

CONFORMED COPY

CREDIT NUMBER 2200 MOZ

(Second Education Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 28, 1991

CREDIT NUMBER 2200 MOZ

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 28, 1991, between REPUBLIC OF MOZAMBIQUE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Association has received a Letter of Education Development Policy, dated November 29, 1990, from the Borrower describing a long-term development plan to achieve the improvement of the education sector of the Borrower (hereinafter called the Plan) and declaring the Borrower's commitment to the execution of the Plan;

(C) the Borrower intends to contract from Swedish International Development Agency (SIDA) a grant (the SIDA Grant) to assist in financing the Project including, Parts A.1. (d), A.1. (e), and C.1. (a) of the Project, on the terms and conditions set forth in an agreement (the SIDA Grant Agreement) to be entered into

between the Borrower and SIDA;

(D) the Borrower intends to contract from the United Nations Development Programme (UNDP) a contribution (the UNDP Contribution) to finance consultants' services to assist the Borrower in carrying out the Project, on the terms and conditions set forth in an agreement (the UNDP Contribution Agreement) to be entered into between the Borrower and UNDP; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "MINED" means the Ministry of Education of the Borrower;
- (b) "UEM" means University Eduardo Mondlane of the Borrower;
- (c) "GEPE" means Gabinete Tecnico de Gestao de Projectos Educacionais, the Educational Projects Management Unit established and operating within MINED pursuant to Diploma Ministerial No. 34/88 jointly issued by the Ministers of Education and Finance of the Borrower dated March 23, 1988, as amended;
- (d) "INDE" means the National Institute for Educational Development of the Borrower;
- (e) "IAP" means Instituto de Aperfeicoamento de Professores, the Teacher Upgrading Institute of the Borrower;
- (f) "ISP" means the Instituto Superior Pedagogico, the Institute for Advanced Pedagogical Training;
- (g) "SETEP" means the Secretariat for Technical and Vocational Training of MINED;
- (h) "D.P." means the Department of Planning of MINED;
- (i) "Education sector budget" means the budgetary allocations within the Borrower's national general budget for the following institutions: MINED, SETEP, UEM, and ISP;
- (j) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (k) "school year" means the period which runs from February 1 to December 31;
- (l) "University year" means the period which runs from August 1 to June 30; and
- (m) "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 thirty eight million seven hundred thousand Special Drawing Rights (SDR 38,700,000).

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, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be April 30, 1997 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of 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 from the next payment date in that year specified in Section 2.06 of this Agreement.

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one 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 semi-annual installments payable on each May 15 and November 15 commencing May 15, 2001 and ending November 15, 2030. Each installment to and including the installment payable on November 15, 2010 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 with due diligence and efficiency and in conformity with appropriate educational, administrative, managerial and financial 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:

- (i) during the implementation of the Project, furnish, not later than March 31 of each year, evidence satisfactory to the Association showing that the share of the education sector in the national general budget is at least at twelve percent (12%) for recurrent expenditures, at least at six percent (6%) for investment expenditures and both are maintained at real FY 1989 levels;
- (ii) introduce in the national general budget line items and allocate to them funds sufficient to finance, at a rate of one percent (1%) of new construction costs, the cost of maintenance of newly constructed or rehabilitated buildings: (A) under Part B of the Project, from FY 1993; and (B) under Part A.3 of the Project, from FY 1996; and
- (iii) 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 not later than December 31, 1991:

(a) formally establish by the competent authorities and thereafter maintain a school maintenance unit in Sofala province; and

(b) take all necessary measures to include in the national general budget line items under the denomination of: (i) said unit; and (ii) the school maintenance unit in Nampula province.

Section 3.04. The Borrower shall:

(a) not later than October 31 of each year until the completion of the Project conduct with the Association Project implementation reviews to:

- (i) discuss annual Project evaluations;
- (ii) monitor progress made in achieving Project objectives;
- (iii) exchange information among staff responsible for Project implementation;
- (iv) identify implementation issues and propose solutions for any current problems;
- (v) update Project timetables and cost estimates; and
- (vi) discuss the projected levels of recurrent and investment budgets of the Borrower's education sector in accordance with the provisions of Section 3.01 (b) (i) of this Agreement; 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, for the purposes of carrying out the works referred to under Part A.3 of the Project, take all necessary measures to:

(a) not later than December 31, 1991, free from all occupants the sites legally attributed to MINED to carry out the primary education school construction program referred to under Part A.3 (b) of the Project; and

(b) promptly thereafter, implement, in a manner satisfactory to the Association, the resettlement plan for persons to be relocated under the Project, referred to under Part A.3 (b) of the Project.

