Financing Agreement

(Education Sector Support Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 18, 2011
AGREEMENT dated July 18, 2011, entered into between REPUBLIC OF MOZAMBIQUE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to forty-five million two hundred thousand Special Drawing Rights (SDR 45,200,000) (variously, “Credit” and “Financing”) to assist in financing the Project described in Schedule 1 to this Agreement (“Project”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are May 15 and November 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project and the Program. To this end, the Recipient shall carry out the Project through the Ministry of Education, in accordance with the provisions of Article IV of the General Conditions and the Grant Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely, that as a result of events which have occurred after the date of this Agreement, a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.


ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) the Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled; and

(b) the Recipient has furnished to the Association, in form and substance satisfactory to the Association, an Annual Action Plan for Fiscal Year 2011.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.03. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its minister responsible for finance.
6.02. The Recipient’s Address is:

Ministry of Planning and Development
Av. Ahmed S. Toure, 21, 4th floor
Maputo
Republic of Mozambique

Cable: MOBANCO
Telex: (258) 21 492-268
Facsimile: (258) 21 492-625

Maputo

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.

AGREED at Maputo, Republic of Mozambique, as of the day and year first above written.

REPUBLIC OF MOZAMBIQUE

By: /s/ Aiuba Cuerenia
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Laurence C. Clarke
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient’s efforts to improve access to, and quality, and equity of education.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objective:

Part A: Improving Access to Education

Carrying out an annual program of activities to improve access to education including: (1) construction, rehabilitation, and furnishing of, primary classrooms, secondary classrooms, and housing for head teachers; (2) Supporting recruitment and deployment of primary and secondary school teachers and education officials; and (3) Developing an integrated framework for a pre-primary education program.

Part B: Improving the Quality of Education

Carrying out an annual program of activities to improve the quality of education, including: (1) strengthening the capacity of teacher training institutes to implement the integrated teacher training system (pre-service training and on the job training, distance training and support to new teachers in the workplace); (2) supporting affordable production and equitable distribution of free textbooks to all primary school students; (3) supporting ongoing curriculum reform activities for primary and secondary education, with a focus on development of basic skills in speaking, reading, writing and numeracy; (4) providing direct support to schools in particular: (a) for meeting recurrent expenses and for providing basic learning materials to primary schools, secondary schools, and technical/vocational training institutes; and (b) for integrating social protection mechanisms for orphans and vulnerable children; and (5) supporting reduction of adult illiteracy rates through provision of subsidies for trainers in the State literacy and civil society programs.

Part C: HIV/AIDS Prevention and Mitigation

Supporting an annual program of activities for: (a) preventing and mitigating the spread of and increasing knowledge on HIV/AIDS, with focus on the skills for life approach; and (b) integrating HIV/AIDS prevention and mitigation activities in key sector programs.
Part D: Strengthening Management of the Education Sector Administrative System

Strengthening the capacities of sector agencies and institutions for managing a decentralized education system, in particular: (1) supporting an integrated planning, evaluation and monitoring system including: (a) increasing the knowledge of provincial and district education officials in strategic planning and budgeting; (b) designing procurement plans at provincial levels and in selected districts; (c) reviewing, designing and upgrading the education management information system; and (d) evaluating selected interventions with a view to support policy development and timely decision making; and (2) strengthening the technical, institutional and management capacities of provincial directorates of education and culture, and district education youth and technology services within the Ministry of Education for implementing a decentralized education system; and for construction, planning, financial management, and procurement.
SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements; Ministry of Education

1. The Recipient shall designate, at all times during the implementation of the Project, the Ministry of Education to be responsible for implementation of the Project, and shall cause to be taken all actions including the provision of funding, personnel and other resources to enable said Ministry to implement the Project.

2. The Ministry of Education will be responsible for the overall coordination, implementation, technical, fiduciary aspects (procurement and financial management), monitoring, evaluation, reporting and communication of Project activities and results.

