
GRANT NUMBER E303-MZ

Financing Agreement

(Green Energy Corridors Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER E303-MZ

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the REPUBLIC OF MOZAMBIQUE (the “Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the “Association”) for the purpose of financing the Project described in Schedule 1 to this Agreement.

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 Seventy-five Million Four hundred thousand Special Drawing Rights (SDR 75,400,000) (“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 April 15 and October 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient, through MIREME, declares its commitment to the objective of the Project and the MPA Program. To this end, the Recipient shall cause EDM (with respect to Parts 1, 2(b) and 3(b) 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 That EDM's Statutes and Basic Legislation have been amended, suspended, abrogated, repealed, or waived so as to affect, in the opinion of the Association, the ability of EDM to implement their respective parts of the Project.
- 4.02. That EDM has failed to perform any obligation under its Subsidiary Agreement.
- 4.03. The Association has declared EDM ineligible to be awarded a contract financed by the Association.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Agreement between the Recipient and EDM has been executed 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 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.
- 6.02. For purposes of Section 11.01 of the General Conditions:
 - (a) the Recipient's address is:

Ministry 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

Max Elias Tonela

Authorized Representative

Name: Max Elias Tonela

Title: Minister

Date: 17-May-2024

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Idah Z. Pswarayi-Riddihough

Authorized Representative

Name: Idah Z. Pswarayi-Riddihough

Title: Country Director for Mozambique, Madagascar, Comoros

Date: 17-Apr-2024

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the electricity network and increase regional power trade.

The Project constitutes a phase of the MPA Program and consist of the following parts:

Part 1: Strengthen Transmission Infrastructure

Provision of support for the construction of a new 400kV transmission line between *Songo* and *Matambo*, via *Cataxa*, and upgrades at the existing *Songo* and *Matambo* substations, including the financing of Land Expenditures associated to resettlement for compensation, and rehabilitation of Affected Persons resulting from the works to be carried out under this Part 1.

Part 2: Enable Renewable Energy at Scale

Provision of support to MIREME in coordination with ARENE, and EDM to carry out activities setting the stage for expansion of renewable energy capacity in Mozambique, including:

- (a) Activities implemented by MIREME (in coordination with ARENE): (i) development of a renewable energy strategy for Mozambique, aligned with the energy transition strategy and other sector plans and strategies; (ii) preparation of adequate guidelines and/or regulations for competitive selection of investors and contractors for RE projects; (iii) support to ARENE to close regulatory gaps, including on end-consumer tariffs; (iv) capacity building to develop full scale in-house transaction advisory services at ARENE; (v) identification of key risks to private investments in large-scale RE and specific risk mitigation measures; (vi) preparation of transactions (resource assessments, identification of pipeline of projects); (vii) transaction advisory support (legal, technical, financial/commercial); and (viii) any other technical assistance activities on RE development, compatible with the objective of the Project.
- (b) Activities implemented by EDM; (i) capacity building to develop transaction advisory services at EDM; (ii) preparation of transactions; (iii) transaction advisory support (legal, technical, financial/commercial); (iv) identification of network connection requirements and associated strengthening of the transmission system and other infrastructure requirements; and (v) any other technical assistance activities on RE development, compatible with the objective of the Project.

Part 3: Improve Sector Governance

Provision of support to MIREME, in coordination with ARENE, and EDM to ensure adequate transmission infrastructure, operation of the market and the system that would safeguard the technical and commercial integrity of the system and ensure efficient functioning of the market domestically and in regional trade, including:

- (a) Activities implemented by MIREME (in coordination with ARENE): (i) preparation of action plan for the establishment of an Independent System Operator (ISO), including institutional support for its establishment, defining the role of the ISO in system operations and planning, operational support and capacity building; (ii) establishing institutional, legal and regulatory framework of the power sector in line with the Recipient's electricity law, including structuring of generation, transmission, distribution, and supply functions, defining overall target market structure of the sector and a transition path towards attaining it; (iii) facilitate private investment in transmission lines, through the development of regulations, guidelines, processes, and technical assessments towards attracting private investment for development of transmission lines; (iv) addressing gender gaps in the sector by enhancing MIREME's capacity to institutionalize gender, increasing the participation of women in the sector's workforce, and supporting new and strengthened women led and/or owned enterprises in the sector; and (v) capacity building and implementation support towards Project activities and any relevant sector studies, compatible with the objective of the Project.

