

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4589-PK

Financing Agreement

(Social Safety Net Technical Assistance Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 3, 2009

Public Disclosure Authorized

CREDIT NUMBER 4589-PK

FINANCING AGREEMENT

AGREEMENT dated July 3, 2009, entered into between ISLAMIC REPUBLIC OF PAKISTAN (“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 forty million two hundred thousand Special Drawing Rights (SDR 40,200,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 June 15 and December 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 Dollar.

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 the BISP, 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

- 4.01. The Additional Event of Suspension consists of the following, namely, that the BISP Ordinance has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the objectives of the Project.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of ninety (90) 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 ninety (90) days after the date of this Agreement.
- 5.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Secretary to the Government of Pakistan, Economic Affairs Division, Ministry of Economic Affairs and Statistics, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in that Division.

6.02. The Recipient's Address is:

The Secretary to the Government of Pakistan
Economic Affairs Division
Ministry of Economic Affairs and Statistics
Islamabad, Pakistan

Phone:

92-51-9203815

Facsimile:

92-51-9218976

6.03. The Association's Address is:

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

Cable:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI)

Facsimile:

1-202-477-6391

AGREED at Islamabad, Islamic Republic of Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By

/s/ Farrakh Qayyum
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Yusupha B. Crookes
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to enhance the operation and management of a nationwide, effective and transparent safety net system for the poor within the territory of the Recipient.

The Project consists of the following parts:

Part 1: Establishing a National Targeting System

Establishing a national targeting system aimed at identifying safety net beneficiaries through, *inter alia*: (a) finalizing an ongoing scorecard targeting process, including updating the tools for carrying out targeting; (b) expanding an ongoing targeting survey at the national level, including providing training to the BISP's partner organizations and data processing agencies on targeting activities and providing technical assistance in the areas of data collection, entry and cross-checking for carrying out targeting; (c) developing appropriate processes and systems for handling appeals arising from targeting; and (d) maintaining an updated data base for carrying out targeting.

Part 2: Strengthening Safety Net Program Operations

Providing support to BISP to operate a safety net program at the central, regional and local levels through, *inter alia*: (a) implementing a public communication strategy to disseminate the benefits of the safety net program, including training of the BISP's officials, partner organizations and data processing agencies; (b) improving beneficiary selection and enrolment processes under the safety net program; (c) strengthening payment provision and reconciliation mechanisms; (d) establishing field offices; (e) implementing grievance redressal processes, and monitoring and supervision mechanisms; and (f) establishing social accountability mechanisms.

Part 3: Enhancing the Management, Accountability and Evaluation of a Safety Net Program

Enhancing the management, accountability and evaluation of a safety net program, through, *inter alia*: (a) designing and operating a safety net management information system at the national level, including providing hardware and software and training at the national, regional and district levels; (b) enhancing capacity building, including providing technical assistance and training to the BISP's staff and stakeholders on, *inter alia*, coordination, monitoring and evaluation, and control mechanisms; (c) designing, implementing and supervising pilot programs for developing graduation strategies and human

development service links; (d) developing process and impact evaluations, including implementation of beneficiary assessments; (e) carrying out operational inspections including audits and spot-checks; and (f) providing training on safety net programs to auditors.

Part 4: Developing the Social Protection Policy

Designing an institutional and legal framework for executing the NSPS through, *inter alia*, providing technical assistance for: (a) defining institutional roles of entities involved in the NSPS; (b) designing and building a monitoring and evaluation systems for the NSPS, including streamlining monitoring and evaluation systems across selected safety net programs; and (c) building capacity among key stakeholders, including Recipient's officials training on social protection issues.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through the BISP, shall:
 - (a) maintain, during the implementation of the Project, the Board headed by a Chairperson, with nine (9) to eleven (11) members from governmental and non-governmental entities, including representatives from ministries of Finance, Planning Commission, social sectors and others relevant to the purpose of the safety net program; to be responsible for, *inter alia*: (i) devising structure of the BISP management; (ii) approving strategies, policies and regulations of the BISP, including the BISP Operational Manual and internal procedures; (iii) approving the BISP budget; and (iv) approving the BISP funds.
 - (b) Maintain, during the implementation of the Project, a management body with competent staff and adequate resources acceptable to the Association, including, *inter alia*, a Secretary, a director general for operations, a director general for administration, a director general for finance and accounts, provincial directors general, qualified monitoring and evaluation and auditing staff and internal auditors; to be responsible for the day-to-day implementation of a safety net program; and
 - (c) establish and, thereafter, maintain during the implementation of the Project, a PIU headed by a qualified project coordinator with functions, and resources satisfactory to the Association, who shall report to the director general for operations as the project director; said PIU to be provided with qualified staff under terms of reference acceptable to the Association, to be responsible for, *inter alia*, coordinating, facilitating, monitoring and evaluating the day-to-day implementation of the Project, including the carrying out of financial management, procurement and reporting activities.
2. The Recipient, through the BISP, shall:
 - (a) implement the Project in accordance with the BISP Operational Manual and the Finance and Accounting Guidelines for the Project; and except as the Association shall otherwise agree, shall not amend, terminate, suspend, abrogate or waive any provision thereof, if in the opinion of the Association, such amendment, termination, suspension, abrogation or

waiver may materially and adversely affect the implementation of the Project;

