

**CONFORMED COPY**

**CREDIT NUMBER 4807- NI**

# **Financing Agreement**

**(Public Financial Management Modernization Project)**

**between**

**REPUBLIC OF NICARAGUA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated December 9, 2010**

**CREDIT NUMBER 4807- NI**

**FINANCING AGREEMENT**

AGREEMENT dated December 9, 2010, entered into between REPUBLIC OF NICARAGUA (“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 in an amount equivalent to six million six hundred thousand Special Drawing Rights (SDR 6,600,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 April 15 and October 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 U.S. 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 the Project, through MHCP, 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 — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following, namely that the Procurement Law has been amended, suspended, abrogated, repealed or waived so as to render its Article 3(f) ineffective, in the opinion of the Association, and no provision analogous to such Article 3(f) has been adopted to replace said provision.
- 4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in Section 4.01 of this Agreement occurs.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Co-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) have been fulfilled or adequate funds, in the opinion of the Association, have been made available by the Recipient or by other sources acceptable to the Association to finance Part 2 (a)(ii) of the Project.
- 5.02. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Association's approval of the Credit which expire on June 7, 2012.

- 5.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement shall terminate is twenty years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is its Minister of Finance and Public Credit.

- 6.02. The Recipient's Address is:

Ministerio de Hacienda y Crédito Público  
Avenida Bolívar, Frente a la Asamblea Nacional  
Managua, Nicaragua

Facsimile: + (505) 2222-3033

- 6.03. 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 Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF NICARAGUA

By /s/ Alberto José Guevara Obregón

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Laura Frigenti

Authorized Representative

## SCHEDULE 1

### Project Description

The objective of the Project is to enhance the efficiency, performance orientation, and transparency of the Recipient's public expenditures management.

The Project consists of the following parts:

#### **Part 1: Strengthening of Institutional Capacities of the MHCP**

Financing of technical assistance, training, non-consultant services, goods and operating costs to:

- (a) enhance the MHCP's budgeting subsystem, through, *inter alia*: (i) the redefinition of budgeting functions for the New PFMIS; (ii) the strengthening of the MHCP's capacity to gather, integrate and consolidate information from municipal budgets; and (iii) the strengthening of the MHCP's capacity to produce, interpret and publish fiscal statistics;
- (b) strengthen the MHCP's accounting subsystem, through, *inter alia*: (i) the redefinition of accounting functions for the New PFMIS and the support of its adaptation and implementation; (ii) the development of new accounting classifications according to international standards and the preparation of necessary manuals and guidelines for their dissemination, and the provision of training on said accounting classifications; (iii) the review and improvement of standards and quality of existing financial statements of the Recipient; and (iv) the preparation of technical and functional specifications for the Recipient's asset management subsystem and the registration of assets for the Recipient's inventories;
- (c) strengthen the MHCP's treasury subsystem, through, *inter alia*: (i) the redefinition of treasury management functions for the New PFMIS and the support of its adaptation and implementation; (ii) the review and analysis of specifications for the registration and integration of revenue management information into the operations of a single treasury account for the Recipient's agencies within the central administration; (iii) the promotion of gradual de-concentration of payment functions and implementation of a single treasury account in the Recipient's agencies within the central administration; and (iv) the provision of training to the Recipient's treasury office's personnel in topics related to cash programming, placement, and administration of debt;
- (d) strengthen the MHCP's public credit subsystem to implement and monitor the Recipient's national public debt strategy, through, *inter alia*: (i) the acquisition and adaptation of a new software version for the Recipient's debt management

system and the development of its interface with the Existing PFMIS and the New PFMIS; (ii) the provision of technical assistance and training for the implementation of the new software version mentioned in (i) herein; (iii) the analysis and evaluation of the existing public debt portfolio and development of an updated public debt strategy; and (iv) the provision of training to personnel in debt management-related topics;

