Loan Agreement

(Second Water Sector Institutional Development Project)

between

REPUBLIC OF ANGOLA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 14, 2017
LOAN NUMBER 8702-AO

LOAN AGREEMENT

AGREEMENT dated July 14, 2017, between the REPUBLIC OF ANGOLA ("Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

The Borrower and the Bank 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 — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of two hundred million United States Dollars ($200,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan") to assist in financing the project described in Schedule I to this Agreement ("Project").

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

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower...
shall instead be calculated as provided in Section 3.02(c) of the General Conditions.

2.06. The Payment Dates are April 1 and October 1 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:
(i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.
ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project, through MINA, in collaboration with INRH, IRSEA, and DNA, and with the assistance of the PWSUs, through the respective Participating Agreement with respect to Parts 1(a) and 3 of the Project, all shall carry out the Project in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower 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 Conditions of Effectiveness consists of the following:

(a) The Borrower has created the FCMU-WWAI D in a manner acceptable to the Bank and has hired a senior financial management specialist, a Project executive coordinator and two procurement specialists, with qualifications and experience, and pursuant to terms of reference, satisfactory to the Bank.

(b) The Project Implementation Manual, including financial management and accounting procedures annexes, has been issued and adopted by the Borrower, and approved by the Bank.

(c) The Borrower has: (i) opened the Project Account, in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment; (ii) promptly thereafter has made a deposit of two hundred fifty million Kwanzas (K250,000,000) to finance the Borrower's initial contribution to the costs of the Project; and (iii) purchased and installed new automated accounting software, acceptable to the Bank.

(d) The Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is its minister responsible for finance.

5.02. The Borrower’s Address is:

Ministério das Finanças
Largo da Mutamba
Luanda, Angola

Facsimile:

+244 222 706 002; 3

5.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at Luanda, Republic of Angola, as of the day and year first above written.

REPUBLIC OF ANGOLA

By:

[Signature]

Authorized Representative

Name: Augusto Archer Mangueira

Title: Minister of Finance

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By:

[Signature]

Authorized Representative

Name: Clara Ana Coutinho de Sousa

Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to strengthen the institutional capacity of selected water sector agencies and increase water service coverage in Target Cities.

Part 1: Water Supply Institutional Strengthening and Capacity Development

Strengthening of the institutional framework for the water and sanitation sector and building capacity at the Borrower’s water and sanitation agencies at both national and provincial levels, through:

(a) the provision of technical assistance and operational support for the strengthening of PWSUs’ management capacities and customer service, including the provision of Performance Payments;

(b) the provision of technical assistance and capacity building to IRSEA to build its capacity to fulfil its responsibilities as the Borrower’s water and sanitation regulator, including: (i) definition of IRSEA’s organizational structure, staffing and skills requirements; (ii) a beneficiary assessment; (iii) development of water and sanitation regulatory instruments (including reporting requirements, service standards, cost accounting standards, tariff application procedures); (iv) design and development of an information system/database for the water and sanitation sector; and (v) training and capacity building; and

(c) the carrying out of a study on private sector participation in the water sector to assess the potential for private sector participation in the water sector.

Part 2: Water Resources Management

Strengthening of the institutional framework for water resource management, through the provision of support for:

(a) INRH central and regional directorates needed for the management of hydro-meteorological information;

(b) INRH at the central level, including: (i) direct advisory and training services to INRH and selected regional directorates; (ii) the preparation of the INRH Strategic Plan; (iii) design and implementation of a public awareness and communications campaign; and (iv) design and implementation of an economic instrument for water resources management;
the design and implementation of an information management system for INRH, including specifications of hardware and software needed;

d) the expansion of the Borrower’s hydro meteorological monitoring network consistent with the 2008 recommendations of the World Meteorological Organization (with coverage of 1,875 square kilometers per station), including:
   (i) the reconstruction of prioritized hydrometric stations, including provision of equipment, services, goods and minor works;
   (ii) the upgrade of prioritized hydrometric stations to include meteorological monitoring capabilities; and
   (iii) the support to manage the hydro meteorological monitoring network;

e) INRH for:
   (i) the development and implementation of specific river basin plans, including the implementation of priority actions identified under the applicable plan;
   (ii) the piloting of the instrument for water resources management developed under Part 2(b)(iv) of the Project, with respect to the Kwanza River, including a comprehensive water user inventory, consolidation of procedures and instruments for water use permits, training and workshops with relevant stakeholders, dissemination materials, publications and evaluation of its impact; and
   (iii) the preparation of two additional integrated river basin management plans in the Borrower’s southern coastal region;

f) INRH for the preparation of a national dam safety plan including:
   (i) the carrying out of a national inventory of existing dams and reservoirs, including a description of main characteristics;
   (ii) an assessment by a panel of experts of the safety status of prioritized dams, including the preparation of an investment plan and other activities;
   (iii) preparation of the legal and regulatory dam safety framework, including institutional responsibilities, standards and technical safety guidelines; and
   (iv) the development of a capacity-building program to support the dam safety related activities described above.

Part 3: Rehabilitation and Expansion of Water Supply Production and Distribution

Provision of support to the PWSUs for the development of priority infrastructure to expand system capacity, to increase service coverage and quality, and to improve the operating efficiency of the production and distribution systems in Target Cities, through:

a) the rehabilitation and expansion of production facilities, including:
   (i) the carrying out of civil and electro-mechanical works to improve water production in Target Cities required to support expanding service coverage;
   (ii) expansion and refurbishment of well fields and intake facilities, as well as expansion and refurbishment of water treatment
facilities; (iii) construction of clear-water storage tanks and the rehabilitation and expansion of transmission infrastructure, including new pipelines, pump stations, telemetry/SCADA, and associated fittings; and

(b) the rehabilitation and expansion of distribution systems, including: (i) the development of priority infrastructure to increase service coverage and improve operational efficiency of the water distribution systems in Target Cities; (ii) the rehabilitation of existing and construction of new distribution centers, including increasing storage with ground tanks and pressure through elevated water towers; (iii) water supply network expansion and rehabilitation; (iv) installation of district meters and pressure control valves within existing pipelines; and (v) installation of approximately 186,500 new household connections with meters.

Part 4: Management and Engineering Support

Provision of goods, operational costs, engineering support, training and technical assistance for Project management, technical oversight, financial management, monitoring and evaluation, implementation of social and environmental safeguards, as well as other investments in the water sector, including: (a) the carrying out of engineering and other technical studies; (b) the design and supervision of works and performance contracts; (c) support for community consultation and communication activities; and (d) the update of sanitation master plans in the capital cities of selected provinces, including stakeholders consultative process.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through MINFA, shall: (a) create and thereafter maintain a unit (the FCMU-WB AFD) within MINFA, at all times during Project implementation, with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility of the FCMU-WB AFD to assist the Borrower in the coordination, implementation, monitoring, evaluation and supervision of the Project; (b) ensure that the FCMU-WB AFD is, at all times during Project implementation, headed by a Project executive coordinator and staffed with a senior financial management specialist, two procurement specialists, two procurement officers, an accountant and professional and administrative staff, all hired with terms of reference, through competitive processes, in numbers and with qualifications and experience acceptable to the Bank; and (c) except as the Borrower and the Bank may otherwise agree in writing, the Borrower shall not introduce changes in the number of positions of the FCMU-WB AFD or in the professional skills required for occupying such positions, unless said changes have been previously agreed in writing with the Bank.

2. The Borrower, through MINFA, shall carry out the Project in accordance with a manual (the Project Implementation Manual), acceptable to the Bank, said manual to include, *inter alia*: (i) an institutional implementation plan for MINFA for the management of the Project, including allocation of responsibilities among staff, yearly planning of activities and budget and time allocation for those activities; (ii) financial management and accounting procedures annexes; (iii) detailed arrangements for the overall carrying out of the Project including, the procurement, environmental and social guidelines to be followed during Project implementation by the Borrower; (iv) detailed guidelines and procedures for the implementation of the ESMF and RPF in connection with the carrying out of the Project; (v) detailed guidelines for the preparation of Environmental Management Plans and Resettlement Action Plans; (vi) the guidelines for Project monitoring and evaluation; (vii) the detailed procedures and guidelines for the determination of performance targets of the PWSUs for the purposes of monitoring and evaluating annually the collected revenues and costs of operation, and (viii) the detailed procedures and guidelines for the provision of Performance Payments to PWSUs that have exceeded the performance targets specified in paragraph (vii) above.

3. Except as the Borrower and the Bank may otherwise agree in writing, the Borrower shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the Project Implementation Manual or any provision thereof and in case of any conflict
between the terms of the Project Implementation Manual and those of this Agreement, the terms of this Agreement shall prevail.

4. The Borrower, through MINEA, shall not later than July 1 of each year during Project implementation, or such later date as the Bank may determine, starting in calendar year 2017, furnish to the Bank for approval, an annual action plan (the Annual Action Plan), each said plan to include: (i) the Project activities to be carried out during the twelve (12) months immediately following the presentation of each said plan; (ii) the procurement plan, and disbursement schedule for each said twelve (12) month period; (iii) the annual budget for Operating Costs for the Project; (iv) the annual budget for Training under the Project; and (v) the amount of counterpart funds needed and to be provided by the Borrower to carry out the Project activities during said twelve (12) month period and thereafter implement each said Annual Action Plan, approved by the Bank, in accordance with its terms.

5. The Borrower shall, not later than September 30, 2020, or such later date as may be agreed upon by the Borrower and the Bank, carry out a mid-term review of the Project, covering the progress achieved in the implementation of the Project.

6. The Borrower shall: (a) have all the procurement records and documentation of the Project audited every two (2) years in accordance with appropriate procurement auditing principles by independent auditors acceptable to the Bank, commencing on the calendar year in which the first withdrawal under the Project was made; and (b) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, the procurement audit report of such audit by said auditors.

B. Participation of Provinces and PWSUs

1. For the purposes of implementing Parts 1(a) and 3 of the Project, the Borrower shall enter into an agreement with a Participating Province (the Participation Agreement), in form and substance satisfactory to the Bank. Said Participation Agreement shall include:

   (a) the allocation of responsibilities for the development and management of PWSUs;

   (b) the obligation of the Participating Province to comply with the applicable provisions of this Agreement;

   (c) the performance targets of the PWSUs for purposes of monitoring and evaluating annually the collected revenues and costs of operation;

   (d) the agreed works to be financed by the Project in the Target Cities;
(c) the necessary covenants to ensure that not later than September 30 of each year of the Project, the Participating Province, jointly with the respective PWSU, prepare and thereafter submit to [RSLA, a financing plan for its PWSU] describing: (i) how the operating costs of the PWSU will be financed; and (ii) the planned adjustments to tariff levels, levels of collections, and levels of subsidies required to achieve the agreed levels of cost recovery for the following two (2) calendar years;

(f) the necessary covenants to ensure that the respective Participating Province take measures to ensure that its PWSUs do not incur in any debt unless a reasonable forecast of their revenues and expenditures shows that their projected earnings before interest, taxes, and depreciation for each fiscal year during the term of the debt to be incurred, is at least 1.5 times the projected debt service; and

(g) the necessary covenants to ensure that each PWSU’s collected revenue should cover at a minimum an increasing share of their operating costs, as follows: (i) 35% in the first audited year; (ii) 50% the second audited year; (iii) 70% in the third audited year; (iv) 80% in the fourth audited year; and (v) more than 100% after the fifth audited year.

2. The Borrower, through FCMU-WB/AFD, not later than six (6) months after the end of each Fiscal Year (starting on 2018 for existing PWSUs and after the first year of operations for those PWSUs created during Project implementation), shall submit to the Bank an annual audit report for each PWSU, prepared by independent auditors and in accordance with terms of reference acceptable to the Bank. Said audit report shall include: (a) any deviations to existing Borrower’s tariff policies, together with a justification for said deviation; and (b) evidence that each PWSU’s collected revenue covers at a minimum an increasing share of their operating costs.

3. The Borrower may provide Performance Payments to any eligible PWSUs after the respective annual audit report of said eligible PWSU had demonstrated that the performance targets detailed in Section L.B.1(g) of this Schedule were achieved or exceeded, all in a form and substance satisfactory to the Bank.

C. Anti-Corruption

The Borrower shall carry out the Project in accordance with the provisions of the Anti-Corruption Guidelines.
D. Safeguards

1. Environmental and Social Management Framework (ESMF)

The Borrower shall: (a) implement the Project in accordance with the ESMF; and (b) when required by the ESMF, prepare and implement Environmental and Social Impact Assessment or Environmental and Social Management Plans for site-specific investments under the Project, in accordance with the ESMF, defining a program of actions, measures and policies to avoid, minimize, mitigate, and offset potential adverse environmental and social impacts, as a result of the carrying out of the Project, together with adequate institutional and systematic, monitoring and reporting arrangements capable of ensuring proper implementation of said Environmental and Social Impact Assessments or Environmental and Social Management Plans.

2. Resettlement Policy Framework (RPF)

The Borrower shall: (a) implement the Project in accordance with the RPF; and (b) when required by the RPF, prepare and implement Resettlement Action Plans in accordance with the RPF, defining a program of actions, measures and policies for compensation and resettlement of Affected Persons, as a result of the carrying out of the Project, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of said Resettlement Action Plans.

3. Other Safeguards Considerations

(a) With respect to any activities under Parts 2(d) and 3 of the Project, the Borrower shall refrain from starting any works until and unless: (i) the proposed activities have been screened in accordance with the guidelines, standards and procedures set forth in the ESMF and RPF; (ii) the respective EMP and/or, RAP required for such activities pursuant to the ESMF or, RPF, respectively, has/have been prepared and implemented, in agreement with the Bank; and (iii) the foregoing Safeguards Documents have been publicly disclosed.

(b) The Borrower shall ensure that the terms of reference for any consultancy related to the preparation of the Dam Safety Plan under Part 2(f) of the Project, shall be satisfactory to the Bank and, to that end, such terms of reference shall require that the advice conveyed through such consultancies and technical assistance be consistent with the requirements of the Bank Policies on Safety of Dams.
Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower through MINEA shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Bank 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 Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank 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 Bank.

3. The Borrower shall have its Financial Statements for the Project audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

4. The Borrower shall, not later than four (4) months after the Effective Date: (a) hire a Project accountant under terms of reference acceptable to the Bank; and (b) hire the Project’s external and internal auditors with terms of reference, qualifications and experience satisfactory to the Bank, in accordance with the provisions of this Section.

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 Loan 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 Loan 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 Bank 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, Works, and Non-Consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works, and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Shopping, and (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following 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: (a) Selection under a Fixed-Budget; (b) Least-Cost Selection; (c) Selection based on Consultants' Qualifications; (d) Single-source Selection of consulting firms; (e) Selection of Individual Consultants; and (f) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.
Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank 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 Loan (“Category”), the allocation of the amounts of the Loan 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 Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants' services, Operating Costs, and Training for Part 1(a) of the Project</td>
<td>18,700,000</td>
<td>45%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants' services, Operating Costs, and Training for Parts 1(b) and (c) of the Project</td>
<td>8,600,000</td>
<td>45%</td>
</tr>
<tr>
<td>(3) Goods, consultants' services, Operating Costs, and Training for Parts 2(a), (b), (c), (e) and (f) of the Project</td>
<td>12,000,000</td>
<td>45%</td>
</tr>
<tr>
<td>(4) Goods, Works, consultants' services, Operating Costs, and Training for Part 2(d) of the Project</td>
<td>2,000,000</td>
<td>45%</td>
</tr>
<tr>
<td>(5) Goods, Works, consultants' services, and Operating Costs for Part 3 of the Project</td>
<td>131,000,000</td>
<td>45%</td>
</tr>
<tr>
<td>(6) Goods, consultants' services (including audits), Training and Operating Costs for Part 4 of the Project</td>
<td>25,000,000</td>
<td>45%</td>
</tr>
<tr>
<td>(7) Performance Payments</td>
<td>2,200,000</td>
<td>45%</td>
</tr>
<tr>
<td>(8) Front-end Fee</td>
<td>500,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions</td>
</tr>
<tr>
<td>(9) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.08(c) of this Agreement</td>
</tr>
</tbody>
</table>

**TOTAL AMOUNT** 200,000,000
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $20,000,000 may be made for payments made prior to this date but on or after December 2, 2016, but not earlier than 12 months from the date of this Agreement, for Eligible Expenditures under Categories (2), (3), (4) and (6);

   (b) under Categories (1) and (5) for each Participating Province unless the Borrower has submitted evidence, satisfactory to the Bank, that with respect to said particular Participating Province, the Participating Agreement between the Borrower, through MINFA, and the respective Participating Province have been signed; and

   (c) under Category (7) unless the Borrower has submitted to the Bank the annual audit report referred to in Section I.B.2 of this Schedule for the respective PWSU, indicating that the targets were achieved or exceeded, in a manner satisfactory to the Bank.

2. The Closing Date is March 31, 2024.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 1 and October 1</td>
<td>2.08%</td>
</tr>
<tr>
<td>Beginning April 1, 2023, through April 1, 2046</td>
<td></td>
</tr>
<tr>
<td>On October 1, 2046</td>
<td>2.24%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the
principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (a) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions

1. "Affected Persons" means persons who, on account of an involuntary taking of land under the Project, had or would have their: (a) standard of living adversely affected; or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; and "Affected Person" means any of the Affected Persons.

2. "Annual Action Plan" means any of the plans referred to in Section A.3 of Schedule 2 to this Agreement.


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


7. "Co-financing" means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount of $150,000,000 to be provided by the Co-financier to assist in financing the Project.

8. "Co-financing Agreement" means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.


10. "DNA" means Direcção Nacional de Águas, the Borrower's National Water Directorate within MINEA.

11. "Environmental Management Plan" means each plan to be prepared and adopted by the Borrower pursuant to the FSMF, as may be required, setting out the
measures to be taken for the avoidance, minimization, mitigation and offsetting of potential adverse environmental and social impacts of the activities to be implemented under the Project, as each said plan may be amended and/or supplemented from time to time with the prior written concurrence of the Bank.

12. "ESMF" means the Borrower’s environmental and social management framework dated October 6, 2016, setting forth the policy framework, principles, standards, processes and institutional arrangements to be applied to assess potential adverse environmental and social impacts associated with the Project, and the ways to avoid, minimize, mitigate or offset them, including public consultation, disclosure and reporting, as the said framework may be amended and/or supplemented from time to time with the prior written concurrence of the Bank.

13. “FCMU-WB/AFD” means the Financial and Contract Management Unit within MINFA and referred to in Section 1.A.1 of Schedule 2 to this Agreement.


15. “INRIH” means Instituto Nacional de Recursos Hídricos, the Borrower’s National Institute of Water Resources.

16. “IRSEA” means Instituto de Regulación dos Servicos de Electricidade, Agua e Saneamento de Aguas Residuais, the Borrower’s Institute of Electricity and Water Services Regulation.

17. “Kwanza” means the lawful currency of the Borrower.


19. “Operating Costs” means reasonable recurrent Project expenditures, based on an annual budget previously approved by the Bank, that would not have been incurred by the Borrower absent the Project, including: (a) office equipment and supplies; (b) office utilities and reasonable communications expenses; (c) office rental expenses; (d) Project’s vehicles maintenance costs, fuel and spare parts; (e) travel expenses and per diems for official Project staff (excluding salaries of Borrower’s civil servants); and (f) operation and maintenance of office equipment, financed with the proceeds of the Loan, all needed for the implementation and supervision of the Project.

20. “Participation Agreement” means the agreement referred to in paragraph B.1 of Section I of Schedule 2 to this Agreement, as the same may be amended from time
to time, with the prior written agreement of the Bank, and such term includes any
annexes and schedules to the Participation Agreement.

21. "Participating Province" means a political subdivision of the Borrower, selected
by the Borrower, in consultation with the Bank, according to the eligibility criteria

22. "Performance Payment" means the payments to be made to PWSUs out of the
proceeds of the Loan, as incentives for exceeding the performance targets set forth
in the relevant Participation Agreement.

and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by

24. "Procurement Plan" means the Borrower’s procurement plan for the Project, dated
August 19, 2016, 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.

25. "Project Account" means the account referred to in Section 5.01(c) of the
Agreement and in paragraph 8 of Section I of Schedule 2 to this Agreement.

26. "Project Implementation Manual" means the manual referred to in paragraph 3 of
Section I of Schedule 2 to this Agreement, as the same may be amended from time
to time with the prior written agreement of the Bank, and such term includes any
annexes and schedules to the Operational Manual.

27. "PWSUs" means autonomous provincial water supply and sanitation utility
companies created and/or to be created pursuant to the provisions of the Public
Enterprise Law Number 111/13 of September 3, 2013.

28. "Resettlement Action Plan" means each plan to be prepared pursuant to the RPF as
may be required, setting out the principles, procedures, the time schedule governing
acquisition of rights to land, resettlement and compensation, as well as reporting and
monitoring arrangements to ensure compliance with said plan.

29. "RPF" means the Borrower’s resettlement policy framework satisfactory to the Bank,
dated October 5, 2016, setting forth the guidelines and procedures for preparation of
a Resettlement Action Plan in the likely event of acquisition of rights to land,
resettlement procedures and compensation, institutional arrangements, including
valuation procedures, budget, public consultation and participation, monitoring and
evaluation, and disclosure, as the same may be amended from time to time with the
agreement of the Bank.

31. “Training” means reasonable expenditures, based on an annual budget previously approved by the Bank, (other than those for consultants’ services) incurred by the Borrower, to finance transportation costs and per diem of trainers and trainees, workshops, rental of training facilities and acquisition of training equipment and material needed for the Project.

Section II. Modifications to the General Conditions

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 to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (Front-end Fee) is modified to read as follows:

“Section 3.01. Front-end Fee, Commitment Charge

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

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

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01(a).
6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term "Loan Payment" is modified to read as follows:

"68. "Loan Payment" means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of "Payment Date" is modified by deleting the word "is" and inserting the words "and Commitment Charge are" after the word "interest".