Section 3.06. The Borrower shall, for the purposes of Part A.2 (a) of the Project:

(a) not later than July 31, 1991, complete and furnish to the Association a satisfactory plan prepared by MINED for the introduction of a longer school year; and

(b) not later than December 31, 1991, take all necessary measures to implement the longer school year, starting 1992.

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 nine 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 report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special 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) The Borrower shall have taken any action concerning the Borrower's policies in primary, secondary or higher education that would materially and adversely affect the objectives of the Project.

(b) (i) Diploma Ministerial No. 92/90 of the Minister of Education of the Borrower dated October 24, 1990, reorganizing MINED; and (ii) the Diploma Ministerial of the Borrower, dated 1990, reorganizing GEPE 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.

(c) The SIDA Grant Agreement and UNDP Contribution Agreement shall have failed to become effective by June 30, 1992, or such later date as the Association may agree; provided however, that the provisions of this paragraph shall not apply if the Borrower

establishes to the satisfaction of the Association that 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.

- (d) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) The right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof, or
 - (B) any such loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; 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.

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), (b) or (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraph (d) (i) (B) of Section 5.01 of this Agreement shall occur with respect to any grant or loan made to the Borrower for the financing of the Project unless the requirements set forth in Section 5.01 (d) (ii) of this Agreement are satisfied in respect thereof.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the Borrower has selected and employed GEPE's staff with qualifications and experience satisfactory to the Association, as follows: (a) Director; (b) two Project Coordinators; (c) Chief of Finance and Importation Department; and (d) Chief of the Construction Department in accordance with the provisions of Part A.5. of Schedule 4 to this Agreement.

Section 6.02. The following is specified as additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that this Agreement has been duly ratified by the Borrower's Council of Ministers.

Section 6.03. The date one hundred 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

Representatives of the Borrower; Addresses

Section 7.01. The Governor of the Bank of Mozambique of the Borrower is designated as representative of the Borrower for the

(1) Civil works:		100% of foreign expenditures and
(a) Part A.3.(a) of the Project;	9,990,000	50% of local expenditures
(b) Parts C.3. and C.5.(a) of the Project	2,230,000	
(2) Vehicles, equipment, furniture, materials and supplies	7,770,000	100%
(3) Consultants' services, training, studies and audits	3,450,000	100%
(4) Incremental Operating Costs:		100%
(a) vehicles and equipment; and	2,160,000	
(b) buildings	1,080,000	
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5) Goods and services under Part A.1.(c) (ii) (A) of the Project	650,000	100%
(6) Unallocated	11,370,000	
TOTAL	38,700,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods and services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods and services supplied from the territory of the Borrower;

(c) the term "training" means costs of fellowships, conferences, courses, study tours and travel to be undertaken as part of training activities described in Schedule 2 to this Agreement; and

(d) the term "incremental operating costs" means cost of operation and maintenance of equipment, vehicles and buildings including rehabilitated or newly constructed primary and lower secondary classrooms in the cities of Maputo, Beira, Dondo and Nacala.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures:

(a) prior to the date of this Agreement;

(b) under Category (1)(a) unless: (i) the SIDA Grant Agreement has been entered into between, and is legally binding upon, the Borrower and SIDA; (ii) the Borrower has furnished to the Association satisfactory detailed implementation plans to carry out Part A.2. of the Project; and (iii) the resettlement plan referred to in Section 3.05 (b) of this Agreement has been carried out in a manner satisfactory to the Association; and

(c) under Category (5) unless the Borrower has, for the purposes of carrying out Part A.1.(c) (ii) (A) of the Project, entered into a contract, on terms and conditions previously agreed with the Association, and has furnished to the Association a copy of said contract.

SCHEDULE 2

Description of the Project

The Project is a part of the Borrower's long-term development plan for the improvement of its education sector described in the Plan referred to in the Preamble to this Agreement.

The objectives of the Project are: (i) to improve the quality and efficiency of primary education; (ii) to improve the quality and efficiency of the University; and (iii) to strengthen the management of the education sector.

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: Primary Education Quality Improvement

1. Teacher training:

(a) Development and implementation of a teacher training program through: (i) pre-service training courses; and (ii) in-service training courses.

(b) Provision of pedagogical support through: (i) reinstatement of pedagogical zones; and (ii) design and implementation of a pedagogical training program for teachers.

