Norwegian Trust Fund

Grant Agreement

(Temane Regional Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

(acting as administrator of Norway’s Support to the Regional Power Infrastructure Projects in Southern Africa Trust Fund)
NTF GRANT NUMBER TF0B0464

NORWEGIAN TRUST FUND
GRANT AGREEMENT

AGREEMENT dated as of the Signature Date between the REPUBLIC OF MOZAMBIQUE ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Bank"), acting as administrator of Norway’s Support to Regional Power Infrastructure Projects in Southern Africa Trust Fund. The Recipient and the Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in the Appendix this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall: (a) cause SNTE to carry out Parts 1 and 3.1. of the Project; (b) cause EDM to carry out Part 3.2. of the Project; and (c) through MIREME and ARENE, carry out Part 3.3. of the Project, all in accordance with the provisions of Article II of the Standard Conditions, Schedule 2 to this Agreement and the Project Agreement.

Article III
The Grant

3.01. The Bank agrees to extend to the Recipient a grant in an amount not to exceed three million five hundred thousand United States Dollars ($3,500,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section III of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the Bank receives periodic contributions from the donor to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donor.
under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

**Article IV**

**Additional Remedies**

4.01. The Additional Events of Suspension referred to in Section 4.02(k) of the Standard Conditions consists of the following:

(a) the SNTE Legislation has been amended, suspended, abrogated, repealed or waived as to affect materially and adversely the ability of SNTE to perform its obligations under the Project Agreement; and

(b) at any time before the Closing Date, activities are initiated or undertaken that in the opinion of the Association are, or are likely to be, materially inconsistent with the legal agreements with the Association for Part 2 of the Project.

**Article V**

**Effectiveness; Termination**

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Subsidiary Agreement has been executed and delivered and all conditions precedent to their effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

(b) The Project Operations Manual (including financial management procedures) has been adopted by the Recipient, SNTE and EDM, in form and substance acceptable to the Association.

(c) A financial manager, under terms of reference, qualifications and experience satisfactory to the Association is appointed, in accordance with the Procurement Regulations.

(d) The governance structure of SNTE is finalized, in form and substance satisfactory to the Association.

(e) The SNTE-PIU is established within SNTE, with composition, resources and under terms of reference satisfactory to the Association.

5.02 The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.
Article VI
Recipient’s Representative; Addresses

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its minister responsible for economy and finance.

6.02. For purposes of Section 7.01 of the Standard Conditions:

(a) the Recipient’s address is:

    Ministry of Economy and Finance
    Praça da Marinha Popular
    Av. 10 de Novembro nº 929
    Maputo, Caixa Postal 272
    Republic of Mozambique; and

(b) the Recipient’s Electronic Address is:

    Facsimile:

    +258 21313747

6.03. For purposes of Section 7.01 of the Standard Conditions:

(a) the Bank’s address is:

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

(b) the Bank’s Electronic Address is:

    Telex: 248423 (MCI) or 64145 (MCI)
    Facsimile: 1-202-477-6391
AGREED as of the Signature Date.

REPUBLIC OF MOZAMBIQUE

By:

[Signature]

Authorized Representative

Name: Adriano Malegue

Title: Min. Econ. & Finance

Date: 24.08.2019

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as administrator of Norway’s Support to the Regional Power Infrastructure Projects in Southern Africa Trust Fund)

By:

[Signature]

Authorized Representative

Name: Mark R. Lundell

Title: Country Director

Date: 7-5-2019
SCHEDULE 1

Project Description

The objective of the Project is to enhance transmission capacity for domestic and regional markets and increase electricity generation capacity through private sector participation.

The Project consists of the following parts:

Part 1. Temane Transmission Project (TTP)

Construction and/or upgrade of: (i) approximately 560 km of 400-kV power new transmission line between Vilanculos and Maputo; and (ii) new substations in Vilanculos, Chibuto, Matalane and existing substation in Maputo.

Part 2. CTT Power Generation Plant

1. Construction and operation of: (i) the CTT 400 MW gas-to-power generation plant; and (ii) approximately 25 km of 400 kV double-circuit line that will be connect the TTP line at Vilanculos.

2. De-risking the payment terms under the Gas Supply Agreement and facilitating the supply of gas for the CTT.

Part 3. Implementation Support, Technical Assistance and Capacity Building

1. Support to SNTE for Project Implementation

Support to SNTE in: (i) strengthening its capacity for Project planning, coordination, contract management, implementation, monitoring and evaluation and supervision of the financial management, procurement and safeguards (including environmental, social, health and safety and gender) aspects of the Project; and (ii) financing the supervision engineer contract.

