

CONFORMED COPY

LOAN NUMBER 7812-SV

Loan Agreement

(Fiscal Management and Public Sector Performance Technical Assistance Project)

between

REPUBLIC OF EL SALVADOR

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated March 16, 2011

LOAN NUMBER 7812-SV

LOAN AGREEMENT

Agreement dated March 16, 2011, between REPUBLIC OF EL SALVADOR (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of twenty million Dollars (US\$20,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are February 15 and August 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- 2.08. Without limitation upon the provisions of paragraph (a) of Section 2.07 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to consecutive withdrawals from the Loan Account which in the aggregate equal three million Dollars (\$3,000,000) shall be converted from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower, through MoF, shall carry out the Project, all in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — TERMINATION

- 4.01. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on May 24, 2011.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is its Minister of Finance.
5.02. The Borrower's Address is:

Ministerio de Hacienda
Boulevard de los Héroes 1231
San Salvador, El Salvador

Facsimile: (503) 2225 – 7491; (503) 2244-6419

- 5.03. The Bank's Address is:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED at San Salvador, Republic of El Salvador, as of the day and year first above written.

REPUBLIC OF EL SALVADOR

By /s/ Carlos Enrique Cáceres Chávez

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Carlos Felipe Jaramillo

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the institutional capacity of specific government processes and agencies in order to increase the effectiveness and efficiency of revenue and expenditure management, and to enhance accountability and transparency in the public sector.

The Project consists of the following parts:

Part A: Strengthening Tax Collection Agencies

1. Strengthen coordination among the DGII, DGA, and DGT to improve information sharing practices and increase common control procedures for better tax compliance, through, *inter alia*, the following activities: (a) the development of procedures to perform joint auditing and to improve controls and monitoring mechanisms; (b) the development of regulations and procedures to improve tax collection and compliance control systems; and (c) the provision of training to the DGII, DGA and DGT personnel on common auditing and control functions.
2. Strengthen DGII's institutional capacity through, *inter alia*, the following activities: (a) the redesign of relevant DGII's strategies, norms and procedures; (b) the improvement of auditing processes and procedures; and (c) support of human resource management and tax-payers services.
3. Strengthen DGA's institutional capacity through, *inter alia*, the following activities: (a) the redesign of relevant DGA's strategies, norms and procedures; (b) the development of a new customs management system, including the acquisition of software and equipment to improve physical controls over imported and exported goods and merchandise; and (c) the redesign of auditing and control processes and procedures.

Part B: Modernizing of Public Expenditure and Financial Management

1. Provide technical assistance, and acquire software and equipment for the development of norms and procedures to formulate, modify, execute, monitor, and evaluate the national budget with a medium term expenditure framework and performance-based management approach; and for the development of a programmatic classification in the budget.
2. Design and implement of a single treasury account and electronic payments, through, *inter alia*, the following activities: (a) the design and implementation of automated and online procedures; (b) the development of cash-management

procedures; and (c) the promotion of institutional agreements between the MoF and commercial banks to execute electronic and automated transactions.

3. Strengthen and upgrade SAFI and SIRH, through, *inter alia*, the following activities: (a) the redesign and upgrade of SIRH to allow its inter-operability with SAFI; (b) the acquisition of software and equipment; (c) the implementation of mechanisms to facilitate the production of accounting, financial, and economic reports according to international standards; (d) the provision of training to relevant governmental agencies personnel on public financial management; and (e) the upgrading and integration of associated information systems with the SAFI.
4. Strengthen and modernize procurement systems through, *inter alia*, the following activities: (a) the evaluation and update of the regulatory framework for public procurement in all government agencies; and (b) the development of on-line procurement systems.
5. Modernize public investment and debt management systems, through, *inter alia*, the following activities: (a) redesign and optimization of processes; and (b) provision of training to relevant governmental agencies personnel on public investment and debt management.

Part C: Enhancing and Piloting Information Management and Public Sector Transparency Initiatives

1. Support Eligible Initiatives to improve information and statistics management, access to public information, and public sector transparency.

