

CONFORMED COPY

LOAN NUMBER 7931-KZ

Loan Agreement

(Technical and Vocational Education Modernization Project)

between

REPUBLIC OF KAZAKHSTAN

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated November 24, 2010

LOAN NUMBER 7931-KZ

LOAN AGREEMENT

Agreement dated November 24, 2010, between REPUBLIC OF KAZAKHSTAN (“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 nine million two hundred thirty thousand Dollars (\$29,230,000) (“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. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 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 Variable Spread. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 January 15 and July 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.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through the MoES 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The PMU has been established by the Borrower, through the MoES, with a composition, resources and terms of reference satisfactory to the Bank.
 - (b) The Project Advisory Panel has been established by the Borrower with a composition, resources and terms of reference satisfactory to the Bank.
 - (c) The Operational Manual, satisfactory to the Bank, has been adopted by the Borrower.
- 4.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

Ministry of Finance
11 Pobedy Street
Astana 010000
Republic of Kazakhstan

Telex:	Facsimile:
265126 (FILIN)	7-7172-717785

- 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 Astana, Kazakhstan, as of the day and year first above written.

REPUBLIC OF KAZAKHSTAN

By /s/ Bolat Zhamishev

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Sebnem Akkaya

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to raise the relevance, quality and efficiency of technical and vocational education (TVE) through an improved policy framework and institutional capacity.

The Project consists of the following parts:

Part 1: Develop Standards and Quality Assurance for TVE

Provision of goods, consultants' services, and training for: (a) development of a national qualifications system and national qualifications framework; (b) development of occupational standards and upgrading the qualifications assessment; and (c) development and implementation of methods and procedures for independent institutional accreditation.

Part 2: Strengthen Governance, Management and Financing for TVE

Provision of goods, consultants' services, training and Incremental Operating Costs for: (a) modernization of the governance and management policies, procedures and institutional structures of TVE; (b) the introduction of formula-based financing to TVE institutions in selected regions; (c) design and implementation of an effective mechanism for monitoring and evaluation of TVE; and (d) support for Project coordination, implementation and management.

Part 3: Strengthen Skills Delivery Capacity of TVE Institutions

(a) Provision of goods and consultants' services for the development of educational standards and a core competency-based curriculum at the national level; (b) provision of Sub-grants to Beneficiaries to carry out Sub-projects for preparation of in-service teacher training programs for the introduction of a competency-based and modularized curriculum in select regional teacher training centers; and (c) provision of Sub-grants to Beneficiaries to carry out Sub-projects for the implementation of institutional development plans.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

The Borrower shall carry out the Project in accordance with the following institutional and other arrangements:

1. The Project Steering Committee shall have overall responsibility for Project oversight and policy guidance in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Operational Manual.
2. The Borrower, through the PMU, with the technical support of the Project Advisory Panel, shall carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Operational Manual and the EMF, and shall not assign, amend, abrogate or waive any provisions of the Operational Manual or the EMF without prior approval of the Bank.
3. At all times during the implementation of the Project, the Borrower shall maintain the Project Steering Committee, the PMU and the Project Advisory Panel with a composition, resources, and terms of reference satisfactory to the Bank.
4. Not later than thirty (30) days after the Effectiveness Deadline, the Borrower, through the MoES, shall upgrade the accounting software of the PMU in a manner satisfactory to the Bank.

B Anti-Corruption

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

C. Sub-projects.

1. For the purposes of Part 3(b) and Part 3 (c) of the Project, the Borrower, through the MoES, shall make Sub-grants to Beneficiaries in accordance with the eligibility criteria and procedures set forth in the Operational Manual, which shall include the following: (a) Sub-project proposals shall be selected, implemented and evaluated in accordance with the principles and procedures set forth in the Operational Manual, the Procurement Guidelines, the Consultant Guidelines, the Anti-Corruption Guidelines and the EMF; and (b) to ensure that the criteria for selection of Sub-projects prohibits land acquisition or Resettlement.
2. The Borrower, through the MoES, shall make each Sub-grant under a Sub-grant Agreement with the respective Beneficiary on terms and conditions approved by the Bank, which shall include the following:

- (a) Sub-grants shall be denominated in Tenge or Dollars; and
- (b) The Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to:
 - (i) suspend or terminate the right of the Beneficiary to use to the proceeds of the Sub-grant, or seek a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Sub-grant Agreement; and
 - (ii) require each Beneficiary to:
 - (A) (1) 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 Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower;
 - (2) to restrict works to the renovation and/or rehabilitation of existing facilities; and
 - (3) for Sub-projects which require an EMP or which require an EMP and a Site-specific EIA, as set forth in the EMF and the Operational Manual, to carry out such EMP or such EMP and Site-specific EIA in a timely manner, requiring such EMP or EMP and Site-specific EIA to be in compliance with environmental standards satisfactory to the Bank and which shall include adequate information on the carrying out of such Site-specific EIAs and EMPs in the progress reports referred to in Section II.A. of this Schedule 2;
 - (B) provide, promptly as needed, the resources required for the purpose;
 - (C) procure the goods, works and services to be financed out of the Sub-grant in accordance with the provisions of this Agreement;
 - (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives;
 - (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations,

resources and expenditures related to the Sub-project;
and

(2) at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank;

(F) enable the Borrower and the Bank to inspect the Sub-project, its operation and any relevant records and documents; and

(G) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

3. The Borrower shall exercise its rights under each Sub-grant Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower 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 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 (45) days after the end of the period covered by such report.

2. Not later than fifteen (15) months after the Effectiveness Deadline, the Borrower shall carry out jointly with the Bank, a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review). The Midterm Review shall cover, amongst other things:

(a) progress made in meeting the Project's objective; and

(b) overall Project performance against Project performance indicators referenced in para. 1 of this Section.

3. The Borrower shall prepare at least four (4) weeks prior to the Midterm Review, and furnish to the Bank, a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

B. Financial Management, Financial Reports and Audits

1. The Borrower 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. The Borrower shall prepare and furnish to the Bank 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 Bank.
3. The Borrower 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 (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 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 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 procedures.
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. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) National Competitive Bidding, subject to additional provisions set forth in the Attachment to this Schedule 2
(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) Selection under a Fixed Budget
(b) Least Cost Selection
(c) Selection based on Consultants' Qualifications
(d) Single-source Selection
(e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(f) Sole Source Procedures 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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be Financed (exclusive of taxes)
(1) Goods, consultants’ services, Training and Incremental Operating Costs for the Project	3,600,000	100%
(2) Sub-Grants under Part 3(b) and Part 3(c) of the Project	25,630,000	100%
TOTAL AMOUNT	29,230,000	

For the purpose of this table:

- (a) the term “Incremental Operating Costs” means the reasonable expenditures incurred for the implementation of the Project by the PMU on account of office rental, utility charges, transportation, office supplies, photocopying, printing, advertisements, banking charges, communication services, travel costs and *per diem*, and support staff excluding salaries of officials of the Recipient’s civil service; and
- (b) “Training” means Project related study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, local travel, *per diem* costs of trainees and trainers’ fees, and interpretation and translation services.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
- (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or
- (b) for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2013.

**Attachment
to
SCHEDULE 2**

National Competitive Bidding procedures of the Borrower may be used for procurement of goods and works under the Project provided that the following provisions are complied with:

A. Participation by Government-owned enterprises

Government-owned enterprises on the territory of the Borrower shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

B. Bidding Documents

Procuring entities shall use the appropriate standard bidding documents for the procurement of goods and works acceptable to the Bank.

C. Bid Opening and Bid Evaluation

- (a) bids shall be opened in public, immediately after the deadline for submission of bids;
- (b) evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents;
- (c) domestic preference should not be applied; and
- (d) contracts shall be awarded to qualified bidder having submitted the lowest evaluated substantially responsive bid and no negotiation shall take place.

D. Price Adjustment

Civil works contracts of long duration (more than eighteen (18) months) shall contain an appropriate price adjustment clause. Civil works contracts that are not of long duration (eighteen (18) months or less) shall not require an appropriate price adjustment clause.

E. Cancellation of the Bidding Process

Non-recognition of a tender and soliciting new bids can be done only with the prior concurrence of the Bank.

F. Rejection of an Individual Bid

An individual bid shall be rejected only in the following cases:

- (a) the bidder is not qualified;
- (b) the bidder does not accept the correction of an arithmetical error in his bid by the Tender Commission of the procuring entity; and
- (c) the bidder is not responsive to the requirements of the bidding documents.

