

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4563-MD

Financing Agreement

(Additional Financing for Rural Investment and Services Project II)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 11, 2009

FINANCING AGREEMENT

Agreement dated June 11, 2009, entered into between REPUBLIC OF MOLDOVA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to Part A, Part B, Part C.1 and Part E of the Original Project (as defined in the Appendix to this Agreement). 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 eight hundred thousand Special Drawing Rights (SDR 6,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 US Dollars.

ARTICLE III - PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out Parts A and B of the Project through MAFI, Part C of the Project through MOF and Part D of the Project jointly through MOF and MAFI in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the 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 Events of Suspension consist of the following:
 - (a) Any PFI shall have failed to perform any of its obligations under the respective Amended Subsidiary Loan Agreement entered into between it and the Recipient.
 - (b) A situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following: any event specified in paragraphs (a) and (b) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Minister of Finance.

6.02. The Recipient's Address is:

Ministry of Finance
Cosmonautilor Street, 7
277005 Chisinau
Republic of Moldova

Facsimile:

(37322) 221307

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 Chisinau, Republic of Moldova, as of the day and year first above written.

REPUBLIC OF MOLDOVA

By /s/ Mariana Durlesteanu

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Melanie Marlett

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to continue to foster post-privatization growth in the agricultural and rural sectors by improving access of farmers and rural businesses to what they need to succeed - knowledge, know-how and finance, while building the capacity of the private and public institutions to ensure the sustainability of the activities.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

Part A: Rural Advisory Services

Provision of agricultural and technical information, knowledge and know-how to private farmers, by a nationwide network of decentralized rural advisory Service Providers (SPs) coordinated by the National Agency for Rural Development (ACSA).

Part B: Rural Business Development

Provision of technical assistance support to rural entrepreneurs and operational support for local development agencies, with the aim to create legally registered, self and co-owned sustainable rural businesses.

Part C: Rural Finance

Provision of Sub-loans through the eligible PFIs to eligible Beneficiaries in accordance with the criteria and principles, set forth or referred to in the Rural Investment Guidelines.

Part D: Project Management

Provision of support to MOF and MAFI, as necessary, for project management and implementation, monitoring and evaluation, including provision of auditing services, and financing of incremental operating costs.

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

1. The Recipient shall, and shall ensure that PFIs shall, carry out the Project in accordance with the requirements set forth or referred to in the Governing Documents. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any provision of the Governing Documents.

2. The Recipient shall maintain, until completion of the Project, the Project Steering Committee on terms satisfactory to the Association, and including high level representatives from MAFI, MOF, Ministry of Economy and the National Bank of Moldova. The Project Steering Committee shall be responsible for reviewing the progress of Project activities, overseeing Project operations, ensuring coordination between MOF and MAFI, and providing advice on any major policy issues related to Project implementation.

3. The Recipient shall maintain, until completion of the Project, the Credit Line Directorate, as the Project coordination team in MOF responsible for implementation of Part C of the Project.

4. (a) CAPMU shall provide support to MOF and MAFI for the daily fiduciary and technical activities necessary for the implementation of the Project as set forth in the Operational Manual, including:

- (i) preparation of withdrawal applications under the Financing;
- (ii) management of accounts used for the purposes of this Project;
- (iii) maintenance of records and accounts related to the Project and arranging for the audit thereof;
- (iv) preparation of financial reports for the Project as referred to in Section II.B of Schedule 2 to this Agreement;
- (v) participation in administration of bidding procedures and of contracts under the Project;
- (vi) preparation of consolidated quarterly progress reports and submission thereof to the Recipient and the Association not later than forty-five (45) days after the end of each quarter, the first such report to be furnished to the Association not later than November 15, 2009; and

(vii) technical support to MOF and MAFI for the implementation of the Project.

(b) CAPMU shall maintain staff and resources and shall carry out its responsibilities in accordance with the terms of reference satisfactory to the Association.

