Financing Agreement

(Backbone Transmission Investment Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 8, 2010
FINANCING AGREEMENT

AGREEMENT dated October 8, 2010, entered into between UNITED REPUBLIC OF TANZANIA (“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 credit in an amount equivalent to one hundred one million five hundred thousand Special Drawing Rights (SDR 101,500,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

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

2.03. 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.

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are March 15 and September 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollars.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause TANESCO to carry out the Project in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

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 — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) The Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

(b) Any provision of a signed Co-financing Agreement, has been assigned, amended, abrogated or waived, without the prior written approval of the Recipient, the Co-financier(s), the Project Implementing Entity, and the Association.

4.02. The Additional Event of Acceleration is that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

4.03. The Co-financing Deadline for the effectiveness of the Economic Development Cooperation Fund of South Korea (EDCF) Co-Financing Agreement is January 1, 2012.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consists of the following:

(a) the Subsidiary Agreement has been executed on behalf of the Recipient and TANESCO; and

(b) TANESCO has adopted and submitted to the Association the Operating Guidelines, in a form and substance satisfactory to the Association and the Recipient.
5.02. The Additional Legal Matter shall be that the Subsidiary Agreement has been duly authorized, executed or ratified by the Recipient and TANESCO and is legally binding upon the Recipient and TANESCO in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. 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 years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient’s Representative is its Minister responsible for finance.

6.02. The Recipient’s Address is:

   Ministry of Finance and Economic Affairs  
P. O. Box 9111  
Dar es Salaam  
Tanzania

   Facsimile:  
   (255) 222 11 77 90

6.03. The Association’s Address is:

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

   Cable:  
   INDEVAS  
   Telex:   248423 (MCI)  
   Facsimile:   1-202-477-6391  
   Washington, D.C.
AGREED at District of Columbia, United States of America, as of the day and year first above written.

UNITED REPUBLIC OF TANZANIA

By 
/s/ Mustafa Mkulo
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By 
/s/ John McIntire
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to increase availability, reliability and quality of grid based power supply to the northern regions of Tanzania.

The Project consists of the following parts:

Part A: Construction of Proposed Overhead Transmission Line from Iringa to Shinyanga

Constructing the proposed overhead 400 kV double-circuit backbone transmission interconnection between the towns of Iringa and Shinyanga, including the Fiber Optic Communication Line (FOCL) and the Shield Wire System (SWS) and expanding the associated 220kV substations at Iringa, Dodoma, Singida and Shinyanga.

Part B: Technical Assistance

Providing technical assistance to the Project Implementing Entity (TANESCO) through consultancy contracts for: (a) implementation support; and (b) strengthening of technical, legal, financial, and safeguards capacity.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements - TANESCO

1. (a) The Recipient shall ensure that TANESCO is maintained at all times during the implementation of the Project with functions, staffing and resources satisfactory to the Association.

(b) Without limitation upon the provisions of sub-paragraph 1(a) of this paragraph, TANESCO shall be responsible for day to day implementation of the Project, including: (i) procurement; (ii) implementing environmental and social safeguard guidelines; (iii) monitoring, evaluation, reporting and communication; and (iv) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project and set forth in the Operating Guidelines.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to TANESCO under a subsidiary agreement between the Recipient and TANESCO, under terms and conditions approved by the Association (“Subsidiary Agreement”), which shall, inter alia, include the following:

(a) the requirement that TANESCO carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, engineering, technical, environmental and social safeguard practices, and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for the Project;

(b) the obligation of TANESCO to comply with the procedures for procurement of works, goods, and consultants’ services set forth in the Procurement Plan and this Agreement;

(c) the requirement that TANESCO comply with record keeping, auditing and reporting requirements set forth in Section II of this Schedule with respect to the Project, including the annual auditing of its records and accounts in respect of the Project (operations, resources and expenditure in respect of the Project);
(d) the obligation of TANESCO to exchange views with the Recipient and the Association with regard to the progress of the Project and the performance of its obligations under the Subsidiary Agreement;

(e) the requirement that TANESCO promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of the Project, or the performance of its obligations under the Subsidiary Agreement; and

(f) the obligation that TANESCO carry out the Project in accordance with the Anti-Corruption Guidelines.

2. The Recipient shall exercise its rights 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.

C. Operating Guidelines

The Recipient, through TANESCO, shall adopt Operating Guidelines in form and substance satisfactory to the Association, containing detailed arrangements and procedures for: (i) institutional coordination and day-to-day execution of the Project; (ii) budgeting, disbursement and financial management; (iii) procurement; (iv) environmental and social safeguard guidelines; (v) monitoring, evaluation, reporting and communication; and (vi) such other administrative, financial, technical and organizational arrangements required for the Project.

D. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and shall cause TANESCO to prepare Project Reports for the Project, all in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth in the Operating Guidelines. Each Project Report shall cover the period of six months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period.
2. For the purpose of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than 6 months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause TANESCO to maintain a financial management system for the Project, all in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation upon the provisions of Part A of this Section, the Recipient shall: (a) prepare and furnish to the Association; and (b) cause TANESCO to prepare and furnish to the Association, not later than forty-five-days (45) 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: (a) in respect to the Project have its Financial Statements audited; and (b) in respect to the Project cause TANESCO to audit its Financial Statements, all in accordance with the provisions of Section 4.09(b) of the General Conditions. The respective audits of such Financial Statements shall cover the period of the respective fiscal year of TANESCO and the Recipient. The Recipient shall ensure that the audited Financial Statements for each such period shall be: (a) furnished to the Association not later than six months after the end of such period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

A. General

1. Goods and Works. All goods, works and services (other than 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 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
B. Particular Methods of Procurement of Goods and Works, and Services other than Consultants’ Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and services (other than Consultants’ services) shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Services (other than Consultants’ Services). The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and services (other than Consultants’ services). The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

3. Additional Provisions Governing National Competitive Bidding referred to in paragraph B.2(a) of this Section

   National Competitive Bidding for goods, works and services (other than Consultants’ services) shall be subject to the following:

   (a) In accordance with paragraph 1.14(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (i) the bidders, suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.14(a)(v) of the Procurement Guidelines.
(b) There shall be no preference accorded to domestic suppliers and contractors.

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 table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality Based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least-cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e) Single-source Selection</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 – 5.4 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Sole 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.

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 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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Goods, works, consultants’ services, and Operating Costs under one section of Part A of the Project (approximately 225 kilometers from Iringa to Dodoma)</td>
<td>94,700,000</td>
<td>100% exclusive of taxes</td>
</tr>
<tr>
<td>2) Goods, consultants’ services, training, workshops and Operating Costs under Part B of the Project</td>
<td>6,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>101,500,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

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

   (a) payments made prior to the date of this Agreement; and

   (b) Category (1) unless:

      (i) all parallel Co-Financing Agreements, except for the Economic Development Cooperation Fund of South Korea (EDCF) Co-Financing Agreement, have been executed and delivered and all
conditions precedent to their effectiveness or to the right of the Recipient to make withdrawals under same have been fulfilled; and

(ii) by January 1, 2012, the EDCF Co-Financing Agreement has received approval from the Economic Development Cooperation Fund of South Korea.

2. The Closing Date is March 31, 2015.

Section V. **Access to Information**

The Association may disclose the Legal Agreements and any information related to the Legal Agreements in accordance with its policy on access to information, in effect at the time of such disclosure.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>Commencing September 15, 2020 to and including March 15, 2030</td>
<td>1%</td>
</tr>
<tr>
<td>commencing September 15, 2030 to and including March 15, 2050</td>
<td>2%</td>
</tr>
</tbody>
</table>

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

Section I. Definitions

1. “Affected Person” means a person who on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) 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 person 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 person; and “Affected Persons” means, collectively, all persons who qualify as an Affected Person.

2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, with the modifications set forth in Section III of this Appendix.

3. “Calculation Period” means TANESCO’s Fiscal Year commencing January 1 and ending December 31 of each year.

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

5. “Co-financier” means either the African Development Bank (AfDB), European Investment Bank (EIB), Japan International Cooperation Agency (JICA) or Economic Development Cooperation Fund of South Korea (EDCF), which are parallel co-financiers to the Project, referred to in paragraph 10 of the Appendix to the General Conditions.

6. “Co-financing” means an amount to be provided by the Co-financier(s) to assist in financing the Dodoma to Singida segment of the transmission line (US$130 million together from AfDB and JICA), the Singida to Shinyanga segment of the transmission line (US$134.5 million from EIB), and the expansion of the four substations (US$36.6 million from EDCF).

7. “Co-financing Agreement” means any of the agreements entered into between the Recipient and the Co-financiers providing for the Co-financing.