B. Implementation Arrangements

1. Project Administration and Management

The Recipient shall implement the Project in accordance with the Annual Action Plan and, except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision thereof if, in the opinion of the Association, such amendment, abrogation or waiver may materially and adversely affect the implementation of the Project.

2. Annual Action Plan

(a) The Recipient shall, not later than December 30 in each Fiscal Year, prepare and furnish to the Association, an annual program of activities proposed for inclusion in the Program during the following Fiscal Year (“Annual Action Plan”), including the details of aggregate expenditures required for such activities, and a proposed financing plan for such expenditures, setting forth the proposed sources of financing.

(b) The Recipient shall exchange views with the Association on each such proposed Annual Action Plan, and thereafter adopt, and carry out such Annual Action Plan for such following Fiscal Year as shall have been agreed with the Association.

(c) The Association shall, on the basis of the Annual Action Plan, determine the list of expenditures to be financed out of the combined proceeds of the Financing and the Grant (“Annual Action Plan Expenditures”)) and
the percentage of the Annual Action Plan Expenditures which may be financed out of the proceeds of the Financing.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguard Instruments

1. The Recipient shall ensure that the Project is carried out in accordance with the Safeguard Instruments.

2. The Recipient shall ensure that all measures required for carrying out the recommendations of said Safeguard Instruments are taken in a timely manner.

3. Without limitation to its other reporting obligations under this agreement and under Section 4.08 of the General Conditions, the Recipient shall include in the Project Reports referred to in Section II.A of this Schedule, adequate information on the implementation of said Safeguard Instruments, giving details of: (a) measures taken in furtherance of said Safeguard Instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of said Safeguard Instruments; and (c) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of said Safeguard Instruments. Each such report shall be furnished to the Association not later than four (4) months after the end of the Fiscal Year covered by such report.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one Fiscal Year and shall be furnished to the Association not later than four (4) months after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall prepare and furnish to the Association not later than ninety (90) days after the end of each fiscal quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-Consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding methods described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-Consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-Consulting Services. The following methods of procurement, other than International Competitive Bidding, may be used for goods, works and non-consulting services: (a) National Competitive Bidding (subject to the additional procedures in paragraph 3 below); (b) Direct Contracting; and (c) Shopping. The Procurement Plan shall specify the circumstances under which such methods may be used.
3. **Additional Procedures to National Competitive Bidding (NCB).** The procedures to be followed for NCB shall be those set forth in Decree 15 of 2010 subject to the following additional procedures:

   (a) **Eligibility.** No restriction based on nationality of bidders or origin of goods shall apply, therefore, foreign bidders shall be allowed to participate in NCB without restriction and shall not be subject to any unjustified requirement which will affect their ability to bid such as, but not limited to, the proof that they are not under bankruptcy proceedings in the territory of the Recipient, or have a local representative in the country. Prior to registration, obtaining a license or agreement shall not be a requirement for any bidder to participate in bidding procedures.

   (b) **Qualification.** Post-qualification shall be used unless explicitly provided for otherwise in the Procurement Plan. Irrespective of whether post qualification or prequalification is used, eligible bidders (both national and foreign) shall be allowed to participate.

   (c) **Bidding Documents.** Procuring entities shall use standard bidding documents, in form and substance satisfactory to the Association, for the procurement of goods, works and services.

   (d) **Preferences.** No domestic preference shall be given for domestic bidders and for domestically manufactured goods.

   (e) **Bid Evaluation:** (i) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only criteria so specified shall be used to determine whether a bidder is qualified. The evaluation of the bidder’s qualifications should be conducted separately from the technical and commercial evaluation of the bid; (ii) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents. Criteria other than price should be quantified in monetary terms; (iii) A contract shall be awarded to the qualified bidder offering the lowest technically responsive evaluated bid; and (iv) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

   (f) **Rejection of All Bids and Re-Bidding.** All bids shall not be rejected and new bids solicited without the Association’s prior concurrence.

