

**CONFORMED COPY**

**CREDIT NUMBER 3819 MOZ**

# **Development Credit Agreement**

**(Energy Reform and Access Project)**

**between**

**REPUBLIC OF MOZAMBIQUE**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated October 7, 2003**



## **CREDIT NUMBER 3819 MOZ**

### **DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated October 7, 2003, between REPUBLIC OF MOZAMBIQUE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated June 17, 2003, describing a program designed to increase access to modern energy in peri-urban and rural areas within the Borrower's territory (the Program) and declaring the Borrower's commitment to the execution of such program;

(B) the Borrower has requested that the Association support the Borrower's execution of the Program through a series of credits over a period of approximately eight years to be utilized by the Borrower in the implementation of the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(D) Part B of the Project will be carried out by Electricidade de Mozambique (EdM) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to EdM, as set forth in this Agreement;

(E) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank), acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the Global Environment Facility Trust Fund (the GEF Trust Fund) by certain members of the Bank as participants to the GEF, to provide additional assistance towards the financing of the Project, and by the GEF Trust Fund Grant Agreement (the GEF Grant Agreement) of even date herewith between the Recipient and the Bank, the Bank is making a grant in an aggregate amount of three million ninety thousand Dollars (US\$3,090,000) (the GEF Trust Fund Grant);

(F) the Borrower intends to contract from the African Development Fund (AfDF) a loan (AfDF Loan) in an amount in various currencies equivalent to ten million nine hundred eighty thousand Units of Account (UA10,980,000), to assist in financing part of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and AfDF (the AfDF Loan Agreement);

(G) the Borrower intends to contract from the Nordic Development Fund (NDF) a loan (NDF Loan) in the amount of seven million Euros (€7,000,000) to assist in

financing part of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and NDF (the NDF Loan Agreement); and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Association and EdM.

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999 (the General Conditions)), constitute an integral part of this Agreement.

(a) Paragraph (c) of Section 9.06 of the General Conditions is modified to read as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Beneficiary" means a private sector entity, duly registered community organization, or a line ministry of the Borrower, as the case may be, to which or for whose benefit Subproject Financing (as hereinafter defined) is to be provided for the implementation of a Subproject (as hereinafter defined) under Parts C and D of the Project, and Beneficiaries shall mean all such Beneficiaries collectively;

(b) "CNELEC" means the Borrower's National Electricity Council, established and operating pursuant to Act No. 21/97 dated October 1, 1997;

(c) “Concession Contract” means a written agreement to be entered into between the Borrower and a Beneficiary setting forth terms and conditions under which a concession shall be granted to the Beneficiary by the Borrower;

(d) “DNE” means *Direcao Nacional de Energia*, the Directorate for Energy in MIREME (as hereinafter defined);

(e) “EdM” means Electricidade de Mozambique, established pursuant to Decree No. 28/95 dated July 17, 1995;

(f) “EdM PCU” means the Project Coordination Unit established within EdM as described in paragraph 1 (b) of Schedule 1 to the Project Agreement;

(g) “EMP” means the environmental management plan dated January 2003, satisfactory to the Association, describing measures for the mitigation of the environmental impact of the Project, as the same may be updated from time to time with the approval of the Association;

(h) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement, the GEF Grant Agreement and the Project Agreement (as hereinafter defined);

(i) “FUNAE” means *Fundo de Energia*, the Borrower’s Energy Fund, established pursuant to Decree No. 24/97 dated July 22, 1997;

(j) “*Metical*” or “MZM” means the Borrower’s currency;

(k) “MICOA” means the Borrower’s Ministry of Environmental Affairs;

(l) “MINED” means the Borrower’s Ministry of Education;

(m) “MIREME” means the Borrower’s Ministry of Mineral Resources and Energy;

(n) “MISAU” means the Borrower’s Ministry of Health;

(o) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on November 8, 2001, and on behalf of the Borrower on November 28, 2001;

(p) “PCU” means the Project Coordination Unit established within MIREME, as described in paragraph 2 of Schedule 4 to this Agreement;