5. The Recipient shall ensure that:

(a) Participating Financial Institutions (PFIs) shall provide Sub-loans to Beneficiaries under Sub-loan Agreements, at all times in accordance with the policies and procedures, and on the basis of eligibility criteria, agreed purposes and regulations all as set forth in the Governing Documents; and

(b) each Sub-loan Agreement shall conform to one of the standard form of Sub-loan Agreement approved by the Association.

6. The Recipient shall ensure that each PFI furnish to the Recipient a quarterly summary report listing the Sub-loans provided by it in the preceding quarter, including such other information as the Association may request.

7. The Recipient shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and of measures included in the Program and the achievement of the objectives thereof.

B. Amended Subsidiary Loan Agreement

1. To carry out Part C of the Project, the Recipient shall make part of the proceeds of the Financing available to PFIs under Amended Subsidiary Loan Agreements on terms and conditions approved by the Association which shall include, without limitation, the following:

(a) each Subsidiary Loan will be denominated in Lei and/or Dollars in accordance with the provisions of the Governing Documents;

(b) unless the Association and the Recipient agree otherwise, the interest rate on the Lei portion will be variable (floating) and based on inflation rate data issued by the National Bank of Moldova as reference rate whose calculation will be reflected in the Governing Documents. The reference rate and its calculation shall be reviewed jointly by the Association and the Credit Line Directorate's Steering Committee and revised semi-annually as necessary. An initial fixed margin of 2% will be added by the Recipient to the basic reference rate to finance administrative costs and foreign exchange risks. The foreign exchange premium will be revised every six (6) months in consultation with the Association based on the actual fluctuations of the currency during the interest adjustment;

(c) the interest rate on the Dollar portion will be variable (floating) interest rate based on the reference rate which shall equal the 6-month LIBOR rate for Dollars.

The reference rate shall be reviewed jointly with the Association and the Credit Line Directorate's Steering Committee and revised semi-annually. A minimum margin of 1% will be added at all times to the basic reference rate by the Recipient;

(d) the principal amount of the Subsidiary Loan shall be repaid by PFIs over a period of fifteen (15) years, inclusive of a grace period not exceeding three (3) years, in accordance with a detailed amortization schedule that will be furnished to the PFI by the MOF before the expiration of the grace period indicated above;

(e) the Recipient shall have the right to suspend or terminate an Amended Subsidiary Loan Agreement or any of the rights of the respective PFIs, upon PFI's failure to perform any of its obligations under the Amended Subsidiary Loan Agreement;

(f) each PFI shall carry out its Sub-loans with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines;

(g) each PFI shall exercise its rights under each Sub-loan in such manner as to protect the interests of the Recipient and the Association. No PFI shall assign, amend, abrogate or waive any Sub-loan Agreement or any of its provisions without prior consultation with, and the consent of both the Recipient and the Association; and

(h) each PFI shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, in a manner adequate to reflect its operations, resources and expenditures related to the Sub-loan; and shall have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish copies of audited statements to the Recipient and the Association.

2. The Recipient shall exercise its rights under the Amended Subsidiary Loan 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 Amended Subsidiary Loan Agreement or any of its provisions.

C. Sub-projects

1. For purposes of Part C of the Project, each Sub-loan shall be provided in accordance with the terms and conditions set forth in the Governing Documents. Each Sub-loan Agreement shall include inter alia:

(a) the purpose of the Sub-project, use of Sub-loan, and cost sharing provisions for the contribution (in cash or in kind) to be made by the Beneficiary with respect to the financing of the Sub-project;

(b) the obligations of the Beneficiary to maintain records and accounts for expenditures incurred with respect to the Sub-project;

(c) the obligation of the Beneficiary to enable representatives of the Association and the Recipient to visit the Sub-project sites;

(d) the repayment terms and conditions of the Sub-loan;

(e) the obligation of the Beneficiary to carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including provisions to ensure full compliance at all times with the Anti-Corruption Guidelines.