- (b) by no later than three (3) months after the Effective Date, approve the Finance and Accounting Manual for the BISP; and thereafter, implement; the safety net program to be carried out by the BISP in accordance with the said Manual; except as the Association shall otherwise agree, the Recipient shall not amend, terminate, suspend, abrogate or waive any provision thereof, if in the opinion of the Association such amendment, termination, suspension, abrogation or waiver may materially and adversely affect the implementation of the aforesaid program;
 - (c) by no later than eight (8) months after the Effective Date, enter into contracts with data processing agencies, acceptable to the Association, for designing and managing a database and a management information system for carrying out targeting of eligible beneficiaries for the BISP, verifying said beneficiaries and generating payment lists;
 - (d) by no later than one (1) year after the Effective Date, link BISP management information system with the beneficiary database of data processing agencies, in order to monitor the implementation of BISP program; and
 - (e) by no later than six (6) months after the Effective Date, hire an independent qualified consultant, with experience and qualification, and under terms of reference satisfactory to the Association, to be responsible for conducting regular inspections (spot-checks/operational audits) on the performance of the BISP program, including the assessment of the quality of information processed into the BISP's monitoring and operation systems.
3. In order to carry out the activities under Part 4 of the Project, the Recipient shall, by no later than sixty (60) days after the Effective Date, ensure that the BISP and the Recipient's Planning Commission have entered into a memorandum of understanding for purposes of coordinating the Planning Commission's technical and strategic guidance to BISP on social protection policies.
4. The Recipient, through the BISP, shall:
- (a) by no later than July 31 of each year, commencing on July 31, 2009, prepare and furnish to the Association for review and concurrence, a draft annual implementation plan for the respective fiscal year, which plan shall identify Project activities by components and subcomponents, and the related expenditures and financing resources; and

- (b) thereafter, implement the Project activities during the respective fiscal year pursuant to such plan as so discussed with, and agreed by, the Association.

B. 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, through the BISP, 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.
2. Without limitation upon the provisions of paragraph 1 of this Section II.A., the Recipient shall, through the BISP, prepare and furnish to the Association:
 - (a) by June 30, 2011, a first impact evaluation report, in form and substance satisfactory to the Association, reporting on the impacts on beneficiaries of the safety net program carried out by the BISP; and
 - (b) by June 30, 2013, a second impact evaluation report, in form and substance satisfactory to the Association, reporting on the impacts on beneficiaries of the safety net program carried out by the BISP and integrating the outcomes of the first impact evaluation report.
3. 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 (4) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain within the BISP a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation upon the provisions of Part A of this Section, the Recipient shall, through the BISP, 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 the Financial Statements for the Project audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

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

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in 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.** 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)	National Competitive Bidding*
(b)	Shopping
(c)	Direct Contracting

* The use of National Competitive Bidding shall be subject to the following additional procedures:

- (i) invitations to bid shall be advertised in at least one national newspaper with a wide circulation, at least thirty (30) days prior to the deadline for the submission of the bid;
- (ii) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (iii) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;
- (iv) bidding shall not be restricted to pre-registered firms;
- (v) qualification criteria shall be stated in the bidding documents;
- (vi) bids shall be opened in public, immediately after the deadline for submission of bids;
- (vii) estimates shall be based on market rates, and bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
- (viii) before rejecting all bids and soliciting new bids, the Association's prior concurrence shall be obtained;
- (ix) bids shall be solicited and contracts shall be awarded on the basis of unit prices and not on the basis of a composite schedule of rates;
- (x) contracts shall not be awarded on the basis of nationally negotiated rates;
- (xi) single bids shall also be considered for evaluation;
- (xii) contracts shall be awarded to the lowest evaluated, responsive and qualified bidder;
- (xiii) post-bid negotiations shall not be allowed with the lowest evaluated or any other bidders;
- (xiv) draft NCB contract would be reviewed by the Association in accordance with the prior review procedures;

- (xv) a firm declared ineligible by the Association, based on a determination by the Association that the firm has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing an Association-financed contract, shall be ineligible to be awarded an Association-financed contract during the period of time determined by the Association; and
- (xvi) each contract financed from the proceeds of a Credit shall provide that the suppliers, contractors and subcontractors shall permit the Association, at its request to inspect their account and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

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)	Selection based on Consultants' Qualifications
(b)	Single Source Selection
(c)	Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) all contracts for goods and works procured on the basis of International Competitive Bidding; (b) the first contract for goods and works procured on the basis of National Competitive Bidding regardless of its value; (c) the first contract for goods procured on the basis of Shopping regardless of its value; (d) all contracts for goods and works estimated to cost the equivalent of US\$200,000 or above; (e) the first contract for consultants' services provided by a firm regardless of its value and, thereafter, all contracts for consultants' services provided by a firm estimated to cost the equivalent of US\$200,000 or above; (f) the first contract for consultants' services provided by an individual consultant regardless of its value and, thereafter, all contracts for consultants'

services provided by an individual consultant estimated to cost the equivalent of US\$50,000 or above; and (g) the first non-consultants' services (i.e. training and workshops) contract regardless of its value.

