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**CREDIT NUMBER 4574-LS**  
**GRANT NUMBER H475-LS**

# **Financing Agreement**

**Water Sector Improvement Project**  
In Support of the Second Phase of the Water Sector Improvement Program  
(Adaptable Program Lending)

**between**

**KINGDOM OF LESOTHO**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 20, 2009**

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**CREDIT NUMBER 4574-LS**  
**GRANT NUMBER H475-LS**

**FINANCING AGREEMENT**

AGREEMENT dated July 20, 2009 entered into between KINGDOM OF LESOTHO (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

NOW THEREFORE 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:
  - (a) an amount equivalent to five million seven hundred thousand Special Drawing Rights (SDR 5,700,000) (“Grant”); and
  - (b) an amount equivalent to eleven million one hundred thousand Special Drawing Rights (SDR 11,100,000) (“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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 July 15 and January 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 Dollars.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project and the APL Program. To this end, the Recipient shall carry out the Project 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. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the APL Program, or a significant part of it, will be carried out.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following:
  - (a) the FMS for the implementation of: (i) Parts A and B of the Project has been adopted; and (ii) Part C of the Project has been updated both in form and substance satisfactory to the Association;
  - (b) the procurement manuals for: (i) Parts A and B; and (ii) Part C of the Project have been adopted in form and substance satisfactory to the Association; and
  - (c) a financial management specialist, having qualifications and experience acceptable to the Association, shall have been appointed to support CoW in the implementation of Part C of the Project.
- 5.02. The Effectiveness Deadline is the date ninety days after the date of this Agreement.
- 5.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

## **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is the Minister at the time responsible for finance and development planning.

6.02. The Recipient's Address is:

Ministry of Finance and Development Planning  
P.O. Box 395  
Maseru, 100  
Lesotho

Cable address:  
FINMIN

Facsimile:  
266 22 310 157

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 Maseru, Lesotho, as of the day and year first above written.

**KINGDOM OF LESOTHO**

**By: /s/ Timothy Thahane**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ Ruth Kagia**

**Authorized Representative**

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to support the Recipient in: (i) developing and sustaining an environmentally sound, socially responsible, and financially viable framework for the MDWSP; (ii) increasing the quantity of safe, bulk water supplied to Teyateyaneng, and (iii) strengthening institutions and related instruments in the water sector.

The Project consists of the following parts.

**Part A:**            **Environmental and Social Management Program**

Implementation of a program of support aimed at ensuring an environmentally sound and socially responsible framework for the MDWSP, including:

- (a) Implementation of an Environmental and Social Action Plan (ESAP) through the: (i) drafting of guidelines and plans; (ii) carrying out of environmental and social audits; and (iii) organization of workshops.
- (b) Development and implementation of an Integrated Catchment Management Plan through the: (i) provision of technical assistance in support of catchment management in the Metolong Catchment Area; (ii) design and carrying out of civil works, and related supervision, to support land and soil conservation initiatives; (iii) provision of equipment for monitoring activities including rain and river flow gauges, depth integrated sampler for sedimentation; and (iv) design and implementation of community mobilization plans to promote sustainable land use.
- (c) Development and implementation of an ecosystem monitoring and environmental flow program, through: (i) carrying out of civil works, including construction and refurbishment of monitoring stations; (ii) provision and installation of equipment for monitoring water quality, including gauges, testing equipment and a boat; and (iii) drafting of policies, procedures, implementation and evaluation of environmental flows.
- (d) Implementation of a Cultural Resources Management and Development Plan (CRMDP) including the carrying out of pre-construction surveys of cultural heritage sites, carrying out of excavation works and potential relocation as needed, along with research and recording of living cultural heritage in the Metolong Catchment Area.

- (e) Implementation of the Resettlement Policy Framework (RPF) and development and implementation of the Resettlement Action Plan (RAP) through the: (i) carrying out of civil works aimed at restoring access across the reservoir; (ii) development of a set of policies, procedures and practices for implementation of the resettlement action plan; (iii) provision of cash compensation for loss of community assets and acquisition of privately-owned assets, including trees and crops, as well as privately owned land; (iv) carrying out of training for beneficiary communities on financial management; (v) development of specific community outreach strategy and labour recruitment strategy; and (v) development and implementation of a monitoring and evaluation program.
- (f) Implementation of a community water supply and sanitation program through the: (i) design and supervision of a community water supply and sanitation program; and (ii) carrying out of civil works for the construction and rehabilitation of local water supply systems, sanitation facilities and refuse pits.
- (g) Development and implementation of a HIV/AIDS education and prevention program to improve the beneficiary communities' response to the HIV/AIDS pandemic.
- (h) Support for an independent internationally recognized environmental and social panel of experts to advise the MA.
- (i) Development and implementation of a public communications and governance support program through the: (i) development of a risk management plan and a Governance Improvement Plan to be implemented by the Metolong Authority; (ii) carrying out of audits to assess the level of compliance with measures identified in the risk management and the Governance Improvement Plan; and (iii) carrying out of an assessments to benchmark the development and implementation of a communications strategy.
- (j) Provision of operational support for this Part A of the Project.

