

CONFORMED COPY

CREDIT NUMBER 4527-NI

GRANT NUMBER H4300-NI

Financing Agreement

(Greater Managua Water Supply and Sanitation Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 21, 2009

CREDIT NUMBER 4527-NI

GRANT NUMBER H4300-NI

FINANCING AGREEMENT

AGREEMENT dated January 21, 2009, entered into between REPUBLIC OF NICARAGUA (“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 grant and a credit (collectively “Financing”) in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):
 - (a) an amount equivalent to thirteen million five hundred thousand Special Drawing Rights (SDR 13,500,000) (“Grant”); and
 - (b) an amount equivalent to thirteen million five hundred thousand Special Drawing Rights (SDR 13,500,000) (“Credit”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

- 2.05. The Payment Dates are March 15 and September 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is United States Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause ENACAL to carry out the Project with the assistance of the Project Committee, all in accordance with the provisions of Article IV of the General Conditions.
- 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. (a) The Additional Events of Suspension consist of the following:
 - (i) The ENACAL Legislation has been amended, suspended, abrogated, repealed, waived or not enforced so as to affect materially and adversely, in the opinion of the Association, the ability of ENACAL to perform any of its obligations under the Subsidiary Agreement.
 - (ii) The Procurement Law has been amended, suspended, abrogated, repealed, waived or not enforced so as to render its Article 3(f) ineffective, in the opinion of the Association, and no provision analogous to such Article 3(f) has been adopted to replace such provision.
 - (iii) The Water Law has been amended suspended, abrogated, repealed, waived or not enforced so as to affect, in the opinion of the Association, materially and adversely the implementation of the Project or the achievement of its objective.
 - (iv) ENACAL shall have failed to comply with any of its obligations under the Subsidiary Agreement.

- 4.02. The Additional Events of Acceleration consist of the following:
- (a) The event specified in paragraph (a)(iv) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.
 - (c) Any event specified in paragraphs (a) (i), (a) (ii), and/or (a) (iii) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Subsidiary Agreement has been executed on behalf of the Recipient and ENACAL.
- 5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and ENACAL and is legally binding upon the Recipient and ENACAL in accordance with its terms.
- 5.03. Without limitation to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Association's approval of the Financing which expire on June 16, 2010.
- 5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is eighteen years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister of Finance and Public Credit.
- 6.02. The Recipient's Address is:

Ministerio de Hacienda y Crédito Público
Avenida Bolívar, Frente a la Asamblea Nacional
Managua, Nicaragua

Facsimile: (505) 222-3033

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 the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF NICARAGUA

By /s/ Arturo Cruz

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Laura Frigenti

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase access by the population of the Greater Managua region to reliable water and improved sanitation services.

The Project consists of the following parts:

Part 1. Coverage Extension and Improvement of WSS

- A. Increasing coverage of WSS services in the Greater Managua region through the financing of primary, secondary and tertiary water and/or sewer network rehabilitation investments or repairs of existing wastewater treatment systems.
- B. Carrying out of technical and feasibility studies, social interventions and provision of technical assistance in connection with such increased and improved WSS services.

Part 2. Improvement of Water Supply and Efficiency in Selected Areas

- A. Carrying out of technical and diagnostic studies separate from those carried out under Part 1.B of the Project to evaluate, *inter alia*, current WSS supply and demand, losses and unmet demand, and determine technically and financially efficient combinations of additional sources and efficiency improvements in the provision of WSS services.
- B. Carrying out of water supply and efficiency improvements separate from those carried out under Part 1.A of the Project, including *inter alia*: (i) rehabilitation and capacity extension for water sources; (ii) increased adduction and storage capacity, including increases in wastewater collector capacity; (iii) rehabilitation and extension of low-technology wastewater treatment systems; (iv) creation of district metering areas; (v) optimization of energy consumption in pumping systems as well as conducting of leak reduction campaigns; (vi) improvement of metering at the household level; (vii) updating of the Recipient's WSS user registry (*cadastro de usuarios*); and (viii) improvement of billing and collection practices targeted to low-income households.