- (b) Activities implemented by EDM: (i) provision of support for the improvement in operational and financial performance of EDM, through continued implementation of the FSP and other actions such as extending the loss reduction program, additional domestic allocation of power from HCB, improvements in service quality of EDM, and any other complementary actions; (ii) support EDM's efforts to revamp the ongoing Young Professional Program aimed at building a new generation workforce, with professional experience and enhanced leadership skills; (iii) address gender gaps in the sector by increasing the number of female technicians and leaders in energy related field, increasing the participation of women in sector workforce, and making EDM facilities more adapted to women's needs and conditions; and (iv) capacity building and implementation support towards Project activities, including the establishment of a Project implementation unit within EDM and any relevant sector studies, compatible with the objective of the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain at all times during the implementation of the Project, two Project Implementation Unit (“PIUs”) within EDM and MIREME respectively, with dedicated staff with mandate, composition and resources acceptable to the Association and defined in the Project Operations Manual (“POM”).
2. Without limitation to the provisions of paragraph (a) immediately above, the PIUs shall be responsible for day-to-day management of the Project, including: (i) managing the implementation of the Project activities under their respective Parts; (ii) managing the procurement, financial management, disbursements, and safeguards aspects; (iii) coordinating the preparation, adjustments, and use of the Project management tools, including any updates to the POM, annual work plan, Procurement Plan, and disbursement projections; (iv) coordinating with key stakeholders on the technical aspects of all Parts of the Project; (v) monitoring the progress of the objectives of the Project and intermediate indicators of the Results Framework; and (vi) preparing Project reports.

Project Steering Committee

3. The Recipient, not later than 30 days after the Effective Date shall maintain, throughout the implementation of the Project, a steering committee (“Project Steering Committee”), chaired by MIREME with composition, mandate, and resources satisfactory to the Association and detailed in the POM.
4. Without limitation to sub-paragraph 3 immediately above, the Steering Committee will meet at least twice a year and will hold extraordinary meetings when necessary. The PSC shall be chaired by MIREME and shall comprise members from relevant agencies including MEF, EDM, MIREME and ARENE to carry out the following functions: (i) provide overall guidance on all issues related to the Project; (ii) facilitate coordination among relevant sectors and agencies; and (iii) ensure project alignment with the Recipient’s other programs and provide strategic direction, ensuring adequate coordination between the PIU and the line ministries and other agencies participating in the implementation of the Project.

B. Subsidiary Agreement

1. To facilitate the carrying out of Parts 1, 2(b), and 3(b) of the Project, the Recipient shall make the proceeds of the Financing available to EDM under a subsidiary agreement between the Recipient and EDM (the “Subsidiary Agreement”), under terms and conditions approved by the Association; whereby, *inter alia*: the Recipient agrees to make available to EDM, on a grant basis, part of the proceeds of the Financing to finance EDM’s activities described under Parts 1, 2(b) and 3(b) of the Project.
2. The Recipient shall cause EDM to cooperate with the Recipient in the carrying out of their respective activities under the Project, including exchanging information, holding reviews and providing reports on the progress of activities under its responsibility in accordance with the terms and conditions set forth in this Agreement, including the Anti-Corruption Guidelines, POM and the ESCP.
3. The Recipient shall exercise its rights under the Subsidiary Agreement in such a 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 the Subsidiary Agreement or any of its provisions.

C. Project Operations Manual

1. The Recipient, not later than 30 days after the Effective Date shall cause EDM and MIREME to prepare a Project operation manual acceptable to the Association, and thereafter shall cause EDM and MIREME, to carry out the Project in accordance with the POM. The POM shall set out detailed guidelines, methods and procedures for the implementation of the Project, including: (i) 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; (ii) budget and budgetary control; (iii) flow of funds, disbursement procedures and banking arrangements; (iv) financial, procurement and accounting procedures; (v) internal control procedures; (vi) accounting system and transaction records; (vii) Personal Data collection and processing in accordance with applicable national law and good international practice; (viii) monitoring and evaluation arrangements, including procedures reporting requirements; (ix) external audit; (x) the Annual Work Plans and Budget for the first year of Project implementation; and (xi) such other arrangements and procedures as shall be required for the effective implementation of the Project.
2. The Recipient shall and shall cause EDM and MIREME to ensure that the POM or any provision thereof is not assigned, amended, abrogated or waived without prior written approval of the Association and in case of any conflict between the terms of the POM and those of this Agreement, the terms of this Agreement shall prevail.

D. Environmental and Social Standards

1. The Recipient shall and shall cause EDM 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 and shall cause EDM to 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 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 30 days before the Closing Date, prepare and present to the Association an action plan satisfactory to the Bank on the outstanding measures and actions, including a timetable and budget allocation for such measures and actions (which action plan shall deemed to be considered 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 and shall cause EDM to 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 and shall cause EDM to 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 and shall cause EDM to 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.