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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each January 15 and July 15 Beginning July 15, 2014 through July 15, 2024	4.55%
On January 15, 2025	4.45%

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.
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 subparagraph shall no longer apply to any withdrawals made after the adoption of such billing system.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section III of this Appendix.
2. “Beneficiary” means the recipient of a Sub-grant under Part 3 (b) or Part 3 (c) of the Project, as set out in the Operational Manual; and “Beneficiaries” means more than one such recipient.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
5. “EMF” means environmental management framework prepared by the Borrower, and satisfactory to the Bank, disclosed in-country on February 12, 2010 and disclosed at the Bank’s Infoshop on February 26, 2010, describing the rules, guidelines and procedures to assess environmental impacts and defining measures to reduce, mitigate or offset adverse environmental impacts associated with the implementation of activities under the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with the Bank’s prior written approval.
6. “EMP” means a site-specific environmental management plan, satisfactory to the Bank, to be prepared by a Beneficiary, together with a site-specific EIA, for category B subprojects in accordance with the requirements of the EMF, in respect of activities to be undertaken by a Beneficiary under Part 3 (b) or Part 3 (c) of the Project; and “EMPs” refers to more than one such EMP.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
8. “MoES” means the Ministry of Education and Science of the Borrower or any successor or successors thereto.
9. “Operational Manual” means the manual, to be adopted by the Borrower pursuant to Section 4.01(c) of this Agreement, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, including the EMF, a manual of financial procedures, and the eligibility criteria, selection procedures, terms and conditions of Sub-projects under Part 3 (b) and Part 3 (c) of the Project, as the

same may be amended and supplemented from time to time with the Bank's prior written approval.

10. "PMU" means the project management unit under the MoES to be established in the pursuant to Section 4.01(a) of this Agreement, with responsibility for day-to-day management of the Project, and which shall include: (i) a project director; (ii) a procurement specialist; (iii) a financial management specialist; (iv) a coordinator for Parts 1 and 2 of the Project; (v) a coordinator for Part 3 of the Project; and (vi) an administrative assistant/translator.
11. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006 and May 2010.
12. "Procurement Plan" means the Borrower's procurement plan for the Project, dated May 12, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
13. "Project Advisory Panel" means the panel of technical experts to be established pursuant to Section 4.01 (b) of this Agreement, responsible for providing technical advice to the PMU in accordance with the Operational Manual.
14. "Project Steering Committee" means the committee under the MoES responsible for Project oversight, policy guidance as well as overall coordination of the Project, chaired by the Executive Secretary of the MoES or his delegated representative, and which shall include key stakeholders from the private sector and from relevant government agencies.
15. "Resettlement" means: (i) the involuntary taking of land, including anything growing on, or permanently affixed to, such land, such as buildings and crops, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the affected persons, and encompassing restrictions on the use of resources imposed on people living outside a park or protected area, or on those who continue living inside the park or protected area during and after Project implementation.
16. "Site-specific EIA" means a site-specific environmental impact assessment, satisfactory to the Bank, to be prepared by a Beneficiary in accordance with the requirements of the EMF, in respect of activities to be undertaken by a Beneficiary under Part 3 (b) or Part 3 (c) of the Project, as applicable, consisting of, inter alia: (i) a description of the site where the Project activities are to be carried out; (ii) the potential and actual adverse social and environmental impacts of the activities referred to under paragraph (i) above; and (iii) describing environmental mitigation, monitoring, and institutional measures required for the site pursuant to the EMF; and "Site-specific EIAs" refers to more than one such Site-specific EIA.

17. “Sub-grant” means a grant made or proposed to be made to a Beneficiary to finance goods, works and consultants’ services under a Sub-project under Part 3 (b) or Part 3 (c) of the Project.
18. “Sub-grant Agreement” means an agreement made between the Borrower and a Beneficiary for the purpose of financing a Sub-project under Part 3 (b) or Part 3 (c) of the Project.
19. “Sub-project” means a specific project to be carried out by a Beneficiary under Part 3 (b) or Part 3 (c) of the Project using the proceeds of a Sub-grant.
20. “Tenge” means the lawful currency of the Borrower.

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: (i) 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; and/or (ii) a declaration by another financier that the Borrower (other than the Member Country) or the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the Project Implementing Entity has engaged in fraudulent,

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

Section III. Modifications to the Anti-Corruption Guidelines

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

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

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

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

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

Footnotes:

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

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

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