Financing Agreement

(Social Safety Nets Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 2, 2008
FINANCING AGREEMENT

AGREEMENT, dated November 2, 2008, entered into between NEPAL ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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 the Appendix to this Agreement.

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 and a grant (collectively, "Financing") in the following amounts to assist in financing the project described in Schedule 1 to this Agreement ("Project"):  

(a) an amount equivalent to one million seven hundred thousand Special Drawing Rights (SDR 1,700,000) ("Credit"); and

(b) an amount equivalent to eight million nine hundred thousand Special Drawing Rights (SDR 8,900,000) ("Grant").

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

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are January 15 and July 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 Dollars.

ARTICLE III - PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out: (i) Part 1 of the Project through MOLD and in partnership with WFP; (ii) Part 2 of the Project through DOA; and (iii) Part 3 of the Project through MOLD and DOA; all in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV – EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) The FPCR TF 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 and the IWRMP Additional Financing Agreement) have been fulfilled.

(b) The IWRMP Additional Financing 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 and the FPCR TF Grant Agreement) have been fulfilled.

(c) The Project Implementation Manual has been prepared in form and substance satisfactory to the Association.

(d) The Subsidiary Grant Agreement, in form and substance acceptable to the Association, has been executed and delivered on behalf of the Recipient and WFP.

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 the Secretary, Ministry of Finance.

5.02. The Recipient’s Address is:

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu
Nepal

Facsimile:

(977-1) 4211-164

5.03. The Association’s Address is:

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

Cable: Telex: Facsimile:

INDEVAS 248423 (MCI) 1-202-477-6391
AGREED at Kathmandu, Nepal, as of the day and year first above written.

NEPAL

By /s/ Rameshore Prasad Khanal

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Susan Goldmark

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to ensure access to food and basic needs for vulnerable households in the short term in Food Insecure Districts.

The Project consists of the following parts:

Part 1: Food-for-Work Programs

(a) Provision of food and basic needs to vulnerable households in Food Insecure Districts through the following programs to be implemented in partnership with WFP: (i) a rural community infrastructure works program consisting, inter alia, of construction of dry-season community roads and foot/mule trails; and (ii) a food for critical infrastructure and livelihood support program consisting, inter alia, of micro-irrigation, drinking water schemes, small rural market sheds/centers, community/village buildings and similar works, and support of small-scale enterprise projects such as cultivation of medicinal and aromatic plants and high value cash crops.

(b) Carrying out a program of compensation, resettlement and rehabilitation of Displaced Persons under Part 1(a) of the Project.

Part 2: Support for Fertilizer and Seeds Use in Remote Areas

Activities aimed at improving the use of fertilizer by farmers in remote areas, including: (i) provision of transport subsidy payments for fertilizer and seeds; and (ii) data collection, monitoring and targeting activities to ensure small farmers are getting the subsidized fertilizer (including the design and piloting of a voucher scheme for poor farmers and farmer sensitization on the proper use of fertilizer).

Part 3: Project Implementation Support; Evaluation of Existing Cash Transfer Programs

(a) Activities aimed at improving Project coordination, implementation, monitoring and evaluation, including: (i) independent monitoring and beneficiary assessments to evaluate the impacts of the activities under the Project; and (ii) capacity building activities, training and technical assistance for district- and village-level administrative officials.

(b) Detailed evaluation and analysis of existing cash transfer programs to identify specific actions for strengthening the current social assistance programs, including: (i) review of the existing program administration
system (including targeting, recordkeeping, payments, staffing and skills); and (ii) design of an improved program administration (including assessing the current targeting systems and payment methods).
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Subsidiary Grant Agreement

1. To facilitate the carrying out of certain activities under Part 1 of the Project by WFP, the Recipient shall make part of the proceeds of the Financing available to WFP under a subsidiary grant agreement between the Recipient and WFP, with terms and conditions satisfactory to the Association (“Subsidiary Grant Agreement”).

2. The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any of its provisions.

B. Project Steering Committee (PSC)

The Recipient shall establish by November 30, 2008 and thereafter maintain, the Project Steering Committee (PSC) with functions and composition satisfactory to the Association, including without limitation, representatives of NPC, MOF, MOAC, MOLD, and DOA.

C. Project Implementation Team (PIT)

1. The Recipient shall establish by November 30, 2008 and thereafter maintain, the Project Implementation Team (PIT) with an adequate number of key professionals with skills, qualifications, experience and terms of reference satisfactory to the Association, including without limitation: (i) a Project Manager; (ii) an Engineer; (iii) a Section Officer; (iv) an Overseer; and (v) an Accounts Officer.

