Development Credit Agreement

(Economic and Financial Management Technical Assistance Project)

between

PEOPLE'S REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 1, 1989
AGREEMENT, dated December 1, 1989, between PEOPLE'S REPUBLIC OF MOZAMBIQUE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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;

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 term:

(a) "BOM" means Banco de Mocambique, the Central Bank of the Borrower;

(b) "MOF" means the Ministry of Finance of the Borrower;

(c) "Special Account A" and "Special Account B" mean the accounts referred to in Section 2.02 (b) of this Agreement;

(d) "Project Preparation Advance" means the project preparation advances granted by the Association to the Borrower pursuant
to an exchange of letters dated August 9, 1986, and November 7, 1986; and March 10, 1989 and April 21, 1989 between the Borrower and the Association;

(e) "Central Technical Project Unit" or "CTPU" means the unit established within the National Budget Directorate of MOF as set forth in paragraph 4 of Schedule 6 to this Agreement; and

(f) "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 sixteen million five hundred thousand Special Drawing Rights (SDR 16,500,000).

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 (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be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 two special accounts in a commercial bank on terms and conditions satisfactory to the Association:

(i) Special Account A shall be opened for the purposes of Parts A; C (1) (a); C (2) (a); and C (3) (a) of the Project; and

(ii) Special Account B shall be opened for the purposes of Parts B; C (1) (b); C (2) (b); and C (3) (b) of the Project.

Deposits into, and payments out of, Special Accounts A and B shall be made in accordance with the provisions of Schedule 4 and 5, respectively, to this Agreement.
(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 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 (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; (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 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 March 15 and September 15 in each year.
Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15, commencing March 15, 2000 and ending September 15, 2029. Each installment to and including the installment payable on September 15, 2009 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded $790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (m) 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
administrative, economic and financial managerial practices, and
shall provide, promptly as needed, the funds, facilities, services
and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a)
of this Section, and except as the Borrower and the Association
shall otherwise agree, the Borrower shall carry out the Project in
accordance with the Implementation Program set forth in Schedule 6
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 implement the accounting
training program referred to in Part 3 in accordance with a
timetable agreed with the Association.

Section 3.04. For the purposes of carrying out Part B (2) (a)
of the Project, the Borrower shall install and operate the
computerized system on terms and within a timetable agreed with
the Association, and to be updated, if necessary, as provided in
Section 3.05 (a) (iii) hereinafter.

Section 3.05. The Borrower shall:

(a) not later than November 30, 1990, and not later than
November 30, of each year thereafter, until the completion of the
Project, conduct with the Association an annual Project
implementation review to:

(i) monitor progress in achieving Project objectives;

(ii) exchange information among staff responsible for
Project implementation and propose solutions to any
current problems; and

(iii) update Project timetables and cost estimates; and

(b) promptly thereafter, carry out those recommendations
arising out of said reviews as agreed between the Borrower and the
Association.
Section 3.06. In order to facilitate the carrying out of the Project, the Borrower shall assign and retain qualified staff to work closely with the consultants to be employed under Section II of Schedule 3 to this Agreement, and to receive training from them.

Section 3.07. The Borrower shall, during the execution of the Project continue to maintain in a form, with functions, and staffing whose experience and qualifications are satisfactory to the Association, as provided for in paragraphs 1, 2, 3 and 4, respectively, of Schedule 6 to this Agreement:

(a) MOF and BOM's Project Coordinators;

(b) the Project Coordination Assistant;

(c) the Management Committees; and

(d) CTPU,

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 Special Accounts A and B for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
(iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association’s representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely that as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that MOF or BOM, as the case may be, will be able to perform their respective obligations under said Agreement.
Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely that any of the events specified in 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.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following 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 a Project Coordination Assistant with qualifications and experience satisfactory to the Association has been selected and contracted: (a) in accordance with the provisions of Section II of Schedule 3 to this Agreement; and (b) with the functions described in paragraph 2 of Schedule 6 to this Agreement.

Section 6.02. The following is specified as an 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 and is legally binding upon the Borrower in accordance with its terms.

Section 6.03. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Governor of Banco de Mocambique is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:
For the Borrower:

Banco de Moçambique  
Departamento de Relações Internacionais  
Avenida 25 de Setembro 1695  
P. O. Box 423  
Maputo  
People's Republic of Mozambique

Cable address:  
MOBANCO  
Maputo

Telex:  
6355/7 BMMO

Facsimile:  
29718

For the Association:

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

Cable address:  
INDEVAS  
Washington, D.C.

