

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBERS 4357-MZ and 4808-MZ

Financing Agreement

**(Amended and Restated Financing Agreement)
(Water Services and Institutional Support Project)**

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 17, 2010

CREDIT NUMBERS 4357-MZ and 4808-MZ

FINANCING AGREEMENT

FINANCING AGREEMENT dated November 17, 2010, entered into between the REPUBLIC OF MOZAMBIQUE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) amending and restating the Financing Agreement for a Water Services and Institutional Support Project (“Original Project”) between the Recipient and the Association, dated September 21, 2007 (“Original Financing Agreement”), for the purpose of providing additional financing for activities related to the Original Project.

WHEREAS (A) under the Original Financing Agreement, the Association agreed to provide the Recipient a credit in an amount equivalent to nine million nine hundred thousand Special Drawing Rights (SDR 9,900,000) (Credit No. 4357-MOZ) (“Original Financing” or “Original Credit”) to assist in the financing of the project described in Schedule 1 to the Original Financing Agreement (“Original Project”);

(B) under a project agreement for the Original Project between the Association and FIPAG (as defined hereinafter), of same date as the Original Financing Agreement (“FIPAG Project Agreement”), and a project agreement for the Original Project between the Association and CRA (as defined hereinafter), of same date as the Original Financing Agreement (“CRA Project Agreement”), FIPAG and CRA have each undertaken to carry out certain parts of the Original Project and such other obligations as are set forth in said agreements (collectively, the “Original Project Agreements”);

(C) under a grant agreement between the Recipient and the Association, acting as administrator of the Africa Catalytic Growth Fund (“ACGF”), dated September 21, 2007, (“ACGF Co-financing Grant Agreement”), the Association agreed to provide the Recipient a grant in the amount of fifteen million Dollars (\$15,000,000) (TF No. 090410) (“ACGF Co-financing”) to assist in the financing of Part A(a)(ii) of the Original Project;

(D) the Recipient has requested the Association’s agreement to scale up and restructure the Original Project and to provide an additional credit in an amount equivalent to twenty four million four hundred thousand Special Drawing Rights (SDR 24,400,000) to assist in financing such scaled up and restructured project, as described in Schedule 1 to this Agreement (“Project”);

(E) the Recipient intends, to the extent possible, that the proceeds of the Original Financing and the ACGF Co-Financing be disbursed on account of expenditures in respect of the Project before the disbursements of the proceeds of the Additional Financing are made;

(F) by amendments to the FIPAG Project Agreement (“Amended FIPAG Project Agreement”) and amendments to the CRA Project Agreement (“Amended CRA Project Agreement”), both of even date herewith, the Association and the respective Project Implementing Entity have agreed to amend the Original Project Agreements to reflect the Recipient’s request to scale up the Original Project;

(G) the Recipient has also requested the Association, acting as administrator of the Australian Trust Fund for Co-financing of the Water Services and Institutional Support Project (TF No. 097281) (“AusAID TF”), to provide a grant in an amount equivalent to fifteen million six thousand five hundred seventy five Australian Dollars (AU\$ 15,006,575) (“AusAID Co-financing”) to assist in the financing of Part B(d) of the Project;

(H) by a project agreement of even date herewith between the Association and AMU (as hereinafter defined) (“AMU Project Agreement”), AMU has undertaken to carry out Part B(d) of the Project, and to perform such other obligations as are set forth in said agreement; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing to extend such additional assistance to the Recipient 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 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, the Original Financing Agreement, or this Agreement (including the Preamble and Appendix hereto).

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 (variously, “Credit” and “Financing”) in two portions in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):
 - (a) an amount equivalent to nine million nine hundred thousand Special Drawing Rights (SDR 9,900,000) (“Original Credit”); and

- (b) an amount equivalent to twenty four million four hundred thousand Special Drawing Rights (SDR 24,400,000) (“Additional Credit”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section II of Schedule 1 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 15 and July 15 in each year for both the Original Credit and for the Additional Credit.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedules set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

ARTICLE III – PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall: (a) cause FIPAG to carry out Part A of the Project; (b) cause AMU to carry out part B of the Project; and (c) cause CRA to carry out Part C of the Project; all in accordance with the provisions of Article IV of the General Conditions and the Project Agreements.
- 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 consists of the following: any of Project Implementing Entities’ Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of such Project Implementing Entity to perform any of its obligations under its respective Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs.

