

CONFORMED COPY

CREDIT NUMBERS 3971-GH, 3971-1-GH and 4566-GH

Financing Agreement

(Amending and Restating Development Credit Agreement)

(Small Towns Water Supply and Sanitation Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 14, 2009

CREDIT NUMBERS 3971-GH, 3971-1-GH and 4566-GH

**FINANCING AGREEMENT
(Amending and Restating Development Credit Agreement)**

AGREEMENT dated August 14, 2009 entered into between the REPUBLIC OF GHANA (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS (A) under an agreement, dated August 13, 2004, between the Recipient and the Association (“Development Credit Agreement”), the Association agreed to provide the Recipient with a credit (“Original Credit”) in an amount equivalent to seventeen million eight hundred thousand Special Drawing Rights (SDR 17,800,000) to assist in financing the Small Towns Water Supply and Sanitation Project, as described in Schedule 2 to the Development Credit Agreement (“Original Project”);

(B) under an agreement amending the Development Credit Agreement dated August 8, 2007, between the Recipient and the Association (“Agreement Amending Development Credit Agreement”), the Association agreed to provide the Recipient with an additional credit (“First Additional Credit”) in an amount equivalent to six million six hundred thousand Special Drawing Rights (SDR 6,600,000) to assist in financing the Original Project;

(C) the Recipient has requested the Association to provide additional financial assistance in support of the Original Project, as fully described and restated in Schedule 1 to this Agreement (“Project”), by making available to the Recipient a second additional credit (“Second Additional Credit”) in an amount in various currencies equivalent to ten million two hundred thousand Special Drawing Rights (SDR 10,200,000); 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 Development Credit Agreement as amended to date, as of the Effective Date of this Agreement, to read 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 this Agreement or the General Conditions.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to thirty four million six hundred thousand Special Drawing Rights (SDR 34,600,000) (variously, “Credit” and “Financing”) which consists of: (a) the Original Credit in various currencies equivalent to seventeen million eight hundred thousand Special Drawing Rights (SDR 17,800,000); (b) the First Additional Credit in various currencies equivalent to six million six hundred thousand Special Drawing Rights (SDR 6,600,000); and (c) the Second Additional Credit in various currencies equivalent to ten million two hundred thousand Special Drawing Rights (SDR 10,200,000), to assist in financing the Project.
- 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: (a) March 15 and September 15 in each year in respect of the Original Credit; and (b) June 15 and December 15 in each year in respect of the First Additional Credit and the Second Additional Credit.
- 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 Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 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 Events of Suspension consist of the following:
- (a) A situation shall have arisen which will make it improbable that the Program or a significant part thereof will be carried out.
 - (b) The Local Government Act (No. 462) of 1993 shall have been amended, suspended, abrogated, repealed or waived, so as to affect materially and adversely the ability of DAs to perform any of their respective obligations under their respective Grant Agreements.
 - (c) The Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of any of the DAs or for the suspension of their respective operations.
- 4.02. The Additional Event of Acceleration shall be that any event specified in paragraphs (b) and (c) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness is that Recipient and the Project Implementing Entity have executed an amended Subsidiary Grant Agreement for the purpose of on-granting the proceeds of the Financing to the Project Implementing Entity, under terms and conditions which shall have been approved by the Association.
- 5.02. The Additional Legal Matter is that the amended Subsidiary Grant Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister responsible for finance.

6.02. The Recipient's Address is:

Ministry of Finance and Economic Planning
P.O. Box MB40
Accra, Ghana

Cable:	Telex:	Facsimile:
ECONOMICON Accra	2205 MIFAEP GH ,	233-21-667069 233-21-663854

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 Accra, Republic of Ghana, as of the day and year first above written.

REPUBLIC OF GHANA

By /s/ Kwabena Duffuor

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ishac Diwan

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase access to sustainable water supply and sanitation services in small towns in six regions of the Recipient.