(c) Design and implementation of a distance education system through: (i) development of teaching materials and management systems; (ii) carrying out a pilot project to upgrade the educational level of teachers and to provide them with professional training, including: (A) rental of radio studios, for educational purposes; (B) acquisition of small radio receivers; and (C) training of monitors; and (iii) carrying out an evaluation of said pilot project and preparation of a five-year plan to carry out the distance education system starting as of school year 1995.

(d) Development of a textbook policy and action program.

(e) Revision of primary school curricula and development of secondary school curricula and carrying out educational research projects.

(f) Development and implementation of a long-term development plan for vocational and technical education.

2. New Initiatives to Enhance Effective Learning:

(a) Implementation of a longer school year for primary education.

(b) Local language instruction through: (i) testing of the use of local languages in primary education; (ii) design and implementation of in-service training strategies and materials, and student materials; and (iii) carrying out research work to map the existing local languages in the territory of the Borrower.

(c) Student Achievement Evaluation through: (i) participation in international student achievement evaluations; and (ii) strengthening of MINED, INDE and ISP's capabilities to interpret and manage student achievement evaluations.

(d) Making reading materials available through the provision of books in Portuguese for grades 4 and 5 of primary education.

(e) Testing of extramural activities outside of the school.

(f) Student Health and Nutrition through: (i) development of special programs including, inter alia, the following: introduction of latrines, testing for worms, testing for anemia; and (ii) carrying out studies of school children's health and nutrition status.

3. School Rehabilitation and Expansion:

(a) Carrying out a school construction program in Maputo City, Maputo Province, Beira, Dondo and Nacala, including: rehabilitation of about 750 classrooms and construction of about 425 new classrooms at the primary education level, and rehabilitation of about 125 classrooms at the lower secondary education level.

(b) Implementation of a resettlement plan for the persons living in the sites assigned to MINED to carry out the school construction program referred to in paragraph (a) above.

Part B: University Quality Improvement

1. Strategic Management Development:

(a) strengthening of UEM's central level planning and decision-making capabilities;

(b) renovation of UEM's libraries and establishment of a scientific, technical and humanities information system;

(c) development of computerization policy and program, including a material and human resource development plan;

(d) carrying out studies to develop detailed programs for maintenance of laboratories and physical plant, including methodologies and cost and training for middle and lower level staff; and

(e) development and implementation of a long-term plan for higher education, defining, inter alia, the role, functions and goals of higher education institutions.

2. Faculty of Economics:

(a) strengthening of the Economics curriculum;

(b) upgrading the academic qualifications of national teaching staff; and

(c) strengthening of the Faculty of Economics to operate a second teaching shift.

3. Faculty of Engineering:

(a) (i) construction; and

(ii) installation, equipping and furnishing of laboratories in applied thermodynamics, basic electrical engineering and electric machines;

(b) equipping of the electronics laboratory;

(c) acquisition of materials for the mechanical workshops;

(d) strengthening of the capabilities of staff of the Faculty of Engineering to: define equipment needs, integrate new equipment into the study program, install, operate and maintain equipment; and

(e) acquisition of computer hardware and software.

4. Faculties of Sciences, Math and Biology:

(a) physical integration of, and construction, equipping and furnishing of buildings; services and materials for the Faculties of Sciences, Math and Biology; and

(b) development and implementation of a plan for human resource development in the Faculties of Sciences, Math and Biology.

Part C: Planning and Management Strengthening

1. Strengthening of MINED's planning and financial management capabilities:

(a) development and implementation of an action program for human resource management;

(b) development and implementation of an action program to establish a new system to strengthen the planning, budgeting, financial monitoring and control, procurement and procurement management capabilities of the education sector;

(c) training of MINED's central and provincial staff in: (i) techniques of design, monitoring and project evaluation; and (ii) educational planning;

(d) training of MINED's staff in educational planning and management; and

(e) strengthening DP to carry out studies designed to improve the Borrower's knowledge of unit costs of boarding facilities and administration.

2. School Construction and Rural Reconstruction Program:

(a) establishment, and strengthening of MINED's school construction policies;

(b) development and implementation of an organizational plan for a school construction administrative unit within MINED; and

(c) development and implementation of a rural school reconstruction program.

3. School Maintenance:

establishment and strengthening of local and provincial capabilities to carry out preventive maintenance on new school buildings.

4. Revision of salary scales applicable to staff responsible for school construction and maintenance.

5. Strengthening of Project Management capabilities:

(a) strengthening of GEPE; and

(b) provision of training for GEPE's staff;

* * * *

The Project is expected to be completed by October 31, 1996.

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works estimated to cost \$1,000,000 or more 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).

2. To the extent practicable, contracts for works shall be grouped into bid packages estimated to cost the equivalent of \$500,000 or more.

