

CONFORMED COPY

CREDIT NUMBER 2629 MOZ

Project Agreement

(Gas Engineering Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

EMPRESA NACIONAL DE HIDROCARBONETOS

Dated June 17, 1994

CREDIT NUMBER MOZ

PROJECT AGREEMENT

AGREEMENT, dated June 17, 1994, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and EMPRESA NACIONAL DE HIDROCARBONETOS (ENH).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Republic of Mozambique (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty one million three hundred thousand Special Drawing Rights (SDR 21,300,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that ENH agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and ENH, a portion of the proceeds of the credit provided for under the Development Credit Agreement will be relent to ENH on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS ENH, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. ENH declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and engineering practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part B of the Project.

Section 2.02. ENH shall carry out Part B of the Project in conformity with appropriate environmental practices, satisfactory to the Association, and consistent with the environmental action plan referred to in paragraph 2(b) of Schedule 1 to the Development Credit Agreement.

Section 2.03. Except as the Association shall otherwise agree, procurement of goods, works and services required for Part B of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.04. ENH shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part B of the Project.

Section 2.05. ENH shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, ENH shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.06. (a) ENH shall, at the request of the Association, exchange views with the Association with regard to the progress of Part B of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) ENH shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part B of the Project, the accomplishment of the purposes of the Credit, or the performance by ENH of its obligations under this Agreement and under the Subsidiary Loan Agreement.

Section 2.07. For the purpose of Part B.4 and B.6 of the Project, ENH shall enter into a joint-venture agreement, with one or several private firms, under the terms and conditions that shall have been found satisfactory by the Association.

Section 2.08. Without limitation to the provisions of the Development Credit Agreement and Section 9.01 of the General Conditions, ENH shall, every three months, submit to the Association, progress reports on the implementation of Part B of the Project, and all such information related thereto as the Association shall reasonably request.

Section 2.09. (a) ENH shall, prior to the implementation of Part B.4, B.5 and B.6 of the Project, and in any case, no later than December 31, 1995, carry out, jointly with the Association, a mid-term review of the progress made in the carrying out of the Project as referred to in Section 3.05 of the Development Credit Agreement.

(b) The review shall cover, inter alia, the preparation for Part B.4, B.5 and B.6 of the Project including the terms of reference, the implementation of measures designed to strengthen the financial reporting, monitoring, accounting and auditing capabilities of ENH.

(c) No later than one month prior to such mid-term review, ENH shall, furnish to the Association, for its review and comments, a report in such detail as the Association shall reasonably request, including and evaluation of the progress achieved in complying with Project implementation pursuant to the terms of this Agreement, and recommendations resulting from the studies conducted under the Project.

(d) Promptly after completing such review, ENH shall carry out the recommendations emanating from the said review.

Section 2.10. ENH shall, for the purpose of Part B of the Project, create and maintain, until the completion of the Project, a Project Management Team (PMT), which shall ensure, inter alia, the coordination between the joint venture partners as well as the different activities of the Project.

### ARTICLE III

#### Management and Operations of ENH

Section 3.01. ENH shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, management, environmental and engineering practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. ENH shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound financial, management, environmental and engineering practices.

Section 3.03. ENH shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) ENH shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) ENH shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

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

- (i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of ENH thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date fifteen (15) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify ENH of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE VI

##### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

Telex:

INDEVAS  
Washington, D.C.

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

For ENH:

Empresa Nacional de Hidrocarbonetos  
Avenida Fernao de Magalhaes 34  
P.O. Box 4787  
Maputo

Telex:

6-478 ENH-MO

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of ENH, or by ENH on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Director General or such other person or persons as the Director General shall designate in writing, and ENH shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Stephen Denning

Acting Regional Vice President  
Africa

EMPRESA NACIONAL DE HIDROCARBONETOS

By /s/ Hipolito Zozimo Patricio

Authorized Representative