Telex:  
440098 (ITT)  
2,8423 (RCA) or  
64145 (WUI)
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

PEOPLE'S REPUBLIC OF MOZAMBIQUE

By /s/ Valeriano Ferrao
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
Regional Vice President
Africa
## SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works under Part B (1) (e) of the Project</td>
<td>30,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(2) Equipment, vehicles, computers, software, and supplies:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) MOF</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>(b) BOM</td>
<td>3,800,000</td>
<td></td>
</tr>
<tr>
<td>(3) Consultants’ services including audits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) MOF</td>
<td>1,100,000</td>
<td></td>
</tr>
<tr>
<td>(b) BOM</td>
<td>5,400,000</td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Credit Allocated (Expressed in SDR Equivalent)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>(4) Training:</td>
<td></td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(a) MOF:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) under</td>
<td>150,000</td>
<td></td>
</tr>
<tr>
<td>Parts A(1);</td>
<td></td>
<td></td>
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<tr>
<td>A(2); C(2)(a);</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and C(3)(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of the Project;</td>
<td></td>
<td></td>
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<tr>
<td>(ii) under Part A(3) of the Project;</td>
<td>650,000</td>
<td></td>
</tr>
<tr>
<td>(b) BOM:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>under Parts B;</td>
<td>1,120,000</td>
<td></td>
</tr>
<tr>
<td>C(2)(b); and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C(3)(b) of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5) Operating costs:</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) MOF</td>
<td>30,000</td>
<td></td>
</tr>
<tr>
<td>(b) BOM</td>
<td>410,000</td>
<td></td>
</tr>
<tr>
<td>(6) Goods and services under Parts A.2 (d), (e); and (f) of the Project</td>
<td>110,000</td>
<td>100% of foreign expenditures</td>
</tr>
</tbody>
</table>
Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed
---|---
(7) Refunding of Project Preparation Advance | 1,000,000 | Amount due pursuant to Section 2.02 (c) of this Agreement:
(8) Unallocated | 2,500,000 |
**TOTAL** | **16,500,000** |

2. For the purposes of this Schedule:

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

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

   (c) the term "operating costs" means costs of operation and maintenance of equipment, vehicles and buildings used in the execution of the Project as described in Schedule 2 to this Agreement.

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

   (a) payments made for expenditures prior to the date of this Agreement;

   (b) expenditures under Category (4) (a) (ii):

   (i) unless the Association has received, for its review and approval, a proposal to carry out the accounting training program referred to in Part A (3) (a) of the Project, including a detailed budget and implementation timetable; and
(ii) unless the Association has received evidence satisfactory to it that the Borrower has defined:

(A) the eligibility conditions to enroll in the accounting training program; and

(B) course accreditation and arrangements for course facilities; and

(c) expenditures under Category (6); unless the Association has received evidence satisfactory to it that the Borrower has taken all necessary measures to render CTPU operational, as agreed between the Borrower and the Association.
SCHEDULE 2

Description of the Project

The objectives of the Project are to:

(a) strengthen MOF and BOM's capabilities to carry out technical analysis in the areas of economic policy formulation, capital budgeting, and banking operations;

(b) define specific needs and prepare long-term programs of institutional support to MOF and BOM;

(c) increase the stock of qualified professionals in the public sector in accounting and economic analysis; and

(d) increase productivity and effectiveness by furnishing MOF and BOM with basic systems and equipment in the financial sector and the production of basic economic information.

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 the Ministry of Finance (MOF)

1. National Treasury Directorate

   Strengthening the capabilities of the Economic Analysis and Price Department to improve the collection and analysis of economic information:

   (a) preparation of a three-year action plan and annual work programs of economic analysis and policy work, including organizational, staffing and training arrangements, detailed cost estimates, budgets, and implementation arrangements;

   (b) carrying out studies on specific economic and financial policy issues, including: reorganization of local capital markets and the establishment of an appropriate interest rate structure;

   (c) strengthening of the Statistics Department of the National Treasury Directorate;

   (d) acquisition of equipment, micro-computers and software;
(e) training of the staff of the Economic Analysis and Price Department in operations and maintenance of computer systems;

(f) granting of fellowships to the staff of the Economic Analysis and Price Department to undertake graduate university training in economics, locally or abroad;

(g) review of the economic analysis function of the National Treasury Directorate, including: information flows, economic and financial analysis and economic policy recommendations;

(h) on-the-job training of the staff of the Economic Analysis and Price Department through ad-hoc courses; and

(i) assistance in the reorganization and strengthening of the Departments of the National Treasury Directorate.

