
GRANT NUMBER D934-MZ

Financing Agreement

(Sustainable Energy and Broadband Access in Rural Mozambique Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D934-MZ

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date 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) apply to and form 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 a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to two hundred and twelve million Special Drawing Rights (SDR 212,000,000) (“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 III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Payment Dates are February 15 and August 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause FUNAE (with respect to Parts 3, 4, 5(b) and 5(d) of the Project), EDM (with respect to Parts 1, 2 and 5(c) and MIREME (with respect to Part 5(a) of the Project) to carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — ADDITIONAL REMEDIES

- 4.01. That FUNAE's and EDM's Statutes and Basic Legislation have been amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the Association, the ability of FUNAE and EDM, as the case may be, to implement their respective parts of the Project.
- 4.02. That FUNAE and EDM have failed to perform any obligation under their respective Subsidiary Agreement.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Agreements have been executed on behalf of the Recipient and FUNAE and EDM respectively, in accordance with terms and conditions satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 10.05(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 Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister responsible for Economy and Finance or any successor thereof, provided that the Recipient's National Director of Public Debt Management may, by him or herself represent the Recipient to sign this Agreement, amendments and/or notices to this Agreement.
- 6.02. For purposes of Section 11.01 of the General Conditions:

- (a) the Recipient's address is:

Minister of Economy and Finance
Praça da Marinha Popular
Av. 10 de Novembro nº 929
Maputo
Republic of Mozambique; and

- (b) the Recipient's Electronic Address is:

Facsimile: (+258) 21313747

6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

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

(b) the Association's Electronic Address is:

Telex:

Facsimile:

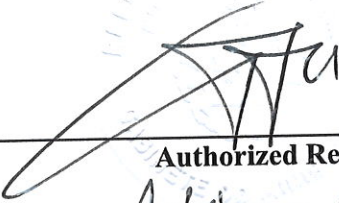
248423 (MCI)

(+1) 202 477 6391

AGREED as of the Signature Date.

REPUBLIC OF MOZAMBIQUE

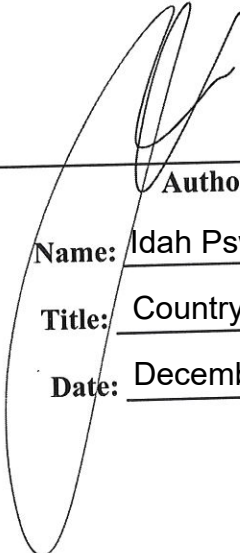
By



Authorized Representative
Name: Adriano Mdeiane
Title: Md. Econ. Finance
Date: 28.12.2021

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative
Name: Idah Pswarayi-Riddihough
Title: Country Director
Date: December 23, 2021

SCHEDULE 1

Project Description

The Project objective is to increase access to energy and broadband services in Project areas and strengthen the operational performance of the electric utility.

The Project consists of the following parts:

Part 1: On-Grid Peri-Urban and Rural Grid Electrification

Provision of support for the design, procurement of materials and construction works required to electrify households, businesses and public facilities in the Project target areas (peri-urban and rural areas), including street-lighting where needed for security and safety connections, focused on areas with lower access to electricity and higher density in terms of electrification, and restocking warehouses depleted of materials from past cyclones.

Part 2: EDM Operational Performance

- (a) Provision of support for the improvement of EDM operational performance, through:
 - (i) the introduction of IT systems to incorporate connected households and businesses into the commercial database of EDM;
 - (ii) the incorporation of new enterprise resource planning system with full management reporting tool pack, an enterprise asset management system, a workforce management system, and a fleet management system.
 - (iii) better management of EDM's fiber-optic network and commercialize it on a wholesale, open-access basis, to support lower cost deployment of broadband services and last mile infrastructure nationwide, thus generating additional revenue for EDM.
- (b) Provision of support for energy efficient lighting and for the reduction of the cost of electricity services to households, schools and hospitals, by up to 10% of peak demand, through the financing the supply of high efficiency lamps ("LED lamps") to replace incandescent lamps, compact fluorescent lamps ("CFLs") and fluorescent tube lamps ("FTLs") in use for street lighting, selected public facilities (schools, hospitals, EDM offices) and new lamps for households to be connected by EDM.

