evaluation Manual, and Community Enterprise Facility Manual; and (b) not amend, abrogate or waive, or permit to be amended, abrogated or waived, the Project Implementation Plan, Financial Procedure Manual, Procurement Manual, Monitoring and Evaluation Manual, and Community Enterprise Facility Manual, or any provisions thereof, in a manner which, in the opinion of the Association may materially and adversely affect the implementation of the Project.

3. Without limitation upon the other provisions of this Agreement, the Borrower shall carry out the Project in accordance with the relevant Annual Work Program referred to in paragraph E.1 (b) of this Schedule.

#### B. Eligibility Criteria for Community Subprojects and Terms and Conditions for Financing

##### 1. To be eligible for financing, a Community Subproject shall be:

(a) for activities under Part C.11 of the Project described in the CEF Manual;

(b) initiated and identified by the Beneficiaries;

(c) appraised and carried out in accordance with the procedures and conditions set forth in the CEF Manual;

(d) economically, environmentally, socially and technically viable in accordance with the standards specified in the CEF Manual;

(e) in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to health, safety and environmental management; and

(f) satisfy any other requirements of eligibility specified in the CEF Manual, the Process Framework and the Project Implementation Plan.

C. Community Subproject Agreements

1. For carrying out Community Subprojects under part B.1 of this Schedule, the Borrower shall conclude an agreement with the appropriate representative of each Beneficiary, whereby the Borrower shall agree to provide to each Beneficiary goods, works and/or services, as the case may be, from the proceeds of the Credit, on a non-reimbursable basis, and on terms and conditions satisfactory to the Association (the Community Subproject Agreement), including the eligibility criteria set forth in paragraph B of this Schedule and details of disbursement schedules and procurement procedures as set forth in Schedule 3 of this Agreement, details of any further environmental and social safeguards as may be needed, and the following additional terms and conditions:

(a) Require the TFCA Unit to ensure the execution of the Community Subprojects by the Beneficiaries with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards and practices, and maintain adequate records;

(b) The right of the Borrower to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants included in the relevant Community Subproject, the operations thereof and any relevant records and documents;

(c) Obtain from Beneficiary all such information, as the Association shall reasonably request relating to the implementation of a Community Subproject, and the performance of the Beneficiary executing the Community Subproject;

(d) Suspend or terminate the right of the Beneficiary to benefit from the use of the goods, works or services under the Community Subproject upon failure by such Beneficiary to perform its obligations under the Community Subproject Agreement;

(e) Promptly inform the Borrower and the Association of any condition which interferes or threatens to interfere with the progress of any Community Subproject under part B.1 of this Schedule, or the performance by the relevant Beneficiary of its obligations under the relevant Community Subproject Agreement;

(f) The Borrower shall exercise its rights under the relevant Community Subproject Agreement in such a manner as 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 any of the Community Subproject Agreement, or any provision thereof; and

(g) The stipulation that in case of conflict between any Community Subproject Agreement and this Agreement, the latter shall prevail.

D. Environmental and Social Management Framework (ESMF), Process Framework (PF) and Resettlement Policy Framework (RPF)

1. Except as the Association shall otherwise agree, the Borrower shall:

(a) Carry out or cause the Project to be carried in accordance with the environmental, social and resettlement guidelines, rules and procedures defined in the ESMF, the PF and the RPF (including the preparation and implementation of the appropriate action plans for compensation or resettlement, as the case may be, in accordance with the PF and the RPF, said plans to be in form and substance satisfactory to the Association); and

(b) Not amend or waive, or permit to be amended or waived, the ESMF, the PF or the RPF, or any provisions thereof, in a manner which, in the opinion of the Association may materially and adversely affect the implementation of the Project.

2. The Borrower shall ensure that: (a) all measures necessary for the carrying out of the ESMF, the PF and the RPF are taken in a timely manner; and (b) the progress reports referred to in paragraphs E.1(c) and F.2 of this Schedule shall include adequate information on monitoring the measures defined in the ESMF, the PF and the RPF.

