

CONFORMED COPY

GRANT NUMBER TF097013

Norwegian Trust Fund Grant Agreement

(Co-financing of the Regional Transmission Development Project)

Between

REPUBLIC OF MOZAMBIQUE

And

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 27, 2010

GRANT NUMBER TF097013

NORWEGIAN TRUST FUND GRANT AGREEMENT

AGREEMENT dated August 27, 2010, entered into between:

REPUBLIC OF MOZAMBIQUE (“Recipient”); and

INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting as administrator of Norway’s Support to the Regional Power Infrastructure Projects in Southern Africa Trust Fund (“Trust Fund”), in particular, co-financing of the Regional Transmission Development Project.

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in the Appendix to this Agreement.

**Article II
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall cause the Project to be carried out by EDM (“Project Implementing Entity”) in accordance with the provisions of Article II of the Standard Conditions and the agreement dated the same date as this Agreement between the World Bank and the Project Implementing Entity, as such agreement may be amended from time to time (“Norwegian Trust Fund Project Agreement”).
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III
The Grant

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to three million eight hundred thirty seven thousand and four hundred United States Dollars (\$3,837,400) (“Grant”) to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV
Additional Remedies

- 4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:
 - (a) a situation shall have arisen which will make it improbable that the Project or a significant part thereof will be carried out.
 - (b) the Recipient’s Decree No. 28/95, dated July 17, 1995 establishing EDM has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Norwegian Trust Fund Project Agreement.
 - (c) The Recipient has failed to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to IBRD or IDA: (i) under any agreement between the Recipient and IBRD; or (ii) under any agreement between the Recipient and IDA; or (iii) in consequence of any guarantee extended or other financial obligation of any kind assumed by IBRD or IDA to any third party with the agreement of the Recipient.
 - (d) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under the Norwegian Trust Fund Project Agreement.

- (e) The Project Implementing Entity has failed to perform any obligation under the Norwegian Trust Fund Project Agreement.
- (f) IBRD or IDA has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by IBRD or IDA, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA (including as administrator of funds provided by another financier), as a result of a determination by IBRD or IDA that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive, or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA.
- (g) The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

Article V
Effectiveness; Termination

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.
- (a) The execution and delivery of this Agreement on behalf of the Recipient and the Norwegian Trust Fund Project Agreement on behalf of the Project Implementing Entity have been duly authorized or ratified by all necessary governmental and corporate action.
 - (b) If the World Bank so requests, the condition of the Project Implementing Entity, as represented or warranted to the World Bank at the date of this Agreement, has undergone no material adverse change after such date.
 - (c) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01 (a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Member Country, showing the following matters:

- (a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms;
 - (b) on behalf of the Project Implementing Entity, that the Norwegian Trust Fund Project Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and
 - (c) the Subsidiary Agreement referred to in Section 1 (A) of Schedule 2 to this Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon each such party in accordance with its terms.
- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient's Representative; Addresses

6.01. The Recipient's Representative is the Minister of Planning and Development.

6.02. The Recipient's Address is:

Ministry of Planning and Development
Avenue Ahmed S. Toure, 21
Maputo, Mozambique

Facsimile:

(258) 21 490-146

6.03. The World Bank's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

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

REPUBLIC OF MOZAMBIQUE

By

/s/ Aiuba Cureneia
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
Acting as administrator of Norway's Support to the Regional
Power Infrastructure Projects in Southern Africa Trust
Fund

By

/s/ Ricardo Gazel
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the preparatory activities of the proposed Mozambique Regional Transmission Development Project (CESUL).

The Project consists of the following parts:

- (a) Carrying out a study of the economic costs and benefits and macroeconomic impact of the proposed CESUL.
- (b) Provision of tax counseling services.
- (c) Provision of insurance advisory services.
- (d) Provision of engineering services related to preparation of specification and tender documents.
- (e) Provision of technical advisory services on social and environmental related issues.
- (f) Provision of technical advisory services on dam safety.
- (g) Assist in carrying out preparation activities related to CESUL, through:
 - (i) the provision of goods, contractual staff, and Operating Costs; and
 - (ii) carrying out of capacity building activities for the selected EDM staff.

