CONFORMED COPY

CREDIT NUMBER 3247-1 MOZ
(Amendment)

Agreement Amending
Development Credit Agreement

(Second National Water Development Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 15, 2004
AGREEMENT AMENDING

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 15, 2004, between REPUBLIC OF MOZAMBIQUE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower and the Association have entered into a Development Credit Agreement dated October 6, 1999, as amended (the Development Credit Agreement), for the financing of the Second National Water Development Project as described in Schedule 2 to the Development Credit Agreement (the Project);

(B) the Borrower has requested the Association to provide additional assistance towards financing of the Project, by increasing the amount made available under the Development Credit Agreement by an amount in various currencies equivalent to ten million two hundred thousand Special Drawing Rights (SDR 10,200,000); and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to provide such additional assistance to the Borrower upon the terms and conditions set forth in this Agreement Amending Development Credit Agreement (as hereinafter defined);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Section 1.02 of the Development Credit Agreement is amended as follows:

(a) sub-section (p) is amended to read as follows:
“(p) “Special Accounts” means the accounts referred to in Section 2.02 (b) of this Agreement; ”;

(b) the “.” at the end of sub-section (q) is replaced with “; and” ;and

(c) a new sub-section (r) is added to read as follows:

“(r) “Agreement Amending Development Credit Agreement” means the Agreement Amending Development Credit Agreement between the Borrower and the Association, dated April 15, 2004.”

Section 1.03. Section 2.01 of the Development Credit Agreement is amended to read as follows:

“Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to sixty five million six hundred thousand Special Drawing Rights (SDR 65,600,000) (the Credit), which includes: (a) an original amount in various currencies equivalent to fifty five million four hundred thousand Special Drawing Rights (SDR 55,400,000) (the Initial Financing); and (b) a supplemental amount in various currencies equivalent to ten million two hundred thousand Special Drawing Rights (SDR 10,200,000) (the Supplemental Financing).”

Section 1.04. Section 2.02 (b) of the Development Credit Agreement is amended to read as follows:

“(b) The Borrower may, for the purposes of Parts A and B, and Part C, respectively of the Project, open and maintain in dollars two special deposit accounts, (Special Account A and B) in a commercial bank on terms and conditions satisfactory to the Association, Special Account A to be opened in the name of FIPAG and Special Account B to be opened in the name of CRA, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.”

Section 1.05. In Section 2.03 of the Development Credit Agreement, the Closing Date is amended to read “September 30, 2007”.

Section 1.06. Section 2.04 (b) (i) of the Development Credit Agreement is amended by adding, after the term “cancelled”, the following proviso:
"provided however, that any commitment charge on the Supplemental Financing shall accrue from a date sixty (60) days after the date of the Agreement Amending Development Credit Agreement."

Section 1.07. Section 2.07 of the Development Credit Agreement is amended to read as follows:

“(a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall:

(A) repay the principal amount of the Initial Financing in semiannual installments payable on each March 1 and September 1, commencing September 1, 2009 and ending March 1, 2039. Each installment to and including the installment payable on March 1, 2019, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount; and

(B) repay the principal amount of the Supplemental Financing in semiannual installments payable on each March 1 and September 1, commencing March 1, 2014 and ending September 1, 2043. Each installment to and including the installment payable on September 1, 2023 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount."

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Association shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by the Association of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

(A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.”

Section 1.08. Section 3.03 (a) of the Development Credit Agreement is amended to read as follows:

“Section 3.03. (a) For the purposes of Parts A and B of the Project, the Borrower shall relend the proceeds of the Credit allocated from time to time to Category (1) of the table in paragraph 1 of Schedule I to this Agreement to FIPAG under a subsidiary loan agreement to be entered into between the Borrower and FIPAG (the Subsidiary Loan Agreement) under terms and conditions which shall have been approved by the Association, and which shall include that the proceeds of the Credit be onlent in United States dollars, with a repayment period of 22 years including a grace period of 5 years and an interest rate of 2% per annum.”

Section 1.09. Section 3.08 (a) of the Development Credit Agreement is amended to read as follows:

“(a) ensure that the tariffs charged on water will reflect the principles of cost recovery and be sufficient to cover operating expenses, depreciation and cost of capital over time;”
Section 1.10. Section 4.01 (b) (ii) of the Development Credit Agreement is amended to read as follows:

"(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and"

Section 1.11. The table set forth in paragraph 1 of Schedule 1 to the Development Credit Agreement is deleted and replaced with the table set forth in Attachment I to this Agreement Amending Development Credit Agreement.

Section 1.12. In Paragraph 2 (c) of Schedule 1 to the Development Agreement the definition of "Operating Costs" is amended to read as follows

"(c) the term "Operating Costs" means incremental local expenditures incurred on account of Project implementation, including office consumables (including communication expenses), utility costs, staff travel and associated subsistence allowances, office rental, office supplies and maintenance, fuel and maintenance for vehicles and equipment, and reasonable bank charges related to the operation of the Special Accounts, but excluding salaries of the Borrower's civil servants."

Section 1.13. Paragraph 4 of Schedule 1 to the Development Credit Agreement is amended to read as follows:

"4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods and works under contracts costing less than $200,000 equivalent each; (b) services of consulting firms under contracts costing less than $100,000 equivalent each; (c) services of individual consultants and audits under contracts costing less than $50,000 equivalent each; and (d) training and operating costs, under such terms and conditions as the Association shall specify by notice to the Borrower."

Section 1.14. The last line in Schedule 2 to the Development Credit Agreement is deleted and replaced by the words:

"The Project is expected to be completed by March 31, 2007."

Section 1.15. Schedule 5 (Special Account) is replaced in its entirety as set forth in Attachment II to this Agreement Amending Development Credit Agreement.
Section 1.16. Schedule 6 (Performance Indicators) of the Development Credit Agreement is replaced as set forth in Attachment III to this Agreement Amending Development Credit Agreement.

ARTICLE II

Effective Date; Termination

Section 2.01. This Agreement Amending Development Credit Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that:

(a) the execution and delivery of this Agreement Amending Development Credit Agreement on behalf of the Borrower has been duly authorized or ratified by all necessary governmental action, and this Agreement Amending Development Credit Agreement is legally binding upon the Borrower in accordance with its terms.

(b) the execution and delivery of the Agreement Amending Project Agreement has been duly authorized or ratified by FIPAG, and is legally binding upon FIPAG in accordance with its terms.

(c) the Project Implementation Manual has been amended in a manner satisfactory to the Bank, to incorporate the environmental, water resources management and involuntary resettlement recommendations made by the Association during the Project's mid-term review.

Section 2.02. As part of the evidence to be furnished pursuant to Section 2.01 of this Agreement Amending Development Credit Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association showing, on behalf of the Borrower and FIPAG, respectively, that this Agreement Amending Development Credit Agreement and the Agreement Amending Project Agreement, respectively, have been duly authorized or ratified by, and executed and delivered on behalf of the Borrower or FIPAG, respectively, and is legally binding upon the Borrower and FIPAG, respectively, in accordance with their respective terms.

Section 2.03. This Agreement Amending Development Credit Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Borrower notice of its acceptance of the evidence required by Section 2.01 of this Agreement Amending Development Credit Agreement.
Section 2.04. If this Agreement Amending Development Credit Agreement shall not come into force and effect by a date ninety (90) days after the date of this Agreement Amending Development Credit Agreement, this Agreement Amending Development Credit Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Agreement Amending Development Credit Agreement shall terminate under the provisions of this Section, the Development Credit Agreement shall continue in full force and effect, as if this Agreement Amending Development Credit Agreement had not been executed.
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement Amending Development Credit Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF MOZAMBIQUE

By /s/ Armando Panguene
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Nils Tcheyan
Authorized Representative
**Attachment I**

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Initial Financing Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>Supplemental Financing Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works</td>
<td>18,684,000</td>
<td></td>
<td>100% of foreign expenditure s and 90% of local expenditure s</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Consultants’ services, including audits</td>
<td>24,140,000</td>
<td>5,800,000</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>(a) For Parts A and B</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,100,000</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) For Part C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Goods</td>
<td>3,406,000</td>
<td>2,200,000</td>
<td>100% of foreign expenditure s and 90% of local expenditure s</td>
</tr>
<tr>
<td></td>
<td>(a) For Parts A and B (including vehicles)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>360,000</td>
<td>2,200,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) For Part C (including vehicles)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>Initial Financing Amount of the Credit Allocated (Expressed in SDR Equivalent)</td>
<td>Supplemental Financing Amount of the Credit Allocated (Expressed in SDR Equivalent)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>-------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Training</td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) For Parts A and B</td>
<td>590,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) For Part C</td>
<td>200,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Costs</td>
<td></td>
<td></td>
<td>100% of local expenditures until December 31, 2005, and 70% of local expenditures, thereafter</td>
</tr>
<tr>
<td>(a) For Parts A and B</td>
<td>3,249,000</td>
<td>2,200,000</td>
<td></td>
</tr>
<tr>
<td>(b) For Part C</td>
<td>370,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unallocated</td>
<td>1,301,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>55,400,000</td>
<td>10,200,000</td>
<td></td>
</tr>
</tbody>
</table>
SCHEDULE 5
Special Accounts

1. For the purposes of this Schedule:

   (a) the term "eligible Categories" means Categories 1, 2(a), 3(a), 4(a) and 5(a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Special Account A and Categories 2(b), 3(b), 4(b) and 5(b) set forth in said table in respect of Special Account B;

   (b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

   (c) the term "Authorized Allocation" means an amount equivalent to $3,000,000 in respect of Special Account A and an amount equivalent to $350,000 in respect of Special Account B to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

   (b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective Special Account at such intervals as the Association shall specify.

   (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the
payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all
such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.
Attachment III

SCHEDULE 6

Performance Indicators
(Applicable to Each City Benefiting from the Project:
Maputo, Beira, Quelimane, Nampula and Pemba)

Population (by each city in 000 and in % where applicable)
Total
Connected (Refers to population served by House Connections (HC) and Yard Connections(YC)
Served by Standpipes (SP)
Unserved (Total population less population served by HC, YC and SP)
Average per capita production (served population) – (refers to volume of water produced divided by population served expressed in liter per capita per day)
Average per capita production (total population) refers to volume of water produced divided by total population expressed in liter per capita per day)

| Water produced | million m3/year |
| Water billed   | million m3/year |
| Unaccounted for Water | % |

Total number of connections (include HC, YC and SP)
Number of un-metered connections
Number of broken meters
Staff numbers per 1000 connections
Broken pipes repaired (refers to number of pipes in the distribution network repaired during the period)
Broken services repaired (refers to the number of connections repaired during the period)

Cost/m3 water billed
Operating costs (monthly) refers to the expenditures related with chemicals, electricity, wages, repair & maintenance, taxes)

Samples failing faecal coliforms (refers to a percentage of samples in distribution network not complying with bacteriological standards with regard to fecal coliforms)
Samples failing coliforms ((refers to a percentage of samples in distribution network not complying with bacteriological standards with regard to total coliforms)
Samples failing iron standard
Number of samples taken biological (samples taken in distribution network for biological analysis)
Number of samples taken chemical (samples taken in distribution network for chemical analysis)
Agreement Amending Project Agreement

(Second National Water Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

FUNDO DE INVESTIMENTO E PATRIMONIO DO ABASTECIMENTO DE AGUA

Dated April 15, 2004
AGREEMENT AMENDING PROJECT AGREEMENT

AGREEMENT dated April 15, 2004, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the FUNDO DE INVESTIMENTO E PATRIMONIO DO ABASTECIMENTO DE AGUA (FIPAG).

WHEREAS (A) by the Development Credit Agreement dated October 6, 1999, as amended to date (the Development Credit Agreement), including the Agreement Amending Development Credit Agreement of this date, between the Borrower and the Association, the Association agreed to make available to the Borrower a total amount in various currencies equivalent to sixty five million six hundred thousand Special Drawing Rights (SDR 65,600,000) to assist in financing the Project described in Schedule 2 to the Development Credit Agreement;

(B) by the Project Agreement dated October 6, 1999 (the Project Agreement), between the Association and the FIPAG, FIPAG agreed to undertake certain obligations with respect to the carrying out of the Project;

NOW THEREFORE the parties hereto hereby agree to amend the Project Agreement as follows:

ARTICLE I

Section 1.01. Article IV (Financial Covenants) is amended in its entirety to read as follows:

"ARTICLE IV

Financial Covenants

Section 4.01. (a) FIPAG shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) FIPAG shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with
appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available but in any case not later than six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors; of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof as the Association shall from time to time reasonably request.

Section 4.02. (a) Except as the Association shall otherwise agree, FIPAG shall produce, beginning for its fiscal year ending on 2007, funds from internal sources equivalent to not less than 1.10 times its debt service requirements, a ratio which shall, thereafter, be maintained at such level or above in respect of the subsequent fiscal years.

(b) In each of its fiscal years, FIPAG shall, on the basis of forecasts prepared by FIPAG and satisfactory to the Association, review whether it would meet the requirements set forth in paragraph (a) and furnish to the Association a copy of such review upon its completion.

(c) If any such review shows that FIPAG would not meet the requirements set forth in paragraph (a) for FIPAG's fiscal years covered by such review, FIPAG shall promptly take all necessary measures in order to meet such requirements.

(d) For the purposes of this Section:

(i) The term "funds from internal sources" means the difference between:

(A) the sum of revenues from all sources related to operations, consumer deposits and consumer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash; and

(B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and other cash
distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures.

(ii) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(iii) The term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each fiscal year.

(iv) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.

(v) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes.

(vi) The term "debt service requirements" means the aggregate amount of repayments of, and interest and other charges on, debt.

(vii) The term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations.

(viii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.
Section 4.03. (a) Except as the Association shall otherwise agree, FIPAG shall not incur any debt unless a reasonable forecast of the revenues and expenditures of FIPAG shows that the estimated net revenues of FIPAG for each fiscal year during the term of the debt to be incurred shall be at least 1.5 times the estimated debt service requirements of FIPAG in such year on all debt of FIPAG including the debt to be incurred.

(b) For the purposes of this Section:

(i) The term "debt" means any indebtedness of FIPAG maturing by its terms more than one year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) The term "net revenues" means the difference between:

(A) the sum of revenues from all sources related to operations and net non-operating income, and

(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) The term "debt service requirements" means the aggregate amount of repayments of, and interest and other charges on, debt.
(vi) The term "reasonable forecast" means a forecast prepared by FIPAG not earlier than twelve months prior to the incurrence of the debt in question, which both the Association and FIPAG accept as reasonable and as to which the Association has notified FIPAG of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of FIPAG.

(vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

ARTICLE II

The Agreement Amending Project Agreement shall come into force and effect on the date upon which the Agreement Amending Development Credit Agreement becomes effective.
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement Amending Project Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Nils Tcheyan
Authorized Representative

FUNDO DE INVESTIMENTO E PATRIMONIO DE
ABASTECIMENTO DE AGUA

By /s/ Armando Panguene
Authorized Representative