

Public Disclosure Authorized

OFFICIAL DOCUMENTS

GRANT NUMBER D238-MZ

Project Agreement

(Power Efficiency and Reliability Improvement Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ELECTRICIDADE DE MOÇAMBIQUE

GRANT NUMBER D238-MZ

PROJECT AGREEMENT

AGREEMENT entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and ELECTRICIDADE DE MOÇAMBIQUE (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of the Signature Date between the REPUBLIC OF MOZAMBIQUE (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Parts 1, 2 and 3(b) of the Project in accordance with the provisions of Article V of the General Conditions and the Schedule to this Agreement, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 10.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the Signature Date.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is its chief executive officer and chairman of the board of directors.

4.02. 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: E-mail:

248423(MCI) or 1-202-477-6391
mlundell@worldbank.org

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

(a) the Project Implementing Entity's address is:

Electricidade de Moçambique
Av. Agostinho Neto n° 70,
CP 2447, Maputo; and

(b) the Project Implementing Entity's Electronic Address is:

Facsimile: E-mail:

+ 258 21491048 mateus.magala@edm.co.mz

AGREED, as of the latest of the two dates written below.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

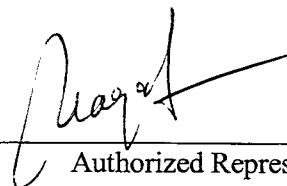


Authorized Representative

Name: MARK LUNDELL
Title: COUNTRY DIRECTOR
Date: October 25, 2017

ELECTRICIDADE DE MOÇAMBIQUE

By



Authorized Representative

Name: Mateus Magala
Title: Chairman & CEO
Date: November 16, 2017

SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation Arrangements

- A. Institutional Arrangements.** The Project Implementing Entity shall maintain and cause to be maintained, throughout the Project implementation period, the following, with terms of reference and resources satisfactory to the Association: a Project Implementation Unit, established within the Project Implementing Entity, responsible for the day-to-day operations of the Respective Part of the Project, including management, coordination, supervision, monitoring and evaluation of the Respective Part of the Project. The Project Implementation Unit will be headed by a director and will be supported by staff with functions, experience, responsibilities and qualifications acceptable to the Association, as described in the Project's Operational Manual.
- B. Subsidiary Agreement.** The Project Implementing Entity shall sign a subsidiary agreement with the Recipient, on terms and conditions approved by the Association, which shall include the obligation of the Project Implementing Entity to:
- (a) implement the Respective Part of the Project with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, including the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient, Safeguards Instruments, and in accordance with the provisions of this Agreement;
 - (b) (i) procure all goods, works and services required under said Respective Part of the Project and to be financed out of the proceeds of the Financing in accordance with the provisions of Section III below; and (ii) ensure that all such goods, works and services are used exclusively for the purposes of said Parts;
 - (c) ensure that all facilities relevant to said Parts shall at all times be properly operated and maintained and that all necessary repairs and renewals of such facilities shall be made promptly as needed;
 - (d) with respect to records management: (i) maintain records adequate to record the progress of said Respective Parts of the Project (including its cost and the benefits to be derived from it), to identify the goods, works and services financed out of the proceeds of the Financing and disclose their use in said parts; (ii) furnish such records and information as may be requested by the Recipient or the Association; and (iii) retain all records

evidencing expenditures under said Respective Part of the Project for the period of time specified in the General Conditions;

