Financing Agreement

(Modernization of Public Finance Management Project)

between

REPUBLIC OF THE UNION OF MYANMAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 9, 2014
FINANCING AGREEMENT

AGREEMENT dated September 4, 2014, entered into between the REPUBLIC OF THE UNION OF MYANMAR ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 1 to this Agreement ("Project"), has requested the Association to extend a credit as provided in Section 2.01 of this Agreement, to assist in the financing of the Project; and

(B) the Recipient has also requested the Association, acting as administrator of the Myanmar Partnership Multi-Donor Trust Fund to provide additional assistance towards the financing of the Project and the Association, acting in such capacity, has agreed to make available a grant to the Recipient from the said trust fund to assist in the financing of the Project, pursuant to the grant agreement of even date herewith between the Recipient and the Association ("Grant Agreement"); and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend a credit to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, 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 this Agreement (including the Appendix thereto).

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 nineteen million six hundred thousand Special Drawing Rights (SDR 19,600,000) (variously, "Credit" and "Financing"), to assist in financing the Project described in Schedule 1 to this Agreement.
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 Executive 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 February 1 and August 1 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 United States Dollars.

ARTICLE III — PROJECT

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

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 — EFFECTIVENESS; TERMINATION

4.01. The Additional Condition of Effectiveness is that the Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement), have been fulfilled.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
4.03. 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 V — REPRESENTATIVE; ADDRESSES

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

5.02. The Recipient’s Address is:

Ministry of Finance
Building No. 26
Nay Pyi Taw
Myanmar

Facsimile:

95-67-410-198

5.03. 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, Myanmar, as of the day and year first above written.

REPUBLIC OF THE UNION OF MYANMAR

By

[Signature]

Authorized Representative

Name: MAUNG MAUNG WIN
Title: Director General

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: GLRICH FACHAU
Title: Director
SCHEDULE 1

Project Description

The objective of the Project is to support efficient, accountable and responsive delivery of public services through the modernization of the Recipient’s PFM systems and strengthening institutional capacity.

The Project consists of the following parts:

Part A: Improving Revenue Mobilization through Bringing More Revenues from Natural Resources on Budget and Strengthening Tax Administration

Development of an improved legal and policy framework, systems and procedures for classifying, recording and reporting of revenues from natural resource sectors on budget, and for enhancing the transparency and efficiency of the Recipient’s tax administration system, including the establishment of a large taxpayer’s office.

Part B: Supporting Responsive Planning and Budget Preparations

1. Supporting Policy Based Budgeting and Budget Preparations

Development of the capacity of the budget and planning departments of the MOF to link plans and policies with budget appropriations within a medium term fiscal framework that considers all revenue sources, including, inter alia, review of, and changes to, planning and budget preparation processes, regulations, guidelines and forms in priority sectors at the national and sub-national level.

2. Responsive Planning and Investment Management

Computerization of the manual compilation processes for current and investment budgets, and design of mechanisms to present planning and budgetary information in a manner accessible to the public.

Part C: Supporting Effective Budget Execution and Financial Reporting

1. Supporting Treasury Operations

Operationalization of the treasury department of the MOF to manage, analyze and report on debt, provision of training to MEB staff on amended budget execution business processes, development of the capacity of line ministries to implement revised procurement and budget execution rules and procedures, and review of, and changes to, expenditure control rules.
2. Improving Management of the State Funds Account

Development and implementation of information and communication technology systems for improved management by MEB of the state funds account.

Part D: Fostering External Oversight and Accountability

1. Supporting the Parliamentary Public Accounts Committee

Development of the capacity of parliamentarians and in particular the members of the public accounts committee of Parliament to review and provide input on budgets, audit reports and legislation pertaining to the management of public finance.

2. Enhancing the Operational Effectiveness of the Office of the Auditor General

Development of the human resources capacity and organizational effectiveness of the OAG to increase the coverage and quality of financial audits in accordance with international standards.

Part E: Establishing a Sustainable Institutional Platform and Skills-base for PFM

1. Operationalizing a PFM Academy

Establishment of a PFM training academy to provide just in time, on the job, operational training skills required to operate a modern public financial management system on a sustainable basis, including developing, managing and coordinating a PFM skills acquisition training program and curricula in line with a competency driven framework for officials involved in the management of public finances across the government at national and sub-national level, developing a diploma program in PFM, and carrying out of minor interior renovations of existing building premises for the PFM training academy.

2. Supporting Project Management

Provision of technical and operational assistance to articulate, manage, and monitor the overall PFM reform program, including the day-to-day coordination, administration, procurement, financial management, monitoring, evaluation and audit of Project activities.
Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall maintain, at all times during the implementation of the Project, the following structures with functions, composition, staffing and resources satisfactory to the Association:

1. a PFM Executive Reform Team chaired by a senior official of the budget department of the MOF and composed of senior officials of other line departments involved in the implementation of the Project, to be responsible for the strategic oversight and guidance on the PFM reforms supported under the Project, the coordination of Project activities across line departments, and facilitating the resolution of any obstacles to the implementation of the Project and the achievement of its objectives;

2. focal points within each line department involved in the implementation of the Project, responsible for coordinating the technical delivery of outputs of each department under the Project;

3. a PFM Reform Secretariat hosted by the MOF and comprising the focal points of each line department, to be responsible for monitoring, evaluating and reporting to the PFM Executive Reform Team on the progress of implementation of the Project, supporting the said team in the coordination of Project activities, and overseeing the effective operation of the Project Support Services Teams; and

4. two Project Support Services Teams within each of the MOF in respect of all Parts of the Project except Part D.2 thereof, and the OAG in respect of Part D.2 of the Project, to be responsible for the day-to-day procurement and financial management activities under their respective Parts of the Project.

B. Project Operations Manual

The Recipient shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the POM (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.
C. **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, including a specification of the source or sources of financing for all eligible expenditures.

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.

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 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 Project Operations Manual. Each Project Report shall cover the period of one (1) calendar semester, 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 1 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 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, as part of the Project Report, not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, 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, Works 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) Shopping; and (b) Direct Contracting.

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.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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 60% (inclusive of
Taxes) of Eligible Expenditures, consisting of goods, minor works under Part E.1 of the Project, non-consulting services, consultants’ services, Operating Costs and Training, inclusive of Taxes.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is September 30, 2019.
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 February 1 and August 1:</td>
<td></td>
</tr>
<tr>
<td>commencing August 1, 2024 to and including February 1, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing August 1, 2034 to and including February 1, 2054</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

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.C of Schedule 2 to this Agreement.


3. “Board of Directors” means the International Development Association’s Board of Executive Directors referred to in Article VI, Section 4 of the Association’s Articles of Agreement which came into effect on September 24, 1960.


5. “Fiscal Year” means the Recipient’s fiscal year commencing on April 1 of each year and ending on March 31 of the following year.


7. “MEB” means the Recipient’s Myanma Economic Bank, or any successor thereto.

8. “MOF” means the Recipient’s Ministry of Finance, or any successor thereto.

9. “OAG” means the Recipient’s Office of the Auditor General, or any successor thereto.

10. “Operating Costs” means the reasonable costs of goods and non-consulting services required for the day-to-day coordination, administration 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 administrative costs directly related to the Project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient’s civil service.
11. “PFM” means public finance management.

12. “PFM Executive Reform Team” means the team referred to in Section I.A.1 of Schedule 2 to this Agreement.

13. “PFM Reform Secretariat” means the secretariat referred to in Section I.A.3 of Schedule 2 to this Agreement.


15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 17, 2014, 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.

16. “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) monitoring and evaluation, reporting and communication; and (v) 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.

17. “Project Support Services Teams” means the teams referred to in Section I.A.4 of Schedule 2 to this Agreement.

18. “Training” means the reasonable costs of goods and services required for the participation of personnel involved in training activities, workshops and study tours under the Project as set forth in the respective Annual Work Plan and Budget, including travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course, workshop or study tour preparation and implementation, but excluding consultants’ fees.