**Part B:           Engineering Support and Transmission Line to Teyateyaneng**

Implementation of a program of support under the MDWSP aimed at increasing the quantity of safe, bulk water supplied for the town of Teyateyaneng through:

- (a) Carrying out of civil works for the construction of an estimated 28km of transmission mains including a pump station, a main command reservoir and a storage reservoir.



- (b) Support for an engineering manager to provide advice to the MA.
- (c) Provision of operational support, including the financing of operating costs.

**Part C:**        **Institutional and Policy Support**

Provision of support for the MNR to strengthen its institutions and related instruments in the water sector, through:

Provision of: (a) technical assistance and training, including workshops and consumer outreach for CoW, LEA and MNR staff on water sector issues; and (b) operating costs for CoW.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I**

##### **A. Implementation Arrangements**

1. The Project shall be implemented by the Ministry of Natural Resources through the MA and the CoW.
2. MA shall be in charge of implementing Parts A and B of the Project.
3. The Recipient shall ensure that the MA is maintained with a board of directors consisting of members appointed by the Minister of Natural Resources to serve as a coordination and implementation body with responsibility for making decisions on the oversight and operational direction of MA.
4. CoW shall be in charge of the implementation of Part C of the Project.
5. The Recipient shall, at all times during the execution of the Project: (a) maintain MA and CoW with functions, staffing and resources satisfactory to the Association; and (b) ensure that the Board of Directors meets at least twice per Fiscal Year.

##### **B. Safeguards**

1. The Recipient shall ensure that the Project and MDWSP are implemented in accordance with the guidelines, procedures, recommendations, and other specifications set forth in the Basic Social and Environmental Safeguard Instruments, and, except as the Association shall otherwise agree in writing, shall not amend or waive any provision of the aforementioned documents.
2. Wherever required under the terms of any of the Basic Social and Environmental Safeguard Instruments, the Recipient shall have any one or more Supplemental Social and Environmental Safeguard Instruments; (a) developed for purposes of the Project or any component or subcomponent thereof; (b) submitted to the Association for review and approval; and (c) thereafter adopted.
3. The Recipient shall ensure that the Project and the MDWSP are implemented in accordance with the guidelines, procedures, recommendations, and other specifications set forth in each of the Supplemental Social and Environmental Safeguard Instruments, and, except as the Association shall otherwise agree, shall not amend or waive any provision of the aforementioned documents.

4. In the case of any resettlement activity under the Project and the MDWSP involving Displaced Persons, ensure that no displacement or restriction of access shall occur before necessary resettlement measures consistent with the RPF and RAP are in place, including, in the case of displacement, full payment to Displaced Persons of compensation and of other assistance required for relocation, prior to displacement.
5. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the Association on a quarterly basis reports on the status of compliance with the Social and Environmental Safeguard Instruments; and, giving details of:
  - (a) measures taken in furtherance of such Social and Environmental Safeguard Instruments;
  - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Social and Environmental Safeguard Instruments; and
  - (c) remedial measures taken or required to be taken to address such conditions.

**C. Annual Work Plan**

1. The Recipient shall, in each Fiscal Year during the execution of the Project and the MDWSP:
  - (a) prepare a consolidated Annual Work Plan for the following year, of such scope and in such detail as the Association shall reasonably request, for review and approval by the Board of Directors following which the relevant Annual Work Plan shall be furnished to the Association not later than March 31 of each year for its written no objection; and
  - (b) thereafter carry out the approved Annual Work Plan in such following year.

**D. Mid-term review**

- (a) The Recipient shall, no later than March 31, 2012, or any other date agreed with the Association, carry out jointly with the Association a mid-term review of the progress made in carrying out the Project. The mid-term review shall cover, among other things: (i) the progress made in meeting the objectives of the Project; and (ii) the overall performance of the Recipient under the Project.

- (b) The Recipient shall, upon completion of the mid-term review referred to in sub-paragraph (a) above take such measures as necessary to implement the recommendations of the mid-term review in accordance with such time frames and other modalities as agreed with the Association.

**E. Anti-Corruption**

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

**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. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month 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) Cultural Resources and Management Development Plan in the catchment area is successfully implemented.
  - (ii) Environment Flow Requirements (EFRs) established and monitored.
  - (iii) Livelihood restoration program successfully implemented in accordance with the RPF and the RAP.
  - (iv) Water supply to Teyateyaneng increased.
  - (v) Independent urban water regulation implemented.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months after the Closing Date.

**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 Report 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 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 Fiscal Year, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. 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-Consultants' Services.** All goods, works and non-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 Non-Consultants' Services**

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

<b>Procurement Method</b>
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting
(d) Procurement from United Nations Agencies
(e) Community Participation procedures elaborated in the procurement manual mentioned under Section 5.01 (c)(i) of this Agreement.

**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.

<b>Procurement Method</b>
(a) Least-Cost Selection
(b) Selection Based on the Consultants' Qualifications
(c) Selection under a Fixed Budget
(d) Quality-Based Selection
(e) Selection of Individual Consultants
(f) Single-Source Selection

**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: (a) repay the Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) 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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in SDR)</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to Be Financed (including taxes)</b>
(1) Works	2 700 000	8 700 000	100%
(2) Goods and Non-Consultant Services	200 000	40 000	100%
(3) Consultants' Services for:			
(a) Parts A and B of the Project; and	1 700 000	670 000	100%
(b) Part C of the Project	700 000	230 000	100%
(4) Training	70 000	70 000	100%
(5) Refund of Preparation Advance	330 000	-	Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(6) Unallocated	-	1 390 000	
<b>TOTAL AMOUNT</b>	<b>5,700,000</b>	<b>11,100,000</b>	

3. The proceeds of the Grant shall be disbursed on account of expenditures in respect of the Project before the disbursements of the proceeds of the Credit are made.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$ 500 000 equivalent may be made for payments made prior to this date, but on or after January 1, 2009, for Eligible Expenditures under Categories 2, 3 and 4.



2. The Closing Date is June 30, 2015.

**Section V. Other Undertakings**

The Recipient undertakes to:

- (a) submit to the Association the final text of an operation and maintenance plan, including a dam safety instrumentation plan, in form and substance satisfactory to the Association, before the bid tendering process for the Metolong Dam is launched;
- (b) submit to the Association not later than October 31, 2011 or 12 months before the impoundment of the Metolong Dam, whichever is the earlier, a final text of the emergency preparedness plan and the First Impoundment Plan of the Metolong Dam, in form and substance satisfactory to the Association;
- (c) confirm, by no later than October 31, 2011, that the institutional arrangements for ownership and management of the infrastructure works to be carried out under the MDWSP have been finalized in a manner satisfactory to the Association;
- (d) ensure that: (i) the environmental and social panel of experts supported under Part A (h) of the Project, described in Schedule 1 to this Agreement, to provide advice to MA on all aspects of the Project relevant to the environmental and social program is maintained during the period of implementation of the Project and MDWSP; and (ii) the Association is provided with a copy of each report and technical documents prepared by the said panel of experts;
- (e) ensure that: (i) the panel of experts supported under the MDWSP to provide advice to MA on all aspects related to safety of the Metolong Dam, including reviewing of the relevant documents, is maintained until at least six months from the date of the full impoundment of the Metolong Dam; and (ii) the Association is provided with a copy of each report and technical documents prepared by the said panel of experts;
- (f) submit evidence in form and substance satisfactory to the Association of the successful completion of the implementation of the Cultural Resources Management and Development Plan (CRMDP) prior to the impoundment of the Metolong Dam; and
- (g) (i) submit to the Association for review and approval, no later than January 15, 2010 a draft of the Governance Improvement Plan (GIP), (ii) thereafter adopt it, subject to any comments provided thereon by the Association; and (iii) carry out annual evaluations of the status of compliance with the requirements of the GIP.

**SCHEDULE 3****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each 15 July and 15 January:	
commencing 15 July, 2019 to and including 15 January, 2029	<b>1%</b>
commencing 15 July 2029 to and including 15 January, 2049	<b>2%</b>

