Financing Agreement
(Second Urban Water Supply and Sanitation Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 7, 2017
FINANCING AGREEMENT

AGREEMENT dated APRIL 7, 2017, entered into between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA ("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) a credit in an amount equivalent to two hundred thirty-six million four hundred thousand Special Drawing Rights (SDR 236,400,000) ("Regular Credit"); and

(b) a credit in the amount of one hundred twenty-five million Dollars ($125,000,000) ("Scale-up Facility Credit" or "SUF Credit"),

to assist in financing the project described in Schedule 1 to this Agreement ("Project") (Regular Credit and SUF Credit, collectively referred to as "Financing").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. With respect to the Scale-up Facility Credit, the Front-end Fee payable by the Recipient shall be equal to one quarter of one percent (¼ of 1%) of the SUF Credit amount.

2.04. (a) With respect to the Regular Credit, 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.
(b) With respect to the Scale-up Facility Credit, the Commitment Charge payable by the Recipient shall be one-quarter of one percent (1/4 of 1%) per annum on the Unwithdrawn Credit Balance.

2.05. With respect to the Regular Credit, the Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.06. With respect to the Scale-up Facility Credit, the Interest Charge payable by the Recipient for each Interest Period shall be at a rate equal to four and one quarter of one percent (4.25%) per annum.

2.07. (a) With respect to the Regular Credit, the Payment Dates are January 15 and July 15 in each year.

(b) With respect to the Scale-up Facility Credit, the Payment Dates are January 15 and July 15 in each year.

2.08. (a) With respect to the Regular Credit, the principal amount of the Regular Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

(b) With respect to the Scale-up Facility Credit, the principal amount of the SUF Credit shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.09. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient, through MoWIE, shall: (a) cause Part 1 of the Project to be carried out by AAWSA; (b) cause Part 2 of the Project to be carried out by the relevant Secondary Cities; and (c) carry out Part 3 of the Project in conjunction with the Regional Water Bureaus, 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 — EFFECTIVENESS; TERMINATION

4.01 The Additional Condition of Effectiveness consists of the following, namely, the Recipient, through MoWIE (on behalf of the relevant Secondary Cities) and AAWSA, each has adopted the Project Implementation Manual in accordance with Section I.B.1 of Schedule 2 to this Agreement.

4.02 The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

4.03 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 (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01 The Recipient's Representative is its Minister of Finance and Economic Cooperation.

5.02 The Recipient's Address is:

Ministry of Finance and Economic Cooperation
P.O. Box 1905
Addis Ababa
Federal Democratic Republic of Ethiopia

Telex: 21147
Facsimile: (251-11) 1551355

5.03 The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
AGREED at Addis Ababa, Federal Democratic Republic of Ethiopia, as of the day and year first above written.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By

[Signature]

Authorized Representative
ADMASU NEBEBE

Name: State Minister
Title: 

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Carelyn Turk
Title: Country Director for Ethiopia, Sudan and South Sudan
SCHEDULE 1

Project Description

The objective of the Project is to increase access to enhanced water supply and sanitation services in an operationally efficient manner in Addis Ababa and selected Secondary Cities.

Part 1: Sanitation and Water Supply Services Improvements in Addis Ababa

(a) Carry out sanitation improvements in Addis Ababa through, *inter alia:*
(i) assessments and analyses of the sanitation situation, and carrying out of feasibility studies, design, and construction of a new wastewater treatment plant ("WWTP") and about 43 km of a sewer network for the Eastern catchment; 
(ii) construction of about 96 km of a sewer network and household connections for the Eastern catchment financed by the Recipient; 
(iii) improvement of operation and maintenance management of existing WWTPs; 
(iv) improvement of sanitation services in underserved and low income areas, including construction of communal and public latrines and procurement of equipment; and 
(v) improvement of operational efficiency of water and sewerage services provision, including development of integrated city sanitation plans.

(b) Make operational efficiency improvements in Addis Ababa through, *inter alia*
provision of support to AAWSA to improve water supply and sanitation services, including modernizing the operational and management system to reduce and manage non-revenue water ("NRW"), improve customer care, improve financial management, network management, and sewer connection and fleet management systems.

(c) Strengthen the Project management and institutional capacity of AAWSA’s Management Board and water utility staff to effectively manage water supply and sanitation facilities through, *inter alia,* provision of training on Project implementation and utility operation, provision of financing for office equipment, vehicles and miscellaneous related expenses, and provision of technical assistance for specific interventions, as well as for community consultation.