2. Technical Assistance to EDM

Support to EDM in: (i) preparing technical background studies for enhancing regional power integration and integration of renewable technologies in power system planning and operation; (ii) capacity building for corporate management; (iii) strengthening capacity for market operations; and (iv) the development and implementation of EDM's young professional program, with a particular focus on women.
3. **Technical Assistance to MIREME and ARENE**

Support for: (i) studies on power sector investment plans, including supporting the Recipient’s role in regional energy trade and the integration of renewable technologies in power system planning and operation; (ii) analysis of options for attracting private investment in the sector; (iii) developing the institutional, legal, regulatory, and governance framework for the energy sector; and (iv) strengthening the policy and regulatory capacity of MIREME and ARENE, respectively.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

SNTE-PIU

1. The Recipient shall cause SNTE to establish not later than three months after the Effective Date, and thereafter, to maintain, throughout Project implementation, the SNTE-PIU within SNTE, composed of key staff, with qualifications and under terms of reference acceptable to the Association, including one project director, one technical coordinator, one procurement officer, two accountants, one financial manager, one environmental specialist, one health and safety specialist, one biodiversity management specialist, one social safeguards specialist, one gender specialist and any other technical, fiduciary, and safeguards specialists as may have been agreed with the Association, as further detailed in the POM. The SNTE-PIU shall be responsible for implementation of Parts 1, and 3.1. of the Project, including, inter alia, ensuring coordination with key stakeholders, managing the Project's fiduciary and safeguard aspects, and monitoring and evaluation with respect to Parts 1 and 3.1. of the Project, as further detailed in the POM.

External Auditors

2. Not later than four (4) months after the Effective Date, the Recipient shall cause SNTE to appoint, and thereafter, retain throughout Project implementation, external auditors for the Project, under terms of reference, qualifications and experience satisfactory to the Association.

Automated Accounting Package

3. Not later than three (3) months after the Effective Date, the Recipient shall cause SNTE to purchase and install an automated accounting package, satisfactory to the Association, and in accordance with the Procurement Regulations.

Internal Audit Department within SNTE

4. Not later than twelve (12) months after the Effective Date, the Recipient shall cause SNTE to appoint and thereafter maintain throughout Project implementation, an internal audit function within SNTE, under terms of reference, qualifications and experience satisfactory to the Association.
B. Subsidiary Agreement

1. To facilitate the carrying out of Parts 1, 3.1. and 3.2. of the Project, the Recipient shall make part of the proceeds of the Financing allocated from time to time to Categories 1 and 2 of the table set forth in Section III.1 of this Schedule available to SNTE and EDM under a subsidiary agreement ("Subsidiary Agreement") between the Recipient, SNTE and EDM, under terms and conditions approved by the Association, which shall include the following:

(a) SNTE and EDM shall not be required to repay the proceeds of the Subsidiary Financing received from the Recipient;

(b) the obligation of the SNTE to carry out Parts 1 and 3.1. of the Project and the obligation of EDM to carry out Part 3.2. of the Project with due diligence and efficiency, in conformity with appropriate administrative, economic, managerial, financial, environmental, social, labor, health and safety and technical standards and practices, and provide promptly as needed, the facilities, services and other resources required for Parts 1, 3.1. and 3.2. of the Project;

(c) the obligation of the SNTE and EDM, respectively, to: (i) exchange views with the Recipient and the Association with regards to the progress of Parts 1, 3.1. and 3.2. of the Project, and the performance of its obligations under the Subsidiary Agreement; and (ii) assist the Recipient in complying with its obligations referred to in Section II of this Schedule, as applicable to Parts 1, 3.1. and 3.2. of the Project;

(d) the obligation of the SNTE and/or EDM to promptly notify and inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of Parts 1, 3.1. and 3.2. of the Project, including but not limited to, any Project-related accidents and incidents, such as, for example, fatalities or allegations of gender-based violence associated with the Project;

(e) the obligation of the SNTE and/or EDM to carry out Parts 1, 3.1. and 3.2. of the Project in accordance with the POM, Safeguard Instruments and the Procurement Regulations;

(f) the obligation of the SNTE and/or EDM to carry out Parts 1, 3.1., and 3.2. of the Project in compliance with the Anti-Corruption Guidelines;

(g) the obligation of the SNTE and/or EDM to: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and
expenditures related to Parts 1, 3.1 and 3.2. of the Project; and (ii) have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited, to the Recipient and the Association; and

(h) the right of the Recipient to take remedial actions against the SNTE and/or EDM, in case the SNTE and/or EDM shall have failed to comply with any of its obligations under the Subsidiary Agreement, which actions may include, inter alia, the partial or total suspension and/or cancellation or refund of all or any part of the proceeds of the Subsidiary Financing transferred to the SNTE and/or EDM pursuant to the Subsidiary Agreement (as the case may be).