- (e) with respect to monitoring and evaluation: (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Recipient and the Association, the progress of said Respective Part of the Project and the achievement of its objective; (ii) prepare periodic reports, in form and substance satisfactory to the Recipient and the Association, integrating the results of such monitoring and evaluation activities and setting out measures recommended to ensure the continued efficient and effective execution of the Respective Parts of the Project and to achieve its objective, each such report to cover a calendar quarter; (iii) furnish each such report to the Recipient and the Association within forty-five (45) days after the end of such period; and (iv) prepare, and furnish to the Recipient a final report, of such scope and in such detail as the Recipient and the Association shall reasonably request, on the execution of said Respective Part of the Project, and furnish the same to the Recipient and the Association not later than six (6) months after the end of the Project;
 - (f) with respect to financial management: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Recipient and the Association, both in a manner adequate to reflect its operations and financial condition, including the operations, resources and expenditures related to said Respective Part of the Project; (ii) avail the records pertaining to said parts to external and internal auditors; (iii) prepare as part of the Project Report, interim unaudited financial reports covering each quarter, and furnish them to the Recipient and the Association not later than forty-five (45) days after the end of the period covered by such reports, and provide such other information concerning such unaudited financial statements as the Recipient or the Association may from time to time reasonably request; and (iv) have its financial statements audited by independent auditors and applying standards both acceptable to the Association at least once in each fiscal year; and
 - (g) enable the Recipient and the Association to inspect the Respective Parts of the Project, their operations and any relevant records and documents.
3. The Project Implementing Entity shall exercise its rights under the Subsidiary 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 Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Project Operations Manual. The Project Implementing Entity shall: (a) carry out the Project in accordance with the Project Operations Manual, satisfactory to the Association, which shall contain detailed guidelines, methods and procedures for the implementation of the Project, including: (i) administration and coordination; (ii) performance indicators for the Project; (iii) monitoring and evaluation; (iv) financial, procurement and accounting procedures; (v) social and environmental safeguards; (vi) corruption and fraud mitigation measures; (vii) roles and responsibilities of various agencies in the implementation of the Project; and (viii) procedures and criteria for selecting investments (including economic and technical feasibility, ownership and environmental and social risks and impacts on the surrounding community), and other activities to be implemented under the Project, and such other arrangements and procedures as shall be required for the effective implementation of the Project; and (b) except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Project Operations Manual.

D. Annual Work Plan and Budget

1. The Project Implementing Entity shall prepare and furnish to the Recipient and to the Association, an annual program of activities proposed for implementation under the Project during the following Fiscal Year, together with a proposed budget for the purpose.
2. The Project Implementing Entity shall exchange views with the Association on each such proposed Annual Work Plan and Budget, and shall thereafter adopt, and carry out such program of activities for such following Fiscal Year as shall have been agreed with the Recipient and the Association, as such plan may be subsequently revised during such following Fiscal Year with the prior written agreement of the Association.

E. Safeguards

1. The Project Implementing Entity shall carry out, the Project in accordance with the provisions of the Safeguards Instruments.
2. If any Supplemental Social and Environmental Safeguard Instrument is required under any of the Safeguard Instruments, the Project Implementing Entity shall:
 - (a) (i) prepare such Supplemental Social and Environmental Safeguard Instrument in accordance with the applicable Safeguard Instrument; (ii) carry out consultations upon such Supplemental Social and Environmental Safeguard Instrument; (iii) furnish such Supplemental Social and Environmental Safeguard Instrument to the Association for review and approval; and (iv) thereafter adopt such Supplemental Social and

Environmental Safeguard Instrument prior to implementation of the activities; and

- (b) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such Supplemental Social and Environmental Safeguard Instrument.
- 3. The Project Implementing Entity shall ensure that all technical assistance under the Project, application of whose results would have environmental or social implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association, such terms of reference to ensure that the technical assistance takes into account, and calls for application of the Association's environmental and social safeguard policies and the Recipient's own laws relating to the environment and social aspects.
- 4. If any activity under the Project would involve Affected Persons, the Project Implementing Entity shall: (a) ensure that no physical or economic displacement shall occur before resettlement measures under a Supplemental Social and Environmental Safeguard Instrument prepared in accordance with the RPF and the RAP, including, in the case of either physical or economic displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, have been implemented; and (b) provide from its own resources, any financing required for any measures under sub-paragraph (a) above including any costs associated with land acquisition required for the Project.
- 5. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall for each of the Safeguards Instruments including the related Supplemental Social and Environmental Safeguard Instrument, regularly collect, compile and furnish to the Association reports in form and substance satisfactory to the Association, on the status of compliance with such Safeguard Instrument including the related Supplemental Social and Environmental Safeguard Instrument, as part of the Project Reports, giving details of:
 - (a) measures taken in furtherance of the Safeguards Instruments including the Supplemental Social and Environmental Safeguard Instruments;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments including the Supplemental Social and Environmental Safeguard Instruments; and
 - (c) remedial measures taken or required to be taken to address such conditions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Recipient not later than forty-five days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.
2. The Project Implementing Entity shall provide to the Recipient not later than three (3) months, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section IV. Other Undertakings

The Project Implementing Entity undertakes to maintain during the implementation of the Project a qualified and experienced accountant to support the financial management of the Project Implementing Entity with terms of reference satisfactory to the Association.