Part D: Project Coordination and Strengthening of the Ministry of Finance

1. Strengthen capacities of the DINAFI, through, *inter alia*: (a) the hiring of specialized personnel, including a fiscal management advisor, financial management and procurement specialists; and (b) the provision of training for MoF personnel.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements and Operational Manual

1. The Borrower, through MoF, shall create and thereafter maintain during the execution of the Project, within the DINAFI, a Project Implementation Unit (PIU) to manage Project implementation with functions and responsibilities acceptable to the Bank and staffed with a coordinator, technical experts and other personnel in number and with qualifications and experience acceptable to the Bank.
2. The Borrower shall create, and thereafter maintain during the execution of the project, a Project coordination committee, with functions and responsibilities acceptable to the Bank, which shall include, *inter alia*, the following: (a) facilitate Project coordination among involved Borrower's agencies; and (b) review operational action plans and monitoring reports.
3. Without limitation to the provisions of Article V of the General Conditions, the Borrower shall carry out the Project in accordance with the Project Operational Manual, containing, *inter alia*: (a) the terms of reference, functions and responsibilities for the personnel of the PIU responsible for the coordination, monitoring and evaluation of the Project; (b) the format of: (i) the unaudited interim financial reports referred to in Section II.B.2 of Schedule 2 to this Agreement; (ii) the Financial Statements; (c) the terms of reference for carrying out the audits under Section II.B.3 of Schedule 2 to this Agreement; (d) the Project indicators; and (e) the Project disbursement and procurement procedures.
4. Without limitation to the provisions of Article V of the General Conditions and the Project Operational Manual, the Borrower shall carry out Part C of the Project in accordance with a manual (the Participation Agreement Manual), which shall contain, *inter alia*: (a) the criteria for the identification and selection of Participating Entities; (b) the criteria and mechanisms for the identification and selection of Eligible Initiatives; (c) the mechanisms for verification of compliance with the respective Eligible Initiative's action plan; and (d) a model Participation Agreement.
5. (a) For purposes of implementing Part C of the Project, the Borrower, through MoF, shall: (i) ensure that sufficient funds are allocated to carry out Eligible Initiatives; (ii) evaluate and, if applicable, approve proposals of Eligible Initiatives submitted by Participating Entities, in accordance with the procedures set forth in the Participation Agreement Manual;

- (iii) consolidate the plans and reports submitted by the relevant Participating Entity; and (iv) monitor and review the implementation of the Eligible Initiative as carried out by the relevant Participating Entity.
 - (b) For purposes of implementing the relevant Eligible Initiative, the Borrower, through MoF, shall enter into participation agreements (each, a Participation Agreement) with the relevant Participating Entity, under terms and conditions set forth in the Participation Agreement Manual and acceptable to the Bank, which shall include, *inter alia*, the following:
 - (i) The specific financial management, procurement and fiduciary arrangements applicable to the Eligible Initiative in question, all under terms and conditions acceptable to the Bank and in accordance with the procedures of the Participation Agreement Manual.
 - (ii) The obligation of MoF to, *inter alia*: (I) evaluate and, if applicable, approve the action plans submitted by the Participating Entity during the execution of each Eligible Initiative; (II) conduct, when applicable, procurement processes on behalf of the Participating Entity; (III) exercise, when applicable, the financial management responsibilities pursuant to Section II.B of Schedule 2 to this Agreement; and (IV) when applicable, review, record, and sign contracts in connection with each Eligible Initiative.
 - (iii) The obligation of the Participating Entity to: (I) prepare an action plan to carry out the relevant Eligible Initiative; (II) implement the activities of the Eligible Initiative, according to the action plan approved by MoF for the implementation of said Eligible Initiative; (III) comply with the Anti-Corruption Guidelines in the carrying out of the respective Eligible Initiative; (IV) prepare and submit project reports with regard to the implementation of the Eligible Initiative to MoF, pursuant to the Participation Agreement Manual; and (V) take or permit to be taken all actions to enable MoF to comply with its obligations under the Participation Agreement and this Agreement.
6. In case of any conflict between the terms of the Project Operational Manual, the Participation Agreement Manual, the Participation Agreements, and this Agreement, the provisions of this Agreement will prevail.

B. Anti-Corruption

The Borrower shall ensure that the Project and each and every Eligible Initiative under Part C of the Project be carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Borrower, through MoF, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five days after the end of the period covered by such report.
2. The Borrower (through MoF) shall, not later than June 30, 2012 (or any such later date as the Bank may agree in writing), cause an independent mid-term review to be carried out on the execution of the Project, under terms and conditions satisfactory to the Bank, covering the first two years of Project implementation.
3. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than forty five days after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through MoF, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower, through MoF, shall prepare and furnish to the Bank as part of the Project Report not later than forty-five 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 Bank.
3. The Borrower, through MoF, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six 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 Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and 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.