Part 2: Sanitation and Water Supply Services Improvement in Secondary Cities

Carry out the following in selected Secondary Cities from all Regional States and the Dire Dawa Administration, including:

(a) Improvement of sanitation through, *inter alia:*(i) carrying out of assessments, feasibility studies and design of viable investments, both for networked and off-grid systems related to wastewater management; 
(ii) development of sanitation
infrastructure development, including construction of conventional sewer systems and decentralized wastewater treatment plants and related networks and construction and/or rehabilitation of appropriate low cost technology sanitation infrastructure; and (iii) procurement of capital equipment (such as vacuum trucks and vehicles).

(b) Improvement of water supply and operational efficiency of utilities to modernize their service provision and management through, *inter alia*: (i) procurement of equipment (such as bulk meters, flow meters and other equipment); (ii) repair, replacement and rehabilitation of pumps, generators, valves and other equipment; (iii) expansion of water supply to underserved areas; (iv) assessment of non-revenue water issues and development of billing and accounting system; financial management; network management system, (v) building of capacity in billing and accounting, financial management, customer database operation, citizen engagement, customer care, and gender and management training; (vi) piloting of modern meter reading and collection technologies and other efficiency improving interventions; (vii) performance monitoring; and (viii) public awareness creation to enhance the demand for services.

(c) Enhancing capacity of participating Water Board members and Water Utility staff to effectively manage respective water supply and sanitation facilities through, *inter alia*: (i) provision of training, exposure visits and study tours, provision of equipment, awareness creation for management team, boards, utilities, municipalities, and urban health extension workers; (ii) provision of support for establishment of utility performance monitoring and benchmarking and for preparation of business plans; and (iii) financing of Project management costs (including costs of communications, monitoring and evaluation, procurement, financial management, and safeguards measures).

Part 3: Project management and institutional strengthening

(a) Provision of support to MoWIE and Regional Water Bureaus for management of Project activities and strengthening of its institutional capacity for that purpose through, *inter alia*, training, study tours, acquisition of office equipment and vehicles and financing of Operating Costs.

(b) Carrying out of studies for the improvement of sector performance in selected areas, including private sector participation, strong data collection and monitoring system, performance based human resource management system, establishment of independent body/ies to regulate performance of the urban water supply and sanitation utilities, and identification of emerging needs for applied research, technology choice, and waste reuse.
SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

Overall Institutional Arrangements

1. The Recipient shall ensure the carrying out by the following institutions of responsibilities for Project implementation described below:

   (a) Ministry of Water, Irrigation and Electricity: The MoWIE, through its FPMU, shall be responsible for overall coordination and monitoring and evaluation of the Project, facilitation of capacity building, and policy formulation for the Project. The MoWIE’s Water Resources Development Fund shall be responsible for coordinating the Recipient’s on-lending program for urban water supply and sanitation.

   (b) Regional Water Bureaus: The RWBs shall be responsible for overall Program planning, management, coordination and capacity building at the regional level. The RWBs shall facilitate: (i) the arranging of necessary technical assistance to enable the Secondary Cities to meet the qualifying criteria for financing under the Project; (ii) the appraisal of city business plans and designs; and (iii) consolidation of periodic progress reports from the Secondary Cities, as well as regional level activities.

   (c) City Administrations: City administrations shall facilitate coordination among institutions at the City levels and allocate land for infrastructure investments and be responsible for handling of right of way clearing, as well as compensation for Affected Persons.

   (d) Water Boards: Water Boards shall be responsible for overseeing the planning and management of city water supply and sanitation systems. WBs shall enter into performance agreements or contracts with water utilities, which shall be responsible for normal operation and maintenance and for securing supplemental professional services to assist water utilities to improve efficiency and expand the system over time.

   (e) Water Utility: Water Utility managers and staff shall be accountable to the corresponding WB under a performance agreement or contract for the operation and maintenance of the city water supply and sanitation system.
Specific Institutional Arrangements

2. The Recipient shall maintain, during the period of Project implementation, the following with composition and terms of reference satisfactory to the Association and with adequate resources to carry out its responsibilities under the Project:

(a) The Federal Project Management Unit ("FPMU") established within MoWIE, responsible for overall coordination and monitoring and evaluation of the Project, facilitating capacity building and policy formulation, release funds to AAWSA and Secondary City utilities, implementation of federal components and capacity building of regional and utility staff, program management, provision of support to regions; review and reconciliation of periodic financial, procurement and physical progress reports from regions; and preparation of consolidated physical progress and financial management reports for submission to MoFEC and to the Association under Sections II.A.1 and II.B.2 of this Schedule 2.