(q) “PIP” means the Project Implementation Plan, acceptable to the Association referred to in Paragraph 1 of Schedule 4 to this Agreement consisting of

different modules setting out, *inter alia*, the administrative, financial, accounting and auditing procedures; the procurement and disbursement procedures; the eligibility criteria for Subprojects (as hereinafter defined) including appropriate procurement, accounting and auditing procedures in respect thereof, detailed performance indicators to be used for the Project, and all other arrangements to be used for the purpose of implementing the Project, as the same may be amended from time to time, and such term includes any schedules to the Project Implementation Plan;

(r) "Project Account A" means the account opened by the Borrower for purposes of providing its counterpart contribution for Parts A, C, D and E of the Project, and referred to in Section 3.05 of this Agreement;

(s) "Project Account B" means the account opened by EdM for purposes of providing its counterpart contribution for Part B of the Project, and referred to in Section 2.06 of the Project Agreement (as hereinafter defined);

(t) "Project Accounts" means Project Account A and B;

(u) "Project Agreement" means the agreement between the Association and EdM of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(v) "Resettlement Policy Framework" means the framework dated November 2002, agreed with the Association for the compensation of persons affected by the construction activities to be implemented under the Project;

(w) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(x) "Subproject" means a specific energy Subproject financed or to be financed by Subproject Financing (as hereinafter defined) provided from the proceeds of the Credit and the GEF Trust Fund Grant, as the case may be;

(y) "Subproject Agreement" means a Subsidy Contract (as hereinafter defined) or a Concession Contract or both, as the case may be;

(z) "Subproject Financing" means financing made or proposed to be made by the Borrower to a Beneficiary to finance a Subproject through an output based grant facility;

(aa) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and EdM pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(bb) “Subsidy Contract” means a written agreement to be entered into between the Borrower and a Beneficiary, setting forth the terms and conditions under which a subsidy shall be provided by the Borrower to the Beneficiary;

(cc) “Trust Agent” means a commercial bank, acceptable to the Association, that is selected by the Borrower to manage the disbursement of Subproject Financing to Beneficiaries from the proceeds of the Credit and the GEF Trust Fund Grant; and

(dd) “Unit of Account” means the unit of account as valued from time to time by the AfDF.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty-nine million seven hundred thousand Special Drawing Rights (SDR 29,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or if the Association shall so agree, amounts to be paid) under Parts C and D of the Project to meet the reasonable costs of goods, works and services required for a Subproject in respect of which withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of Parts A, C, D and E, and Part B, respectively of the Project, open and maintain in dollars special deposit accounts (Special Account A and B) in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2007, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing February 15, 2014 and ending August 15, 2043. Each installment to and including the installment payable on August 15, 2023 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the



development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Parts A, C, D and E of the Project through MIREME with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, energy and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause EdM to perform in accordance

with the provisions of the Project Agreement all the obligations of EdM therein set forth with respect to Part B of the Project, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable EdM to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall relend the proceeds of the Credit for Part B of the Project to EdM in the amount of twelve million eight hundred thousand Special Drawing Rights (SDR 12,800,000) under a Subsidiary Loan Agreement to be entered into between the Borrower and EdM, under terms and conditions which shall have been approved by the Association which shall include: (i) the principal amount of the subsidiary loan shall be repaid by EdM in *Metical* to the Borrower over twenty (20) years, including a grace period of five (5) years, with the interest incurred during such grace period capitalized and repaid under the same terms and conditions as the principal amount; (ii) the principal amount of the subsidiary loan repayable by EdM shall be the equivalent in *Metical* of the value of the currency or currencies withdrawn from Special Account B, determined as of the date, or respective dates of withdrawal from such account; (iii) interest shall be charged on the outstanding balance of the subsidiary loan at a rate of five per cent (5%) per annum; and (iv) the foreign exchange risk shall be borne by EdM.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(e) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Parts A, C, D and E of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Borrower and the Association hereby agree that 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 Part B of the Project shall be carried out by EdM pursuant to Section 2.03 of the Project Agreement.

