

CONFORMED COPY

CREDIT NUMBER 4501 - ANG

Financing Agreement

(Water Sector Institutional Development Project)

between

REPUBLIC OF ANGOLA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 25, 2010

CREDIT NUMBER 4501 - ANG

FINANCING AGREEMENT

AGREEMENT dated February 25, 2010, entered into between REPUBLIC OF ANGOLA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree 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 thirty-five million Special Drawing Rights (SDR35,000,000) (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. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is its Minister of Planning.
- 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Recipient shall pay interest at a rate of four and two tenths of one per cent (4.2%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time which shall be computed on the basis of a three hundred sixty (360) day a year of twelve (12) thirty (30) day months. Interest shall accrue from the respective dates on which such amounts shall have been withdrawn, and shall be payable semi-annually in arrears on each Payment Date.
- 2.06. The Payment Dates are May 15 and November 15 in each year.

- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program, to this end, the Recipient shall carry out the Project, through MINEA, in accordance with the provisions of: (a) Article IV of the General Conditions; (b) this Agreement; (c) the Operational Manual; (d) the GAAP; (e) the ESMF; (f) the RPF; (g) the Resettlement Action Plans; (h) the Environmental Management Plans; and (i) the Annual Action Plans.
- 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. The Additional Event of Suspension is that the Program, or a significant part thereof, has been amended, repealed, or suspended, at the instance of the Recipient, so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.
- 4.02. The Additional Event of Acceleration is that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Recipient has hired within the FCMU a senior financial management advisor, a Project accountant and a senior procurement specialist, with qualifications and experience, and pursuant to terms of reference, satisfactory to the Association, in accordance with the provisions of Section III of Schedule 2 to this Agreement.
 - (b) The Operational Manual, including financial management and accounting procedures annexes, has been issued and adopted by the Recipient, and approved by the Association.
 - (c) The Recipient has: (i) opened the Project Account, in a commercial bank on terms and conditions satisfactory to the Association, including

appropriate protection against set-off, seizure or attachment; and (ii) promptly thereafter has made a deposit of seventy-five million Kwanzas (K75,000,000) to finance the Recipient's initial contribution to the costs of the Project.

- (d) The Recipient has provided legal evidence, in form and substance satisfactory to the Association, stating that the Recipient has committed the needed counterpart funds for the Project, consisting of fifty (50) percent of the total financial resources required for the implementation, execution and supervision of the Project.

- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister of Planning.

- 6.02. The Recipient's Address is:

Ministério de Planeamento
Largo do Palácio
Caixa Postal 1205
Luanda
República de Angola

Facsimile:

244-22233-9586

- 6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at Luanda, Republic of Angola, as of the day and year first above written.

REPUBLIC OF ANGOLA

By

/s/ Ana Dias Lourenço
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Eleoterio Codato
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the institutional capacity and efficiency of agencies in the Recipient's water sector to improve access and reliability of water service delivery.

The Project consists of the following parts:

Part A: Development of Institutions in the Water Supply and Sanitation Sub-Sector

1. Provision of technical assistance to MINEA to develop regulatory frameworks and studies to enable the creation of the AMU as a public enterprise responsible for managing both the water and wastewater public assets located in provinces and in municipal urban centers in the Recipient's territory.
2. Provision of technical assistance to Participating Provinces to develop regulatory frameworks and studies for purposes of creating PWSUs.
3. Provision of technical assistance to MINEA to develop regulatory frameworks and studies to enable the creation of a national water regulatory agency, as a public institute responsible for the economic regulation of the PWSUs.

Part B: Water Resources Management

1. Provision of technical assistance to MINEA to develop regulatory frameworks and studies to enable the creation of a water resources institute responsible for the policy reforms and financial sustainability of the water resources management sub-sector in the Recipient's territory.
2. Provision of technical assistance to MINEA to: (a) formulate pilot schemes designed to develop integrated basin management plans of the Cuanza and Cubango rivers; and (b) review the framework of safety of dams in the Recipient's territory.
3. Rehabilitation of the Recipient's: (a) approximately 189 hydrometric stations; (b) hydrometric network; and (c) information management system.

Part C: Rehabilitation of Water Supply Systems

1. Construction of approximately 240 kilometers of water supply networks and about 72,000 domestic connections in urban and peri-urban areas.
2. Development of a technical cadastre for about 72,000 connections to enable: (a) an information system for measuring water consumption; and (b) a system to

process bills to customers and to record customer payments.