The Project constitutes the second phase of the Program and consists of the following parts:

Part A: Community Subprojects

Promotion, appraisal, design, carrying out, supervision, monitoring, evaluation and provision of Grants for the financing of Subprojects prepared and submitted by Beneficiaries, including, *inter alia*, communal boreholes equipped with hand pumps; mechanized boreholes with overhead tank, limited distribution networks and communal stand pipes; surface water supply systems storage and distribution network with standpipes; protected spring sources, with or without simple distribution networks and storage; household and school latrines; and all other water and sanitation technologies which meet all technical, environmental, financial, and sustainability requirements as specified in the POM.

Part B: Sector Strengthening

1. Providers of Goods and Services: Provision of training and logistical support to non-governmental organizations and private service providers, to ensure that there is a competitive and efficient private sector to provide quality goods, works and services to communities under the Project, including simplification of procedures to encourage the participation of the small-scale entrepreneur, particularly to drilling contractors, drilling consultants and supervisors, spare parts suppliers, sanitation contractors, area mechanics, latrine artisans, small town water system operators, and providers of training and community development services.
2. Public Sector: Provision of support to MWRWH, RCCs, DAs, ACs, DWSTs, and small towns to: (a) deliver cost-effective water and sanitation systems to small towns; (b) manage, monitor, evaluate and maintain water and sanitation systems in a sustainable manner through: (i) the provision of technical advisory services, training, logistical support; and (ii) the organization of orientation courses for DA personnel and orientation sessions to be implemented by the RWSTs for DA staff, education officers, school health program coordinators, and other relevant personnel covering information pertaining to the Project, the demand-based nature of the Project, contracting arrangements, financial management and production and distribution of easy-to-use district-level POMs; and (iii) the

provision of technical advisory services, equipment and training to support the development of the Borrower's National Community Water and Sanitation Program, including, inter alia, initial equipment and vehicles for RWSTs.

3. Provision of support at the national level, including participatory program reviews by stakeholders, topical research, mass media campaigns for disseminating hygiene education, external impact assessments, exchanges with other countries, and special studies for strategies to reduce the costs of investments and sustainable operation and maintenance and spare parts distribution.
4. Strengthening the operational capacities of DWST's to manage project implementation at district levels.

Part C: Program Management

Strengthening the operational capacity of CWSA to enable it to implement the Program, including information and promotion, identification of small towns, assistance with proposal formulation, appraisal, and monitoring and evaluation, through the provision of technical advisory services and the payment of a Management Fee.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Steering Committee**

1. Coordination of all Project implementation activities shall be carried out by an inter-ministerial Steering Committee, comprising the Chief Director or Executive of MOFEP, MWRWH, MEST, MOH, MLGRD, the ministries of environment, science and technology, and CWSA. The Steering Committee shall provide overall policy guidance and advise the various implementing agencies accordingly.
2. The Steering Committee shall be chaired by the Minister for MWRWH, or his deputy, and shall meet quarterly in the first year of project implementation and semi-annually in subsequent years.
3. Not later than November 30 of each year, the Steering Committee shall review the progress made in respect of Project implementation, institutional issues, procurement, disbursements, the involvement of the private sector, the achievements of the DAs according to the performance criteria referred to in the Project Operational Manual during the preceding year, and progress towards the objectives for the preceding year.
4. The Recipient shall transmit to the Steering Committee, with a copy to the Association, at least 30 days prior to such review, a report, in scope and detail satisfactory to the Steering Committee and to the Association, prepared by CWSA and each DA, describing the status of progress regarding the items listed in paragraph 3 above and of Project implementation generally.

B. Project Operational Manual

The Recipient shall ensure that the Project is implemented in accordance with the arrangements and procedures set out in the Project Operational Manual and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any provision thereof; provided, however, that in case of any conflict between the arrangements and procedures of the POM and the provisions of this Agreement, the provisions of this Agreement shall prevail.