**ARTICLE V – EFFECTIVENESS OF AMENDED AND
RESTATED AGREEMENT; TERMINATION**

- 5.01. This amended and restated Agreement shall not become effective until evidence satisfactory to the Association has been furnished to the Association that the following conditions have been satisfied:
- (a) The execution and delivery of this amended and restated Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental and corporate action.
 - (b) the execution and delivery of the Amended FIPAG Project Agreement, the Amended CRA Project Agreement, and the AMU Project Agreement, have been duly authorized or ratified by all necessary governmental and corporate action on behalf of the Project Implementing Entity which is a party to such Project Agreement.
 - (c) Each Subsidiary Agreement has been executed on behalf of the Recipient and of the Project Implementing Entity which is a party to such agreement, in accordance with the provisions of Section I.A of Schedule 2 to this Agreement; and the arrangements referred to in Section I.A.2 of Schedule 2 to this Agreement have been entered into between CRA and AMU.
 - (d) The execution and delivery of the AusAID Co-financing Grant Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental and corporate action; and all conditions precedent to its effectiveness, other than the effectiveness of this amended and restated Agreement, have been satisfied.
 - (e) If the Association so requests, the condition of each Project Implementing Entity, as represented or warranted to the Association at the date of this amended and restated Agreement, has undergone no material adverse change after such date.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01 of this Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association or, if the Association so requests, a certificate satisfactory to the Association of a competent official of the Recipient, showing the following matters:
- (a) on behalf of the Recipient, that this amended and restated Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms;

- (b) on behalf of FIPAG, that the Amended FIPAG Project Agreement, has been duly authorized or ratified by, and executed and delivered on behalf of it and is legally binding upon it in accordance with its terms;
 - (c) on behalf of CRA, that the Amended CRA Project Agreement, has been duly authorized or ratified by, and executed and delivered on behalf of it and is legally binding upon it in accordance with its terms;
 - (d) on behalf of AMU, that the Amended AMU Project Agreement, has been duly authorized or ratified by, and executed and delivered on behalf of it and is legally binding upon it in accordance with its terms; and
 - (e) each Subsidiary Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Recipient and the Project Implementing Entity which is a party to such agreement and is legally binding upon the Recipient and such Project Implementing Entity in accordance with its terms.
- 5.03. (a) Except as the Recipient and the Association shall otherwise agree, this amended and restated Agreement shall enter into effect on the date upon which the Association dispatches to the Recipient and the Project Implementing Entities notice of its acceptance of the evidence required pursuant to Section 5.01 of this amended and restated Agreement.
- (b) If, before the date on which the Association would otherwise dispatch the notice referred to in paragraph (a) of this Section, any event has occurred which would have entitled the Association to suspend the right of the Recipient to make withdrawals from the Financing Account if this amended and restated Agreement had been effective, the Association may postpone the dispatch of such notice until such event (or events) has (or have) ceased to exist.
- 5.04. This amended and restated Agreement, the Amended FIPAG Project Agreement, the Amended CRA Project Agreement and the AMU Project Agreement and all obligations of the parties under said agreements shall terminate, and the Original Financing Agreement and Original Project Agreements shall remain in full force and effect, if this amended and restated Agreement has not entered into effect by the date ninety (90) days after the date of this amended and restated Agreement, unless the Association, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The Association shall promptly notify the Recipient and the Project Implementing Entity of such later date.

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
Av. Ahmed S. Toure, 21 - 4th Floor
Maputo, Mozambique

Cable:	Telex:	Facsimile:
MOBANCO Maputo	(258) 21 492-268	(258) 21 492-625

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 Maputo, Republic of Mozambique, as of the day and year first above written.