Part 3. Institutional Strengthening; Project Management and Monitoring

- A. Carrying out of institutional strengthening activities, including *inter alia*: (i) provision of technical assistance, equipment and services aimed at supporting the Recipient's implementation of the Institutional Development Plan; (ii) development of tariff studies and appropriate payment mechanisms for low-income neighborhoods; and (iii) conducting of exchanges of experience with other countries, training and consultancies to move towards a unified WSS policy.
- B. Project Management and Monitoring. (i) Supporting ENACAL to implement, manage, monitor and evaluate the Project through, *inter alia*: (i) the provision of technical assistance, household surveys, the financing of incremental operating costs, the carrying out of training and study tours, and the upgrading of the working environment; and (ii) carrying out audit services for purposes of Sections II.B.3 and V.A of Schedule 2 to this Agreement.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall cause ENACAL to maintain, throughout Project implementation, professional staff required for Project implementation as set forth in the Operational Manual, all with qualifications and experience satisfactory to the Association.
2. Prior to carrying out any activity under the Project, the Recipient shall organize, and thereafter maintain throughout Project implementation, a committee (the "Project Committee") with composition and functions satisfactory to the Association and set forth in the Operational Manual, including providing strategic and policy guidance for the carrying out of the Project. The Project Committee shall operate under the terms and conditions set forth to that effect in the Operational Manual.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to ENACAL under a subsidiary agreement (Subsidiary Agreement) between the Recipient and ENACAL, under terms and conditions acceptable to the Association, which shall include *inter alia*:
 - (a) the provision to ENACAL of the funds, facilities, services and other resources required to enable ENACAL to carry out the Project, including the transfer of the proceeds of the Financing;
 - (b) the obligation of ENACAL to: (i) carry out the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the Operational Manual and the provisions of the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient; (ii) provide, promptly as needed, any additional resources within its control required for the purpose; (iii) (A) procure the goods, works and services to be financed out of the Financing in accordance with the provisions of this Agreement; and (B) conduct the audits referred to in Section V.A of Schedule 2 to this Agreement; (iv) maintain, throughout Project implementation, professional staff required for Project implementation as provided in Section I.A.1 of Schedule 2 to

this Agreement; (v) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Association and set forth in the Operational Manual, the progress of the Project and the achievement of its objective; (vi) (A) 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 its operations and financial condition, including operations, resources and expenditures related to the Project; and (B) have such financial statements audited by independent auditors acceptable to the Association in accordance with consistently applied auditing standards acceptable to the Association (each audit covering one calendar year of ENACAL), and promptly furnish the statements as so audited to the Recipient and the Association; (vii) enable the Recipient and the Association to inspect the Project, its operation and relevant records and documents; and (viii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing; and

(c) the right of the Recipient to suspend or terminate the right of ENACAL to use the proceeds of the Financing, and the right of the Recipient to obtain a refund from ENACAL of all or any part of the amount of the Financing then withdrawn by ENACAL, upon ENACAL's failure to perform any of its obligations under the Subsidiary Agreement.

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, waive or fail to enforce the Subsidiary Agreement or any of its provisions.
3. To facilitate the carrying out of the Project, the Recipient shall cause ENACAL to, not later than June 30, 2009, enter into an agreement, satisfactory to the Association, with the municipality of Managua, setting forth collaboration arrangements and their respective roles and responsibilities under the Project, which agreement the Recipient shall cause ENACAL to carry out and enforce according to its terms.

