

CONFORMED COPY

LOAN NUMBER 7698 BY

Loan Agreement

(Energy Efficiency Project)

between

REPUBLIC OF BELARUS

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated June 8, 2009

LOAN NUMBER 7698 BY

LOAN AGREEMENT

Agreement dated June 8, 2009, between REPUBLIC OF BELARUS (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank 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 - LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred twenty five million Dollars (\$125,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are April 15 and October 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

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 PMU under the EED of the State Committee of Standardization of the Borrower in accordance with the provisions of Article V 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 Bank 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 BANK

- 4.01. The Additional Event of Suspension consists of the following:
- (a) Minskenergo shall have failed to perform any of its obligations under the Minskenergo Subsidiary Loan Agreement.
- (b) Mogilevenergo shall have failed to perform any of its obligations under the Mogilevenergo Subsidiary Loan Agreement.

- (c) Any Participating Oblast shall have failed to perform any of its obligations under the respective Participating Oblast Subsidiary Loan Agreement.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Minskenergo Subsidiary Loan Agreement has been executed on behalf of the Minskenergo and the Borrower.
 - (b) The Mogilevenergo Subsidiary Loan Agreement has been executed on behalf of the Mogilevenergo and the Borrower.
 - (c) All four Participating Oblast Subsidiary Loan Agreements, satisfactory to the Bank, have been executed on behalf of the Borrower and each Participating Oblast.
- 5.02. The Additional Legal Matters consist of the following.
 - (a) The Minskenergo Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and the Minskenergo and is legally binding upon the Borrower and the Minskenergo in accordance with its terms.
 - (b) The Mogilevenergo Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and the Mogilevenergo and is legally binding upon the Borrower and Mogilevenergo in accordance with its terms.
 - (c) Each Participating Oblast Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and the Participating Oblast and is legally binding upon the Borrower and Participating Oblast in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is Deputy Prime Minister of the Borrower.

6.02. The Borrower's Address is:

Council of Ministers
House of Government
Minsk, 220010
11 Sovetskaya Street
Republic of Belarus

Facsimile:

375 17 2226665

6.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

AGREED at Minsk, Republic of Belarus, as of the day and year first above written.

REPUBLIC OF BELARUS

By: /s/ Valeriy N. Koreshkov

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Martin Raiser

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve energy efficiency in heat and power generation in selected towns of the Borrower.

The Project consists of the following parts:

Part I: Conversion of Heat-only-Boiler Plants to Combined Heat and Power Plants

Provision of technical assistance, works, goods and training for conversion of existing heat-only-boiler plants to combined heat and power plants.

Part II: Design and Consultancy

Provision of technical assistance for the design and engineering of new plants.

Part III: Project Implementation and Management

Provision of goods, technical assistance and training to the PMU to assist in the Project implementation, coordination and management.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Borrower, through the EED, with the assistance of the PMU, shall oversee the overall Project implementation and management with due diligence and efficiency.
2. The Borrower shall maintain PMU during the Project implementation with staff whose qualification and terms of reference shall be satisfactory to the Bank and resources adequate to enable it to effectively implement the Project which shall be responsible for the day-to-day management of the Project, including consolidated financial and procurement management and other Project-related tasks.
3. The Borrower, through the EED, shall cause the PMU to take actions required to ensure that the POM is applied and followed at all times in the implementation, monitoring and evaluation of the Project, and shall not assign, amend, abrogate or waive any provision of the POM without prior approval of the Bank.
4. The Borrower shall maintain the Part I Project Coordinators until completion of the Project, who shall work in close cooperation with the PMU, and be responsible for the coordination of Part I Project activities implementation.

B. Subsidiary Agreements

1. To facilitate the carrying out of the Part I of the Project, the Borrower shall make: (a) a part of the proceeds of the Loan available under a subsidiary agreement between the Borrower, through MoF, MoE, PMU, and Minskenergo under terms and conditions approved by the Bank, including those set forth in Section B.3 below (“Minskenergo Subsidiary Loan Agreement”); (b) a part of the proceeds of the Loan available under a subsidiary agreement between the Borrower, through MoF, MoE, PMU, and Mogilevenergo under terms and conditions approved by the Bank, including those set forth in Section B.3 below (“Mogilevenergo Subsidiary Loan Agreement”); and (c) a part of the proceeds of the Loan to the Participating Oblasts under a subsidiary loan agreement to be entered into between the Borrower and each Participating Oblast, under terms and conditions approved by the Bank, including those set forth in Section B.3 below (“Participating Oblast Subsidiary Loan Agreement”).
2. The Borrower shall exercise its rights under the Minskenergo Subsidiary Loan Agreement or Mogilevenergo Subsidiary Loan Agreement or Participating Oblast Subsidiary Loan Agreement, as the case may be, in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.

Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Minskenergo Subsidiary Loan Agreement or Mogilevenergo Subsidiary Loan Agreement or Participating Oblast Subsidiary Loan Agreement or any of their provisions.

3. The Borrower shall ensure that the Minskenergo Subsidiary Loan Agreement or Mogilevenergo Subsidiary Loan Agreement or Participating Oblast Subsidiary Loan Agreement, as the case may be, shall comply with the following terms and conditions:

(a) the amount of Subsidiary Loan shall be made available in Dollars;

(b) the principal amount of the Subsidiary Loan shall be repaid by Minskenergo or Mogilevenergo or Participating Oblast, as the case may be, in Dollars to the Borrower in semi-annual installments over sixteen (16) years, including a grace period of six (6) years; and

(c) interest shall be charged on the outstanding balances of the Subsidiary Loan at a prevailing rate as determined in accordance with Section 2.04 of this Agreement.