Section 3.05. Without limitation upon the provisions of Section 3.01 (a) of this Agreement, and except as the Borrower and the Association shall otherwise agree, the Borrower shall, for the purposes of making available its counterpart contribution to the financing of the Project:

(a) provide on an annual basis such evidence as shall have been agreed with the Association to establish that adequate counterpart financing has been provided for by the Borrower in its annual budget;

(b) open and maintain, until the completion of the Project, Project Account A in *Metical* in a commercial bank on terms and conditions satisfactory to the Association;

(c) promptly thereafter make an initial deposit into Project Account A, in an amount equivalent to \$15,000, to finance the Borrower's contribution towards the expenditures to be financed during the first two months of Project implementation;

(d) thereafter deposit into Project Account A by the first day of each subsequent two month period such amounts as shall have been agreed with the Association to finance the Borrower's contribution for expenditures under the Project for such period; and

(e) ensure that the amounts deposited into Project Account A shall be used exclusively to finance expenditures under the Project other than those financed from the proceeds of the Credit.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to Parts A, C, D and E of the Project.

- (b) The Borrower shall:
- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, 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 the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Association may 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, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate 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 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.

Section 4.02 (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraphs 5 and 6 of Schedule 4 to this Agreement the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) EdM shall have failed to perform any of its obligations under the Project Agreement.

(c) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that EdM will be able to perform its obligations under the Project Agreement.

(d) Decree No. 28/95 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EdM to perform any of its obligations under the Project Agreement.

(e) The AfDF or NDF Loan Agreements shall have failed to become effective by December 31, 2003, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

- (f) (i) Subject to subparagraph (ii) of this paragraph:
  - (A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or
  - (B) any such loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraphs (b) and (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower;

(b) the event specified in paragraph (d) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (f) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of that Section.

## ARTICLE VI

### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and EdM;

(b) GEF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Development Credit Agreement, have been fulfilled;

(c) the Borrower and EdM have opened the Project Accounts referred to in Section 3.05 (b) of this Agreement and Section 2.06 (b) of the Project Agreement, respectively;

(d) The Borrower and EdM have fulfilled the financial management conditions set out in an action plan agreed upon with the Association, such plan including but not limited to: (i) the establishment of financial management and information systems in a form and substance that is acceptable to the Association; (ii) the appointment of the auditor referred to Section 4.01 (b) of this Agreement and Section 4.01 (b) of the Project Agreement, respectively; (iii) employment of financial management staff with experience and qualifications satisfactory to the Association, in accordance with the provisions of Section II of Schedule 3 to this Agreement; (iv) preparation of the financial management manual; and (v) appointment of a Trust Agent that is acceptable to the Association to manage the disbursement of Subproject Financing from Special Account A and the Special Account established under the GEF Grant Agreement, and preparation of the Trust Agent procedures manual; and

(e) EdM has employed a consultant with qualifications and experience satisfactory to the Association, in accordance with the provisions of Section II of Schedule 3 to this Agreement, to review its assets and current policy on insurance, and subsequently propose a suitable insurance strategy for EdM.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by EdM, and is legally binding upon EdM in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and EdM and is legally binding upon the Borrower and EdM in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.



## ARTICLE VII

### Representative of the Borrower; Addresses

Section 7.01. The Governor of *Banco de Moçambique* is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Banco de Moçambique  
Departamento de Estrangeiro  
Maputo  
Republic of Mozambique

Cable address:	Telex:	Facsimile:
MOBANCO	6355/7 BMMO	258 1 322015

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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.

REPUBLIC OF MOZAMBIQUE

By

/s/ Armando Panguene

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Pamela Cox

Authorized Representative

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works for Part B of the Project	1,083,000	100% of foreign expenditures and 85% of local expenditures
(2) Supply and Installation		100% of foreign expenditures and 85% of local expenditures
(a) Part B of the Project	7,097,000	
(b) Part D of the Project	825,400	
(3) Goods		100% of foreign expenditures and 85% of local expenditures
(a) Part B of the Project	368,500	
(b) Part D of the Project	73,700	
(c) Part E of the Project	626,400	
(4) Consultants' services		86%
(a) Part B of the Project	1,695,000	
(b) Part C of the Project	884,400	
(c) Part D of the Project	221,100	
(d) Parts A and E of the Project	4,650,600	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(5) Training	737,000	100% of foreign expenditures 85% of local expenditures
(6) Subprojects (Goods, Works and Supply & Installation)	8,290,900	100% of amounts disbursed
(7) Refunding of Project Preparation Advance	442,200	Amount due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	2,704,800	
	<hr/>	
	29,700,000	
TOTAL	<hr/> =====	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods, works or services supplied from the territory of any country other than that of the Borrower; and