2. The Recipient shall ensure that:

(a) no Sub-loans are provided for Sub-projects which have acquired and/or might need to acquire land for the needs of Sub-project activities through a process which involved and/or would involve expropriation; and

(b) the proceeds of the Financing shall not support any Sub-projects which would require the involuntary displacement of existing occupants or economic users of any plot of land, regardless of its current ownership, or loss of or damage to assets including standing crops, kiosks, fences and other.

D. Anti-Corruption

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

F. Safeguards

1. The Recipient shall ensure that the carrying out of the measures required under the Environmental Review shall be taken in a timely manner and in compliance with: (a) environmental standards satisfactory to the Association; and (b) all applicable laws and regulations of the Recipient relating to health, safety and environmental protection, and shall include adequate information on the carrying out of such measures in the quarterly progress reports referred to in paragraph 4 (a) (vi) of Section I.A of this Schedule.

2. The Recipient shall ensure that EIAs shall be carried out in a timely manner for all Sub-projects requiring such EIAs and in compliance with: (a) environmental standards satisfactory to the Association; and (b) all applicable laws and regulations of the Recipient relating to health, safety and environmental protection, and shall include adequate information on the carrying out of such EIAs in the quarterly progress reports referred to in paragraph 4 (a)(vi) of Section I.A of this Schedule.

3. Without limitation upon the provisions of Article IV of the General Conditions, the Recipient shall ensure that the information campaign that will be implemented by MAFI with technical assistance from ACSA and development agencies, under Parts A and B of the Project, will ensure fair and transparent access to information about the Project's activities.

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 the indicators agreed with 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.

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 5.09 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 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one 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 and Services other than Consultants' Services.** 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 and Services other than Consultants' Services

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

Procurement Method
(a) Shopping
(b) Direct Contracting
(c) Commercial Practices

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.

Procurement Method
(a) Least-Cost Selection
(b) Selection Based on the Consultants' Qualification
(c) Individual Consultant
(d) Single-Source Selection

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

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works and consultants' services, incremental operating costs under Parts B, C and D of the Project and training under Parts A, B, C and D of the Project	260,000	100%
(2) Services other than Consultants' Services under Part A of the Project	1,120,000	53%
(3) Sub-loans under Part C of the Project	5,420,000	80%
TOTAL AMOUNT	6,800,000	

3. For the purpose of this Schedule:

(a) the term "incremental operating costs" means expenditures incurred by the CAPMU on account of management of Project implementation for office supplies, printing, utilities, operating expenses, communications, transportation, insurance for goods, training, audit, monitoring and evaluation, and salaries of CAPMU staff, including qualified social charges, but excluding salaries of the Recipient's civil servants, and such other expenditures as may be agreed upon by the Association; and

(b) the term "training" means expenditures incurred by the Recipient, under Category (1) of the Project, related to the training activities, study tours, seminars/workshops for Project implementation, including travel costs (transport, per diem, accommodation and other travel related costs) for the trainees, trainers and participants to the training, trainers fee, the rent for the rooms and the training equipment, materials used for the training, adequate consumables.

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.

2. The Closing Date is June 30, 2012.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15 :	
commencing October 15, 2019 to and including April 15, 2029	1%
commencing October 15, 2029 to and including April 15, 2049	2%

* 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. “ACSA” means the Recipient’s National Agency for Rural Development, a non-governmental organization registered by the Ministry of Justice on March 19, 2001 and legally established pursuant to the Law of the Republic of Moldova on Non-governmental organizations No. 837 dated May 17, 1996, or any successor thereof.
2. “Additional Financing Agreement” means Additional Financing for the Second Rural Investment and Services Project between the Recipient and the Association, dated June 2, 2008 (Credit Number 4416 MD).
3. “Amended Subsidiary Loan Agreement” means the subsidiary loan agreement entered into between the Recipient and each PFI under the Original Financing Agreement, as amended under the Additional Financing Agreement, and further amended under this Agreement to include the provisions required for the Subsidiary Loans in accordance with the conditions referred to in Section I.B of Schedule 2 to this Agreement, the provisions of Section IV.B.2 and Section I.E of Schedule 2 to this Agreement.
4. “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.
5. “Beneficiary” means any private farmer or private rural business legally established in the Recipient’s territory eligible for assistance under Part C of the Project.
6. “CAPMU” means the Consolidated Agricultural Project Management Unit established by the Recipient under Government Decision 878 dated September 29, 1999 to provide project management assistance under this Agreement pursuant to a Government Decision, or any successor thereof.
7. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
8. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the Bank in May 2004 and revised in October 2006.
9. “Credit Line Directorate” means the unit established by the Recipient under the MOF pursuant to Government Decision No. 953 dated September 7, 2001, or any successor thereof.