REPUBLIC OF MOZAMBIQUE

By

/s/ Aiuba Cuereneia
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Young Chul Kim
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) increase water service coverage in the cities of Beira, Dondo, Nampula, Quelimane, Ilha de Moçambique, Mocimboa da Praia, Pemba, Tete, Chimoio, Gondola, Angoche, Moatize, and Nacala under the delegated management framework, and (ii) establish an institutional and regulatory framework for water supply in smaller cities and towns of the Recipient's territory.

The Project consists of the following parts:

Part A: Investments and Support to FIPAG

- (a) Expansion and extension of approximately: (i) 208 kilometers of water supply networks and distribution systems in Pemba, Nampula, Quelimane, Beira and Dondo; (ii) 345 kilometers of water supply networks and distribution systems in Pemba, Nampula, Quelimane, Beira and Dondo; and (iii) approximately 147 kilometers of water supply networks and distribution systems and wells, in Tete, Chimoio, Gondola, Angoche, Moatize and Nacala.
- (b) Support to FIPAG to: (i) enable it to carry out the works mentioned under (a) above through the provision of: (1) technical assistance; (2) consumables including fuel and utilities for system maintenance; and (3) goods including meters, pumps and chemicals; and (ii) carry out its day-to-day operations, through the provision of: (1) technical assistance; and (2) goods including quality control replacement parts, emergency and maintenance equipment and vehicles.
- (c) Strengthening FIPAG's institutional capacity, including project preparation and supervision, through the provision of training and technical assistance.

Part B: Capacity Building, Institutional and Operational Support to AMU

- (a) Support to AMU, through the provision of: (i) technical assistance in the establishment and operationalization of AMU based on the Recipient's delegated management model, on a pilot basis and in the establishment of PWBs, and once established, support to AMU in the drafting and negotiation of initial performance contracts with PWBs; (ii) goods and equipment including vehicles, furniture, computers to support the establishment and operation of AMU and PWBs; (iii) operating cost support for AMU and the PWBs; and (iv) carrying out of training and capacity building for staff of AMU, and the PWBs.
- (b) Support to AMU to effectively ensure the proper operation of the pilot provincial systems under the performance contracts mentioned under (a) (i) above, through the provision of: (i) Operating Costs; and (ii) goods and equipment, including

water supply equipment, chemicals, meters, pipes and valves, vehicles, furniture, and computers.

- (c) Strengthening AMU's institutional capacity, including in supervision of projects, through the provision of training and technical assistance to facilitate the preparation of: (i) a sector-wide approach to financing development of water supply systems for rural areas; (ii) a medium-term expenditure framework to facilitate the implementation of the Recipient's water sector policy; (iii) common guidelines applicable to future investments in the water sector; and (iv) mitigation strategies with respect to the impact of HIV/AIDS on the sector.
- (d) (i) Rehabilitation and construction of water production, supply and distribution systems (including connections and stand pipes) in Ilha de Mozambique and Mocimboa da Praia; (ii) carrying out of a program of capacity building for the construction, operation and maintenance of the systems included in (i) of this Part B (d) (including construction supervision); and (iii) carrying out of a capacity building program to support future improvements to the water supply and sanitation systems of the Recipient's small cities and towns, including: (1) the provision of training to local operators of small city and town water systems; (2) Operating Costs associated with the activities included in this Part B(d), and (3) developing strategic sanitation plans for Ilha de Moçambique and Mocimboa da Praia.