Part 3: Off-Grid Electricity Access and Clean Cooking Solutions

Provision of off-grid electricity solutions to remote households including IDPs and host communities, public facilities such as schools and health centers far from the electricity grid, as well as and clean cooking solutions through:

- (a) Expansion of availability and affordability of off-grid solar solutions with a particular focus on deep rural and underserved areas prioritizing the Northern provinces, providing connections to households, smallholder farmers, small businesses and public institutions, including health facilities and schools, through the financing of instruments to strengthen the capacity of small and early stage firms and attract new market entrants to deliver affordable and reliable services to rural and deep-rural communities through:
 - (i) the establishment and funding of a grant facility to provide a combination of pre-financed milestone-based and results-based financing; complemented with technical assistance and business development services to build sustainable supply chains in rural and deep-rural areas;
 - (ii) the establishment of an Energy Window under the RSF to provide partial credit risk coverage to eligible financial institutions for loans extended to creditworthy businesses in the off-grid solar value chain; and
 - (iii) the provision of support for: (A) the supply and installation of standalone solar systems for non-electrified facilities, including those to be constructed in resettlement camps; (B) long term operation and maintenance services for newly electrified facilities and centers with systems in place in need of improved services; and (C) the establishment of a control center for remote monitoring of power supply systems installed in public facilities.
- (b) Provision of support for the expansion of the financial mechanisms under Part 3(a) of the Project to include clean cooking solutions and technical assistance to develop the enabling environment.
- (c) Provision of basic electricity services to households comprising IDPs and host communities in Cabo Delgado, including the finance of off-grid solar solutions and digital devices to households and small businesses in resettlement sites, as well as training, education and awareness building to develop technical and business skills for businesses, farmers and institutions.

Part 4: Broadband Access for Underserved Areas and Target Groups

Provision of support for the improvement of access to broadband in underserved areas of the Recipient's territory, including the Northern Provinces and IDP and resettlement camp

areas, including: (i) interventions to provide broadband connectivity for schools, health centers and other public service points that will also be connected to electricity services under the Project; and (ii) incentives to encourage private sector deployment of mobile broadband infrastructure and services across uncovered villages.

Part 5: Technical Assistance and Implementation Support

- (a) **MIREME.** Provision of support for the strengthening of the policy environment in the energy sector including: (i) funding for the establishment of an electrification coordination and planning unit in MIREME; (ii) supporting the analysis of the reform options for the sector as part of the review of the Electricity Law; (iii) assessing low carbon options to reduce greenhouse gas emissions in the energy sector; (iv) preparing an energy sector disaster response plan; (v) piloting stimulating electricity demand among electricity customers in order to enhance the level of electricity access for households and small businesses, particularly those connected to the grid; (vi) carrying out a gender assessment and its respective implementation plan; (vii) developing and adopting energy efficiency standards; and (viii) provision of capacity building for MIREME.
- (b) **FUNAE.** Provision of support to Project management-related expenses, including: (i) capacity building and technical assistance related to the development of the financing instruments, as well as increasing knowledge on women's and men's different needs related to off-grid electricity; (ii) strengthening the monitoring and evaluation capacity of FUNAE and (iii) hiring a technical expert to provide Project implementation support.
- (c) **EDM.** Provision of support for: (i) capacity building, technical assistance and implementation support for Project management expenses such as the financing of consultants, external audit, and implementation oversight; (ii) the purchase of tools with associated training ; (iii) the provision of an organization-wide training program to support EDM on the reach of gender equality pillar of EDM's strategy; and (iv) enhancement of EDM capacity on environmental and social standards and support to young professionals program.
- (d) **MTC.** Provision of support on planning, coordination, and implementation of the broadband-related activities under the Project, as well as: (i) the development of an operational plan corresponding to the Recipient's national broadband strategy, including an integrated information and communication technology and energy planning exercise, (ii) PPP transaction technical assistance and support for competitive tender processes for connectivity services under the selected PPP models; and (iii) provision of training to MTC staff to develop gender expertise in measuring and bridging digital gender gaps, as well as to establish and embed gender disaggregation for broadband related indicators; and training on fiduciary, procurement, and environmental and social aspects oversight.

Part 6: Contingency and Emergency Response

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Project shall be implemented by EDM, with respect to Parts 1, 2 and 5(c) of the Project, by FUNAE, with respect to Parts 3, 4, 5(b), and 5(d) of the Project and by MIREME, with respect to Part 5(a) of the Project. MTC shall support FUNAE in the implementation of Part 4 of the Project, and EDM in the implementation of Part 2(a)(iii) of the Project, jointly with INCM.