Section II. Project Monitoring, Reporting and Evaluation

1. The Recipient, through MIREME, shall and shall cause EDM to furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.
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 and shall cause EDM to 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 shall and shall cause EDM to withdraw the proceeds of the Financing to finance Eligible Expenditures; 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, and Operating Costs under Parts 1, 2(b), and Part 3(b) of the Project	68,840,000	100%
(2) Goods, works, non-consulting services, consulting services, and Operating Costs under Parts 2(a), and 3(a) of the Project	5,278,000	100%
(3) Land Expenditures under Part 1 of the Project	1,282,000	100%
TOTAL AMOUNT	75,400,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for Payments made prior to the Signature Date.
2. The Closing Date is June 30, 2030.

APPENDIX

Definitions

1. “Affected Persons” means people who, as a result of: (i) the involuntary taking of land under the Project, are affected in any of the following ways: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, suffer adverse impacts on their livelihood.
2. “Annual Work Plan and Budget” means the work plan and budget acceptable to the Association referred to in Section I.C of Schedule 2 to this Agreement, as said work plan and budget may be modified from time to time with the written agreement of the Association.
3. “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.
4. “ARENE” means *Autoridade Reguladora de Energia*, the Recipient’s energy regulatory authority established in September 2017 to provide regulatory oversight of the sector.
5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
6. “EDM” means *Electricidade de Moçambique*, the state-owned utility responsible for electricity generation, transmission, and distribution countrywide.
7. “EDM’s Statutes and Basic Legislation” means Decree No. 38/77 of August 27, 1977, establishing EDM.
8. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated March 1, 2024, 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.
9. “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”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.

10. “FSP” means Financial Strengthening Plan.
11. “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).
12. “HCB” means *Hidroeléctrica de Cahora Bassa*, the Recipient's Cahora Bassa Hydropower.
13. “ISO” means Independent System Operator.
14. “Land Expenditures” means cash compensation and other assistance paid in cash for economic displacement related to the implementation of a Resettlement Action Plan or RAP under the Project.
15. “MEF” means *Ministério da Economia e Finanças*, the Recipient’s Ministry of Economy and Finance.
16. “MIREME” means *Ministério dos Recursos Minerais e Energia*, the Recipient’s Ministry of Mineral Resources and Energy.
17. “MPA Program” means the multiphase programmatic approach program designed to advance green energy transition in Mozambique by: (i) strengthening Mozambique’s electricity network; (ii) increasing regional power trade; (iii) improving sector governance; and (iv) enabling renewable electricity generation, through private sector participation.
18. “Operating Costs” means the reasonable incremental operating costs, based on Annual Work Plans and Budgets, incurred by the Recipient and/or EDM on account of Project implementation including: office equipment and supplies, maintenance of equipment, insurance costs, office administration costs, rental,

consumables, accommodation, vehicle operation, insurance 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.

19. "Personal Data" means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.
20. "PIUs" means the Project implementation units within EDM and MIREME referred to in Section A.I.(b) of Schedule 2 to this Agreement.
21. "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.
22. "Project Operations Manual" and "POM" means the manual prepared by the Recipient for Project implementation and referred to in Section I.A.2 of Schedule 2 to this Agreement.
23. "Project Steering Committee" or "PSC" means the committee providing strategic guidance for Project implementation and referred to in Section I.A.3 of Schedule 2 to this Agreement.
24. "Resettlement Action Plan" or "RAP" means a resettlement action plan, acceptable to the Bank and to be prepared by the Recipient pursuant to the requirements of the RPF and the ESCP for compensation, resettlement and rehabilitation of Affected Persons as a result of the works under Part 1 of the Project, as such plan may be amended from time to time with the prior written approval of the Association, and such term includes any schedules to such plan.
25. "Resettlement Policy Framework" or "RPF" means the resettlement policy framework prepared by the Recipient for the purposes of the Project, outlining the policies and procedures to be implemented in the event that specific Project related activities have potentially negative impacts on the livelihoods, assets and land of Affected Persons, as the said framework may be amended and/or supplemented from time to time with the prior written approval of the Association, and such term includes any schedules to such document.

26. “Subsidiary Agreement” means the Subsidiary 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 for implementation of Parts 1, 2(b) and 3(b) of the Project.
27. “RE” means renewable energy.
28. “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.
29. “Young Professional Program” means EDM’s program to bring future talent to be trained through hands-on training, and exposure to different EDM departments, aimed at building a new generation workforce, with professional experience and enhanced leadership skills. After 2-3 years and subject to a successful performance review, these professionals may be transferred to EDM core business areas.