Financing Agreement

(Decentralizing Funding to Schools Project)

between

REPUBLIC OF THE UNION OF MYANMAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 21, 2014
FINANCING AGREEMENT

AGREEMENT dated October 14, 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 Preamble and 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 fifty one million eight hundred thousand Special Drawing Rights (SDR 51,800,00)
(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%).

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 Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Education 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 AND 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 District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF THE UNION OF MYANMAR

By

Authorized Representative

Name: Maung Maung Aung
Title: Director General

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Axel von Trotsenburg
Title: Regional Vice President
SCHEDULE 1

Project Description

The objective of the Project is to help improve and expand the Recipient’s School Grants Program and Student Stipends Program.

The Project consists of the following parts:

Part 1: Expansion and Improvement of the School Grants Program

Expansion of the Recipient’s School Grants Program by increasing the size of annual school grants per school and improvement of the program’s design and administration by revising program guidelines and providing training to township and school officials on its implementation.

Part 2: Expansion and Improvement of the Student Stipends Program

Expansion of the Recipient’s Student Stipends Program by increasing the number and amount of stipends and extending their coverage to additional selected primary and secondary schools, and improvement of the program’s design and administration by revising program guidelines and providing training to township and school officials on its implementation.

Part 3: Capacity Improvement to Strengthen Monitoring and Implementation of Programs

Provision of training and operational assistance to implement a national training program aimed at introducing the revised school grants and stipends programs to township officials and school headmasters, and to conduct baseline surveys of early grade reading.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. In order to facilitate the carrying out of the Project, the Recipient shall maintain, at all times during the implementation of the Project, a dedicated Project Steering Committee within the MoE, supported by a dedicated secretariat, with functions and resources satisfactory to the Association, and with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association.

2. Without limiting the foregoing, the Project Steering Committee shall be headed by a designated Vice Minister of MoE and comprise, inter alia, the directors-general of the MoE’s departments responsible for education policy and training, education research and basic education, and shall be responsible, with the support of a dedicated secretariat, for, inter alia: (a) coordinating the implementation of all Project activities; (b) overseeing and guiding the overall administration of procurement, disbursements and financial management and safeguards management of the Project; (c) overseeing and guiding the overall monitoring, evaluation and reporting on Project activities; and (d) liaising with the Association and the MDTF donors on any matters related to the progress of the Project and the use of the proceeds of the Financing and the Grant.

B. Project Operational Manual

The Recipient shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the Project Operational Manual (provided, however, that in the case of any conflict between the arrangements and procedures set out in the said manual 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 said manual.

C. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Community Participation Planning Framework.

2. Whenever a Social Assessment and a Community Participation Plan shall be required for any proposed Project activity in accordance with the provisions of the CPPF, the Recipient shall:
(a) prior to the commencement of such activity, proceed to have such SA and CPP: (i) prepared in accordance with the provisions of the CPPF; (ii) furnished to the Association for review and approval; and (iii) thereafter adopted and disclosed as approved by the Association, in a manner satisfactory to the Association; and

(b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such SA and CPP.

3. The Recipient shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the CPPF or any SA or CPP, unless the Association has provided its prior approval thereof in writing, and the Recipient has complied with the same consultation and disclosure requirements as applicable to the original adoption of the said instruments.

4. Without limitation on the foregoing, the Recipient shall ensure that no Project activity shall be approved and carried out which includes major civil works or civil works that may involve any acquisition or restriction of access to land, other than minor works related to routine maintenance, repair and refurbishment of existing school premises that may be carried out in accordance with the Project Operational Manual and the School Grants Guidelines.

5. Without limitation on its other reporting obligations under this Agreement, the Recipient shall collect, compile and submit to the Association on an annual basis (or such other frequency as may be agreed with the Association) consolidated reports on the status of compliance with the CPPF, SAs and CPPs, giving details of:

(a) measures taken in accordance with the said instruments;

(b) conditions, if any, which interfere or threaten to interfere with the implementation of the said measures; and

(c) remedial measures taken or required to be taken to address such conditions.

6. In the event of any conflict between the provisions of any of the CPPF, SAs or CPPs, and the provisions of this Agreement, the provisions of this Agreement shall prevail.

