Development Grant Agreement
(Energy Technical Assistance and Rehabilitation Project)

between

PEOPLE'S REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator on behalf of the
GOVERNMENT OF THE KINGDOM OF NORWAY

Dated December 2, 1987
AGREEMENT, dated December 2, 1987, between PEOPLE'S REPUBLIC OF MOZAMBIQUE (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Administrator) on behalf of the GOVERNMENT OF THE KINGDOM OF NORWAY (Norway).

WHEREAS (A) the Borrower has requested the assistance of the International Development Association (the Association) and of Norway in the financing of a Project described in Schedule 2 to the Development Credit Agreement, dated June 24, 1987, between the Borrower and the International Development Association (the IDA Credit Agreement);

WHEREAS (B) in consideration of the above mentioned request, Norway will open a Trust Account and will deposit therein an amount of twenty-one million Norwegian Kroner (NOK 21,000,000) and has, pursuant to an Agreement, dated December 2, 1987, (the Administration Agreement), appointed the International Development Association as Administrator of said Trust Account for the purpose of providing assistance to the Recipient; and

WHEREAS (C) the Association, as Administrator as hereinbefore mentioned, has agreed on the basis inter alia of the foregoing, to extend the Norwegian Grant to the Recipient upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, (the General Conditions) with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof:

(a) the term "Association", whenever used in the General Conditions, means the International Development Association acting as Administrator of the Norwegian Grant pursuant to the Administration Agreement;
(b) the term "Development Credit Agreement", whenever used in the General Conditions, means this Development Grant Agreement;

(c) the term "Credit", whenever used in the General Conditions, means the Norwegian Grant hereunder;

(d) the term "Credit Account", whenever used in the General Conditions or in this Agreement, means the account opened by the Administrator in its books in the name of the Recipient to which the amount of the Norwegian Grant is credited;

(e) the term "Project" means the project for which the Norwegian Grant is extended, as described in Schedule 2 to the IDA Credit Agreement, and as the description thereof may be amended from time to time by agreement between the Association and the Recipient;

(f) Sections 3.02, 3.03, 3.04, 3.05, 4.01, 4.02, 4.03, 4.04, 4.06, 6.05, 7.01, 8.01 (a), 12.02 and 12.05 of the General Conditions are deleted; and

(g) in Sections 6.02 and 7.01 of the General Conditions, the term "Association" shall include also the International Development Association acting in its own capacity.

ARTICLE II

The Grant

Section 2.01. The Association agrees to extend to the Recipient, on the terms and conditions herein set forth or referred to, a grant, (the Norwegian Grant) in an amount of twenty-one million Norwegian Kroner (NOK 21,000,000).

Section 2.02. (a) The amount of the Norwegian Grant may be withdrawn from the Credit Account in accordance with the provisions of the Schedule to this Agreement, as such Schedule may be amended from time to time by agreement among the parties, for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of vehicles required for the Project and to be financed out of the proceeds of the Norwegian Grant.

(b) Withdrawals from the Credit Account shall be made in the respective currencies in which the expenditures to be financed out of the proceeds of the Norwegian Grant have been paid or are payable or, at the option of the Association, in Norwegian Kroner.
Section 2.03. Except as the Administrator shall otherwise agree, procurement of goods and works required for the Project and to be financed out of the proceeds of the Norwegian Grant shall be procured in accordance with the provisions of the Schedule to the Project Agreement dated June 24, 1987 between the Association and Empresa Nacional Petroleos de Mozambique E.E. (PETROMOC) (the PETROMOC Project Agreement).

Section 2.04. The Closing Date shall be December 31, 1992, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. Except as the Association shall otherwise agree, Articles III and IV of the IDA Credit Agreement are hereby incorporated into this Agreement with the same force and effect as if they were fully set forth herein, it being understood that all references in such Articles III and IV to the "Association" shall be deemed to be references to the Association, as Administrator on behalf of Norway under this Agreement, all references to the "Development Credit Agreement" shall be deemed to be references to this Development Grant Agreement and all references to the "Credit" shall be deemed to be references to the Norwegian Grant.

ARTICLE IV

Effectiveness; Termination; Representation

Section 4.01. This Agreement shall become effective upon signature.

Section 4.02. This Agreement and all obligations of the Recipient and the Administrator hereunder shall terminate on the date on which the IDA Credit Agreement shall terminate in accordance with its terms.

Section 4.03. The representative designated in Section 7.01 of the IDA Credit Agreement shall be the representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 4.04. The addresses specified in Section 7.02 of the IDA Credit Agreement shall be the addresses specified for the purposes of Section 11.01 of the General Conditions.
Section 4.05. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the IDA Credit Agreement.

ARTICLE V

Transfer of Rights and Obligations

Section 5.01. In accordance with the Administration Agreement, the rights and obligations of the Administrator under this Agreement may be transferred to Norway. The Recipient accepts and agrees that, upon notice by the Administrator to the Recipient to that effect, Norway shall, ipso facto, from the date specified in such notice, be substituted in all rights and obligations of the Administrator under this Agreement as if Norway had been an original party to this Agreement, without any further action or formality required on the part of any party, and from such date the Administrator shall cease to have any rights or obligations as a party under this Agreement.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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.

PEOPLE'S REPUBLIC OF MOZAMBIQUE

By /s/ Valeriano Ferrao
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION,
as Administrator on behalf of the
GOVERNMENT OF THE KINGDOM OF NORWAY

By /s/ Michael J. Gillette
Acting Regional Vice President
Africa
SCHEDULE

Withdrawal of the Proceeds
of the Norwegian Grant

1. The table below sets forth the Category of items to be financed out of the proceeds of the Norwegian Grant, the allocation of the amount of the Norwegian Grant to the Category and the percentage of expenditures for items so to be financed in the Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of Norwegian Grant Allocated (Expressed in Kroner-NOK)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles under Part B.2 of the Project referred to in Schedule 2 of the IDA Credit Agreement</td>
<td>21,000,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>TOTAL</td>
<td>21,000,000</td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods supplied from the territory of any country other than that of the Recipient.

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 for expenditures under Category (1) unless the Association has received PETROMOC's income statements for the fiscal years 1985 and 1986 and its financial plans for the fiscal years 1987 and 1988.
CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

FOR SECRETARY