Project Implementation Units

1. The Recipient shall cause EDM to maintain, throughout Project implementation, an implementing unit ("EDM-PIU") within EDM, composed of key staff, with qualifications and under terms of reference acceptable to the Association, including a Project director, and any other technical, fiduciary, and environmental and social specialists as may have been agreed with the Association, as further detailed in the PIM. The PIU shall be responsible for ensuring coordination with key stakeholders, managing the Project's fiduciary and environmental and social aspects, and monitoring and evaluation with respect to its respective Parts of the Project, as further detailed in the PIM.
2. The Recipient shall cause FUNAE to maintain, throughout Project implementation, an implementing unit ("FUNAE-PIU") within FUNAE, composed of key staff, with qualifications and under terms of reference acceptable to the Association, including a Project coordinator and any other technical, fiduciary, and environmental and social specialists as may have been agreed with the Association, as further detailed in the PIM. The FUNAE-PIU shall be responsible for ensuring coordination with key stakeholders, managing the Project's fiduciary and safeguards aspects, and monitoring and evaluation with respect to its respective parts of the Project, as further detailed in the PIM.
3. The Recipient shall maintain, throughout Project implementation, the existing implementing unit ("MIREME-PIU") within MIREME, composed of key staff, with qualifications and under terms of reference acceptable to the Association, including a Project coordinator and any other technical, fiduciary, and environmental and social specialists as may have been agreed with the Association, as further detailed in the PIM. The MIREME-PIU shall be responsible for ensuring coordination with key stakeholders, managing the Project's fiduciary and safeguards aspects, and monitoring and evaluation with respect to its respective parts of the Project, as further detailed in the PIM.

Project Steering Committee

4. The Recipient through MIREME shall establish, not later than ninety (90) days after Effectiveness Date, and maintain, throughout the implementation of the Project, an inter-ministerial steering committee ("Project Steering Committee"), with a composition, mandate, and resources satisfactory to the Association and detailed in the PIM. The Steering Committee will meet once a year and will hold extraordinary meetings when necessary and be responsible for: (a) providing overall policy guidance and decision making on all issues related to the Project, (b) facilitate coordination among implementing agencies, relevant sectors and agencies, (c) reviewing and approving Annual Work Plans and Budgets submitted by the PIU coordinators, (d) ensure Project alignment with other Recipient's programs, especially *ProEnergia*, and provide strategic direction, ensuring adequate coordination between the PIUs and the line ministries and other agencies implementing portions of the Project without carrying fiduciary responsibilities. The PSC will be chaired by MIREME and composed of representatives of the relevant agencies involved in Project implementation.

Facility Manager and Participating Agreements under Part 3(a)(i) of the Project

5. In order to implement Part 3(a)(i) of the Project, the Recipient shall cause FUNAE to select and appoint a Facility Manager with experience and qualifications acceptable to the Association ("Facility Manager") and ensure that the independent Facility Manager shall:
 - (a) be responsible for assisting FUNAE in the operationalization of the RBF; and
 - (b) (i) enter into agreements with Eligible Beneficiaries ("Participating Agreements"), on terms and conditions acceptable to the Association, which shall include terms and conditions set forth in the PIM to make the proceeds of the subsidiary financing available to said Eligible Beneficiaries; and (ii) except as the Association shall otherwise agree, not assign, amend, abrogate or waive any such Participating Agreements.
6. The Recipient shall cause FUNAE to take all measures in its powers to ensure that the Facility Manager shall exercise its rights under the Participating Agreements in such manner as to protect its interests and the interests of the Association in order to accomplish the purposes of the Financing. The Recipient and/or FUNAE and/or the Facility Manager shall not assign, amend, abrogate or waive the Participating Agreements without the prior written approval of the Association.

Independent Verification Agent

7. For the purposes of implementing Part 3(a)(i) of the Project, the Recipient shall cause FUNAE to, not later than thirty (30) days after the RBF has been established, but in any case, not later than one (1) year after the Effective Date or any other date the Association may agree, appoint an independent verification agent, with qualifications, experience and under terms of reference acceptable to the Association, and in accordance with the Procurement Regulations.

