Financing Agreement

(Financial Sector Development Project)

between

THE REPUBLIC OF THE UNION OF MYANMAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 11, 2017
FINANCING AGREEMENT

AGREEMENT dated April 11, 2017, entered into between the REPUBLIC OF THE UNION OF MYANMAR ("Recipient") and the 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 seventy one million seven hundred thousand Special Drawing Rights (SDR 71,700,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule I 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 Commitment Charge payable by the Recipient on the Unwithdrawn Financing Balance is at present zero. If, pursuant to decision of the Association's Board of Directors, a Commitment Charge shall be payable in the future, the Maximum Commitment Charge Rate shall be notified by the Association to the Recipient and shall not exceed 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 June 15 and December 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.
ARTICLE III—PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out Parts 1, 2.2, 2.3, 2.4, and 4.1 of the Project through MOPF and cause Parts 2.1, 3 and 4.2 of the Project to be carried out by the Project Implementing Entity 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 Event of Suspension is that 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.

4.02. The Additional Event of Acceleration is that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V—EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness is that the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

5.02. The Additional Legal Matter is that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity 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 (20) years after the date of this Agreement.

ARTICLE VI—REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient’s Address is:

Ministry of Planning and Finance
Building No. 26
Nay Pyi Taw
Myanmar

Facsimile:
95-674-198

6.03. The Association’s Address is:

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

Facsimile:
1-202-477-6391
AGREED at Nay Pyi Taw, Republic of the Union of Myanmar, as of the day and year first above written.

THE REPUBLIC OF THE UNION OF MYANMAR

By

Authorized Representative

Name: Daw Nwe Nwe Win
Title: Director General, Treasury Department
Ministry of Planning and Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Ulrich Zachau
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to expand access to finance in Myanmar and, in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to such Eligible Crisis or Emergency.

The Project consists of the following parts:

Part 1: Reform of State-owned Banks

1.1 Carrying out of a program of activities designed to reform state-owned banks as financially-sustainable institutions with sound risk-management and corporate governance practices and clear developmental mandates.

1.2 Provision of technical assistance for the development of restructuring plans for state-owned banks including, inter alia, conduct of due diligence, international audits and operational assessments, review of corporate governance frameworks, assessments and planning of improved information technology and operational systems, and development of strategic restructuring and development plans.

Part 2: Upgrading of the Financial Sector Legal, Regulatory and Supervisory Framework

2.1 Carrying out of a program of activities designed to improve the legal, regulatory and supervisory framework for the banking sector.

2.2 Carrying out of a program of activities designed to improve the regulatory and supervisory framework for micro-finance institutions.

2.3 Carrying out of a program of activities designed to improve the regulatory and supervisory framework for insurance companies.

2.4 Provision of technical assistance and improved IT systems to strengthen the capacity of FRD to regulate and supervise the microfinance and insurance sectors including, inter alia, development of human resources and IT systems for improved quality of supervision and transparency of the MFI and insurance sectors, review of the overall structure, responsibilities, and functions of FRD in line with international practices, development of operational policies and procedures for FRD operations, preparation of MFI and insurance supervisory manuals, and development of a consumer protection framework.
Part 3: Modernization of CBM and Financial Infrastructure

3.1 Provision of technical assistance to restructure and modernize CBM operations including, *inter alia*, preparation of an institutional development plan, improved governance and organizational structures, human resource policies, IT systems, financial management and training plan.

3.2 Provision of technical assistance and improved IT systems to establish and operationalize a CBM training center and strengthen CBM’s legal and regulatory capacity including, *inter alia*, refurbishment and equipment of the training center, design and delivery of training programs and curricula, and technical assistance for developing and implementing the legal and regulatory framework for banking supervision, operation of payment systems, consumer protection, oversight and regulation of mobile financial services and other relevant financial sector regulations.