- (e) strengthen and integrate the Recipient's procurement system, through, *inter alia*: (i) the redefinition of public procurement functions and the development of technical specifications for the integration of the Recipient's public procurement system into the New PFMIS; (ii) the support of the implementation of initiatives to optimize procurement practices; and (iii) the enhancement of the MHCP's procurement office technical capabilities and the provision of specialized training to its personnel;
- (f) strengthen the MHCP's civil service system, through, *inter alia*: (i) the redefinition of human resource management functions and the development of technical specifications for the integration of the Recipient's civil service information system into the New PFMIS, and the support of its adaptation and implementation; (ii) the development of cross-checking mechanisms to validate personnel information with other related data bases (including the tax payers registration and the national personal identification systems); (iii) the implementation of the post classification and personnel performance evaluation modules under the Recipient's civil service information system; and (iv) the training of personnel in the MHCP's civil service office to operate new functions of the civil service information system and interface said functions with the New PFMIS;
- (g) strengthen the Recipient's National Public Investment System, through, *inter alia*: (i) the redefinition of the Recipient's national public investment system and the development of technical specifications for said system integration into the New PFMIS and the support of its adaptation and implementation; (ii) the design of instruments and mechanisms to enhance the quality of public investment projects; (iii) the design, development and implementation of a public investment transparency portal to facilitate broad dissemination and monitoring of public investment projects of the Recipient; and (iv) the update and the dissemination of a specialized training program to the Recipient's personnel on public investment projects' preparation, evaluation, and implementation; and
- (h) strengthen the MHCP's internal audit office, through, *inter alia*: (i) the design and development of internal auditing manuals and guidelines with specific procedures for the auditing of each of the public financial management system modules; (ii) the provision of training to MHCP's internal audit office personnel; and (iii) the design and the drafting of specifications for the development of a

specialized information system to help perform auditing functions on each of the automated modules of the New PFMIS.

**Part 2: Design, Acquisition and Development of the New Integrated PFMIS**

Financing of technical assistance, training, non-consultant services, goods, and operating costs to:

- (a) adapt and customize the technology architecture and software applications to support the establishment of the New Software Application, through, *inter alia*: (i) the preparation of terms of reference, acceptable to the Association, for the acquisition of the New Software Application, and the provision of technical support for the bidding process for the acquisition of the New Software Application; (ii) the acquisition and configuration of the selected New Software Application; (iii) the provision of specialized supervision for the implementation of the selected New Software Application; (iv) the provision of training to MHCP's personnel on the New Software Application; and (v) the preparation of the technical documentation for the implementation process of the New Software Application;
- (b) design and installation of the technology infrastructure to support the operation of the New Software Application, through, *inter alia*: (i) the definition of hardware architecture and the development of technical specifications for required equipment and supporting goods; (ii) the acquisition and installation of computer equipment, telecommunications, security, and other necessary supporting goods and software licences; (iii) the hiring of specialized technical assistance support for data-base administration and maintenance; (iv) the provision of technical assistance to certify compliance with information security standards; (v) the installation and testing of telecommunication facilities; and (vi) the provision of training to MHCP's personnel on the management and maintenance of installed hardware and supporting goods; and
- (c) strengthen the MHCP's technology office, through, *inter alia*: (i) the financing of salaries on a declining basis of specialized civil service personnel in the MHCP's technology office; (ii) the provision of general information technology training to MHCP's technology office personnel; and (iii) the financing of incremental costs of software licenses and other operating costs for the implementation of the Existing PFMIS.



**Part 3: Implementation of the New PFMIS and Public Financial Management Capacity Building in the Recipient's Central Administration**

Financing of technical assistance, training and non-consultant services to:

- (a) install and implement the New PFMIS, through, *inter alia*: (i) the provision of technical support for the installation and implementation of the New PFMIS at the MHCP's central units and at the spending units of all agencies within the Recipient's central administration; (ii) the preparation of support material for the installation, operation and implementation of the New PFMIS; (iii) the review of existing Legal Framework and drafting of amendment proposals when deemed necessary; and (iv) the strengthening of the MHCP's technology office to provide support to users including installation and operation of the system's help desk; and
- (b) develop a permanent training and knowledge management network on public financial management and related public sector administration topics, through, *inter alia*: (i) the formulation of a knowledge management model and the validation with users; (ii) the drafting of necessary guidelines and specific procedures for the knowledge management network to be established and operational; (iii) the provision of training to MHCP's central units personnel as well as to personnel of other spending units in the Recipient's central administration; (iv) the carrying out of surveys, establishment of focus groups and the carrying out of similar activities (acceptable to the Association), to gather information and feedback from users; and (v) the implementation of a permanent dissemination program of good practices and information sharing among users.