Part C: Capacity Building, Institutional and Operational Support to CRA

- (a) Support to CRA's institutional capacity to: (i) expand the scope of its regulatory framework and differentiated regulatory approaches to be applied to privately and publicly-operated water supply systems; and (ii) supervise decentralized regulatory agents to ensure application of CRA's regulations in smaller cities and towns; all through the provision of training to CRA staff and technical assistance.
- (b) Support to CRA to enable it to effectively carry out its expansion at provincial level and to maintain the same operational standards at provincial level as at its headquarters including through the provision of: (i) Operating Costs; and (ii) goods and equipment, including vehicles, computers, and furniture.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. **Subsidiary Agreements; CRA-AMU Arrangements**

1. To facilitate the carrying out of the Project, the Recipient shall make part of the proceeds of the Credit available to FIPAG and CRA under subsidiary agreements (“Subsidiary Agreements”) between the Recipient and each such Project Implementing Entity, under terms and conditions approved by the Association, which shall include the following:
 - (a) for the purpose of carrying out Part A of the Project, the Recipient shall make available to FIPAG, the proceeds of the Credit allocated from time to time to Categories (1), (2) (a), (2) (c) and (4), respectively (“FIPAG Subsidiary Finance”), on terms satisfactory to the Association; and
 - (b) for the purpose of carrying out Part C of the Project, the Recipient shall make available to CRA, on a non-reimbursable grant basis, the proceeds of the Credit allocated from time to time to Categories (2)(b) and (d) and (3)(a) and (b) respectively of the table set forth in Section IV.A.2 of this Schedule.
2. For the purpose of assisting AMU in carrying out Part B (d) of the Project, the Recipient shall, under terms of reference and other arrangements satisfactory to the Association, ensure that:
 - (a) CRA shall, on behalf of AMU: (i) carry out all procurement under said Part; and (ii) undertake all financial management responsibilities of AMU under said Part, all in accordance with the provisions of this Agreement and the AMU Project Agreement; and
 - (b) AMU shall make available all funds necessary, and otherwise cooperate with CRA to enable CRA to carry out the responsibilities referred to in paragraph (a) of this Section I.A.2.
3. The Recipient shall exercise its rights under the Subsidiary Agreements (and other arrangements referred to above) 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 Agreements (or such other arrangements) or any of their provisions.

B. Institutional Arrangements

1. Project Implementing Agencies

The Recipient shall ensure that FIPAG, AMU and CRA are maintained at all times during the implementation of the Project with functions, staffing, and resources satisfactory to the Association, for the purpose of ensuring the prompt and efficient implementation of the Project.

2. Regulatory Arrangements with CRA

By October 31, 2011, the Recipient shall cause AIAS and CRA to enter into an agreement, satisfactory to the Association, designed to ensure the application of a proper regulatory framework for the operation and maintenance of the water supply and distribution systems of each small city included in Part B of the Project.

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the ESMF, RPF and PCRMP, and shall ensure that, prior to carrying out any activities under the Project involving works:

(a) any necessary Resettlement Action Plan (“RAP”) for such activities is prepared, disclosed and implemented in accordance with the RPF and in a manner acceptable to the Association; and

(b) any necessary Environmental Assessment (“EA”) for such activities is prepared and disclosed, and any necessary Environmental Management Plan (“EMP”) is prepared, disclosed and implemented, in accordance with the ESMF and PCRMP, and in a manner satisfactory to the Association.

2. To that end, the Recipient shall ensure that: (a) any RAP required for an activity pursuant to the RPF and any EA (and EMP therefore) required for an activity pursuant to the ESMF and PCRMP shall be furnished to the Association for its approval prior to the commencement of any procurement for works for such

activity; and (b) no such procurement shall commence unless and until the Association has approved such RAP, EA and/or EMP (as the case may be).

3. The Recipient shall not amend the ESMF, RPF, PCRMP or any EA, EMP or RAP, without prior approval in writing by the Association and compliance with the same procedures followed for their initial adoption.
4. In case of any conflict between the terms of the ESMF, RPF, PCRMP or any EA, EMP or RAP, and those of this Agreement, the terms of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate (or cause to be monitored and evaluated) the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. On or about October 31, 2013, the Recipient shall carry out a comprehensive mid-term review of the Project during which it shall exchange views generally on all matters relating to the progress of the Project, the performance by the Recipient of its obligations under this Agreement, the performance by the Project Implementing Entities of their respective obligations under the Project Agreements, having regard to the performance indicators referred to in paragraph A.1 of this Section II, the tariff levels to assess the planned timing for cost recovery for the PWBs, and the quantification of the financing needs after Project completion for the PWBs' operating costs for the water schemes included under Part B (b) (i) of the Project and under their responsibility.