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods, works or services supplied from the territory of the Borrower; provided, however, that, if the currency of the Borrower is also that of another country from the territory of which goods, works, or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) payments made under Category (6) unless the Subproject has been selected in accordance with the criteria, procedures and terms and conditions set forth or referred to in paragraph 4 of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) works and

goods costing less than \$100,000 equivalent each; (b) supply and installation costing less than \$300,000 equivalent each; (c) consulting firms costing less than \$100,000 equivalent each; (d) individual consultants costing less than \$50,000 equivalent each; and (e) training, all under such terms and conditions as the Association shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are to: (a) accelerate, in a commercially viable manner, the use of electricity for economic growth and social services and thus improve the quality of life in under-served areas of the Borrower's territories (peri-urban and rural); and (b) strengthen the Borrower's capacity to increase access to modern energy.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

#### **Part A: Power Sector Reform**

1. Development and implementation of an action plan for the separation of EdM into seven business centers, such centers to include distribution, transmission and generation, through the provision of technical advisory services.
2. Carrying out of activities required for private sector participation in EdM's distribution and supply business, including a review of options for private sector participation, the revaluation of assets, environmental analysis, drafting of transaction documents, tariff studies and stakeholder consultations, through the provision of technical advisory services.
3. Establishment of a separate, fully functional transmission company and system operator, based on EdM-operated transmission assets, through the provision of technical advisory services.

#### **Part B: Grid-Based Peri-Urban Electrification**

1. Development and mainstreaming of lower cost electrification standards and designs appropriate for rural and peri-urban areas.
2. Design, bid preparation and evaluation, construction, supervision and management of grid-based peri-urban electrification schemes, through the provision of technical advisory services.
3. Construction of about 500 kilometers of medium voltage lines, 1100 kilometers of low voltage lines and 240 distribution substations.
4. Acquisition of vehicles, tools and specialized equipment for the operation and maintenance of the extended distribution network and Project planning and management.

5. Construction of office facilities to address customer service needs arising from the extended distribution network.

Part C: Independent Grid Rural Electrification

1. Carrying out activities to provide electricity to rural areas through private sector concession arrangements and competitive subsidy mechanisms operated by FUNAE, including the following schemes: Northern Inhambane Power System Concession and Mocimboa da Praia.

2. Preparation of independent, privately operated rural electrification schemes, other than those referred to in paragraph (1) above, through the provision of technical advisory services.

3. Carrying out and dissemination of the recommendations of a study to identify productive uses of electricity for income generation purposes with particular attention to women and young unemployed persons in rural areas, through the provision of technical advisory services.

Part D: Renewable Energy and Cross-Sectoral Linkages

1. Creation of a sustainable market for renewable energy through the provision of Subproject Financing to private sector suppliers and operators, community organizations and line ministries for the acquisition of renewable energy equipment and technical advisory services.

2. Provision of Subproject Financing to private sector energy providers for the supply of energy systems and services to health centers meeting MISAU's standard eligibility criteria.

3. Provision of Subproject Financing to private sector energy providers for the supply of energy and services to secondary schools, existing zones of pedagogical influence (ZIPs) and resource centers, and primary schools meeting MINED's standard eligibility criteria.

4. Provision of Subproject Financing through FUNAE to private sector energy providers for investments in renewable energy activities and technical advisory services.

5. Development of national energy guidelines for MISAU and MINED, eligibility criteria for receiving standard energy packages, and standard energy and information packages for at least two provinces, through the provision of technical advisory services.

Part E: Institutional Development and Capacity Building

1. Operationalization and institutional development of CNELEC through: (a) the provision of technical advisory services and training of CNELEC staff, acquisition of office hardware and software; (b) support in the transformation of CNELEC into an independent regulatory agency with responsibility for economic, technical and customer service regulation of the electricity sector; and (c) revisions to the Borrower's electricity legislation related to CNELEC's legal status and authority.
2. Training of staff of key energy institutions under MIREME in management, energy planning, energy conservation, renewable energy, rural electrification, subsidy administration, regulation and administration.
3. Implementation of an information technology strategy for MIREME's energy sector institutions.
4. Establishment of an environmental unit in DNE, and provision of environmental management training to staff of the unit and other staff involved in the carrying out of the Project.
5. Support to the Borrower in preparing gas and other energy projects, through the provision of technical, legal and financial advisory services.
6. Strengthening the Borrower's Project coordination activities, through the provision of technical advisory services and acquisition of office equipment and vehicles.
7. Carrying out preparatory activities for the second phase of the Program, through the provision of technical advisory services.