(b) The Project Implementation Office established within AAWSA, responsible for day-to-day implementation of Part 1 of the Project.

(c) The Regional Project Management Unit ("RPMU") established within the respective Regional Water Bureau, responsible for facilitation of implementation of Part 2 of the Project, including coordination of regional programs; preparation and update of annual proposed activities; appraisal of city level activities; implementation monitoring and provide technical support; implementing regional and city level capacity building and technical assistance activities; and compiling physical progress and procurement reports and consolidating and submitting said reports to MoWIE; and conducting internal audits.

(c) National WaSH Steering Committee ("NWSC") responsible for the following: (a) overseeing overall implementation of the project; and (b) providing policy guidance to the project; and (c) ensuring inter-agency coordination of the Project.

B. Implementation Arrangements

Project Implementation Manual

1. The Recipient shall:

(a) carry out the Project, and cause the Project to be carried out, in accordance with the Project Implementation Manual, which contains detailed guidelines and procedures for the implementation of the Project, including: administration and coordination; monitoring and evaluation;
financial, procurement and accounting procedures; social and environmental safeguards; corruption and fraud mitigation measures; roles and responsibilities of various agencies in the implementation of Project, and such other arrangements and procedures as shall be required for the effective implementation of the Project; and

(b) except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the PIM.

2. In case of conflict between the provisions of the PIM and this Agreement, the provisions of this Agreement shall prevail.

Annual Work Plan and Budget

3. The Recipient, through MoWIE, shall, not later than May 30th of each year, prepare and furnish to the Association, an annual program of activities proposed for implementation under the Project during the following Fiscal Year, together with a proposed budget for the purpose.

4. The Recipient, through MoWIE, shall exchange views with the Association on each of the proposed annual work and procurement plan, and shall thereafter adopt, and carry out the program of activities for the following Fiscal Year as shall have been agreed with the Association, as such plan may be subsequently revised during the following Fiscal Year with the prior written agreement of the Association.

Implementation Arrangement for Part 1 of the Project - AAWSA

5. To facilitate the carrying out of Part 1 of the Project, the Recipient, through MoWIE, shall, prior to making available to AAWSA the portion of the proceeds of the Financing allocated from time to time to Category 1 of the table in Section IV.A.2 of this Schedule 2 ("AAWSA Allocation"), enter into an agreement ("Subsidiary Agreement") with AAWSA on terms and conditions acceptable to the Association, which shall include:

(a) the proceeds of the Financing shall be made available to AAWSA on reasonable credit or grant terms, approved by the Association;

(b) the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:

(i) suspend or terminate the right of the AAWSA to use the proceeds of the AAWSA Allocation, or declare to be immediately due and payable or obtain a refund of all or any part of the amount of the AAWSA Allocation then withdrawn, upon the AAWSA’s failure to perform any of its obligations under the Subsidiary Agreement; and
(ii) require the AAWSA to:

(A) carry out Part I of 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 Recipient and the Association, including in accordance with the provisions of the Safeguard Instruments, the Project Implementation Manual and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;

(B) provide, promptly as needed, the resources required for the purpose;

(C) ensure that any goods, works and services to be financed out of the AAWSA Allocation in accordance with the provisions of this Agreement are procured in accordance with the provisions of Section III of this Schedule 2;

(D) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Recipient and the Association, both in a manner adequate to reflect the operations, resources and expenditures related to Part I of the Project; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Recipient and the Association, in accordance with consistently applied auditing standards acceptable to the Recipient and the Association, and promptly furnish the statements as so audited to the Recipient and the Association;

(E) enable the Recipient and the Association to inspect its respective part of the Project, its operation and any relevant records and documents; and

(F) 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;

(c) except as the Association shall otherwise agree, the Recipient and AAWSA shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions; and
(d) in the event of any conflict between the Subsidiary Agreement and this Agreement, this Agreement shall prevail.

6. The Recipient shall exercise its rights and carry out its obligations 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 or waive the Subsidiary Agreement or any of its provisions.