10. “Credit Line Directorate’s Steering Committee” means the Committee established by the Recipient pursuant to Government Decision No. 953 dated September 7, 2001, or any successor thereof.
11. “EIA” means the Environmental Impact Assessment to be carried out for Sub-projects (hereinafter defined) requiring such assessment in accordance with the requirements of the Rural Investment Guidelines (hereinafter defined).
12. “Environmental Review” means the procedures set forth in the Rural Investment Guidelines (as defined hereinafter) describing the environmental classification, impact, monitoring and mitigation measures for the Sub-projects (as defined hereinafter).
13. “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.
14. “Governing Documents” means both the Operational Manual (hereinafter defined) and the Rural Investment Guidelines (hereinafter defined).
15. “Lei” means the lawful currency of the Recipient.
16. “MAFI” means the Recipient’s Ministry of Agriculture and Food Industry established according to the Recipient’s Law No. 64-XII dated May 31, 1990, as amended, or any successor thereof.
17. “MOF” means the Recipient’s Ministry of Finance established according to the Recipient’s Law No. 64-XII dated May 31, 1990, as amended, or any successor thereof.
18. “Operational Manual” means the manual, satisfactory to the Association, setting forth the operational and administrative procedures for the implementation of the Project and referred to in paragraph 4 (a) of Section I (A) of Schedule 2 to this Agreement
19. “Original Financing Agreement” means the Development Financing Agreement for the Second Rural Investment and Services Project between the Recipient and the Association, dated April 13, 2006 (Credit Number 4157 MD and Grant Number H211 MD).
20. “Original Project” means the Project described in the Original Financing Agreement.
21. “PFIs” or “Participating Financial Institutions” means the private commercial banks and other financial and lending institutions established and operating in accordance with the applicable rules of the Recipient, meeting certain eligibility

criteria and approved by the Association for participation in the Project under Part C of the Project.

22. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
23. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 31, 2009 and referred to in paragraphs B.2 of Section III, Schedule 2 of this Agreement and 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.
24. “Project Steering Committee” means the Committee established by the Recipient pursuant to Government Decision 640 dated June 6, 2006 to provide policy guidance and oversight of the Original Project implementation, or any successor thereof;
25. “Rural Investment Guidelines” means the guidelines, including eligibility criteria, main terms and conditions, monitoring, evaluation and reporting requirements for the Credit Line dated November 24, 2008.
26. “Sub-loan” means a loan (or other forms of financing agreed upon by the Association, including financing lease) made or to be made by a PFI to a Beneficiary for a Sub-project in accordance with the requirements set forth or referred to in the Rural Investment Guidelines.
27. “Sub-loan Agreement” means the agreement to be entered into between a Beneficiary and a PFI pursuant to the provisions of Section I.C of Schedule 2 to this Agreement for the provision to the Beneficiary of a Sub-loan for the carrying out of a Sub-project in accordance with the requirements set forth or referred to in the Rural Investment Guidelines.
28. “Sub-project” means a specific investment project to be carried out by a Beneficiary utilizing the proceeds of a Sub-loan in accordance with the requirements set forth or referred to in the Governing Documents.
29. “Subsidiary Loan” means a loan made or to be made by the Recipient to a PFI pursuant to Section I.B of Schedule 2 to this Agreement, under an Amended Subsidiary Loan Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *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.”