2. The Recipient shall ensure that the key staff in the PIT listed in Paragraph 1 above are not transferred to other positions during the period of Project implementation (and in the case of the Accounts Officer, until six (6) months following the Closing Date or until the submission of the final audited Financial Statements to the Association pursuant to Section II of Schedule 2 to this Agreement, whichever occurs later), except with prior notice to the Association and as required by the applicable laws of the Recipient.
D. Project Implementation Manual

The Recipient shall implement the Project in accordance with the provisions of the Project Implementation Manual.

E. Food-for-Work Programs under Part 1 of the Project

The Recipient shall ensure that Part 1 of the Project is carried out in accordance with the provisions of: (i) the Rural Community Infrastructure Works Program Guidelines; and (ii) the Food for Critical Infrastructure and Livelihood Support Program Guidelines.

F. Transport Subsidies under Part 2 of the Project

The Recipient shall implement Part 2 of the Project in accordance with the provisions of the Implementation Guidelines of Seeds and Fertilizers.

G. Environmental and Social Management Frameworks

The Recipient shall implement the Project in accordance with the provisions of: (i) the RAIDP Environmental and Social Management Framework (for rural community infrastructure works); and (ii) the IWRMP Social and Environmental Management Framework (for irrigation and drinking water schemes and related works).

H. Anti-Corruption

Except as the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

I. Annual Work Program and Budget (AWPB)

1. The Recipient shall: (i) at least sixty (60) days prior to the beginning of each Fiscal Year, prepare and furnish to the Association a proposed Annual Work Program and Budget (AWPB) for each of MOLD and DOA for such Fiscal Year; and (ii) afford the Association a reasonable opportunity to discuss each such AWPB with the Recipient prior to submitting it for final governmental approval.

2. Without limitation on Paragraph 1 above, the Recipient shall ensure that the total project costs set forth in each such AWPB include activities to be funded by the Recipient in amounts satisfactory to the Association.
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 agreed with the Association. Each Project Report shall cover the period of one (1) Fiscal Year trimester, and shall be furnished to the Association not later than forty-five (45) days 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 Fiscal Year trimester, interim un-audited financial reports for the Project covering the Fiscal Year trimester, 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 and Works. All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraphs 2 and 3 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **National Competitive Bidding.** Except as otherwise provided in paragraph 3 below, goods and works estimated to cost less than $500,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding in accordance with the provisions of the Public Procurement Act (and regulations made thereunder), subject to the following:
   
   (i) Only the bidding documents approved by the Association shall be used.

   (ii) No preference shall be given to any bidder.

3. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding and National Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Shopping</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
<tr>
<td>(c) Community Participation procedures acceptable to the Association</td>
</tr>
</tbody>
</table>

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 and using only the request for proposal (RFP) documents approved by the Association.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection,
which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least-Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e) Single-Source Selection</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Credit and of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR)</th>
<th>Amount of the Grant Allocated (Expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (Inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works and services under Part 1 of the Project (incurred by WFP)</td>
<td></td>
<td>7,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Payments for transportation of fertilizer and seeds under Part 2 of the Project</td>
<td></td>
<td>1,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods and services under Parts 1, 2 and 3 of the Project (except for payments under Categories (1) and (2) above) and Incremental Operating Costs</td>
<td>1,700,000</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,700,000</td>
<td>8,900,000</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:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 1,600,000 equivalent may be made for payments made prior to this date but on or after August 15, 2008, for Eligible Expenditures under Category (1); and

   (b) for payments under Category (2), unless the Recipient has prepared the Implementation Guidelines of Seeds and Fertilizers, in form and substance satisfactory to the Association.

2. The Closing Date is September 30, 2011.
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 January 15 and July 15:</td>
<td></td>
</tr>
<tr>
<td>commencing January 15, 2019 to and including July 15, 2028</td>
<td>1%</td>
</tr>
<tr>
<td>commencing January 15, 2029 to and including July 15, 2048</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Annual Work Program and Budget” or “AWPB” means each Annual Work Program and Budget to be prepared for each Fiscal Year by MOLD or DOA, as the case may be, and setting forth, inter alia, activities planned under its work program for the Project and estimated costs for such activities.


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


5. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.

6. “DOA” means the Department of Agriculture within MOAC, or any successor thereto.

7. “Fiscal Year” or “FY” means the twelve (12)-month period corresponding to any of the Recipient’s fiscal years, which period commences and ends in mid-July of each calendar year.

8. “Food for Critical Infrastructure and Livelihood Support Program Guidelines” means the Food for Critical Infrastructure and Livelihood Support Program Guidelines included in the Protracted Relief and Recovery Operations Activity Guidelines of 2008, setting forth, inter alia, details of principles, guidelines, criteria, procedures and timetables required for the implementation of the food for critical infrastructure and livelihood support program under Part 1 of the Project, including the program delivery and monitoring arrangements and the roles and responsibilities of the various agencies involved in the execution of the program.
9. “Food Insecure Districts” means the districts identified in the Project Implementation Manual as the districts in which the activities under the Project shall be carried out.