**Part 4: Project Management**

Financing of operating costs, goods and non-consultant services to support the MHCP in the coordination of the administrative, financial management and procurement aspects of the Project.

## SCHEDULE 2

### Project Execution

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. The Recipient, through MHCP, shall operate and maintain at all times during Project implementation a Project coordination unit, with a structure, staffing, functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility to assist the Recipient in the coordination, implementation, monitoring and supervision of the Project; said Project coordination unit to be assisted by MHCP's general office of administration and financial management and MHCP's office of procurement.

##### **B. Operational Manual**

1. The Recipient shall carry out the Project in accordance with an operational manual, satisfactory to the Association, said manual to include, *inter alia*:
  - (a) project implementation procedures, monitoring indicators and guidelines, and other related documents for the execution of the Project;
  - (b) procedures for the procurement of goods and services for the Project set forth in the Procurement Plan and in accordance with the provisions of Section III of this Schedule 2;
  - (c) disbursement arrangements and flow of Project funds;
  - (d) procedures for the monitoring and evaluation of the Project, consistent with the provisions of Section II of this Schedule 2; and
  - (e) procedures for the review and approval of withdrawal applications to be furnished to the Association, in conformity with the instructions that the Association may give to the Recipient in this respect.
2. Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Operational Manual or any provision thereof.
3. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

**C. Anti-Corruption**

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

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. 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 the indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. 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 four months after the Closing Date.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the project report not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one calendar year (covering the period starting January 1 and ending December 31 of each year). The audited Financial Statements for each such period shall be furnished to the Association not later than four months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods and non-consultant services.** All goods and non-consultant services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **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 non-consultant services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and non-consultant services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b><u>Procurement Method</u></b>
(a) National Competitive Bidding
(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 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:

<b>Procurement Method</b>
(a) Selection based on Consultant's Qualifications (CQS)
(b) Quality-based Selection (QBS)
(c) Least Cost Selection (LCS)
(d) Single Source Selection (SSS)
(e) Procedures set forth in Paragraphs 5.2, 5.3 and 5.4 of the Consultant Guidelines for the Selection of Individual Consultants (IC)

**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.

**E. Special Provisions**

1. In addition and without limitation to any other provisions set forth in this Section or the Procurement Guidelines, the following principles of procurement shall expressly govern all procurement of goods and non-consultant services under either International Competitive Bidding, National Competitive Bidding or Shopping:
  - (a) Foreign bidders shall not be required to be registered with local authorities as a prerequisite for bidding.
  - (b) No bids shall be rejected, and no provisional awards shall be made at the time of bid opening.
  - (c) The invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices.
  - (d) The invitation to bid shall not publish the estimated cost of the contract.
  - (e) The invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid.
  - (f) In the case of Shopping, a minimum of three quotations shall be obtained as a condition to award the contract.

**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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Goods, Non-Consultant Services, consultants’ services and Training for the Project (excluding Part 2 (a)(ii) of the Project)	5,610,000	100%
(2) Operating Costs under Part 1, Part 2 and Part 4 of the Project	990,000	100% until withdrawals under this Category have reached an aggregate amount equivalent to SDR 330,000; 66% until withdrawals under this Category have reached an aggregate amount equivalent to SDR 660,000; and 33% thereafter
<b>TOTAL AMOUNT</b>	6,600,000	