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

C. Project Operations Manual (POM)

1. The Recipient shall, and shall cause SNTE and EDM, to carry out the Project in accordance with the requirements set forth in the POM. The POM shall set out detailed guidelines, methods and procedures for the implementation of the Project, including: (a) the different roles and responsibilities in the implementation of the Project, including the various mechanisms for ensuring close coordination and collaboration between various Project stakeholders; (b) budget and budgetary control; (c) flow of funds, disbursement procedures and banking arrangements; (d) financial, procurement and accounting procedures; (e) internal control procedures; (f) accounting system and transaction records; (g) reporting requirements; (h) external audit and independent verification arrangements; (i) anti-corruption and fraud mitigation measures; (j) safeguards aspects, including a detailed account on payments to affected persons and a description of the Project grievance mechanism process as well as any process for recording and reporting Project-related accidents and incidents; and (k) and such other arrangements and procedures as shall be required for the effective implementation of the Project.

2. The Recipient shall, and shall cause SNTE and EDM, not to assign, amend, abrogate or waive any provision of the POM without prior written approval of the Association.

3. In case of any conflict between the terms of the POM and those of this Agreement, the terms of this Agreement shall prevail.
E. **Safeguards**

1. The Recipient shall, and shall cause SNTE and EDM to, carry out Parts 1 and 3 of the Project in accordance with the provisions of the Safeguard Instruments, and shall ensure that no provision of the Safeguard Instruments is amended, suspended, abrogated, repealed or waived without the prior written approval by the Association.

2. The Recipient shall cause SNTE to ensure that all bidding documents and contracts for civil works under Part 1 of the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of the Safeguard Instruments; (b) adopt and implement measures to assess and manage the risks and impacts of labor influx; and (c) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures on environmental, social, health and safety, and gender-based violence; all as applicable to such civil works commissioned or carried out pursuant to said contracts.

3. The Recipient shall cause SNTE to take all measures to implement the RAP, in a manner and timeframe satisfactory to the Bank. To this end, the Recipient shall cause SNTE to ensure that:

   (a) sufficient funds are made available to cover all the costs of implementing Project-related resettlement, in accordance with the RAP;

   (b) prior to carrying out activities which involve displacement, Project affected persons shall be compensated at full replacement cost, resettled and provided with assistance in accordance with the RAP; and

   (c) the implementation, monitoring and evaluation of such RAP is completed and reported in a manner satisfactory to the Association.

4. Without limitation to the excluded expenditures provision set forth in the Safeguard Instruments and/or the POM, the following activities shall not be eligible to be included in or funded under the Project ("Negative List"):  

   (a) activities involving the use of pesticides;

   (b) any activities that would lead to conversion or degradation of critical natural habitats or their supporting areas;

   (c) any activities that would lead to conversion or degradation of critical forest areas, related critical natural habitats, clearing of forests or forest ecosystems;
(d) activities involving the financing the rehabilitation or construction of dams;

(e) activities whose implementation or operation depend on an existing dam;

(f) activities involving nuclear reactors and parts thereof and fuel elements (cartridges), non-irradiated, for nuclear reactors; and

(g) goods intended for a military or paramilitary purpose.

5. The Recipient shall cause SNTE and EDM to maintain, throughout Project implementation, and publicize the availability of a grievance and feedback mechanism, in form and substance satisfactory to the Association, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.

6. The Recipient shall ensure that all technical assistance and capacity building activities to be undertaken under Parts 1 and 3.1. of the Project, application of whose results would have environmental or social implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association, such terms of reference to ensure that the technical assistance takes into account, and calls for application of the Association’s environmental and social safeguards policies (including its environmental, health and safety guidelines) and the Recipient’s own laws relating to the environment and social aspects.

7. Prior to the commencement of any works under Part 1 of the Project, the Recipient shall cause SNTE to develop, and thereafter, adopt and implement a GBV action plan, in form and substance satisfactory to the Association, to manage any Project-related GBV risks under Part 1 of the Project.

