GRANT NUMBER D1410-3A

Financing Agreement

(Additional Financing for East African Community Financial Sector Development and Regionalization Project I)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

EAST AFRICAN COMMUNITY

Dated November 11, 2016
AGREEMENT dated November 11, 2016, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and EAST AFRICAN COMMUNITY ("Recipient" or "EAC") for the purpose of providing additional financing ("Additional Financing") for activities related to the Original Project (as defined in the Appendix to this Agreement). The Association and the Recipient 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 — GRANT

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to seven million six hundred thousand Special Drawing Rights (SDR 7,600,000) ("Grant"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Grant Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Payment Dates are January 15 and July 15 in each year.

2.05. The Payment Currency is Dollar.

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 the Secretariat 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 Association and the Recipient shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) The Treaty, the Protocol or the Monetary Union Protocol have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to carry out the Project.

(b) Any action has been taken for the dissolution, disestablishment or suspension of the operation of the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Secretary General.

6.02. The Association’s Address is:

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

Telex: Facsimile:

248423 (MCI) 1-202-477-6391
6.03. The Recipient's Address is:

East African Community Headquarters
1 EAC Close/ Afrika Mashariki Road
P.O Box 1096
Arusha,
United Republic of Tanzania

Facsimile:

(255) 272 162190
AGREED at Kinshasa, Democratic Republic of Congo, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: [Signature]

Authorized Representative

Name: Ahmaro Christopher Ndirangu

Title: Country Director

EAST AFRICAN COMMUNITY

By: [Signature]

Authorized Representative

Name: [Signature]

Title: Secretary General
SCHEDULE 1

Project Description

The objective of the Project is to establish the foundation for financial sector integration among the EAC Partner States.

The Project consists of the Original Project as modified below (emphasis added):

Part 1: Financial Inclusion and Strengthening of Market Participants

Carrying out of a program to leverage the establishment of a single market and the benefits of scale associated with regionalization to make a broader range of formal financial services/products available to a more diversified client profile, including those that are currently unserved, and to build the capacity of the market participants, entailing the provision of consultants’ services and Training required for: (i) a study on cross-regional mobile banking in the EAC; (ii) a demand and supply study on barriers to provision of, and participation by, the unbanked in non-bank services (pensions, insurance, capital markets, housing/mortgage); (iii) a study on the retail payments infrastructure and options to provide enhanced access to finance; (iv) a study on financial education issues in the EAC Partner States and the development of regional and national strategies thereon; (v) the issuance of EAC certification for institutions that operate in the areas of banking, securities, insurance, pension, and microfinance; (vi) the functioning of the Financial Services Providers Council; and (vii) provision of technical assistance to support the implementation of reforms related to, inter alia: (A) financial education issues in the EAC Partner States and the development of regional and national strategies thereon; (B) retail payments interoperability and options to provide enhanced access to finance; and (C) an EAC certification program for professionals working in the banking and insurance sectors.

Part 2: Harmonization of Financial Laws and Regulations

Carrying out of a program to transition towards legal and regulatory harmonization in banking and accounting, securities markets, insurance, pensions, payment systems and investment funds critical to achieve an effective functioning of a single market in financial services through the enactment of EAC acts, encompassing the provision of consultants’ services required for: (i) the establishment and operation of a task force at the Secretariat to formulate, on behalf of the Recipient, legal and regulatory bills on microfinance, SACCOs, branchless banking, banking and accounting, securities markets, insurance, pensions, payment systems and investment funds; (ii) thereafter, the development and finalization of the bills thereon for submission to the consideration of the Council of Ministers; and (iii) (A) the development of draft legal instruments regarding securities markets, pensions and insurance for submission to the consideration of the Council of Ministers; and (B) the provision of technical assistance to support the implementation by EAC Partner States of recommendations from international standards assessments relating to best practices for financial market functioning.
Part 3: Mutual Recognition of Supervisory Agencies

Establishment of a regional passporting system for financial institutions and market intermediaries, through the development and implementation of comprehensive action plans aimed to achieve effective supervision of financial institutions and capital market intermediaries, and including the provision of consultants’ services required: (i) to assist a task force at the Secretariat in the review and analysis of the compliance by the financial sector regulatory agencies in the EAC Partner States with the international principles of regulation and supervision in banking (BCP), securities (promoted by IOSCO), pension (promoted by IOPS), and insurance (promoted by IAIS); (ii) to carry out periodic assessments of compliance by the financial sector regulatory agencies in the EAC Partner States with international principles of regulation and supervision in banking, securities, pension, and insurance; and (iii) to elaborate multi-year action plans for the financial sector regulatory agencies in the EAC Partner States to achieve compliance with the international principles of regulation and supervision in banking, securities, pension, and insurance.