D. School Grants and Student Stipends

The Recipient shall: (1) prior to financing any School Grants and Student Stipends out of the proceeds of the Financing, adopt School Grants Guidelines and Student Stipends Guidelines, in form and substance satisfactory to the Association, detailing the eligibility criteria and approval and administration
arrangements for the provision of School Grants and Student Stipends, including an environmental code of practice applicable to any small maintenance and repair works financed from School Grants; (2) ensure that all School Grants and Student Stipends financed out of the proceeds of the Financing are made and administered in accordance with the School Grants Guidelines and the Student Stipends Guidelines, respectively; and (3) except as the Association shall otherwise agree, not amend, abrogate or waive any provision of the said guidelines.

E. DLI Monitoring and Reporting

Without limitation on its other reporting obligations under this Agreement, the Recipient shall monitor and furnish reports to the Association on the achievement of the Disbursement Linked Indicators, not later than March 31 of each year during the implementation of the Project (except for the first report which shall be furnished to the Association not later than August 31, 2014), in accordance with the verification protocol set out in the Project Operational Manual.

F. 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

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 Operational Manual. Each Project Report shall cover the period of one (1) calendar year, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

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. 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.

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 in accordance with the Procurement Guidelines: (a) Shopping; (b) Direct Contracting; and (c) Community Participation procedures which have been found acceptable to the Association and set forth in the Project Operational Manual.

C. Review by the Association of Procurement Decisions

Unless otherwise specified by notice by the Association, all 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 83% (inclusive of Taxes) of Eligible Expenditures.

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; or

   (b) unless and until the Recipient has: (i) furnished evidence satisfactory to the Association in accordance with the verification protocol set forth in the Project Operational Manual that the Recipient has achieved the respective DLI(s) 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 Expenditures.

2. Notwithstanding the provisions of Parts A and B.1. of this Section, the amount of the Financing to be withdrawn upon the verified achievement of any DLI shall correspond to the DLI Value of such DLI as set forth in Schedule 4 to this Agreement, adjusted for the percentage of financing specified in Part A of this Section.

3. Notwithstanding the provisions of Part B.1. of this Section, if the Association shall determine, based on the evidence furnished by the Recipient under paragraph 1 of this Part B, that any DLI 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; (b) disburse in whole or in part the amount of the Financing allocated to such DLI at any later time if and when such DLI 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; and/or (d) cancel in whole or in part any withheld amount of the Financing allocated to such DLI.

4. The Closing Date is December 31, 2018.
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 November 15, 2024 to and including May 15, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing November 15, 2034 to and including May 15, 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.
## SCHEDULE 4

### Disbursement Linked Indicators

<table>
<thead>
<tr>
<th>Results Areas:</th>
<th>DLIs with DLI Target Achievement Dates and DLI Values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>School Year 2014/15</td>
</tr>
<tr>
<td>I. Expanded Coverage of Poor Students in the Student Stipends Program</td>
<td>DLI 1. Student stipends: MoE has adopted the Student Stipends Guidelines that: (1) include clear objectives and performance indicators to be monitored against these objectives; (2) use objective criteria and clear procedures for targeting stipends funding by educational and socio-economic status; and (3) define financial management procedures.</td>
</tr>
<tr>
<td></td>
<td>DLI Value: $2,000,000</td>
</tr>
<tr>
<td>II. Improved Reliability and Transparency of School Grants</td>
<td>DLI 2. School grants: MoE has adopted the School Grants Guidelines that: (1) include clear objectives and performance indicators to be monitored against these objectives; and (2) define financial</td>
</tr>
<tr>
<td>Results Areas:</td>
<td>DLIs with DLI Target Achievement Dates and DLI Values</td>
</tr>
<tr>
<td>---------------</td>
<td>------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>School Year 2014/15</td>
</tr>
<tr>
<td></td>
<td>management procedures.</td>
</tr>
<tr>
<td>III. Improved Capacity to Implement and Monitor School Grants and Student Stipends Programs</td>
<td>DLI 3. Training program development: MoE has adopted a professional development training plan for the first year of Project implementation aimed at building capacity for township education officers, township financial management staff and school headmasters in the areas of school improvement planning, school grants and stipends program monitoring, and financial management.</td>
</tr>
<tr>
<td></td>
<td>DLI Value: $1,000,000</td>
</tr>
</tbody>
</table>
APPENDIX