\* \* \*

The Project is expected to be completed by June 30, 2007



### **SCHEDULE 3**

#### **Procurement**

Section I.      Procurement of Goods and Works

Part A:        General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B:        International Competitive Bidding

1.        Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2.        The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a)      Prequalification

Bidders for supply and installation of plant and equipment contracts shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b)      Grouping of contracts

To the extent practicable, contracts for goods and works shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(c)      Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C:        Other Procurement Procedures

1.        National Competitive Bidding

Works and goods estimated to cost more than \$30,000, but less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,500,000 equivalent,

may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International/National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$1,500,000 equivalent, may be procured under contracts awarded on the basis of international/national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Commercial Practices

For private businesses, whenever competitive procedures are used, the selected sponsors will be allowed to procure goods and works using established commercial practices in accordance with paragraph 3.13 of the Guidelines. In cases where sponsors are not selected on a competitive basis (due to particular circumstances precluding a viable market response in remote areas), the sponsors will be required to procure goods and works in accordance with the Guidelines and the agreed procurement arrangements for the Project.

4. Procurement of Small Works

Minor works estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the minor works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for: (a) works and goods estimated to cost the equivalent of \$100,000 or more; and (b) supply and installation estimated to cost the equivalent of \$300,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services which are estimated to cost less than \$10,000 equivalent per contract, up to an aggregate amount of \$50,000 may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services of individual consultants: (a) for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines; (b) may be selected on a sole-source basis in accordance with the provisions of paragraphs 5.3 and 5.4 of the Consultant Guidelines, subject to the prior approval of the Association.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every year during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants to be selected on a sole source basis, or estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

(c) Training programs prepared under the Project shall be furnished to the Association for its prior review and approval.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## **SCHEDULE 4**

### **Implementation Program**

1. The Borrower shall ensure that the Project is carried out in accordance with the PIP, and except as the Association shall otherwise agree, shall not amend or waive, any provisions of the PIP if such amendment or waiver, may in the opinion of the Association, materially or adversely affect the implementation of the Project;
2. DNE shall be responsible for the overall coordination of the Project and for that purpose shall establish and maintain until completion of the Project the PCU, with terms of reference and staffing satisfactory to the Association.
3. The Borrower shall:
  - (a) (i) ensure that the Project is implemented in accordance with the provisions of the Resettlement Policy Framework and the EMP, and except as the Association shall otherwise agree, shall not amend or waive any provision of the aforementioned, if such amendment or waiver may, in the opinion of the Association materially or adversely affect the implementation of the Project; and (ii) ensure that the Subproject resettlement action plans and environment management plans are prepared, as needed, in accordance with the Resettlement Policy Framework and the EMP, as the case may be, and submitted to the Association for its approval prior to implementation of such plans; and
  - (b) (i) retain, as required, an environmental adviser, with qualifications, experience and terms of reference that are satisfactory to the Association to provide advice on issues that may arise during Project implementation; and (ii) establish and maintain in DNE, as required under Part E.4 of the Project, an environmental unit with terms of reference acceptable to the Association, to ensure that the Project is implemented in accordance with the provisions of the EMP and the Resettlement Policy Framework.
4. Procedures for the Preparation, Evaluation, Approval and Implementation of Subprojects under Parts C and D of the Project
  - (a) FUNAE, in coordination with DNE shall: (i) identify potential activities for implementation under the Project, and shall make such information publicly available; and (ii) use the information obtained to identify area concessions to be let out to bid, with the support of a transaction advisor appointed in accordance with the provisions of Section II of Schedule 3 to this Agreement, and subsequently facilitate the entry into Concession Contracts by the parties thereto, all in accordance with procedures detailed in the PIP.