Part 4: Integration of Financial Market Infrastructure

Carrying out of a program to set the basis for an efficient regional financial market infrastructure necessary for the creation of the regional financial market in the EAC, and encompassing the provision of consultants’ services and goods necessary for: (i) the integration and upgrading of the RTGS; (ii) the carrying out of media campaigns to sensitize the population on use of electronic means of payment; (iii) the establishment of a regional CSD; (iv) the carrying out of the review of the governance, ownership, and source capital of the proposed EAC PPP framework for the CSD; (v) the acquisition and development of a regional CSD platform; (vi) the carrying out of the demutualization of the stock exchanges; (vii) the adoption of a regional ATS platform; (viii) the carrying out of a study on the implementation of a regional TRS for OTC trades; (ix) the development of an EAC regional trade finance legal and regulatory enforcement framework; and (x) the carrying out of a study on the opportunities and barriers to the development of a regional commodities/futures market in the EAC.

Part 5: Development of the Regional Bond Market

Carrying out of a program aimed to support the emergence of an integrated market in financial services, through the development of the government bond market in each EAC Partner State and the establishment of a government bond yield curve with liquid benchmarks to serve as a reference for the pricing of non-government debt securities, including the provision of consultants’ services required for: (i) the elaboration and implementation of a government bond market development strategy in one or more EAC Partner States; and (ii) the development of a primary and secondary market for non-government bond market.
Part 6: Institution Building

Carrying out of a program aimed: (i) to create capacity for regional policy formulation and coordination at the level of the Secretariat, including for supporting the preparation of EAC acts and regulations by the EAC authorities; (ii) to strengthen financial sector supervisory capacity in EAC Partner States in addition to the support provided by national-level projects, through the financing of Operational Costs and the provision of consultants' services, goods and Training to the EAC Secretariat and the structures within the Council of Ministers to assist them in the undertaking of the Project activities, and including: (A) the strengthening of the Secretariat at the EAC with respect to the coordinating reforms aimed at creating a single market financial services sector; (B) the establishment, within the said Secretariat, of a PAT; and (C) provision of support for national-level capacity building, including supplementing of legal drafting resources, strengthening of financial skills by the delivery of capacity building curriculum at the School of Finance and Banking in Kigali and the Light University of Bujumbura, and the strengthening of the regulatory institutions and market participants in the EAC Partner States; (iii) (A) at capacity building for end-users in the use of the EAC’s capital markets infrastructure information technology system; and (B) development of a standardized statistics database for mapping intra-regional financial flows; and (iv) provision of support for Project management (including financial and procurement management), implementation and coordination.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Secretariat

   (a) The Secretariat shall be responsible for the overall implementation of the Project. For such purposes, the Recipient shall ensure the Secretariat is provided at all times the financial and human resources suitable to enable it to carry out its responsibilities under the Project. In particular, the Secretariat shall: (i) act as the operational link between the Association and each of the EAC Partner States; (ii) be responsible for the procurement and financial management of the Project; and (iii) prepare the AWP&Bs in accordance with the provisions of paragraph D of this Section I.

   (b) The Recipient shall ensure the Project Manager is maintained throughout Project implementation within the Secretariat under terms of reference satisfactory to the Association and with the responsibility of managing all aspects of Project implementation in accordance with the provisions and guidelines set forth in the Project Operation Manual.

2. Steering Committee

   The Recipient shall maintain, throughout the implementation of the Project, the Steering Committee vested with the responsibility to provide overall guidance and oversight over Project implementation. The Steering Committee shall be composed of senior representatives from the Secretariat and from the EAC Partner States, including from the ministries of finance, ministries of East African cooperation, central banks, and securities, insurance, and pension funds regulatory agencies.