8. The Recipient shall cause SNTE and EDM and any pertinent Project service providers, at all times throughout the period of Project implementation:

(a) take all measures necessary on its part to collect, compile, and furnish to the Association through Project Reports, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the Safeguard Instruments and the management tools and instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, among other things: (i) the status of implementation of the Safeguard Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the Safeguard Instruments; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
(b) promptly notify the Association of any incident or accident related to or having an impact on the Project, including but not limited any Project-related allegation of gender-based violence or alleged violation of Project-related labor and working conditions, which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including, in accordance with the Safeguard Instruments, and the instruments referenced therein.

9. In the event that any provision of the Safeguards Instruments shall conflict with any provision under this Agreement, the provisions of this Agreement shall prevail.

Section II. *Project Monitoring, Reporting and Evaluation*

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. *Withdrawal of Grant Proceeds*

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; and (b) this Section; to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consulting services for Part 1 of the Project</td>
<td>3,500,000</td>
<td>Up to 100%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consulting services, Training and Incremental Operating Costs for Part 5.1. of the Project</td>
<td>0</td>
<td>67%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,500,000</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 for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed $500,000 may be made for payments made prior to this date but on or after January 31, 2019, for Eligible Expenditures under the Project.

2. The Closing Date is December 31, 2023.
APPENDIX

Definitions


2. “ARENE” means Autoridade Reguladora de Energia, the Recipient’s Energy Regulatory authority, established and operating pursuant to Law 11/2017 of September 8.

3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

4. “CTT” means Central Termica de Temane.

5. “EDM” means Electricidade de Moçambique, the Recipient’s state-owned utility responsible for electricity generation, transmission and distribution countrywide, established in accordance with Law No. 21/97 of October 1, 1997.

6. “ESIA/ESMP” means the SNTE’s environmental and social impact assessment and environmental and social management plan, dated February 2019, disclosed in country on SNTE’s website on March 18, 2019, respectively, and at the Association’s website on February 22, 2019, for the assessment, management and mitigation of environmental and social risks and impacts related to the implementation of Part 1 of Project, including a waste management plan, a labor influx management plan, a workers management plan, as said ESIA/ESMP may be amended from time to time with the prior written agreement of the Association.

7. “Gas Supply Agreement” means the agreement to be entered into between EDM and the suppliers of gas for purposes of supplying gas to CTT.

8. “GRM” means grievance redress mechanism.

9. “Incremental Operating Costs” means the reasonable incremental operating expenses, approved by the Association, incurred by the SNTE, EDM, MIREME and ARENE or its regional offices on account of the Project implementation, management and monitoring, including operation and maintenance costs of office, vehicles and office equipment; water and electricity utilities, telephone, office supplies, bank charges, public awareness-related media expenditures, travel and supervision costs, and salaries of Project implementation support staff, but excluding the salaries of officials and public servants of the Recipient’s civil service.
10. “Ministry of Economy and Finance” means the Recipient’s ministry in charge of economy and finance; or any successor thereto.

11. “MIREME” means the Recipient’s ministry in charge of energy; or any successor thereto.

12. “Negative List” means the lists of activities that cannot be funded or included under the Project, as set out in Section I.E. of Schedule 2 to this Agreement, the POM and/or the Safeguard Instruments.


14. “Project Operations Manual” or “POM” means the manual to be prepared by the Recipient, SNTE and EDM referred to in Section I.C. of Schedule 2 to this Agreement.

15. “RAP” means the SNTE’s document, dated April 2019 and disclosed in country on SNTE’s website on May 7, 2019, and on the Association’s website on May 6, 2019, containing guidelines, procedures, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Project-displaced persons; including all annexes thereto and as revised from time to time with the prior written approval of the Association.

16. “Safeguard Instruments” means the ESIA/ESMP, the RAP and the GBV Action Plan.

17. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the Standard Conditions.

18. “SNTE” means the Sociedade Nacional de Transporte de Energia, a wholly owned subsidiary of EDM, established in June 2, 2014 and registered in August 6, 2014 and operating pursuant to the SNTE Legislation.


20. “SNTE-PIU” means the Project implementation unit to be established within the SNTE referred to in Section I.A.1. of Schedule 2 to this Agreement.

22. "Subsidiary Agreement" means the agreement referred to in Section I.B. of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to SNTE and EDM.

23. "Training" means the reasonable cost of training under the Project, as approved by the Association, including costs associated with seminars, workshops, conference and study tours, travel and subsistence costs for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials and other activities directly related to course preparation and implementation.