\* 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. “Annual Work Plan” means the plan to be adopted by the Recipient, referred in Section I.C of Schedule 2 of this Agreement.
2. “APL Program” means the Water Sector Improvement Program, set forth in the Recipient’s Letter of Development Policy dated April 15, 2004, of which the Project is its second phase.
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.
4. “Basic Social and Environmental Safeguard Instruments” means, collectively, ESIA, Preliminary RAP, RPF and CRMDP.
5. “Board of Directors” means the governing body of MA, as defined here below, with responsibility for making decisions on the oversight and operational direction of the MA.
6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
7. “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.
8. “CoW” or “Commissioner of Water” means the Recipient’s entity established and operating pursuant to the Water and Sanitation Policy of 2007 and the Water Act of 2008 of the laws of the Recipient.
9. “Cultural Resources Management and Development Plan” or “CRMDP” means a cultural resources management and development plan, dated February 2008, acceptable to the Association and adopted by the Recipient, giving details of measures appropriate or required to maximize the benefits of the Project and the MDWSP, eliminate, offset or mitigate any adverse cultural resources impact and promote protection and preservation of the southern Phuthiatsana sub-region of the Recipient’s territory, or reduce such impacts to acceptable levels, as such CRMDP may be amended from time to time with the prior written agreement of the Association.
10. “Displaced Person” means any person who, on account of the execution of the Project and the MDWSP, has experienced or would experience direct economic

and social impacts caused by: (a) the involuntary taking of land, resulting in (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.

11. “Environmental and Social Action Plan” or “ESAP” means an environmental and social action plan, consistent with the ESIA, giving details of the specific actions, measures and policies designed to facilitate the achievement of the objectives of the ESIA, along with the procedural and institutional measures needed to implement such actions, measures and policies, as such ESAP may be amended from time to time with the prior written agreement of the Association.
12. “Environmental and Social Impact Assessment” or “ESIA” means an environmental and social impact assessment, dated February 2008 acceptable to the Association and adopted by the Recipient, giving details of measures appropriate or required to maximize the benefits of the Project and the MDWSP, eliminate, offset or mitigate any adverse social and environmental impacts, or reduce such impacts to acceptable levels, as such ESIA may be amended from time to time with the prior written agreement of the Association.
13. “Fiscal Year” means the Recipient’s fiscal year from April 1 to March 31.
14. “FMS” means financial management system.
15. “First Impoundment Plan” means the plan referred to in Section V(b) of Schedule 2 of this Agreement that defines the procedure, schedule, instrumentation monitoring and other requirements of the first reservoir filling of the Metolong Dam.
16. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
17. “Governance Improvement Plan” or “GIP” means a Governance Improvement Plan, acceptable to the Association, giving details of a program of specific actions, measures and policies designed to address issues of governance, transparency and accountability, as such GIP may be amended from time to time with the prior written agreement of the Association.
18. “HIV/AIDS” means the Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome.

19. “Integrated Catchment Management Plan” or “ICMP” means an Integrated Catchment Management Plan acceptable to the Association, including a livelihood restoration plan, giving details of a program of specific actions, measures and policies designed to address the improvement of land management practices and introduction of specific measures to limit erosion and reduce sedimentation, as such ICMP may be amended from time to time with the prior written agreement of the Association..
20. “MA” means the Metolong Authority established and operating pursuant to ministerial delegation of authority dated March 13, 2008 of the laws of the Recipient.
21. “Metolong Dam and Water Supply Program” or “MDWSP” is the Recipient’s program being financed by the Association and other co-financiers.
22. “Metolong Catchment Area” means a region within the Recipient’s territory where the the MDWSP is implemented.
23. “Metolong Dam” means the dam being constructed on the South Phuthiatsana River within the Recipient’s territory under the MDWSP.
24. “MFDP” means the Recipient’s Ministry of Finance and Development Planning.
25. “MNR” means the Recipient’s Ministry of Natural Resources.
26. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
27. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 11, 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.
28. “Resettlement Action Plan” or “RAP” means a Resettlement Action Plan acceptable to the Association, giving details of the specific actions, measures and policies designed to facilitate the achievement of the objectives of the RPF under the Project and the MDWSP, along with the procedural and institutional measures needed to implement such actions, measures and policies, as such RAP may be amended from time to time with the prior written agreement of the Association.
29. “Resettlement Policy Framework” or “RPF” means the Resettlement Policy Framework dated February 2008 acceptable to the Association and adopted by the Recipient, and giving details of provisions for compensation, rehabilitation and

resettlement assistance to Displaced Persons, as such RPF may be amended from time to time with the prior written agreement of the Association.

30. “Social and Environmental Safeguard Instruments” means, collectively, the Basic Social and Environmental Safeguard Instruments and, wherever applicable, the Supplemental Social and Environmental Safeguard Instruments.
31. “Supplemental Social and Environmental Safeguard Instruments” means any RAP, ICMP or other supplemental social and environmental safeguard instruments as required under the terms of any of the Basic Social and Environmental Safeguard Instruments.
32. “Teyateyaneng” means a town located within the Recipient’s territory.
33. “Training” means expenditures incurred in regards to workshops and training activities for the purchase of materials, rental of facilities and fees, per diem and related travel.

## **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 (i) 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.”