Part D: Capacity Building and Change Management

1. (a) Provision of technical assistance, training, and goods to MINEA's central and provincial staff to strengthen their: (i) management capacity; and (ii) technical capacity to develop systems for water quality testing and monitoring; and
(b) Rehabilitation of the Recipient's Onga Zanga research and survey center.
2. Carrying out environmental and resettlement assessments and corresponding environmental and resettlement action plans in connection with the carrying out of Parts B.3; C; D.1(b); and D.3(b) of the Project.
3. (a) Provision of technical assistance and training to PWSU's management staff to enhance their administrative and technical capacities; and
(b) Formulation and implementation of pilot schemes designed to build institutional capacities and support activities benefiting the poor in peri-urban areas served by the PWSUs.
4. Provision of technical assistance to MINEA to implement the GAAP and corresponding risk management plans.
5. Strengthening of PWSUs' management capacities through the provision of Performance Payments.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

1. Execution of the Project

The Recipient shall carry out the Project through DNA within MINEA.

2. The FCMU

(a) The Recipient shall maintain the FCMU, at all times during Project implementation, with a structure, functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility of the FCMU to assist the Recipient in the coordination, implementation, monitoring, evaluation and supervision of the Project.

(b) The Recipient shall ensure that the FCMU is, at all times during Project implementation, headed by a Project coordinator and staffed with a senior financial management advisor, a senior procurement specialist, a procurement officer, a water and sanitation specialist, an accountant and professional and administrative staff, all hired with terms of reference, through competitive processes, in numbers and with qualifications and experience acceptable to the Association.

(c) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not introduce changes in the number of positions of the FCMU or in the professional skills required for occupying such positions, unless said changes have been previously agreed in writing with the Association.

3. Operational Manual

(a) Without limitation upon the provisions of Section 4.01 of the General Conditions, the Recipient shall carry out the Project in accordance with a manual (the Operational Manual), in form and substance acceptable to the Association, said manual to include, *inter alia*: (i) an institutional implementation plan of MINEA for the management of the Project (including, *inter alia*, allocation of responsibilities among staff, yearly planning of activities and budget and time allocation for those activities); (ii) financial management and accounting procedures annexes; (iii) detailed arrangements for the overall carrying out of the Project (including, *inter alia*, the procurement, environmental and social guidelines to be followed during Project implementation by the Recipient; (iv) the guidelines for the preparation of Annual Action Plans;

(v) internal control systems to be followed by the FCMU during Project implementation; (vi) detailed guidelines and procedures for the implementation of the ESMF and RPF in connection with the carrying out of the Project; (vii) detailed guidelines for the preparation of Environmental Management Plans and Resettlement Action Plans; (viii) the guidelines for Project monitoring and evaluation; (ix) the eligibility criteria for the selection of the Participating Provinces; and (x) the GAAP.

- (b) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the Operational Manual or any provision thereof.
- (c) In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

4. The Annual Action Plan

- (a) The Recipient shall, not later than December 1 of each year during Project implementation, or such later date as the Association may determine, starting in calendar year 2010, furnish to the Association for approval, an annual action plan (the Annual Action Plan), each said plan to include, *inter alia*: (i) the Project activities to be carried out during the twelve (12) months immediately following the presentation of each said plan; (ii) the procurement plan, and disbursement schedule for each said twelve (12) month period; (iii) the annual budget for Operating Costs for the Project; (iv) the annual budget for Training under the Project; and (v) the amount of counterpart funds needed and to be provided by the Recipient to carry out the Project activities during said twelve (12) month period.
- (b) The Recipient shall thereafter implement each said Annual Action Plan, approved by the Association, in accordance with its terms.
- (c) The Recipient shall carry out the Annual Action Plan for the year 2010, as approved by the Association prior to the date of this Agreement.

5. Environmental and Social Safeguards

- (a) The Recipient shall, prior to initiating the implementation of Parts B.3; C, D.1(b); and D.3(b) of the Project, provide evidence to the Association, in form and substance satisfactory to the Association, demonstrating that the Recipient has complied with the provisions of the ESMF and RPF.

- (b) Without limitation upon the provisions of paragraph 5(a) of this Section, when applicable, the Recipient shall prepare and implement Resettlement Action Plans in accordance with the RPF, in form and substance acceptable to the Association, defining a program of actions, measures and policies for compensation and resettlement of Affected Persons, as a result of the carrying out of the Project, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with said Resettlement Action Plans.
- (c) Without limitation upon the provisions of paragraph 5(a) of this Section, when applicable, the Recipient shall prepare and implement Environmental Management Plans in accordance with the ESMF, in form and substance acceptable to the Association, defining a program of actions, measures and policies to avoid, minimize, mitigate, and offset potential adverse environmental and social impacts, as a result of the carrying out of the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with said Environmental Management Plans.
- (d) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the provisions of the ESMF, the RPF, the Resettlement Action Plans, and/or the Environmental Management Plans.
- (e) In case of any conflict between the terms of the ESMF, the RPF, Resettlement Action Plans, the Environmental Management Plans and those of this Agreement, the terms of this Agreement shall prevail.