B. Subsidiary Agreements

1. To facilitate the carrying out of the Project, the Recipient shall make part of the proceeds of the Financing available to EDM and FUNAE under a subsidiary agreement (“EDM Subsidiary Agreement” and “FUNAE Subsidiary Agreement” respectively and jointly referred to as “Subsidiary Agreements”) between the Recipient and EDM and FUNAE, as the case may be, under terms and conditions approved by the Association, which shall include the following:
 - (a) neither EDM nor FUNAE shall be required to repay the proceeds of the Financing received from the Recipient;
 - (b) the obligation of EDM and FUNAE, as the case may be, to carry out their respective parts of the Project with due diligence and efficiency, in conformity with appropriate administrative, economic, managerial, financial, environmental, social and technical standards and practices, and provide promptly as needed, the facilities, services and other resources required for its respective parts of the Project;
 - (c) the obligation of EDM and FUNAE, as the case may be to: (i) exchange views with the Recipient and the Association, with regards to the progress of their respective parts of the Project, and the performance of its obligations under the Subsidiary Agreement; and (ii) assist the Recipient in complying with its obligations referred to in Section II of this Schedule, as applicable to their respective parts of the Project;
 - (d) the obligation of EDM and FUNAE, as the case may be, to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of their respective parts of the Project;
 - (e) the obligation of EDM and FUNAE, as the case may be, to carry out their respective parts of the Project in accordance with the PIM and the Anti-Corruption Guidelines;

- (f) the obligation of EDM and FUNAE, as the case may be, to: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to their respective parts of the Project; and (ii) have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; and
 - (g) the right of the Recipient to take remedial actions against EDM or FUNAE, as the case may be, in case EDM or FUNAE shall have failed to comply with any of its obligations under their respective Subsidiary Agreement, which actions may include, *inter alia*, the partial or total suspension and/or cancellation or refund of all or any part of the proceeds of the Subsidiary Financing transferred to EDM or FUNAE, as the case may be, pursuant to the Subsidiary Agreement.
2. The Recipient shall exercise its rights under the Subsidiary Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive any of the Subsidiary Agreements or any of their provisions.

C. Project Manuals

1. The Recipient, through MIREME shall, and shall cause EDM and FUNAE to, carry out the Project in accordance with the requirements set forth in a Project implementation manual ("PIM"). The PIM shall set out detailed guidelines, methods and procedures for the implementation of the Project, including: (a) the different roles and responsibilities in the implementation of the Project, including the various mechanisms for ensuring close coordination and collaboration between various Project stakeholders; (b) budget and budgetary control; (c) flow of funds, disbursement procedures and banking arrangements; (d) financial, procurement and accounting procedures; (e) internal control procedures; (f) accounting system and transaction records; (g) reporting requirements; (h) external audit and independent verification arrangements; (i) anti-corruption and fraud mitigation measures; (j) environmental and social aspects; (k) detailed procedures, eligibility, selection/eligibility criteria and flow of funds for the Project, including financial terms and conditions of the result-based financing under Part 3(a)(i) of the Project; (l) monitoring and evaluation arrangements; (m) contractual arrangements, including, *inter alia*, template performance-based contracts, for Part 3((a)i) of the Project; and (n) such other arrangements and procedures as shall be required for the effective implementation of the Project.

2. The Recipient, through MIREME shall not, and shall cause EDM and FUNAE not to, assign, amend, abrogate or waive any provision of the PIM without prior written approval of the Association.
3. In case of any conflict between the terms of the PIM and those of this Agreement, the terms of this Agreement shall prevail.

Grant Facility Operations Manual

4. For the purposes of implementing Part 3(a)(i) of the Project, the Recipient shall cause FUNAE to carry out said Part 3(a)(i) of the Project in accordance with the requirements set forth in a Grant Facility Operations Manual ("GFOM"). The GFOM shall set out detailed guidelines, methods and procedures for the implementation of Part 3(a)(i) of the Project, including: (a) flow of funds, disbursement procedures and banking arrangements; (b) financial, procurement and accounting procedures; (c) internal control procedures; (d) accounting system and transaction records; (e) reporting requirements; (f) external audit and independent verification arrangements; (g) anti-corruption and fraud mitigation measures; (h) environmental and social aspects; (i) detailed procedures, eligibility, selection/eligibility criteria and flow of funds for the Project, including financial terms and conditions of the result-based financing; (j) monitoring and evaluation arrangements; (k) contractual arrangements, including, *inter alia*, template performance-based contracts; and (l) such other arrangements and procedures as shall be required for the effective implementation of said Part of the Project.
5. The Recipient shall cause FUNAE not to assign, amend, abrogate or waive any provision of the GFOM without prior written approval of the Association.
6. In case of any conflict between the terms of the GFOM and those of this Agreement, the terms of this Agreement shall prevail.