9. “Debt Service Cover Ratio” means the ratio obtained by dividing for the relevant Calculation Period (as defined above):
(a) the aggregate of (i) Net Income for such Calculation Period; (ii) non-cash items; and (iii) the amount of all payments that were due during the Calculation Period on account of interest and other charges on financial debt (to the extent deducted from Net Income), less (iv) the aggregate amount of all capital expenditures made during the Calculation Period (other than capital expenditures, to the extent financed with equity proceeds, asset sale proceeds or financial debt); by

(b) the aggregate of: (i) all scheduled payments (including balloon payments) that fell due during the Calculation Period on account of principal of long-term (maturities over 365 days) and interest and other charges on all financial debt; and (ii) without double counting any payments already counted in the preceding sub-clause (i), any payment made or required to be made to any debt service account under the terms of any agreement providing for financial debt, provided that interest on debt of TANESCO subordinated to the Loan shall be excluded.

10. “EBITDA Margin” means the ratio obtained by dividing for the relevant Calculation Period:

(a) the aggregate of: (i) Net Income; and (ii) depreciation, taxes, amortization, and interest expenses; by

(b) aggregate revenues from the sale of electricity.

11. “ESIA” or “Environmental and Social Impact Assessment” means the environmental impact and social assessment for the transmission and distribution lines under the Project dated January 2010, describing the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts; as the said environmental impact and social assessment may be amended and/or supplemented from time to time with the prior written concurrence of the Association.

12. “Environmental and Social Management Plan” or “ESMP” means the plan dated January 2010, satisfactory to the Association and prepared by TANESCO, which constitutes a part of the respective Environmental and Social Impact Assessment of the Project describing mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of infrastructure activities under the Project to mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts.

13. “Financial Action Plan” means a document satisfactory to the Association, and approved by an authorized representative of TANESCO, providing the reasons for TANESCO’s then current financial situation as at the time when such
1. A Document is issued, and setting forth actions and a timeline for implementation of such actions to be undertaken by TANESCO to achieve a projected: (a) Debt Service Cover Ratio equal to or greater than 1.3 to 1.0, and (b) an EBITDA Margin equal to or greater than 20 percent.

14. “Fiscal Year” or “FY” means the Recipient’s fiscal year commencing July 1 and ending June 30 of each year.

15. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.

16. “Net Income” means the income of TANESCO after accounting for all operating and non-operating income and expenses, reserves, income taxes, and extraordinary items for the reporting period.

17. “Operating Costs” means the operating costs incurred on account of the implementation of the Project including maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, advertising expenses, travel per diems, and accommodation, but excluding salaries of the Recipient’s civil servants.

18. “Operating Guidelines” or “OG” means the guidelines, to be prepared by TANESCO in form and substance satisfactory to the Association, containing or referring to detailed arrangements and procedures for the implementation of the Project, including: (i) institutional coordination and day-to-day execution of the Project; (ii) budgeting, disbursement and financial management; (iii) Procurement Plan; (iv) environmental and social safeguard management; (v) monitoring, evaluation, reporting and communication, including in respect of environmental and social safeguard matters; and (vi) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project, as the said Operating Guidelines may be amended and/or supplemented from time to time with the prior written concurrence of the Association.

19. “PCAMP” means “Physical Cultural Assets Management Plan” to be prepared by TANESCO in form and substance satisfactory to the Association, and included in the Operating Guidelines, to ensure that any chance finds are adequately preserved in collaboration with the Department of Antiquities and the Archeology Department at the University of Dar es Salaam.

21. “Procurement Plan” means Project Implementing Entities procurement plan for the Project, dated July 01, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

22. “Project Implementing Entity” means “TANESCO” or the Tanzania Electric Supply Company Limited, and includes any successors thereto.


24. “RAP” or “Resettlement Action Plan” means the plan to be prepared pursuant to the Resettlement Policy Framework, as may be required, in accordance with Section I. C of the Schedule to the Project Agreement, 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.

25. “Resettlement Policy Framework” or “RPF” means the framework satisfactory to the Association, dated November 2009, setting forth the guidelines and procedures for preparation of Resettlement Action Plans (RAPs) 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 procedures, as the same may be amended from time to time with the prior written agreement of the Association.

26. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to TANESCO.

27. “TANESCO” means the Tanzania Electric Supply Company Limited, Project Implementing Entity for the Project, a limited liability electric power generation, transmission and distribution company established and operating pursuant to the Companies Act, CAP.212 (R.E. 2002) of the laws of the Recipient, and includes any successors thereto.

28. “Third Party Access” means non-discriminatory third party access to the Project, including access to export- and international transit-related services, based on agreed tariffs, applicable to all customers, and applied objectively and without discrimination between customers.
Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005, (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

“Section 2.07. Refinancing Preparation Advance

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

2. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. Suspension by the Association

...(l) Ineligibility. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of: (i) a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank; and/or (ii) a declaration by another financier that the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:
(a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

Section III. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“…(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“…(a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”