Amended and Restated Financing Agreement

(Transmission Upgrade Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 15, 2013
AMENDED AND RESTATED FINANCING AGREEMENT

AGREEMENT dated November 15, 2013 entered into between REPUBLIC OF MOZAMBIQUE ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS:

(A) under a financing agreement, dated September 21, 2007, between the Recipient and the Association ("Original Financing Agreement"), the Association agreed to provide the Recipient with (i) a credit up to an amount equal to twenty-nine million six hundred thousand Special Drawing Rights (SDR 29,600,000) to assist in financing the regional project named "Mozambique Component – Mozambique-Malawi Transmission Interconnection Project" as further described in Schedule 1 to the Original Financing Agreement ("Original Project");

(B) the Recipient has requested the Association to cancel a portion of the credit in an amount equal to twenty million five hundred thousand Special Drawing Rights (SDR 20,500,000) granted under the Original Financing Agreement, thus reducing the credit to an amount equal to nine million one hundred thousand Special Drawing Rights (SDR 9,100,000); and

(C) the Association and the Recipient have agreed, on the basis, inter alia, of the foregoing to restructure the Original Project upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the Recipient and the Association hereby agree to amend and restate the Original Financing Agreement, with effect as of the date of this Agreement, to read as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) 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 General Conditions or in the Appendix to this Agreement.
ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to nine million one hundred thousand Special Drawing Rights (SDR 9,100,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are January 1 and July 1 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is the Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by EDM in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association 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 IV — REMEDIES OF THE ASSOCIATION

4.01. An Additional Events of Suspension shall occur if 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 Project Agreement.
ARTICLE V — TERMINATION

5.01. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — 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 Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391

Washington, D.C.
AGREED at Washington D.C., United States of America, and Maputo, Republic of Mozambique as of the day and year first above written.

REPUBLIC OF MOZAMBIQUE

By: [Signature]

Authorized Representative

Name: Aiuba Cuereca
Title: Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: [Signature]

Authorized Representative

Name: Tugbedulisa AMIDE
Title: Acting Country Director
SCHEDULE 1

Project Description

The objective of the Project is to reduce the frequency of electricity outages in Tete province.

The Project consists of the following parts:

**Part A: Consulting Engineering Services**

Carrying out EDM engineering, technical, environmental, social studies associated with the Matambo substation, and provision of technical assistance including, *inter alia*, engineering and supervision of works at Matambo substation to be carried out under Part C of the Project.

**Part B: Capacity Building and Technical Support**

Carrying out system planning, studies and a training program for EDM, through the provision of technical advisory services and Training and Workshops required for such purposes.

**Part C: Improved Transmission Infrastructure**

Supporting the rehabilitation and reinforcement of the existing 220 kV Matambo substation, including the provision of a new 220/66/33 kV (80/60/20 MVA) power transformer, the connection of such transformer to the 66kV and 33 kV systems, and carrying out associated civil, control and protection works, through the provision of works - including supply and installation - and services other than consultants’ services.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Subsidiary Loan Agreement

1. To facilitate the carrying out of the Project, the Recipient shall not later than ninety (90) days after the date of this Agreement amend and thereafter maintain the Subsidiary Loan Agreement pursuant to which the proceeds of the Financing are made available to EDM, under terms and conditions approved by the Association, including:

   (a) the obligation of EDM to service the repayment of the subsidiary loan in accordance with the repayment schedule and under terms and conditions specifically set forth under a table in the Subsidiary Loan Agreement, including an interest rate on the on-lent amount equal to five percent (5%) per annum, and a repayment period of twenty (20) years including a grace period of five (5) years;

   (b) 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 in accordance with the Project Implementation Plan, and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for the Project;

   (c) 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;

   (d) the requirement that EDM comply with record keeping, auditing and reporting requirements set forth in Section II of this Schedule 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);

   (e) the obligation of EDM to exchange views with the Recipient and the Association with regard to the progress of the Project and the performance of its obligations under the Subsidiary Loan Agreement; and

   (f) the requirement that EDM promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere
with the progress of the Project, or the performance of its obligations under the Subsidiary Loan Agreement.

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

B. Institutional Arrangements

1. The Recipient shall ensure that the Project is carried out by EDM in accordance with the provisions of this Agreement and the Project Agreement, and in accordance with the guidelines, procedures, recommendations, and other specifications set forth in the Project Implementation Plan, the Procurement Plan, the Environmental Impact Assessment Report, the Resettlement Policy Framework, and any Resettlement Action Plan.

2. Not later than ninety (90) days after the date of this Agreement, the Recipient shall cause EDM to update the Project Implementation Plan in a manner and substance satisfactory to the Association.

3. The Recipient shall also ensure that, except as the Association shall otherwise agree, it shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the Project Implementation Plan, the Procurement Plan, the Environmental Impact Assessment Report, the Resettlement Policy Framework, and any Resettlement Action Plan, or any provision thereof.

4. The Recipient shall cause EDM to maintain, at all times until the completion of the Project, the Project Management Unit within EDM, in accordance with the provisions of Section 1.A.1 of the Project 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

1. The Recipient shall ensure that: (a) the Project is carried out by EDM in accordance with the Resettlement Policy Framework, any Resettlement Action Plan, and the Environmental Impact Assessment Report; (b) all measures for carrying out the recommendations of the Environmental Impact Assessment Report, and the Resettlement Policy Framework are taken in a timely manner;
and (c) the Project Reports referred to in Part A of Section II of this Schedule shall include adequate information on monitoring the measures defined in the Environmental Impact Assessment Report, and the Resettlement Policy Framework.

2. The Recipient shall cause EDM to open and maintain an account in a commercial bank acceptable to the Association for the purpose of implementing any Resettlement Action Plans. To this end, EDM shall deposit into the said account an amount adequate to cover the cost associated with compensation of Displaced Persons in accordance with any Resettlement Action Plans.

E. Land Mines

The Recipient shall take all necessary measures to ensure that its territory is, and will remain, free from land mines that could in any way undermine the execution or development objectives of the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and cause EDM to prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association and set forth in Section II.A.1(b) of the Schedule to the Project Agreement. Each Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B. Financial Management, and Financial Reports

1. The Recipient shall cause EDM to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. The Recipient shall cause EDM to prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall cause EDM to audit its Financial Statements in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.
Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following methods of procurement, other than International Competitive Bidding, may be used for goods and works under the circumstances specified in the Procurement Plan for each such method: (a) National Competitive Bidding; and (b) Shopping.

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods of procurement, other than Quality- and Cost-based Selection, may be used for consultants’ services under the circumstances specified in the Procurement Plan for each such method: (a) Least Cost Selection; (b) Selection Based on Consultants’ Qualifications; (c) Single-source Selection; and (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants.
D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association 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 Association 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 Financing (“Category”), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1a) Works, including supply and installation, and services other than Consultants’ services for Part A of the Project <em>(ProMemoria)</em></td>
<td>0</td>
<td>N/A</td>
</tr>
<tr>
<td>(1b) Works including supply and installation, and services other than Consultants’ services for Part C of the Project</td>
<td>6,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Consultants’ services, Training and Workshops for Parts A and B of the Project</td>
<td>1,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Refund of Project Preparation Advance</td>
<td>269,922</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>(4) Unallocated</td>
<td>630,078</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>9,100,000</td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of the Original Financing Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 350,000 equivalent may be made for payments in respect of consultants’ services and Training under Category (2) (as defined in the Original Financing Agreement), made prior to date of the Original Financing Agreement but on or after May 1, 2007; or

   (b) under Category (1b) unless:

   (i) the Recipient has revised and executed the Subsidiary Loan Agreement in a manner and substance satisfactory to the Association; and
(ii) the Project Agreement has been revised and executed by EDM in a manner and substance satisfactory to the Association.

2. The Closing Date is December 31, 2014.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 1 and July 1:</td>
<td></td>
</tr>
<tr>
<td>commencing January 1, 2018, to and including July 1, 2027.</td>
<td>1%</td>
</tr>
<tr>
<td>commencing January 1, 2028, to and including July 1, 2047.</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions


2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. "Displaced Persons" means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in (i) relocation or loss of shelter, (ii) loss of assets or access to assets, or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.

5. "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.

6. "Environmental Impact Assessment Report" means the report for the Project dated May 2004, describing the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts; as the said report may be amended and/or supplemented from time to time with the prior concurrence of the Association.

7. "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.


9. "kV" means kilovolts (1,000 volts).

10. "Original Financing Agreement" has the meaning given to this term in the Preamble to this Agreement.
11. “Original Project” has the meaning given to this term in the Preamble to this Agreement.


13. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 3, 2007, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

14. “Project Implementation Plan” means EDM’s plan, as the same may be amended from time to time with the approval of the Association, containing detailed arrangements and procedures for: (i) day-to-day implementation and institutional coordination of the Project; (ii) procurement arrangements and procedures; (iii) disbursement and financial management arrangements and procedures; (iv) arrangements and procedures for the implementation of the Environmental Impact Assessment Report, and the Resettlement Policy Framework; (v) performance indicators, reporting, monitoring and evaluation; and (vi) such other administrative, accounting and financial procedures as shall be required for the Project.

15. “Project Management Unit” means the unit within EDM, and referred to in Section I.A.1 of the Schedule to the Project Agreement.

16. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on September 23, 2003, and on behalf of the Recipient on September 23, 2003.

17. “Resettlement Action Plan” means each plan to be prepared pursuant to the Resettlement Policy Framework, as may be required, in accordance with Section I.C.1 of the Schedule to the Project Agreement, which, inter alia: (i) contains a census survey of Displaced Persons and valuation of assets; (ii) describes compensation and other resettlement assistance to be provided, consultation to be conducted with Displaced Persons about acceptable alternatives, institutional responsibilities for the implementation and procedures for grievance redress, and arrangements for monitoring and evaluation; and (iii) contains a timetable and budget for the implementation of such measures.

18. “Resettlement Policy Framework” means the framework satisfactory to the Association, dated January 2007, which contains, inter alia, guidelines, procedures, timetables and other specifications for the provision of
compensation, rehabilitation and resettlement assistance to Displaced Persons, as amended from time to time with the prior written consent of the Association.

19. "Subsidiary Loan Agreement" means the agreement dated December 12, 2007, between the Recipient and EDM and pursuant to which the Recipient makes the proceeds of the Financing available to EDM, as amended.

20. “System Average Interruption Frequency Index” means the total number of sustained interruptions in a Fiscal Year divided by the total number of EDM consumers connected to the new transformer at the Matambo substation.

21. “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.