C. Operational Manual

1. (a) The Recipient shall, and shall cause ENACAL to, carry out the Project in accordance with an operational manual (the Operational Manual), satisfactory to the Association, said manual to be adopted by ENACAL and in effect at the time of signing of the Subsidiary Agreement and to include, *inter alia*:

- (i) the procedures for the carrying out, monitoring and evaluation of the Project (including the procurement, disbursement, financial management, social and environmental requirements thereof);
 - (ii) the staff in ENACAL required for Project implementation, including the necessary qualifications and experience for such positions;
 - (iii) the criteria for selecting the areas to benefit from the Project;
 - (iv) the procedures for community participation in the implementation of the Project;
 - (v) the procedures to be followed in the event that any “chance finds” of archeologically or culturally significant resources are encountered during construction;
 - (vi) the EMF and the RF; and
 - (vii) the indicators for Project monitoring and evaluation (the Performance Indicators).
- (b) The Operational Manual may be amended from time to time with the prior approval of the Association. In the case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

D. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall cause ENACAL to 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 Performance Indicators. Each Project Report shall cover the period of three months, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall cause ENACAL to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall cause ENACAL to prepare and furnish to the Association as part of the Project Report, interim unaudited financial reports for the Project covering the three-month period, in form and substance satisfactory to the Association.
3. The Recipient shall cause ENACAL to have its Financial Statements as well as those for the Project audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements and of the Project shall cover the period of one calendar year of ENACAL. The audited Financial Statements 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 Non-Consultant Services.** All goods, works and non-consultant 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.
4. **Stipulation of Procedures under the Procurement Law.** For purposes of Article 3(f) of the Procurement Law, the Procurement Guidelines, the Consultant Guidelines, and the provisions of this Schedule collectively constitute the stipulated procedures for the procurement of goods, works, non-consultant and consultant services financed under this Agreement.

B. Particular Methods of Procurement of Goods and Works and Non-Consultant Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-Consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consultant 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

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) Selection under a Fixed Budget
(c) Least-Cost Selection
(d) Selection Based on Consultants' Qualifications
(e) Single-Source Selection
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Procedures set forth in paragraph 5.4 of the Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

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

E. Special Provisions

1. In addition and without limitation to any other provisions set forth in this Section or the Procurement Guidelines, the following principles of procurement shall expressly govern all procurement of goods, works and non-consultant services under either International Competitive Bidding or National Competitive Bidding:

- (a) Foreign bidders shall not be required to be registered with local authorities as a prerequisite for bidding.
- (b) No bids shall be rejected, and no provisional awards shall be made at the time of bid opening.
- (c) The invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices.
- (d) The invitation to bid shall not publish the estimated cost of the contract.
- (e) The invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid.

2. In addition and without limitation to any other provisions set forth in this Section or the Procurement Guidelines, the following principles of procurement shall expressly govern all procurement under Shopping:

- (a) Foreign bidders shall not be required to be registered with local authorities as a prerequisite for bidding.
- (b) No bids shall be rejected, and no provisional awards shall be made at the time of bid opening.
- (c) The invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices.
- (d) The invitation to bid shall not publish the estimated cost of the contract.
- (e) The invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid.

- (f) A minimum of three quotations shall be obtained as a condition to award the contract.

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 and of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (expressed in SDR)</u>	<u>Amount of the Credit Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Goods, works and Non-consultant services:			
(a) under Parts 1 and 2 of the Project	11,050,000	11,050,000	100%
(b) under Part 3 of the Project	300,000	300,000	
(2) Consultant services:			
(a) under Parts 1 and 2 of the Project	1,050,000	1,050,000	100%
(b) under Part 3 of the Project	800,000	800,000	
(3) Training and Operating Costs	300,000	300,000	100%

<u>Category</u>	<u>Amount of the Grant Allocated (expressed in SDR)</u>	<u>Amount of the Credit Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
TOTAL AMOUNT	13,500,000	13,500,000	

3. For the purposes of this Schedule, the term:
- (a) “Training” means: (i) reasonable travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph;
 - (b) “Operating Costs” means the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, *per diem* and supervision costs, and excluding salaries of locally contracted employees (none of which would have been incurred absent the Project); and
 - (c) “Non-consultant Services” means the reasonable expenditures incurred on account of Project implementation to cover reasonable costs of data collection services and other services which are not rendered by consultants and which are not covered in the definitions of Training and Operating Costs set forth in paragraphs (a) and (b) above.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made in respect of payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$500,000 equivalent may be made for payments made within one year prior to the date of this Agreement but in any case on or after November 6, 2008, for Eligible Expenditures.
2. The Closing Date is February 28, 2014.