   (g) **Complaints by Bidders and Handling of Complaints.** The Recipient shall establish an effective and independent protest mechanism allowing bidders to protest and to have their protest handled in a timely manner.
(h) Right to Inspect/Audit. Each bidding document and contract financed from the proceeds of the Financing shall provide that the suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to an Obstructive Practice.

(i) Fraud and Corruption. The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the Association.

(j) Payment of Sitting Allowances. Payment of sitting allowances to civil servants when serving as members of an Evaluation Committee is not permitted and shall not be made out of the proceeds of the Financing.

(k) Applicable Procurement Methods. The only procurement methods to be used under the Project are those provided for in this Agreement and further elaborated in the agreed Procurement Plan. Methods such as limited bidding, small-scale bidding and reverse-auction bidding shall not apply to this Financing.

(l) Bidding Period Duration. The duration of bidding procedures for NCB shall not be less than twenty-eight (28) days.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods of procurement, other than Quality- and Cost-based Selection, may be used for consultants’ services: (a) Selection based on Consultants’ Qualifications; (b) Least Cost Selection; and (c) Procedures of Selection of Individual Consultants. The Procurement Plan shall specify the circumstances under which such methods may be used.
D. **Review by the Association of Procurement Decisions**

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

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance such percentage (inclusive of taxes) of Eligible Expenditures as set forth in the table below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, Works, Consultants’ Services, Non-Consulting Services, Training, and Operating Costs for the Project</td>
<td>45,200,000</td>
<td>Such percentage of Annual Action Plan Expenditures as the Association may determine for each Fiscal Year and communicate to the Recipient</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>45,200,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this paragraph A:

1. the term “Non-Consulting Services” means services for which the physical aspects of the activity predominate, are bid and contracted on the basis of performance of a measurable physical output, and for which performance standards can be clearly identified and consistently applied;

2. the term “Training” means the costs associated with training and workshops, based on an Annual Action Plan approved by the Association pursuant to Section I.B.2 of Schedule 2 to this Agreement, for reasonable expenditures (other than expenditures for consultants’ services),
including: (i) travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses; and

3. the term “Operating Costs” means the incremental expenses incurred on account of Project implementation, based on an Annual Action Plan approved by the Association pursuant to Section I.B.2 of Schedule 2 to this Agreement, on account of office equipment and supplies, vehicle operation and maintenance, maintenance of equipment, communication and insurance costs, office administration costs, utilities, rental, consumables, accommodation, travel and *per diem*, excluding the salaries of the Recipient’s civil servants.

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed twenty (20) percent of the Financing may be made for payments made prior to this date but on or after January 1, 2011, for Eligible Expenditures under the Category.

(b) in any Fiscal Year commencing in Fiscal Year 2012, until: (i) the Recipient has furnished to the Association, in form and substance satisfactory to the Association, a proposed Annual Action Plan along with details of the proposed Annual Action Plan Expenditures including the percentage of said Annual Action Plan Expenditures which may be financed out of the proceeds of the Financing; and (ii) both Annual Action Plan and Annual Action Plan Expenditures have been approved.

2. **The Closing Date is July 31, 2015.**
**SCHEDULE 3**

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing May 15, 2021, to and including November 15, 2030</td>
<td>1%</td>
</tr>
<tr>
<td>commencing May 15, 2031, to and including November 15, 2050</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Definitions

1. “Annual Action Plan” means the Annual Action Plan referred to in Section I.B.2 (a) of Schedule 2 to this Agreement.

2. “Annual Action Plan Expenditures” means the Annual Action Plan Expenditures referred to in Section I.B.2 (c) of Schedule 2 to this Agreement.