6. Anti-Corruption

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

7. The GAAP

Without limitation upon the provisions related to Project implementation set forth in Section 4.01 of the General Conditions, the provisions of this Agreement, the provisions of the Operational Manual, and the rules and procedures set forth in the Anti-Corruption Guidelines, the Recipient shall carry out the Project with a governance and accountability action plan, in form and substance satisfactory to

the Association, including, *inter alia*: (a) anticorruption prevention measures; (b) mechanisms to improve the impact of Project activities; and (c) procedures to enhance the transparency of Project transactions.

8. Project Account

The Recipient shall: (a) every three months, during Project implementation, timely replenish the Project Account with such adequate amounts of counterpart funds as shall be required to carry out the activities under the Project; and (b) use the Project Account funds exclusively to finance Eligible Expenditures under the Project.

9. Accounting System and Project Auditors

The Recipient shall, not later than three (3) months following the Effective Date: (a) install in FCMU a formal accounting system in form and substance satisfactory to the Association; and (b) hire the Project's external and internal auditors with terms of reference, qualifications and experience satisfactory to the Association, in accordance with the provisions of Section III of Schedule 2 to this Agreement.

10. Participation of Provinces

Subject to fulfillment of the eligibility criteria set forth in the Operational Manual, the Participating Province shall enter into an agreement (the Participation Agreement), with the Recipient, in form and substance satisfactory to the Association, including, *inter alia*: (a) allocation of responsibilities for the creation of PWSUs; (b) the obligation of the Participating Province to comply with the applicable provisions of this Agreement; (c) the detailed procedures and guidelines for the determination of performance targets of the PWSUs for purposes of monitoring and evaluating annually the collected revenues and costs of operation; and (d) the detailed procedures and guidelines for the provision of Performance Payments to PWSUs that have exceeded the performance targets referred to in paragraph 10(c) of this Section.

11. Provision of Performance Payments

Without limitation upon the provisions of paragraph 10 of this Section and subject to obtaining legal personality in accordance with the provisions of: (a) the Public Enterprise Law Number 9/95; (b) this Agreement; (c) the Participation Agreement; and (d) the Operational Manual, PWSUs may receive Performance Payments provided that the relevant PWSU is: (A) fully operational; and (B) exceeds the performance targets detailed in the Participation Agreement and referred to in paragraph 10 of this Section, all in a form and substance satisfactory to the Association.

12. Procurement Audits

- (a) The Recipient shall cause the Project's external auditors referred to in paragraph 9 of Section I of Schedule 2 to this Agreement to perform an audit, under terms of reference satisfactory to the Association, of the procurement for all goods, works, consultants' services, Operating Costs and Performance Payments required for the Project. Each such audit of the Project's procurement shall cover the period of two (2) calendar years, commencing with the calendar year in which the first withdrawal under the Project Preparation Advance was made.
- (b) The audit report for each such period shall: (i) be furnished to the Association not later than forty-five (45) days after the end of each such period; and (b) include action plans to improve performance and/or correct any shortcomings and/or deficiencies.

13. Mid-Term Review

No later than April 30, 2012, or such later date as may be agreed upon by the Recipient and the Association, the Recipient and the Association shall carry out a mid-term review of the Project, covering the progress achieved in the implementation of the Project. The Recipient shall prepare, under terms of reference satisfactory to the Association, and shall furnish to the Association approximately three (3) months prior to the beginning of such mid-term review of the Project, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

- (i) 66% of PWSUs achieving annual profitability targets;
- (ii) 80% of hydrometric stations operational; and
- (iii) 72,000 households with connections to the piped water supply network managed by the utilities in the target cities.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Reports not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering such quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited 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 (1) 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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method	
(a)	Limited International Bidding
(b)	National Competitive Bidding
(c)	Shopping
(d)	Direct Contracting
(e)	Procurement from United Nations Agencies
(f)	Community Participation in Procurement

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 table specifies methods of procurement, other than Quality- and Cost-Based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Quality- Based Selection
(b)	Least- Cost Selection
(c)	Selection Based on the Consultants' Qualifications
(d)	Single Source Selection
(e)	Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association:

- (a) each contract for works estimated to cost the equivalent of \$500,000 or more, procured on the basis of International Competitive Bidding;

- (b) the first two (2) contracts for works procured under National Competitive Bidding;
- (c) each contract for goods estimated to cost the equivalent of \$200,000 or more, procured on the basis of International Competitive Bidding;
- (d) the first two (2) contracts for goods procured under National Competitive Bidding;
- (e) each contract for goods and services (other than consultants' services) procured on the basis of Limited International Competitive Bidding;
- (f) each contract for goods and services (other than consultants' services) procured on the basis of Direct Contracting;
- (g) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more;
- (h) the first two (2) contracts for consultants' services provided by a firm procured on the basis of Least Cost Selection;
- (i) the first two (2) contracts for consultants' services provided by a firm procured on the basis of Consultants' Qualifications;
- (j) each contract for consultants' services provided by a firm or an individual, procured on the basis of Single Source Selection; and
- (k) the following prior review procedures shall apply to each contract for the employment of individual consultants to be selected on a sole source basis: (1) the qualifications, experience, terms of reference and conditions of employment of the consultants shall be furnished to the Association for its prior review and approval; (2) the contract shall be awarded only after the Association's approval shall have been given; and (3) the provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

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 shall 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: (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) finance fifty (50) % of other Eligible Expenditures, as set forth 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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(1) Works	11,300,000	50%
(2) Goods and Operating Costs	6,400,000	50%
(3) Consultant’s Services and Training:		50%
(a) under Part A.2 and D.3 of the Project	700,000	
(b) under Parts A.3 and B.1 of the Project	1,400,000	
(c) under Parts A.1, B.2, C.2, D.1 (a), D.2 and D.4 of the Project	9,400,000	
(4) Performance Payments	300,000	50%
(5) Refund of Project Preparation Advance	600,000	Amount payable pursuant to Section 2.07 of the General Conditions
(6) Unallocated	4,900,000	
TOTAL AMOUNT	35,000,000	

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 this Agreement;
- (b) under Category 1 until the Association is satisfied that the Recipient has fulfilled the provisions of Paragraph 5 of Section I of this Schedule, as confirmed by the Association in writing;
- (c) under Category 3(a) until the Association is satisfied that the Recipient has fulfilled the provisions of Paragraph 10 of Section I of this Schedule, as confirmed by the Association in writing;
- (d) under Category 3(b) until the Association is satisfied that the Recipient's Public Institute Law Number 9/03 is amended, in a form and substance satisfactory to the Association, as confirmed by the Association in writing; and
- (e) under Category 4 until the Association is satisfied that the Recipient has fulfilled the provisions of Paragraphs 10 and 11 of Section I of this Schedule, as confirmed by the Association in writing.

2. The Closing Date is June 30, 2016.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing November 15, 2018 to and including May 15, 2028	1.25 %
commencing November 15, 2028 to and including May 15, 2043	2.50 %

* 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

1. “Affected Persons” means persons who, on account of an involuntary taking of land under the Project, had or would have their: (a) standard of living adversely affected; or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; and “Affected Person” means any of the Affected Persons.
2. “AMU” means the Recipient’s asset management unit to be created under Part A.1 of the Project.
3. “Annual Action Plan” means any of the plans referred to in paragraphs 4(a) and/or (c) of Section I of Schedule 2 to this Agreement.
4. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
7. “DNA” means *Direcção Nacional de Águas*, the Recipient’s National Water Directorate within MINEA (as hereinafter defined).
8. “Environmental Management Plan” means each plan to be prepared and adopted by the Recipient pursuant to the ESMF (as hereinafter defined), as may be required, setting out the measures to be taken for the avoidance, minimization, mitigation and offsetting of potential adverse environmental and social impacts of the activities to be implemented under the Project, as each said plan may be amended and/or supplemented from time to time with the prior written concurrence of the Association.
9. “ESMF” means the Recipient’s environmental and social management framework dated March 1, 2008, setting forth the policy framework, principles, standards, processes and institutional arrangements to be applied to assess potential adverse environmental and social impacts associated with the Project, and the ways

to avoid, minimize, mitigate or offset them, including public consultation, disclosure and reporting, as the said framework may be amended and/or supplemented from time to time with the prior written concurrence of the Association.