3. Executive Committee

   The Recipient shall maintain, throughout the implementation of the Project, the Executive Committee composed of representatives of the Secretariat and the Steering Committee at the deputy or director level, to ensure overall supervision of the Project operations, in particular the execution of the financial management, procurement, accounting functions, and monitoring and evaluation of performance by the Project Administration Team of the functions vested to it under the Project.
4. **Project Administration Team**

The Recipient shall maintain, throughout the implementation of the Project, the Project Administration Team (PAT) within the Secretariat, to be responsible for coordinating the implementation of Project activities, and financial management, procurement, and monitoring and evaluation for the Project. The Project Administration Team shall report to the Project Manager.

**B. Anti-Corruption**

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

**C. Project Operation Manual**

The Recipient, through the Secretariat, shall: (i) take all action required to carry out the Project in accordance with the provisions and requirements set forth or referred to in the Project Operation Manual; (ii) submit recommendations to the Association for its consideration for changes and updates of the Project Operation Manual as they may become necessary or advisable during the operation of the Project in order to achieve the objective of the Project; and (iii) not assign, amend, abrogate or waive the Project Operation Manual or any of its provisions without the Association’s prior agreement. Notwithstanding the foregoing, if any of the provisions of the Project Operation Manual is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail and govern.

**D. Annual Work Program and Budget (AWP&B)**

The Recipient, through the Secretariat, shall:

(a) prepare a draft AWP&B for each Fiscal Year, setting forth, *inter alia*: (i) a detailed description of planned activities for the Project for the Fiscal Year; (ii) the sources and uses of funds therefor; and (iii) responsibility for execution of said Project activities, budgets, start and completion date, outputs, and monitoring indicators to track progress of each activity;

(b) not later than November 30 immediately prior to each such Fiscal Year, furnish to the Association for its comments and approval, the draft AWP&B for such Fiscal Year and, promptly thereafter, finalize the AWP&B taking into account the Association’s views and recommendations thereon; and
E. Training under the Project

For the purposes of the Training to be financed under the Project, the Recipient shall:

(a) furnish to the Association for its approval, not later than January 31 of each year, a training or workshop program including an explanation of how such training or workshop is consistent and conducive to the objectives of the Project and whether it offers the best price/quality ratio, as well as the schedule for its implementation;

(b) select the trainees or attendees in accordance with a transparent process and criteria satisfactory to the Association; and

(c) furnish to the Association a report of such scope and detail as the Association shall reasonably request, on the results of each training and workshop the benefits to be derived there from.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient, through the Secretariat, 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 Monitoring and Evaluation Indicators. Each Project Report shall cover the period of one (1) calendar month, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

2. 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 five (5) months after the Closing Date.

B. Mid-Term Review

The Recipient, through the PAT, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring and Evaluation Indicators, the carrying out of the Project and the achievement of the objective thereof;
prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 31, 2018, a report integrating the results of the monitoring and evaluation activities and setting out the measures recommended to ensure the efficient carrying out of the Project and achievement of the objective thereof during the period following such date; and

review with the Association, on or about April 30, 2018, or such later date as the Association shall request, the report referred to in the preceding paragraph (b), and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

C. Financial Management, Financial Reports and Audits

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

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, 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 of the Recipient. 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. All goods required for the Project and to be financed out of the proceeds of the Grant 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 Grant 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**

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

2. **Other Methods of Procurement of Goods.** The following methods, other than International Competitive Bidding, may be used for procurement of goods 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 Grant**

A. **General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including
the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts 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 Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants’ services, Training and Operational Costs for Parts 1(vii), 2(iii), 6 of the Project</td>
<td>7,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>7,600,000</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 eight hundred thousand Special Drawing Rights (SDR 800,000) may be made for payments made prior to this date but on or after September 30, 2016.

2. The Closing Date is September 30, 2019.
APPENDIX

Section I. Definitions

1. "Annual Work Plan and Budget" and "AWP&B" mean the annual work plan and budget to be prepared on an annual basis by the Secretariat (as hereinafter defined).


3. "ATS" means an automated trading system, a computer trading program that automatically submits trades to an exchange.