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. Force Account

Works for the maintenance of existing primary schools referred to in Parts A.3. (a) and C.3. of the Project estimated to cost no more than the equivalent of \$700,000 in the aggregate may be carried out by force account.

2. Local Competitive Bidding

Works and goods estimated to cost less than \$1,000,000 per contract, up to an aggregate amount equivalent to \$7,110,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. International Shopping

Items or groups of items for educational and technical books and journal subscriptions, tools and building materials estimated to cost the equivalent of \$40,000 or less per contract, up to an aggregate amount equivalent to \$1,600,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Local shopping

Items or groups of items for furniture, bicycles, small equipment, educational and building materials, tools and printing services estimated to cost the equivalent of \$10,000 or less per contract, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, 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 subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

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

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

2. Without limitation upon the provisions of paragraph 1. of this Section, the Borrower shall not later than December 31, 1991 complete and furnish evidence satisfactory to the Association, of the contractual arrangements entered into by the Borrower to employ consultants' services for the first year of Project implementation, including those financed by the UNDP Contribution.

SCHEDULE 4

Implementation Program

Part A. Educational Projects Management Unit (GEPE)

1. The Borrower shall: (a) establish GEPE within MINED, reporting directly to the Minister of Education; and (b) thereafter, maintain GEPE with the staffing and functions described below.

2. GEPE shall be responsible for the overall coordination and supervision of Project implementation.

3. GEPE shall be headed by a full-time Director with qualifications and managerial experience acceptable to the Association.

4. For the implementation of the Project, GEPE's Director shall be responsible, inter alia, for the following:

(a) coordination of all Project activities with MINED, UEM, ISP, IAP, SETEP, Bank of Mozambique, Ministry of Finance, other implementing agencies, government departments, official entities,

cofinanciers and the Association;

(b) reorganization of GEPE and supervision of its staff, consultants and experts;

(c) ensuring appropriate compilation and maintenance of Project documentation and files;

(d) supervision of the financial aspects and accounts of the Project, and supervision of the timely preparation of auditing reports;

(e) preparation of annual Project evaluation reports in coordination with, inter alia, MINED and UEM; progress reports; and completion reports;

(f) making all necessary procurement arrangements related to the Project, including calling for bids, evaluation of bids and awarding of contracts;

(g) meeting regularly with agencies responsible for Project implementation to oversee implementation activities;

(h) implementation of the construction and rehabilitation programs to be carried out under the Project by consultants and contractors, including the approval of designs, contracts and supervision of works; and

(i) management of housing for consultants to be financed under the Credit.

5. In addition to its Director, GEPE shall include the following staff, all with qualifications and experience satisfactory to the Association:

(a) three Project Coordinators, one for each Education Project coordinated by GEPE. Each Project Coordinator shall be responsible, inter alia, for the following: (i) assist the Director in the coordination of the Project; (ii) coordinate project implementation on a daily basis; (iii) develop the annual plan and adjust it regularly; (iv) meet monthly with all implementation agencies; and (v) organize semestral progress report and annual evaluation reports;

(b) a Finance and Importation Department, headed by a Chief of Department, and including the following: (i) two accountants who shall be responsible, inter alia, for keeping financial records and Project accounts and preparing withdrawal applications for the Bank of Mozambique; and (ii) three procurement officers;

(c) a Construction Department, headed by a Chief of Department and including the following staff: (i) a Civil Engineer; and (ii) two mid-level Construction Supervisors.

(d) a Legal Advisor (part-time); and

(e) support and administrative staff.

Part B: Department of Planning (Reparticao de Construcoes Escolares)

1. The Borrower shall establish, and thereafter maintain, a Reparticao within the Department of Planning (DP) of MINED, reporting directly to DP's Director with the staff and functions agreed with the Association, and as described in paragraphs 2, 3 and 4 below.

2. The Reparticao shall be headed by a full-time Architect/Engineer with qualifications and experience acceptable to the Association.

3. In discharging his/her responsibilities, the Architect/Engineer of the Reparticao shall be assisted by a minimum

staff of: (a) five United Nations' Volunteers (two architects, two engineers and one statistician), (b) one mid-level construction technician, (c) one topographer, and (d) two draftsmen.

4. The Reparticao shall be responsible, inter alia, for the following:

- (i) updating the inventory and cadastre of existing schools and assisting MINED with the school mapping;
- (ii) preparing a plan for, and supervising the implementation of, the rural reconstruction program referred to under Part C.2 (c) of the Project to be carried out by MINED's provincial directorates and districts; and
- (iii) developing and establishing technical procedures and systems applicable to schools, at different levels of education, and for contracting and supervision procedures.