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 shall cause the Project Implementing Entities to prepare and furnish to the Association not later than one month 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 the Project Implementing Entities to have their own financial statements, and the Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each such audit shall cover the period of one Fiscal Year. The audits for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Services (other than Consultants' Services).** All goods, works and services (other than 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 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, Works and Services (other than Consultants' Services)

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works, and services (other than Consultants' Services) shall be procured under contracts awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids awarded on the basis of International Competitive Bidding, shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.
2. **Other Methods of Procurement of Goods, Works and Services (other than Consultants' Services).** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and services (other than consultants' services). The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method	
(a)	National Competitive Bidding
(b)	Shopping
(c)	Direct Contracting
(d)	Procurement from IAPSO

3. **Additional Provisions Governing National Competitive Bidding referred to in paragraph B.2(a) of this Section.**

National Competitive Bidding for goods and works shall be subject to the following:

- (a) Eligibility. No bidder, foreign or domestic, shall be precluded from participating in the bidding process for reasons unrelated to their eligibility or capability to perform the contract. Examples of reasons that may not be used to preclude a bidder from so participating include the following: proof that the bidder is not under bankruptcy proceedings in the territory of the Recipient; appointment by the bidder of a local representative in the territory of the Recipient; prior registration by the bidder in the territory of the Recipient; or license or agreement allowing the bidder to operate in the territory of Recipient.
- (b) Qualification. Bidders shall be post-qualified unless the Procurement Plan explicitly provides otherwise. Irrespective of whether post qualification or prequalification is used, both national and foreign bidders who meet the qualification requirements stated in the bidding documents shall be allowed to participate in the bidding process.
- (c) Bidding Documents. Bidders shall use standard bidding documents for the procurement of goods, works and services, consistent with the provisions of the Procurement Guidelines.
- (d) Preferences. No preference for domestically manufactured goods or for domestic contractors shall be allowed.
- (e) Bid evaluation. The qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified; the

evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. Evaluation of bids shall be made in strict adherence to the criteria set forth in the bidding documents; criteria other than price should be quantified in monetary terms. A contract shall be awarded to the qualified bidder offering the lowest technically responsive evaluated bid. Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

- (f) Rejection of All Bids and Re-bidding. In cases where the Recipient rejects all bids and solicits new bids for a contract, it shall, as soon as possible, notify the Association of such decision.
- (g) Complaints by Bidders. Complaints by bidders shall be handled by the Recipient, who shall inform the Association of any such complaint.
- (h) Right to Inspect/Audit. Each bidding document and contract financed out of the proceeds of the Financing shall provide that the bidder, supplier or contractor, and any subcontractor, shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have these accounts and records audited by auditors appointed by the Association. An act by the bidder, supplier, contractor or subcontractor intended to materially impede the Association's exercise of its inspection and audit right constitutes an Obstructive Practice.

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)	Selection Based on Consultants' Qualifications
(b)	Least Cost Selection
(c)	Quality based Selection
(d)	Selection under a fixed budget
(e)	Single Source Selection
(f)	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 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 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:

Category	Amount of the Original Credit Allocated (expressed in SDR)	Amount of the Additional Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Civil Works for: (a) Part A (a) (i) of the Project (b) Part A (a) (iii) of the Project	700,000 0	6,400,000 5,500,000	100%
(2) Goods, consultants' services, and training for: (a) Part A (b) (except for A (b) (i) (3)) and Part A (c) of the Project (b) Part B (except for B(d)) (c) Part A(b)(i)(3) of the Project and Part A(c) of the Project (d) Part C of the Project	3,300,000 2,300,000 1,300,000	9,300,000 1,700,000 330,000	100%
(3) Operating Costs for: (a) Part B (except B(d)) of the Project (b) Part C of the Project	1,300,000 700,000	0 330,000	100%
(4) Fuel and electricity for Part A of the Project	300,000	200,000	100%
(5) Unallocated	0	640,000	