(b) FUNAE, in coordination with DNE, with the support of the transaction advisor, shall evaluate potential Subprojects in accordance with the eligibility criteria set forth in the PIP, including *inter alia*, the following:

- (i) that the Subproject is economically, financially and technically viable in accordance with standards set forth therein;
- (ii) that an environmental impact assessment has been carried out, as needed, and an environment management plan prepared to mitigate against any potential risks to the environment;
- (iii) that each potential Beneficiary shall provide a counter-part contribution;
- (iv) that the Beneficiary has agreed to assume all the operation and maintenance costs with respect to the Subproject; and
- (v) that the Subproject is in compliance with the standards set forth in the applicable laws of the Borrower relating to health, safety and environmental protection.

(c) FUNAE, in coordination with DNE, shall approve Subprojects on a rolling basis.

(d) The Borrower shall enter into a Subproject Agreement with each Beneficiary under terms and conditions which shall include the following:

- (i) procurement of goods, works and services shall be carried out in accordance with the procedures set forth in Schedule 3 to this Agreement;
- (ii) maintenance of adequate records reflecting the operations, resources and expenditures incurred under the Subproject in accordance with sound accounting practices acceptable to the Association;
- (iii) the right of Borrower to inspect by itself or jointly with the Association, if the Association shall so request, the goods, works and operations for the Subproject, and any relevant records or documents;
- (iv) quarterly progress reports and a final completion report for the Subproject shall be prepared by the Beneficiary;
- (v) the right to suspend or terminate the right of the Beneficiary to benefit from the use of the proceeds of the Credit for the

Subproject, upon failure by the Beneficiary to perform any of its obligations under the Subproject Agreement; and

- (vi) that the Beneficiary has agreed to assume all the operation and maintenance costs with respect to the Subproject.

- (e) The Borrower shall cause the Trust Agent to disburse funds to the Beneficiaries in a timely manner in accordance with the terms and conditions of the agent's service contract and the Trust Agent procedures manual agreed with the Borrower, and acceptable to the Association.

5. Annual Reviews:

The Borrower shall:

- (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

- (b) submit to the Association, no later September 30 in each year of Project implementation, commencing September 30, 2004, an annual report reviewing the progress in Project implementation during the previous year, having regard to the monitoring indicators referred to in subparagraph (a) of this paragraph; and

- (c) following the submission of each annual report, act promptly and diligently to take any corrective action agreed with the Association to remedy any shortcomings identified in Project implementation, in furtherance of the objectives of the Project.

6. Midterm Review:

The Borrower shall:

- (a) carry out jointly with the Association and EdM, no later than August 31, 2005, a midterm review to assess the status of Project implementation, as measured against the performance monitoring indicators set forth in Schedule 6 to this Agreement, and referred to in paragraph 5 (a) above;

- (b) prepare, jointly with EdM, after the aforementioned review and under terms of reference satisfactory to the Association, a report to be submitted to the Association no later than September 30, 2005, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section on the progress achieved in the carrying out of the Project during the period preceding the date of the said report and setting out the measures recommended to ensure the efficient



carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review, jointly with the Association and EdM, the report referred to in paragraph (b) of this Section no later than October 31, 2005, or such later date as the Association shall request, and thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

## **SCHEDULE 5**

### **Special Accounts**

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1), (2) (b), (3) (b) and (c), 4 (b), (4) (c) and (d), (5) and (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Special Account A and Categories (2) (a), (3) (a) and (4) (a) set forth in said table in respect of Special Account B;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount equivalent to \$1,500,000 in respect of Special Account A and an amount equivalent to \$500,000 in respect of Special Account B to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$750,000 in respect of Special Account A and an amount equivalent to \$250,000 in respect of Special Account B until: (i) in respect of Special Account A the aggregate amount of withdrawals from the Credit Account allocated to the Eligible Categories plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 2,000,000; and (ii) in respect of Special Account B the aggregate amount of withdrawals from the Credit Account allocated to the Eligible Categories plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,500,000.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of

the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

## **SCHEDULE 6**

### **Performance Indicators**

- The average cost of connecting each consumer is at most US\$950 by the end of the first phase of the Program.
- 40,000 consumers are connected in the first phase of the Program.
- 300 institutional solar photovoltaic (PV) systems are installed in the first phase of the Program.
- 2,500 residential solar PV systems are installed in the first phase of the Program.
- 3 independent grid concessions are awarded in the first phase of the Program, at least one of which will be based on a renewable energy source.
- Private sector participation in EdM's distribution and supply business is in place by the end of the first phase of the Program.