<u>Procurement Method</u>
(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 the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) Least-Cost Based Selection
(b) Quality-Based Selection
(c) Selection Based on the Consultants' Qualifications
(d) Single Source Selection
(e) Selection under a Fixed Budget
(f) Procedures set forth in paragraphs 5.2 through 5.4 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants set forth in paragraph 5.4 of the Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

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

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed (inclusive of Taxes)</u>
(1) Goods, consultants' services, Training, Operating Costs and Non-consultant Services under Part A, B and D of the Project	19,150,000	100%
(2) Goods, consultants' services, Non-consultant Services and Training under Part C of the Project	800,000	100%
(3) Front-end Fee	50,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	20,000,000	

For purposes of this paragraph:

- (a) the term “Non-consultant Services” means logistical service expenses for capacity building events, printing of training materials and media campaigns, as well as other services which are not rendered by consultants, obtained at reasonable cost on account of Project implementation and which are not covered in the definitions of Training and Operating Costs;
- (b) the term “Operating Costs” means the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, *per diem* and supervision costs of locally contracted employees; and
- (c) the term “Training” means reasonable: (a) travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.

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 under Category (1) up to an aggregate amount not to exceed \$1,000,000 equivalent may be made for payments made within one year prior to this date but on or after December 1, 2009, for Eligible Expenditures.
 - (b) for payments made to finance any expenditure under Category (2), unless the Borrower, through MoF, has provided the Bank with the Participation Agreement Manual, and said manual has been found satisfactory to the Bank.
2. The Closing Date is December 31, 2014, or any later date as the Bank may agree and notify to the Borrower in writing.

SCHEDULE 3

Amortization Schedule

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

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each February 15 and August 15 Beginning February 15, 2015 through August 15, 2039	2%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as

withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
- 4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (a) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
- 5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “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.
4. “DGA” means *Dirección General de Aduanas*, the Borrower’s General Customs Directorate, as organized within MoF.
5. “DGII” means *Dirección General de Impuestos Internos*, MoF’s General Directorate of Internal Revenue.
6. “DGT” means *Dirección General de Tesorería*, the Borrower’s Treasury Office, as organized within MoF.
7. “DINAFI” means *Dirección Nacional de Administración Financiera*, the Borrower’s National Financial Management Office as organized within MoF.
8. “Eligible Initiative” means an activity or set of activities to be carried out by a Participating Entity in accordance with a Participation Agreement and the Participation Agreement Manual, and that aims to improve information and statistics management, access to public information, and/or public sector transparency, which activities comply with the selection criteria set forth to that effect in the Participation Agreement Manual.
9. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008 and as further modified pursuant to Section II of this Appendix).
10. “MoF” means *Ministerio de Hacienda*, the Borrower’s Ministry of Finance.
11. “Participating Entity” means a Borrower’s governmental agency which meets the selection criteria set forth in the Participation Agreement Manual to implement an Eligible Initiative, and has been selected according to the mechanisms set forth in the Participation Agreement Manual.

12. “Participation Agreement” means the agreement referred to in Section I.A.5 of Schedule 2 to this Agreement, pursuant to which a Participating Entity will implement an Eligible Initiative, under Part C of the Project.
13. “Participation Agreement Manual” means the manual referred to in Section I.A.4, of Schedule 2 to this Agreement, satisfactory to the Bank, as the same may be amended from time to time by agreement between the Borrower and the Bank.
14. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
15. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated October 19, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
16. “Project Implementation Unit” or “PIU” means the unit referred to in Section I.A.1 of Schedule 2 to this Agreement.
17. “Project Operational Manual” means the manual dated October 20, 2009, satisfactory to the Bank, as the same may be amended from time to time by agreement between the Borrower and the Bank.
18. “SAFI” means *Sistema de Administración Financiera Integrado*, the Borrower’s National Financial Management System.
19. “SIRH” means *Sistema de Información de Recursos Humanos*, the Borrower’s Human Resources Information System.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

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

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

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid

charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

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

“Section 7.02. *Suspension by the Bank*

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

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

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

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

- (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”