C. Environmental and Social Safeguards

The Recipient shall ensure that, prior to commencing work on any community infrastructure and prior to any displacement of any Affected Persons from such works:

1. all necessary land and other property is acquired and compensation and resettlement for such works is undertaken in accordance with the principles and institutional procedures established in the Resettlement Policy Framework;
2. the Affected Persons are compensated, resettled and rehabilitated in accordance with the Resettlement Policy Framework;
3. for provision of water and sanitation infrastructure involving resettlement of more than 20 persons, a detailed resettlement action plan acceptable to the Association is prepared and furnished to the Association, documenting the implementation arrangements for resettlement arising from such works, including compensation, relocation and rehabilitation of Affected Persons;
4. such resettlement action plan is completed in a manner satisfactory to the Association; and
5. an environmental management plan, satisfactory to the Association, is prepared and furnished to the Association in accordance with the provisions of the Environmental and Social Management Framework, and such plan is thereafter implemented in a manner satisfactory to the Association.

D. CWSA and DAs

1. CWSA shall be responsible for providing overall guidance and for promoting, facilitating, supervising, monitoring, evaluating, and reporting on all Project activities. CWSA shall carry out Parts B(3) and C of the Project directly through its own agents and staff.
2. The District Assemblies or small towns, as the case may be, shall be responsible for the execution of Subprojects.

E. Subprojects

1. All districts and small towns which meet the following criteria shall be eligible for Grants under the Project and shall be allocated an investment ceiling each year by the regional water and sanitation team (RWST), in consultation with the regional authorities:

- (a) In the case of districts, DAs shall have: (A) contributed 5% of the investment cost of the proposed Subprojects for the district, provided that this requirement shall not apply to new Subprojects in 11 towns selected for financing out of the proceeds of the Second Additional Credit; (B) appointed qualified technical staff to manage the implementation of Subprojects; (C) prepared a rolling district water and sanitation plan; and (D) submitted acceptable community Subproject proposals and associated procurement plans which meet the criteria described in the POM.
 - (b) In the case of small towns: (A) the small towns shall have been selected initially by the DA based on criteria including poverty, service coverage, and conformity to the district development plans, and (B) the small towns shall have expressed willingness to contribute 5% of the cost of the proposed Subprojects (provided that this requirement shall not apply to new Subprojects in 11 towns selected for financing out of the proceeds of the Second Additional Credit), and to assume full responsibilities for the operation and maintenance of the Subproject facilities. Only small towns that have submitted an application shall receive technical assistance to prepare a funding proposal. Proposals that fully meet the appraisal criteria shall be funded, on a first-come, first-serve basis.
2. All Subprojects shall include technical assistance and community development activities to enable the community to make informed choices, organize and ensure Subproject implementation (including contracting and works supervision) in a participatory manner, administer funds, and achieve the effective and sustained use of their facilities and to include clearly defined hygiene and sanitation promotion activities.
 3. The Subproject shall comply with the environmental requirements described in the POM, Environmental and Social Management Framework, and Resettlement Policy Framework.
 4. Notwithstanding the provisions of paragraphs 1 through 3 above, the investment cost of water and sanitation Subprojects shall be financed through a 10% contribution from the DA and the community (the community paying at least 5%); provided that this requirement shall not apply to new Subprojects in 11 towns selected for financing out of the proceeds of the Second Additional Credit.
 5. CWSA shall ensure that Beneficiaries are involved in all stages of the Subproject cycle. To that effect, each time a decision affecting a Subproject is made by the DA, on behalf of the Beneficiary, the Beneficiary shall be consulted and involved, through the appropriate channels, and in accordance with procedures specified in the POM, in approving all official documentation pertaining to

Subproject implementation (contract award, payment certificates, completion certificates).