10. “FCMU” means the Financial and Contract Management Unit referred to in Section I para 2 of Schedule 2 to this Agreement.
11. “GAAP” means the Recipient’s governance and accountability action plan referred to in paragraph 7 of Section I of Schedule 2 to this Agreement.
12. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
13. “Kwanza” means the lawful currency of the Recipient.
14. “MINEA” means the Recipient’s Minister of Energy and Water.
15. “MU” means MINEA’s (as hereinafter defined) financial and contract management unit, responsible for Project coordination, implementation, monitoring and evaluation and referred to in paragraph 2 of Section I of Schedule 2 to the Agreement.
16. “Operating Costs” means reasonable recurrent Project expenditures, based on an annual budget previously approved by the Association, that would not have been incurred by the Recipient absent the Project, including: (a) office equipment and supplies; (b) office utilities and reasonable communications expenses; (c) office rental expenses; (d) Project’s vehicles maintenance costs, fuel and spare parts; (e) travel expenses and per diems for official Project staff (excluding salaries of Recipient’s civil servants); and (f) operation and maintenance of office equipment, financed with the proceeds of the Financing, all needed for the implementation and supervision of the Project.
17. “Operational Manual” means the manual referred to in paragraph 3 of Section I of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes and schedules to the Operational Manual.
18. “Participation Agreement” means the agreement referred to in paragraph 10 of Section I of Schedule 2 to this Agreement, as the same may be amended from time to time, with the prior written agreement of the Association, and such term includes any annexes and schedules to the Participation Agreement.

19. “Participating Province” means a political subdivision (or subdivisions) of the Recipient, selected by the Recipient, in consultation with the Association, according to the eligibility criteria set forth in the Operational Manual, and empowered to create PWSUs (as hereinafter defined) in accordance with the provisions of the relevant Participation Agreement.
20. “Performance Payment” means the payments to be made to PWSUs (as hereinafter defined) as incentives for exceeding the performance targets set forth in the relevant Participation Agreement.
21. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
22. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 27, 2008, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
23. “Program” means the program designed to reform the Recipient’s water and sanitation sector and set forth or referred to in the letter dated June 6, 2008, from the Recipient to the Association.
24. “Project Account” means the account referred to in Section 5.01(c) of the Agreement and in paragraph 8 of Section I of Schedule 2 to this Agreement.
25. “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 February 26, 2007, and on behalf of the Recipient on March 14, 2007.
26. “Public Enterprise Law Number 9/95” means the Recipient’s law dated May 24, 1995, published in the Recipient’s official gazette number I-Series 3, dated September 15, 1995, that regulates the creation of public enterprises in the Recipient’s territory.
27. “Public Institute Law Number 9/03” means the Recipient’s law dated October 28, 2003, published in the Recipient’s official gazette number I- Series 85, dated October 28, 2003, that regulates the creation of public institutes in the Recipient’s territory.
28. “PWSUs” means the autonomous provincial water supply and sanitation utility companies to be created under Part A.2 of the Project, pursuant to the provisions of: (a) the Public Enterprise Law Number 9/95; (b) the Participation Agreement; (c) this Agreement; and (d) the Operational Manual.

29. “Resettlement Action Plan” means each plan to be prepared pursuant to the RPF (as hereinafter defined) as may be required, setting out the principles, procedures, the time schedule governing acquisition of rights to land, resettlement and compensation, as well as reporting and monitoring arrangements to ensure compliance with said plan.
30. “RPF” means the Recipient’s resettlement policy framework satisfactory to the Association, dated March 31, 2008, setting forth the guidelines and procedures for preparation of a Resettlement Action Plan in the likely event of acquisition of rights to land, resettlement procedures and compensation, institutional arrangements, including valuation procedures, budget, public consultation and participation, monitoring and evaluation, and disclosure, as the same may be amended from time to time with the agreement of the Association.
31. “Training” means reasonable expenditures, based on an annual budget previously approved by the Association, (other than those for consultants’ services) incurred by the Recipient, to finance transportation costs and per diem of trainers and trainees, workshops, rental of training facilities and acquisition of training equipment and material needed for the implementation and supervision of the Project.

Section II. Modifications to the General Conditions

The modifications to the International Development Association General Conditions for Credits and Grants, dated July 1, 2005, (as amended through October 15, 2006) are as follows:

1. Paragraph 28 of the Appendix is amended in its entirety to read as follows:

“28. “Financing Payment” means any amount payable by the Recipient to the Association pursuant to the Financing Agreement or these General Conditions, including (but not limited to) any amount of the Withdrawn Credit Balance, the Service Charge, the Commitment Charge, interest and any refund of the Withdrawn Grant Amount payable by the Recipient.”