SCHEDULE 2

Project Execution

Section I. Implementation and Other Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to EDM, on a grant basis, under a subsidiary agreement between the Recipient and EDM, under terms and conditions approved by the World Bank (“Subsidiary Agreement”), which shall, inter alia, include the following:
 - (a) the requirement that EDM carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, engineering, technical, environmental and social safeguard practices, and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for the Project;
 - (b) the obligation of the EDM to comply with the procedures for procurement of works, goods, and consultants’ services set forth in the Procurement Plan and this Agreement;
 - (c) the requirement that EDM comply with record keeping, auditing and reporting requirements set forth in Schedule of the Norwegian Trust Fund Project Agreement with respect to the Project, including the annual auditing of its records and accounts in respect of the Project (operations, resources and expenditure in respect of the Project);
 - (d) the obligation of EDM to exchange views with the Recipient and the World Bank with regard to the progress of the Project and the performance of its obligations under the Subsidiary Agreement;
 - (e) the requirement that EDM promptly inform the Recipient and the World Bank of any condition which interferes or threatens to interfere with the progress of the Project, or the performance of its obligations under the Subsidiary Agreement;
 - (f) the requirement that EDM will comply with all the provisions of the Subsidiary Agreement, and except as the World Bank and the Recipient

shall otherwise agree, shall not assign, amend, abrogate or waive any of their respective provisions; and

(g) the requirement that the EDM will carry out the Project in accordance with the provisions of the Anti-Corruption Guidelines.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

B. Institutional Arrangements

The Recipient shall ensure that the Project is carried out by EDM in accordance with the provisions of this Agreement, Norwegian Trust Fund Project Agreement, and in accordance with the guidelines, procedures, recommendations, and other specifications set forth in the Subsidiary Agreement.

C. Anti-Corruption

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

D. Environmental and Social Safeguards

The Recipient shall ensure that the terms of reference for consultancy assignments related to studies or technical assistance provided under the Grant shall be satisfactory to the World Bank and, to that end, such terms of reference shall incorporate the requirements of the World Bank safeguard policies and World Bank Group Environmental Health and Safety Guidelines of April 2007 to be found on www.ifc.org as applied to the advice conveyed through such studies and technical assistance.

Section II. Procurement

All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with provisions of Section III of the Schedule to the Norwegian Trust Fund Project Agreement.

Section III. Financial Management, Financial Reports, and Audits

The financial management and reporting for the Project will be carried out in accordance with Paragraph B, Section II of Schedule to the Norwegian Trust Fund Project Agreement.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Consultant Services	3,450,000	100%
(2) Goods	130,000	100%
(3) Operating Costs	98,000	100%
(4) Training and Workshops	159,400	100%
TOTAL AMOUNT	3,837,400	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made: (a) for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed \$80,600 equivalent may be made for payments made prior to this date but on or after May 1, 2010, for Eligible Expenditures under the Project.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2013.

Appendix

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
4. “EDM” means *Electricidade de Mocambique, EP*, (the Project Implementing Entity) established and operating pursuant to the Recipient’s Decree No. 28/95 dated July 17, 1995 and includes any successors thereto.
5. “Fiscal Year” or “FY” means the fiscal year of EDM which commences on January 1 of each year, and ends on December 31 of the following year.
6. “Operating Costs” means the incremental operating expenses incurred for management and coordination of the Project activities, including office rental, office equipment and furniture, printing, communications, consumables, utility expenses, and vehicle operation and maintenance.
7. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006 and May 2010.
8. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 4, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
9. “Project Management Unit” means the unit within EDM, and referred to in Section (I) (A) (1) of the Schedule to the Norwegian Trust Fund Project Agreement.
10. “Southern African Power Pool” means an initiative of the member states of the Southern African Development Community establishing a framework for

regional power cooperation and trade, as set forth in the Southern African Development Community Inter-governmental Memorandum of Understanding dated August 28, 1995, as amended under the Revised Inter-governmental Memorandum of Understanding dated February 23, 2006, and signed and adopted by the Recipient.

11. “Southern African Region” means the geographical area of the member countries of the Southern African development community.
12. “Subsidiary Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to EDM.
13. “Training and Workshops” means costs associated with the training of EDM personnel involved in implementation of the Project, including study tours, travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation.