December 23, 2010

Honorable Situmbeko Musokotwane
Minister of Finance and National Planning
Ministry of Finance and National Planning
Lusaka
Republic of Zambia

Re: Republic of Zambia: Water Sector Performance Improvement Project
Financing Agreement
Amendment to the Amending and Restating Financing Agreement
(Credit Number 4550-ZA)

Honorable Minister:

We refer to the Financing Agreement (the “Agreement”) dated September 29, 2010, between the Republic of Zambia (the “Recipient”) and the International Development Association (the “Association”) for the above-referenced project (the “Project”). We also refer to your letter dated December 10, 2010 requesting the Association to amend some provisions of the Agreement.

We are pleased to inform you that the Association concurs with your request and hereby amends the Agreement as follows:

1. Paragraphs 5.01 (b) and 5.01 (c) of Article V of the Agreement are deleted in their entirety and replaced with the following:

“(b) The Recipient has provided evidence satisfactory to the Association that it has paid outstanding arrears as of December 31, 2009, incurred by the Approved Agencies in respect of water and sewerage services provided by the PIE, as such arrears shall have been verified by the PIE’s annual audits.”

“(c) The Project Implementing Entity has provided evidence satisfactory to the Association that it has paid the arrears in respect of services and goods billed to it by private suppliers from the date of the Original Financing Agreement and remaining outstanding more than 60 days past the due date thereof.”

2. The paragraph under Section V of Schedule 2 to the Agreement is deleted in its entirety and replaced with the following:

“Without limitation to the provisions of Section 5.01(b) of this Agreement, the Recipient shall ensure that payments for annual bills incurred by the Approved
Agencies in respect of water and sewerage services provided by the PIE, as such bills shall have been verified by the PIE’s annual audit, are made to the PIE by not later than September 30 of each subsequent calendar year.”

3. The following new definition is added to Section I of the Appendix to the Agreement:


I am also pleased to inform you that the Association has extended the period within which the Agreement has to become effective, and has established January 28, 2011 as the later date for purposes of Section 8.04 of the General Conditions for Credits and Grants.

All other provisions of the Agreement, except as herein amended, shall remain in full force and effect.

Please indicate your agreement with the foregoing amendment by signing and dating this letter and returning it to us, while keeping one original for your records. This amendment will become effective as of the date of countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Olivier Godron
Olivier Godron
Acting Country Director for Zambia
Africa Region

AGREED:

REPUBLIC OF ZAMBIA

By: /s/ Situmbeko Musokotwane
Name: Situmbeko Musokotwane
Title: Minister of Finance and National Planning
Date: January 13, 2011