Part C: Project Implementation Program

1. Responsibilities of Institutions involved in Project implementation.

Parts A and C of the Project:

(a) DP shall be responsible for: (i) the overall coordination of Parts A.1., A.2., and C of the Project; and (ii) the organization of training and carrying out of studies to be sub-contracted;

(b) the National Directorate of Primary Education shall be responsible for the implementation of pre-service training courses under Part A.1. (a) (i) of the Project, and upgrading training activities under Part A.1. (c) of the Project;

(c) the Department of Pedagogical Support of the National Directorate of Primary Education shall be responsible for the implementation of in-service training courses under Part A.1. (a) (ii) of the Project and the provision of pedagogical support under Part A.1. (b) of the Project;

(d) IAP shall be responsible for the implementation of the distance education system under Part A.1. (c) of the Project;

(e) INDE, assisted by the Mozambican Language Training Unit (NELIMO), and in coordination with the National Directorate for Primary Education, shall be responsible for the introduction and evaluation of the local language instruction under Part A.2.(b) of the Project;

(f) INDE, ISP, the National Directorate for Primary Education and the Department of Evaluation and Certification of MINED shall be responsible for: (i) the implementation of the student achievement evaluation under Part A.2. (c) of the Project; and (ii) introducing changes into the primary education curriculum, based on the results of said evaluation;

(g) the Documentation Center of MINED shall be responsible for the book distribution initiative under Part A.2. (d) of the Project, with the assistance of the Distribuidora Nacional de Material Escolar (DINAME), the National Directorate for Primary Education and INDE;

(h) the National Directorate for Primary Education shall be responsible for the implementation of the activities described in Part A.2.(e) of the Project;

(i) the Department of Social Action of MINED, in coordina-

tion with the Inter-ministerial Committee on School Health, shall be responsible for: (i) monitoring of the activities described under Part A.2.(f) of the Project; (ii) drawing-up of a plan, in coordination with the National Physical Planning Institute, for parallel introduction of latrines in neighborhoods and schools; and (iii) following-up with the Ministry of Health on the carrying out of the student health and nutrition studies;

(j) Parts A.3. and C.3. of the Project shall be implemented by GEPE. In discharging its responsibilities GEPE shall: (i) coordinate with the Reparticao, the provincial education directorates and, in the provinces of Maputo and Nampula, by existing maintenance units (GATECEs) and in the province of Sofala, the school maintenance unit established by the Borrower in accordance with the provisions of Section 3.03 (a) of this Agreement; and (ii) keep said institutions informed of necessary actions to be taken by them;

(k) GEPE shall be responsible for the implementation of the resettlement plan referred to in Section 3.05 (b) of this Agreement; and

(l) the GATECEs shall be responsible for carrying out school maintenance and minor rehabilitation of primary schools.

Part B of the Project:

(a) Gabinete de Estudos e Projectos within UEM shall be responsible for the overall implementation of Part B of the Project; and

(b) list of equipment financed under the Project shall be prepared by the respective Faculty with the assistance of consultants.

2. Schedule of actions to be carried out by the Borrower during Project implementation in accordance with the Plan.

Except as the Association and the Borrower shall otherwise agree, the Borrower shall:

(a) not later than December 31, 1993 complete and furnish to the Association for its review and comments the recommendations of the studies on the decision-making structure, computerization policy and computerization of student registration under Part B of the Project;

(b) not later than July 31, 1993 prepare and furnish to the Association a satisfactory manpower development plan for academic, management, and middle-level staff, including foreign training opportunities and a comprehensive utilization space utilization plan for UEM;

(c) not later than March 31, in each year, until the completion of the Project, furnish to the Association evidence satisfactory to it of the measures taken in order: (i) to reduce the salary budget expenditures in MINED and UEM to the equivalent of the incremental salaries; and (ii) not to increase the total salary budget due to the implementation of the Project;

(d) (i) prepare and furnish to the Association for its review and comments: (A) not later than June 30, 1992 the plan referred to under Part C.2.(b) of the Project; (B) not later than June 30, 1992, the recommendations of the revision referred to under Part C.4. of the Project; (C) not later than December 31, 1992, the plan referred to under Part B.1. (e) of the Project; and (D) not later than December 31, 1993, the plan referred to under Part A.1.(f) of the Project; and

(ii) promptly, thereafter, take all legal and adminis-

trative measures necessary to implement said plans and revision, on terms and within a timetable agreed with the Association.

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 \$2,300,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