2. National Budget Directorate

Strengthening of the capital budgeting and control systems through the establishment and operation of a Central Technical Projects Unit (CTPU) within the National Budget Directorate:

(a) preparation of a three-year action plan and annual work plans for CTPU;

(b) design and installation of a computerized project monitoring system to assist in the monitoring of physical and financial execution of investment projects;

(c) formulation of criteria and design of information systems for selection, analysis, and monitoring investment projects;

(d) granting of fellowships to train the staff of the National Budget Directorate in public finance, budgeting, financial management and government accounting;

(e) acquisition of equipment, micro-computers and software; and

(f) training of the staff of the National Budget Directorate in operations and maintenance of computer systems.
3. **Tax and Audit Directorate:**

   Strengthening of the accounting system:

   (a) design and implementation of an intensive accounting training program for public sector and State Owned Enterprises staff; and

   (b) acquisition of equipment and didactic materials to carry out the accounting training program.

**Part B: Strengthening the Bank of Mozambique (BOM)**

1. **Economic Research Department**

   (a) preparation of a three-year action plan and annual work programs for the Economic Research Department;

   (b) carrying out studies on monetary and financial analysis and policy issues, based on updated statistical information;

   (c) granting of fellowships to the staff of the Economic Research Department to obtain graduate university training in economics and policy studies, locally and abroad;

   (d) organization of specialized local training for BOM staff in project analysis and formulation techniques;

   (e) establishment, construction, equipping, furnishing and acquisition of vehicles, printed materials and supplies for the Documentation Center; and

   (f) training abroad of the staff of the Documentation Center in library science techniques.

2. **Banking Operations:**

   (a) design, installation, acquisition of hardware and software for the operation and maintenance of a computerized information system;

   (b) acquisition of equipment and vehicles;

   (c) acquisition, installation and maintenance of communication systems;
(d) training of operational staff to operate and maintain hardware, software and communications equipment; and

(e) training of technical and managerial staff in banking operation systems.

3. Legal Department:

(a) training of the Legal Department staff in contract negotiation and other legal aspects of banking operations;

(b) granting of fellowships to legal advisors of BOM and other governmental agencies to complete their legal studies locally or abroad;

(c) organization of, and attendance to seminars on legal international banking issues;

(d) on-the-job training of legal staff in legal research and drafting techniques; and

(e) acquisition of one microcomputer, software, books, legal journals and materials.

Part C: Project Management:

1. Provision of assistance to strengthen planning and managerial capabilities related to Project implementation within:

   (a) MOF; and

   (b) BOM.

2. Carrying out workshops to strengthen the organizational and managerial capabilities of the staff responsible for Project management within:

   (a) MOF; and

   (b) BOM.
3. Training of staff in organizational planning and management techniques within:

(a) MOF; and

(b) BOM.

* * * * *

The Project is expected to be completed by June 30, 1997.
SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part D hereof, goods and works estimated to cost the equivalent of $100,000 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).

Part B: Preference for Domestic Contractors

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

Part C: Other Procurement Procedures

1. Local competitive bidding:

Works under Part B(1)(e) of the Project may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. International or Local Shopping:

Items or groups of items estimated to cost less than the equivalent of $100,000 per contract, up to an aggregate amount not to exceed the equivalent of $1,500,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.
3. Direct Contracting:

(a) spare parts; (b) proprietory supplies; and (c) books and periodicals under Parts B.1 (e) and B.2 (e) may be procured under direct contracting, in accordance with procedures acceptable to the Association.

Part D: 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 estimated to cost the equivalent of $100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guideline shall apply. Where payments for such contract are to be made out of Special Accounts A and B, 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 Special Accounts A and B 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 Special Accounts A and B, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

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

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

In order to assist the Borrower 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.
1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (2) (a), (3) (a), (4) (a), (5) (a), and (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 $400,000 to be withdrawn from the Credit Account and deposited into Special Account A pursuant to paragraph 3 (a) of this Schedule.

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

(b) (i) For replenishment of Special Account A, the Borrower shall furnish to the Association requests for deposits into Special Account A 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 Special Account A such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of Special Account A 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 Special Account A, 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 Special Account A:

(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 for the Project, 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 for the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only and to the extent that the Association shall have been satisfied
that all such amounts remaining on deposit in Special Account A 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 Special Account A: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; and (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into Special Account A (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 Special Account A 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 Special Account A 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 into Special Account A.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.
SCHEDULE 3

Special Account B (BOM)

1. For the purposes of this Schedule:

   (a) the term "eligible Categories" means Categories (1), (2) (b), (3) (b), (4) (b), and (5) (b) 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 $600,000 to be withdrawn from the Credit Account and deposited into Special Account B pursuant to paragraph 3 (a) of this Schedule.