10. “FPCR TF Grant Agreement” means the grant agreement dated the same date as this Agreement, between the Recipient and the Association acting as administrator of the Food Price Crisis Response Trust Fund, providing a grant in support of the Project, as such grant agreement may be amended from time to time (FPCR TF Grant No. TF093058). “FPCR TF Grant Agreement” includes all appendices, schedules and agreements supplemental to the FPCR TF Grant Agreement.

11. “General Conditions” means the “International Development Association General Conditions for Credits and Grants” dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.

12. “Implementation Guidelines of Seeds and Fertilizers” means the Implementation Guidelines of Seeds and Fertilizers to be prepared by the Recipient and referred to in Sections I and IV of Schedule 2 to this Agreement, setting forth, inter alia, details of implementation arrangements for the payment of transport subsidies for seeds and fertilizer, as the same may be amended from time to time with the agreement of the Association.

13. “Incremental Operating Costs” means: (i) expenditures incurred by MOLD, DOA or another agency or entity engaged in implementation of the Project for the operation and maintenance of facilities, equipment and vehicles used for Project implementation, including, without limitation, office rental, vehicle rental, fuel, routine repair and maintenance of equipment, vehicles and office premises, communication costs, use of internet costs, stationeries and other office supplies, and costs of translation, printing, photocopying and advertising; (ii) transportation costs and subsistence allowances for staff of any such agency or entity in travel status for Project implementation; and (iii) salaries and allowances of incremental staff assigned to any such agency or entity for Project implementation but excluding salaries of the Recipient’s civil servants.

14. “IWRMP Additional Financing Agreement” means the financing agreement dated the same date as this Agreement, between the Recipient and the Association, providing an additional financing in support of the Irrigation and Water Resources Management Project, as such financing agreement may be amended from time to time (Credit No. 4515-NP). “IWRMP Additional Financing Agreement” includes all appendices, schedules and agreements supplemental to the IWRMP Additional Financing Agreement.
15. “IWRMP Social and Environmental Management Framework” means the Social and Environmental Management Framework prepared for the Irrigation and Water Resources Management Project and described in the Financing Agreement between the Recipient and the Association dated January 31, 2008, for such project (Grant Number H338-NEP), which shall also be used for the Project, as the same may be amended from time to time with the agreement of the Association.

16. “MOAC” means the Recipient’s Ministry of Agriculture and Cooperatives, or any successor thereto.

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

18. “MOLD” means the Recipient’s Ministry of Local Development, or any successor thereto.

19. “NPC” means the Recipient’s National Planning Commission, or any successor thereto.

20. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.

21. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 12, 2008, 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.

22. “Project Implementation Manual” means the Project Implementation Manual prepared by the Recipient pursuant to Section 4.01 of this Agreement, setting forth, inter alia, details of principles, guidelines, criteria, procedures and timetables required for the implementation of the Project, including the administrative, operational, procurement, financial management, monitoring and evaluation, and project and financial reporting arrangements, as the same may be amended from time to time with the agreement of the Association.

23. “Project Implementation Team” or “PIT” means the Project Implementation Team to be established and maintained in MOLD pursuant to Section I of Schedule 2 to this Agreement and responsible for, inter alia, planning, implementing, coordinating, supervising, and monitoring and evaluating activities to be carried out under the Project.

24. “Project Steering Committee” or “PSC” means the Project Steering Committee to be maintained pursuant to Section I of Schedule 2 to this Agreement and responsible for, inter alia, providing overall policy guidance for the Project,
facilitating coordination among governmental agencies, institutions and other stakeholders.


26. “RAIDP Environmental and Social Management Framework” means: (i) the Environmental and Social Management Framework prepared for the Rural Access Improvement and Decentralization Project and described in the Development Grant Agreement between the Recipient and the Association dated August 1, 2005 for such project (Grant Number H171-NEP), which shall also be used for the Project; and (ii) updates thereto to be prepared by the Recipient to include additional provisions specific to the implementation of the Project; as the same may be amended from time to time with the agreement of the Association.

27. “Rural Community Infrastructure Works Program Guidelines” means the Rural Community Infrastructure Works Program Guidelines, Program Implementation Procedure of September 2004, setting forth, *inter alia*, details of principles, guidelines, criteria, procedures and timetables required for the implementation of the rural community infrastructure works program under Part 1 of the Project, including the program delivery and monitoring arrangements and the roles and responsibilities of the various agencies involved in the execution of the program.

28. “Subsidiary Grant Agreement” means the agreement referred to in Part A of Section I of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to WFP.


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

The modifications to the General Conditions are as follows:

1. Section 2.07 is modified to read as follows:

   “Section 2.07. Refinancing Preparation Advance

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

2. Paragraph (l) of Section 6.02 is modified to read as follows:

“Section 6.02. Suspension by the Association

(l) Ineligibility. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”