D. Energy Window under the RSF

1. For purposes of carrying out Part 3(a)(ii) of the Project, the Recipient shall cause FUNAE to:
 - (a) make available a portion of the proceeds of the Financing allocated to Category (4) to the RSF Administration, under a subsidiary agreement ("the Energy Window RSF Framework Agreement"), to be entered between FUNAE and the RSF Administration, under terms and conditions acceptable to the Association for the purposes of funding the Energy Window of the RSF;
 - (b) cause the RSF Administration to establish and maintain a separate account for the Energy Window of the RSF. Once the Association has received

satisfactory evidence that the account has been duly opened, the amount from the Financing allocated to Category (4) of the table included in Section III.A.4 of Schedule 2 of this Agreement shall be deposited in its entirety into said account. Once so deposited, said proceeds shall constitute the capital for the Energy Window of the RSF, and shall be kept segregated from funds deposited by other parties and for other purposes in the Risk-Sharing Facility;

- (c) cause the RSF Administration to manage and use the proceeds of the account for the Energy Window of the Risk-Sharing Facility in a manner consistent with the purposes and objectives of this Agreement, and to use the proceeds of said account exclusively for payments to Participating Financial Institutions in case of default by SMEs upon verification that a Default Event has materialized, all in accordance with the terms of this Agreement, the Energy Window-RSF Framework Agreement and the Energy Window-RSF Operational Rules;
- (d) cause the RSF Administration to carry out the following with respect to expenditures funded with withdrawals from the account for the Energy Window of the Risk-Sharing Facility: (i) maintain records and accounts reflecting such expenditures; (ii) retain for at least one year after the Project Closing Date, all records evidencing such expenditures; (iii) enable the Recipient and the Association to examine such records; and (iv) ensure that the audit reports for the Project contain a separate opinion by the auditors as to whether the records and accounts submitted for the relevant audit, together with the procedures and controls involved in their preparation, can be relied upon to support the related withdrawals;
- (e) cause RSF Administration, to abide by the Anti-Corruption Guidelines, and to manage and use the proceeds of the account for the Energy Window of the Risk-Sharing Facility in a manner consistent with the purposes and objectives of the Project and in accordance with the provisions of the Energy Window-RSF Operational Rules;
- (f) recover and refund immediately thereafter to the Association any withdrawals or payments from the Energy Window account of the Risk-Sharing Facility, including any investment income generated therefrom, at the option of the Association, if the Association has determined at any time that such withdrawal or payment made from the account for the Energy Window of the Risk-Sharing Facility (or from the investment income generated therefrom) was used for any expenditure not consistent with the provisions of this Agreement; and
- (g) exercise its rights and carry out its obligations under the Energy Window-RSF Framework Agreement in such manner as to protect the interests of

the Recipient and the Association, and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce the Energy Window-RSF Framework Agreement or any of its provisions. In case of any conflict between the terms of this Agreement and the terms of the Energy Window-RSF Framework Agreement, the terms of this Agreement shall prevail.

2. Without limitation to the provisions of paragraph 1 above, the Recipient, shall cause FUNAE to prepare a set of rules for the efficient implementation of Part 3(a)(ii) of the Project and thereafter carry out Part 3(a)(ii) of the Project in accordance with said provisions (“Energy Window-RSF Operational Rules”), acceptable to the Association, which shall contain, *inter alia*: (i) the administrative and financial terms of the Energy Window of the Risk-Sharing Facility, including sustainability measures, transition measures, risk management considerations, governance structure and other specific matters relevant for the adequate functioning and sustainability of the Energy Window of the Risk-Sharing Facility; (ii) the terms, conditions and exceptions for the verification of the occurrence of a Default Event; (iii) the disbursement, auditing and reporting requirements; (iv) monitoring and evaluation requirements; and (v) transparency and anticorruption provisions, compatible with the Anti-Corruption Guidelines.
3. The Recipient shall cause FUNAE not to amend, waive or fail to enforce any provision of the Energy Window-RSF Operational Rules without the Association’s prior written approval. In case of any conflict between the terms of the Energy Window-RSF Operational Rules and those of this Agreement, the terms of this Agreement shall prevail.
4. The Recipient shall cause FUNAE to ensure that the management board governing the Energy Window of the Risk-Sharing Facility is composed by professionals with qualifications and experience satisfactory to the Association and have the capacity to exercise control over the use of the funds assigned to the Energy Window of the Risk-Sharing Facility.
5. The Recipient shall review with the Association, no later than eighteen (18) months after the Effective Date, or any later date as agreed by the Association the operation of the Energy Window of the Risk-Sharing Facility for the purposes of assessing its operations and to determine a framework for the future operation and/or winding down of the Energy Window of the RSF, as the case may be, in accordance with procedures and under a time frame acceptable to the Association.