4. "BCP" means the 2006 version of the Core Principles for Effective Banking Supervision, known as the Basel Core Principles, issued by the Basel Committee on Banking Supervision in 1997, used by countries as benchmark for assessing the quality of their supervisory systems and for identifying future work to be done to achieve a baseline level of sound supervisory practice.

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


7. "Council of Ministers" means the Recipient’s Council of Ministers, the policy organ of the Recipient established and functioning pursuant to the provisions, respectively, of Articles 9.1(b) and 14 of the Treaty (as hereinafter defined).

8. "CSD" means the Central Securities Depository, an organization holding securities either in certified or dematerialized form, to enable book entry transfer of securities.

9. "EAC Partner States" mean collectively the states-parties signatories of the Arusha Treaty for the Establishment of the East African Community (1999), namely the Republic of Burundi, the Republic of Kenya, the United Republic of Tanzania, the Republic of Rwanda, the Republic of Uganda, and such other countries that may become signatories to the said Treaty, and in whose territories the Project is carried out; and "EAC Partner State" refers separately and individually to each and any of such EAC Partner States.

10. "Executive Committee" means the committee referred to in paragraph 3 of Section I.A of Schedule 2 to this Agreement.
11. "Financial Services Providers Council" means the council to be organized by the Recipient to provide a forum for public-private dialogue on regional financial integration.

12. "Fiscal Year" means the twelve (12) month period corresponding to any of the Recipient’s fiscal years, which period commences on July 1 and ends on June 30 in each calendar year.

13. "General Conditions" means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

14. "IAIS" means the International Association of Insurers Supervisors, an association that represents insurance supervisory authorities from over one hundred ninety jurisdictions and which develops international standards for insurance supervision, provides training to its members, and fosters cooperation between insurance regulators, as well as forging dialogue between insurance regulators and regulators in other financial and international sectors.

15. "IOPS" means the International Organization of Pension Supervisors, an independent international body representing those involved in the supervision of private pension arrangements.

16. "IOSCO" means the International Organization of Securities Commissions, an association of organizations that regulate the world’s securities and futures markets.


18. "Monitoring and Evaluation Indicators" means the agreed monitoring and evaluation indicators set forth in the Project Operation Manual (as hereinafter defined) to be utilized by the Recipient to measure the progress in the implementation of the Project and the degree to which the objectives thereof is being achieved.


20. "Original Project" means the Project described in Schedule I to the Original Financing Agreement.
21. "Operational Costs" means the expenditures incurred to finance the cost of the administrative support to be provided under Part 6 of the Project to the Secretariat, and including: (i) office furniture and equipment; (ii) equipment maintenance and insurance; (iii) public utilities and communication technology (including, without limitation, internet and telephone); (iv) building security and maintenance; (v) translation services, photocopies and publications; (vi) office supplies; and (vii) audits.

22. "OTC" means over the counter or off-exchange trading, trade of financial instruments such as stocks, bonds, commodities or derivatives directly between two parties.

23. "PPP" means a public-private partnership, a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.


25. "Procurement Plan" means the Recipient's procurement plan for the Project, dated August 18, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

26. "Project Administration Team" and "PAT" mean the team referred to in paragraph 4 of Section I.A of Schedule 2 to this Agreement.

27. "Project Manager" means the person appointed by the Recipient's Secretary General for that position and referred to in paragraph 1(b) of Section I.A of Schedule 2 to this Agreement.

28. "Project Operation Manual" means the Recipient's set of guidelines and procedures to be adopted by the Recipient through the Secretariat (as hereinafter defined), applicable for the purpose of implementing the Project, including in the areas of monitoring and evaluation, coordination, financial management (including financial, administrative and accounting procedures, procurement, internal controls and audits), and other provisions related to the institutional organization of the Project, as such guidelines and procedures may be amended from time to time with the prior written agreement of the Association.

30. "RTGS" means real time gross settlement systems, funds transfer systems where transfer of money or securities takes place from one bank to another on a "real time" and on "gross" basis.

31. "SACCO" means savings and credit co-operatives.

32. "Secretariat" means the executive organ of the Recipient established pursuant to the provisions of Articles 9.1(g) and 66 of the Treaty (as hereinafter defined).

33. "Steering Committee" means the committee referred to in paragraph 2 of Section I.A of Schedule 2 to this Agreement.