Implementation Arrangements for Part 2 of the Project - Secondary Cities

7. The Recipient, through MoWIE, shall ensure that activities under Part 2 of the Project, which are to be carried out in Secondary Cities, are selected and approved in accordance with criteria and procedures, and under financing terms and conditions set forth in the Project Implementation Manual.

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall carry out the Project in accordance with the provisions of the Safeguard Instruments, in a manner satisfactory to the Association.

2. Without limitation on the provisions of paragraph 1 above, the Recipient shall carry out the following:

   (a) If any Project activity would, pursuant to the ESMF, require the preparation of an ESIA, the Recipient shall not commence such activity until such ESIA has been: (i) prepared in accordance with such ESMF and furnished to the Association; (ii) disclosed locally as required by the ESMF; and (iii) approved by the Association and publicly disclosed.

   (b) If any Project activity would, pursuant to the ESMF, require the preparation of an ESMP, the Recipient shall not commence such activity until such ESMP has been: (i) prepared in accordance with such ESMF and furnished to the Association; (ii) disclosed locally as required by the ESMF; and (iii) approved by the Association and publicly disclosed.

   (c) If any Project activity would, pursuant to the RPF, require the preparation of a RAP, no such activity shall be implemented, unless:
(i) a RAP for such activity has been: (A) prepared in accordance with the requirements of the RPF and furnished to the Association; (B) disclosed as required by the RPF; and (C) approved by the Association and publicly disclosed; and

(ii) (A) all measures required to be taken under said RAP prior to the initiation of said activity have been taken, including, without limitation to the above, providing funds for resettlement compensation when and if required under a RAP; (B) a report, in form and substance satisfactory to the Association, on the status of compliance with the requirements of said RAP has been prepared and furnished to the Association; and (C) the Association has confirmed that the implementation of said activity may be commenced.

3. The Recipient shall not amend or waive, any Safeguard Instrument, or any provision of any one thereof, without the prior written approval of the Association.

4. The Recipient shall ensure that all measures for carrying out the recommendations of the Safeguard Instruments are taken in a timely manner.

5. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall:

(a) include in the Project Reports referred to in Section II.A of this Schedule adequate information on monitoring the measures defined in the Safeguard Instruments, giving details of:

(i) measures taken in furtherance of such Safeguard Instruments;

(ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Instruments;

(iii) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of such Safeguard Instruments; and

(b) afford the Association a reasonable opportunity to exchange views with the Recipient on such reports.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. 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 indicators acceptable to the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days 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 forty-five (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 (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods, Works, and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan:

   (a) National Competitive Bidding, subject to the following additional provisions:

   i. The Recipient’s standard bidding documents for procurement of goods and works acceptable to the Association shall be used. At the request of the Recipient, the introduction of requirements for bidders to sign an Anti-Bribery pledge and/or statement of undertaking to observe Ethiopian Law against fraud and corruption and other forms that ought to be completed and signed by him/her may be included in bidding documents if the arrangements governing such undertakings are acceptable to the Association.

   ii. If pre-qualification is used, the Association’s standard prequalification document shall be used.

   iii. No margin of preference shall be granted in bid evaluation on the basis of bidder’s nationality, origin of goods or services, and/or preferential programs such as but not limited to small and medium enterprises.

   iv. Mandatory registration in a supplier list shall not be used to assess bidders’ qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and if recommended for contract award shall be given a reasonable opportunity to register with the reasonable cooperation of the Recipient, prior to contract signing. Invitations to bids shall be advertised in at least
one newspaper of national circulation or the official gazette, or on
a widely used website or electronic portal with free national and
international access.

v. Bidders shall be given a minimum of thirty (30) days to submit
bids from the date of availability of the bidding documents.

vi. All bidding for goods and works shall be carried out through a
one-envelope procedure.

vii. Evaluation of bids shall be made in strict adherence to the
evaluation criteria specified in the bidding documents. Evaluation
criteria other than price shall be quantified in monetary terms. Merit
points shall not be used, and no minimum point or
percentage value shall be assigned to the significance of price, in
bid evaluation.

viii. The results of evaluation and award of contract shall be made
public. All bids shall not be rejected and the procurement process
shall not be cancelled, a failure of bidding declared, new bids shall
not be solicited, nor shall negotiated procurement in case of a
failure of bidding be resorted to without the Association’s prior
written concurrence. Negotiations shall not be allowed except in
the case of a lowest evaluated responsive bid which exceeds the
Recipient’s updated cost estimate by a substantial margin, to try
to obtain a satisfactory contract through a reduction in the scope
of works/supply and reallocation of risk which can be reflected in
a reduction in contract price.

ix. In accordance with Paragraph 1.16(e) of the Procurement
Guidelines, each bidding document and contract financed out of
the proceeds of the Financing shall provide that: (1) the bidders,
suppliers, contractors and subcontractors, agents, personnel,
consultants, service providers, or suppliers shall permit the
Association, at its request, to inspect all accounts, records and
comments relating to the bid submission and performance of the
contract, and to have them audited by auditors appointed by the
Association; and (2) any act intended to materially impede the
exercise of the Association’s audit and inspection rights
constitutes an obstructive practice as defined in the paragraph
1.16(a)(v) of the Procurement Guidelines.
(b) Limited International Bidding;
(c) Shopping; and
(d) 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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality-based Selection</td>
</tr>
<tr>
<td>Selection under a Fixed Budget</td>
</tr>
<tr>
<td>Least Cost Selection</td>
</tr>
<tr>
<td>Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>Single-source Selection of consulting firms</td>
</tr>
<tr>
<td>Selection of Individual Consultants per the procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines</td>
</tr>
<tr>
<td>Single-source procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>
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. Procurement Audit

1. The Recipient shall: (a) select and appoint a procurement auditor, acceptable to the Association, to carry out annual independent audits of procurement activities under the Project and prepare reports of such procurement audit; and (b) furnish said procurement audit report to the Association within six (6) months after the end of the fiscal year and thereafter, take into consideration the Association’s comments on such report.

2. In the event that the operation period of the wastewater treatment plant (WWTP) for the Eastern catchment under the design, build and operate contract, which will be procured under Section IV of this Schedule, extends beyond the Closing Date, the Recipient shall undertake to continue financing the operation of the WWTP under said 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 repay the Preparation Advance in accordance with Section 2.07 of the General Conditions and 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:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Regular Credit Allocated (expressed in SDR)</th>
<th>Amount of the SUF Credit Allocated (expressed in Dollar)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services, Training and Operating Costs for Part 1 of the Project, except for Part 1(a)(ii) of the Project which is excluded</td>
<td>55,400,000</td>
<td>124,687,500</td>
<td>100% from the Regular Credit until fully utilized and thereafter 100% from SUF Credit</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants’ services, Training and Operating Costs for Part 2 of the Project</td>
<td>178,040,000</td>
<td>0</td>
<td>100% of the Regular Credit</td>
</tr>
<tr>
<td>(3) Goods, Non-consulting services, consultants’ services, Training and Operating Costs for Part 3 of the Project</td>
<td>2,960,000</td>
<td>0</td>
<td>100% of the Regular Credit</td>
</tr>
<tr>
<td>(4) Front-end Fee</td>
<td>0</td>
<td>312,500</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 3.01 (a) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>236,400,000</td>
<td>$125,000,000</td>
<td></td>
</tr>
</tbody>
</table>
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.

2. The Closing Date is July 7, 2023.

Section V. Other Undertakings

1. Unless otherwise agreed with the Association, the Recipient, through MoWIE, shall carry out the following and cause the following to be carried out:

(a) Within two (2) months from the Effective Date, prepare in accordance with terms of reference acceptable to the Association and furnish to the Association for review, a report detailing the status of the preparation and audit of the entity financial statements of AAWSA and participating Secondary Cities water utilities, as well as a time-bound action plan for the preparation and audit of financial statements that have not been carried out in the past; and

(b) Thereafter, implement such action plan as shall have been approved by the Association and report the progress of implementation of said actions plan along with the interim unaudited financial reports under Section II.B.2 of this Schedule.
SCHEDULE 3

Repayment Schedule
(for the Regular Credit)

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Regular Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 15 and July 15, commencing July 15, 2023, to and including January 15, 2055</td>
<td>1.56250%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Regular Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

Amortization Schedule
(for the SUF Credit)

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the SUF Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 15 and July 15 commencing on July 15, 2026, to and including July 15, 2040, and on January 15, 2041, to and ending on January 15, 2047</td>
<td>2.35% 2.45%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the SUF Credit to be repaid.
APPENDIX

Section I. Definitions


2. “AAWSA Allocation” means the portion of the proceeds of the Financing allocated from time to time to Category I of the table in Section IV.A.2 of this Schedule 2 and to be made available to AAWSA pursuant to a Subsidiary Agreement to implement Part I of the Project.

3. “Affected Persons” mean persons who, on account of the execution of the Project or any Part thereof: (a) have experienced or would experience direct economic and social impacts caused by: 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 persons 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 persons.


5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


7. “Environmental and Social Impact Assessment” or “ESIA” means, with respect to each activity under the Project pursuant to which the ESMF requires an environmental and social impact assessment, such assessment, carried out in accordance with the provisions of Section I.D of Schedule 2 to this Agreement.

8. “Environmental and Social Management Framework” or “ESMF” means the framework prepared and adopted by the Recipient and disclosed in-country on February 14, 2017, and in Bank’s Infoshop on February 16, 2017, setting forth an environmental and social screening process, principles and policies that will enable the Recipient to identify and assess potential adverse environmental and social impacts (including impacts on physical cultural resources), associated with the implementation of the Project, and offset and reduce them to acceptable levels, or enhance positive impacts, and in accordance with which ESIA(s) and/or ESMP(s)
(as defined hereinafter), as the case may be, will be prepared and submitted to the Association for its approval, as the same may be amended from time to time with the prior written approval of the Association.

9. “Environmental and Social Management Plan” or “ESMP” means a plan prepared by the Recipient in accordance with the provisions of Section I.D of Schedule 2 to this Agreement, as such ESMP may be amended from time to time with the prior written approval of the Association.

10. “Federal Project Management Unit” or “FPMU” means the unit established within the MoWIE and referred to in Section I.A.2 (a) of Schedule 2 to this Agreement.

11. “Fiscal Year” means each fiscal year of the Recipient commencing on July 8 and ending on July 7.

12. “General Conditions” means:

   (a) For purposes of implementing the Project and the Regular Credit financing of the Project’s Eligible Expenditures: the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.

   (b) For purposes of implementing the Project and the SUF Credit financing of the Project’s Eligible Expenditures: the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in section II of this appendix.

13. “Interest Period” means the initial period from and including the date of this Agreement to but excluding the first Payment Date occurring thereafter, and after the initial period, each period from and including a Payment Date to but excluding the next following Payment Date.

14. “Ministry of Finance and Economic Cooperation” or “MoFEC” means the Recipient’s ministry responsible for finance, or any successor thereto.

15. “MoWIE” means the Recipient’s Ministry of Water, Irrigation and Electricity, or any successor thereto.

16. “Operating Costs” means the reasonable incremental expenses incurred, based on annual budgets approved by the Association, incurred by the Recipient on account of Project implementation, management, and monitoring, including office supplies and consumables; communication costs; operation and maintenance of office vehicles and equipment; per diem and national and international travel costs and accommodations for Project staff; reasonable bank charges; and allowances and salaries of the Project’s contractual staff (but excluding the salaries of the Recipient’s civil/public servants).

18. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 24, 2017, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

19. “Project Implementation Manual” or “PIM” means the manual prepared by the Recipient, satisfactory to the Association, referred to in Section 1.B.2 of Schedule 2 to this Agreement and as amended from time to time, with the approval of the Association.

20. “Project Implementation Office” or “PIO” means the unit established within AAWSA and referred to in Section 1.A.2(b) of Schedule 2 to this Agreement.

21. “Region” means either an administrative area or city administration within the Recipient’s territory as defined under the Recipient’s Constitution and/or relevant Proclamations.

22. “Regional Project Management Unit” or “RPMU” means the unit established within each Regional Water Bureau referred to in Section 1.A.2(c) of Schedule 2 to this Agreement.

23. “Regional States” means the regional states established under the Recipient’s administrative system.

24. “Regional Water Bureau” or “RWB” means an entity responsible under the Project at the regional level for: (i) providing technical assistance to, and monitoring and evaluation of, participating Water Boards and Water Utilities; and (ii) overall coordination of urban water supply activities in the Region.

25. “Resettlement Action Plan” or “RAP” means a resettlement action plan, prepared by the Recipient in accordance with the RPF and provisions of Section 1.D of Schedule 2 to this Agreement for compensation, resettlement and rehabilitation of Affected Persons as a result of the Project, as such plan may be amended from time to time with the prior written approval of the Association.

26. “Resettlement Policy Framework” or “RPF” means the resettlement policy framework prepared and adopted by the Recipient and disclosed in-country on December 8, 2016, and in the Bank’s Infoshop on December 13, 2016, outlining the principles, policies and procedures to be implemented in the event that specific activities implemented as a result of Project implementation have potentially negative impacts on the livelihoods, assets and land of the Affected Persons, as the
said framework may be amended from time to time with the prior written agreement of the Association.

27. “Safeguard Instruments” means, collectively, the ESMPs, ESMF, ESIAs, RAPs and RPF; and the term “Safeguard Instrument” means any of the Safeguards Instruments.


29. “Subsidiary Agreement” means the agreement to be entered into between the Recipient, through MoWIE, and AAWSA pursuant to Section I.B.5 of Schedule 2 to this Agreement.

30. “Training” means the reasonable costs of training under the Project, based on annual plans approved by the Association, and attributable to national and international seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

31. “Water Resources Development Fund” and “WRDF” means an entity established by Proclamation No. 268/2002 of the Recipient, dated January 31, 2002, which is responsible under the Project for appraising and determining the eligibility of activities proposed by AAWSA and Secondary City utilities for financing under the Project.

32. “Water Boards” and “WB” means autonomous legal entities established by beneficiary city administrations under Parts 1 and 2 of the Project, responsible under the Project for planning and managing water supply systems and to which a grant or a subloan is subsequently made or proposed to be made, utilizing the proceeds of the Financing, under Part 1 and 2 of the Project.

33. “Water Utility” means the Water Board, manager and staff of the water utility.

Section II. Modifications to the General Conditions for purposes of SUF Credit financing

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified, as necessary, to reflect the modifications set forth in the paragraphs below.
2. Section 2.07 (Refinancing Preparation Advance) is retitled as “Refinancing Preparation Advance; Capitalizing Front-end Fee”, amended by adding a new paragraph (b), and modified to read as follows:

“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee

(a) If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Bank or the Association (“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.

(b) Except as otherwise provided in the Financing Agreement, the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date and pay to itself the amount of the Front-end Fee payable pursuant to Section 3.01 (a).”

3. Section 3.01 (Commitment Charge) is retitled as “Front-end Fee; Commitment Charge”, amended by adding a new paragraph (a), and modified to read as follows:

“Section 3.01. Front-end Fee; Commitment Charge

(a) The Recipient shall pay the Association a front-end fee on the Credit amount at the rate specified in the Financing Agreement (the “Front-end Fee”).

(b) The Recipient shall pay the Association a commitment charge on the Unwithdrawn Credit Balance at the rate specified in the Financing Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Financing Agreement to the respective dates on which amounts are withdrawn by the Recipient from the Credit Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

4. Section 3.02 (Service Charge) is retitled as “Interest Charge” and modified to read as follows:

“Section 3.02. Interest Charge

The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall
be payable semi-annually in arrears on each Payment Date. Interest Charges shall be computed on the basis of a 360-day year of twelve 30-day months."

5. Section 3.03 (Repayment of the Credit) is modified by deleting paragraph (b) in its entirety and amending the remaining paragraph (a) to read as follows:

"Section 3.03. Repayment of the Credit

The Recipient shall repay the Withdrawn Credit Balance to the Association in installments as provided in the Financing Agreement."

6. In the Appendix, Definitions, all relevant references to Sections, numbers and paragraphs are modified, as necessary, to reflect the modifications set forth in paragraphs 1 through 5 above.

7. Paragraph 28 of the Appendix ("Financing Payment") is modified to read as follows:

"28. "Financing Payment" means any amount payable by the Recipient to the Association pursuant to the Financing Agreement or these General Conditions, including (but not limited to) any amount of the Withdrawn Credit Balance, interest, the Front-end Fee and the Commitment Charge."

8. A new paragraph 30 is inserted in the Appendix with the following definition of "Front-end Fee", and the subsequent paragraphs are renumbered accordingly:

"30. "Front-end Fee” means the fee specified in the Financing Agreement for the purpose of Section 3.01 (a)."

9. A new paragraph 33 is inserted in the renumbered Appendix with the following definition of "Interest Charge", and the subsequent paragraphs are renumbered accordingly:

"33. "Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02."

10. Renumbered paragraph 38 (originally paragraph 36) of the Appendix ("Payment Date") is modified by deleting the words "Service Charges" and inserting the words "Interest Charges".

11. Renumbered paragraph 51 (originally paragraph 49) of the Appendix ("Service Charge") is deleted in its entirety, and the subsequent paragraphs are renumbered accordingly.