E. Environmental and Social Standards

1. The Recipient, through MIREME, shall and shall cause EDM and FUNAE, to ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. Without limitation upon the provisions of paragraph 2 above, if sixty (60) days prior to the Closing Date, the Association determines that there are measures and actions specified in the ESCP which will not be completed by the Closing Date, the Recipient shall: (a) not later than thirty (30) days before the Closing Date, prepare and present to the Association, an action plan satisfactory to the Association on the outstanding measures and actions, including a timetable and budget allocation for such measures and actions (which action plan shall be deemed to be an amendment of the ESCP); and (b) thereafter, carry out said action plan in accordance with its terms and in a manner acceptable to the Association.
4. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
5. The Recipient shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out,

inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

- (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
6. The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
7. The Recipient shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

F. Contingent Emergency Response under Part 6 of the Project

1. In order to ensure the proper implementation of contingent emergency response activities under Part 6 of the Project (“Contingent Emergency Response Part”), the Recipient shall ensure that:
- (a) a manual (“CERC Manual”) is prepared and adopted in form and substance acceptable to the Association, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Financing amounts to finance Emergency Expenditures; (vi) a description of the

environmental and social assessment and management arrangements for the Contingent Emergency Response Part; and (vii) a template Emergency Action Plan;

- (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Association;
 - (c) the Contingent Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Manual or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and
 - (d) neither the CERC Manual or the Emergency Action Plan is amended, suspended, abrogated, repealed or waived without the prior written approval by the Association.
2. The Recipient shall ensure that the structures and arrangements referred to in the CERC Manual are maintained throughout the implementation of the Contingent Emergency Response Part, with adequate staff and resources satisfactory to Association.
3. The Recipient shall ensure that:
- (a) the environmental and social instruments required for the Contingent Emergency Response Part are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Association; and
 - (b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Association.
4. Activities under the Contingency Emergency Response Part shall be undertaken only after an Eligible Crisis or Emergency has occurred.

G. Annual Work Plan and Budget

- 1. Each year the Recipient shall prepare a draft annual work plan and budget for the Project (including Training and Operating Costs) for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested.
- 2. The Recipient shall furnish to the Association, as soon as available, but in any case not later than November 30 of each year, or such later date as agreed with the Association in writing, the annual work plans and budgets and the evidences

referred to in paragraph 1 above, for their review and approval; except for the annual work plan and budget for the Project for the first year of Project implementation, and the evidence which may be required for the implementation of the activities included in the draft annual work plan and budget for such period, which shall be furnished no later than three (3) months after the Effective Date. Only the activities included in an annual work plan and budget expressly approved by the Association (each an "Annual Work Plan and Budget") are eligible to a financing from the proceeds of the Financing.

3. The Recipient shall ensure that the Project is carried out in accordance with the Annual Work Plans and Budgets.

Section II. Project Monitoring, Reporting and Evaluation

1. The Recipient shall furnish to the Association each Project Report not later than one (1) month after the end of each calendar quarter, covering the calendar quarter.
2. Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 of this Agreement, the Recipient shall ensure that such information, report or document does not include Personal Data.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures; and

(b) repay the Preparation Advance; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Costs under Parts 1, 2 and 5(c) of the Project	168,890,000	up to 100%
(2) Goods, works, non-consulting services, and consulting services under Parts 3(a)(iii) and Part 5(b) of the Project	7,774,000	100%
(3) Results-Based Financing Payments under Parts 3(a)(i), 3(b) and 3(c) of the Project	23,320,000	Up to 100%
(4) Capitalization of the Energy Window of the RSF under Part 3(a)(ii) of the Project	2,828,000	100%
(5) Goods, works, non-consulting services, and consulting services under Parts 4, and 5(d) of the Project	7,774,000	100%
(6) Goods, work, non-consulting services and consulting services under Part 5(a) of the Project	1,414,000	
(7) Emergency Expenditures under Part 6 of the Project	0	100%
TOTAL AMOUNT	212,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for:
 - (a) Payments made prior to the Signature Date.
 - (b) Payments under Category (3), unless the Recipient has: (i) adopted the GFOM in a manner acceptable to the Association; and (ii) has competitively hired the independent Facility Manager.
 - (c) Payments under Category (4), unless the Recipient has adopted the Energy Window-RSF Operational Rules and executed and adopted the Energy Window-RSF Framework Agreement, all in a manner acceptable to the Association.
 - (d) Payments under Category (7): (i) unless the Recipient has determined that an Eligible Crisis or Emergency has occurred and has furnished to the Association a request to withdraw Financing amounts under Category (7); and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and (ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.
2. The Closing Date is November 30, 2027.