(d) Minskenergo or Mogilevenergo or Participating Oblast, as the case may be, shall carry out activities under Part I of the Project in accordance with the Anti-corruption Guidelines.

C. Anti-Corruption

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

D. Safeguards

The Borrower shall ensure that all measures necessary for the carrying out of the EMPs shall be taken in a timely manner. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the EMPs or any provision thereof.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

2. For purposes of Section 5.08 (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 Bank not later than four (4) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report 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 Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank 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 Loan 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 Loan 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 Bank 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 Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	<p>National Competitive Bidding, subject to the following additional provisions:</p> <ul style="list-style-type: none"> (i) there shall be no eligibility restrictions based on nationality of bidder and/or origin of goods; (ii) pre-qualification shall not be used for simple goods and works procurement and shall be conducted only for large works projects; (iii) entities in which the State or a State official owns a shareholding of whatever size shall not be invited to participate in tenders for the Government unless they are and can be shown to be legally and financially autonomous and they operate under commercial law; (iv) no national preferences may be applied on the basis of the origin of products or labor; (v) joint venture partners shall be jointly and severally liable for their obligations; (vi) no “participation fee” shall be required of bidders for the purchase of bidding documents. The only charge shall be equivalent to the cost of producing (copying) the bidding documents; (vii) in the evaluation of bids, bids may not be rejected where they differ substantially from the estimated prices calculated by the procuring entity, except where the bid prices exceed the available budget; (viii) rebidding shall not be carried out without prior approval of the Bank; (ix) works contracts of more than eighteen (18) months’ duration shall include appropriate price adjustment provisions; and (x) prior approval of the Bank shall be required for any modification in the contract scope and conditions during implementation.
(b)	Shopping
(c)	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 table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Quality-Based selection
(b)	Selection Under Fixed Budget
(c)	Least-Cost Selection
(d)	Selection Based on Consultant’s Qualification
(e)	Single Source Selection
(f)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultants Guidelines for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank 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 Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

	Amount of the Loan Allocated	Percentage of Expenditures to be
--	-------------------------------------	---

Category	(expressed in USD)	financed
(1) Supply and installation contracts	124,400,000	80%
(2) Consultants' services, training and audit	287,500	100%
(3) Front-end Fee	312,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	<u>125,000,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made from the Loan Account for withdrawals made prior to the date of this Agreement.
2. The Closing Date is December 31, 2014.

SCHEDULE 3**Amortization Schedule**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each April 15 and October 15 beginning October 15, 2015 through April 15, 2025	5%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable

on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX**Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Belarus Rouble” means a lawful currency of the Borrower.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “EED” means the Energy Efficiency Department of the State Standardization Committee of the Borrower which is responsible for carrying out state policies for energy savings and executing state supervision over the rational use of fuel and heat and electric energy pursuant to a Decree of the President of the Borrower No. 289, dated May 5, 2006 and a Resolution No. 981, dated July 31, 2006 of the Council of Ministers of the Borrower.
6. “EMPs” means the environmental management plan for larger sites in Borisov and Mogilev and the environmental management plan for smaller sites in Borisov, Rechitsa, Ruba and Oshmiany, approved on March 27, 2009 by the Borrower, through the EED, which sets forth agreed mitigation measures to be implemented and monitored by the Borrower under the Project.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
8. “Minskenergo” means the Minsk Republican Unitary Energy Enterprise of the Borrower established by a Resolution No. 662 dated December 6, 1995 of the Council of Ministers of the Borrower, and which is a part of the Belarus State Energy Holding under the Ministry of Energy of the Borrower.
9. “Minskenergo Subsidiary Loan Agreement” means the agreement referred to in Section I.B.1 (a) of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Minskenergo.
10. “Mogilev Subsidiary Loan Agreement” means the agreement referred to in Section I.B.1 (b) of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Mogilevenergo.
11. “Mogilevenergo” means the Mogilev Republican Unitary Energy Enterprise of the Borrower established by a Decision No.12 -6 dated May 25, 2000 of the

Mogilev Oblast Administration, and which is a part of the Belarus State Energo Holding under the Ministry of Energy of the Borrower.

12. “Participating Oblasts” means collectively the Oblasts of the Borrower selected by the Borrower and the Bank to carry out certain activities under Part I of the Project, and “Participating Oblast” means each and any such Oblast.
13. “Participating Oblast Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and each Participating Oblast, through its Oblast Executive Committee, pursuant to Section I.B.1 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Participating Oblast Subsidiary Loan Agreement.
14. “PMU” means the “Investment and Consultative Unitary Enterprise” (“Belinvestenergoberezhnie”), established in accordance with a Regulation No. 1311 of the Council of Ministers of the Borrower, dated October 3, 1997, which is responsible for the implementation and management of the Project.
15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
16. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated March 30, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. “Project Coordinators” means the Part I Project Coordinators appointed by a Decree No. 9 of the Head of the EED under the State Standardization Committee of the Borrower dated March 5, 2009 ; and by a Decree No. 2151 of the General Director of Minskenergo dated December 31, 2008; and by a Decree No. 581 of the Director General of Mogilevenergo dated September 15, 2008 and referred to in Section I.A.4 of Schedule 2 to this Agreement.
18. “Project Operational Manual” or “POM” means the manual approved by the Borrower, through EED, on March 27, 2009, describing procedures for implementation of the Project, consistent with the provisions of this Agreement and with the national laws and regulations of the Borrower and including, *inter alia*: (i) procedures governing administrative, procurement, accounting, financial management, and monitoring and evaluation arrangements; and (ii) sample formats for annual reports; as the same may be amended from time to time with the agreement of the Bank.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan 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 Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (1) of Section 7.02 is modified to read as follows:

“Section 7.02. Suspension by the Bank

... (1) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or 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 Bank or the Association.”

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.”