4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

5. “Co-financier” means any one of the following financiers other than the Association who provides or intends to provide financing to the Program: the Government of the Kingdom of the Netherlands, the Canadian International Development Agency (CIDA), the Government of Ireland, the Department of International Development (DFID) of the United Kingdom of Great Britain, the Government of the Federal Republic of Germany, the Government of the Republic of Finland, the Government of the Kingdom of Denmark, the Government of the Kingdom of Spain, the Government of the Republic of Portugal, the United Nations Children’s Education Fund (UNICEF), the Government of the Republic of Italy, the Flanders International Cooperation Agency (FICA) and other donors, and “Co-financiers” means, collectively, all such Co-financiers.

6. “Co-financing” means an aggregate amount of not less than two hundred and forty seven million United States Dollars (US$247 million) equivalent, to be provided by the Co-financiers to assist in financing the Program.

7. “Co-financing Agreement” means one or more agreements to be entered into between the Recipient and Co-financier(s) providing for the Co-financing.


10. “Displaced Persons” means persons who, on account of the execution of the Project suffer direct economic and social impacts resulting in: (i) relocation or
loss of shelter; (ii) loss of assets or access to assets; (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; and (iv) adverse impacts on the livelihoods of the displaced persons.

11. “Environmental and Social Management Framework” or “ESMF” means the Environmental and Social Management Framework of the Recipient dated December 29, 2010, and disclosed on December 29, 2010, setting forth the modalities for environmental screening and procedures for the preparation and implementation of environmental assessments and management plans under the Project, and such term includes all schedules and annexes to the ESMF.

12. “Environmental Management Plan” or “EMP” means an environmental management plan, prepared in accordance with the ESMF and the provisions of Section I.D of Schedule 2 to this Agreement for the purposes of the Project and acceptable to the Association, and giving details of the magnitude of the environmental impacts, as well as the specific actions, measures and policies designed to facilitate the achievement of the objective of the ESMF under the Project, including the budget and cost estimates, and sources of funding, along with the institutional and procedural measures needed to implement such actions, measures and policies.

13. “Fiscal Year” means the fiscal year of the Recipient commencing on January 1 and ending on December 31 of the same year.


15. “Grant Agreement” means the agreement dated the same date as this Agreement, between the Recipient and the World Bank, acting as administrator of the Educational For All: Fast Track Initiative Catalytic Fund, providing for the Grant.

16. “Grant” means an amount of ninety million United States Dollars (US$90,000,000), to be provided by the World Bank, acting as administrator of the Educational For All: Fast Track Initiative Catalytic Fund, to assist in financing the Project.

17. “Ministry of Education” means the Recipient’s Ministry responsible for education.

18. “Pest Management Plan” means the Pest Management Plan to be included in the ESMF, and in respect of any activity involving pest management, a plan for such activity prepared and implemented in accordance with the ESMF and the provisions of Section I.D of Schedule 2 to this Agreement and approved by the Association, such pest management plan to include specific actions, measures and
policies designed to facilitate the achievement of the objective of the ESMF under such activity, together with adequate institutional, monitoring and reporting arrangements designed to ensure proper implementation of, and regular feedback on, compliance with such plan.


20. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 15, 2011, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.


22. “Resettlement Action Plan” or “RAP” means in respect of any activity involving resettlement, a resettlement plan for such activity prepared and implemented in accordance with the RPF and the provisions of Section ID of Schedule 2 to this Agreement and approved by the Association, such resettlement plan to include a program of actions, measures and policies for compensation and resettlement of the Displaced Persons, and setting forth the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements designed to ensure proper implementation of, and regular feedback on compliance with such plan.

23. “Resettlement Policy Framework” or “RPF” means the Resettlement Policy Framework of the Recipient dated December 29, 2010, and disclosed on December 29, 2010, setting forth the modalities for resettlement and compensation of Displaced Persons under the Project, as the same may be amended from time to time with the prior written agreement of the Association.

24. “Safeguard Instruments” means the ESMF, the RPF, related EMPs, Pest Management Plans, and RAPs for the Project.