6. The Recipient shall make part of the proceeds of the Financing, allocated from time to time to the DAs and local communities, under Grant Agreements to be entered into between CWSA and each DA, or between a DA and local communities, respectively, under conditions which shall have been approved by the Association, which shall include the following obligations of the DAs to:
 - (a) carry out or cause the Project to be carried out with due diligence and efficiency, in conformity with appropriate administrative, financial and engineering practices, with due regard to environmental factors, and in accordance with the Resettlement Policy Framework, the Environmental and Social Management Framework, the Project Operational Manual and the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for said Parts of the Project, including their counterpart contributions at levels satisfactory to the Association;
 - (b) comply with the procedures for hiring of consultants and the procurement of goods and works set forth in Section III of this Schedule;
 - (c) comply with the record keeping, auditing and report requirements set forth in Section II.B of this Schedule, including the annual auditing of its accounts and financial statements (balance sheets, statements of income and expenses and related statements) required by the Recipient to meet its obligations under Section II.B of this Schedule;
 - (d) make provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;
 - (e) in accordance with Section II.A of this Schedule: (i) participate in the review of the progress made in carrying out the Project; and (ii) thereafter prepare and implement an action plan, satisfactory to the Association, for the further implementation of the Project;
 - (f) at the request of the Recipient or the Association, exchange views with the Recipient and the Association with regard to the progress of the Project and the performance of their obligations under their respective Grant Agreements;
 - (g) promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of the Project

or the performance by the DAs or local community groups of their obligations under the respective Grant Agreements; and

- (h) except as the Recipient and the Association shall otherwise agree, neither take nor concur in any action which would have the effect of amending, abrogating, assigning or waiving their respective Grant Agreements or any provision thereof.
7. CWSA, DAs, and legally constituted local community groups shall exercise their respective rights under each Grant Agreement in such manner as to protect the interests of CWSA, the DAs, legally constituted local community groups and the Association and to accomplish the purposes of the Financing, and except as the Association shall otherwise agree, the CWSA, the DAs, and legally constituted local community groups shall not assign, amend, abrogate or waive the Grant Agreements or any provision thereof.
 8. Prior to implementation of the Project, each DA shall execute a memorandum of understanding with the CWSA. The memorandum of understanding shall include provisions to the effect that each DA shall:
 - (a) prior to signing works or goods contracts for the Project or Grant Agreements: (i) establish and maintain a financial management system satisfactory to the Association; (ii) establish a project team, with staff in adequate numbers and with qualifications and experience satisfactory to the Association; and (iii) appoint key staff, with qualifications and experience satisfactory to the Association; and
 - (b) provide the required information to CWSA for the preparation of the interim unaudited financial report referred to in Section II.B.2 of this Schedule within thirty days of the end of each quarter.

F. Subsidiary Grant Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary grant agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association.
2. The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any of its provisions.

G. 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**

The Recipient shall ensure that the Project is monitored and evaluated and that Project Reports are prepared in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar year, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

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 not later than 45 days 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 of the Recipient. 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 and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance

with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following methods of procurement, other than International Competitive Bidding, may be used for goods and works in the circumstances specified in the Procurement Plan: (a) National Competitive Bidding subject to the provisions of paragraph 3 of this Part B; (b) Shopping; and (c) Direct Contracting.
3. **Exceptions to National Competitive Bidding Procedures.** The following provisions shall apply to the procurement of goods and works under National Competitive Bidding procedures: (a) foreign bidders shall be allowed to participate in National Competitive Bidding procedures without restriction of any kind; (b) bidders shall be given at least one month to submit bids from the date of the invitation to bid or the date of availability of bidding documents, whichever is later; (c) no domestic preference shall be given for domestic bidders and for domestically manufactured goods; and (d) in accordance with paragraph 1.14(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (i) the bidders, suppliers, contractors and subcontractors 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 said accounts and records audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.14(a)(v) of the Procurement Guidelines.