TOTAL AMOUNT	9,900,000	24,400,000	
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B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) in respect of the Original Credit, for payments made prior to the date of the Original Financing Agreement, except that, withdrawals up to an aggregate amount not to exceed SDR 200,000 equivalent may be made out of the proceeds of the Original Credit, for payments made prior to this date but on or after July 1, 2007; or
 - (b) in respect of the Additional Credit, for payments made prior to the date of this amended and restated Agreement.
2. The Closing Date is October 31, 2015.

Section V. Other Undertakings

The Recipient shall ensure that:

- (a) The tariffs for the systems under the responsibility of FIPAG shall reflect the principle of full cost recovery and shall be sufficient to cover operating expenses, depreciation, and cost of capital in a reasonable time horizon for all said systems. These tariffs shall be assessed during the mid-term review mentioned in Section II A.2 of this Schedule to ensure that they satisfy these requirements; and
- (b) Within twelve months following the mid-term review referred to in Section II A.2 of this Schedule, measures acceptable to the Association are taken to cover the financing needs referred to in said Section.

SCHEDULE 3

Repayment Schedule

I. Repayment of the Original Credit

Date Payment Due	Principal Amount of the Original Credit repayable (expressed as a percentage)*
On each January 15 and July 15:	
commencing January 15, 2018, to and including July 15, 2027	1%
commencing January 15, 2028, to and including July 15, 2047	2%

II. Repayment of the Additional Credit

Date Payment Due	Principal Amount of the Additional Credit repayable (expressed as a percentage)*
On each January 15 and July 15:	
commencing January 15, 2021, to and including July 15, 2030.	1%
commencing January 15, 2031, to and including July 15, 2050.	2%

* 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. “ACGF” means the Africa Catalytic Growth Fund, a multi-donor trust fund administered by the World Bank, on behalf of the various donors contributing to the Fund from time to time.
2. “AMU” means *Administração de Infra-estrutura de Água e Saneamento*, otherwise known as the Assets Management Unit, an agency of the Recipient established and operating pursuant to the Recipient’s Decrees No.18 and 19, published May 13,2009, under the supervisory authority of MoPH, and any successor thereto.
3. “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 with the modifications set forth in Section II of this Appendix.
4. “AusAID” means the Australian Agency for International Development.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Co-financier” means the World Bank, acting as administrator of the ACGF, or as administrator of the AusAID Trust Fund, as referred to in paragraph 10 of the Appendix to the General Conditions.
7. “Co-financing” means the ACGF Co-financing and the AusAID Co-financing.
8. “Co-financing Agreement” means the ACGF Co-financing Agreement or the agreement to be entered into between the Recipient and the Co-financier providing for the AusAID Co-financing.
9. “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 and May 2010.
10. “CRA” means *Conselho de Regulacao do Abastecimento de Agua*, the Recipient’s Council for Regulation of Water Supply established by the Recipient, pursuant to Decree 74/98 published in the Recipient’s Official Gazette on December 23, 1998, and any successor thereto.
11. “DNA” means the *Direccao Nacional de Aguas*, the Recipient’s National Directorate of Water within MOPH, and includes any successor thereto

12. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s framework for the Project dated April 2, 2007, setting forth mechanisms and guidelines for applying an environmental and social screening form to assist in determining potential environmental and social impacts of specific project activities as well as for implementation of mitigation measures of any adverse such impacts; an EA process for Project activities requiring a separate EA; institutional arrangements for review and clearance of screening results and EA reports; a template for the preparation of any Environmental Management Plan (EMP); and procedures for public consultations, monitoring and evaluation and disclosure of such assessments and plans.
13. “Environmental Assessment” or “EA” means each assessment of potential environmental and social impacts required pursuant to the ESMF for activities under the Project.
14. “Environmental Management Plan” or “EMP” means for each EA, any plan required pursuant to the ESMF to be prepared and setting forth details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of the Project activities covered by such EA, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms.
15. “FIPAG” means the *Fundo de Investimento e Patrimônio do Abastecimento de Água*, an asset holding company established by the Recipient pursuant to Decree 73/98, published in the Recipient’s Official Gazette on December 23, 1998, the Project Implementing Entity for Part A of the Project, and includes any successor thereto.
16. “Fiscal Year” means the Recipient’s fiscal year commencing January 1 and ending December 31 of each year.
17. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
18. “IAPSO” means the United Nations Inter-Agency Procurement Services Organization.
19. “MOPH” means the Recipient’s Ministry of Public Works and Housing, and includes any successor thereto.
20. “Operating Costs” means the incremental expenditures incurred on account of the Project for office supplies, vehicle operation and maintenance, communication and insurance costs, bank charges, rental expenses, office maintenance costs,

utilities, travel cost for Project staff and salaries of support contractual staff for the Project, but excluding salaries of Recipient's civil service officials.

21. "Original Financing Agreement" means the financing agreement for a Water Services and Institutional Support Project between the Recipient and the Association, dated September 21, 2007, (Credit No. 4357-MOZ).
22. "Original Project" means the project described in the Original Financing Agreement.
23. "PCRMP" means the Recipient's Physical Cultural Resource Management Plan dated June 11, 2010, developed to appropriately handle any cultural items existing and/or discovered in the course of carrying out any works on the island part of the Ilha de Mozambique Municipality under Part B (d) of the Project.
24. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006 and May 2010.
25. "Procurement Plan" means the Recipient's procurement plan for the Project, dated August 13, 2010, 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.
26. "Project Agreement" means, any of the Amended FIPAG Project Agreement, the Amended CRA Project Agreement, and the AMU Project Agreement; and "Project Agreements" means collectively all such agreements.
27. "Project Implementing Entity" means FIPAG, CRA or AMU, as the case may be, and "Project Implementing Entities" means, collectively, all such entities.
28. "Project Implementing Entity's Legislation" means: (a) with respect to FIPAG, Decree 73/98 published in the Recipient's Official Gazette on December 23, 1998 and establishing FIPAG; (b) with respect to CRA, Decree 74/98 published in the Recipient's Official Gazette on December 23, 1998, and establishing CRA; and (b) with respect to AMU, Recipient's Decrees No.18 and 19, published May 13, 1009 and establishing AMU; all as said decrees may be amended from time to time.
25. "Provincial Water Boards" or "PWBs" means the provincial water boards established or to be established by the Recipient and to be responsible for managing at the provincial level the water assets of the cities and towns included in the Project.

29. “Resettlement Action Plan” or “RAP” means each resettlement action plan required pursuant to the RPF for activities included under the Project, and containing, *inter alia*, a program of actions, measures and policies for compensation and resettlement of persons affected by such activities.
30. “Resettlement Policy Framework” or “RPF” means the Recipient’s framework dated April 2, 2007, setting forth policies and procedures for resettlement of persons affected by Project activities, including guidelines for the preparation of RAPs, institutional arrangements, eligibility criteria, entitlements and compensation, valuation procedures, budget, public consultation and participation in relation to any such resettlement, as well as monitoring and evaluation and disclosure requirements for such RAPs.
31. “Subsidiary Agreement” means each agreement referred to in Section I.A of Schedule 2 to this Agreement between the Recipient and a Project Implementing Entity providing for part of the proceeds of the Credit to be made available to such Project Implementing Entity, as the same may be amended from time to time; and “Subsidiary Agreements” means, collectively, both such agreements.
32. “Training” means the reasonable costs associated with training, workshops and study tours for selected participants, including: workshop venue rentals, materials, associated per diems, tuition fees, honoraria and travel costs.

Section II. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or

for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted

an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank's website and otherwise be made known to staff and other stakeholders.”