34. "Training" means the expenditures incurred to finance the cost of the meetings and the training and workshops to be provided and/or received under Parts 1(vi), 1(vii), and 6 of the Project, and including: (i) per diem and travel expenses of the attendees, training instructors (trainers) and/or training participants (trainees); (ii) educational equipment and materials for display (including, without limitation, television, projector); (iii) training and/or workshop fees and other reasonable and ancillary costs for attending the meetings, training and/or workshop; and (iv) organization and coordination, training facilities, and communication and marketing costs related to the meetings, training and/or workshop events.


36. "TRS" means trade reporting system.

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Section 2.06 is modified to read as follows:

   "Section 2.06. Financing Taxes

   The use of any proceeds of the Grant to pay for Taxes levied by, or in the territory of, the Member Country on or in respect of Eligible Expenditures, or on their importation, manufacture, procurement or supply, if permitted by the Financing Agreement, is subject to the Association's policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Grant specified in the Financing Agreement, as required to ensure consistency with such policy of the Association."
2. Sections 3.03, 3.04 and 3.08 are deleted in their entirety, and Sections 3.05, 3.06, 3.07, 3.09 and 3.10 are re-numbered, respectively, as Sections 3.03, 3.04, 3.05, 3.06 and 3.07.

3. Paragraphs (b) and (c) of the newly re-numbered Section 3.07 are modified to read as follows:

"(b) All Financing Payments shall be paid without restrictions of any kind imposed by, or in the territory of, the Member Country, and without deduction for, and free from, any Taxes levied by, or in the territory of, the Member Country.

(c) The Legal Agreements shall be free from any Taxes levied by, or in the territory of the Member Country, or in connection with their execution, delivery or registration."

4. In Section 4.11, paragraph (a) is modified to reads as follows:

"Section 4.11. Visits

(a) The Recipient shall take all action necessary or useful to ensure that the Member Country affords all reasonable opportunity for representatives of the Association to visit any part of their territories for purposes related to the Grant or the Project."

5. Section 5.01 is modified to read as follows:

"Section 5.01. Financial and Economic Data

The Recipient shall furnish to the Association all such information as the Association shall reasonably request with respect to its financial condition."

6. Section 6.02 is modified as follows:

(a) Paragraph (j) on Membership is modified to read as follows:

"(j) Membership. The Member Country or any member of the Recipient: (i) has been suspended from membership in or ceased to be a member of the Association; or (ii) has ceased to be a member of the International Monetary Fund."

(b) Paragraph (m) is renumbered as paragraph (n), and a new paragraph (m) is added to read as follows:

"(m) Interference. The Member Country: (i) has taken or permitted to be taken any action which would prevent or interfere with the
execution of the Project or the performance by the Recipient of its obligations under the Financing Agreement; or (ii) has failed to afford a reasonable opportunity for representatives of the Association to visit any part of its territory for purposes relating to Grant or the Project.”

7. Paragraph (a) of Section 8.01 is modified to read as follows:

“(a) The execution and delivery of each Legal Agreement on behalf of the Recipient which is a party to such Legal Agreement have been duly authorized by all necessary corporate action.”

8. The Appendix (Definitions) is modified as follows:

(a) Paragraph 29 is modified to read as follows:

“29. “Foreign Expenditure” means an expenditure in the Currency of any country other than the Member Country for goods, works or services supplied from the territory of any country other than the Member Country.”

(b) Paragraph 33 is modified to read as follows:

“33. “Local Expenditure” means an expenditure: (a) in the Currency of the Member Country; or (b) for goods, works or services supplied from the territory of the Member Country; provided, however, that if the Currency of the Member Country is also that of another country from the territory of which goods, works or services are supplied, an expenditure in such Currency for such goods, works or services shall be deemed to be a Foreign Expenditure.”

(c) A new paragraph 34 with the definition of Member Country is added to read as follows, and the subsequent paragraphs are renumbered accordingly:

“34. “Member Country” means the member of the Association in whose territory the Project is carried out or any such member’s political or administrative subdivisions. If such activity is carried out in the territory of more than one such member, “Member Country” refers separately to each such member.”

(d) Renumbered paragraph 46 is modified to read as follows:

“46. “Recipient” means the party to the Financing Agreement to which the Grant is extended.”