APPENDIX

Definitions

1. “Annual Work Plans and Budgets” means each annual work plan, together with the related budget, for the Project approved by the Association pursuant to the provisions of Section I.G of Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “CERC Manual” means the manual referred to in Section H of Schedule 2 to this Agreement, as such manual may be updated from time to time with the agreement of the Association, and which is an integral part of the PIM.
5. “Contingent Emergency Response Part” means any activity or activities to be carried out under Part 6 of the Project to respond to an Eligible Crisis or Emergency.
6. “Default Event” means the event of default which will trigger the prematuring of any given credit/loan provided to a creditworthy business in the off-grid solar value chain, and affected by such event of default, under terms, mechanisms, conditions and exceptions set forth in the Energy Window-RSF Operational Rules.
7. “EDM Subsidiary Agreement” means the agreement referred to in Section I.B. of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to EDM.
8. “EDM” means *Electricidade de Mocambique*, the Recipient’s state-owned utility responsible for electricity generation, transmission and distribution countrywide, established in accordance with Law no. 21/97 of October 21, 1997.
9. “EDM-PIU” means the Project implementation unit within EDM referred to in Section I.A.1 of Schedule 2 to this Agreement.
10. “Electricity Law” means Law no. 21/97 of October 21, 1997 and/or any subsequent revisions approved by the Recipient.

11. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
12. “Emergency Action Plan” means the plan referred to in Section I.F.1(b) of Schedule 2 of this Agreement, detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible Crisis or Emergency.
13. “Emergency Expenditures” means any of the eligible expenditures set forth in the CERC Manual referred to in Section I.F.1(a) of Schedule 2 to this Agreement and required for the Contingent Emergency Response Part.
14. “Energy Window” means the account to be established by the Recipient within the Risk-Sharing Facility, in a manner acceptable to the Association and in accordance with the Energy Window-RSF Operational Rules, for the purposes of providing guarantees to Participating Financial Intermediaries to cover credit losses in respect of loans to SMEs in the energy sector upon verification that a Default Event has materialized.
15. “Energy Window-RSF Operational Rules” means the rules for the operation of the Energy Window referred to in Section 1.D of Schedule 2 to this Agreement.
16. “Energy Window-RSF Framework Agreement” means the agreement to be entered between the Recipient (through FUNAE) and RSF Administration, for the purposes of implementing the Energy Window under the RSF referred to in Part 3(a)(ii) of the Project, as the same may be modified from time to time with prior written agreement among the parties thereto.
17. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated November 8, 2021, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
18. “Environmental and Social Standards” or “ESSs” means, collectively:
 - (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”;
 - (ii) “Environmental and Social Standard 2: Labor and Working Conditions”;
 - (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”;
 - (iv) “Environmental and Social Standard 4: Community Health and Safety”;

- (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
19. “FSAU” means *Fundo do Servico de Acesso Universal*, the Recipient’s universal access service fund, for the purposes of expanding ICT services to rural areas and redress market failures, expand voice/SMS and internet access in under-served areas.
 20. “FUNAE” means *Fundo de Energia*, the Recipient’s energy fund, established and operating pursuant to Decree 24/91 of July 22, 1997.
 21. “FUNAE-PIU” means the Project implementation unit within the FUNAE referred to in Section I.A.2. of Schedule 2 to this Agreement.
 22. “FUNAE’s and EDM’s Statutes and Basic Legislation” means Decree 24/91 of July 22, 1997, and Law no. 21/97 of October 21, 1997, respectively.
 23. “FUNAE Subsidiary Agreement” means the agreement referred to in Section I.C of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to FUNAE.
 24. “Facility Manager” means an independent firm selected by the FUNAE, pursuant to the Procurement Regulations, to manage the RBF, and referred to in Section I.A.5 of Schedule 2 to this Agreement.
 25. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020 and April 1, 2021).
 26. “GFOM” means the manual for the operation of the RBF under Part 3(a)(i) of the Project and referred to in Section I.C.4 of Schedule 2 to this Agreement.
 27. “IDP” means internally displaced people.
 28. “INCM” means *Instituto Nacional das Comunicações de Moçambique*, the Recipient’s national institute of communications.
 29. “IT” means information technology.