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 methods of procurement, other than Quality- and Cost-based Selection, may be used for consultants' services in the circumstances specified in the Procurement Plan: (a) Quality Based Selection; (b) Least Cost Selection; (c) Selection Based on Consultants Qualifications; (d) Single Source Selection; (e) Selection of Individual Consultants; and (f) Sole Source Procedures 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.

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

Category	Amount of the Original Credit Allocated (Expressed in SDR Equivalent)	Amount of the First Additional Credit Allocated (Expressed in SDR Equivalent)	Amount of the Second Additional Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed (exclusive of Taxes)
(1) Grants for financing the reasonable cost of works, goods and services required for Subprojects	15,157,000 0	5,840,000	9,180,000	100% of amounts disbursed
(2) Goods	430,000	0	0	100% of Foreign Expenditures and 90% of Local Expenditures
(3) Consultants' services and training	963,000	430,000	680,000	90%
(4) Management Fee under Part C of the Project	1,250,000	330,000	340,000	100%
(5) Unallocated	0	0	0	
TOTAL	17,800,000	6,600,000	10,200,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) (i) with respect to amounts of the Original Credit, for payments made prior to the date of the Development Credit Agreement, except that withdrawals of amounts of the Original Credit, in an aggregate amount not exceeding the equivalent of SDR 1,000,000, may be made on account of payments made for expenditures before that date but after June 3, 2004; (ii) with respect to amounts of the First Additional Credit, for payments made prior to the date of the Agreement Amending the Development Credit Agreement; and (iii) with respect to amounts of the Second Additional Credit, for payments made prior to the date of this Agreement.
 - (b) for Grants under Category (1) unless the Subprojects have been prepared in accordance with the procedures and terms and conditions set forth or referred to in Section I.E of Schedule 2 to this Agreement;
2. The Closing Date is April 30, 2010.

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 March 15 and September 15: commencing September 15, 2014, to and including March 15, 2024.	1%
commencing September 15, 2024, to and including March 15, 2044.	2%

II. Repayment of the First Additional Credit

Date Payment Due	Principal Amount of the First Additional Credit repayable (expressed as a percentage)*
On each June 15 and December 15: commencing December 15, 2017, to and including June 15, 2027.	1%
commencing December 15, 2027, to and including June 15, 2047.	2%

II. Repayment of the Second Additional Credit

Date Payment Due	Principal Amount of the Second Additional Credit repayable (expressed as a percentage)*
On each June 15 and December 15: commencing June 15, 2019, to and including December 15, 2028.	1.25%
commencing June 15, 2029, to and including December 15, 2043.	2.5%

* 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. “AC” means an Area Council, established and operating pursuant to the Recipient’s Local Government Act, No. 462 of 1993.
2. “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.
3. “Affected Person” means any person who on account of the acquisition of land, including plantation land, for purposes of establishing relocation sites under the Project had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, or interest in or right to use any land (including premises, agricultural and grazing land) or right in annual or perennial crops and trees or any other fixed or movable asset, acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently, and “Affected Persons” means, collectively, all persons who qualify as an Affected Person.
4. “Beneficiary” means a community based organization, local government unit, group of individuals, a small town, a district or a community to whom or for whose benefit a Grant is made, or proposed to be made, for a Subproject under the Project.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
7. “DA” means a District Assembly established pursuant to the Recipient’s Local Government Act, No. 462 of 1993.
8. “Decentralization Secretariat” means the secretariat under the MLGRD for implementation and coordination of the Decentralization Action Plan of the Recipient.
9. “DWST” means district water and sanitation teams, appointed by the respective DAs.