3.3 Provision of technical assistance and improved IT systems to enhance the CBM payment system including, *inter alia*, upgrade of the CBM payment system with additional real-time gross settlement and centralized securities depository functionalities, an automated clearing house, a securities settlement system, and integration of core CBM banking functionalities into the CBM-net system, and implementation of a government payment platform for electronic payments.

Part 4: Project Coordination and Monitoring

4.1 Provision of technical assistance to the MOPF-PCU to conduct the day-to-day administration, procurement, financial management, monitoring and reporting of the Recipient’s Respective Parts of the Project, and to coordinate, monitor and report on the overall implementation of the Project.

4.2 Provision of technical assistance to the CBM-PCU to conduct the day-to-day administration, procurement, financial management, monitoring and reporting of the Project Implementing Entity’s Respective Parts of the Project.

Part 5: Contingent Emergency Response

Provision of immediate response to an Eligible Crisis or Emergency, as needed.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall ensure that the MOPF and the Project Implementing Entity shall maintain, throughout the implementation of the Project, Project coordination units with functions and resources satisfactory to the Association and with staff in numbers and with terms of reference, qualifications and resources satisfactory to the Association, which shall be responsible for, inter alia the coordination, administration, financial management, procurement, monitoring, evaluation and reporting of the Recipient’s and Project Implementing Entity’s Respective Parts of the Project.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project Implementing Entity’s Respective Parts of the Project, the Recipient shall on-lend to the Project Implementing Entity the proceeds of the Financing allocated from time to time to Category (3) of the table set forth in Section IV.A.2 of this Schedule under a Subsidiary Agreement to be entered into between the Recipient and the Project Implementing Entity, under terms and conditions acceptable to the Association which shall include, inter alia:

   (a) the proceeds of the Financing shall be on-lent by the Recipient to the Project Implementing Entity on the same financial and repayment terms as those which apply to the Financing;

   (b) the Project Implementing Entity shall: (i) carry out its Respective Parts of the Project with due diligence and efficiency and in accordance with appropriate technical, economic, financial, managerial, environmental and social standards and practices; including in accordance with the provisions of this Agreement, the POM, and the Anti-Corruption Guidelines; and (ii) provide, promptly as needed, the resources required for such purpose;

   (c) the Project Implementing Entity shall ensure that any goods, works and/or services to be financed out of the Financing for its Respective Parts of the Project are procured in accordance with the provisions of Section III of this Schedule;

   (d) the Project Implementing Entity shall: (i) maintain a financial management system and prepare financial statements for its Respective Parts of the Project in accordance with consistently applied accounting
standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to its Respective Parts of the Project; (ii) retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under its Respective Parts of the Project until at least the later of one (1) year after the Recipient and the Association have received the audited financial statements covering the period during which the last withdrawal from the Financing Account was made, and two (2) years after the Closing Date; (iii) prepare and furnish to the Recipient and the Association interim unaudited financial reports for its Respective Parts of the Project as provided for in Section II.B of this Schedule; and (iv) have its records, accounts and financial statements for its Respective Parts of the Project audited annually by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association, but in any event not later than six (6) months after the end of the Recipient’s fiscal year;

the Project Implementing Entity shall enable the Recipient and the Association to inspect its Respective Parts of the Project, its operation and any relevant records and documents;

the Project Implementing Entity shall permit the Association to make the Subsidiary Agreement and all financial statements audited pursuant to paragraph (d) above available to the public in accordance with the Association’s policies on access to information;

the Project Implementing Entity shall maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association and set forth in the POM, the progress of its Respective Parts of the Project and the achievement of the Project’s objective;

the Project Implementing Entity shall prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing;

the Recipient shall have the right to suspend or terminate the right of the Project Implementing Entity to use the proceeds of the Financing, or obtain a refund of all or any part of the amount of the Financing then withdrawn, upon the Project Implementing Entity’s failure to perform any of its obligations under the Subsidiary Agreement; and
(j) a provision stipulating that, in case of conflict between any of the provisions of the Subsidiary Agreement or the Project Operational Manual, on the one hand, and the provisions of this Agreement and the Project Agreement, on the other, the provisions of this Agreement and the Project Agreement shall prevail.

2. The Recipient shall exercise its rights and perform its obligations 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, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof.

C. Project Operations Manual

The Recipient shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the Project Operations Manual (provided, however, that in the case of any conflict between the arrangements and procedures set out in the POM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision of the POM.

D. Annual Work Plans and Budgets

1. The Recipient shall prepare and furnish to the Association for its approval not later than two (2) months before the beginning of each Fiscal Year during the implementation of the Project (or such later date as the Association may agree), an Annual Work Plan and Budget containing all eligible Project activities and expenditures proposed to be included in the Project for the Fiscal Year.

2. The Recipient shall ensure that the Project is implemented in accordance with the Annual Work Plans and Budgets approved by the Association for the respective Fiscal Year; provided, however, that in case of any conflict between the Annual Work Plans and Budgets and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. The Recipient shall not make or allow to be made any change to the Annual Work Plans and Budgets without prior approval in writing by the Association.

E. Anti-Corruption

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

Without limitation on its other reporting obligations under this Agreement, the Recipient shall, not later than December 31 of each year during the implementation of the Project, furnish reports to the Association on the status of achievement of the relevant DLI Targets in accordance with the verification protocol set out in the Project Operations Manual.

G. Contingent Emergency Response

1. The Recipient shall ensure that Part 5 of the Project ("Emergency Response Part") is carried out in accordance with the IRM OM (provided, however, that in the event of any conflict between the arrangements and procedures set out in the IRM OM and this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision of the IRM OM and of the emergency response implementation plan and safeguard instruments prepared pursuant to paragraph 2 of this Part G in accordance with the IRM OM.

2. Without limitation on the foregoing, the Recipient shall undertake no activities under the Emergency Response Part, unless and until the following conditions have been met in respect of said activities:

   (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

   (b) the Recipient has prepared and adopted an emergency response implementation plan for said activities, in accordance with the IRM OM and in form and substance satisfactory to the Association, setting out the objectives, performance indicators, scope, eligible expenditures, and fiduciary, safeguards and other implementation arrangements; and

   (c) the Recipient has ensured the preparation and disclosure of all safeguard instruments as may be required for said activities in accordance with the IRM OM, the Association has approved all such instruments, and the Recipient has ensured the implementation of any actions which are required to be taken under said instruments.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association and specified in the POM. Each Project Report shall cover the period of one (1) semester of the Fiscal Year, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall: (a) on or about the date twenty four (24) months after the Effective Date, prepare and furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of such report, taking into account the monitoring and evaluation activities performed pursuant to paragraph I of this Part A, and setting out the measures recommended to ensure the continued efficient carrying out of the Project and the achievement of its objectives during the period following such date; and (b) review with the Association such mid-term report, on or about the date one (1) month after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objectives, based on the conclusions and recommendations of the mid-term report and the Association’s views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, not later than forty-five (45) days after the end of each semester of the Fiscal Year, interim unaudited financial reports for the Project covering each such period, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) Fiscal Year. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.
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 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 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 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) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2; (c) Shopping; (d) Direct Contracting; and (f) Procurement from United Nations Agencies.

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) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

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.

E. Procurement of Emergency Expenditures under the Emergency Response Part

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for activities included in the Emergency Response Part shall be procured in accordance with the procurement methods and procedures set forth in the IRM OM.

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 Credit 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 Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Eligible Expenditure Programs under Parts 1.1, 2.1, 2.2, and 2.3 of the Project</td>
<td>43,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants’ services, Operating Costs and Training and Workshops under Parts 1.2, 2.4 and 4.1 of the Project</td>
<td>10,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, small works, non-consulting services, consultants’ services, Operating Costs, and Training and Workshops under Parts 3 and 4.2 of the Project</td>
<td>17,900,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Emergency Expenditures under Part 5 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>71,700,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

**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;

(b) for Eligible Expenditure Programs under Category (1), unless and until the Recipient has: (i) furnished evidence satisfactory to the Association in accordance with the verification protocol set forth in the POM that the Recipient has achieved the respective DLI Targets set forth in Schedule 4 to this Agreement against which withdrawal is requested; and (ii) complied with the additional instructions referred to in Section IV.A of this Schedule, including furnished to the Association the interim unaudited financial reports documenting the incurrence of Eligible Expenditure Programs; and
(c) for Emergency Expenditures under Category (4), unless and until the Association is satisfied that all of the following conditions have been met in respect of said expenditures:

(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part in order to respond to said crisis or emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(ii) the Recipient has prepared and adopted an emergency response implementation plan for said activities, in accordance with the IRM OM and in form and substance satisfactory to the Association, setting out the objectives, performance indicators, scope, eligible expenditures, and fiduciary, safeguards and other implementation arrangements for such activities;

(iii) the Recipient has ensured that all safeguards instruments required for said activities have been prepared and disclosed, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.G of this Schedule;

(iv) the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.G of this Schedule, for the purposes of said activities; and

(v) the provisions of the IRM OM remain - or have been updated in accordance with the provisions of Section I.G of this Schedule 2 so as to be - appropriate for the inclusion and implementation of the Emergency Response Part.

2. Notwithstanding the provisions of Parts A and B.1(b) of this Section, the amount of the Financing to be withdrawn upon the verified achievement of any DLI Target shall correspond to the DLI Value of such DLI Target as set forth in Schedule 4 to this Agreement.

3. Notwithstanding the provisions of Part B.1(b) of this Section, the Recipient may withdraw as an advance under Category (1) an amount not to exceed 50% of the total amount of the DLI Values against the DLI Targets which are set to be
achieved during the first year; provided, however, that if any of the DLI Targets for such year, in the opinion of the Association, are not achieved or are only partially achieved by the first year’s DLI Target Achievement Date, then the amount of reimbursement for DLI Targets for the first year may be reduced accordingly.

4. Notwithstanding the provisions of Part B.1 (b) of this Section, if the Association shall determine, based on the evidence furnished by the Recipient under Part B.1(b) of this Section, that any DLI Target has not been achieved by its DLI Target Achievement Date, the Association may in its sole discretion, by notice to the Recipient: (a) withhold in whole or in part the amount of the Financing allocated to such DLI Target; (b) disburse in whole or in part the amount of the Financing allocated to such DLI Target at any later time if and when such DLI Target is actually completed, to the extent that such completion remains feasible at a later time; (c) reallocate in whole or in part any withheld amount of the Financing allocated to such DLI Target; and/or (d) cancel in whole or in part any withheld amount of the Financing allocated to such DLI Target.

5. The Closing Date is June 30, 2021.
ANNEX TO SCHEDULE 2

Conditions for Use of National Competitive Bidding Procedure in Myanmar

The procurement procedure to be followed for National Competitive Bidding shall be the “Open Tender Procedure” set forth in the Recipient’s Tender Directive No. 1/2013 dated April 5, 2013 and the Instruction from the Recipient’s President’s Office dated June 2, 2011 on “Changing the Procurement Method from Close Tender to Open Tender,” provided, however, that such procedure shall be subject to the provisions of Section I and paragraphs 3.3 and 3.4 of the Procurement Guidelines and the following additional provisions:

1. Eligibility

(1) Eligibility to participate in a procurement process for and to be awarded an Association-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines.

(2) Foreign bidders shall not be required to form a joint venture or to sub-contract part of the supply of goods, works and services as a condition for submitting bids or the award of the contract. Bidding documents shall be made available, by mail or in person, to all international bidders who are willing to participate and pay the required fee, if so required.

2. Government-owned Enterprises

Government-owned enterprises in Myanmar shall be eligible to participate in bidding only if they can establish: (i) that they are legally and financially autonomous, (ii) operate under commercial law, and (iii) are not dependent agencies of the Recipient or any sub-recipients of the proceeds of the Financing.

3. Domestic Preference

No domestic preference may be applied in bid evaluation on the basis of bidder nationality, the origin of goods, services or labor, and/or preferential programs, including any preference for government-owned enterprises.

4. Registration of Contractors and Suppliers

(1) Registration shall not be used to assess bidders’ qualifications.

(2) A foreign bidder shall not be required to register as a condition for submitting its bid, and a foreign bidder recommended for contract award shall be given a
reasonable opportunity to register with the reasonable cooperation of the Recipient, prior to contract signing, if registration is required by the regulation of a related ministry implementing the Project and is explicitly specified in the bidding documents.

5. Bidding Documents

Bidding documents, including contract provisions, acceptable to the Association shall be used, and shall be prepared so as to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines. Technical requirements should be based on relevant characteristics and/or performance requirements. References to brand names, catalogue numbers or similar classifications shall be avoided. If it is necessary to quote a brand name or catalogue number of a particular manufacturer to clarify an otherwise incomplete specification, the words “or equivalent” shall be added after such reference.

6. Advertising; Time for Bid Preparation

Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. The advertisement shall be published in a national newspaper of wide circulation or in the official gazette, provided that it is of wide circulation, or on a widely used website or electronic portal with free national and international access.

7. Qualification

(1) Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a “pass or fail” basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder’s or prospective bidder’s capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant (iii) capability of construction and/or manufacturing facilities and key personnel.

(2) In the procurement of goods and works where pre-qualification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying the qualification criteria stated in the bidding documents.
8. Cost Estimate

The detailed cost estimates shall be confidential and shall not be disclosed to prospective bidders. No bids shall be rejected on the basis of comparison with the cost estimates without the Association’s prior written concurrence. Bidders shall not be required to negotiate the bid price for the purpose of meeting the estimated price.

9. Bid Submission and Bid Opening

A single-envelope procedure shall be used for the submission of bids. Bids shall be opened in public immediately after the deadline for submission of bids; bidders or their representatives who choose to attend shall be allowed to be present, but their attendance shall not be mandatory. Bids received after the deadline for bid submission shall be rejected and returned to bidders unopened. Bidders shall not be allowed or required to modify their bid prices after the deadline for submission of bids. A copy of the bid opening minutes shall be promptly provided to all bidders who submitted bids, and to the Association with respect to contracts subject to the Association’s prior review.

10. Bid Evaluation

(1) Evaluation of bids shall be made in strict adherence to the evaluation criteria disclosed in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points and bracketing shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation.

(2) Contracts shall be awarded to the qualified bidder whose bid has been determined: (i) to be substantially responsive to the bidding documents, and (ii) to offer the lowest-evaluated cost. No negotiations shall be permitted. A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted. A bidder shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

11. Rejection of All Bids and Re-bidding

All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association’s prior written concurrence.
12. Bid Validity

The bid validity period required by the bidding documents shall be sufficient to enable the procuring entities to complete the comparison and evaluation of bids, and obtain the approval and registration of the contract as may be contemplated in the related regulations, provided that such validity does not affect the timely conduct of procurement process. If justified by exceptional circumstances, an extension of bid validity may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation, award a contract, and/or complete the contract registration process, and shall not be longer than four weeks; a corresponding extension of any bid guarantee also shall be required in such cases. A Bidder may refuse the request to extend the bid validity without forfeiting its bid guarantee. No further extensions shall be requested without the prior written concurrence of the Association.

13. Price Adjustment

Contracts of long duration (i.e. more than 18 months) shall contain appropriate price adjustment provisions.

14. Guarantees

Bid and contract guarantees shall be in the amount and format included in the bidding documents. The bid security shall be valid for twenty-eight days (28) beyond the original validity period of the bid, or beyond any period of extension if requested. No advance payments shall be made without a suitable advance payment guarantee.

15. Fraud and Corruption

The bidding document and contract as deemed acceptable by the Association shall include provisions stating the Association's policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

16. Inspection and Audit Rights

In accordance with paragraph 1.16 (e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Association to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association's inspection and audit rights provided for in the
Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.

17. Contract Modifications

With respect to contracts subject to the Association’s prior review, the Recipient shall obtain the Association’s no objection before agreeing to: (i) a material extension of the stipulated time for performance of a contract; (ii) any substantial modification of the scope of works or supply or other significant changes to the terms and conditions of the contract; (iii) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (iv) the proposed termination of the contract.

A copy of all contract amendments shall be provided to the Association, as soon as the same is signed between the contractor or supplier and the agency of Recipient.

18. Contract Award Notification

The result of bid evaluation and contract award shall be published in a national press or an official gazette or free and open access website. The publication shall include: (i) the name of each bidder that submitted a bid; (ii) bid prices as read out at bid opening; (iii) evaluated price of each bid that was evaluated; (iv) the names of bidders whose bids were either rejected as non-responsive or not meeting qualification criteria, or not evaluated, with the reasons thereof; and (v) the name of the winning bidder, and final total contract price, as well as the duration and summary scope of the contract. Such publication shall be within two weeks of receiving the Association’s no objection to the award recommendation for contracts subject to the Association’s prior review, and within two weeks of the Recipient’s award decision for contracts subject to the Association’s post review.
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 June 15 and December 15, commencing June 15, 2023 to and including December 15, 2054</td>
<td>1.5625%</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.
## SCHEDULE 4

Disbursement Linked Indicators with DLI Targets and DLI Values

<table>
<thead>
<tr>
<th>DLIs</th>
<th>December 31, 2017</th>
<th>December 31, 2018</th>
<th>December 31, 2019</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DLI 1: Reform of state-owned banks initiated in order to create financially-sustainable institutions with sound risk-management and corporate governance practices and clear developmental mandates</strong></td>
<td><strong>DLI Target:</strong> The MOPF has established a high-level steering committee for state-owned bank reform and improved transparency of the sector through the issuance of a state-owned banks policy framework.</td>
<td><strong>DLI Target:</strong> The MOPF has developed and approved a comprehensive restructuring plan for the MEB, based on a detailed financial diagnostic of MEB and that includes measures to improve corporate governance, strengthen risk management, and meet supervisory standards</td>
<td><strong>DLI Target:</strong> The MOPF has amended MEB’s legal structure or corporate governance arrangements in order to strengthen MEB’s managerial autonomy and accountability, in accordance with the approved MEB restructuring plan</td>
<td><strong>DLI Target:</strong> The MEB has implemented an improved risk management framework for MEB’s operations, in accordance with the approved MEB restructuring plan</td>
</tr>
<tr>
<td><strong>DLI Value:</strong> SDR 7,200,000</td>
<td><strong>DLI Value:</strong> SDR 7,200,000</td>
<td><strong>DLI Value:</strong> SDR 3,600,000</td>
<td><strong>DLI Value:</strong> SDR 3,600,000</td>
<td><strong>DLI Value:</strong> SDR 3,600,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DLIs</th>
<th>December 31, 2017</th>
<th>December 31, 2018</th>
<th>December 31, 2019</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DLI 2: Upgrading of the banking sector legal and regulatory framework</strong></td>
<td><strong>DLI Target:</strong> The CBM has issued appropriate regulations that impose new requirements for banks</td>
<td><strong>DLI Target:</strong> At least 30 percent of financial institutions have complied with the requirements</td>
<td><strong>DLI Target:</strong> The CBM has issued an appropriate regulation that strengthen the legal and regulatory</td>
<td><strong>DLI Target:</strong> At least 50 percent of financial institutions have complied with the requirements</td>
</tr>
<tr>
<td><strong>DLI Value:</strong> SDR 7,200,000</td>
<td><strong>DLI Value:</strong> SDR 7,200,000</td>
<td><strong>DLI Value:</strong> SDR 3,600,000</td>
<td><strong>DLI Value:</strong> SDR 3,600,000</td>
<td><strong>DLI Value:</strong> SDR 3,600,000</td>
</tr>
<tr>
<td>Disbursement Linked Indicators with DLI Targets and DLI Values</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>on the submission of information, governance, capital adequacy, acquisition of substantial interest, and large exposures, in accordance with the Financial Institutions Law</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| DLI Value: | SDR 3,600,000 |
| DLI Value: | SDR 3,600,000 |
| DLI Value: | SDR 3,600,000 |
| DLI Value: | SDR 3,600,000 |

| submission of information, governance, capital adequacy, acquisition of substantial interest, and large exposures standards set forth in the Financial Institutions Law and implementing regulations for the prior fiscal year |

| framework for secured transactions by facilitating lending using movable collateral |

| submission of information, governance, capital adequacy, acquisition of substantial interest, and large exposures set forth in the Financial Institutions Law and implementing regulations for the prior fiscal year |

| DLI 3: Upgrading of the microfinance sector regulatory and supervisory framework |

| DLI Target: At least 50 percent of the FRD MFIs supervision staff have been trained in basic credit risk analysis and MFIs supervision |

| DLI Value: | SDR 1,400,000 |
| DLI Value: | SDR 700,000 |
| DLI Value: | SDR 700,000 |
| DLI Value: | SDR 700,000 |

| DLI Target: The FRD has issued standardized financial reporting formats for use by MFIs |

| DLI Value: | SDR 700,000 |
| DLI Value: | SDR 700,000 |
| DLI Value: | SDR 700,000 |
| DLI Value: | SDR 700,000 |

| DLI Target: At least 50 percent of MFIs have reported to the FRD for the prior fiscal year with annual financial statements in accordance with standardized reporting formats |

| DLI Target: At least 70 percent of MFIs have reported to the FRD for the prior fiscal year with annual financial statements in accordance with standardized reporting formats |

<p>| DLI Value: | SDR 700,000 |
| DLI Value: | SDR 700,000 |
| DLI Value: | SDR 700,000 |
| DLI Value: | SDR 700,000 |</p>
<table>
<thead>
<tr>
<th>DLIs</th>
<th>June 30, 2017</th>
<th>June 30, 2018</th>
<th>June 30, 2019</th>
<th>June 30, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI 4: Upgrading of the insurance sector regulatory and supervisory framework</td>
<td>DLI Target: At least 50 percent of FRD insurance supervision staff have been trained in on and off-site insurance supervisory practices, consistent with the IAIS ICPs</td>
<td>DLI Target: The FRD has issued standardized financial reporting formats for use by insurance companies, adapted from the IAIS ICPs</td>
<td>DLI Target: At least 50 percent of insurance companies have reported to the FRD for the prior fiscal year with annual financial statements in accordance with the standardized financial reporting formats</td>
<td>DLI Target: At least 70 percent of insurance companies have reported to the FRD for the prior fiscal year with annual financial statements in accordance with the standardized financial reporting formats</td>
</tr>
<tr>
<td>DLI Value:</td>
<td>SDR 1,400,000</td>
<td>SDR 700,000</td>
<td>SDR 700,000</td>
<td>SDR 700,000</td>
</tr>
</tbody>
</table>
APPENDIX

Definitions

1. "Annual Work Plan and Budget" means each annual work plan, together with the related budget, for the Project approved by the Association pursuant to the provisions of Section I.D of Schedule 2 to this Agreement.


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

4. "CBM" means the Central Bank of Myanmar, and any successor thereto.


6. "Disbursement Linked Indicator" and the acronym "DLI" each means any one of the indicators set out in the table in Schedule 4 to this Agreement for the purposes of Parts 1.1, 2.1, 2.2, and 2.3 of the Project; and “DLIs” means, collectively, all such DLIs.

7. "DLI Target" means the annual targets set to be achieved under each DLI as set forth in the table in Schedule 4 to this Agreement.

8. "DLI Target Achievement Date" means, with regard to each DLI Target, the end of the calendar period during which the relevant DLI Target is set to be achieved as set forth in the table in Schedule 4 to this Agreement.

9. "DLI Value" means the total amount of the Financing allocated to each DLI Target in the table in Schedule 4 to this Agreement, as such amount may be reallocated in whole or in part among the DLI Targets or among the Categories by notice by the Association from time to time.

10. "Eligible Crisis or Emergency" means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

11. "Eligible Expenditure Programs" means MOPF's budget lines consisting of salaries of MOPF staff and selected operating costs, as set forth in the Project
Operations Manual, which are required to support implementation of Parts 1.1, 2.1, 2.2 and 2.3 of the Project.

12. “Emergency Expenditure” means any of the eligible expenditures set forth in the Immediate Response Mechanism Operations Manual in accordance with the provisions of Section I.G of Schedule 2 to this Agreement, and required for the Emergency Response Part.

13. “Emergency Response Part” means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part 5 of the Project.


15. “Fiscal Year” and the acronym “FY” mean the Recipient’s fiscal year, which commences on April 1 and closes on March 31 of each year.


18. “IAIS ICPs” means the Insurance Core Principles adopted by the International Association of Insurance Supervisors.

19. “Immediate Response Mechanism Operations Manual” and “IRM OM” each means the manual referred to in Section I.G of Schedule 2 to this Agreement, adopted and maintained by the Recipient for the Emergency Response Part in accordance with the provisions of said Section.

20. “IT” means information technology.


22. “MFI” means micro-finance institutions.

23. “MOPF” means the Recipient’s Ministry of Planning and Finance, and any successor thereto.

24. “Operating Costs” means the reasonable costs of goods and non-consulting services required for the day-to-day coordination, administration, operation and supervision of Project activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), translation, printing and photocopying expenses,
bank charges, publications and advertising expenses, insurance, Project-related meeting expenses, Project-related travel, subsistence and lodging expenses, and other operating costs directly related to the implementation of the Project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the civil service.


26. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 26, 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.

27. “Project Implementing Entity” means the Central Bank of Myanmar, or any successor thereto.


29. “Project Implementing Entity’s Respective Parts of the Project” means the parts of the Project to be carried out by the Project Implementing Entity pursuant to Section 3.01 of this Agreement.

30. “Project Operations Manual” and the acronym “POM” each means the Recipient’s manual referred to in Section I.B of Schedule 2 to this Agreement, 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) disbursement and financial management; (iii) procurement; (iv) good environmental practices; (v) monitoring, evaluation and reporting; (vi) a verification protocol containing the technical standards and arrangements and procedures for the monitoring and reporting of DLIs; and (vii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project, as said manual may be modified from time to time with prior approval in writing of the Association, and such term includes any schedules to the Project Operations Manual.

31. “Recipient’s Respective Parts of the Project” means the parts of the Project to be carried out by the Recipient pursuant to Section 3.01 of this Agreement.

32. “Respective Parts of the Project” means the Recipient’s Respective Parts of the Project or the Project Implementing Entity’s Respective Parts of the Project, as the context requires.
33. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall on-lend part of the proceeds of the Financing to the Project Implementing Entity.

34. “Training and Workshops” means the reasonable costs of training, workshops and study tours under the Project, based on annual budgets approved by the Association, and directly attributable to training seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, course fees, services of trainers, rental of training facilities, preparation, acquisition, distribution and reproduction of training materials, and other activities directly related to course preparation and implementation.