3. The Borrower shall:

(a) prior to commencing any Community Subproject or any activity under Part D.6 of Schedule 2 to this Agreement and when required under the ESMF, carry out an environmental and social impact assessment in form and substance satisfactory to the Association;

(b) in the event that an environmental and social impact assessment of a Community Subproject determines that such a Community Subproject, if carried out, would have in the opinion of the Association a potential for adverse environmental impact, not approve such a Community Subproject until an appropriate action under the ESMF has been discussed and agreed upon by the Borrower and the Association to mitigate such potential adverse impact; and

(c) thereafter cause the relevant Beneficiary to carry out such agreed mitigation action referred to in sub-paragraph (b) above.

4. Prior to commencing any Community Subproject involving involuntary resettlement or involuntary acquisition of land, the Borrower shall cause the relevant Beneficiary to prepare and implement appropriate action plan or plans, as the case maybe, for compensation or resettlement, in accordance with the Resettlement Policy Framework, such action plan or plans to be in form and substance satisfactory to the Association.

E. Monitoring, Annual Work Program and Reporting

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare an Annual Work Program in form and substance satisfactory to the Association, and furnish it to the Association, on or about September 30 of each year, for a 12-month period starting the following January 1;

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 30 of each year, an Annual Report (the Annual Report) integrating the results of the monitoring and evaluation activities performed pursuant to paragraph E.1 (a) of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review with the Association, by April of each year, or such later date as the Association shall request, the Annual Report, and thereafter act promptly and diligently in order to take, any corrective action deemed necessary to remedy any shortcoming identified in the implementation of the Project, or to implement such measures as may have been agreed between the Borrower and the Association in furtherance of the objectives of the Project.

F. Midterm Review

1. The Borrower shall carry out, jointly with the Association, not later than June 30, 2010 a comprehensive midterm review aimed at: (a) documenting progress toward achieving the Project objectives; (b) identifying and resolving obstacles to Project implementation; (c) adjusting, in agreement with the Association, targets and corresponding programs to reflect progress achieved in the implementation of the Project as of the date of the review; and (d) an overall evaluation of the Project against the indicators set forth in Schedule 5 to this Agreement.

2. The Borrower shall not later than four weeks prior to the midterm review referred to in paragraph E.1 above, furnish to the Association a midterm report, in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in the Project implementation.

3. Promptly after completing the midterm review, the Borrower shall take all measures required to fulfill the recommendations arising out of said review for the efficient completion of the Project and the achievement of the objectives thereof, with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

## SCHEDULE 5

### Performance Indicators

The performance indicators to be used for Project implementation are as follows:

<b>Outcome indicators</b>	<b>Midterm</b>	<b>Closing</b>
1. Numbers of local residents employed, formally and informally, in conservation & tourism in target districts	1,000	3,500
2. Amount, in US\$, of new private tourism or conservation-related investment leveraged as joint-venture with communities in target districts	100,000	2,000,000
3. Percentage increase over the baseline of bioindicator species (2 species per area) in Banhine National Park, Maputo Special Reserve and Chimanimani Special Reserve	5	10
4. Number of framework instrument developed and approved: (a) National Policy and Strategy for Conservation, (b) New or updated law for conservation of wildlife, protected area and TFCAs, (c) regulations of the new law for wildlife, protected areas and TFCAs, (d) Completion of the tourism law's regulation, (e) technical annex to the tourism providing guideline for tourism concessions, and (f) Technical annex to the new wildlife, protected area and TFCAs law providing guideline for concessions in protected area	3	6
5. Number of DTMP prepared in conformity with regional tourism and conservation overlays	1	3
6. Aggregate number bed of new tourism operations in targeted districts that are in conformity with DTMPs	700	1480

---

Change in score of management effectiveness as described in the PIP for the following areas:

7.1. Zinave National Park	32	49
7.2. Banhine National Park	55	69
7.3. Maputo Special Reserve	60	78
7.4. Futi Corridor (proposed)	20	53
7.5. Maputo Marine Reserve (proposed)	12	36
7.6 Chimanimani Reserve	55	71