Section V. Other Undertakings

A. Annual Procurement Audits

1. The Recipient shall cause ENACAL to:
 - (a) not later than November 30 of each year of Project implementation, starting on November 30, 2009, contract annual procurement audits for each year of Project implementation, with independent auditors of experience and qualifications satisfactory to the Association, operating under terms of reference satisfactory to the Association and have all the procurement records and documentation for each calendar year of the Project audited, in accordance with appropriate procurement auditing principles;
 - (b) not later than March 31 of each year of Project implementation, starting March 31, 2010, furnish to the Association the procurement audit report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested;
 - (c) furnish to the Association or to said auditors such other information concerning said procurement records and documentation as the Association shall from time to time reasonably request; and
 - (d) not later than June 30 of each year of Project implementation, starting June 30, 2010, discuss the results of such audits with the Association and take into account the Association's comments thereon.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing March 15, 2019 to and including September 15, 2028	1%
commencing March 15, 2029 to and including September 15, 2048	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. “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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “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.
4. “ENACAL” means *Empresa Nicaragüense de Acueductos y Alcantarillados Sanitarios*, the Recipient’s National Water and Sanitation Enterprise, established pursuant to the Recipient’s Law No. 276, published in the Recipient’s Official Gazette No. 12 of January 20, 1998.
5. “ENACAL Legislation” means the Recipient’s Law No. 276, published in the Recipient’s Official Gazette No. 12 of January 20, 1998 and the Recipient’s Law No. 479, published in the Recipient’s Official Gazette No. 245 of December 26, 2003.
6. “Environmental Management Framework” or “EMF” means the Recipient’s framework for the environmental management of the Project dated August 4, 2008, as may be amended from time to time with the prior agreement of the Association.
7. “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.
8. “Greater Managua” means the territory of the municipality of Managua and the metropolitan area including the selected zones of intervention set forth in the Operational Manual.
9. “Institutional Development Plan” means *Plan de Desarrollo Institucional de ENACAL 2008-2012*, dated September 30, 2008, as may be amended by the Recipient from time to time.

10. “Operational Manual” means the Recipient’s manual for the implementation of the Project, as the same may be amended from time to time with the prior approval of the Association.
11. “Performance Indicators” means the indicators for Project monitoring and evaluation set forth in the Operational Manual.
12. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
13. “Procurement Law” means the Recipient’s Law No. 323, which was enacted on December 2, 1999 and published in the Recipient’s Official Gazette Nos. 1 and 2 of January 3, 2000, and January 4, 2000, respectively, as amended to the date of this Agreement.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 6, 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.
15. “Project Committee” means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement.
16. “Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) 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 (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.
17. “Resettlement Framework” or “RF” means the Borrower’s framework dated August 22, 2008, acceptable to the Bank (included in the Operational Manual) which sets forth, *inter alia*, the principles and objectives governing Resettlement preparation and implementation, and a description of the process for preparing and approving resettlement plans under the Project (as said terms are defined herein).
18. “Subsidiary Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement, pursuant to which the Recipient shall make the proceeds of the Financing available to ENACAL.

19. “Water Law” means the Recipient’s Law No. 620 (*Ley General de Aguas Nacionales*), which was enacted on May 15, 2007 and published in the Recipient’s Official Gazette No. 169 of September 4, 2007.
20. “WSS” means water supply and sanitation.

Section II. Modifications to the General Conditions

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

1. Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (1) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility*. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”