10. “Environmental and Social Management Framework” means the framework document dated May 2004, including the addendum to the said framework dated February 2009, setting out the mitigation, enhancement, monitoring, and institutional measures to be taken during the design, implementation and operation of Subprojects to eliminate any adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts.
11. “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.
12. “Grant” means an amount, out of the proceeds of the Financing, to be made available to a Beneficiary for the purpose of carrying out a Subproject.
13. “Grant Agreement” means an agreement to be entered into between CWSA and a DA or between a DA and a legally constituted local community group for the purpose of carrying out a Subproject.
14. “Local Government Service Act” means the Recipient’s Act No. 656 of 2003.
15. “Management Fee” means the remuneration provided to CWSA on account of its services to be rendered for the implementation of the Project as provided in the Subsidiary Grant Agreement.
16. “MEST” means the Recipient’s Ministry of Environment, Science and Technology.
17. “MLGRD” means the Recipient’s Ministry of Local Government and Rural Development.
18. “MOF” means the Recipient’s Ministry of Finance.
19. “MOH” means the Recipient’s Ministry of Health.
20. “MWRWH” means the Recipient’s Ministry of Water Resources, Works and Housing.
21. “National Community Water and Sanitation Program” means the Recipient’s program established in 1994 to achieve sustainability in the provision of water supply and sanitation facilities and hygiene promotion services through the adoption of a community ownership and management strategy.
22. “National Decentralization Action Plan” means the Recipient’s strategy for implementation of decentralization programs in the territory of the Recipient.

23. “POM” means the Project Operational Manual referred to in Section I.B of Schedule 2 to this Agreement containing, *inter alia*, work programs, training programs, monitoring and performance indicators and procedures to be used for the purposes of implementation of the Project, as the same may be amended from time to time, in consultation with, and with the approval of, the Association, and such term includes any schedules to the Project Operational Manual.
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.
25. “Procurement Plan” means the Recipient’s procurement plan for the Project, in form and substance satisfactory to the Association 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. “Program” means the program described in the letter dated June 4, 2004 from the Recipient setting out actions, objectives and policies designed to strengthen the Recipient’s water and sanitation sector and declaring the Recipient’s commitment to the execution of the Program.
27. “Project Agreement” means the agreement between the Association and the Project Implementing Entity of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.
28. “Project Implementing Entity” means the Community Water and Sanitation Agency, established and operating pursuant to the Recipient’s Community Water and Sanitation Act 564 of 1998.
29. “Resettlement Policy Framework” means the framework document dated May 2004, including the addendum to the said framework dated February 2009, setting out arrangements and procedures for land acquisition, resettlement and rehabilitation of Affected Persons under the Project.
30. “RCC” means a Regional Coordinating Council, established and operating pursuant to the Recipient’s Local Government Act, No. 462 of 1993.
31. “RWST” means Regional Water and Sanitation Teams established by, and as regional departments of CWSA.
32. “Subproject” means a specific development project pertaining to the construction, repair, or rehabilitation of water and sanitation infrastructure

facilities, or community training in water and sanitation matters financed, or proposed to be financed, through a Grant extended under Part A of the Project.

33. “Subsidiary Grant Agreement” means the agreement to be entered into between the Recipient and CWSA pursuant to Part I.F of Schedule 2 to this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Grant Agreement.

Section II. Modifications to the General Conditions

Section 3.01 (b) of the General Conditions is modified to read as follows:

“(b) The Commitment Charge shall accrue from a date sixty days after: (i) the date of the Development Credit Agreement with respect to the unwithdrawn balance of the Original Credit; (ii) the date of the Agreement Amending Development Credit Agreement with respect to the unwithdrawn balance of the First Additional Credit; and (iii) the date of the Financing Agreement (Amending and Restating Development Credit Agreement) with respect to the unwithdrawn balance of the Second Additional Credit, to the respective dates on which amounts are withdrawn by the Recipient from the Financing Account or cancelled. The Commitment Charge shall accrue at the rate set as of the June 30 immediately preceding the accrual date and at such other rate as may be set from time to time thereafter pursuant to this Section. The rate set as of June 30 in each year shall be applied from the next Payment Date in that year. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date. The Commitment Charge shall be computed on the basis of a 360-day year of twelve 30-day months.”