3. For purposes of this Section IV:
  - (a) the term “Non-Consultant Services” means the services required for printing, reproducing, publicizing and disseminating books, manuals and materials under the Project;
  - (b) the term “Operating Costs” means the reasonable costs of recurrent expenditures required for the implementation of the Project such as Project administration costs, operation and maintenance of office equipment, office supplies and salaries of staff of selected administrative units within MHCP that are key for the implementation of the Project, including lodging, *per diem*, and transportation costs for said staff, which would not have been incurred absent the Project; and
  - (c) the term “Training” means reasonable expenditures (other than consultants’ services) incurred by the Recipient for the implementation of the Project, including, *inter alia*: (a) reasonable travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training activities; (b) course fees; (c) logistic costs; (d) training facility and equipment rentals; and (e) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 660,000 equivalent may be made for payments made within twelve (12) months prior to the date of this Agreement but on or after July 1, 2010, for Eligible Expenditures under Categories (1) and (2).
2. The Closing Date is December 31, 2015.

### SCHEDULE 3

#### Repayment Schedule

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 15 and October 15:	
commencing April 15, 2021 to and including October 15, 2030	<b>1%</b>
commencing April 15, 2031 to and including October 15, 2050	<b>2%</b>

\* 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. “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 with the modifications set forth in Section II of this Appendix.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Co-financier” means the Inter-American Development Bank or any other financier acceptable to the Association.
4. “Co-financing” means, for purposes of paragraph 11 of the Appendix to the General Conditions, an amount of U.S. \$10,000,000, to be provided by the Co-financier to assist in financing the Project.
5. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.
6. “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 and May 2010.
7. “Existing PFMIS” means the Recipient’s public financial management information system existing as of the date of this Agreement.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
9. “Law No. 476” means *Ley del Servicio Civil y de la Carrera Administrativa*, the Recipient’s administrative career and civil service law, published in the Recipient’s Official Gazette on December 11, 2003, as said law has been amended to the date of this Agreement.
10. “Law No. 477” means *Ley General de Deuda Pública*, the Recipient’s public debt general law, published in the Recipient’s Official Gazette on December 12, 2003, as said law has been amended to the date of this Agreement.
11. “Law No. 550” means *Ley de Administración Financiera y del Régimen Presupuestario*, the Recipient’s financial management and budgetary law, published in the Recipient’s Official Gazette on August 29, 2005, as said law has been amended to the date of this Agreement.

12. “Legal Framework” means the Recipient’s laws and Decrees that established and regulates the PFMIS, including Law No. 476, Law No. 477, Law No. 550 and the Procurement Law.
13. “MHCP” means *Ministerio de Hacienda y Crédito Público*, the Recipient’s Ministry of Finance and Public Credit.
14. “National Public Investment System” means *Sistema Nacional de Inversiones Publican*, the Recipient’s national public investment system established pursuant to Presidential Decree No. 61-2001, dated June 26, 2001 and published in the Recipient’s Official Gazette on July 9, 2003, regulated according to Presidential Decree No. 83-2003, dated November 28, 2003 and published in the Recipient’s Official Gazette on December 3, 2003, and amended according to Presidential Decree No. 19-2010, dated May 19, 2010, and published in the Recipient’s Official Gazette on May 27, 2010.
15. “New Software Application” means an “off-the-shelf” software application which, in the opinion of the Association, has all the elements required to support a web-based integrated system for the New PFMIS.
16. “New PFMIS” means the Recipient’s public financial management information system to be developed and implemented under this Project.
17. “Official Gazette” means the Recipient’s official gazette (*La Gaeta*).
18. “Operational Manual” means the Recipient’s manual dated August 18, 2010 referred to in Section I.B.1 of Schedule 2 to this Agreement and approved by the Association on August 20, 2010.
19. “PFMIS” means the Recipient’s public financial management information system.
20. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006 and May 2010.
21. “Procurement Law” means *Ley de Contrataciones del Estado*, the Recipient’s Law No. 323, which was enacted on December 2, 1999 and published in the Recipient’s Official Gazette Nos. 1 and 2 on January 3, 2000 and January 4, 2000 respectively, as amended through June 13, 2002.
22. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated August 14, 2010 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.

## **Section II. Modifications to the Anti-Corruption Guidelines**

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

### Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has

engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”