All other contracts shall be subject to Post Review by the Association.

E. Accountability and Transparency Mechanisms in Procurement

1. The Recipient shall, through the BISP, develop, by no later than four (4) months after the Effective Date; and, thereafter, maintain, a publicly accessible website, in terms satisfactory to the Association, showing the Project procurement plans, the status of procurement of various contracts (the summary of proposals/bid evaluations and awards) and a list of procurement complaints and status thereof.

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, Consultants' Services, Training, and Incremental Operating Costs for the Project	40,200,000	100%
TOTAL AMOUNT	40,200,000	

For the purposes of this paragraph, the terms “Training” and “Incremental Operating Costs” have the meaning ascribed below:

- (i) “Training” means training, workshops, study tours and conferences, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees; and
- (ii) “Incremental Operating Costs” means the expenditures for salaries of contractual staff (other than consultants), per diem and allowances, office rental, office supplies, utilities, conveyance, travel and boarding/lodging allowances, operating and maintenance of office equipment and vehicles, advertising expenses and bank charges, insurance, media projections, newspaper subscriptions, periodicals, printing and stationary costs in connection with the management and coordination of Project activities, which expenditures would not have been incurred absent the Project, but excluding salaries of the Recipient’s civil servants.

B. Withdrawal Conditions; Withdrawal Period

- 1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$2,000,000 equivalent may be made for payments prior to this date but on or after July 1, 2008;
 - (b) in respect of expenditures under Category (1) unless the Recipient has:
 - (i) adopted the Finance and Accounting Guidelines for the Project satisfactory to the Association; and
 - (ii) hired two (2) financial management specialists and two (2) procurement specialists within the PIU, under terms of reference and qualifications satisfactory to the Association.
- 2. The Closing Date is July 31, 2013.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each June 15 and December 15:	
commencing December 15, 2019, to and including June 15, 2029	1.25%
commencing December 15, 2029, to and including June 15, 2044	2.5%

* 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.
2. “BISP” means the Benazir Income Support Program, which is the legal entity established by the BISP Ordinance (2009) and responsible for implementing the safety net program under the Project.
3. “BISP Operational Manual” means the manual approved by the Board on April 22, 2009, and referred to in Section I.A.2(a) of Schedule 2 of this Agreement, satisfactory to the Association, providing for, *inter alia*, criteria of selection of eligible beneficiaries, procedures for processing appeals arising from targeting of beneficiaries and an outline of the procedures and mechanisms for carrying out the objectives of the BISP.
4. “BISP Ordinance (2009)” means the ordinance No. IX of 2009 via Notification No.2(I)/2009-PUB dated April 30, 2009 establishing the BISP.
5. “Board” means the management board for the BISP established under the Cabinet Division via Notification No. F.1/5/2008-Adm-II dated September 27, 2008, and Chapter III Section 5 of the BISP Ordinance (2009).
6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
7. “Chairperson” means the head of the Board of the BISP in accordance with Chapter III Section 5 of the BISP Ordinance (2009).
8. “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.
9. “Finance and Accounting Guidelines” means the manual for the Project to be approved by the Board, and referred to in Section I.A.2.(a) of Schedule 2 of this Agreement, satisfactory to the Association, incorporating, among other things, policy and procedures regarding budgeting, accounting, finance, funds flow, reporting, internal control and audit mechanisms for the Project.
10. “Finance and Accounting Manual” means the manual for the BISP to be approved by the Board, and referred to in Section I.A.2.(b) of Schedule 2 of this Agreement, satisfactory to the Association, incorporating, among other things,

policy and procedures regarding budgeting, accounting, finance, funds flow, reporting, internal control and audit mechanisms for the BISP.

11. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
12. “NSPS” means the Recipient’s National Social Protection Strategy, referred to in Part 4 of Schedule 1 of this Agreement, approved by the Recipient’s federal cabinet in June, 2007.
13. “PIU” means the project implementing unit established and operating within the BISP to handle the day-to-day implementation of the Project, and referred to in Section I.A.1(c) of Schedule 2 of this Agreement.
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 Recipient’s procurement plan for the Project, dated April 22, 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. “Secretary” means the secretary of the Board in accordance with Chapter III Section 5 of the BISP Ordinance (2009).

Section II. Modifications to the General Condition

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. Section 2.07 is modified to read as follows:

“Section 2.07. Refinancing Preparation Advance

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

the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (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.”

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.”