Honorable Alexander Chikwanda, M.P.
Minister of Finance and National Planning
Ministry of Finance and National Planning
Lusaka
Republic of Zambia

Dear Honorable Minister:

Re: Republic of Zambia: Water Sector Performance Improvement Project
Credit No. 4550-ZA, 42330-ZA
Amendment to the Financing Agreement

We refer to the Financing Agreement (the "Agreement") between the Republic of Zambia (the "Recipient") and the International Development Association (the "Association") dated September 29, 2010 for the above-mentioned Project. We also refer to your letter dated February 23, 2012, requesting the Association to reallocate the proceeds of the above-referenced Financing Agreement and extend the closing date.

We are pleased to inform you that the Association concurs with your request and proposes to amend the above as follows:

1. The table in Section IV.A of Schedule 2 to the Agreement is amended to read as shown in the Annex to this letter.

2. Section IV.B.3 of Schedule 2 to the Agreement is amended to read as follows:

   "The Closing Date is June 30, 2013."

All other provisions of the Agreement, except as amended herein, will remain unchanged.

Please confirm your agreement to the foregoing by countersigning, dating and returning to us the enclosed copy of this letter.

April 25, 2012
Upon receipt by the Association of the copy of this letter countersigned by you, this amendment will become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

Kundhavi Kadiresan
Country Director for
Zambia, Malawi and Zimbabwe
Africa Region

AGREED:
PUBLIC OF ZAMBIA

[Signature]
Honorable Mr. Alexander Chikwanda, M.P.
Minister of Finance and National Planning

Date: 08-05-2012
Table in Section IV.A of Schedule 2 to the Agreement

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Original Credit Allocated (Expressed in SDR)</th>
<th>Amount of the Additional Credit Allocated (Expressed in SDR)</th>
<th>Current Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants’ services, Training and Performance Payments under Part 1 of the Project</td>
<td>12,250,000</td>
<td>5,850,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Operating costs for Part 1 of the Project</td>
<td>2,400,000</td>
<td>650,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Refund of Project Preparation Advance</td>
<td>300,000</td>
<td></td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>(4) Goods, consultants’ services and Training under Part 2 of the Project</td>
<td>750,000</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>15,700,000</strong></td>
<td><strong>6,500,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
cc: Dr. Abraham Mwenda  
Permanent Secretary  
Ministry of Finance and National Planning  
Lusaka

Mr. Bernard S.C. Namachila  
Permanent Secretary  
Ministry of Local Government, Housing, Early Education and Environmental Protection  
Lusaka

Mr. George Ndongwe  
General Manager  
Lusaka Water and Sewerage Company Limited  
Lusaka
cw & cc: Michael Webster (AFTUW); Subrata Pradhan (CTRLN); Alexander Bakalian (AFTUW)

bcc: Messrs./Mmes. Yisgedullish Amde, Grace Soko, Lesego Lippe (AFCMZ); Wedex Ilunga (AFTPC); Fenwick Chitalu (AFTFM); I. Velev, Bernadette Milunga (AFCS3); Luis Schwarz (CTRLA); Marjorie Mpundu (LEGAF); Alex Bakalian, Michael Webster, Belinda Asaam (AFTUW); WBDocs