Financing Agreement

Second Rural Water Supply and Sanitation Project

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 21, 2009
FINANCING AGREEMENT

AGREEMENT dated May 21, 2009, entered into between KYRGYZ REPUBLIC (“Borrower”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Borrower 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 Borrower, on the terms and conditions set forth or referred to in this Agreement, a grant and a credit (collectively, “Financing”) in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):

(a) an amount equivalent to three million one hundred thousand Special Drawing Rights (SDR 3,100,000) (“Grant”); and

(b) an amount equivalent to three million eight hundred thousand Special Drawing Rights (SDR 3,800,000) (“Credit”).

2.02. The Borrower 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 Borrower 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 The Service Charge payable by the Borrower on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 May 15 and November 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 United States Dollars.

**ARTICLE III - PROJECT**

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through NALSG 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 Borrower and the Association shall otherwise agree, the Borrower 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 consists of the following, namely, the Borrower has amended, suspended, abrogated, repealed or waived the Provision of the National Agency of the Kyrgyz Republic for Local Self-Governance Affairs (Presidential Decree No. 503 of October 28, 2005, as amended) or any other legislation pertaining to the supply of drinking water to the Borrower’s rural areas so as to affect materially and adversely the carrying out of the Project.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Association to the Borrower.

**ARTICLE V - EFFECTIVENESS; TERMINATION**

5.01. The Additional Condition of Effectiveness consists of the following, namely, the Operational Manual, satisfactory to the Association, has been adopted by the Borrower.
5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Borrower 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 Borrower’s Representative is its Minister of Finance.

6.02. The Borrower’s Address is:

Ministry of Finance
58 Erkindik Blvd.
Bishkek City, 720040
Kyrgyz Republic

Telex: 245-156 NUR KH
Facsimile: (996-312) 661645

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 Bishkek, Kyrgyz Republic, as of the day and year first above written.

KYRGYZ REPUBLIC

By /s/ Marat Sultanov

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Roger J. Robinson

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to assist the Borrower in: (a) improving access of Participating Communities to portable water; and (b) improving hygiene, sanitation and water-related practices at individual, family and institutional levels in the rural areas.

The Project consists of the following parts:

Part A: Infrastructure and Equipment for Water Supply

Provision of Sub-loans to eligible Beneficiaries for carrying out Sub-projects designed to: (a) rehabilitate and expand water supply systems and sanitation facilities; and (b) provide goods and equipment for maintaining and sustaining the supply of water.

Part B: Sanitation and Hygiene Promotion Program

Provision of technical assistance to the Borrower to promote healthy hygiene and sanitation practices in the rural areas, including the Participating Communities.

Part C: Strengthening of the Institutional Framework

Provision of technical assistance to the Borrower to strengthen the sustainability of its rural water supply system, including: (a) supporting the Borrower’s development and implementation of its strategy for sustainable supply of safe drinking water; (b) improving the Borrower’s institutional framework, as well as strengthening the Borrower’s capacity in developing normative legal acts, for the sustainable supply of safe drinking water; (c) the provision of training, workshops and seminars to the Borrower to enhance the capacity of CDWUUs, Local Self-Governments, DRWS, and NALSG in the area of water supply as well as in matters pertaining to sanitation and hygiene; and (d) strengthening the management information system for the Project.

Part D: Project Management and Implementation

1. Provision of technical assistance for the management and implementation of the Project, including procurement related activities, auditing services, environmental monitoring, training, design and implementation of a system of financial management and accounting, preparation of Project related accounts and financial statements, and financing of the operating costs.

2. Provision of technical assistance to PMU, NALSG, DRWS, and Beneficiaries for the preparation, implementation and administration of Sub-projects.
SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through NALSG, shall implement the Project in accordance with the provisions of PIP, the Operational Manual and the Procurement Plan. Except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision of PIP, the Operational Manual or the Procurement Plan, if, in the opinion of the Association, such amendment or waiver may materially or adversely affect the carrying out of the Project or the achievement of the Project objectives.

2. The Borrower shall at all times, throughout implementation of the Project, maintain PMU with funds, resources, functions and powers necessary to enable it to carry out the Project activities, and with qualified and experienced management and other staff, all as agreed by the Association.

3. The Borrower, through NALSG, shall act in accordance with arrangements agreed with the Association in collaborating and coordinating with various stakeholders in the implementation of the Project.

B. Anti-Corruption

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

C. Sub-projects

1. The Borrower shall make Sub-loans to Beneficiaries in accordance with eligibility criteria and procedures agreed with the Association, which shall include making said Sub-loans to the Beneficiaries through CDWUUs.

2. The Borrower shall make each Sub-loan under a Sub-loan Agreement with the respective Beneficiary on terms and conditions approved by the Association, which shall include the following:

   (a) (i) The Sub-loan shall be denominated in United States Dollars (US$); and (ii) repayable on the terms set forth in the Operational Manual.

   (b) The Sub-projects shall be carried out in accordance with the provisions of the Environmental Management Framework and the Environmental Management Plan.
(c) Each Beneficiary shall provide a portion of the cost of its respective Sub-project, in accordance with the principles set forth in the Operational Manual.

(d) All works, goods and consultant’s services to be financed out of the proceeds of the Grant and the Credit shall be procured in accordance with the procedures set forth in Section III of this Schedule 2 to this Agreement as well as in the Operational Manual, and shall be used exclusively in the carrying out of the Sub-projects.

(e) The Borrower shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-loan, declare to be immediately due and payable all or any part of the amount of the Sub-loan then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Sub-loan Agreement; and (ii) require each Beneficiary to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, sanitary, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to borrowers of loan proceeds other than the Borrower; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Sub-loan in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements 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 the Sub-project; and (2) at the Association’s or the Borrower’s request, have such financial statements audited 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 Borrower and the Association; (F) enable the Borrower and the Association to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Borrower and the Association all such information as the Borrower or the Association shall reasonably request relating to the foregoing.

3. The Borrower shall exercise its rights under each Sub-loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any Sub-loan Agreement or any of its provision.
D. Safeguards

1. The Borrower, through NALSG, shall carry out the Project in accordance with the provisions of the Environmental Management Framework and the Environmental Management Plan.

2. The Borrower or NALSG, shall not amend, suspend, abrogate, repeal or waive any provisions of the Environmental Management Framework as well as those of the Environmental Management Plan, without prior approval of the Association.

3. The Borrower, through NALSG, shall include adequate information on the implementation of the Environmental Management Framework, the Environmental Management Plan and the Project Reports referred to in Section II.A.1 of this Schedule.

4. The Borrower, through NALSG, shall ensure that all measures identified and described in the Environmental Management Framework and the Environmental Management Plan are taken in a timely manner.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Borrower, through NALSG, 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 the indicators agreed with the Association. Each Project Report shall cover the period of one 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 Borrower, through NALSG, shall:

(i) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about February 15, 2010, the first periodic report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section, on the progress achieved in the carrying out the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out the Project and the achievement of the objectives thereof during the period following such date; and

(ii) review with the Association, by March 31, 2010, or such later date as the Association shall request, the report referred to in paragraph 1 of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the
achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

3. For purposes 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 November 30, 2013.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through NALSG, 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 Borrower, through NALSG, shall prepare and furnish to the Association, not later than forty-five (45) days 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 Borrower, through NALSG, 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 of the Borrower. 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 and Works. All goods and works 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Manual 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, subject to the following provisions:</td>
</tr>
<tr>
<td>A. Registration and Licensing</td>
</tr>
<tr>
<td>(a) Bidding shall not be restricted to pre-registered/licensed firms.</td>
</tr>
<tr>
<td>(b) Where registration or licensing is required, bidders: (i) shall be allowed a reasonable time to complete the registration or licensing process; and (ii) shall not be denied registration/licensing for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.</td>
</tr>
<tr>
<td>(c) Foreign bidders shall not be precluded from bidding. If a registration or licensing process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register or to obtain a license.</td>
</tr>
<tr>
<td>B. Advertising</td>
</tr>
<tr>
<td>Invitations to bid shall be advertised in the Bulletin of State Procurement and in at least one (1) widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids.</td>
</tr>
<tr>
<td>C. Pre-qualification</td>
</tr>
<tr>
<td>When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one (1) widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience, technical and financial requirements shall be explicitly stated in the pre-qualification documents.</td>
</tr>
</tbody>
</table>
**Procurement Method**

D. **Participation by Government-owned enterprises**

Government-owned enterprises in the Kyrgyz Republic shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

E. **Bidding Documents**

Procuring entities shall use the appropriate standard bidding documents for the procurement of goods, works or services, acceptable to the Association.

F. **Bid Opening and Bid Evaluation**

(a) Bids shall be opened in public, immediately after the deadline for submission of bids.

(b) Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents.

(c) Domestic preference should not be applied.

(d) Contracts shall be awarded to qualified bidder having submitted the lowest evaluated substantially responsive bid and no negotiation shall take place.

G. **Price Adjustment**

Civil works contracts of long duration (for example, more than eighteen (18) months) shall contain an appropriate price adjustment clause.

H. **Rejection of Bids**

All bids shall not be rejected and new bids solicited without the Association’s prior concurrence.

I. **Rejection of an Individual Bid**

An individual bid shall be rejected only in the following cases:

(i) the bidder is not qualified;
Procurement Method

(ii) the bidder does not accept the correction of an arithmetical error in his bid by the Tender Commission of the procuring entity;

(iii) the bidder is not responsive to the requirements of the bidding documents; or

(iv) under the circumstances referred to in Article 6 of the Law on State Procurement.

J. State unit costs shall not be used for bidding and evaluation of bids for civil works contracts.

(b) Shopping

(c) Direct Contracting

(d) Community Participation

Goods and works required for Part A of the Project shall be procured in accordance with: (a) the provisions of paragraph 3.17 of the Guidelines; and (b) procedures acceptable to the Association as set forth in the Operational Manual.

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 Manual shall specify the circumstances under which such methods may be used.
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 category of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocation of the amount of the Credit and of the Grant 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>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods under Parts A and D of the Project</td>
<td></td>
<td>10,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works under Part A of the Project</td>
<td>3,800,000</td>
<td>1,090,000</td>
<td>80%</td>
</tr>
<tr>
<td>(3) Consultants’ services, including audit and training</td>
<td></td>
<td>1,070,000</td>
<td>100% of local expenditures and 90% of foreign expenditures</td>
</tr>
<tr>
<td>(4) Operating costs</td>
<td></td>
<td>800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Refund of Preparation Advance</td>
<td></td>
<td>130,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL MOUNT</td>
<td>3,800,000</td>
<td>3,100,000</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 for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 542,000 equivalent of the Grant may be made for payments made on or after June 1, 2008 for Eligible Expenditures under Category (2).

2. The Closing Date is May 31, 2013.
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 May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing May 15, 2019 to and including November 15, 2028</td>
<td>1%</td>
</tr>
<tr>
<td>commencing May 15, 2029 to and including November 15, 2048</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


2. “Beneficiary” means a Participating Community selected pursuant to criteria set forth in the Operational Manual as a borrower of a Sub-loan.

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

4. “CDWUU” means Community Drinking Water Users Unions of the Borrower, or any successor thereto.


6. “DRWS” means the Department of Rural Water Supply under NALSG, or any successor thereto.

7. “Environmental Management Framework” means the Borrower’s environmental management framework pertaining to the Project, furnished to the Association on December 11, 2008, pursuant to the Association’s Operational Policy 4.01, to identify, avoid and mitigate potential negative environmental impacts associated with the Project.

8. “Environmental Management Plan” means any of the Borrower’s environmental management plans pertaining to Project activities under Part A of the Project, as such plans may be updated from time to time in agreement with the Association, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce adverse environmental, natural habitats and cultural property impacts to levels acceptable to the Association.


10. “Local Self-Government” means the local self government of the Participating Community which is responsible for provision of basic municipal services, and
which delegates responsibility for provision of drinking water to CDWUUs, or any successor thereto.

11. “NALSG” means the National Agency of the Kyrgyz Republic for Local Self-Governance Affairs, or any successor thereto.

12. “NCHP” means the Borrower’s National Center for Health Promotion, or any successor thereto.

13. “Operating Costs” means incremental recurrent expenditures incurred in connection with Project on account of Project implementation, management and monitoring, including the costs of office supplies, vehicle rental and operating charges, maintenance of office equipment, telephone and other communication charges, rental of office space, insurance charges, employer contributions to the Social Fund of the Kyrgyz Republic, banking charges, utility charges, domestic travel expenses and salaries of contractual staff, but excluding salaries of officials of the Borrower’s civil service and such other expenditures as may be agreed upon by the Association.

14. “Operational Manual” means the operational manual for this Project, adopted by the Borrower in accordance with paragraph 1 of Section I. A of Schedule 2 to this Agreement, as such Operational Manual may be amended from time to time.

15. “Participating Communities” means the Borrower’s rural communities and villages participating in the Project through CDWUUs.

16. “PIP” means the Project Implementation Plan for the carrying out of the Project prepared and adopted by the Borrower, as the same may be amended from time to time with the agreement of the Association.

17. “PMU” means the Project Management Unit established within DRWS, for purposes of Project management and referred to in paragraph 2 of Section I.A of Schedule 2 to this Agreement.


19. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated March 5, 2009, and referred to respectively in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines as the Procurement Plan, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
20. “Sub-loan” means a sub-loan provided or proposed to be provided to an eligible Beneficiary from the proceeds of the Financing to finance expenditures in respect of goods and works necessary for carrying out of Sub-projects under Part A of the Project.

21. “Sub-project” means a sub-project selected for implementation under Part A of the Project in accordance with the principles and procedures, and eligibility criteria set forth in the Operational Manual.

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 Borrower, 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

   ... (1) 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 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.”

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.”