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

   (b) (i) For replenishment of Special Account B, the Borrower shall furnish to the Association requests for deposits into Special Account B 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 Special Account B such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of Special Account B 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 Special Account B, 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 Special Account B:

   (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 for the Project, 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 for the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied
that all such amounts remaining on deposit in Special Account B 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 Special Account B: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; and (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into Special Account B (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 Special Account B 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 Special Account B 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 Special Account B.

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

Implementation Program

1. Project Management

(a) The Minister of Finance and the Governor of BOM shall respectively appoint among the high-level staff of MOF and BOM a Project Coordinator with qualifications and experience acceptable to the Association, as the responsible officer for the overall management of:

(i) Project Coordinator/MOF: Parts A; C (1) (a), C (2) (a), and C (3) (a) of the Project; and

(ii) Project Coordinator/BOM: Parts B; C (1) (b), C (2) (b), and C (3) (b) of the Project.

(b) The Project Coordinators shall be responsible, inter alia, for:

(i) working in close coordination, with each other and jointly, ensuring that execution of activities is consistent with the Project objectives set forth in Schedule 2 to this Agreement;

(ii) ensuring the preparation of the action plan and annual work programs to be carried out under the Project, and submitting them to the Association for its approval;

(iii) supervising the implementation of procurement of goods and services, as required by the Project;

(iv) ensuring the preparation of quarterly progress reports, as agreed with the Association; and

(v) preparing and carrying out the annual Project implementation reviews pursuant to Section 3.05 of this Agreement.

(c) Notwithstanding the provisions of sub-paragraph (b) above, the Project Coordinator/BOM shall act as the focal point in communicating to and agreeing with the Association on all matters concerning the Project as a whole.
2. **Project Coordination Assistant (PCA)**

(a) In discharging its responsibilities, the Project Coordinators shall be assisted by a Project Coordination Assistant with qualifications and extensive managerial experience acceptable to the Association, who shall be employed on a full-time basis and report directly to the Project Coordinator/BOA.

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

(i) assisting the Project Coordinators in the coordination of all Project activities within the government agencies responsible for Project implementation;

(ii) providing technical and administrative assistance to the Project Coordinators in the final preparation of all Project documentation;

(iii) providing assistance to all BOM and MOF managers responsible for the implementation of Project sub-components in discharging their responsibilities under the Project and participating as a member of the respective Management Committees, as hereinafter defined;

(iv) preparing and reviewing unified progress reports to be considered by the Project Coordinators and discussed at the annual Project review, (as provided for in Section 3.05 of this Agreement), including an assessment of each Project component and an identification of any current issues which may interfere with timely Project implementation;

(v) participating in the selection of consultants to be employed under the Project, and providing them with initial orientation;

(vi) reviewing technical studies and reports prepared by such consultants and providing comments to respective sub-component managers;

(vii) keeping financial accounts for all Project components, and ensuring appropriate compilation and maintenance of Project documentation or files;
(viii) reviewing procurement arrangements for Project implementation, including packaging procurement lots for equipment, computer systems, hardware and software, printed material and office supplies to be financed under the Project;

(ix) assisting in directing and coordinating the management training programs for staff responsible for Project management; and

(x) assisting in the review of bids for international and local competitive bidding and international or local shopping.

3. Management Committees

(a) MOF

(i) A Management Committee (MC/MOF) shall be established within MOF;

(ii) The MC/MOF shall consist of:

- the Project Coordinator/MOF (Chairperson);
- the Manager of the respective Project sub-component; and
- the Project Coordination Assistant.

The Chairperson may also request the attendance of other officials and experts involved in Project implementation.

(iii) The MC/MOF shall be responsible for the following:

- reviewing the annual work programs for each Project sub-component to be carried out by MOF;
- advising the sub-component managers on matters pertaining to the execution of the respective sub-component; and
- reviewing progress and annual Project review reports.
(b) **BOM**

(i) A Management Committee (MC/BOM) shall be established within BOM.

(ii) The MC/BOM shall have the same composition as described in paragraph 3 (a) (ii) of this Schedule, and shall have the same responsibilities as described in paragraph 3 (a) (iii) of this Schedule.

Additionally, a Special Management Committee shall be established within BOM on terms and with functions agreed between the Borrower and the Association. The Special Management Committee shall be responsible for directing the work of the sub-component described in Part B.2 of the Project.

4. **Central Technical Project Unit (CTPU)**

CTPU to be established within the National Budget Directorate of MOF shall be responsible, inter alia, for:

(i) establishing criteria and assisting in the preparation and evaluation of investment projects;

(ii) carrying out physical and financial monitoring of projects; and

(iii) supporting in investment programming.
INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

S. W. Chin
FOR SECRETARY