Definitions


2. “Community Participation Planning Framework” and the acronym “CPPF” each means the Recipient’s framework dated March 26, 2014, setting out the measures and procedures for community consultation and participation in, and for avoiding, minimizing and/or mitigating any potential adverse social impacts arising from, the School Grants Program and the Student Stipends Program, including, inter alia, actions to be undertaken to ensure the free, prior and informed consultation of Indigenous Peoples affected by Project activities, resulting in their broad community support for such activities, and the guidelines for preparing and implementing SAs and CPPs with related public consultation, disclosure, reporting and grievance redress procedures; as said framework may be modified from time to time with the prior written approval of the Association, and such term includes any annexes and schedules to such framework.

3. “Community Participation Plan” and the acronym “CPP” each means any plan to be prepared in accordance with the CPPF, pursuant to Section I.C of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the Association, detailing the measures to be undertaken in accordance with the CPPF to avoid, minimize and/or mitigate any potential adverse effects on Indigenous Peoples or any other poor and/or vulnerable social groups associated with Project activities and to ensure culturally appropriate social and economic benefits for the Indigenous Peoples affected by such activities; as said plan may be modified from time to time with the prior written approval of the Association, and such term includes any schedules or annexes to such plan.

4. “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; and “DLIs” means, collectively, all such DLIs.

5. “DLI Target Achievement Date” means, with regard to each DLI, the end of the School Year during which the relevant DLI target is set to be achieved as set forth in the table in Schedule 4 to this Agreement.

6. “DLI Value” means the total amount of the Financing and the Grant allocated to each DLI in the table in Schedule 4 to this Agreement, as such amount may be reallocated in whole or in part by notice by the Association from time to time.

7. “Eligible Expenditures” means the reasonable cost of goods, works, non-consulting services and stipends required for the implementation of the School Grants Program, the Student Stipends Program and Ministry of Education training activities, and included in the MoE’s budget lines as set forth in the Project Operational Manual.

9. “Indigenous Peoples” means those social groups in the Recipient’s territory that have a distinct, vulnerable, social and cultural identity, and that are susceptible to being disadvantaged in the development process affected by the Project or any part thereof, and that possess the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the Project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; (d) an indigenous language; (e) having a subsistence economy, (f) using simple tools and technology, (g) having a high dependence on the environment and local natural resources, and (h) having restricted access to social, economic and political services.


12. “Project Operational Manual” 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 the implementation, monitoring, evaluation and reporting on the Project including a verification protocol containing the technical standards and arrangements and procedures for the monitoring, reporting and verification of DLIs, 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 Operational Manual.

13. “Project Steering Committee” means the committee referred to in Section I.A of Schedule 2 to this Agreement.

14. “School Grants” means grants made or to be made to schools under the School Grants Program in accordance with the School Grants Guidelines.

15. “School Grants Guidelines” means the operational guidelines to be adopted by MoE for implementation of the School Grants Program under DLI 2 and in accordance with Section I.D of Schedule 2 to this Agreement.

16. “School Grants Program” means the Recipient’s program providing operational grant funding by townships to schools.

17. “School Year” means the period from June 1 in each year to March 31 of the following year.

18. “Social Assessment” and the acronym “SA” each means any assessment to be prepared in accordance with the CPPF, pursuant to Section I.C of Schedule 2 to this Agreement, each such assessment in form and substance satisfactory to the Association, defining details of potential social risks and social impacts associated with the implementation of Project activities, and such term includes any annexes and schedules to such assessment.
19. "Student Stipends" means stipends paid or to be paid to eligible students under the Student Stipends Program in accordance with the Student Stipends Guidelines.

20. "Student Stipends Guidelines" means the operational guidelines to be adopted by MoE for implementation of the Student Stipends Program to be adopted under DLI 1 and in accordance with Section 1.D of Schedule 2 to this Agreement.

21. "Student Stipends Program" means the Recipient’s program providing stipends funding delegated by townships to schools and to parents or students.