30. “LED” means light emitting diodes.
31. “MEF” means the Recipient’s Ministry of Economy and Finance.
32. “MIREME” means the Recipient’s Ministry of Mineral Resources and Energy.
33. “MIREME-PIU” means the Project implementation unit within MIREME and referred to in Section I.A.3. of Schedule 2 to this Agreement.
34. “MTC” means the Recipient’s Ministry of Transport and Communications.
35. “Operating Costs” means the reasonable incremental operating costs, based on Annual Work Plans and Budgets, incurred by the Recipient on account of Project implementation including: office equipment and supplies, maintenance of equipment, insurance costs, office administration costs, rental, consumables, accommodation, vehicle operation and maintenance costs, utilities, communication charges, *per diems*, travel allowances, and salaries of the Recipient’s locally contracted staff, but excluding salaries, fees, honoraria, bonuses, and any other salary supplements of members of the Recipient’s civil service.
36. “Participating Agreements” means the agreements to be entered into between the Recipient, through the Facility Manager, and eligible beneficiaries, and referred to in Section I.A.5. of Schedule 2 to this Agreement.
37. “Participating Financial Institution” and “PFI” each means a financial institution established and operating pursuant to the laws of the Recipient, competitively selected and which has met the eligibility criteria specified in the Energy Window-RSF Operational Rules, including: (i) be duly licensed—with at least two years in operation—and supervised by the Bank of Mozambique; (ii) be in ‘good standing’ with its supervisory authority (that is, it should meet all prudential and other applicable laws and regulations, including ‘fit and proper’ requirements for owners and directors and anti-money laundering and countering financing of terrorism); (iii) have well-defined policies, written procedures, and systems for the management of financial, environmental, and social risks; (iv) be generally profitable; and (v) have adequate institutional capacity for its specific risk profile, including internal audit function, and management information system (including a system for identification and management of social and environmental risks) compliant with the Project’s requirements.
38. “PPP” means public-private partnership.
39. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.

40. “*ProEnergia*” means the *Programa Nacional de Energia para Todos* (National Energy for All Program), launched by the Government of Mozambique in November 2018.
41. “Project Implementation Manual” and “PIM” means the manual prepared by the Recipient for Project implementation, dated November 8, 2021 and referred to in Section I.C of Schedule 2 to this Agreement.
42. “Project Steering Committee” and “PSC” means the committee providing strategic guidance for Project implementation and referred to in Section I.A.4 of Schedule 2 to this Agreement.
43. “RBF” or “Off-Grid Results-Based Financing Facility” means the legal entity licensed pursuant to the Recipient’s financial sector laws to be selected for the purposes of supporting the Recipient in implementing Part 3(a)(i) and (iii) and Part 3(b) of the Project.
44. “Results-based Financing Payments” means the payments to be made by FUNAE, through the independent Facility Manager, with the proceeds of the Financing under Category 3 to be made to eligible beneficiaries, in accordance with Section I.C. of Schedule 2 to this Agreement.
45. “Risk-Sharing Facility” and “RSF” means the scheme to be established by the Recipient at a later date, in accordance with the Recipient’s financial and banking laws, for the purposes of providing guarantees to Participating Financial Intermediaries to cover credit losses in respect of loans provided to SMEs upon verification that a Default Event has materialized.
46. “RSF Administration” means the management board governing the Risk-Sharing Facility, composed by professionals with qualifications and experience satisfactory to the Association, with the capacity to exercise control over the use of the funds assigned to the Risk-Sharing Facility and the capacity to sign an Energy Window-RSF Framework Agreement with FUNAE for the establishment of the Energy Window under said RSF.
47. “SME” means small and medium enterprises established under the laws of the Recipient.
48. “Subsidiary Agreements” means collectively the EDM Subsidiary Agreement, and the FUNAE Subsidiary Agreement.
49. “Training Costs” means the reasonable costs associated with training under the Project, based on the relevant Annual Work Plan and Budget, and attributable to study tours, training courses, seminars, workshops and other training activities, not included under service providers’ contracts, including costs of training materials,

space and equipment rental, travel, accommodation and *per diem* costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs.