The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Mr. Pedro Paulino  
Chief Executive Officer
FUNDO DO INVESTIMENTO E
PATRIMONIO DE ABASTECIMENTO DE AGUA (FIPAG)
Rua General Pereira d'Eca N. 241 R/C
Maputo
Republic of Mozambique

February 8, 2012

REPUBLIC OF MOZAMBIQUE:
Global Partnership on Output-based Aid Grant
(Water Private Sector Contracts for Output-based Aid Expansion Project)
(Grant No. TF091213)
Amendment No. 1 to the Grant Agreement

Excellency:

We refer to the Global Partnership on Output-based Aid ("GPOBA") Grant Agreement ("Agreement") dated April 3, 2008, between the International Development Association ("World Bank"), acting as an administrator of the GPOBA, and the FUNDO DO INVESTIMENTO E PATRIMONIO DE ABASTECIMENTO DE AGUA ("FIPAG") ("Recipient") for the above mentioned GPOBA Grant ("Grant" or "Project"). We also refer to the letters from FIPAG Chief Executive Officer, dated March 24, 2010 and August 25, 2011, respectively, requesting the World Bank to: (a) restructure the Project by amending specific provisions of the Agreement; and (b) cancel an amount of one million United States Dollars (US$1,000,000) from the total Grant amount.

We are pleased to inform you that the World Bank agrees to your request and proposes to amend the Agreement as follows:

1. Schedule 1 (Project Description) of the Agreement is deleted in its entirety and is replaced with Annex 1 attached to this amendment letter.

2. Schedule 2 (Project Execution) is amended as follows:

(a) Sections I.A.1 and I.A.2 are amended to read as follows:

"1. To facilitate the carrying out of the Project, the Recipient shall establish and maintain a lease contract with AdM, in accordance with the provisions and procedures set forth below and in more detail in the Operations Manual.

2. The Recipient and AdM shall have adopted the GPOBA Operations Manual, satisfactory to the World Bank, which shall include, inter alia, the detailed description of Project implementation and activities, including: (i) the institutional arrangements for implementation of the Project, including the roles and responsibilities between the Recipient and the AdM; (ii) the requirements and conditions that need to be satisfied (including the delivery of an Outputs Verification Report) to cause the Recipient to make
subsidy payments to AdM subsidizing yard tap connection charges; (iii) the eligibility criteria for subsidizing yard tap connection charges and households to receive subsidized connections; (iv) the arrangements for billing and collecting advance payment from customers; and (v) the prospective timetable for yard tap connection."

(b) The table in Schedule 2, Section IV (Withdrawal of Grant Proceeds) is deleted in its entirety and is replaced with the Annex 3 to this amendment letter.

3. Appendix (Definition) is modified as follows:

(a) Paragraph 10 and 11 are amended to read as follows:

"10. "Outputs" means the outputs that are agreed to by the Recipient and the AdM pursuant to the guidelines set forth in the GPOBA Operations Manual."

11. "Private Operator" means AdM in Maputo, selected to supply water services in Maputo."

(b) After paragraph 14, new paragraphs 15, 16, 17, and 18 are added to read as follows:

"15. "GPOBA Subsidy" means the amounts payable by the Recipient to AdM upon achievement of deliverables and against pre-specified Outputs, and such amounts shall not exceed US$150 per household connection, as further described in the GPOBA Operations Manual.

16. "Independent Verification Agent" means the consultant hired by the Recipient with the prior review of the World Bank and pursuant to the terms of reference set reviewed and approved by the World Bank for the purpose of monitoring implementation progress, preparing Outputs Verification Reports, quarterly monitoring reports, certifying payment of the GPOBA Subsidy award after verifying satisfactory completion of Outputs and preparing an annual program audit report.

17. "Outputs Verification Reports" means the reports satisfactory to the World Bank, to be prepared by the Independent Verification Agent pursuant to the forms included in the Operational Manual.

"18. "Original Project" means the description of activities provided under Part A, Part B, and Part C in Schedule 1 of the Agreement, as further referred to in Annex 2 attached to this amendment letter"
All other provisions of the Agreement, except amended herein, shall remain in full force and effect.

Please indicate your agreement with the foregoing amendments to the Agreement on behalf of the Recipient by countersigning and dating the two original copies of this letter and returning one countersigned original to us. Upon receipt by the World Bank of this countersigned copy, this amendment shall become effective as of the date of countersignature.

Sincerely,

[Signature]
Laurence Clarke
Country Director for Mozambique
Africa Region

AGREED:

FUNDO DO INVESTIMENTO E PATRIMONIO DE ABASTECIMENTO DE AGUA ("FIPAG")

By [Signature]
Authorized Representative

Name [Name]
Title [Title]
Date [Date]
Annex 1

"SCHEDULE I
Project Description

The objective of the Project is to increase access to piped water for the poor in the Recipient's city of Maputo.

The Project consists of the following part:

Program for Maputo

Provision of GPOBA Subsidy to AdM for expanding piped-water access to approximately 28,950 subsidized connections, subject to: (i) delivery of functioning yard taps; (ii) demonstration of continued service for a minimum period of three months, and (iii) verification of completed yard-tap connections and service delivery."
Annex 2

"SCHEDULE I

Project Description

The objective of the Project is to increase piped-water access to the poor in the Recipient’s cities of Maputo, Beira, Nampula, Quelimane, and Pemba by providing Output-Based Payments to Private Operators.

The Project consists of the following parts:

Part A: Program for Maputo

Provision of Output Based Payments to AdM for expanding piped-water access to approximately 143,000 people, subject to: (i) delivery of functioning yard-taps; and (ii) demonstration of continued service for a minimum period of three months.

Part B: Program for Beira, Pemba, Quelimane, and Nampula

Provision of Output Based Payments to Private Operators for expanding piped-water access to approximately 325,000 people, subject to: (i) delivery of functioning yard-taps; and (ii) demonstration of continued service for a minimum period of three months.

Part C: Verification of completed yard-tap connections and service delivery

Carrying out of technical verification of a sample of yard taps installed and service being delivered in the last three month period."
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods and works under Part A of the Original Project</td>
<td>89,628</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works and services (other than Consultants' services) under Part B of the Original Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants' Services under Part C of the Original Project</td>
<td>31,345</td>
<td>100%</td>
</tr>
<tr>
<td>(4) GPOBA Subsidy for water supply connections under the Project, at a rate of $1.50 equivalent per connection</td>
<td>4,350,000</td>
<td>100%</td>
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<tr>
<td>(5) Consultant Services (including audits)</td>
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<td>100%</td>
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<tr>
<td>Subtotal</td>
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</tr>
<tr>
<td>Amount Cancelled</td>
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</tr>
<tr>
<td>ORIGINAL AMOUNT</td>
<td>6,000,000</td>
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